

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

**FORM 20-F**

**(Mark One)**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**OR**

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

**For the fiscal year ended December 31, 2023**

**OR**

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

**OR**

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

**Commission File Number: 001-40772**

**Cellebrite DI Ltd.**

(Exact name of Registrant as specified in its charter)

<u>Not applicable</u> (Translation of Registrant's name into English)	<u>Israel</u> (Jurisdiction of incorporation or organization)
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94 Shlomo Shmelzer Road Petah Tikva 4970602, Israel  
(Address of principal executive offices)

Copy to:

Ayala Berler Shapira

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, par value NIS 0.00001	CLBT	Nasdaq Global Market
Warrants to purchase ordinary shares	CLBTW	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:  
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

On March 11, 2024, the issuer had 205,297,065 ordinary shares, par value NIS 0.00001, outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes   
No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definition of “accelerated filer,” “large accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## INTRODUCTORY NOTE

*Unless otherwise stated or unless the context otherwise requires, the terms “Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Cellebrite” as used in this annual report on Form 20-F (this “Form 20-F” or “Annual Report”) refer to Cellebrite DI Ltd., a company organized under the laws of the State of Israel.*

Cellebrite is a global leader providing a suite of digital investigative (“DI” or “Digital Investigative”) solutions, comprised of software and services, for legally sanctioned investigations. Cellebrite currently has two classes of securities listed on the Nasdaq Global Market (“Nasdaq”): our ordinary shares, NIS 0.00001 par value (“Ordinary Shares” or “ordinary shares”), and warrants to purchase Ordinary Shares (“Warrants”).

On April 8, 2021, Cellebrite entered into a Business Combination Agreement and Plan of Merger (the “Merger Agreement”) with TWC Tech Holdings II Corp. (“TWC”), which closed on August 30, 2021 (the “Closing”), pursuant to which TWC became a wholly-owned subsidiary of Cellebrite (the “Merger”), the security holders of TWC became security holders of Cellebrite and Cellebrite became a publicly traded company with its securities listed on Nasdaq.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP” or “U.S. GAAP”). We present our combined financial statements in U.S. dollars (“U.S. dollars” “USD,” “US\$” or “\$”). All references in this Annual Report to “Israeli currency” and “NIS” refer to New Israeli Shekels and the terms “€” or “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

Our fiscal year ends on December 31 of each year. References to fiscal 2021 and 2021 are references to the fiscal year ended December 31, 2021, references to fiscal 2022 and 2022 are references to the fiscal year ended December 31, 2022, and references to fiscal 2023 and 2023 are references to the fiscal year ended December 31, 2023.

All percentages have been calculated using unrounded amounts.

## TRADEMARKS

We have proprietary rights to trademarks used in this Annual Report that are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks and trade names referred to in this Annual Report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies’ trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this Annual Report is the property of its respective holder.

## MARKET INFORMATION

This Annual Report contains industry and market data, including market sizing estimates, growth and other projections and information regarding our competitive position, prepared by our management on the basis of industry sources and our management's knowledge of and experience in the industry and markets in which we operate (including management's estimates and assumptions relating to such industry and markets based on that knowledge). Our management has developed its knowledge of such industry and markets through its experience and participation in these markets.

## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

Certain statements in this Annual Report may constitute "forward-looking statements" for purposes of the federal securities laws. Forward-looking statements include, but are not limited to, statements regarding Cellebrite, or its management team's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "will," "appear," "approximate," "believe," "continue," "could," "estimate," "expect," "foresee," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "would" and similar expressions (or the negative version of such words or expressions) may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Annual Report may include, for example, statements about Cellebrite's strategic and business plans, relationships or outlook, the impact of trends on and interest in its business, intellectual property or product, and its future results. The statements we make regarding the following matters are forward-looking by their nature.

