UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2021

OR

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

For the transition period from __________________ to __________________

Commission File Number: 001-37637

MIMECAST LIMITED
(Exact Name of Registrant as Specified in its Charter)

Bailiwick of Jersey **(State or other jurisdiction of incorporation or organization)**	**Not applicable** **(I.R.S. Employer Identification No.)**
1 Finsbury Avenue **London EC2M 2PF** **United Kingdom** **(Address of principal executive offices)**	**EC2M 2PF** **(Zip Code)**

Registrant's telephone number, including area code: (781) 996-5340
Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)
Ordinary Shares, par value $0.012 per share	MIME	The Nasdaq Global Select Market

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

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

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

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

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

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

As of January 27, 2022, the registrant had 66,922,342 shares of ordinary shares, $0.012 par value per share, outstanding.

SUMMARY OF THE MATERIAL AND OTHER RISKS ASSOCIATED WITH OUR BUSINESS

Business and Operational Risks

- On December 7, 2021, we entered into a Transaction Agreement providing for our acquisition by an entity affiliated with Permira Advisers LLC in an all-cash transaction valued at approximately $5.8 billion (the "Transaction"). The Transaction, the pendency of the Transaction or our failure to complete the Transaction could have a material adverse effect on our business, results of operations, financial condition and share price.

- Data security and integrity are critically important to our business, and breaches of our information and technology networks and unauthorized access to a customer's data, including our recent security incident, could harm our business and operating results.

- The global COVID-19 pandemic has had, and will likely continue to have, certain negative impacts on our business, financial results and operations.

- If we are unable to attract new customers, sell additional services, features and products to our existing customers, and retain customers, our business and results of operations will be affected adversely.

- The markets in which we participate are highly competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.

- If we are unable to effectively increase sales of our services to large enterprises, our business, financial position and results of operations may suffer.

- Our business and results of operations may be negatively impacted by the United Kingdom's withdrawal from the European Union.

- If we fail to maintain successful relationships with our channel partners, our business, financial position and results of operations may suffer.

- Any serious disruptions in our services may cause us to lose revenue and market acceptance and may affect the service level commitments under our subscription agreements, which could obligate us to provide refunds.

- We have acquired, and may acquire in the future, other businesses, products or technologies, which could require significant management attention, disrupt our business, dilute shareholder value and adversely affect our results of operations.

- If we are not able to provide successful updates, enhancements and features to our technology to, among other things, keep up with emerging cyber threats and customer needs, our business could be adversely affected.

- We are subject to a number of risks associated with global sales and operations, including without limitation the recent societal unrest in South Africa.

- Our research and development efforts may not produce new services or enhancements to existing services.

- We employ third-party licensed software for use in or with our services, and the inability to maintain these licenses or errors or vulnerabilities in the software we license could result in increased costs, reduced service levels or security risks, which would adversely affect our business.

- Interruptions or performance problems associated with our information and technology infrastructure could impair the delivery of our services and harm our business.

Legal and Regulatory Risks

- Our failure to comply with evolving data privacy, data protection and cloud computing regulations, cross-border data transfer restrictions and other domestic or foreign laws and regulations may result in substantial liability and may limit the use and adoption of, or require modifications to, our products and services, all of which could reduce our revenue, harm our operating results and adversely affect our business.

- We are subject to governmental export controls and funds dealings restrictions that could impair our ability to compete in certain international markets and subject us to liability if we are not in full compliance with applicable laws.
- We may become involved in litigation that may materially adversely affect us.

Human Capital Risks

- We are dependent on the continued services and performance of our key employees, including our co-founder.
- If we are unable to hire, retain and motivate qualified personnel, our business may be adversely impacted.

Risks Related to Intellectual Property

- Third parties have sued us for alleged infringement of their proprietary rights.
- Failure to protect our intellectual property rights could impair our ability to protect our technology and our brand.
- Our employees may disclose our trade secrets and other proprietary information.
- Our employees or contractors may wrongfully use or disclose alleged trade secrets or confidential information of their former employers or other parties.
- The use of open source software in our offerings may expose us to additional risks, including security risks, and harm our intellectual property.

Financial Risks

- Because we recognize revenue from subscriptions for our services over the term of the agreement, downturns or upturns in new business may not be immediately reflected in our operating results and may be difficult to discern.
- Fluctuations in currency exchange rates could adversely affect our business.
- Financial covenants and other restrictions under our credit facility create default risks and reduce our flexibility.
- We must maintain the adequacy of internal controls over financial reporting.

Tax Risks

- We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, including issues related to our tax residence, allocations of our taxable income among our subsidiaries, and limitations on our use of net operating losses or tax credit carryforwards.

Risks Related to Owning Our Ordinary Shares and Our Organization in Jersey, Channel Islands

- Our share price has been and may continue to be volatile based on many factors, many of which are not within our control.
- If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.
- We do not expect to pay dividends and investors should not buy our ordinary shares expecting to receive dividends.
- The rights afforded to our shareholders are governed by Jersey law. Not all rights available to shareholders under English law or U.S. law will be available to shareholders, potentially including the ability to enforce civil liabilities against us.

The summary described above should be read together with the text of the full risk factors below and in the other information set forth in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes, as well as in other documents that we file with the Securities and Exchange Commission. If any such risks and uncertainties actually occur, our business, prospects, financial condition and results of operations could be materially and adversely affected. The risks summarized above or described in full below are not the only risks that we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations. For more information on these risk factors, see Part II, Item 1A, "Risk Factors", included in this Quarterly Report on Form 10-Q.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MIMECAST LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	As of December 31, 2021	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 416,173	$ 292,949
Accounts receivable, net	120,071	114,280
Deferred contract costs, net	18,667	16,165
Prepaid expenses and other current assets	20,729	20,031
Total current assets	575,640	443,425
Property and equipment, net	91,066	92,891
Operating lease right-of-use assets	113,810	128,063
Intangible assets, net	40,944	43,193
Goodwill	180,600	173,952
Deferred contract costs, net of current portion	53,577	50,086
Other assets	3,248	3,097
Total assets	$ 1,058,885	$ 934,707
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 7,088	$ 10,487
Accrued expenses and other current liabilities	64,067	54,676
Deferred revenue	253,345	237,749
Current portion of finance lease obligations	429	323
Current portion of operating lease liabilities	29,703	33,447
Current portion of long-term debt	9,738	9,090
Total current liabilities	364,370	345,772
Deferred revenue, net of current portion	10,624	12,936
Operating lease liabilities	98,969	112,316
Long-term debt	69,867	94,671
Other non-current liabilities	7,171	8,143
Total liabilities	551,001	573,838
Commitments and contingencies (Note 13)		
Shareholders' equity		
Ordinary shares, $0.012 par value, 300,000,000 shares authorized; 66,907,431 and 64,562,222 shares issued and outstanding as of December 31, 2021 and March 31, 2021, respectively	803	775
Additional paid-in capital	508,400	408,249
Accumulated deficit	(12,442)	(53,915)
Accumulated other comprehensive income	11,123	5,760
Total shareholders' equity	507,884	360,869
Total liabilities and shareholders' equity	$ 1,058,885	$ 934,707

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

MIMECAST LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Revenue	$ 151,599	$ 129,636	$ 441,381	$ 367,505
Cost of revenue	34,408	31,572	101,433	89,783
Gross profit	117,191	98,064	339,948	277,722
Operating expenses				
Research and development	26,305	25,408	83,025	70,497
Sales and marketing	49,738	45,187	146,775	133,224
General and administrative	24,199	16,649	60,373	50,400
Total operating expenses	100,242	87,244	290,173	254,121
Income from operations	16,949	10,820	49,775	23,601
Other income (expense)				
Interest income	82	261	351	612
Interest expense	(465)	(578)	(1,535)	(2,251)
Foreign exchange (expense) income and other, net	(1,043)	1,441	(2,234)	4,365
Total other income (expense), net	(1,426)	1,124	(3,418)	2,726
Income before income taxes	15,523	11,944	46,357	26,327
Provision for income taxes	1,705	1,155	4,884	2,350
Net income	$ 13,818	$ 10,789	$ 41,473	$ 23,977
Net income per ordinary share				
Basic	$ 0.21	$ 0.17	$ 0.63	$ 0.38
Diluted	$ 0.20	$ 0.16	$ 0.60	$ 0.37
Weighted-average number of ordinary shares outstanding				
Basic	66,575	63,987	65,921	63,509
Diluted	70,133	66,023	68,767	65,419

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

MIMECAST LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Net income	$ 13,818	$ 10,789	$ 41,473	$ 23,977
Other comprehensive income:				
Change in foreign currency translation adjustment	3,006	15,775	5,363	21,766
Total other comprehensive income	3,006	15,775	5,363	21,766
Comprehensive income	$ 16,824	$ 26,564	$ 46,836	$ 45,743

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

MIMECAST LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three months ended December 31, 2021					
	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of September 30, 2021	66,326	$ 796	$ 476,805	$ (26,260)	$ 8,117	$ 459,458
Net income	—	—	—	13,818	—	13,818
Foreign currency translation adjustment	—	—	—	—	3,006	3,006
Issuance of ordinary shares upon exercise of share options	456	6	15,983	—	—	15,989
Share-based compensation	—	—	14,618	—	—	14,618
ESPP purchases	67	—	3,051	—	—	3,051
Tax withholding on ESPP purchases and vesting of RSUs	(28)	—	(2,056)	—	—	(2,056)
Vesting of RSUs	86	1	(1)	—	—	—
Balance as of December 31, 2021	66,907	$ 803	$ 508,400	$ (12,442)	$ 11,123	$ 507,884

	Nine months ended December 31, 2021					
	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of March 31, 2021	64,562	$ 775	$ 408,249	$ (53,915)	$ 5,760	$ 360,869
Net income	—	—	—	41,473	—	41,473
Foreign currency translation adjustment	—	—	—	—	5,363	5,363
Issuance of ordinary shares upon exercise of share options	1,750	21	56,686	—	—	56,707
Share-based compensation	—	—	47,334	—	—	47,334
ESPP purchases	142	1	6,424	—	—	6,425
Tax withholding on ESPP purchases and vesting of RSUs	(220)	(2)	(10,285)	—	—	(10,287)
Vesting of RSUs	673	8	(8)	—	—	—
Balance as of December 31, 2021	66,907	$ 803	$ 508,400	$ (12,442)	$ 11,123	$ 507,884

	Three months ended December 31, 2020					
	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of September 30, 2020	63,843	$ 766	$ 368,813	$ (70,472)	$ (4,856)	$ 294,251
Net income	—	—	—	10,789	—	10,789
Foreign currency translation adjustment	—	—	—	—	15,775	15,775
Issuance of ordinary shares upon exercise of share options	378	5	8,812	—	—	8,817
Share-based compensation	—	—	13,833	—	—	13,833
ESPP purchases	91	1	3,320	—	—	3,321
Tax withholding on ESPP purchases and vesting of RSUs	(17)	—	(867)	—	—	(867)
Vesting of RSUs	52	—	—	—	—	—
Balance as of December 31, 2020	64,347	$ 772	$ 393,911	$ (59,683)	$ 10,919	$ 345,919

	Nine months ended December 31, 2020					
	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of March 31, 2020	62,792	$ 754	$ 325,808	$ (83,660)	$ (10,847)	$ 232,055
Net income	—	—	—	23,977	—	23,977
Foreign currency translation adjustment	—	—	—	—	21,766	21,766
Issuance of ordinary shares upon exercise of share options	1,160	14	24,683	—	—	24,697
Share-based compensation	—	—	41,183	—	—	41,183
ESPP purchases	178	2	6,414	—	—	6,416
Tax withholding on ESPP purchases and vesting of RSUs	(109)	(1)	(4,174)	—	—	(4,175)
Vesting of RSUs	326	3	(3)	—	—	—
Balance as of December 31, 2020	64,347	$ 772	$ 393,911	$ (59,683)	$ 10,919	$ 345,919

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

MIMECAST LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended December 31	
	2021	2020
Operating activities		
Net income	$ 41,473	$ 23,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,838	28,297
Share-based compensation expense	47,365	41,064
Amortization of deferred contract costs	13,106	9,471
Amortization of debt issuance costs	331	344
Amortization of operating lease right-of-use assets	24,926	22,328
Deferred income tax expense (benefit)	602	(190)
Other non-cash items	(3)	—
Unrealized currency losses (gains) on foreign denominated transactions	1,233	(4,540)
Changes in assets and liabilities:		
Accounts receivable	(7,180)	6,224
Prepaid expenses and other current assets	(946)	(1,700)
Deferred contract costs	(20,043)	(19,521)
Other assets	1,163	250
Accounts payable	799	(3,630)
Deferred revenue	16,442	2,537
Operating lease liabilities	(27,495)	(25,024)
Accrued expenses and other liabilities	8,549	15,439
Net cash provided by operating activities	130,160	95,326
Investing activities		
Purchases of property, equipment and capitalized software	(29,401)	(30,931)
Purchase of strategic investments	(1,500)	—
Payments for acquisitions, net of cash acquired	—	(17,044)
Net cash used in investing activities	(30,901)	(47,975)
Financing activities		
Proceeds from issuance of ordinary shares	63,097	31,113
Withholding taxes related to net share settlement of ESPP purchases and vesting of RSUs	(10,287)	(4,175)
Payments on debt including revolving credit facilities	(24,375)	(5,000)
Payments on finance lease obligations	(610)	(789)
Proceeds from long-term debt including revolving credit facilities	—	17,500
Net cash provided by financing activities	27,825	38,649
Effect of foreign exchange rates on cash	(3,860)	10,939
Net increase in cash and cash equivalents	123,224	96,939
Cash and cash equivalents at beginning of period	292,949	173,958
Cash and cash equivalents at end of period	$ 416,173	$ 270,897
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 1,222	$ 2,163
Cash paid during the period for income taxes	$ 1,878	$ 1,228
Supplemental disclosure of non-cash investing and financing activities		
Unpaid purchases of property, equipment and capitalized software	$ 4,441	$ 11,739
Operating lease right-of-use assets exchanged for lease obligations	$ 12,289	$ 30,216
Amounts due from seller for acquisitions	$ —	$ 74
Proceeds receivable from issuance of ordinary shares	$ 35	$ —
Property and equipment acquired under finance lease	$ 716	$ —

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

1. Summary of Business and Significant Accounting Policies

Description of Business

Mimecast Limited (Mimecast or the Company) is a public limited company organized under the laws of the Bailiwick of Jersey on July 28, 2015 and is headquartered in London, England.

The principal activity of the Company is the provision of cloud security and risk management services for email and corporate information. The Company's Email Security 3.0 and Cyber Resilience Extension offerings are designed to protect customers from today's rapidly changing security environment. The Email Security 3.0 strategy addresses threats in three distinct zones: at the email perimeter (Zone 1); inside the network and the organization (Zone 2); and beyond the perimeter (Zone 3). The Company's Cyber Resilience Extensions expand resilience to other critical elements of an organization's digital infrastructure. The Company's primary offerings include: email security; email continuity and sync & recover; email archiving; awareness training; web security; DMARC analyzer; CyberGraph; brand exploit protection; and threat intelligence and our API ecosystem. Mimecast operates principally in Europe, North America, Africa and Australia.

The Company is subject to a number of risks and uncertainties common to companies in similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, customer concentration, security risks, management of international activities, protection of proprietary rights, patent litigation, and dependence on key individuals.

Pending Transaction

On December 7, 2021, the Company entered into a Transaction Agreement (Transaction Agreement) with Magnesium Bidco Limited, a private limited company incorporated in England & Wales (Buyer). Buyer is an affiliate of Permira Advisors LLC. The Transaction Agreement provides for the implementation of a Bailiwick of Jersey scheme of arrangement (Scheme of Arrangement) pursuant to which Buyer will acquire all of the Company's shares (subject to certain exceptions) then outstanding as of the time that an act of the Royal Court of Jersey sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in Jersey for registration (the "Effective Time") and Company shareholders will be entitled, in accordance with the terms of the Scheme of Arrangement, to receive an amount in cash, without interest, equal to $80.00 per Company ordinary share that is outstanding immediately prior to the Effective Time.

The completion of the transactions contemplated by the Transaction Agreement (Transaction) is subject to certain closing conditions, including approval by Company shareholders, receipt of regulatory approvals and such other conditions to completion as set forth in the Transaction Agreement. The Transaction is expected to close in the first half of 2022, subject to these closing conditions. Upon completion of the Transaction, the Company will become a privately held company and the ordinary shares of the Company will no longer be listed on any public market.

Two special meetings of Company shareholders, the first to approve the Scheme of Arrangement for purposes of satisfying the requirements of the Companies (Jersey) Law 1991, as amended (the "Companies Law"), and the second to authorize the directors of the Company's board of directors to take all actions as they consider necessary or appropriate for carrying the Scheme of Arrangement into effect and to amend the Company's articles of association, are expected to be held in March 2022.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These financial statements and notes should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2021 and related notes, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on May 27, 2021.

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the financial information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended March 31, 2021 contained in the Company's Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position as of December 31, 2021, and for the three and nine months ended December 31, 2021 and 2020. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

The Company reclassified certain amounts within its condensed consolidated statement of cash flows to conform to current period presentation. The reclassifications include $0.7 million from other assets and $0.5 million from accrued expenses and other liabilities to deferred income tax expense (benefit) for the nine months ended December 31, 2020. These reclassifications had no impact on the Company's previously reported results of operations or balance sheets.

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period.

Significant estimates relied upon in preparing these condensed consolidated financial statements include revenue recognition, variable consideration, valuation at fair value of assets acquired or sold, including intangible assets, goodwill, tangible assets, and liabilities assumed, amortization periods, expected future cash flows used to evaluate the recoverability of long-lived assets, contingent liabilities, determination of incremental borrowing rates, restructuring liabilities, expensing and capitalization of research and development costs for internal-use software, the determination of the fair value of share-based awards issued, the average period of benefit associated with costs capitalized to obtain revenue contracts and the recoverability of the Company's net deferred tax assets and related valuation allowance.

Due to the global COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of December 31, 2021. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recorded in the period in which they become known.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions, other events, and circumstances from non-owner sources. Comprehensive income consists of net income and other comprehensive income, which includes certain changes in equity that are excluded from net income. As of December 31, 2021 and March 31, 2021, accumulated other comprehensive income is presented separately on the condensed consolidated balance sheets and consists of cumulative foreign currency translation adjustments.

Accounting Policies

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the condensed consolidated financial statements. As of December 31, 2021, the Company's significant accounting policies and estimates, which are detailed in the Company's Annual Report on Form 10-K, have not changed.

2. Revenue and Deferred Revenue

Revenue recognized during the three and nine months ended December 31, 2021 from amounts included in deferred revenue at the beginning of the respective periods was approximately $105.0 million and $212.7 million, respectively. Revenue recognized during the three and nine months ended December 31, 2020 from amounts included in deferred revenue at the beginning of the respective periods was approximately $87.0 million and $177.0 million, respectively. Revenue recognized during the three and nine months ended December 31, 2021 and 2020 from performance obligations satisfied or partially satisfied in previous periods was not material.

Contracted revenue as of December 31, 2021 and March 31, 2021 that has not yet been recognized (contracted and not recognized) was $145.3 million and $117.5 million, respectively, which includes deferred revenue and non-cancellable amounts that will be invoiced and recognized as revenue in future periods and excludes contracts with an original expected length of one year or less. The Company expects 53% of contracted and not recognized revenue to be recognized over the next year, 46% in years two and three, with the remaining balance recognized thereafter.

3. Concentration of Credit Risk and Off-Balance Sheet Risk

The Company has no off-balance sheet risk, such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, investments and accounts receivable. The Company maintains its cash, cash equivalents and investments with major financial institutions of high-credit quality. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits.

Credit risk with respect to accounts receivable is dispersed due to the Company’s large number of customers. The Company’s accounts receivable are derived from revenue earned from customers primarily located in the United States, the United Kingdom, and South Africa. The Company generally does not require its customers to provide collateral or other security to support accounts receivable. The Company maintains an allowance for its doubtful accounts receivable due to estimated credit losses. The Company estimates credit losses at the reporting date resulting from the inability of its customers to make required payments, including its historical experience of actual losses and the aging of such receivables. These receivables have been pooled by shared risk characteristics. Based on known information the Company may also establish specific allowances for customers in an adverse financial condition or adjust its expectations of changes in conditions that may impact the collectability of outstanding receivables. Credit losses historically have not been significant and the Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company’s accounts receivable. The Company will continue to actively monitor the impact of the global COVID-19 pandemic on expected credit losses. As of December 31, 2021 and March 31, 2021, no individual customer represented more than 10% of the Company’s accounts receivable. During the three and nine months ended December 31, 2021 and 2020, no individual customer represented more than 10% of the Company’s revenue.

The Company generally diversifies its investment portfolio by investing in multiple types of investment-grade securities and attempts to mitigate the risk of loss by using a third-party investment manager. As of December 31, 2021, the Company's only investments consisted of convertible debt investments in privately held companies. As of March 31, 2021, the Company did not hold any investments.

4. Cash, Cash Equivalents and Investments

The Company considers all highly liquid instruments purchased with an original maturity date of 90 days or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks, amounts held in interest-bearing money market funds and investments with maturities of 90 days or less from the date of purchase. Cash equivalents are carried at cost, which approximates their fair market value. Investments not classified as cash equivalents are presented as either short-term or long-term investments based on both their stated maturities as well as the time period the Company intends to hold such securities. The Company determines the appropriate classification of investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company adjusts the cost of investments for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion in interest income in the condensed consolidated statements of operations. As of December 31, 2021 and March 31, 2021, cash and cash equivalents of $416.2 million and $292.9 million, respectively, were carried at amortized cost, which approximates their market value.

Strategic investments consist of convertible debt investments in privately held companies. The Company has classified these convertible debt investments as of December 31, 2021, as available-for-sale pursuant to Accounting Standard Codification (ASC) 320, *Investments - Debt Securities*. Due to the conversion option and other embedded features, the Company has elected to record the convertible debt investments in their entirety at fair value with any changes in fair value recognized in "Foreign exchange (expense) income and other, net" on the condensed consolidated statements of operations. As of December 31, 2021, the Company holds convertible debt investments that are due within two years with an amortized cost and a fair value of $1.5 million. These investments are included within other assets on the condensed consolidated balance sheets. During the three months ended December 31, 2021, the Company recognized immaterial unrealized gains related to changes in the fair value of the convertible debt investments. As of March 31, 2021, the Company did not hold any strategic investments.

5. Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and borrowings under the Company's long-term debt arrangements. The carrying amount of the Company's long-term debt arrangements approximates its fair values due to the interest rates the Company believes it could obtain for arrangements with similar terms. The Company's convertible debt investments are classified as available-for-sale and reported at fair value in accordance with the market approach primarily utilizing unobservable inputs. The carrying amount of the remainder of the Company's financial instruments approximated their fair values as of December 31, 2021 and March 31, 2021, due to the short-term nature of those instruments.

The Company has evaluated the estimated fair value of financial instruments using available market information. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts.

Fair values determined using "Level 1 inputs" utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined using "Level 2 inputs" utilize quoted prices that are directly or indirectly observable. Fair values determined using "Level 3 inputs" utilize unobservable inputs for determining fair values of assets or liabilities that reflect an entity's own assumptions in pricing assets or liabilities. As of December 31, 2021, the only assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are the Company's convertible debt investments. As of March 31, 2021, the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

The Company measures eligible assets and liabilities at fair value, with changes in value recognized in earnings. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company elected the fair value option for the convertible debt investments transacted during the three months ended December 31, 2021. Other than the convertible debt investments, the Company did not elect to remeasure any of its existing financial assets or liabilities and did not elect the fair value option for any financial assets and liabilities transacted in the three and nine months ended December 31, 2021 and the year ended March 31, 2021.