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, performance or achievements expressed or implied by the forward-looking statements. These important factors include, among others, the items in the following list, which also summarizes some of our most principal risks:

- risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards, to adapt to changing market potential within our markets and to successfully launch new solutions and add-ons that meet or exceed customer needs;
- risks associated with our material dependence on the acceptance of our solutions by domestic and international law enforcement and government agencies;
- risks associated with real or perceived errors, failures, defects or bugs in our DI solutions;
- risks associated with our failure to maintain the productivity of sales and marketing personnel, including relating to hiring, integrating and retaining personnel;
- risks due to intense competition in all of our markets, including risks associated with pricing pressures from and loss of market share to competitors with greater resources than we have and increasing competition as a result of consolidation in the industry;
- risks associated with the misuse of our solutions which may be perceived incompatible with human rights;
- risks associated with the perception that our solutions are low-quality;



- risks relating to our ability to properly manage our growth as a business, and execute new offerings, developments and strategic opportunities, including joint ventures, partnerships and acquisitions;
- risks related to our dependence on our customers to renew their subscriptions and purchase additional subscriptions or services from us;
- risks related to conducting a low volume of our business via e-commerce;
- risks associated with the use of artificial intelligence in our C2C Platform;
- risks that financing sources may be unavailable to us on reasonable terms or at all;
- risks associated with our reliance on third-party suppliers for certain components, products, or services, including risks related to the availability of raw materials or components;
- challenges associated with large transactions, including with respect to longer sales cycles, as well as with developing, offering, implementing, and maintaining new solutions;
- risks associated with our ability to retain, recruit, and train qualified personnel, particularly research and development and sales and marketing personnel in regions in which we operate, including in new markets and growth areas we may enter;
- risk of security vulnerabilities or defects, including cyber-attacks, information technology system breaches, failures or disruptions;
- risks associated with political and reputational factors related to our business or operations, such as negative publicity, including with respect to the nature of our solutions;
- risks that our customers may delay or terminate contracts, or are unable to honor contractual commitments or payment obligations due to liquidity issues or other challenges in their budgets and business;
- risks related to the difficulty in discerning revenue declines from our operating results due to the way in which we recognize revenue;
- risks associated with a significant amount of our business coming from government customers around the world and associated procurement processes, and potential audits, investigations, civil and criminal penalties and administrative sanctions;
- risks associated with the weakening of general economic conditions, including on our private sector customers;
- risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property, claim infringement on their intellectual property rights, or claim a violation of their license rights, including relative to free or open-source-software components we may use;
- risks associated with the mishandling or perceived mishandling of sensitive or confidential information, including personally identifiable information;
- risks relating to the regulatory constraints to which we are subject, including Israeli encryption laws, trade and export controls from the governments of Israel and other countries where we operate;
- risks associated with complex and changing regulatory environments relating to our operations, the products and services we offer, and/or the use of our solutions by our customers, including with respect to applicable classification and confidentiality restrictions, AI and data privacy and protection;
- risks associated with different corporate governance requirements applicable to Israeli companies and risks associated with being a foreign private issuer and an emerging growth company;
- risks associated with market volatility in the price of our shares based on our performance or factors and risks associated with general economic and market conditions;

- risks associated with changing tax laws and regulations, tax rates, and the continuing availability of expected tax benefits in the countries in which we operate;
- risks associated with potential joint ventures, partnerships and strategic initiatives, including the diversion of management’s attention as a result of such initiatives;
- risks associated with our significant international operations, including due to our Israeli operations, fluctuations in foreign exchange rates, rising global inflation, and exposure to regions subject to political or economic instability, including the State of Israel;
- uncertainties regarding the impact of changes in macroeconomic and/or global conditions, including as a result of slowdowns, recessions, economic instability, political unrest, or outbreaks of disease, as well as the resulting impact on information technology spending and government budgets, on our business;
- risks associated with our failure to comply with anti-corruption, trade compliance, anti-money-laundering and economic sanctions laws and regulations; and
- risks relating to the adequacy of our existing systems, processes, policies, procedures, internal controls, and personnel for our current and future operations and reporting needs.

Some of these factors are discussed in more detail in this Annual Report, including under “[Part I, Item 3. Key Information—D. Risk Factors](#),” “[Part I, Item 4. Information on the Company](#)” and “[Part I, Item 5. Operating and Financial Review and Prospects](#).”

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

## **PART I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

#### **A. Directors and Senior Management**

Not applicable.

#### **B. Advisers**

Not applicable.

#### **C. Auditors**

Not applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

### **ITEM 3. KEY INFORMATION**

#### **A. [Reserved]**

#### **B. Capitalization and Indebtedness**

Not applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Risk Factors**

*An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not known to us or that we consider immaterial as of the date of this Annual Report. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment.*

#### **Risks Related to Cellebrite’s Business and Industry**

*If we do not continue to develop new and technologically advanced solutions and enhance our products, our future revenue, financial and operating results would be negatively affected.*

Cellebrite offers a comprehensive suite of digital investigative, or DI, solutions that includes a variety of solutions designed to help our customers collect, review, analyze and manage investigative data with respect to legally sanctioned investigations. We specialize in the creation of software based solutions that enable collection, decoding, decryption, analysis, reporting, review and management of data derived from digital sources manufactured or produced by a variety of original equipment manufacturers (“OEMs”) as well as the applications installed on such sources. Because OEMs and other software manufacturers are continuously changing their products, our success depends on our ability to design and develop new solutions and upgrades to our existing software solutions that keep up with these changes. To remain competitive, we must continue to develop new offerings, as well as features and enhancements to our existing solutions. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. However, there can be no assurance that we are able to design and develop adequate solutions and upgrades that will be compatible with products from OEMs and other software manufacturers. Such new solutions and upgrades, as well as the success of our business, are dependent on our product and research and development teams developing and executing on a roadmap that allows us to retain and increase our position in the market and the spending of our existing customers, in addition to attracting new customers. We may experience high turnover of our research and development personnel, resulting in a lack of managerial resources to guide our research and development, or a lack of other research and development resources. If we experience high turnover in our research and development personnel, we may miss or fail to execute on new offerings as well as existing solutions developments and strategic opportunities. Further, if we are unable to successfully deliver access capabilities via our Collect & Review solutions, we may not be able to provide our customers with the ability to lawfully access certain investigative or forensic data and, as such, our customers’ ability to carry out their mission will degrade. If our software is unable to collect, decode or encrypt data from certain digital devices, we may fail to continue to offer the same caliber of solutions as we have been able to offer in the past.

If we fail to sustain the caliber of our solutions as a result of our inability to update our software to keep up with the evolving security and encryption strategies in the industry or high turnover of our research and development personnel, the utilization of our solutions may decrease over time. Consequently, we may lose potential and actual market share. As a result, our reputation and the perception of the value of our solutions might be harmed and our financial and operating results will be negatively affected.

***If law enforcement and other government agencies do not continue to purchase, accept and use our solutions, our revenue will be adversely affected.***

Sales to law enforcement and government agencies accounted for more than 90% of our revenue in 2021, 2022 and 2023. At any point, due to external factors and opinions, whether or not related to our products' performance, law enforcement and governments agencies may elect to no longer purchase our solutions. The key trends affecting the digital investigations market include, among other things, the explosive growth in the volume of digital data, the increases in data complexity and sophistication, the need for digital evidence management and analysis systems, and the lack of sufficient digital forensic professionals. If we are unable to meet these evolving needs, law enforcement and other government agencies may not continue to purchase, accept and use our solutions, and our revenue and financial condition will be adversely affected.

Our revenue, financial and operating results may also be impacted by changes in organizational structure within the public sector leading to complex decision-making processes or by a slowdown in the pace of adoption of investigation and justice acceleration related technologies in the public sector.