The following table summarizes financial assets measured and recorded at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of December 31, 2021 and March 31, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	**Significant Other Observable Inputs (Level 2 Inputs)**	**Significant Unobservable Inputs (Level 3 Inputs)**	**Total**
Assets:				
Money market funds	$ 12,519	$ —	$ —	$ 12,519
Convertible debt investments	—	—	1,515	1,515
Total assets	$ 12,519	$ —	$ 1,515	$ 14,034

	March 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	**Significant Other Observable Inputs (Level 2 Inputs)**	**Significant Unobservable Inputs (Level 3 Inputs)**	**Total**
Assets:				
Money market funds	$ 15,366	$ —	$ —	$ 15,366

6. Leases

The Company has operating leases for data centers and facilities and finance leases for certain equipment. The leases have remaining lease terms of less than one year to 7 years, some of which include options to extend the leases for up to 10 years. The Company recognizes lease expense for operating leases on a straight-line basis over the lease term. Variable costs, which are based on actual usage, are not included in the measurement of right-of-use assets (ROUA) and lease liabilities but are expensed when the event determining the amount of variable consideration to be paid occurs. Amortization expense of the ROUA for finance leases is recognized on a straight-line basis over the lease term and interest expense for finance leases is recognized based on the effective interest method using an incremental borrowing rate.

The components of lease expense were as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Short-term lease cost	$ 9	$ 40	$ 51	$ 128
Variable lease cost	1,353	1,536	4,403	5,094
Operating lease cost	9,681	9,390	29,079	26,712
Finance lease cost:				
Amortization of lease assets	70	250	372	750
Interest on lease liabilities	1	9	5	37
Total finance lease cost	$ 71	$ 259	$ 377	$ 787

Supplemental cash flow information related to leases was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	$ 10,335	$ 11,514	$ 32,125	$ 29,638
Operating cash outflows from finance leases	$ 2	$ 5	$ 5	$ 37
Financing cash outflows from finance leases	$ 263	$ 178	$ 610	$ 789

Weighted-average remaining lease term and discount rate:

	As of December 31, 2021	As of March 31, 2021
Weighted-average remaining lease term (in years)		
Operating leases	5.35	5.76
Finance leases	0.66	0.35
Weighted-average discount rate		
Operating leases	4.42 %	4.58 %
Finance leases	0.86 %	4.83 %

Maturities of lease liabilities as of December 31, 2021 were as follows:

Year Ending March 31,	Operating Leases	Finance Leases
Remainder of 2022	$ 9,014	$ 123
2023	33,796	307
2024	25,576	—
2025	23,657	—
2026	19,237	—
Thereafter	33,229	—
Total lease payments	144,509	430
Less: imputed interest	(15,837)	(1)
Total lease liabilities	$ 128,672	$ 429

As of December 31, 2021, the Company had no additional operating or finance leases that have not yet commenced.

7. Internal-use Software Costs

Software Development Costs

Costs incurred to develop software applications used in the Company's SaaS platform consist of certain direct costs of materials and services incurred in developing or obtaining internal-use computer software, and payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the project. These costs generally consist of internal labor during configuration, coding, and testing activities. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance and general and administrative or overhead costs are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Qualified costs incurred during the operating stage of the Company's software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs incurred for maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred. During the three and nine months ended December 31, 2021 and 2020, the Company believes the substantial majority of its development efforts were either in the preliminary project stage of development or in the operation stage (post-implementation), and accordingly, no costs have been capitalized during these periods. These costs are included in the accompanying condensed consolidated statements of operations as research and development expense.

Implementation Costs on Cloud-computing Arrangements

As of December 31, 2021 and March 31, 2021, the net carrying value of capitalized implementation costs related to hosting arrangements that were incurred during the application development stage were $2.1 million and $2.9 million, respectively. These capitalized implementation costs will be amortized over the expected term of the arrangement and are amortized in the same line item in the condensed consolidated statements of operations as the expense for fees for the associated hosting arrangement.

8. Net Income Per Ordinary Share

The Company calculates basic and diluted net income per ordinary share by dividing net income by the weighted-average number of ordinary shares outstanding during the period.

The following table presents the calculation of basic and diluted net income per share for the periods presented (in thousands, except per share data):

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Numerator:				
Net income	$ 13,818	$ 10,789	$ 41,473	$ 23,977
Denominator:				
Weighted-average number of ordinary shares used in computing net income per share applicable to ordinary shareholders – basic	66,575	63,987	65,921	63,509
Dilutive effect of share equivalents resulting from share options, RSUs and ESPP shares	3,558	2,036	2,846	1,910
Weighted-average number of ordinary shares used in computing net income per share – diluted	70,133	66,023	68,767	65,419
Net income per share applicable to ordinary shareholders:				
Basic	$ 0.21	$ 0.17	$ 0.63	$ 0.38
Diluted	$ 0.20	$ 0.16	$ 0.60	$ 0.37

The following potentially dilutive ordinary share equivalents have been excluded from the calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive for the periods presented (in thousands):

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Share options outstanding	—	2,373	346	3,276
Unvested RSUs	67	101	426	402
ESPP shares	—	82	—	166

9. Share-Based Compensation

For the three and nine months ended December 31, 2021 and 2020, all grants of share-based awards have been made under the Mimecast Limited 2015 Share Option and Incentive Plan (the 2015 Plan) and the 2015 Employee Share Purchase Plan (the ESPP). Additionally, the Company has two pre-IPO share-based compensation plans including the Mimecast Limited 2010 EMI Share Option Scheme (the 2010 Plan), and the Mimecast Limited Approved Share Option Plan (the Approved Plan) (the 2010 Plan and the Approved Plan, collectively, the Historical Plans). Subsequent to November 19, 2015, the IPO date, no further grants under the Historical Plans were permitted.

The 2015 Plan allows the compensation committee of the board of directors to make equity-based incentive awards to the Company's officers, employees, non-employee directors and consultants. Initially a total of 5.5 million ordinary shares were reserved for the issuance of awards under the 2015 Plan. This number is subject to adjustment in the event of a share split, share dividend or other change in our capitalization. The 2015 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1st by 5% of the outstanding number of ordinary shares on the immediately preceding December 31 or such lesser number of shares as determined by the board of directors.

Under the 2015 Plan, the share option price may not be less than the fair market value of the ordinary shares on the date of grant and the term of each share option may not exceed 10 years from the date of grant. Share options typically vest over 4 years, but vesting provisions can vary based on the discretion of the board of directors. The Company settles share option exercises and RSU releases under the 2015 Plan through newly issued shares. The Company's ordinary shares underlying any awards that are forfeited, canceled, withheld upon exercise of an option, or settlement of an award to cover the exercise price or tax withholding, or otherwise terminated other than by exercise will be added back to the shares available for issuance under the 2015 Plan.

Initially, a total of 1.1 million shares of the Company's ordinary shares were reserved for future issuance under the ESPP. This number is subject to change in the event of a share split, share dividend or other change in capitalization. The ESPP may be terminated or amended by the board of directors at any time.

The ESPP permits eligible employees to purchase shares by authorizing payroll deductions from 1% to 10% of his or her eligible compensation during each six-month offering period, which starts on the first business day in January and July each year. Unless an employee has previously withdrawn from the offering, his or her accumulated payroll deductions will be used to purchase shares on the last day of the offering period at a price equal to 85% of the fair market value of the shares on the first business day or last business day of the offering period, whichever is lower.

Share Options

The fair value of each share option issued under the 2015 Plan was estimated using the Black-Scholes option-pricing model that used the following weighted-average assumptions:

	Nine months ended December 31,	
	2021	2020
Expected term (in years)	6.1	6.1
Risk-free interest rate	1.3%	0.5%
Expected volatility	46.6%	44.6%
Expected dividend yield	—%	—%
Grant date fair value per ordinary share	$ 43.27	$ 35.17

The weighted-average per share fair value of options granted to employees during the nine months ended December 31, 2021 and 2020 was $19.84 and $15.07, respectively. As of December 31, 2021, the number of options and awards available for future grant under the 2015 Plan was 9,660,747.

Share option activity under the 2015 Plan and the Historical Plans for the nine months ended December 31, 2021 was as follows:

	Number of Awards		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value
Outstanding as of March 31, 2021	5,322,599	$	34.13	6.81	$	43,683
Options granted	842,928	$	43.27			
Options exercised	(1,750,407)	$	32.40			
Options forfeited and cancelled	(481,556)	$	39.93			
Outstanding as of December 31, 2021	3,933,564	$	36.15	7.07	$	170,792
Exercisable as of December 31, 2021	2,020,639	$	30.62	5.92	$	98,908

For the nine months ended December 31, 2021 and 2020, the total intrinsic value of options exercised was $50.5 million and $28.8 million, respectively. For the nine months ended December 31, 2021 and 2020, total cash proceeds from option exercises was $56.7 million and $24.7 million, respectively.

As of December 31, 2021, there was approximately $29.7 million of unrecognized share-based compensation related to unvested share options, which is expected to be recognized over a weighted-average period of 2.37 years.

RSUs

The Company grants RSUs to its non-employee directors and its employees. Non-employee directors receive an initial RSU grant upon joining the board of directors that vests over three years and an annual grant each year thereafter that vests fully on the one-year anniversary of the grant date. RSUs granted to employees generally vest in four equal annual installments.

RSU activity under the 2015 Plan for the nine months ended December 31, 2021 was as follows:

	Number of Awards		Weighted Average Grant Date Fair Value		Intrinsic Value (in thousands)
Unvested RSUs as of March 31, 2021	2,630,359	$	38.62	$	105,767
RSUs granted	2,039,568	$	45.63		
RSUs vested	(672,988)	$	38.63		
RSUs forfeited	(646,902)	$	39.36		
Unvested RSUs as of December 31, 2021	3,350,037	$	42.74	$	266,562

As of December 31, 2021, there was approximately $115.3 million of unrecognized share-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted-average period of 2.92 years.

ESPP

In the three months ended December 31, 2021 and 2020, the Company recognized $0.4 million and $0.6 million of share-based compensation expense under the ESPP, respectively. In the nine months ended December 31, 2021 and 2020, the Company recognized share-based compensation expense under the ESPP of $1.4 million and $1.8 million respectively. In the nine months ended December 31, 2021 and 2020 total cash proceeds from shares purchased under the ESPP were $6.4 million and $6.4 million, respectively.

As of December 31, 2021, there were 0.4 million shares of the Company's ordinary shares available for future issuance under the ESPP. Under the terms of the Transaction Agreement, the Company has suspended the ESPP, effective as of January 1, 2022.

Share-based compensation expense recognized under the 2015 Plan, Historical Plans and ESPP in the accompanying condensed consolidated statements of operations was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Cost of revenue	$ 1,350	$ 1,247	$ 4,318	$ 3,535
Research and development	3,598	3,791	13,982	11,570
Sales and marketing	4,670	4,718	15,029	13,606
General and administrative	5,001	4,036	14,036	12,353
Total share-based compensation expense	$ 14,619	$ 13,792	$ 47,365	$ 41,064

10. Acquisitions

The following acquisition has been accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The Company has recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition dates.

Fiscal 2021 Acquisition

eTorch Inc.

On July 29, 2020, the Company acquired eTorch Inc. (MessageControl), a company incorporated under the laws of the State of Delaware, for cash consideration of approximately $17.0 million, net of cash acquired of $0.4 million. MessageControl is a messaging security provider with solutions designed to help stop social engineering and human identity attacks with the use of machine learning technology.

The purchase price allocation primarily consisted of $3.8 million of identifiable intangible assets and approximately $14.1 million of goodwill that is not deductible for tax purposes. The identifiable intangible assets primarily include developed technology of $3.5 million, customer relationships of $0.2 million, and patent licenses of $0.1 million, with estimated useful lives of 9.7 years, 6.7 years, and 5.0 years respectively. The goodwill reflects the value of the synergies the Company expects to realize and the assembled workforce.

The Company has not presented pro forma results of operations for the MessageControl acquisition because it is not material to the Company's condensed consolidated results of operations, financial position, or cash flows.

11. Goodwill and Intangible Assets

The following is a rollforward of the Company's goodwill balance:

	Goodwill
Balance as of March 31, 2021	$ 173,952
Effect of foreign exchange rates	6,648
Balance as of December 31, 2021	$ 180,600

Purchased intangible assets consisted of the following:

	Weighted-Average Remaining Useful Life (in years)	December 31, 2021		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	6	$ 40,748	$ (12,851)	$ 27,897
Customer relationships	4	996	(441)	555
Capitalized software and other (1) (2)	3	28,951	(16,459)	12,492
		$ 70,695	$ (29,751)	$ 40,944

	Weighted-Average Remaining Useful Life (in years)	March 31, 2021		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	7	$ 39,180	$ (9,114)	$ 30,066
Customer relationships	4	984	(318)	666
Capitalized software and other (1) (2)	3	25,161	(12,700)	12,461
		$ 65,325	$ (22,132)	$ 43,193

(1) As of December 31, 2021 and March 31, 2021, the net carrying value of capitalized software and other included $2.7 million and $2.1 million, respectively, of costs capitalized related to video production costs.

(2) As of December 31, 2021 and March 31, 2021, the net carrying value of capitalized software and other included $0.3 million and $0.3 million of costs capitalized related to IP addresses.

For the three months ended December 31, 2021 and 2020, the Company recorded amortization expense of $2.6 million and $2.5 million, respectively. For the nine months ended December 31, 2021 and 2020, the Company recorded amortization expense of $7.5 million and $7.1 million, respectively. Amortization relating to developed technology and capitalized software was recorded within cost of revenue and amortization of customer relationships was recorded within sales and marketing expenses.

Future estimated amortization expense of intangible assets as of December 31, 2021, is as follows:

	Purchased Intangible Assets	Capitalized Software
Remainder of 2022	$ 1,164	$ 1,497
2023	4,655	4,752
2024	4,596	2,814
2025	4,519	1,853
2026	4,442	1,084
Thereafter	9,076	492
Total	$ 28,452	$ 12,492

12. Debt

In July 2018, the Company entered into a credit agreement (the Credit Agreement) that provided the Company with a $100.0 million senior secured term loan (the Term Loan) and a $50.0 million senior secured revolving credit facility (the Revolving Facility). In June 2020, the Credit Agreement was amended to permit the Company to issue letters of credit in certain additional foreign currencies beyond the U.S. dollar and the British pound (as amended, the Credit Agreement, the Term Loan and the Revolving Facility are referred to herein as the Credit Facility). The term of the Credit Facility is five years, maturing on July 23, 2023. As of December 31, 2021 and March 31, 2021, the effective interest rate under the Credit Facility was LIBOR plus 1.375%.

The Credit Facility requires the Company to maintain compliance with certain debt covenants, all of which the Company was in compliance with as of December 31, 2021.

As of December 31, 2021 and March 31, 2021, the Company had $80.0 million and $86.9 million, respectively, outstanding on the Term Loan. As of March 31, 2021, the Company had $17.5 million outstanding under the Revolving Facility. In the three months ended September 30, 2021 the Company repaid the $17.5 million outstanding borrowings under the Revolving Facility in full. As of December 31, 2021 and March 31, 2021, total availability under the Revolving Facility was reduced by outstanding letters of credit of $2.1 million and $2.2 million, respectively. As of December 31, 2021 and March 31, 2021, total availability under the Revolving Facility was $47.9 million and $30.3 million, respectively. Future minimum principal payment obligations under the Term Loan and Revolving Facility are as follows:

Fiscal Year Ending March 31,		**Debt**
Remainder of 2022	$	2,500
2023		10,000
2024		67,500
Total minimum debt payments		80,000
Less: Debt issuance costs		(395)
Less: Current portion of long-term debt		(9,738)
Long-term debt	$	69,867

As of December 31, 2021 and March 31, 2021, the balance of debt issuance costs recorded as a reduction of debt was $0.4 million and $0.6 million, respectively. As of December 31, 2021 and March 31, 2021, the balance of debt issuance costs recorded in other assets was $0.2 million and $0.3 million, respectively. For the three months ended December 31, 2021 and 2020, total interest expense under the Credit Facility was $0.4 million and $0.5 million, respectively. For the nine months ended December 31, 2021 and 2020, total interest expense under the Credit Facility was $1.2 million and $1.9 million, respectively.

13. Commitments and Contingencies

Litigation

On September 10, 2019, ZapFraud, Inc. (ZapFraud), filed a complaint in the U.S. District Court for the District of Delaware against the Company's wholly owned subsidiaries, Mimecast North America, Inc., Mimecast Services Limited and Mimecast UK Limited. The complaint alleges that certain elements of the Company's email security technology infringe a patent held by ZapFraud. ZapFraud seeks an award for damages in an unspecified amount, attorney's fees and injunctive relief. On November 22, 2019, the Company filed a Motion to Dismiss for Failure to State a Claim. On April 24, 2020, ZapFraud amended its complaint by alleging that the Company's email security technology infringes an additional patent that was recently issued to ZapFraud. On May 22, 2020, the Company filed a revised Motion to Dismiss for Failure to State a Claim that responds to ZapFraud's amended complaint. On September 18, 2020, the court held a hearing on the motion and on November 20, 2020 the magistrate judge issued a recommendation that the court grant the Company's motion. On December 11, 2020, ZapFraud filed objections to the magistrate judge's recommendation and the Company responded to those objections on January 4, 2021. On March 25, 2021, the court adopted the recommendation of the magistrate judge, and granted the Company's motion to dismiss. On September 22, 2021, the decision of the district court to adopt the magistrate judge's recommendation became final and non-appealable.

On January 14, 2022, in connection with the Transaction, a purported individual shareholder of Mimecast filed a complaint in the United States District Court for the Southern District of New York, captioned *O'Dell v. Mimecast Limited, et al.*, No. 1:22-cv-00367, naming as defendants the Company and each member of the Company's Board of Directors as of the date of the Transaction Agreement (O'Dell). Between January 21, 2022 and January 25, 2022, three additional cases were filed by purported individual shareholders of Mimecast in the same court, captioned *Whitfield v. Mimecast Limited, et al.*, 1:22-cv-00579 (Whitfield), *Smith v. Mimecast Limited, et al.*, No.1:22-cv-00630 (Smith), and *Hutchinson v. Mimecast Limited, et al.*, No. 1:22-cv-00665 (Hutchinson), and on January 23, 2022, one additional case was filed by a purported individual shareholder of Mimecast in the United States District Court for the Eastern District of New York, captioned *Mendoza v. Mimecast Limited, et al.*, No. 1:22-cv-00384 (Mendoza). The O'Dell, Whitfield, Smith, Hutchinson, and Mendoza cases, and any similar subsequently filed cases involving the Company, the Company's Board of Directors or any committee thereof and/or any of the Company's directors or officers relating directly or indirectly to the Transaction Agreement, the Transaction or any related transaction, are referred to as the Transaction Litigations.

The Transaction Litigations filed to date generally allege that the preliminary proxy statement filed by the Company with the Securities and Exchange Commission (SEC) on January 13, 2022 in connection with the Transaction is materially incomplete and misleading by allegedly failing to disclose purportedly material information relating to the sale process leading to the Transaction, Company financial projections, and the analyses performed by Citigroup Global Markets Inc., financial advisor to the Board of Directors and the special committee of the Board of Directors, in connection with the Transaction. The Transaction Litigations assert violations of Section 14(a) of the Securities Exchange Act of 1934 (the Exchange Act), Rule 14a-9 promulgated thereunder, and 17 C.F.R. § 244.100 against Mimecast and the members of the Company’s Board of Directors and violations of Section 20(a) of the Exchange Act against the Company’s Board of Directors. The Transaction Litigations seek, among other things: an injunction enjoining consummation of the Transaction, rescission of the Transaction Agreement, a declaration that the Company and the Company's Board of Directors violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, an order directing the Company's Board of Directors to comply with the Exchange Act, damages, costs of the action, including the plaintiff's attorneys' fees and experts' fees and expenses, and any other relief the court may deem just and proper.

The Company cannot predict the outcome of each Transaction Litigation, nor can the Company predict the amount of time and expense that will be required to resolve each Transaction Litigation. The Company believes that the O’Dell, Smith, Hutchinson, Whitfield, and Mendoza cases are without merit and the Company and its directors intend to vigorously defend against each Transaction Litigation and any subsequently filed similar actions. It is possible that additional similar complaints could be filed in connection with the Transaction. If additional similar complaints are filed, absent new or significantly different allegations, Mimecast will not necessarily disclose such additional complaints or filings.

From time to time, the Company may be involved in legal proceedings and subject to claims in the ordinary course of business. Although the results of these proceedings and claims cannot be predicted with certainty, the Company does not believe the ultimate cost to resolve these matters would individually, or taken together, have a material adverse effect on the Company’s business, operating results, cash flows or financial condition. Regardless of the outcome, such proceedings can have an adverse impact on the Company because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Except as described above, the Company was not subject to any material legal proceedings during the nine months ended December 31, 2021 and 2020, and, to the best of its knowledge, except as described above, no material legal proceedings are currently pending or threatened.

Indemnification

In the ordinary course of business, the Company provides indemnifications of varying scope and terms to customers, business partners, vendors, lessors, directors, officers, employees, and other parties with respect to certain matters. Indemnification may include losses from intellectual property infringement claims made by third parties, the Company’s breach of certain agreements, and other liabilities relating to or arising from the Company’s acts or omissions. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments may not be subject to a cap. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company’s limited history of prior indemnification claims and the unique facts and circumstances involved in each particular indemnification. Based on historical experience and information known as of December 31, 2021 and March 31, 2021, the Company has not incurred any costs for the above indemnities.

In certain circumstances, the Company warrants that its services will perform in all material respects in accordance with its standard published specification documentation in effect at the time of delivery of the services to the customer for the term of the agreement. To date, the Company has not incurred significant expense under its warranties and, as a result, the Company believes the estimated fair value of these agreements is immaterial.

Security Incident

In January 2021, the Company became aware of a security incident later determined to be conducted by the same sophisticated threat actor responsible for the SolarWinds supply chain attack. The Company immediately launched an internal forensic investigation. The investigation was supported by leading third-party forensics and cyber incident response experts at Mandiant, a division of FireEye, Inc., and in coordination with law enforcement to aid their investigation into this threat actor. During the investigation, the Company learned that the threat actor used the SolarWinds supply-chain compromise to gain access to part of its production grid environment. Using this entry point, the threat actor accessed certain Mimecast-issued certificates and related customer server connection information. The threat actor also accessed a subset of email addresses and other contact information, as well as encrypted and/or hashed and salted credentials. In addition, the threat actor accessed and downloaded a limited number of the Company's source code repositories, but the Company found no evidence of any modifications to its source code nor does it believe there was any impact on its products. As the investigation progressed, the Company issued a series of advisories to affected customers, including recommended precautionary steps to mitigate risk and, in some cases, to address regulatory requirements. The forensic investigation was completed in March 2021 and the Company has eliminated the threat actor's access to its environment. The Company has taken a number of actions to prevent future access to its environment and will continue to monitor for threats and take precautionary steps as needed.