***Real or perceived errors, failures, defects or bugs in our digital investigative (DI) solutions could adversely affect our results of operations, financial results, growth prospects and reputation.***

Because we offer an end-to-end Case-To-Closure (C2C) Platform ("C2C Platform"), comprised of a suite of DI solutions, undetected errors, defects, failures or bugs may occur, especially when solutions or capabilities are first introduced or when new versions or other product or infrastructure updates are released. Despite frequent testing by us and regular software updates, errors, failures, or bugs may not be found in new software or releases until after they are implemented, and this could adversely affect our reputation and our customers' willingness to buy solutions from us, and adversely affect market acceptance or perception of our solutions.

Many of our customers, especially those in law enforcement, use our solutions in applications that are of public interest or critical to their businesses or missions and may thus have a lower risk tolerance to defects in our solutions than to defects in other, less critical, software solutions. Errors or delays in releasing software updates or allegations of unsatisfactory performance or errors, defects or failures in released software could cause us, in the long run, to lose sales opportunities, increase our service costs, incur substantial software redesigning costs, lose customers or subject us to liability for damages and divert our resources from other tasks, any one of which could materially and adversely affect our business, results of operations and financial condition.

An error, failure or bug in any of our solutions used by our law enforcement customers could lead to interference with the administration of justice, for example by corrupting digital evidence rendering them inadmissible. Real or perceived errors, failures, or bugs in our solutions, or dissatisfaction with our solutions and outcomes, could result in customer terminations or non-renewals. In such an event, we may be required, or we may choose, for customer relations or other reasons, to expend additional resources in order to help correct any such errors, failures, or bugs.

***A failure to maintain sales and marketing personnel productivity or hire, integrate and retain additional sales and marketing personnel has in the past and could in the future adversely affect our results of operations and growth prospects.***

Our business requires intensive sales and marketing activities on a constant basis. Part of our strategy is to attract a larger number of law enforcement customers to use more of our solutions. Our sales and marketing personnel are essential to this effort and to attracting new customers and for the renewal and expansion of sales to existing customers generally. We require personnel with expertise in government contracting at federal, state and local levels in a variety of countries, and expertise in the private market, and with sufficient technological literacy to discuss our solutions' features. There is a limited number of individuals with this experience and competition for them is intense. Furthermore, once hired it takes at least three months before a new sales force member is fully trained and operating at a level that meets our expectations, and training may take even longer when working remotely. While we invest significant time and resources in training new members of our sales force, we may not be able to achieve our target performance levels with new sales personnel, whether due to larger number of new hires, or lack of experience training sales personnel to operate in new jurisdictions or because of remote hiring and training process, among other reasons. Our failure to hire a sufficient number of qualified individuals, to successfully integrate new sales force members within the time periods we expect, and to contain sales force attrition rates may materially impact our financial and operational results as well as the growth of our business.

***We face intense competition, including as a result of consolidation in our industry, which could increase the pricing pressure we face and cause us to lose market share, which would adversely affect our business, financial condition, and results of operations***

The markets for our solutions are highly competitive and are subject to rapid technological change and other pressures created by changes in our industry. We face varying levels of competition across our solution offerings. For more information, see "[Part I, Item 5. Operating and Financial Review and Prospects—A. Operating Results—Competition.](#)"

Many of our current and potential competitors are larger and/or may have substantially greater resources than we have and expect to have in the future. They may also be able to devote greater resources to the development of their current and future technologies or the promotion of their offerings or offer lower prices. Our current and potential competitors may also establish cooperative or strategic relationships among themselves or with third parties that may further enhance their brand and reputation, resources and offerings. Recently, there has been consolidation within our industry, which may increase competition, lead to pricing pressures and loss of market share and result in competitors with greater resources than us and harm our competitive position. Further, it is possible that domestic or foreign companies or governments, some with substantial experience in digital investigative solutions, public safety sector or law enforcement software and systems industry or greater financial resources than we possess, will seek to provide solutions that compete directly or indirectly with ours in the future. Any such foreign competitor, for example, could benefit from subsidies from, or other protective measures by, its home country.

Competition may increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter our markets, including those competitors who offer solutions similar to ours, but offer it through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) develop technologies that are perceived to be substantially equivalent or superior to our technologies, (ii) introduce new competitive products or services, (iii) add new functionality to existing products and services, (iv) acquire competitive products and services, (v) reduce prices, or (vi) form strategic alliances or cooperative relationships with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, as done in the past, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our solutions, we might need to lower the prices we charge for the solutions we offer, as we were forced in the past. This could result in lower revenue or reduced profit margins, either of which may materially adversely affect our business and operating results.

Finally, as we expand our offerings, we will face additional competition. For example, in the market for digital investigative solutions, there are numerous brands and solutions that compete for sales, with competition based upon brand recognition and loyalty, product packaging, quality and innovation, licensing models, price and convenience. Hence, changes in our image, packaging and licensing models that may be done for marketing and branding purposes could have a negative impact on our customers' preference for us, which could adversely affect our ability to attract or retain customers. Overall, we believe our ability to compete successfully in delivering DI solutions at a competitive cost to customers does and will depend on a number of factors, which may change in the future due to increased competition, our ability to meet our customers' needs and the frequency and availability of our offerings. If we are unable to compete successfully, our business, financial condition and results of operations could be adversely affected.

***If our solutions are misused by customers, such customers may achieve sub-optimal results, which could lead to the perception that our solutions are low-quality.***

Once purchased, our solutions are used by our customers, and if our customers do not use the solutions correctly or as intended, inadequate performance or outcomes may result. Our solutions are sometimes used by customers with smaller or less sophisticated IT departments, and professional practitioners, potentially resulting in such suite of solutions performing at a lower level than anticipated by the customer. Our customers rely on our solutions to assist them address important goals and challenges, and so the incorrect or improper use or configuration of our solutions may result in customer dissatisfaction, contract terminations or non-renewals, reduced customer payments, negative publicity, or legal claims against us.

Furthermore, although we offer extensive training options to users, if customer personnel do not opt to enroll in training, stay current on the use of our solutions or are not well trained in the use of our solutions, customers may open more support tickets, turn to our technical support more often, demand the attention of our customer satisfaction teams, or may defer the deployment of our solutions and solutions, may deploy them in a more limited manner than originally anticipated, or may not deploy them at all. If there is substantial turnover of customer personnel responsible for procurement and/or use of our solutions, our solutions may go unused or be adopted less broadly, and our ability to make additional sales may be substantially limited, which could negatively impact our business, results of operations, and growth prospects.



***If we fail to manage future growth effectively, our business could be harmed.***

For the last several years, we have experienced business growth. For example, our revenue has grown from \$195 million in 2020 to \$325 million in 2023, and our headcount has increased from 757 employees as of December 31, 2020 to 1,008 employees as of December 31, 2023. We operate in a growing market and have experienced, and may continue to experience, significant expansion of our operations. This growth has placed, and may continue to place, a strain on our employees, management systems, operational, financial, and other resources. As we have grown, we have increasingly managed larger and more complex deployments of our solutions with a broader base of government and private sector customers. As we continue to grow, we face challenges of integrating, developing, retaining, and motivating a growing employee base in various countries around the world. In the event of continued growth of our operations, our operational resources, including our information technology systems, our employee base, or our internal controls and procedures may not be adequate to support our operations. Managing our growth may require significant expenditures and allocation of valuable management resources, improving our operational, financial, and management processes and systems, and effectively expanding, training, and managing our employee base. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition, and results of operations would be harmed. As our organization continues to grow, we may find it increasingly difficult to maintain the benefits of our traditional company culture, including our ability to quickly respond to customers, and avoid a formal corporate structure. This could negatively affect our business performance or ability to hire or retain personnel in the near or long-term.