The Company is subject to risk and significant uncertainties as a result of this security incident, including those described in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q. While the investigation is complete, there can be no assurance as to what the overall impact of these events will be. These types of events often have cascading impacts that unfold over time and may result in a loss of revenue, a diminution of the Company's business prospects and incremental costs, including costs associated with litigation or investigations by regulatory authorities, any of which may adversely impact the Company's financial results.

The Company has incurred and expects to incur significant costs related to the security incident. For the year ended March 31, 2021, the Company recorded $0.8 million of pre-tax expenses related to the security incident, net of anticipated insurance recoveries. For the three and nine months ended December 31, 2021, expenses related to the security incident were not material. Expenses include costs of the forensic investigation, remediation costs, and legal and other professional services. It is also expected that the Company will continue to incur costs related to its response, remediation, and investigatory efforts relating to this security incident. While the Company has cyber insurance coverage, the amount of such insurance may be insufficient to compensate for any expenses or losses that may result from the security incident or the insurance carrier may refuse to reimburse the Company for certain costs under the terms of the policy. The full scope of the costs and related impacts of the security incident, including the availability of insurance to offset some of these costs, cannot be estimated at this time.

14. Restructuring

Fiscal 2021 Restructuring

On January 28, 2021, the Board of Directors of the Company approved a restructuring plan designed to align the Company's resources with its strategy. The restructuring plan, which included a reduction of the Company's workforce by approximately 4%, permitted the Company to increase investment in strategic growth areas. During the year ended March 31, 2021, the Company recognized total pre-tax restructuring charges of $3.3 million, consisting of $3.7 million of severance and other one-time termination benefits, and other restructuring related costs, partially offset by $0.4 million of other adjustments. These charges were primarily cash-based and were recognized in the fourth quarter of fiscal 2021 in Restructuring in the consolidated statements of operations. Restructuring charges during the nine months ended December 31, 2021 were not material. The actions associated with the restructuring plan are completed and the Company does not expect any material costs to be incurred in fiscal 2022.

The following is a rollforward of the Company's restructuring liability balance:

	Severance and related costs
Balance as of March 31, 2021	$ 398
Cash payments	(398)
Balance as of December 31, 2021	$ —

15. Segment and Geographic Information

Geographic Data

The Company allocates, for the purpose of geographic data reporting, its revenue based upon the location of the contracting subsidiary. Total revenue by geographic area was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
United States	$ 78,128	$ 65,942	$ 223,564	$ 189,864
United Kingdom	42,154	36,977	124,270	105,464
South Africa	15,017	13,732	45,676	37,419
Other	16,300	12,985	47,871	34,758
Total	$ 151,599	$ 129,636	$ 441,381	$ 367,505

Property and equipment, net, by geographic location consists of the following:

	As of December 31, 2021	As of March 31, 2021
United States	$ 40,882	$ 40,129
United Kingdom	27,611	28,892
South Africa	6,650	7,942
Other	15,923	15,928
Total	$ 91,066	$ 92,891

16. Income Taxes

The provision for income taxes for the three months ended December 31, 2021 and 2020 was $1.7 million and $1.2 million, respectively, on income before income taxes of $15.5 million and $11.9 million, respectively. The provision for income taxes for the nine months ended December 31, 2021 and 2020 was $4.9 million and $2.4 million, respectively, on income before taxes of $46.4 million and $26.3 million, respectively.

The provision for income taxes for the three and nine months ended December 31, 2021 was primarily attributable to the provision recorded on the earnings of the Company's profitable entities, partially offset by discrete tax benefits of $1.3 million and $3.4 million related to excess tax benefits on share-based compensation realized by U.S. and U.K. employees.

The provision for income taxes for the three and nine months ended December 31, 2020 was primarily attributable to the tax provision recorded on the earnings of the Company's profitable entities, partially offset by the discrete tax benefit of $1.4 million and $4.5 million related to excess tax benefits on share-based compensation realized by U.S. and U.K employees. In addition, during the three and nine months ended December 31, 2020, the Company recorded a discrete tax benefit of $0.6 million for the release of a portion of the Company's pre-existing U.S. valuation allowance as a result of the MessageControl business combination.

In assessing the Company's ability to realize its net deferred tax assets, the Company considered various factors including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations to determine whether it is more likely than not that some portion or all of its net deferred tax assets will not be realized. Based upon these factors, the Company has determined that the uncertainty regarding the realization of these assets is sufficient to warrant the need for a full valuation allowance against its net deferred tax assets as of December 31, 2021. It is possible that within the next 12 months, there may be sufficient positive evidence to release a portion or all of the valuation allowance. Release of the valuation allowance would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment.

During the three and nine months ended December 31, 2021, the Company did not have a material change to the Company's liabilities for uncertain tax positions. As of December 31, 2021, the Company did not have any material uncertain tax positions that would impact the effective tax rate if recognized. Interest and penalty charges, if any, related to uncertain tax positions would be classified as income tax expense in the accompanying condensed consolidated statements of operations. As of December 31, 2021 and March 31, 2021, accrued interest or penalties related to uncertain tax positions were immaterial.

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

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with the (1) unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended March 31, 2021, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on May 27, 2021. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. In particular, statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to, statements concerning our pending acquisition by Magnesium Bidco Limited and our expectations regarding the timing of the acquisition (as described below), our strategy and operational and growth initiatives, the impacts of the COVID-19 pandemic and related market and economic conditions on our business, results of operations and financial condition, fluctuations in foreign exchange rates, the security of our network, products and services, statements regarding the disclosed security incident and our current understanding of the identity and likely targets of the sophisticated threat actor, the scope and impact of the attack, and the results of our investigation, are forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors" in this Quarterly Report on Form 10-Q and set forth in our other SEC filings, including our Annual Report on Form 10-K filed with the SEC on May 27, 2021. We disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We are a leading global provider of next generation cloud security and risk management services for email and corporate information. Our integrated suite of proprietary cloud services protects customers of all sizes from the significant business and data security risks they are exposed to through their email and other corporate systems. Our Email Security 3.0 and Cyber Resilience Extension offerings are designed to protect customers from today's rapidly changing security environment.

We developed our proprietary cloud architecture to offer customers a comprehensive cyber resilience strategy. Our Email Security 3.0 strategy addresses threats in three distinct zones: at the email perimeter (Zone 1); inside the network and the organization (Zone 2); and beyond the perimeter (Zone 3). Additionally, our Cyber Resilience Extensions expand resilience to other critical elements of an organization's digital infrastructure. Our primary offerings include: email security; email continuity and sync & recover; email archiving; awareness training; web security; DMARC analyzer; CyberGraph; brand exploit protection; and threat intelligence and our API ecosystem.

We operate our business as a software-as-a-service, or SaaS, model with renewable annual subscriptions. Customers enter into annual and multi-year contracts to utilize various components of our services. Our subscription fee includes the use of the selected service and technical support. We believe our technology, subscription-based model, and customer support have led to our high net revenue retention rate, which has helped us drive our strong revenue growth. We have historically experienced significant revenue growth from our existing customer base as they renew our services and purchase additional products.

We market and sell our services to organizations of all sizes across a broad range of industries. As of December 31, 2021, we provided our services to approximately 40,200 customers and protected millions of their employees across the world. We generate sales through our network of channel partners as well as through our direct sales force. Our growth and future success depend on our ability to expand our customer base, sell additional services to our existing customers, and retain our customers.

In the nine months ended December 31, 2021, we generated 49% of our revenue outside of the United States, with 28% generated from the United Kingdom, 10% from South Africa and 11% from the rest of the world. In the nine months ended December 31, 2020, we generated 48% of our revenue outside of the United States, with 29% generated from the United Kingdom, 10% from South Africa and 9% from the rest of the world. Our most significant growth market is the United States. We also believe that there is a large opportunity in our other existing markets. We intend to make significant investments in sales and marketing to continue expanding our customer base in our target markets.

We were founded in 2003 in the United Kingdom with a mission to make email safer and better, and to transform the way organizations protect, store and access their email and corporate information. Our Mimecast Email Security 3.0 offerings include Mimecast Email Security, Mimecast Targeted Threat Protection, Awareness Training, Internal Email Protect, DMARC Analyzer, Brand Exploit Protect, and CyberGraph. Our CyberGraph offering was launched in June of fiscal 2022. Our Cyber Resilience Extensions include Mimecast Enterprise Information Archiving, Mimecast Email Continuity, including Sync & Recover, Mimecast Web Security that provides a Domain Name System, or DNS, solution alongside our core email offerings, Mimecast Secure Messaging, Mimecast Privacy Pack, and Mimecast Large File Send.

Pending Transaction

On December 7, 2021, we entered into a Transaction Agreement, or the Transaction Agreement, with Magnesium Bidco Limited, or Buyer, pursuant to which we agreed to be acquired by Buyer, an affiliate of the global private equity firm Permira Advisors LLC, or Permira, in an all-cash transaction valued at approximately $5.8 billion, or the Transaction. If the Transaction is completed, our shareholders will be entitled to receive $80.00 in cash for each ordinary share they own as of the effective time of the Transaction (subject to certain exceptions). The Transaction is expected to close in the first half of 2022, subject to customary closing conditions, including approval by our shareholders and receipt of regulatory approvals. For additional information regarding the Transaction, see Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Recent Developments

Global Covid-19 Pandemic. The global COVID-19 pandemic continues to evolve, and to date has led to the implementation of various responses, including global government-imposed quarantines, stay-at-home orders, travel restrictions, mandated business closures and other public health safety measures. These efforts have caused significant societal and economic disruption worldwide, including in all of the regions in which we operate our business and sell our products and services. The widespread distribution of effective vaccines and continued containment efforts initially helped to stabilize infection rates, but, more recently, the rise in variants of the original virus has led to outbreaks in many locations, including in the countries in which we operate.

We remain committed to supporting our employees, customers and partners, and their communities during the pandemic. As a result of the COVID-19 pandemic we took a number of actions, which included: (i) instituting a closure of all of our global offices, including our global headquarters in London, United Kingdom and our offices in the United States, and shifting to a remote working environment for all of our employees; (ii) implementing a travel ban, (iii) cancelling or shifting to virtual-only customer, industry and employee events; and (iv) establishing an employee support fund to offset the impact of the pandemic on our more vulnerable employees. The expected duration of these actions is uncertain. More recently, we have opened some of our global offices on a limited basis and in accordance with government requirements and permitted limited travel. We expect, however, that the transition back to normal operations will in any event take significant time, perhaps several months.

We believe that the global COVID-19 pandemic and the resulting societal and economic disruption has negatively impacted and will continue to negatively impact our business and results of operations in a number of ways. Demand for our products and services has been and may continue to be negatively impacted by a decline in the rate of IT spending and a delay in purchasing decisions as IT and security staff focus on addressing the disruption to their businesses, which may impact sales to prospects and existing customers and increase customer attrition. Additionally, the global COVID-19 pandemic and the governmental and economic responses have impacted some industries, such as travel, hospitality and retail, more significantly than others. Our global sales and marketing operations have been disrupted as we moved to a remote working environment and canceled many customer and industry events. Some customers have requested extended payment terms, have reduced the number of seats that they purchase, or have not increased the number of seats as they historically have, and we expect that these trends will continue, or potentially accelerate if the economy worsens. The economic disruption may also negatively impact the collectability of our accounts receivables as customers experience extreme distress. More recently, the global COVID-19 pandemic has led to global supply chain disruptions. We have been closely monitoring the impact of the global COVID-19 pandemic on all aspects of our business, including how it will impact our operations, and we may take further precautionary and preemptive actions as may be required by the evolving circumstances. At the current time, the extent to which the global COVID-19 pandemic may affect our business, results of operations and financial condition is uncertain. See Part II, Item 1A, “Risk Factors – The global COVID-19 pandemic, including the related containment efforts, has had, and will likely continue to have, certain negative impacts on our business and operations, and we are unable to predict with certainty the extent to which it may continue to adversely affect our business, results of operations and financial condition.”

Security Incident. In January 2021, we became aware of a security incident later determined to be conducted by the same sophisticated threat actor responsible for the SolarWinds supply chain attack. We immediately launched an internal forensic investigation. Our investigation was supported by leading third-party forensics and cyber incident response experts at Mandiant, a division of FireEye, Inc., and in coordination with law enforcement to aid their investigation into this threat actor. During our investigation, we learned that the threat actor used the SolarWinds supply-chain compromise to gain access to part of our production grid environment. Using this entry point, the threat actor accessed certain Mimecast-issued certificates and related customer server connection information. The threat actor also accessed a subset of email addresses and other contact information, as well as encrypted and/or hashed and salted credentials. In addition, the threat actor accessed and downloaded a limited number of our source code repositories, but we found no evidence of any modifications to our source code nor do we believe there was any impact on our products. As the investigation progressed, we issued a series of advisories to affected customers, including recommended precautionary steps to mitigate risk and, in some cases, to address regulatory requirements. Our forensic investigation was completed in March 2021 and we have eliminated the threat actor's access to our environment. We have taken a number of actions to prevent future access to our environment and we will continue to monitor for threats and take precautionary steps as needed.

We are subject to risk and significant uncertainties as a result of this security incident, including those described in Part II, Item 1A, "Risk Factors – Data security and integrity are critically important to our business, and breaches of our information and technology networks and unauthorized access to a customer's data, including our recent security incident, could harm our business and operating results" below. While our investigation is complete, there can be no assurance as to what the overall impact of these events will be. These types of events often have cascading impacts that unfold over time and may result in a loss of revenue, a diminution of our business prospects and incremental costs, including costs associated with litigation or investigations by regulatory authorities, any of which may adversely impact our financial results.

We have incurred and expect to incur significant costs related to the security incident. For the year ended March 31, 2021, we recorded $0.8 million of pre-tax expenses related to the security incident, net of anticipated insurance recoveries. For the three and nine months ended December 31, 2021, expenses related to the security incident were not material. Expenses include costs of the forensic investigation, remediation costs, and legal and other professional services. It is also expected that we will continue to incur costs related to our response, remediation, and investigatory efforts relating to this security incident. While we have cyber insurance coverage, the amount of such insurance may be insufficient to compensate us for any expenses or losses that may result from the security incident or the insurance carrier may refuse to reimburse us for certain costs under the terms of the policy. The full scope of the costs and related impacts of the security incident, including the availability of insurance to offset some of these costs, cannot be estimated at this time.

Key Factors Affecting Our Performance

We believe that the growth of our business and our future success are dependent upon a number of key factors, including the following:

Acquisition of new customers. We employ a sales strategy that focuses on acquiring new customers, through our direct sales force and network of channel partners, and selling additional products to existing customers. Acquiring new customers, particularly large, enterprise customers, is a key element of our continued success, growth opportunity and future revenue. We have invested in and intend to continue to invest in our direct sales force and channel partners. During the twelve months ended December 31, 2021, our customer base increased by approximately 600 organizations.

Selling of additional services to existing customers. Our direct sales force, together with our channel partners and dedicated customer experience team, seek to generate additional revenue from our existing customers by adding more of their employees to our services and selling additional services. We continue to believe a significant opportunity exists for us to sell additional services to current customers as they experience the benefits of our services and we address additional business use cases.

Investment in growth. We have invested in and intend to continue to invest in the expansion of our operations, headcount and software development to both enhance our current offerings and build new features and products. We expect our total operating expenses to increase, particularly as we continue to expand our sales operations, marketing activities and research and development team. We intend to continue to invest in our sales, marketing and customer experience organizations to drive additional revenue and support the growth of our customer base. Investments we make in our sales and marketing and research and development organizations will occur in advance of experiencing the full benefit from such investments. For the year ending March 31, 2022, we plan to continue increasing the size of our sales force, investing in the development of additional marketing content and increasing the size of our research and development team.

Currency fluctuations. We conduct business in the United States and in other countries in North America, the United Kingdom and in other countries in Europe, South Africa and in other countries in Africa, Australia and the UAE. As a result, we are exposed to risks associated with fluctuations in currency exchange rates, particularly between the U.S. dollar, the British pound and the South African rand. In the nine months ended December 31, 2021, 54% of our revenue was denominated in U.S. dollars, 26% in British pounds, 10% in South African rand and 10% in other currencies. Given that the functional currency of our subsidiaries is generally the local currency of each entity, but our reporting currency is the U.S. dollar, devaluations of the British pound, South African rand and other currencies relative to the U.S. dollar impacts our profitability.

We believe that the global COVID-19 pandemic could impact some or all of these key factors. See Part II, Item 1A, “Risk Factors - The global COVID-19 pandemic, including the related containment efforts, has had, and will likely continue to have, certain negative impacts on our business and operations, and we are unable to predict with certainty the extent to which it may continue to adversely affect our business, results of operations and financial condition.”

Key Performance Indicators

In addition to traditional financial metrics, such as revenue and revenue growth trends, we monitor several other key performance indicators to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key performance indicators that we monitor are as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	(dollars in thousands)			
Revenue constant currency growth rate (1)	16 %	17 %	16 %	19 %
Gross profit percentage	77 %	76 %	77 %	76 %
Free cash flow (1)	$ 37,966	$ 24,217	$ 100,759	$ 64,395
Adjusted EBITDA (1)	$ 45,876	$ 34,595	$ 131,263	$ 93,865

	As of December 31,	
	2021	2020
Net revenue retention rate	108 %	104 %
Total customers (2)	40,200	39,600

(1) Adjusted EBITDA, free cash flow, and revenue constant currency growth rates are non-GAAP financial measures. For a reconciliation of Adjusted EBITDA, free cash flow and revenue constant currency growth rates to the nearest comparable GAAP measures, see “Reconciliations of Non-GAAP Financial Measures” below.

(2) Reflects the customer count on the last day of the period rounded to the nearest hundred customers. We define a customer as an entity with an active subscription contract as of the measurement date. A customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly. In determining the number of customers, we do not include customers we acquired as a result of our acquisition of DMARC Analyzer B.V., or DMARC Analyzer, which transact with us on a credit card basis.

Revenue constant currency growth rate. We believe revenue constant currency growth rate is a key indicator of our performance as it measures how we are executing on our strategy exclusive of currency fluctuations, which are beyond our control. We calculate revenue constant currency growth rate by translating revenue from entities reporting in foreign currencies into U.S. dollars using the comparable foreign currency exchange rates from the prior fiscal period. For further explanation of the uses and limitations of this non-GAAP measure and a reconciliation of our revenue constant currency growth rate to revenue, as reported, the most directly comparable GAAP measure, “Reconciliations of Non-GAAP Financial Measures” below. We expect our constant currency growth rate will decline in the fiscal year ended March 31, 2022 as compared to the prior fiscal year.

Gross profit percentage. We believe gross profit percentage is a key indicator of our efficiency in offering our services to our customers. Gross profit percentage is calculated as gross profit divided by revenue. Our gross profit percentage has seen growth over the past three years and we expect it to remain relatively consistent for the year ending March 31, 2022; however, it has fluctuated and will continue to fluctuate on a quarterly basis due to timing of the addition of hardware and employees to serve our growing customer base. Gross profit also includes amortization of intangible assets related to acquired businesses. We provide our services in each of the regions in which we operate. Costs related to supporting and hosting our product offerings and delivering our services are incurred in the region in which the related revenue is recognized. As a result, our gross profit percentage in actual terms is consistent with gross profit on a constant currency basis.

Free cash flow. We believe free cash flow is a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property, equipment and capitalized software, can be used for strategic opportunities, including investing in our business, and strengthening the balance sheet. Analysis of free cash flow facilitates management's comparisons of our operating results to competitors' operating results. We define free cash flow as net cash provided by operating activities minus purchases of property, equipment and capitalized software. For further explanation of the uses and limitations of this non-GAAP measure and a reconciliation of our free cash flow to the most directly comparable GAAP measure, net cash provided by operating activities, see "Reconciliations of Non-GAAP Financial Measures" below.

Adjusted EBITDA. We believe that Adjusted EBITDA is a key indicator of our operating results. We define Adjusted EBITDA as net income (loss), adjusted to exclude: depreciation, amortization, disposals and impairment of long-lived assets, acquisition-related gains and expenses, litigation-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for (benefit from) income taxes and foreign exchange income (expense). For further explanation of the uses and limitations of this non-GAAP measure and a reconciliation of our Adjusted EBITDA to the most directly comparable GAAP measure, net income, see "Reconciliations of Non-GAAP Financial Measures" below. We expect that our Adjusted EBITDA will continue to increase compared to the prior fiscal year; however, we expect that our operating expenses will also increase in absolute dollars as we focus on expanding our sales and marketing teams and growing our research and development capabilities.

Net revenue retention rate. We believe that our ability to retain customers is an indicator of the stability of our revenue base and the long-term value of our customer relationships. Our net revenue retention rate is driven by our customer renewals and upsells. We calculate our net revenue retention rate by annualizing constant currency revenue recorded on the last day of the measurement period for only those customers in place throughout the entire measurement period. This revenue includes renewed revenue contracts as well as additional revenue derived from the sale of additional seat licenses as well as additional services sold to these existing customers. We divide the result by revenue on a constant currency basis on the first day of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is the trailing twelve months. The revenue on a constant currency basis is based on the average exchange rates in effect during the respective period.

Total customers. We believe the total number of customers is a key indicator of our financial success and future revenue potential. We define a customer as an entity with an active subscription contract as of the measurement date. A customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly. In determining the number of customers, we do not include customers we acquired from DMARC Analyzer that transact with us on a credit card basis. We expect to continue to grow our customer base through the addition of new customers in each of our markets.

Reconciliations of Non-GAAP Financial Measures

Revenue constant currency growth rate

In order to determine how our business performed exclusive of the effect of foreign currency fluctuations, we compare the percentage change in our revenue from one period to another using a constant currency. To determine the revenue constant currency growth rate for each period, revenue from entities reporting in foreign currencies was translated into U.S. dollars using the comparable prior period's foreign currency exchange rates. For example, the average rates in effect for the three and nine months ended December 31, 2020 were used to convert revenue for the three and nine months ended December 31, 2021 and the revenue for the comparable prior period ended December 31, 2020, rather than the actual exchange rates in effect during the respective periods. Revenue constant currency growth rate is a non-GAAP financial measure. A reconciliation of this non-GAAP measure to its most directly comparable GAAP measure for the respective periods can be found in the table below.

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	(dollars in thousands)			
Reconciliation of Revenue Constant Currency Growth Rate:				
Revenue, as reported	$ 151,599	$ 129,636	$ 441,381	$ 367,505
Revenue year-over-year growth rate, as reported	17%	18%	20%	18%
Estimated impact of foreign currency fluctuations	(1)%	(1)%	(4)%	1%
Revenue constant currency growth rate	16%	17%	16%	19%

The impact of foreign exchange rates is highly variable and difficult to predict. We use revenue constant currency growth rate to show the impact from foreign exchange rates on the current period revenue growth rate compared to the prior period revenue growth rate using the prior period's foreign exchange rates. In order to properly understand the underlying business trends and performance of our ongoing operations, we believe that investors may find it useful to consider the impact of excluding changes in foreign exchange rates from our revenue growth rate.

We believe that presenting this non-GAAP financial measure in this Quarterly Report on Form 10-Q provides investors greater transparency to the information used by our management for financial and operational decision-making and allows investors to see our results “through the eyes” of management. We also believe that providing this information better enables our investors to understand our operating performance and evaluate the methodology used by management to evaluate and measure such performance.