In addition, our growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We may encounter risks and uncertainties frequently experienced by growing companies with global operations in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth and plan for it, our business, financial condition, and results of operations would be harmed.

***Our business depends on our customers renewing their subscriptions and purchasing additional subscriptions or services from us. Any material decline in our dollar-based net retention rate would harm our future results of operations.***

To continue to grow our business, it is important that our customers renew their subscriptions when existing contract terms expire and that we expand our commercial relationships with our existing customers. We offer our software solutions primarily through annual and multi-year subscription agreements. In order for us to improve our operating results, it is important that our customers will renew their existing subscription agreements, as well as purchase additional software solutions from us. Our customers have no obligation to renew their subscriptions, and may decide not to renew their subscriptions with a similar contract period, at the same prices and terms or with the same or a greater number of users. We have experienced growth by selling additional solutions to our existing customer base, but there can be no assurances that we will achieve similar growth rates in the future. In the past, some of our customers have elected not to renew their agreements with us, and it is difficult to accurately predict long-term customer retention and expansion rates. Our customer retention and expansion may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our products, our product support, our prices and pricing plans, global economic conditions, the inflation and interest rate environment and increased costs, the prices of competing software products, reductions in our customers' spending levels, user adoption of our solutions, utilization rates by our customers, new product releases and changes to the packaging of our product offerings. If our customers do not purchase additional subscriptions or renew their subscriptions, renew on less favorable terms or fail to add more users or units, our revenue may decline or grow less quickly than anticipated, which would harm our future results of operations. Furthermore, if our contractual subscription terms were to shorten, it could lead to increased volatility of, and diminished visibility into, future recurring revenue. If our sales of new or recurring subscriptions and software-related support service contracts decline from current levels, our revenue and revenue growth may decline, and our business will suffer.

***We conduct a fairly low volume of our business via e-commerce, which may result in the purchase process being more difficult for customers compared to other businesses.***

We do not sell our solutions to new customers using e-commerce methods. While customers can initiate contact with us using our website, the ultimate purchase in most cases is not made through our website and is made only after an interactive discussion with the customer. For example, our sales process may involve "know your customer" vetting and screening procedures which must take place prior to customer being approved. As a result, the purchase process can be lengthy compared to e-commerce transactions, and it is possible that the length of the process may discourage some customers from completing the transaction with us rather than a competitor which offers more seamless online sales.



***Issues in the use of artificial intelligence (“AI”) (including machine learning) in our C2C Platform may result in reputational harm, liability or impact our financial results.***

AI is enabled by or integrated into our C2C Platform. For example, Cellebrite Pathfinder solution, our principal investigative analytics tool, uses AI to allow customers to create unique search categories for reviewing text, video and image evidence. The evolution of AI, including the recent introduction of OpenAI and ChatGPT as well as competing AI engines, present opportunities for further efficiencies in DI. Failing to adopt such capabilities effectively with the C2C Platform may harm our ability to effectively compete in the market place. At the same time, as with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed and may present risks due to a lack of back-testing. Datasets in AI training, development, or operations may be insufficient, of poor quality, or reflect unwanted forms of bias. Inappropriate or controversial data practices by, or practices reflecting inherent biases of, data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. If the recommendations, forecasts, or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some AI scenarios present ethical issues, for example, due to unintentional biases that may stem from the predictive nature of AI algorithms and we may enable or offer solutions that draw controversy due to their perceived or actual impact on society. Though our business practices are responsibly designed to meet our customers’ needs for products and services that use AI and to mitigate many of these risks, we could suffer reputational or competitive damage as a result of any inconsistencies in the application of the technology or ethical concerns all of which may generate negative publicity. We could also face regulatory or legal scrutiny, such as a result of potential procedural due process claims stemming from the use of the technology.