However, this non-GAAP measure should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. For example, revenue constant currency growth rates, by their nature, exclude the impact of foreign exchange, which may have a material impact on GAAP revenue. Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and therefore other companies may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Free cash flow

Free cash flow is a non-GAAP financial measure that we define as net cash provided by operating activities minus purchases of property, equipment and capitalized software. We believe free cash flow provides investors and other users of our financial information useful information about the amount of cash generated by the business that, after the acquisition of property, equipment and capitalized software, can be used for strategic opportunities, including investing in our business, and strengthening the balance sheet. Analysis of free cash flow facilitates management’s comparisons of our operating results to competitors’ operating results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating our company is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it excludes cash used for capital expenditures during the period. Management compensates for this limitation by providing information about our capital expenditures on the face of the cash flow statement and in the “Liquidity and Capital Resources” section below.

We do not place undue reliance on free cash flow as a measure of operating performance. This non-GAAP measure should not be considered as a substitute for other measures of financial performance reported in accordance with GAAP. There are limitations to using a non-GAAP financial measure, including that other companies may calculate this measure differently than we do, limiting the usefulness of those measures for comparative purposes.

The following table presents a reconciliation of net cash provided by operating activities to free cash flow:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Reconciliation of Free Cash Flow:				
Net cash provided by operating activities	$ 46,327	$ 34,978	$ 130,160	$ 95,326
Purchases of property, equipment and capitalized software	(8,361)	(10,761)	(29,401)	(30,931)
Free cash flow	$ 37,966	$ 24,217	$ 100,759	$ 64,395

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net income, adjusted to exclude: depreciation, amortization, disposals and impairment of long-lived assets, acquisition-related gains and expenses, litigation-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for (benefit from) income taxes and foreign exchange income (expense).

We believe that Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with our peer companies, many of which use a similar non-GAAP financial measure to supplement their GAAP results.

We use Adjusted EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as a measure of operating performance. This non-GAAP measure should not be considered as a substitute for other measures of financial performance reported in accordance with GAAP. There are limitations to using a non-GAAP financial measure, including that other companies may calculate this measure differently than we do, that it does not reflect our capital expenditures or future requirements for capital expenditures and that it does not reflect changes in, or cash requirements for, our working capital.

The following table presents a reconciliation of net income to Adjusted EBITDA:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	(in thousands)			
Reconciliation of Adjusted EBITDA:				
Net income	$ 13,818	$ 10,789	$ 41,473	$ 23,977
Depreciation, amortization and disposals of long-lived assets	10,041	9,950	29,850	28,298
Interest expense, net	383	317	1,184	1,639
Provision for income taxes	1,705	1,155	4,884	2,350
Share-based compensation expense	14,619	13,792	47,365	41,064
Foreign exchange expense (income)	1,057	(1,408)	2,254	(4,130)
Acquisition-related expenses (1)	4,253	—	4,253	667
Adjusted EBITDA	$ 45,876	$ 34,595	$ 131,263	$ 93,865

(1) Acquisition-related expenses relate primarily to legal and other professional fees incurred for acquisition activity in each respective period, including with respect to the Transaction. See Note 1 and Note 10 to the unaudited condensed consolidated financial statements, included elsewhere in this Quarterly Report on Form 10-Q for further information.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the estimates and assumptions involved in revenue recognition, deferred revenue, goodwill and long-lived asset impairment assessments, accounting for income taxes and share-based compensation have the greatest potential impact on our condensed consolidated financial statements and consider these to be our critical accounting policies. Historically, our estimates and assumptions relative to our critical accounting policies have not differed materially from actual results. For further information on our critical and other significant accounting policies, see the notes to the condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the SEC on May 27, 2021. There have been no changes to our significant accounting policies since March 31, 2021.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended December 31, 2021 that are of significance or potential significance to us as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K filed with the SEC on May 27, 2021.

Components of Consolidated Statements of Operations

Revenue

We generate substantially all of our revenue from subscription fees paid by customers accessing our cloud services and by customers purchasing additional support beyond the standard support that is included in our basic subscription fees. A small portion of our revenue consists of related professional services and other revenue, which consists primarily of performance obligations related to set-up, ingestion, and training fees.

We generally license our services on a price per employee basis under annual contracts. In some instances, we receive upfront payments, which are determined to be material rights to a discount upon renewal. In these instances, we recognize revenue related to the upfront payment over the estimated customer benefit period, which has been determined to be six years.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

We recognize revenue ratably on a straight-line basis over the subscription term, which begins when we have given the customer access to our SaaS solutions. Our subscription contracts are typically one year in duration and do not contain refund-type provisions.

Our professional services contracts are recognized based on output measures of performance.

We serve approximately 40,200 customers in multiple industries, and our revenue is not concentrated with any single customer or industry. For the nine months ended December 31, 2021 and 2020, no single customer accounted for more than 1% of our revenue, and our largest ten customers accounted for less than 10% of our revenue in aggregate.

Cost of revenue

Cost of revenue primarily consists of expenses related to supporting and hosting our product offerings and delivering our professional services. These costs consist primarily of personnel and related costs including salaries, benefits, bonuses and share-based compensation expense related to the management of our data centers, our customer support team and our professional services team. In addition to these expenses, we incur third-party service provider costs such as data center and networking expenses, allocated overhead costs, depreciation expense and amortization expense related to capitalized software and acquired intangible assets. We allocate overhead costs, such as rent and facility costs, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

We expect our cost of revenue to increase in absolute dollars due to expenditures related to the purchase of hardware, expansion and support of our data center operations and customer support teams. We also expect that cost of revenue as a percentage of revenue will remain relatively consistent for the year ending March 31, 2022 and will decrease over time as we are able to achieve economies of scale in our business, although it may fluctuate from period to period depending on the timing of significant expenditures. To the extent that our customer base grows, we intend to continue to invest additional resources in expanding the delivery capability of our products and other services. The timing of these additional expenses could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue in any particular quarterly or annual period.

Research and development expenses

Research and development expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, share-based compensation expense, costs of server usage by our developers and allocated overhead costs. We expense all research and development costs as they are incurred. We have focused our efforts on developing new versions of our SaaS technology with expanded features. Our technology is constantly being refined and, as such, we do not capitalize development costs. We believe that continued investment in our technology is important for our future growth. As a result, we expect research and development expenses to increase in absolute dollars as we make further investments in developing our Mime | OS™ platform, improving our existing services and creating new features and products. Research and development expenses as a percentage of total revenue may fluctuate on a quarterly basis but we expect it to remain relatively consistent in the year ending March 31, 2022 as a result of the expected investments noted above. The full scope of the costs and related impacts of our recent security incident, including the availability of insurance to offset some of these costs, cannot be estimated at this time.

Sales and marketing expenses

Sales and marketing expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, commissions and share-based compensation expense. In addition to these expenses, we incur costs related to marketing and promotional events, online marketing, product marketing and allocated overhead costs. We expense all costs as they are incurred, excluding sales commissions identified as incremental costs to obtain a contract, which are capitalized and amortized over the life of our customers, which we estimate to be six years. We expect that our sales and marketing expenses will continue to increase in absolute dollars in the year ending March 31, 2022 but remain relatively consistent as a percentage of revenue as compared to fiscal 2021. New sales personnel require training and may take several months or more to achieve productivity; as such, the costs we incur in connection with the hiring of new sales personnel in a given period are not typically offset by increased revenue in that period and may not result in new revenue if these sales personnel fail to become productive. We expect to increase our investment in sales and marketing as we add new services, and as we continue to focus on sales to large, enterprise prospects, which will increase these expenses in absolute dollars. Over the longer term, we believe that sales and marketing expenses as a percentage of revenue will vary depending upon the mix of revenue from new and existing customers, as well as changes in the productivity of our sales and marketing programs. The full scope of the costs and related impacts of our recent security incident, including the availability of insurance to offset some of these costs, cannot be estimated at this time.

General and administrative expenses

General and administrative expenses consist primarily of personnel and related expenses for executive, legal, finance, information technology and human resources functions, including salaries, benefits, incentive compensation and share-based compensation expense, in addition to the costs associated with professional fees, litigation-related expenses, insurance premiums, other corporate expenses and allocated overhead costs. We expect general and administrative expenses to increase in absolute dollars as we continue to incur additional personnel and professional services costs in order to support business growth, costs associated with acquisitions, legal fees and litigation-related expenses, funding transactions, and others. Over the longer term, we believe that general and administrative expenses as a percentage of revenue will decrease. The full scope of the costs and related impacts of our recent security incident, including the availability of insurance to offset some of these costs, cannot be estimated at this time. In connection with the Transaction, we expect to incur material non-recurring expenses, including financial advisory fees and legal fees, most of which are contingent on the consummation of the Transaction.

Other income (expense)

Other income (expense) is comprised of the following items:

Interest income

Interest income includes interest income earned on our cash, cash equivalents and investments balances. We expect interest income to vary each reporting period depending on our average cash, cash equivalents and investments balances during the period and market interest rates.

Interest expense

Interest expense consists primarily of interest expense associated with our long-term debt and our finance leases. We expect interest expense in fiscal 2022 associated with our long-term debt to decrease compared to fiscal 2021 primarily due to lower principal balances associated with our long-term debt and the current interest rate environment.

Foreign exchange (expense) income and other, net

Foreign exchange (expense) income and other, net consists primarily of foreign exchange fluctuations related to short-term intercompany accounts, foreign currency exchange gains and losses related to transactions denominated in currencies other than the functional currency for each of our subsidiaries and other non-operating items including sublease income and other income. We expect our foreign currency exchange gains and losses to continue to fluctuate in the future as foreign currency exchange rates change.

Provision for income taxes

We operate in several tax jurisdictions and are subject to tax in each country or jurisdiction in which we conduct business. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases for assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In assessing our ability to realize our net deferred tax assets, we considered various factors including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations, to determine whether it is more likely than not that some portion or all of our net deferred tax assets will not be realized. Based upon these factors, we have determined that the uncertainty regarding the realization of these assets is sufficient to warrant the need for a full valuation allowance against our net deferred tax assets. It is possible that within the next 12 months, there may be sufficient positive evidence to release a portion or all of the valuation allowance currently recorded against our deferred tax assets. Release of the valuation allowance would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment.

Our provision for income taxes for the three and nine months ended December 31, 2021 was primarily attributable to the tax provision recorded on the earnings of our profitable entities, partially offset by the discrete tax benefit of $1.3 million and $3.4 million, respectively, related to excess tax benefits on share-based compensation realized by U.S. and U.K. employees.

Our provision for income taxes for the three and nine months ended December 31, 2020 was primarily attributable to the tax provision recorded on the earnings of our profitable entities, partially offset by the discrete tax benefit of $1.4 million and $4.5 million, respectively related to excess tax benefits on share-based compensation realized by U.S. and U.K. employees. In addition, during the nine months ended December 31, 2020, we recorded a discrete tax benefit of $0.6 million for the release of a portion of our pre-existing U.S. valuation allowance as a result of the eTorch Inc., or MessageControl, business combination.

Comparison of Period-to-Period Results of Operations

The following table sets forth our condensed consolidated statements of operations data for each of the periods indicated:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	(in thousands)			
Revenue	$ 151,599	$ 129,636	$ 441,381	$ 367,505
Cost of revenue	34,408	31,572	101,433	89,783
Gross profit	117,191	98,064	339,948	277,722
Operating expenses				
Research and development	26,305	25,408	83,025	70,497
Sales and marketing	49,738	45,187	146,775	133,224
General and administrative	24,199	16,649	60,373	50,400
Total operating expenses	100,242	87,244	290,173	254,121
Income from operations	16,949	10,820	49,775	23,601
Other income (expense)				
Interest income	82	261	351	612
Interest expense	(465)	(578)	(1,535)	(2,251)
Foreign exchange (expense) income and other, net	(1,043)	1,441	(2,234)	4,365
Total other income (expense), net	(1,426)	1,124	(3,418)	2,726
Income before income taxes	15,523	11,944	46,357	26,327
Provision for income taxes	1,705	1,155	4,884	2,350
Net income	$ 13,818	$ 10,789	$ 41,473	$ 23,977

The following table sets forth our condensed consolidated statements of operations data as a percentage of revenue for each of the periods indicated:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Revenue	100%	100%	100%	100%
Cost of revenue	23%	24%	23%	24%
Gross profit	77%	76%	77%	76%
Operating expenses				
Research and development	17%	20%	19%	19%
Sales and marketing	33%	35%	33%	36%
General and administrative	16%	13%	14%	14%
Total operating expenses	66%	67%	66%	69%
Income from operations	11%	8%	11%	6%
Other income (expense)				
Interest income	—%	—%	—%	—%
Interest expense	—%	—%	—%	(1)%
Foreign exchange (expense) income and other, net	(1)%	1%	(1)%	1%
Total other income (expense), net	(1)%	1%	(1)%	1%
Income before income taxes	10%	9%	11%	7%
Provision for income taxes	1%	1%	1%	1%
Net income	9%	8%	9%	7%

We have operations in jurisdictions other than the United States and generate revenue and incur expenditures in currencies other than the U.S. dollar. The following information shows the effect on certain components of our condensed consolidated statements of operations data for each of the periods indicated below based on a 10% increase or decrease in foreign currency exchange rates assuming that all foreign currency exchange rates move in the same direction at the same time:

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	(in millions)			
Revenue	$ 7.3	$ 6.1	$ 21.8	$ 16.7
Cost of revenue	2.0	1.9	5.9	5.3
Research and development	2.0	1.8	6.1	4.9
Sales and marketing	2.2	1.9	6.4	5.5
General and administrative	0.6	0.5	1.7	1.5

Comparison of the Three Months Ended December 31, 2021 and 2020

Revenue

	Three months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Revenue	$ 151,599	$ 129,636	$ 21,963	17 %

Revenue increased $22.0 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020. The increase in revenue was primarily attributable to new customers, including approximately 600 new customers added since December 31, 2020, a full quarter of revenue related to new customers added during the third quarter of fiscal 2021 and additional revenue from customers that existed as of December 31, 2020. Revenue for the three months ended December 31, 2021 compared to the three months ended December 31, 2020 was positively impacted by approximately $0.9 million as a result of the weakening of the U.S. dollar relative to the British pound.

Cost of revenue

	Three months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Cost of revenue	$ 34,408	$ 31,572	$ 2,836	9 %

Cost of revenue increased $2.8 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020, which was primarily attributable to increases in personnel-related costs of $1.3 million and data center costs of $1.3 million. Cost of revenue expenses for the three months ended December 31, 2021 as compared to the three months ended December 31, 2020, were negatively impacted by approximately $0.3 million primarily as a result of the weakening of the U.S. dollar relative to the British pound. Personnel-related costs increased primarily as a result of an increase in headcount and data center costs increased primarily as a result of the increase in our customer base and expanding infrastructure.

As a result of changes in foreign currency exchange rates, gross profit increased in absolute dollars by approximately $0.6 million for the three months ended December 31, 2021 as compared to the three months ended December 31, 2020. Excluding the impact of changes in foreign currency exchange rates, gross profit as a percentage of revenue remained consistent as costs related to supporting and hosting our product offerings and delivering our services are primarily incurred in the region in which the related revenue is recognized.

Operating expenses

	Three months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Operating expenses:				
Research and development	$ 26,305	$ 25,408	$ 897	4 %
Sales and marketing	49,738	45,187	4,551	10 %
General and administrative	24,199	16,649	7,550	45 %
Total operating expenses	$ 100,242	$ 87,244	$ 12,998	15 %

Research and development expenses

Research and development expenses increased $0.9 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020, which was primarily attributable to an increase in personnel-related costs of $1.2 million. Personnel-related costs increased primarily as a result of salaries and benefits associated with merit increases.

Sales and marketing expenses

Sales and marketing expenses increased $4.6 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020, which was primarily attributable to increases in personnel-related costs of $2.7 million, marketing costs of $0.6 million, and professional fees of $0.6 million. Personnel-related costs increased primarily as a result of increased commissions, marketing costs increased primarily as a result of lead generation and advertising costs, and professional fees increased primarily due to an increase in consulting fees.

General and administrative expenses

General and administrative expenses increased $7.6 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020, which was primarily attributable to increases in professional fees of $4.3 million, personnel-related costs of $1.5 million and share-based compensation of $1.0 million. Professional fees increased primarily as a result of transaction costs incurred related to the Transaction. Personnel-related costs increased primarily as a result of merit increases as well as an increase in headcount. Share-based compensation costs increased primarily as a result of equity grants issued to employees since the prior year.

Other income (expense)

	Three months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Other income (expense):				
Interest income	$ 82	$ 261	$ (179)	(69)%
Interest expense	(465)	(578)	113	(20)%
Foreign exchange (expense) income and other, net	(1,043)	1,441	(2,484)	nm
Total other income (expense), net	$ (1,426)	$ 1,124	$ (2,550)	nm

nm – not meaningful

Foreign exchange (expense) income and other, net changed by $2.5 million primarily as a result of a decrease in foreign exchange income of $2.5 million on intercompany balances.

Provision for income taxes

	Three months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Provision for income taxes	$ 1,705	$ 1,155	$ 550	48 %

The provision for income taxes increased by $0.5 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020. The increase in the provision for income taxes was primarily attributable to the tax on increased earnings offset by the discrete effect of excess tax benefits on share-based compensation realized by U.S. and U.K. employees.

Comparison of the Nine Months Ended December 31, 2021 and 2020

Revenue

	Nine months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Revenue	$ 441,381	$ 367,505	$ 73,876	20 %

Revenue increased $73.9 million in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020. The increase in revenue was primarily attributable to new customers, including approximately 600 new customers added since December 31, 2020, a full period of revenue related to new customers added during the first nine months of fiscal 2021 and additional revenue from customers that existed as of December 31, 2020. Revenue for the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020 was positively impacted by approximately $15.8 million as a result of the weakening of the U.S. dollar relative to the British pound, South African rand, and Australian dollar.

Cost of revenue

	Nine months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Cost of revenue	$ 101,433	$ 89,783	$ 11,650	13 %

Cost of revenue increased $11.7 million in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020, which was primarily attributable to increases in data center costs of $4.4 million, personnel-related costs of $3.6 million, depreciation expense of $1.1 million, share-based compensation expense of $0.7 million, information technology costs of $0.7 million, and professional services costs of $0.5 million. Cost of revenue expenses for the nine months ended December 31, 2021 as compared to the nine months ended December 31, 2020, were negatively impacted by approximately $4.1 million primarily as a result of the weakening of the U.S. dollar relative to the British pound and South African rand. Data center costs increased primarily as a result of the increase in our customer base and expanding infrastructure, personnel-related costs increased primarily as a result of increased headcount as well as salaries and benefits associated with annual merit increases, and depreciation expense increased primarily as a result of increased capital expenditures in support of our expanding infrastructure. The increase in share-based compensation expense is primarily due to equity grants issued to employees since the prior year. Information technology costs increased primarily due to an increase in purchases of hardware and software.

As a result of changes in foreign currency exchange rates, gross profit increased in absolute dollars by approximately $11.7 million for the nine months ended December 31, 2021 as compared to the nine months ended December 31, 2020. Excluding the impact of changes in foreign currency exchange rates, gross profit as a percentage of revenue remained consistent as costs related to supporting and hosting our product offerings and delivering our services are primarily incurred in the region in which the related revenue is recognized.

Operating expenses

	Nine months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Operating expenses:				
Research and development	$ 83,025	$ 70,497	$ 12,528	18 %
Sales and marketing	146,775	133,224	13,551	10 %
General and administrative	60,373	50,400	9,973	20 %
Total operating expenses	$ 290,173	$ 254,121	$ 36,052	14 %

Research and development expenses

Research and development expenses increased $12.5 million in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020, which was primarily attributable to increases in personnel-related costs of $6.1 million, professional services costs of $2.4 million, share-based compensation expense of $2.3 million and information technology costs of $1.2 million. Research and development expenses for the nine months ended December 31, 2021 as compared to the nine months ended December 31, 2020, were negatively impacted by approximately $4.0 million primarily as a result of the weakening of the U.S. dollar relative to the British pound. Personnel-related costs increased primarily as a result of salaries and benefits associated with annual merit increases and increased headcount. Professional services costs increased primarily due to increased consulting fees. Share-based compensation expense increased primarily as a result of equity grants issued to employees since the prior year as well as a result of the acceleration of expense for certain awards due to changes in requisite service periods. Information technology costs increased primarily due to an increase in purchases of hardware and software.

Sales and marketing expenses

Sales and marketing expenses increased $13.6 million in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020, which was primarily attributable to increases in personnel-related costs of $9.2 million, marketing costs of $1.9 million, share-based compensation of $1.4 million, and travel and entertainment expenses of $1.0 million. Sales and marketing expenses for the nine months ended December 31, 2021 as compared to the nine months ended December 31, 2020, were negatively impacted by approximately $4.0 million primarily as a result of the weakening of the U.S. dollar relative to the British pound, South African rand, and Australian dollar. Personnel-related costs increased primarily as a result of salaries and benefits associated with increased commissions and annual merit increases. Marketing costs increase primarily as a result of lead generation and advertising costs. Share-based compensation expense increased primarily as a result of equity grants issued to employees since the prior year. Travel and entertainment costs increased primarily due to the decrease in travel costs in the prior year as a result of the impact of the global COVID-19 pandemic.

General and administrative expenses

General and administrative expenses increased $10.0 million in the nine months ended December 31, 2021 and 2020 compared to the nine months ended December 31, 2020, which was primarily attributable to increases in professional fees of $4.4 million, personnel-related costs of $2.6 million, share-based compensation of $1.7 million and insurance related costs of $1.0 million. General and administrative expenses for the nine months ended December 31, 2021 as compared to the nine months ended December 31, 2020, were negatively impacted by approximately $1.1 million primarily as a result of the weakening of the U.S. dollar relative to the British pound. Professional fees increased primarily as a result of transaction costs incurred related to the Transaction. Personnel-related costs increased primarily as a result of merit increases. Share-based compensation costs increased primarily as a result of equity grants issued to employees since the prior year. Insurance related costs increased primarily due to an increase in premiums for global insurance policies.

Other income (expense)

	Nine months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Other income (expense):				
Interest income	$ 351	$ 612	$ (261)	(43)%
Interest expense	(1,535)	(2,251)	716	(32)%
Foreign exchange (expense) income and other, net	(2,234)	4,365	(6,599)	nm
Total other income (expense), net	$ (3,418)	$ 2,726	$ (6,144)	nm

nm – not meaningful

Foreign exchange (expense) income and other, net changed by $6.6 million primarily as a result of a decrease in foreign exchange income of $6.4 million on intercompany balances.

Provision for income taxes

	Nine months ended December 31,		Period-to-period change	
	2021	2020	Amount	% Change
	(dollars in thousands)			
Provision for income taxes	$ 4,884	$ 2,350	$ 2,534	108%

The provision for income taxes increased by $2.5 million in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020. The increase in the provision for income taxes was primarily attributable to the tax on increased earnings offset by the discrete effect of excess tax benefits on share-based compensation realized by U.S. and U.K. employees. In addition, during the nine months ended December 31, 2020, we recorded a discrete tax benefit of $0.6 million for the release of a portion of our pre-existing U.S. valuation allowance as a result of the MessageControl business combination

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, investments, accounts receivable and our Revolving Facility (as defined below). The following table shows net cash provided by operating activities, net cash used in investing activities, and net cash provided by financing activities for the nine months ended December 31, 2021 and 2020:

	Nine months ended December 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 130,160	$ 95,326
Net cash used in investing activities	(30,901)	(47,975)
Net cash provided by financing activities	27,825	38,649

As of December 31, 2021 and March 31, 2021, we had cash and cash equivalents of $416.2 million and $292.9 million, respectively. Net cash provided by operating activities was $130.2 million and $95.3 million for the nine months ended December 31, 2021 and 2020, respectively. In the year ending March 31, 2022, we expect net cash provided by operating activities to increase as compared to the year ended March 31, 2021. In the year ending March 31, 2022, we plan to continue to invest in the development and expansion of our Mime | OS™ platform to improve on our existing solutions and develop new services in order to provide more capabilities to our customers. Investments in capital expenditures in the year ended March 31, 2021 were $38.6 million, of which $36.6 million related to the expansion of our grid architecture. We expect fiscal year 2022 capital expenditures to remain relatively consistent with fiscal year 2021.

Based on our current operating plan, we believe that our current cash and cash equivalents, Revolving Facility (as defined below) and operating cash flows will be sufficient to fund our operations for at least the next twelve months from the date of filing this Quarterly Report on Form 10-Q. Our future capital requirements may vary materially from those planned and will depend on certain factors, such as, our growth and our operating results. If we require additional capital resources to grow our business or to acquire complementary technologies and businesses in the future, we may seek to sell additional equity or raise funds through debt financing or other sources. We cannot provide assurance that additional financing will be available at all or on terms favorable to us. We had commitments for capital expenditures of approximately $3.6 million as of December 31, 2021, primarily related to the expansion of our grid architecture.

On December 7, 2021, we entered into a Transaction Agreement with an affiliate of Permira in an all-cash transaction valued at approximately $5.8 billion. Under the terms of the Transaction Agreement, we have agreed to various covenants and agreements, including, among others, agreements to conduct our business in the ordinary course during the period between the execution of the Transaction Agreement and the consummation of the Transaction. In addition, without the consent of the Buyer, we may not take, authorize, agree or commit to do certain actions outside of the ordinary course of business, including incurring material capital expenditures above specified thresholds, or issuing additional debt facilities. If the Transaction Agreement is terminated in certain circumstances, including by us if we enter into a superior proposal or by Buyer because our board of directors withdraws its recommendation in favor of the Transaction, we would be required to pay a termination fee of $216.8 million. We do not believe these restrictions will prevent us from meeting our debt obligations, ongoing costs of operations, working capital needs or capital expenditure requirements. The Transaction is expected to close in the first half of 2022, subject to customary closing conditions, including approval by our shareholders and receipt of regulatory approvals. For additional information regarding the Transaction, see Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Borrowings and Credit Facility

In July 2018, we entered into a Credit Agreement, or the Credit Agreement, by and among us, certain of our subsidiaries party thereto, as guarantors, certain financial institutions party thereto from time to time, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent, or the Administrative Agent. The Credit Agreement provided us with a $100.0 million senior secured term loan, or the Term Loan, and a $50.0 million senior secured revolving credit facility, or the Revolving Facility, and together with the Term Loan, the Credit Facility, which is available to fund working capital and for other corporate purposes, including to finance permitted acquisitions and investments. In June 2020, the Credit Agreement was amended to permit us to issue letters of credit in certain additional foreign currencies beyond the U.S. dollar and the British pound (as amended, the Credit Agreement, the Term Loan and the Revolving Facility are referred to herein as the Credit Facility). As of December 31, 2021 and March 31, 2021, total availability under the Revolving Facility is reduced by outstanding letters of credit of $2.1 million and $2.2 million, respectively. As of December 31, 2021 and March 31, 2021, total availability under the Revolving Facility was $47.9 million and $30.3 million, respectively. In July 2020, we drew down $17.5 million under the Revolving Facility. In the three months ended September 30, 2021 we repaid the $17.5 million outstanding under the Revolving Facility in full. See Note 12 to the unaudited condensed consolidated financial statements, included elsewhere in this Quarterly Report on Form 10-Q for further information. Interest under the Credit Facility accrues at a rate between LIBOR plus 1.375% and LIBOR plus 1.875%, based on our ratio of indebtedness to earnings before interest, taxes, depreciation, amortization and certain other adjustments, or Consolidated EBITDA. Based on this ratio, the current interest rate as of December 31, 2021 under the Credit Facility is LIBOR plus 1.375%. The InterContinental Exchange Benchmark Administration has announced that it will no longer publish certain tenors of the LIBOR rate starting in 2021. See Item 3, “Quantitative and Qualitative Disclosures About Market Risk” below for further information. The term of the Credit Facility is five years, maturing on July 23, 2023. At the time we entered into the Credit Agreement, we had no existing debt.

The Credit Facility has financial covenants that require us to maintain a Consolidated Secured Leverage Ratio (as described below), which commenced on September 30, 2018, of not more than 3.00 to 1.00 for the four consecutive fiscal quarter period ending on the last day of each fiscal quarter, or the Reference Period, with a step-up to 3.50 to 1.00 for any four-quarter period in which we consummate a permitted acquisition having an aggregate purchase price in excess of $25.0 million. We must also maintain a Consolidated Interest Expense Ratio of 3.00 to 1.00 which commenced on September 30, 2018 and for each Reference Period thereafter. For purposes of the covenants, “Consolidated Secured Leverage Ratio” generally refers to the ratio of Consolidated Funded Debt that is secured by a lien on assets of us or our subsidiaries to Consolidated EBITDA. “Consolidated Funded Debt” generally refers to borrowed money, debt instruments, finance leases, deferred purchase price of property or services (excluding accounts payable in the ordinary course of business) and earn outs that are due and payable. “Consolidated Interest Expense Ratio” generally refers to the ratio of Consolidated EBITDA to cash interest expense with respect to indebtedness, with certain exclusions. We were in compliance with all covenants as of December 31, 2021 and management reasonably believes it will be in compliance with such covenants over the next 12 months.

All obligations under the Credit Agreement are unconditionally guaranteed by all of our material direct and indirect subsidiaries organized under the laws of the United States, the United Kingdom, the Bailiwick of Jersey, and other jurisdictions agreed to by us and the Administrative Agent, with certain exceptions. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exclusions.

The foregoing summary (and any reference to the Credit Facility contained in this Quarterly Report on Form 10-Q) does not purport to be complete and is qualified in its entirety by reference to the Credit Agreement and the related agreements, which are filed as Exhibits 10.12, 10.13, 10.14, 10.15, 10.16, 10.17, 10.18, 10.19, 10.20 and 10.34 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Operating activities

For the nine months ended December 31, 2021, cash provided by operating activities was $130.2 million. The primary factors affecting our operating cash flows during the period were our net income of $41.5 million, adjusted for non-cash items of $47.4 million of share-based compensation expense, $29.8 million for depreciation and amortization of our property, equipment and intangible assets, $24.9 million of amortization of operating lease right-of-use assets, and $13.1 million in amortization of deferred contract costs. The drivers of the changes in operating assets and liabilities were a $27.5 million decrease in operating lease liabilities, a $20.0 million increase in deferred contract costs, a $7.2 million increase in accounts receivable and a $0.9 million increase in prepaids and other current assets offset by a $16.4 million increase in deferred revenue, a $8.5 million increase in accrued expenses and other liabilities and a $1.2 million decrease in other assets.

For the nine months ended December 31, 2020, cash provided by operating activities was $95.3 million. The primary factors affecting our operating cash flows during the period were our net income of $24.0 million, adjusted for non-cash items of $41.1 million of share-based compensation expense, $22.3 million for amortization of our operating lease right-of-use assets, $28.3 million for depreciation and amortization of our property, equipment and intangible assets, and $9.5 million for amortization of deferred contract costs, partially offset by unrealized currency gains on foreign denominated transactions of $4.5 million. The primary drivers of the changes in operating assets and liabilities were a $25.0 million decrease in operating lease liabilities, a $19.5 million increase in deferred contract costs, a $3.6 million decrease in accounts payable and a $1.7 million increase in prepaids and other current assets, partially offset by a $6.2 million decrease in accounts receivable, a $2.5 million increase in deferred revenue, and a $15.4 million increase in accrued expenses and other liabilities.

Investing activities

For the nine months ended December 31, 2021, cash used in investing activities consisted of $29.4 million in purchases of property, equipment and capitalized software, primarily associated with computer equipment purchased in support of our expanding infrastructure and $1.5 million for the purchase of strategic investments.

For the nine months ended December 31, 2020, cash used in investing activities consisted of $30.9 million in purchases of property, equipment and capitalized software and $17.0 million in payments for the MessageControl acquisition.

For the nine months ended December 31, 2020, our capital expenditures were primarily associated with computer equipment and software purchased in support of our expanding infrastructure. Additionally, in the nine months ended December 31, 2020, we had purchases of $0.8 million related to office facilities.

Financing activities

Cash provided by financing activities of $27.8 million for the nine months ended December 31, 2021 was primarily due to proceeds from issuance of ordinary shares under our equity plans of $63.1 million, partially offset by payments on debt, including the Credit Facility, of $24.4 million and withholding taxes related to net share settlement of employee stock purchase plan, or ESPP, purchases and vesting of restricted share units, or RSUs, of $10.3 million.

Cash provided by financing activities of $38.6 million for the nine months ended December 31, 2020 was due to proceeds from the draw down on our revolving credit facility of $17.5 million, proceeds from issuance of ordinary shares under our equity plans of $31.1 million, partially offset by withholding taxes related to net share settlement of employee stock purchase plan purchases and vesting of restricted share units of $4.2 million, payments on debt of $5.0 million, and payments on finance lease obligations of $0.8 million.

Net operating loss carryforwards and income tax credits

As of December 31, 2021, we had net operating loss carryforwards in the U.K., U.S. federal and state, Australia, Germany, Israel, and Canada. U.S. federal net operating losses generated through the fiscal year ending March 31, 2018 expire at various dates through 2038 while U.S. federal net operating losses generated after March 31, 2018 do not expire. Substantially all U.S. state net operating loss carryforwards expire at various dates through 2041. Net operating losses in Canada expire in 2041. Net operating loss carryforwards in the U.K., Australia, Germany and Israel do not expire. As of December 31, 2021, we had U.K. income tax credit carryforwards that do not expire. As of December 31, 2021, we had Israel income tax credit carryforwards that expire at various dates from 2024 through 2026.

In assessing our ability to realize our net deferred tax assets, we considered various factors including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations, to determine whether it is more likely than not that some portion or all of our net deferred tax assets will not be realized. Based upon these factors, we have determined that the uncertainty regarding the realization of these assets is sufficient to warrant the need for a full valuation allowance against our net deferred tax assets. It is possible that within the next 12 months, there may be sufficient positive evidence to release a portion or all of the valuation allowance currently recorded against our deferred tax assets. Release of the valuation allowance would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment.

Contractual obligations and commitments

Our principal commitments consist of obligations under debt facilities, leases for office space, leases for data center facilities, non-lease data center obligations, intangible asset obligations, and capital expenditures. For more information regarding our debt obligations, see Note 12 to the condensed consolidated financial statements, included elsewhere in this Quarterly Report on Form 10-Q. For more information regarding our lease obligations, see Note 6 to the condensed consolidated financial statements, included elsewhere in this Quarterly Report on Form 10-Q. For more information regarding our other contractual commitments associated with agreements that are enforceable and legally binding and that specify all significant terms refer to our Annual Report on Form 10-K filed with the SEC on May 27, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency rates, although we also have some exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound and South African rand. Percentage of revenues and expenses in foreign currency were as follows:

	Nine months ended December 31,	
	2021	2020
Revenue generated in locations outside the United States	49 %	48 %
Revenue in currencies other than the United States dollar	46 %	45 %
Expenses in currencies other than the United States dollar	50 %	49 %

Percentage of revenues and expenses denominated in foreign currency were as follows:

	Nine months ended December 31, 2021	
	Revenues	Expenses
British pound	26 %	32 %
South African Rand	10 %	5 %
Other currencies	10 %	13 %
Total	46 %	50 %

	Nine months ended December 31, 2020	
	Revenues	Expenses
British pound	26 %	32 %
South African Rand	10 %	4 %
Other currencies	9 %	13 %
Total	45 %	49 %

As of December 31, 2021 and March 31, 2021, we had $50.4 million and $58.8 million, respectively, of receivables denominated in currencies other than the U.S. dollar. We also maintain cash accounts denominated in currencies other than the local currency, which exposes us to foreign exchange rate movements. As of December 31, 2021 and March 31, 2021, we had $120.4 million and $81.5 million, respectively, of cash denominated in currencies other than the U.S. dollar. As of December 31, 2021, cash denominated in British pounds and South African rand was $57.2 million and $25.6 million, respectively. As of March 31, 2021, cash denominated in British pounds and South African rand was $36.6 million and $27.8 million, respectively.

In addition, although our foreign subsidiaries have intercompany accounts that are eliminated upon consolidation, these accounts expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany accounts are recorded in our condensed consolidated statements of operations under "foreign exchange (expense) income and other, net."

Currently, our largest foreign currency exposures are to the British pound and South African rand. From time to time certain macroeconomic events have resulted in volatility in exchange rates including the global COVID-19 pandemic and the United Kingdom's exit from the European Union. See Part II, Item 1A, "Risk Factors – Fluctuations in currency exchange rates could adversely affect our business." Relative to foreign currency exposures existing as of December 31, 2021, significant movements in foreign currency exchange rates may expose us to significant losses in earnings or cash flows or significantly diminish the fair value of our foreign currency financial instruments. For the nine months ended December 31, 2021, we estimate that a 10% unfavorable movement in foreign currency exchange rates against the U.S. dollar would have decreased revenue by $21.8 million, decreased expenses by $20.1 million and had a negative impact on our operating results of $1.7 million. For the nine months ended December 31, 2020, we estimate that a 10% unfavorable movement in foreign currency exchange rates against the U.S. dollar would have decreased revenue by $16.7 million, decreased expenses by $17.1 million and would have increased our income from operations by $0.4 million. The estimates used assume that all currencies move in the same direction at the same time and the ratio of non-U.S. dollar denominated revenue and expenses to U.S. dollar denominated revenue and expenses does not change from current levels. Since a portion of our revenue is deferred revenue that is recorded at different foreign currency exchange rates, the impact to revenue of a change in foreign currency exchange rates is recognized over time, and the impact to expenses is more immediate, as expenses are recognized at the current foreign currency exchange rate in effect at the time the expense is incurred. All of the potential changes noted above are based on sensitivity analyses performed on our financial results for the nine months ended December 31, 2021 and 2020.

Inflation Risk

Inflationary factors, such as increases in our operating expenses, may adversely affect our results of operations, as our customers typically purchase services from us on a subscription basis over a period of time. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, an increase in the rate of inflation in the future may have an adverse effect on our levels of operating expenses as a percentage of revenue if we are unable to increase the prices for our subscription-based services to keep pace with these increased expenses.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our investments primarily consist of money market funds. As of December 31, 2021 and March 31, 2021, we had cash and cash equivalents of $416.2 million and $292.9 million, respectively. The carrying amount of our cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. We do not believe that an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We entered into the Credit Agreement in July 2018. The Credit Agreement provides us with a $100.0 million senior secured term loan, and a $50.0 million senior secured revolving credit facility. Interest under the Credit Facility accrues at a rate between LIBOR plus 1.375% and LIBOR plus 1.875%. We estimate that a 100 basis point increase in the LIBOR rate would result in approximately $0.8 million of additional interest expense over the ensuing twelve-month period under the Credit Facility. The InterContinental Exchange Benchmark Administration has announced that it will no longer publish the one week and two-month tenor LIBOR rates starting in 2021 with remaining tenors to be quoted through June 2023. Our Credit Facility provides that, under certain circumstances set forth in the Credit Facility, we and the Administrative Agent may amend the applicable Credit Facility to replace LIBOR with an alternate benchmark rate, giving due consideration to any evolving or then existing convention for similar syndicated credit facilities in the U.S. market for alternative benchmarks. Such alternative benchmark rate could include the secured overnight financing rate, also known as SOFR, published by the Federal Reserve Bank of New York. We do not expect the change to an alternative rate to have a material impact on our financial results.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2021, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the nine months ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that our employees are working remotely due to the global COVID-19 pandemic. We are continually monitoring and assessing the global COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For information on legal proceedings, see Note 13, “Commitments and Contingencies”, to the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors.

The material and other risks and uncertainties summarized above beginning on page i of this Quarterly Report on Form 10-Q and described below are not exhaustive or exclusive. Other sections of this Quarterly Report on Form 10-Q may include additional factors which could adversely affect our business, results of operations and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors not presently known to us or that we currently deem immaterial may emerge from time to time, and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Business and Operational Risks

The Transaction, the pendency of the Transaction or our failure to complete the Transaction could have a material adverse effect on our business, results of operations, financial condition and share price.

On December 7, 2021, we entered into the Transaction Agreement, providing for the Transaction and our acquisition by an entity affiliated with Permira, in an all-cash transaction valued at approximately $5.8 billion. The completion of Transaction is subject to certain closing conditions, including approval by our shareholders, receipt of regulatory approvals and such other conditions to completion as set forth in the Transaction Agreement. There is no assurance that all of the various conditions will be satisfied, or that the Transaction will be completed on the proposed terms, within the expected timeframe, or at all. Furthermore, there are additional inherent risks in the Transaction, including the risks detailed below.

During the period prior to the closing of the Transaction, our business is exposed to certain inherent risks due to the effect of the announcement or pendency of the Transaction on our business relationships, financial condition, operating results and business, including:

- potential adverse reactions or changes to business relationships resulting from the announcement or the pendency of the Transaction.
- potential business uncertainty, including changes to existing business relationships, during the pendency of the Transaction that could affect our financial performance.
- the possibility of disruption to our business and operations, including diversion of management attention and resources.
- the inability to attract and retain key personnel, and the possibility that our current employees could be distracted, and their productivity decline as a result, due to uncertainty regarding the Transaction.
- restrictions during the pendency of the Transaction that may impact our ability to pursue certain business opportunities or strategic transactions.
- our inability to solicit other acquisition proposals during the pendency of the Transaction following the expiration of the “go-shop” period.
- the amount of the costs, fees, expenses and charges related to the Transaction.
- other developments beyond our control, including, but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Transaction.

The Transaction may be delayed, and may ultimately not be completed, due to a number of factors, including:

- the failure to obtain regulatory approvals from various governmental entities (or the imposition of any conditions, limitations or restrictions on such approvals).
- potential additional future shareholder litigation and other legal and regulatory proceedings, which could delay or prevent the Transaction.
- the failure to satisfy the other conditions to the completion of the Transaction, including the possibility that a Company Material Adverse Effect (as defined in the Transaction Agreement) would permit Buyer not to close the Transaction.

If the Transaction does not close, our business and shareholders would be exposed to additional risks, including:

- to the extent that the current market price of our ordinary shares reflects an assumption that the Transaction will be completed, the price of our ordinary shares could decrease if the Transaction is not completed.
- investor confidence could decline, additional shareholder litigation could be brought against us, relationships with existing and prospective customers, service providers, investors, lenders and other business partners may be adversely impacted, we may be unable to retain key personnel, and profitability may be adversely impacted due to costs incurred in connection with the pending Transaction.
- under certain specified circumstances, the requirement that we pay a termination fee of [either $86,730,000 or] $216,825,000 if the Transaction Agreement is terminated, including by us if we enter into a superior proposal or by Buyer because our board of directors withdraws its recommendation in favor of the Transaction.

Even if successfully completed, there are certain risks to our shareholders from the Transaction, including:

- the amount of cash to be paid per share under the Transaction Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our ordinary shares.
- the fact that receipt of the all-cash per share consideration under the Transaction Agreement is taxable to shareholders that are treated as U.S. holders for U.S. federal income tax purposes.
- the fact that, if the Transaction is completed, our shareholders will not participate in any future growth potential or benefit from any future increase in the value of the Company.

For additional information regarding the Transaction, see Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Data security and integrity are critically important to our business, and breaches of our information and technology networks and unauthorized access to a customer's data, including our recent security incident, could harm our business and operating results.

We have experienced, and will continue to experience, cyberattacks and other malicious internet-based activity, which continue to increase in sophistication, frequency and magnitude. Because our services involve the storage of large amounts of our customers' sensitive and proprietary information, solutions to protect that information from cyberattacks and other threats, data security and integrity are critically important to our business. Also, as more of our customers have moved to working remotely, and continue to work remotely, during the global COVID-19 pandemic, we expect there will be an increased amount of sensitive and proprietary information that is stored in our solutions, which increases the exposure and risk of cyberattacks and other malicious internet-based activity. Despite all of our efforts to protect this information, we cannot provide assurance that our services and databases will not be compromised or disrupted, whether as a result of criminal conduct, DDoS attacks, or other advanced persistent attacks by malicious actors, including hackers, state-backed hackers with significant resources and cybercriminals, breaches due to employee negligence, error and/or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, hardware and software errors, including so-called supply chain attacks involving the vendors we rely upon, telecommunication or utility failures or natural disasters or other catastrophic events. Moreover, the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target. As a result, there can be no guarantees that we will be able to anticipate these techniques or implement adequate preventative measures.

In January 2021, we became aware of a security incident later determined to be conducted by the same sophisticated threat actor responsible for the SolarWinds supply chain attack. We immediately launched an internal forensic investigation. Our investigation was supported by leading third-party forensics and cyber incident response experts at Mandiant, a division of FireEye, Inc., and was conducted in coordination with law enforcement to aid their investigation into this threat actor. During our investigation, we learned that the threat actor used the SolarWinds supply chain compromise to gain access to part of our production grid environment. Using this entry point, the threat actor accessed certain Mimecast-issued certificates and related customer server connection information. The threat actor also accessed a subset of email addresses and other contact information, as well as encrypted and/or hashed and salted credentials. In addition, the threat actor accessed and downloaded a limited number of our source code repositories, but we found no evidence of any modifications to our source code nor do we believe there was any impact on our products. As the investigation progressed, we issued a series of advisories to affected customers, including recommended precautionary steps to mitigate risk and, in some cases, to address regulatory requirements. Our forensic investigation was completed in March 2021 and we have eliminated the threat actor's access to our environment. We have taken a number of actions designed to prevent future access to our environment and we will continue to monitor for threats and take precautionary steps as needed. We are subject to additional risks and uncertainties as a result of these events, including those described in the bullets in the next paragraph below. While our forensic investigation is complete, there can be no assurance that we will be able to detect the existence or extent of the attacks on us or our customers or that our isolation and remediation efforts will be effective. As a result, we are unable to predict the overall impact of these events. Any perception by prospective or existing customers that the confidential information we maintain on their behalf is not secure could result in a material loss of business and revenue and damage our reputation and competitiveness. Furthermore, as described in the bullets below, these types of events often have cascading impacts that unfold over a lengthy period of time and may result in a loss of revenue, a diminution of our business prospects and incremental costs, including costs associated with litigation or investigations by regulatory authorities, any of which may adversely impact our financial results. It is also expected that we will continue to incur costs related to our response, remediation, and investigatory efforts relating to this security incident. While we have cyber insurance coverage, the amount of such insurance may be insufficient to compensate us for any expenses or losses that may result from the security incident and renewing cyber insurance coverage may be difficult and more costly.

Due to frequently changing attack techniques, along with an increased volume and sophistication of the attacks, we must continually monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access and we expend significant resources to respond to threats to security. To defend against threats to our systems and our customers' confidential information, we must continuously invest in the development of more secure solutions and improve the security features of our solutions and the deployment of updates to address any security vulnerabilities. However, despite our efforts, we may fail to identify these new and complex methods of attack or fail to invest sufficient resources in security measures. In addition, as we increase our customer base and our brand becomes more widely known and recognized, we may become a more attractive target for malicious third parties. Furthermore, our solutions connect to, operate in conjunction with and are dependent on products and components across a broad ecosystem of third parties. If there is a security vulnerability in one of these third-party components, and a threat actor is successful in breaching that vulnerability, we could face increased costs, liability claims, reduced revenue, or harm to our reputation or competitive position for reasons beyond our control. Any breach of our security measures or disruption in our service as a result of third-party action, including criminal conduct by state actors and others, employee negligence, error, and/or malfeasance, defects or otherwise that compromises the confidentiality, integrity or availability of our data or our customers' data, including as a result of our recent security incident, could result in:

- material loss of business and revenue;
- severe harm to our reputation, our brand or our competitiveness;
- a material degradation in the overall market perception of the security and reliability of our services;
- individual customer and/or class action lawsuits, which would cause us to incur significant legal fees and costs and could result in financial judgments against us;
- legal or regulatory enforcement action by state and federal authorities or non-U.S. authorities, which would cause us to incur legal fees and costs and could result in fines and/or penalties;
- mandatory regulatory disclosures regarding a security breach, unauthorized access to or disclosure of confidential information, which could lead to widespread negative publicity, which may cause our customers or prospects to lose confidence in the effectiveness of our data security measures;
- increased cybersecurity protection costs and insurance premiums; and/or
- additional costs associated with responding to the service interruption or security breach, such as investigative and remediation costs, the costs of providing individuals and/or data owners with notice of the breach, legal fees, the costs of any additional fraud detection activities, or the costs of prolonged system disruptions or shutdowns.

Any of these events could materially adversely impact our business and results of operations.

We seek to cap the liability to which we are exposed in the event of losses or harm to our customers, including those resulting from security incidents, but we cannot be certain that we will obtain these caps or that these caps, if obtained, will be enforced in all instances. Furthermore, the cybersecurity insurance we maintain may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover our remediation expenses or any claim against us for loss of data or other indirect or consequential damages. Defending any suit based on or related to any data loss or system disruption, regardless of its merit and available insurance coverage, could be costly and divert management's attention.

The global COVID-19 pandemic, including the related containment efforts, has had, and will likely continue to have, certain negative impacts on our business and operations, and we are unable to predict with certainty the extent to which it may continue to adversely affect our business, results of operations and financial condition.

In December 2019, a novel strain of coronavirus, or COVID-19, was reported to have surfaced in Wuhan, China, and since then has spread to Europe, the United States and most other countries. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic continues to evolve, and to date has led to the implementation of various responses, including global government-imposed quarantines, stay-at-home orders, travel restrictions, mandated non-essential business closures, work stoppages, slowdowns and delays, work-from-home policies, supply chain disruption, and other public health safety measures, as well as volatility in stock prices, among other effects. The widespread distribution of effective vaccines and continued containment efforts helped initially to stabilize infection rates, but, more recently, the rise in variants of the original virus has led to localized outbreaks in many locations, including in many of the countries in which we operate.

The containment efforts imposed by many governments caused significant societal and economic disruption worldwide, including in all of the regions in which we operate our business and sell our products and services. Additionally, the COVID-19 pandemic and the governmental response and the resulting economic effect, impacted some industries, such as travel, hospitality and retail, more significantly than others. In response to the COVID-19 pandemic, we took a number of actions. These actions included, among others: (i) a decision to close all of our global offices, including our global headquarters in London, United Kingdom, and the resulting shift to a virtual work environment where all of our employees, including our global sales and customer support staff, are working remotely; (ii) a decision to limit and then ultimately ban all non-essential travel, including international travel; (iii) a decision to cancel or shift to virtual-only certain customer, industry and employee events; and (iv) the establishment of an employee support fund, funded in part by executive and employee donations, to offset the impact of the pandemic on our more vulnerable employees. The expected duration of these actions is uncertain. More recently, we have opened some of our global offices on a limited basis in accordance with government requirements, including our headquarters in London, United Kingdom and our office in Lexington, Massachusetts. We expect, however, that the transition back to normal operations will take significant time, perhaps several months. We believe that the COVID-19 pandemic has negatively impacted and will continue to negatively impact our business and results of operations in a number of ways, including (i) an impact on the demand for our products and services caused by a decline in the rate of IT and security spending, a delay in purchasing decisions as IT and security staff focus on addressing the disruption to their businesses, and hiring freezes and reductions in workforce impacting our customers, which will impact sales to prospects and existing customers and increase customer attrition, especially since we offer our solutions on a per seat basis, (ii) restrictions on our global sales and marketing operations, including eliminating in-person sales activities, (iii) an impact on our employees' ability to perform necessary business functions, including as a result of illness, family illness and general economic hardship, or as a result of restrictions on movement, including the necessity of working from home for an extended period, (iv) customers seeking extended payment terms or declaring bankruptcy or seeking to liquidate making collectability of accounts receivables difficult or impossible, (v) a disruption to our supply chain, particularly as it relates to hardware needed to expand existing data centers and planned data centers, (vi) continued currency volatility, and (vii) an increased risk of information or cybersecurity incidents and a failure to maintain the uninterrupted operation of our information systems due to, among other things, an increase in remote work. In addition, governmental authorities both in the United States and in Europe have adopted measures to provide economic assistance to businesses, to stabilize the markets and to support economic stability, and many governments are considering adopting additional measures to support their economies. The future success of these measures is unknown, and they may not be sufficient to mitigate the negative impact of the global COVID-19 pandemic. We have been closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it will impact our operations and the operations of our customers, suppliers, vendors and business partners and the impact it has on the safety and well-being of our employees, and may take further precautionary and preemptive actions as may be prudent or as required by government authorities.

Any of the negative impacts of the continuing global COVID-19 pandemic, including those described above, alone or in combination with others, may have a material adverse effect on our results of operations and financial condition. The extent to which the global COVID-19 pandemic will continue to adversely affect our business and results of operations will depend on numerous evolving factors and future developments that we are not able to predict, including the duration, spread and severity of the outbreak, including the potential that there could be recurring outbreaks in the future, the spread of new variants of the original virus, the nature and effectiveness of containment measures, the availability of treatments, the effectiveness and safety of available vaccines and the speed at which such vaccines are distributed and accepted by the public, the effect on the economy, unemployment, and IT and security spending in particular, and how quickly and to what extent normal economic and business operations can resume. Because our services are offered on a subscription basis, the effect of the pandemic may not be fully reflected in our operating results until future periods. If the global COVID-19 pandemic is prolonged, it could amplify the negative impacts on our business and results of operations, and may also heighten many of the other risks, including risk factors, described in this section and elsewhere in this Quarterly Report on Form 10-Q. It is also possible that any adverse impacts of the pandemic and containment measures may continue once the pandemic is controlled and the containment measures are lifted.

If we are unable to attract new customers and retain existing customers, our business and results of operations will be affected adversely.

To succeed, we must continue to attract new customers and retain existing customers who desire to use our existing security, continuity and archiving offerings and new products we introduce from time to time. Acquiring new customers is a key element of our continued success, growth opportunity and future revenue. We will continue to invest in a direct sales force combined with a focused channel strategy designed to serve the various requirements of our target customer base and to bring new customers onto our cloud architecture. Any failures by us to execute in these areas will negatively impact our business. The rate at which new and existing customers purchase our products depends on a number of factors, including potential concerns related to our recent security incident and other factors outside of our control. For example, a deterioration in macroeconomic conditions in the markets we operate in as a result of the continuation of the global COVID-19 pandemic, a slower than expected recovery from the pandemic, or for other reasons could have a negative impact on our customers, which could adversely impact our ability to attract new customers and retain existing customers. In the past, negative macroeconomic conditions resulted in reductions in demand for IT-related capital spending generally and security solutions specifically, particularly in the financial services, legal and other industries that we target. Our future success also depends on retaining our current customers at acceptable retention levels. Our retention rates may decline or fluctuate as a result of a number of factors, including potential concerns related to our recently disclosed security incident. Our retention rates may also fluctuate as a result of factors outside our control, including competition, customers' budgeting and spending priorities, and overall general economic conditions in the geographic regions in which we operate. For example, the impact of the COVID-19 pandemic on the current economic environment has caused, and may in the future cause, customers to request concessions including extended payment terms or better pricing. Customers may delay or cancel IT projects or seek to lower their costs by renegotiating existing vendor contracts. If our customers do not renew their subscriptions for our products and services, our revenue would decline and our business would suffer. In future periods, our total customers and revenue could decline or grow more slowly than we expect.

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

A significant portion of our revenue growth is generated from sales of additional services, features and products to existing customers. Our future success depends, in part, on our ability to continue to sell such additional services, features and products to our existing customers. We devote significant efforts to developing, marketing and selling additional services, features and products and associated support services to existing customers and rely on these efforts for a portion of our revenue. These efforts require a significant investment in building and maintaining customer relationships, as well as significant research and development efforts in order to provide upgrades and launch new services, features and products. The rate at which our existing customers purchase additional services, features and products depends on a number of factors, including the perceived need for additional security, continuity and archiving services, the efficacy of our current services, the perceived utility and efficacy of our new offerings, potential concerns related to our recent security incident, our customers' IT budgets and general economic conditions in the geographic regions in which we operate, which may be impacted by the economic uncertainty resulting from the global COVID-19 pandemic. If our efforts to sell additional services, features and products to our customers are not successful, our future revenue and operating results will be harmed.

Our business depends substantially on customers renewing their subscriptions with us and a decline in our customer renewals would harm our future operating results.

In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions with us when the existing subscription term expires. Although the majority of our customer contracts include auto-renew provisions, our customers have no obligation to renew their subscriptions upon expiration, and we cannot provide assurance that customers will renew subscriptions at the same or higher level of service, if at all, particularly given the economic uncertainty resulting from the global COVID-19 pandemic. For each of the fiscal years ended March 31, 2021 and 2020, our customer retention rate has been consistently greater than 90%. We calculate customer retention rate as the percentage of paying customers on the last day of the relevant period in the prior year who remain paying customers on the last day of the relevant period in the current year. The rate of customer renewals may decline or fluctuate as a result of a number of factors, including our customers' satisfaction or dissatisfaction with our solutions, potential concerns related to our recent security incident, outages impacting our service, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, or reductions in our customers' spending levels or general economic conditions in the geographic regions in which we operate, which may be impacted by the economic uncertainty resulting from the global COVID-19 pandemic. If our customers do not renew their subscriptions, or renew on less favorable terms, our revenue may decline, and we may not realize improved operating results from our customer base.

The markets in which we participate are highly competitive, with several large established competitors, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.

Our market is large, highly competitive, fragmented and subject to rapidly evolving technology, shifting customer needs and frequent introductions of new products and services. We currently compete with companies that offer products that target email, web and data security, awareness training, continuity, archiving, DMARC reporting, and digital brand protection, as well as large providers such as Google Inc. and Microsoft Corporation, which offer functions and tools as part of their core mailbox services that may be, or be perceived to be, similar to ours.

Our current and potential future competitors include:

- Email Security: Barracuda Networks, Inc., Google, Microsoft Exchange Online Protection, Proofpoint, Inc., Symantec Corporation, Agari Data, Inc., Cisco Systems Inc., Avanan, a division of Check Point Software Technologies Ltd., GreatHorn, Inc., IronScales, Ltd., INKY Technology Company, Abnormal Security Corporation, Egress Software Technologies Ltd., and Tessian Limited
- Archiving: Dell EMC, Microsoft Office® 365®, Proofpoint, Inc., Veritas Technologies LLC, Smarsh Inc., Barracuda Networks, Inc., and Global Relay Communication, Inc.;
- Awareness training: KnowBe4, Inc., Cofense Inc., and Wombat Security, a division of Proofpoint, Inc.;
- Web security: Cisco Systems, Inc., Webroot Inc., TitanHQ's Webtitan, SafeDNS, Inc., Akamai Technologies, Inc, Infoblox Inc., Forcepoint LLC, Trustwave Holdings, Inc., and Zscaler, Inc.;
- DMARC reporting: Agari Data, Inc., Valimail Inc., dmarcian, Inc., Ondemarc by Redsift Limited, and ReturnPath's email fraud protection, a division of Proofpoint, Inc.; and
- Digital brand protection: RSA Security LLC, RiskIQ, Inc., and MarkMonitor Inc.

In addition, as we launch new products and services, we will face competition from new and existing competitors. We expect competition to increase in the future from both existing competitors and new companies that may enter our markets. Additionally, some potential customers, particularly large enterprises, may elect to develop their own internal products. If two or more of our competitors were to merge or partner with one another, the change in the competitive landscape could reduce our ability to compete effectively. Our continued success and growth depends on our ability to out-perform our competitors at the individual service level as well as increasing demand for a unified service infrastructure. We cannot guarantee that we will out-perform our competitors at the product level or that the demand for a unified service technology will increase.

Some of our current competitors have, and our future competitors may have, certain competitive advantages such as greater brand and name recognition, longer operating history, larger market share, larger existing user base and greater financial, technical and other resources. Some competitors may be able to devote greater resources to the development, promotion and sale of their products and services than we can to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs. We cannot assure you that our competitors will not offer or develop products or services that are superior to ours or achieve greater market acceptance.

If we are unable to effectively increase sales of our services to large enterprises while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

As we seek to increase our sales to large enterprise customers, we may face longer sales cycles, more complex customer requirements, unfavorable contractual terms, substantial upfront sales costs and less predictability in completing some of our sales than we do with smaller customers. In addition, our ability to successfully sell our services to large enterprises is dependent on us attracting and retaining sales personnel, including sales engineers, with experience in selling to large organizations. Also, because security breaches and disruptions of larger, more high-profile enterprises are likely to be heavily publicized, there is increased reputational risk associated with serving such customers. If we are unable to increase sales of our services to large enterprise customers while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

Failure to effectively expand our sales and marketing capabilities could harm our ability to acquire new customers and achieve broader market acceptance of our services.

Acquiring new customers and expanding sales to existing customers will depend to a significant extent on our ability to expand our sales and marketing operations. We generate approximately one-fifth of our revenue from direct sales and we expect to continue to rely on our sales force to obtain new customers and grow revenue from our existing customer base. We expect to expand our global sales force, and we face a number of challenges in achieving our hiring goals. For instance, there is significant competition for sales personnel, including sales engineers, with the sales skills and technical knowledge that we require, including experience selling to large enterprise customers. In addition, training and integrating a large number of sales and marketing personnel in a short period of time requires the allocation of significant internal resources. Our ability to achieve projected growth in revenue in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel, all of which may be negatively impacted by the continuing global COVID-19 pandemic. We invest significant time and resources in training new sales personnel to understand our solutions. In general, new hires require significant training and substantial experience before becoming productive. Our recent hires and planned hires may not become as productive as we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we currently operate or where we seek to conduct business. Our growth may be materially and adversely impacted if the efforts to expand our sales and marketing capabilities are not successful or if they do not generate a sufficient increase in revenue.

Our business and results of operations may be negatively impacted by the United Kingdom's withdrawal from the European Union.

The United Kingdom's withdrawal from the European Union, or Brexit, became effective on January 31, 2020, and the transition period, or the Brexit transition period, during which time the United Kingdom and the European Union negotiated the terms of trade and other matters, ended on December 31, 2020. The United Kingdom and European Union have signed a European Union-United Kingdom Trade and Cooperation Agreement, or the TCA, which became effective in May 2021. Negotiations between the United Kingdom and the European Union are expected to continue in relation to certain elements of the trading relationship between the United Kingdom and the European Union. The ultimate effects of Brexit will depend, in part, on how the terms of the TCA take effect in practice and on any other agreements the United Kingdom may make with the European Union and many of the regulations that now apply in the United Kingdom following the Brexit transition period (including financial laws and regulations, tax, intellectual property rights, data protection laws, immigration laws and employment laws), will likely be amended in future as the United Kingdom determines its new approach, which may result in significant divergence from European Union regulations. This lack of clarity on future United Kingdom laws and regulations and their interaction with the European Union laws and regulations increases our burden of operating in and doing business in the United Kingdom and the European Union and may affect our results of operations in a number of ways, including increasing currency exchange risk and disruptions in trade and the free movement of goods and services to and from the United Kingdom, generating instability in the global financial markets or negatively impacting the economies of the United Kingdom and Europe. In addition, because of our significant presence in the United Kingdom, it is possible that Brexit may impact some or all of our current operations, including transfers of our personal data and our customers' personal data between our operations in the United Kingdom and our operations in the European Union. As a result, some of our European customers that are not based in the United Kingdom are requiring that we move their data from our United Kingdom data centers to our data centers based in Germany. Brexit may also impact our ability to freely move employees from our London headquarters to our other locations in Europe. The long-term effects of Brexit will depend in part on how the TCA, and any future agreements signed by the United Kingdom and the European Union, take effect in practice. We expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replicate or replace. Any of these effects of Brexit, and others we cannot anticipate, could negatively impact our business and results of operations.

If we are unable to maintain successful relationships with our channel partners, our ability to acquire new customers could be adversely affected.

In order to grow our business, we anticipate that we will continue to depend on our relationships with our channel partners who we rely on, in addition to our direct sales force, to sell and support our services. In the nine months ended December 31, 2021, while no individual channel partner accounted for 10% or more of our revenue, in the aggregate, our channel partners accounted for 78% of our revenue. We expect that sales to channel partners will continue to account for a substantial portion of our revenue for the foreseeable future. We utilize channel partners to efficiently increase the scale of our marketing and sales efforts, increasing our market penetration to customers which we otherwise might not reach on our own. Our ability to achieve revenue growth in the future will depend, in part, on our success in maintaining successful relationships with our channel partners, which includes ensuring that we make our service as easy to use by these channel partners as possible.

Our agreements with our channel partners are generally non-exclusive, meaning our channel partners may offer customers competitive services from different companies. If our channel partners do not effectively market and sell our services, choose to use greater efforts to market and sell their own products or services or those of others, or fail to meet the needs of our customers, our ability to grow our business, sell our services and maintain our reputation may be adversely affected. Our agreements with our channel partners generally allow them to terminate their agreements for any reason upon 90 days' notice. The loss of key channel partners, our possible inability to replace them, or the failure to recruit additional channel partners could materially adversely affect our results of operations. If we are unable to maintain our relationships with these channel partners, our business, results of operations, financial condition or cash flows could be adversely affected.

Any serious disruptions in our services caused by defects in our software or otherwise may cause us to lose revenue and market acceptance.

Our customers use our services for the most critical aspects of their business, and any disruptions to our services or other performance problems with our services, however caused, could hurt our brand and reputation and may damage our customers' businesses. We provide regular updates, which may contain undetected errors when first introduced or released. In the past, we have discovered software errors, failures, vulnerabilities and bugs in our services after they have been released and new errors in our existing services may be detected in the future. Real or perceived errors, failures, system delays, interruptions, disruptions, vulnerabilities, or bugs could result in negative publicity, loss of or delay in market acceptance of our services, loss of competitive position, delay of payment to us, lower renewal rates, or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to mitigate or correct the problem. We seek to cap the liability to which we are exposed in the event of losses or harm to our customers, but we cannot be certain that we will obtain these caps or that these caps, if obtained, will be enforced in all instances. We carry insurance; however, the amount of such insurance may be insufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our services. As a result, we could lose future sales and our reputation and our brand could be harmed.

We provide service level commitments under our subscription agreements and service disruptions, including any related to our recent security incident, could obligate us to provide refunds and we could face subscription terminations, which could adversely affect our revenue.

Our subscription agreements with customers provide certain service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of downtime that exceed the periods allowed under our customer agreements, including as a result of our recently disclosed security incident or DDoS attacks, we could be required to pay refunds or face subscription terminations, either of which could significantly impact our revenue.

We have suffered significant service disruptions in the past and we cannot guarantee that future attacks or service disruptions will not occur. Any future attacks or significant service disruptions could adversely affect our reputation, our relationships with our existing customers and our ability to attract new customers, all of which would impact our future revenue and operating results.

We have acquired, and may acquire in the future, other businesses, products or technologies, which could require significant management attention, disrupt our business, dilute shareholder value and adversely affect our results of operations.

As part of our growth strategy and in order to remain competitive, we may acquire, or make investments in, complementary companies, products or technologies. Since fiscal 2017, we have completed several acquisitions. Notwithstanding these acquisitions, our acquisition experience to date remains relatively limited, and as a result, our ability as an organization to acquire and integrate other companies, products or technologies, particularly when the acquired entities are located in geographies where we have not previously done business, in a successful manner is unproven. We may not be able to find suitable acquisition targets, 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 revenue and results of operations could be adversely affected. We may only be able to conduct limited due diligence on an acquired company's technology, products and operations. Following an acquisition, we may be subject to liabilities arising from an acquired company's past or present technology, product and operations, including liabilities related to data security and privacy of customer data and infringement of the intellectual property rights of others, and these liabilities may be greater than the warranty and indemnity limitations that we negotiate. Any liability that is greater than these warranty and indemnity limitations could have a negative impact on our financial condition. 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 acquired business, including accounting charges. We may have to pay cash, incur additional debt, or issue equity securities to pay for any such acquisitions, 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 additional indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. See "*The terms of our Credit Agreement require us to comply with certain financial covenants and impose restrictions on our business and operations, which creates default risks and reduces our flexibility*" below.

In addition, as of December 31, 2021, we had $221.5 million in goodwill and intangible assets, net of accumulated amortization, recorded on our balance sheet as a result of our recent acquisitions. We will incur expenses related to the amortization of intangible assets and we may in the future need to incur charges with respect to the impairment of goodwill or intangible assets, which could adversely affect our operating results.

If we are not able to provide successful updates, enhancements and features to our technology to, among other things, keep up with emerging cyber threats and customer needs, our business could be adversely affected.

Our industry is marked by rapid technological developments and demand for new and enhanced services and features to meet the evolving IT needs of organizations. In particular, cyber threats are becoming increasingly sophisticated and responsive to the new security measures designed to thwart them. 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. The success of any new enhancements, features or services that we introduce depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, features or services. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, modifications to existing technologies will increase our research and development expenses. If we are unable to successfully enhance our existing services to meet customer requirements, increase adoption and usage of our services, or develop new services, enhancements, features and products, our business and operating results will be harmed.

Our quarterly results may fluctuate for a variety of reasons and may not fully reflect the underlying performance of our business.

Our quarterly operating results, including the levels of our revenue, gross margin, profitability, cash flow and deferred revenue, may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may negatively impact the value of our ordinary shares. Factors that may cause fluctuations in our quarterly financial results include, but are not limited to:

- the pendency of the Transaction;
- foreign currency exchange rates;
- our ability to attract new customers;
- our net revenue retention rate;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;

- network outages or security breaches, including our recent security incident;
- general economic, industry and market conditions, including the continuing impact of the global COVID-19 pandemic, Brexit and economic conditions and societal unrest in South Africa;
- expenses related to litigation or regulatory matters;
- increases or decreases in the number of features in our services or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- new variations in sales of our services, which has historically been highest in the fourth quarter of a given fiscal year;
- the timing and success of new services and service introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners;
- restructuring expenses;
- the impact of acquisitions; and
- changes in our income tax rate.

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

We operate a global business with offices located in the United States, the United Kingdom, South Africa, Australia and Germany, as well as several other locations. In the nine months ended December 31, 2021, we generated 51% of our revenue from the United States, 28% from the United Kingdom, 10% from South Africa and 11% from the rest of the world. As a result, our sales and operations are subject to a number of risks and additional costs, including the following:

- fluctuations in exchange rates between currencies in the markets where we do business, which impacts our reportable revenue and expenses;
- the disparate impact that the global COVID-19 pandemic is having on different countries and their economies;
- risks associated with trade restrictions and additional legal requirements, including those related to the exportation of our technology;
- the need to adapt our solutions for specific countries;
- greater risk of unexpected changes in regulatory rules, regulations and practices, tariffs and tax laws and treaties;
- compliance with multiple anti-bribery laws, including the United States Foreign Corrupt Practices Act and the U.K. 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;
- limited or uncertain protection of intellectual property rights in some countries and the risks and costs associated with monitoring and enforcing intellectual property rights abroad;
- greater difficulty in enforcing contracts and managing collections in certain jurisdictions, as well as longer collection periods;
- potential changes in trade relations arising from policy initiatives or other political factors that could negatively impact our purchases of technology among other things;
- management communication and integration problems resulting from cultural and geographic dispersion;
- social, economic and political instability, particularly in South Africa where the current economic environment is very challenging;
- terrorist attacks and security concerns in general; and
- complex and potentially adverse tax consequences.

All of the factors described above, including the previously described risks related to Brexit, and other factors could harm our ability to generate future global revenue and, consequently, materially impact our business, results of operations and financial condition.

If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.

As the market for our services matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model or reduce our prices, which could harm our revenue, gross margin and operating results. Pricing decisions may also impact the mix of adoption among our subscription plans and negatively impact our overall revenue. Moreover, large enterprises, which may account for a larger portion of our business in the future, may demand substantial price concessions. Finally, the economic impact of the global COVID-19 pandemic may cause our prospects and existing customers to request price concessions to enable them to purchase our services or renew existing services. If we are, for any reason, required to reduce our prices, our revenue, gross margin, profitability, financial position and cash flow may be adversely affected.

Our research and development efforts may not produce new services or enhancements to existing services that result in significant revenue or other benefits in the near future, if at all.

We invested 19% of our revenue in research and development in each of our fiscal years ended March 31, 2021 and 2020. We expect to continue to dedicate significant financial and other resources to our research and development efforts in order to maintain our competitive position. However, investing in research and development personnel, developing new services and enhancing existing services is expensive and time-consuming, and there is no assurance that such activities will result in significant new marketable services, enhancements to existing services, design improvements, cost savings, revenue 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 employ third-party licensed software for use in or with our services, and the inability to maintain these licenses or errors or vulnerabilities in the software we license could result in increased costs, reduced service levels, or security risk, which would adversely affect our business.

Our services incorporate and rely on certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our services with new third-party software may require significant work and require substantial investment of our time and resources and delays in the release of our services until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. A licensor may have difficulties keeping up with technological changes or may stop supporting the software or other intellectual property that it licensed to us. Also, to the extent that our services depend upon the successful operation of third-party software in conjunction with our software, any undetected errors, defects or security vulnerabilities in this third-party software could prevent the deployment or impair the functionality of our services, delay new services introductions, result in a failure of our services, result in security breaches, and injure our reputation. Third-party software could also be used to launch an attack, also known as a supply chain attack, on our corporate and customer production systems resulting in service disruptions and security breaches. Our use of additional or alternative third-party software would require us to enter into additional license agreements with third parties on terms that may not be favorable to us.

Natural disasters, power loss, telecommunications failures and similar events could cause interruptions or performance problems associated with our information and technology infrastructure that could impair the delivery of our services and harm our business.

We currently store our customers' information within third-party data center hosting facilities. As part of our current disaster recovery plans and arrangements, our production environment and all of our customers' data is currently replicated in near real-time to a facility located in a different location. We cannot provide assurance that the measures we have taken to eliminate single points of failure will be effective to prevent or minimize interruptions to our operations. Our facilities are vulnerable to interruption or damage from a number of sources, many of which are beyond our control, including floods, fires, power loss, telecommunications failures, global pandemics such as COVID-19, the effects of climate change (such as drought, wildfires, increased storm severity and sea level rise), and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any damage to, or failure of, our systems generally could result in interruptions to our service, which may reduce our revenue, cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract new customers. Our business and reputation will also be harmed if our existing and potential customers believe our service is unreliable. The occurrence of a natural disaster, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted. As we continue to add data centers and add capacity in our existing data centers, we may move or transfer our data and our customers' data. Any unsuccessful data transfers may impair the delivery of our service. Further, as we continue to grow and scale our business to meet the needs of our customers, additional burdens may be placed on our hosting facilities.

Actions we have taken to restructure our business to better align our resources with our strategy were costly and may not be as effective as anticipated.

In February 2021, we announced a restructuring plan designed to align our resources with our strategy. The restructuring plan, which included a reduction of our workforce by approximately 4%, was designed to permit us to increase investment in strategic growth areas. In connection with the restructuring, we recognized pre-tax charges to our financial results for the year ended March 31, 2021 of approximately $3.3 million, consisting of $3.7 million of severance and other one-time termination benefits, and other restructuring related costs, partially offset by $0.4 million of other adjustments. These charges were primarily cash-based. Restructuring charges during the nine months ended December 31, 2021 were not material. The actions associated with the restructuring plan are now complete.

This type of restructuring activity may result in business disruptions and may not produce the full efficiency and cost reduction benefits anticipated. Furthermore, the benefits may be realized later than expected and the cost of implementing these measures may be greater than anticipated. If these measures are not successful, we may need to undertake additional cost reduction efforts, which could result in future charges. Moreover, the restructuring plan may cause business disruptions with customers and elsewhere if our cost reduction efforts prove ineffective, and our business may not be more efficient or effective than prior to the implementation of the plan. Our restructuring activities, including the related charges and the impact of the related workforce reduction, which may include potential legal claims by impacted employees, could have a material adverse effect on our business, operating results and financial condition.

Legal and Regulatory Risks

Our failure to comply with evolving data privacy, data protection and cloud computing regulations, cross-border data transfer restrictions and other domestic or foreign laws and regulations may result in substantial liability and may limit the use and adoption of, or require modifications to, our products and services, all of which could reduce our revenue, harm our operating results and adversely affect our business.

Given the nature and global reach of our business, including our operations in the United States, our corporate headquarters and operations in London, United Kingdom, our operations in Germany, South Africa and elsewhere, as well as the types of information our customers store on our systems, evolving data privacy and data protection laws and regulations around the world that impose requirements on us as well as our customers will continue to significantly impact our business.

Federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and data security regarding the collection, processing, transfer, storage and use of personal information that affect the provision of cloud services. For example, in the United States, these include laws and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996, or HIPAA, the Graham-Leach-Bliley Act of 1999, as well as numerous state breach notification and data privacy laws, and regulator enforcement positions and expectations reflected in federal and state regulatory actions, settlements, consent decrees and guidance documents. In January 2020, the California Consumer Privacy Act of 2018, or CCPA, became effective. The CCPA governs the collection, sale and use of California consumers' (i.e., California residents') personal information (as that term is broadly defined by the CCPA), and it has significant impacts on businesses' handling of personal information and existing privacy policies and procedures. The CCPA gives California consumers expanded rights to access and delete their personal information, opt out of certain

personal information sharing, and receive detailed information about how their personal information is used by requiring covered entities to provide new disclosures to California consumers and provide such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. In November 2020, California residents voted to approve a ballot proposition that creates the California Privacy Rights Act, or CPRA, that amends and expands the CCPA to further enhance privacy protections for California residents. The CCPA may subject us to regulatory fines by the State of California, individual claims, and increased commercial liabilities. In addition, the CCPA, as well as data privacy laws that have been proposed or enacted in other U.S. states, may limit our or our customers' ability to use, process and store certain data, which may decrease adoption of our services, increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations.

Internationally, almost every jurisdiction in which we operate has established its own data security, data protection and data privacy legal frameworks with which we, or our customers, must comply, including the European Union General Data Protection Regulation, or the GDPR. The GDPR applies to any company established in the European Union as well as to those outside the European Union if they collect and use personal data in connection with the offering of goods or services to individuals in the European Union or the monitoring of their behavior. The GDPR has enhanced data protection obligations for data controllers of personal data, including, for example, expanded disclosures about how personal data is to be used, limitations on retention of personal data, and mandatory personal data breach notification requirements. The GDPR also imposes onerous obligations and liabilities on service providers or data processors. Under the GDPR, regulatory fines of up to 20 million Euros or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be imposed. In addition, data subjects can claim damages resulting from violations of the GDPR. The GDPR further grants non-profit organizations the right to bring claims on behalf of data subjects. Following the end of the Brexit transition period on December 31, 2020, the GDPR was adopted in the United Kingdom and is referred to as the 'UK GDPR', but there may be further developments about the regulation that may impact data protection and data privacy considerations in the United Kingdom. In South Africa, the Protection of Personal Information Act ("POPIA") became enforceable as of July, 2021. Similar to the GDPR, the regulation imposes obligations and restrictions on the collection, processing, storage and use of personal information in South Africa. It also restricts the transfer of personal information outside of South Africa unless certain conditions are satisfied. Failure to comply with POPIA would result in regulatory penalties and fines, as well as claims for damages by data subjects. As a result, our customers subject to POPIA may require additional contractual protections from us.

Given the breadth and depth of changes in data privacy and data protection regulations, complying with the various requirements has caused us to expend significant resources and such expenditures are likely to continue into the future as we respond to new interpretations and enforcement actions and as we continue to negotiate data processing agreements with our customers and business partners. In addition, our recent security incident implicated the regulatory notification requirements applicable to us. As a result, our actions with respect to such notifications could be subject to regulatory fines and reputational damage, either of which could harm our operating results and adversely affect our business.

To facilitate and legitimize the transfer of both customer and personal data from the European Union and the United Kingdom to the United States, we have relied on the frameworks promulgated by the European Union, Swiss and U.S. authorities, including the EU-U.S. Safe Harbor Framework, EU-U.S. Privacy Shield Framework, and the Swiss-U.S. Privacy Shield Framework While these frameworks have now been invalidated by European authorities, we remain certified under the EU-U.S. and the Swiss-U.S. Privacy Shield frameworks and our obligations thereunder remain in effect. In its decision in July 2020 invalidating the EU-U.S. Privacy Shield Framework, the Court of Justice of the European Union ("CJEU") affirmed that personal data transfers from the EEA to the United States pursuant to standard contractual clauses, or SCCs, remain a valid transfer mechanism, subject to a requirement that the supervisory authorities in member states continue to review the adequacy of the protection afforded by the SCCs. In June 2021, the European Commission adopted a new set of SCCs providing additional clarity for cross-border transfers of data. Because of the CJEU affirmation, the new SCCs, and the position of the authorities in the United Kingdom to align with European data privacy regulations, we believe that personal data transfers among our global affiliates in accordance with the SCCs comply with applicable European and United Kingdom personal data transfer requirements. However, there is uncertainty associated with the new SCCs, including obligations related to governmental access requests and concerns around new or renegotiated contractual terms with our customers. Further, if these SCCs are ultimately determined to provide inadequate protection for personal data transfers between the European Union, the United Kingdom and the United States, we will be required to identify and implement alternative solutions to ensure that we comply with European and United Kingdom personal data transfer requirements. If we fail to comply fully with privacy laws in the European Union and the United Kingdom, the data protection authorities might impose upon us a number of different sanctions, including fines and restrictions on international personal data transfers.

Data privacy and data protection laws and regulations are subject to new and differing interpretations and there may also be significant inconsistency in laws and regulations throughout the jurisdictions in which we operate or offer our services. Legal and other regulatory requirements could restrict our ability to store and process personal data as part of our services, or, in some cases, impact our ability to offer our services in certain jurisdictions. Such laws and regulations may also impact our customers' ability to deploy certain of our services globally, to the extent they utilize our services for processing personal data. Our strategy in gaining insights from the data we collect as part of our services, particularly threat data, is becoming important to the value of the services we deliver to our customers and to our operational efficiency. Our use of data in this way may be constrained by contractual restrictions or regulatory developments. In addition, in many cases these data privacy and data protection laws and regulations apply not only to transfers of personal data to third parties, but also within an enterprise, including our company or our customers. Finally, if third parties that we engage for the provision of certain functions of our services violate applicable data privacy and data protection laws or regulations or our policies or requirements, such violations may also put our customers' information at risk which could in turn have an adverse effect on our business.

The costs of compliance with, and other burdens imposed by, data privacy and data protection laws and regulations may require resources to create new services or modify existing services, the failure of which could lead to us being subject to significant fines, penalties or liabilities for noncompliance, and may slow the pace at which we close sales transactions, any of which could harm our business. Compliance with applicable laws and regulations regarding personal data may also require changes in our services that result in increased costs and reduced efficiency. Failure to comply with existing or new data privacy and data protection laws and regulations may result in significant fines or orders to stop the alleged noncompliant activity, as well as negative publicity. Customer may also attempt to terminate our agreements with them or sue us for breach of the data protection provisions of those agreements. As a result, failure to comply with evolving data privacy, data protection and cloud computing regulations may harm our business and our results of operations.

We are subject to governmental export controls and funds dealings restrictions that could impair our ability to compete in certain international markets and subject us to liability if we are not in full compliance with applicable laws.

Our software and services may be subject to export controls and we may also be subject to restrictions or prohibitions on transactions with, or on dealing in funds transfers to/from, certain embargoed jurisdictions and sanctioned persons and entities, pursuant to the U.K. Export Control Organisation's restrictions, the U.K. Treasury's restrictions, the European Union Council Regulations, the United States Department of Commerce's Export Administration Regulations, the economic and trade sanctions regulations administered by the United States Treasury Department's Office of Foreign Assets Controls and United States Department of State, and similar laws that may apply in other jurisdictions in which we operate or sell or distribute our services. Export control and economic sanctions laws include prohibitions on the sale or supply of certain products and services to certain embargoed or sanctioned countries, regions, governments, persons and entities, as well as restrictions or prohibitions on dealing in funds to/from those countries, regions, governments, persons and entities. In addition, various countries regulate the import of certain encryption items and technology through import permitting and licensing requirements and have enacted laws that could limit our ability to distribute our services or could limit our customers' ability to implement our services in those countries.

The exportation, re-exportation, and importation of our software and services, including by our channel partners, must comply with applicable laws or else we may be adversely affected, through reputational harm, government investigations, penalties, and/or a denial or curtailment of our ability to export our services. Although we take precautions to prevent our services from being provided in violation of such laws, our services may have been in the past, and could in the future be, provided in violation of such laws.

If we are found to be in violation of United States sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us, including civil penalties over $300,000, or twice the value of the transaction, whichever is greater, per violation, and in the event of conviction for a criminal violation, fines of up to $1 million and possible incarceration for responsible employees and managers for willful and knowing violations. Under the terms of applicable regulations, each instance in which a company provides goods or services, or otherwise acts in violation of export control and sanctions laws, may be considered a separate violation. If we are found to be in violation of U.K. sanctions or export controls, it could also result in unlimited fines for us and responsible employees and managers, as well as imprisonment of up to two years for responsible employees and managers.

Changes in our software or services, or changes in export, sanctions or import laws, may delay the introduction and sale of our services in certain markets, prevent our customers with global operations from deploying our software or services or, in some cases, prevent the export or import of our software or services to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and operating results.

We may become involved in other litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, data security, contract disputes, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. In addition, the expense of litigation and the timing of this expense from period to period are difficult to estimate, subject to change and could adversely affect our results of operations. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, results of operations and prospects. For litigation related to the Transaction, see Note 13 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Human Capital Risks

We are dependent on the continued services and performance of our key employees, including our co-founder, the loss of whom could adversely affect our business.

Our future performance depends upon contributions from our senior management team and, in particular, our co-founder, Peter Bauer, our Chairman and Chief Executive Officer. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute on our plans and strategies on a timely basis, our business could be harmed. The loss of one or more of our executive officers or key employees could have an adverse effect on our business. The loss of services of Mr. Bauer could significantly delay or prevent the achievement of our strategic objectives.

We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate qualified personnel, our business may be adversely impacted.

Our success depends largely upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, software developers, sales representatives and customer support representatives. Our growth strategy also depends, in part, on our ability to continue to attract and retain highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals requires significant time, expense and attention of management. Competition for these personnel is intense, especially for engineers experienced in designing and developing software and software as a service applications, and for experienced enterprise sales professionals. In addition, the global COVID-19 pandemic has made hiring more difficult, particularly when the hiring process, from sourcing to interviewing to onboarding to training, must be done remotely. We have, from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may assert that these employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the actual or perceived value of our equity awards declines, or experiences significant volatility, it may adversely affect our ability to recruit and retain key employees. If we are not able to effectively recruit and retain qualified employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

Our recent workforce reduction could negatively impact our future hiring plans and employees who are not impacted, which may adversely affect our business.

The workforce reductions made in connection with the restructuring we announced in February 2021 may adversely affect our ability to attract and retain highly skilled employees. Even if our key employees were not directly affected by these reductions, the termination of others may have a negative impact on morale and our culture and our ability to retain current employees, as well as our ability to attract qualified new employees in the future.

Risks Related to Intellectual Property

We have been sued in the past and may in the future be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our success depends, in part, on our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing patent entities, or NPEs, which are entities that have no operating business but exist purely as collectors of patents, and individuals, may own or claim to own intellectual property relating to our industry. Patent and other intellectual property disputes are common and third parties are currently claiming, have claimed, and may in the future claim that we are infringing upon their intellectual property rights or send us letters proposing that we license certain of their patents. In particular, there are a number of NPEs in the security industry that are particularly aggressive about pursuing alleged infringement of their patents. Given this and the proliferation of lawsuits in our industry and other similar industries by both NPEs and operating entities, we have been sued for patent infringement and expect that we may be sued by others at some point in the future, regardless of the merits of any such lawsuits. See Part II, Item 1 “Legal Proceedings” in this Quarterly Report on Form 10-Q. We closely monitor all such claims and respond as appropriate. We may also be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. Under all of our sales contracts, we are obligated to indemnify our customers and channel partners against third-party infringement claims, and we may also be obligated to pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify services or refund fees, any of which could be costly. Even if we were to prevail in any such dispute, litigation regarding intellectual property is very costly and time-consuming and diverts the attention of our management and key personnel from our business operations.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part on our intellectual property. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. As of December 31, 2021, we had 38 patents issued and 17 patent applications pending in the United States. We also had one patent issued in the United Kingdom. We may not be able to obtain any further patents, and our pending applications may not result in the issuance of patents. We have issued patents and pending patent applications outside the United States, and we may have to expend significant resources to obtain additional patents as we expand our international operations due to the cost of monitoring and protecting our rights across multiple jurisdictions.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Failure to adequately enforce our intellectual property rights could also result in the impairment or loss of those rights. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Patent, copyright, trademark and trade secret laws offer us only limited protection and the laws of many of the countries in which we sell our services do not protect proprietary rights to the same extent as the United States and Europe. Accordingly, defense of our trademarks and proprietary technology may become an increasingly important issue as we continue to expand our operations and solution development into countries that provide a lower level of intellectual property protection than the United States or Europe. Policing unauthorized use of our intellectual property and technology is difficult and the steps we take may not prevent misappropriation of the intellectual property or technology on which we rely. For example, in the event of inadvertent or malicious disclosure of our proprietary technology, trade secret laws may no longer afford protection to our intellectual property rights in the areas not otherwise covered by patents or copyrights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could materially adversely affect our brand and our business.

We may elect to initiate litigation in the future to enforce or protect our proprietary rights or to determine the validity and scope of the rights of others. That litigation may not be ultimately successful and could result in substantial costs to us, the reduction or loss in intellectual property protection for our technology, the diversion of our management's attention and harm to our reputation, any of which could materially and adversely affect our business and results of operations.

Confidentiality arrangements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology, business operations and business plans. In order to protect our trade secrets and proprietary information, we rely in significant part on confidentiality arrangements with our employees, licensees, independent contractors, advisers, channel partners, resellers and customers. These arrangements may not be effective to prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, if others independently discover trade secrets and proprietary information, we would not be able to assert trade secret rights against such parties. Effective trade secret protection may not be available in every country in which our services are available or where we have employees or independent contractors. The loss of trade secret protection could make it easier for third parties to compete with our solutions by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and employment laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be subject to damages resulting from claims that our employees or contractors have wrongfully used or disclosed alleged trade secrets or confidential information of their former employers or other parties.

We could in the future be subject to claims that employees or contractors, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties. Litigation may be necessary to defend against these claims. If we fail in defending against such claims, a court could order us to pay substantial damages and prohibit us from using technologies or features that are essential to our solutions, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of these parties. In addition, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to develop, market and support potential solutions or enhancements, which could severely harm our business. Even if we are successful in defending against these claims, such litigation could result in substantial costs and be a distraction to management.

The use of open source software in our offerings may expose us to additional risks, including security risks, and harm our intellectual property.

Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms.

We monitor and control our use of open source software in an effort to avoid unanticipated conditions or restrictions on our ability to successfully commercialize our products and solutions and believe that our compliance with the obligations under the various applicable licenses has mitigated the risks that we have triggered any such conditions or restrictions. However, such use may have inadvertently occurred in the development and offering of our products and solutions, particularly in situations where we acquired technology from third parties through acquisitions. Additionally, if a third-party software provider has incorporated certain types of open source software into software that we have licensed from such third-party, we could be subject to the obligations and requirements of the applicable open source software licenses. This could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

The terms of many open source software licenses have not been interpreted by United States or foreign courts, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to successfully commercialize our products and solutions. For example, certain open source software licenses may be interpreted to require that we offer our products or solutions that use the open source software for no cost; that we make available the source code for modifications or derivative works we create based upon, incorporating or using the open source software (or that we grant third parties the right to decompile, disassemble, reverse engineer, or otherwise derive such source code); that we license such modifications or derivative works under the terms of the particular open source license; or that otherwise impose limitations, restrictions or conditions on our ability to use, license, host, or distribute our products and solutions in a manner that limits our ability to successfully commercialize our products.

We could, therefore, be subject to claims alleging that we have not complied with the restrictions or limitations of the applicable open source software license terms or that our use of open source software infringes the intellectual property rights of a third party. In that event, we could incur significant legal expenses, be subject to significant damages, be enjoined from further sale and distribution of our products or solutions that use the open source software, be required to pay a license fee, be forced to reengineer our products and solutions, or be required to comply with the foregoing conditions of the open source software licenses (including the release of the source code to our proprietary software), any of which could adversely affect our business. Even if these claims do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could harm our business, results of operations, financial condition and reputation.

Additionally, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source software does not come with warranties or other contractual protections regarding indemnification, infringement claims or the quality of the code. Open source software may also include malicious code or security vulnerabilities.

Financial Risks

Because we recognize revenue from subscriptions for our services over the term of the agreement, downturns or upturns in new business may not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription revenue from customers ratably on a straight-line basis over the terms of their subscription agreements, which are typically one year in duration. As a result, most of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscription agreements entered into during the previous fiscal year or quarter. Consequently, a decline in new or renewed subscriptions with yearly terms in any one quarter may have a small impact on our operating revenue results for that quarter. However, such decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, resulting from the impact of the global COVID-19 pandemic, our recent security incident, or otherwise, and potential changes in our pricing and packaging policies or retention rate may not be fully reflected in our operating results until future periods. Shifts in the mix of annual versus monthly subscription billings may also make it difficult to assess our business. We may also be unable to reduce our cost structure in line with a significant deterioration in sales. In addition, a significant majority of our costs are expensed as incurred, while revenue is recognized over the life of the agreement with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers is recognized over the applicable subscription term.

We have incurred net losses in the past, and we may not be able to sustain profitability for the foreseeable future.

Historically, we have incurred periods of net income and net losses. As of December 31, 2021, we had an accumulated deficit of $12.4 million. We have been growing rapidly, and, as we do so, we incur significant sales and marketing, support, research and development and other related expenses. Our ability to sustain profitability will depend in significant part on our obtaining new customers, expanding our existing customer relationships and ensuring that our expenses, including our sales and marketing expenses and the cost of supporting new customers, does not exceed our revenue. We also expect to make significant expenditures and investments in research and development to expand and improve our services and technical infrastructure. In addition, as a public company, we expect to continue to incur significant legal, accounting and other expenses. These increased expenditures may make it harder for us to maintain profitability and we cannot predict when we will achieve sustained profitability, if at all. We also may incur net losses in the future for a number of other unforeseen reasons. Accordingly, we may not be able to maintain profitability, and we may incur losses in the foreseeable future.

Fluctuations in currency exchange rates could adversely affect our business.

The functional currency of our operating subsidiaries is generally the local currency of each entity and our reporting currency is the U.S. dollar. For the nine months ended December 31, 2021, 54% of our revenue was denominated in U.S. dollars, 26% in British pounds, 10% in South African rand and 10% in other currencies. Given that the functional currency of our subsidiaries is generally the local currency of each entity, but our reporting currency is the U.S. dollar, fluctuations in currency exchange rates between the U.S. dollar and each of the British pound, the South African rand and the Australian dollar could materially and adversely affect our business. There may be instances in which costs and revenue will not be matched with respect to currency denomination. We estimate that a 10% increase or decrease in the value of the British pound against the U.S. dollar would have decreased or increased our income from operations by approximately $0.5 million in the nine months ended December 31, 2021 and that a 10% increase or decrease in the value of the South African rand against the U.S. dollar would have increased or decreased our income from operations by approximately $2.7 million in the nine months ended December 31, 2021. To date, we have not entered into any currency hedging contracts. As a result, to the extent we continue our expansion on a global basis, we expect that increasing portions of our revenue, cost of revenue, assets and liabilities will be subject to fluctuations in currency valuations. We may experience economic loss and a negative impact on earnings or net assets solely as a result of currency exchange rate fluctuations.

The global COVID-19 pandemic has had and may continue to have an impact on currency exchange rate volatility, which could impact our results of operations and make our internal financial forecasting difficult. In addition, Brexit may continue to have a significant impact on currency exchange rates and the global and European economy generally. The outcome of the referendum and the resulting uncertainty regarding the status of the United Kingdom's withdrawal from the European Union caused volatility in global stock markets and foreign currency exchange rate fluctuations, including the strengthening of the U.S. dollar against the British pound and the Euro, which may continue or worsen now that the withdrawal has occurred and the Brexit transition period ended on December 31, 2020. Finally, the South African economy faces a number of challenges, including slow economic growth and high unemployment. These challenges combined with the continuing impact of the global COVID-19 pandemic have made the South African rand highly volatile over the past year. As described above, significant fluctuations in currency exchange rates between the South African rand and the U.S. dollar will impact our results of operations.

The terms of our Credit Agreement require us to comply with certain financial covenants and impose restrictions on our business and operations, which creates default risks and reduces our flexibility.

In July 2018, we entered into the Credit Agreement by and among us, certain of our subsidiaries party thereto, as guarantors, certain financial institutions party thereto from time to time, as lenders, and the Administrative Agent. The Credit Agreement provided us with a $100.0 million senior secured term loan and a $50.0 million senior secured revolving credit facility. We amended the Credit Agreement in June 2020. The Credit Agreement requires compliance with significant financial and non-financial covenants, including affirmative covenants relating to the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters and negative covenants, including, among others, restrictions on the incurrence of certain indebtedness, granting of liens, making investments and acquisitions, mergers and consolidations, paying dividends, entering into affiliate transactions and asset sales. The Credit Agreement also provides for a number of events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, default under material indebtedness (other than the Credit Agreement), change of control and judgment defaults.

As a result of the negative covenants, we may be restricted from engaging in business or operating activities that may otherwise improve our business or from financing future operations or capital needs. Failure to comply with the covenants, including the financial covenants, if not cured or waived, will result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owing under our Credit Agreement and could have a material adverse impact on our business. Overdue amounts under the Credit Agreement accrue interest at a default rate. We cannot be certain that our future operating results will be sufficient to ensure compliance with the financial covenants in our Credit Agreement or to remedy any defaults. In addition, in the event of any event of default and related acceleration, we may not have or be able to obtain sufficient funds to make the accelerated payments required under the Credit Agreement. For more information on the Credit Agreement, see Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

If we need to raise additional capital to expand our operations and invest in new technologies in the future and cannot raise it on acceptable terms or at all, our ability to compete successfully may be harmed.

We believe that our existing cash and cash equivalents together with available capacity under our Credit Facility will be sufficient to meet our anticipated cash requirements for at least the next twelve months. However, unforeseen circumstances may arise which may mean that we may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all, or because of restrictions in our Credit Agreement. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests and the value of our ordinary shares could decline. If we engage in additional debt financing, we may be required to obtain the Administrative Agent's consent and/or accept terms that are more restrictive than the terms currently applicable to us under the Credit Agreement. If we need additional capital and cannot raise it on acceptable terms, if at all, we may not be able to, among other things:

- develop and enhance our services;
- continue to expand our research and development, and sales and marketing organizations;
- hire, train and retain key employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

Our inability to do any of the foregoing could reduce our ability to compete successfully and harm our results of operations.

We must maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our ordinary shares.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, and the related rules adopted by the SEC, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

In addition, our independent registered public accounting firm must attest to the effectiveness of our internal control over financial reporting under Section 404. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion. We are also required to disclose significant changes made in our internal control procedures on a quarterly basis. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts.

Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to assert that our internal control over financial reporting is effective or our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls when it is required to issue such opinion, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our ordinary shares could decline, and we could be subject to sanctions or investigations by the Nasdaq Global Select Market, the SEC or other regulatory authorities.

Tax Risks

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and results of operations. In addition, the authorities in these jurisdictions could review or audit our tax returns and general tax compliance and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries. Furthermore, one or more jurisdictions in which we do not believe we are currently subject to tax payment, withholding, or filing requirements, could assert that we are subject to such requirements. Any of these claims or assertions could have a material impact on us and the results of our operations, including our cash flow. In addition, as a result of efforts by governments to address the continuing global COVID-19 pandemic, among other considerations, we believe that there will be legislation to increase corporate tax rates in many of the jurisdiction in which we conduct business, including in the United Kingdom and in the United States. Such legislation, if enacted, could negatively impact our financial results.

A change in our tax residence could have a negative effect on our future profitability.

Although we are organized under the laws of the Bailiwick of Jersey, our affairs are, and are intended to continue to be, managed and controlled in the United Kingdom for tax purposes and therefore we are resident in the United Kingdom for U.K. and Jersey tax purposes. It is possible that in the future, whether as a result of a change in law or the practice of any relevant tax authority or as a result of any change in the conduct of our affairs or for any other reason, we could become, or be regarded as having become, a resident in a jurisdiction other than the United Kingdom. If we cease to be a U.K. tax resident, we may be subject to a charge to U.K. corporation tax on chargeable gains on our assets and to unexpected tax charges in other jurisdictions on our income. Similarly, if the tax residency of any of our subsidiaries were to change from their current jurisdiction for any of the reasons listed above, we may be subject to a charge to local capital gains tax on the assets.

Taxing authorities could reallocate our taxable income among our subsidiaries, which could increase our consolidated tax liability.

We conduct operations world-wide through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between us and our subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm's length and that appropriate documentation is maintained to support the transfer pricing. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arms' length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us. In addition, if the country from which the income is reallocated does not agree with the reallocation, both countries could tax the same income, resulting in double taxation. If tax authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess interest and penalties, it would increase our consolidated tax liability, which could adversely affect our financial condition, results of operations and cash flows. Double taxation should be mitigated in these circumstances where the affiliated parties that are subject to the transfer pricing adjustments are able to benefit from any applicable double taxation agreement.

Our ability to use our net operating loss or tax credit carry forwards may be subject to limitation.

As of December 31, 2021, we had net operating loss carryforwards in the U.K., U.S. federal and state, Australia, Germany, Israel, and Canada. U.S. federal net operating losses generated through the fiscal year ending March 31, 2018 expire at various dates through 2038 while U.S. federal net operating losses generated after March 31, 2018 do not expire. Substantially all U.S. state net operating loss carryforwards expire at various dates through 2041. Net operating losses in Canada expire in 2041. Net operating loss carryforwards in the U.K., Australia, Germany and Israel do not expire. As of December 31, 2021, we had U.K. income tax credit carryforwards that do not expire. As of December 31, 2021, we had Israel income tax credit carryforwards that expire at various dates from 2024 through 2026.

Each jurisdiction in which we operate may have its own limitations on our ability to utilize net operating loss or tax credit carryforwards generated in that jurisdiction that may increase our U.K. and/or foreign income tax liability.

Under Section 382 of the U.S. Internal Revenue Code of 1986, if a corporation undergoes an ownership change, the corporation's ability to use its pre-change net operating loss carryforwards to offset its post-change income and taxes may be limited. In general, an ownership change occurs if there is a 50 percent cumulative change in ownership of the company over a rolling three-year period. Similar rules may apply under U.S. state tax laws. We believe that we have experienced an ownership change in the past and may experience ownership changes in the future resulting from future transactions in our share capital, some of which may be outside our control. Based on the most recent analysis, we do not anticipate a material limitation on the utilization of our tax attributes. However, our ability to utilize net operating loss carryforwards or other tax attributes to offset U.S. federal and state taxable income in the future may be subject to future limitations.

U.S. holders of our ordinary shares could be subject to material adverse tax consequences if we are considered a Passive Foreign Investment Company, or PFIC, for U.S. federal income tax purposes.

We do not believe that we were a PFIC for U.S. federal income tax purposes during the tax year ending March 31, 2021 and do not expect to be a PFIC for U.S. federal income tax purposes in the current tax year. We also do not expect to become a PFIC in the foreseeable future, but the possible status as a PFIC must be determined annually and therefore may be subject to change. If we are at any time treated as a PFIC, such treatment could result in a reduction in the after-tax return to U.S. holders of our ordinary shares and may cause a reduction in the value of such shares. Furthermore, if we are at any time treated as a PFIC, U.S. holders of our ordinary shares could be subject to greater U.S. income tax liability than might otherwise apply, imposition of U.S. income tax in advance of when tax would otherwise apply and detailed tax filing requirements that would not otherwise apply. For U.S. federal income tax purposes, "U.S. holders" include individuals and various entities. A corporation is classified as a PFIC for any taxable year in which (i) at least 75% of its gross income is passive income or (ii) at least 50% of the average quarterly value of all its total gross assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income includes certain dividends, interest, royalties and rents that are not derived in the active conduct of a trade or business. The PFIC rules are complex and a U.S. holder of our ordinary shares is urged to consult its own tax advisors regarding the possible application of the PFIC rules to it in its particular circumstances.

Risks Related to Owning Our Ordinary Shares and Our Organization in Jersey, Channel Islands

Our share price has been and may continue to be volatile.

The market price of our ordinary shares may decline. In addition, the market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, many of which we cannot control, including:

- the ongoing global impact of the continuing COVID-19 pandemic and the impact on our business;
- 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 services or those of our competitors;
- our involvement in litigation, including patent litigation;
- security breaches, including our recent security incident, and litigation and regulatory investigations resulting from such breaches;
- 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; and
- general economic and market conditions, both in the United States and internationally.

In addition, the stock markets have recently experienced extreme price and volume fluctuations, both as a result of the global COVID-19 pandemic and for other reasons. 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 about our business, our share price and trading volume could decline.

The trading market for our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our shares or publishes inaccurate or unfavorable research about our business, our share price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our shares could decrease, which could cause our share price and trading volume to decline.

We do not expect to pay dividends and investors should not buy our ordinary shares expecting to receive dividends.

We do not anticipate that we will declare or pay any dividends in the foreseeable future, and our ability to do so may be constrained by restrictions in our Credit Agreement or future debt arrangements, if any, by Jersey law, and by the Transaction Agreement. Consequently, investors will only realize an economic gain on their investment in our ordinary shares if the price appreciates. Investors should not purchase our ordinary shares expecting to receive cash dividends. Since we do not pay dividends, and if we are not successful in sustaining an orderly trading market for our shares, then investors may not have any manner to liquidate or receive any payment on their investment. Therefore, our failure to pay dividends may cause investors to not see any return on their investment even if we are successful in our business operations.

U.S. shareholders may not be able to enforce civil liabilities against us.

Certain of our directors and executive officers are not residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

There is also a doubt as to the enforceability in England and Wales and Jersey, whether by original actions or by seeking to enforce judgments of U.S. courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales and Jersey.

The rights afforded to shareholders are governed by Jersey law. Not all rights available to shareholders under English law or U.S. law will be available to shareholders.

The rights afforded to shareholders will be governed by Jersey law and by our Articles of Association, and these rights differ in certain respects from the rights of shareholders in typical English companies and U.S. corporations. In particular, Jersey law significantly limits the circumstances under which shareholders of companies may bring derivative actions and, in most cases, only the corporation may be the proper claimant or plaintiff for the purposes of maintaining proceedings in respect of any wrongful act committed against it. Neither an individual nor any group of shareholders has any right of action in such circumstances. In addition, Jersey law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders of a U.S. corporation.

Item 6. Exhibits.

The exhibits required by Item 601 of Regulation S-K are listed in the Exhibit List below:

EXHIBIT LIST

		Incorporated by Reference			
Exhibit	**Description**	**Schedule/ Form**	**File Number**	**Exhibit**	**File Date (mm/dd/yyyy)**
2.1[+]	Transaction Agreement, dated December 7, 2021, by and between Mimecast Limited and Magnesium Bidco Limited	8-K	001-37637	2.1	12/07/2021
3.1	Memorandum and Articles of Association of the Registrant	F-1/A	333-207454	3.2	11/06/2015
10.1[#]	Mimecast UK 2007 Key Employee Share Option Plan and Form of Share Option Agreement	F-1	333-207454	10.6	10/16/2015
10.2[#]	Mimecast UK 2010 EMI Share Option Scheme	F-1	333-207454	10.7	10/16/2015
10.3[#]	Mimecast UK Approved Share Option Plan and Form of Share Option Certificate	F-1	333-207454	10.8	10/16/2015
10.4[#]	Mimecast Limited 2015 Share Option and Incentive Plan	F-1/A	333-207454	10.9	11/06/2015
10.5[#]	German Sub-Plan to the Mimecast Limited 2015 Share Option and Incentive Plan	10-K	001-37637	10.6	05/29/2018
10.6[#]	Form of Agreements under the Mimecast Limited 2015 Share Option and Incentive Plan	10-K	001-37637	10.7	05/29/2018
10.7[#]	Mimecast Limited 2015 Employee Share Purchase Plan	10-K	001-37637	10.8	05/22/2020
10.8[#]	German Sub-Plan to the Mimecast Limited 2015 Employee Share Purchase Plan	10-K	001-37637	10.9	05/29/2018
10.9	Lease dated February 17, 2017 by and between Mimecast North America, Inc. and 191 Spring Street Trust	20-F	001-37637	4.11	05/26/2017
10.10	Agreement for Lease dated as of January 2, 2018 by and between Bluebutton Developer Company (2012) Limited, Bluebutton Properties UK Limited, B.L.C.T. (PHC 15A) Limited, Mimecast Services Limited, and the Company, and the related Underleases	10-K	001-37637	10.20	05/29/2018
10.11[#]	Amended and Restated Employment Agreement dated as of September 2, 2015 between Mimecast North America, Inc. and Peter C. Bauer	10-K	001-37637	10.21	05/29/2018
10.12	Credit Agreement dated as of July 23, 2018, by and among Mimecast Limited, certain of Mimecast Limited's subsidiaries party thereto, as guarantors, certain financial institutions party thereto from time to time, as Lenders, and JPMorgan Chase Bank, N.A., as administrative agent	8-K	001-37637	10.1	07/24/2018
10.13	Pledge and Security Agreement dated as of July 23, 2018, by and among Mimecast UK Limited, the Grantors (as defined in the Pledge and Security Agreement) and JPMorgan Chase Bank, N.A., as administrative agent to the Lenders party to the Credit Agreement	8-K	001-37637	10.2	07/24/2018

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
10.14	Trademark Security Agreement dated as of July 23, 2018, by and among Ataata, Inc., Mimecast Services Limited, in favor of JPMorgan Chase Bank, N.A., as administrative agent to the Lenders party to the Credit Agreement	8-K	001-37637	10.3	07/24/2018
10.15	Patent Security Agreement dated as of July 23, 2018, by and between Mimecast Services Limited, in favor of JPMorgan Chase Bank, N.A., as administrative agent to the Lenders party to the Credit Agreement	8-K	001-37637	10.4	07/24/2018
10.16	Security Agreement dated as of July 23, 2018 by and between Mimecast UK Limited, Mimecast Services Limited, Mimecast USD Limited, Mimecast Development Limited, as the original chargors, and JPMorgan Chase Bank, N.A., as the collateral agent	8-K	001-37637	10.5	07/24/2018
10.17	Security Interest Agreement dated as of July 23, 2018, between Mimecast Limited and JPMorgan Chase Bank, N.A., as the administrative agent	8-K	001-37637	10.6	07/24/2018
10.18	Security Interest Agreement dated as of July 23, 2018, between Mimecast Offshore Limited and JPMorgan Chase Bank, N.A., as the administrative agent	8-K	001-37637	10.7	07/24/2018
10.19	Security Interest Agreement dated as of July 23, 2018, between Mimecast Services Limited and JPMorgan Chase Bank, N.A., as the administrative agent	8-K	001-37637	10.8	07/24/2018
10.20	Security Interest Agreement dated as of July 23, 2018, between Mimecast UK Limited and JPMorgan Chase Bank, N.A., as the administrative agent	8-K	001-37637	10.9	07/24/2018
10.21#	Israeli Sub-Plan to the Mimecast Limited 2015 Share Option and Incentive Plan	10-Q	001-37637	10.39	11/08/2018
10.22#	Israeli Form of Agreements under the Mimecast Limited 2015 Share Option and Incentive Plan	10-Q	001-37637	10.40	11/08/2018
10.23	First Amendment to Lease dated as of the 8th day of August 2018 by and between 191 Spring Street Trust and Mimecast North America, Inc.	10-Q	001-37637	10.41	11/08/2018
10.24	Deed of Variation dated January 17, 2019 to Agreement for Lease dated as of January 2, 2018 by and between Bluebutton Developer Company (2012) Limited, Bluebutton Properties UK Limited, B.L.C.T. (PHC 15A) Limited, Mimecast Services Limited and Mimecast Limited	10-Q	001-37637	10.43	02/11/2019
10.25#	Offer Letter between Mimecast Limited and Rafe Brown, dated February 7, 2019	8-K	001-37637	10.1	02/11/2019
10.26	Second Amendment to Lease dated as of the 26th day of March 2019 by and between 191 Spring Street Trust and Mimecast North America, Inc	10-K	001-37637	10.40	05/29/2019
10.27	Lease of 3rd Floor of 1 Finsbury Avenue, London EC2 dated 29 March 2019 between B.L.C.T. (PHC 15A) Limited, Mimecast Services Limited and Mimecast Limited	10-K	001-37637	10.41	05/29/2019

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
10.28	Lease of 4th Floor of 1 Finsbury Avenue, London EC2 dated 29 March 2019 between B.L.C.T. (PHC 15A) Limited, Mimecast Services Limited and Mimecast Limited	10-K	001-37637	10.42	05/29/2019
10.29	Lease of 5th Floor of 1 Finsbury Avenue, London EC2 dated 29 March 2019 between B.L.C.T. (PHC 15A) Limited, Mimecast Services Limited and Mimecast Limited	10-K	001-37637	10.43	05/29/2019
10.30#	Form of Non-Qualified Share Option Agreement for Company Employees Outside the United States under the Mimecast Limited 2015 Share Option and Incentive Plan	10-K	001-37637	10.40	05/22/2020
10.31#	Form of Restricted Share Unit Award Agreement for Company Employees Outside the United States under the Mimecast Limited 2015 Share Option and Incentive Plan	10-K	001-37637	10.41	05/22/2020
10.32#	Mimecast Limited Executive Incentive Plan – FY 2021	10-K	001-37637	10.42	05/22/2020
10.33#	Offer Letter between Mimecast Limited and Dino DiMarino, dated June 23, 2016	10-K	001-37637	10.44	05/22/2020
10.34	Amendment No. 1 to Credit Agreement dated as of June 12, 2020, by and among Mimecast Limited, certain of Mimecast Limited's subsidiaries party thereto, as guarantors, certain financial institutions party thereto from time to time, as Lenders, and JPMorgan Chase Bank, N.A., as administrative agent	10-Q	001-37637	10.45	08/03/2020
10.35	Form of Director Indemnification Agreement	8-K	001-37637	10.1	10/08/2020
10.36	Form of Officer Indemnification Agreement	8-K	001-37637	10.2	10/08/2020
10.37#	Mimecast Limited Executive Incentive Plan – FY 2022	8-K	001-37637	10.2	05/11/2021
10.38#	Mimecast Limited Executive Severance and Change in Control Plan	10-K	001-37637	10.42	05/27/2021
10.39#	Mimecast Limited 2015 Employee Share Purchase Plan - Additional Terms and Conditions	10-Q	001-37637	10.39	08/03/2021
10.40#	Offer Letter between Mimecast North America, Inc, and Shahriar Rafimayeri, dated July 23, 2020	10-Q	001-37637	10.40	08/03/2021
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
32.1[@]	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2[@]	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)				

[+] All schedules to the Transaction Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

* Filed herewith.

[@] Furnished herewith. The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

[#] Management contract or compensatory plan or arrangement.

SIGNATURES

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

	Mimecast Limited
Date: February 3, 2022	By: /s/ Peter Bauer **Peter Bauer** **Chairman and Chief Executive Officer (Principal Executive Officer)**
Date: February 3, 2022	By: /s/ Rafeal Brown **Rafeal Brown** **Chief Financial Officer (Principal Financial and Accounting Officer)**

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Bauer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mimecast Limited;

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

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

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

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

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

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

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

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

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

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

Date: February 3, 2022

By: /s/ Peter Bauer
Peter Bauer
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rafeal Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mimecast Limited;

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

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

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

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

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

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

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

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

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

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

Date: February 3, 2022

By: /s/ Rafeal Brown
Rafeal Brown
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Mimecast Limited (the "Company") for the period ending December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter Bauer, Chief Executive Officer of the Company, certify to the best of my knowledge on the date hereof, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2022

By: /s/ Peter Bauer
Peter Bauer
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Mimecast Limited (the “Company”) for the period ending December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rafeal Brown, Chief Financial Officer of the Company, certify to the best of my knowledge on the date hereof, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2022

By: /s/ Rafeal Brown
Rafeal Brown
Chief Financial Officer