Existing or future legislation and regulations pertaining to AI, and AI-enabled products may apply to us or to our customers, and may make it more challenging, costly, or in some cases prohibitive for certain products or services to be offered or modified and subject us to regulatory and litigation risks and potential liabilities, which could adversely affect our business and results of operations.

We could also suffer reputational or competitive damage from negative publicity related to products and services that utilize AI or other regulated analytics, which could also adversely affect our business and results of operations.

Current or future privacy-related legislation and governmental regulations pertaining to AI, AI-enabled products and the use of video analytics may influence our current and prospective customers’ activities, as well as their expectations and needs in relation to our products and services and affect how our business is conducted or expose us to unfavorable developments resulting from changes in the regulatory landscape.

Certain governments or countries may decide to adopt new extensive standards or legislation for AI safety and security, that may render the use of such technologies challenging. For example, On October 30, 2023, the Biden administration issued an Executive Order to, among other things, establish such extensive new standards.

Compliance with these laws and regulations may be onerous and expensive, and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and the risk of liability. Any such increase in costs or increased risk of liability as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make our products and services that use AI technologies less attractive to our customers, cause us to change or limit our business practices or affect our financial condition and operating results.

***We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.***

As of December 31, 2023, we had cash and cash equivalents of \$189.5 million, short-term deposits of \$74.7 million and short term and long term marketable securities of \$67.6 million. We could receive approximately up to an aggregate of \$341 million from the exercise of outstanding Warrants, assuming the exercise in full of all our outstanding Warrants for cash. However, there is no assurance that the holders of the Warrants will elect to exercise any or all of the Warrants. We expect to meet our ongoing liquidity needs for at least the current year. However, we might require substantial additional financing in order to execute our inorganic growth strategy. Such financing might not be available on commercially reasonable terms, if at all. In particular, our ability to obtain financing for growth may depend in part on our ability to first enter into customer agreements sufficient to demonstrate such growth. If we are unable to obtain such financing, or secure sufficient customer agreements, on commercially reasonable terms, or at all, we will not be able to execute our growth strategy.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our current security holders will be diluted, and the terms of those securities may include liquidation or other preferences that adversely affect the rights of our current holders of Ordinary Shares or Warrants. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. Debt financing could also have significant negative consequences for our business, results of operations and financial condition, including, among others, increasing our vulnerability to adverse economic and industry conditions, limiting our ability to obtain additional financing, requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes, limiting our flexibility in planning for, or reacting to, changes in our business, and placing us at a possible competitive disadvantage compared to less leveraged competitors or competitors that may have better access to capital resources.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or solutions, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our commercialization, research and development efforts or grant rights to third parties to market and/or develop solutions that we would otherwise prefer to market and develop ourselves.

***Higher costs or unavailability of materials used to create our hardware product components could adversely affect our financial results.***

We depend on certain suppliers for the delivery of components used in the assembly of our hardware product components. In particular, we use specialized adapters, which connect our software to mobile devices and computers being examined. If we become unable to obtain any components necessary for our hardware products, we may struggle to fulfill contracts and acquire new customers. We generally keep up to three quarters of inventory on hand for long lead-time components to mitigate this risk, which we believe would give us enough time to resolve shortage due to an issue with a particular supplier, but it might not be enough time to resolve a shortage that stems from resource scarcity. Any interruption of supply for any material components of our products could significantly delay the shipment of our products and have a material adverse effect on our revenue, profitability and financial condition. International or domestic geopolitical or other events, including the developing conflict between Israel and Hamas as well as the expanding regional conflict and ongoing disruptions from Houthi attacks in the Red Sea, the imposition of new or increased tariffs and/or quotas by the U.S. federal government on any of these raw materials or components, could adversely impact the supply and cost of these raw materials or components, and could adversely impact the profitability of our operations. Additionally, if we experience an unpredicted increase in customer demand, we might not be able to acquire enough materials to meet that demand in a timely manner and/or incur higher costs than expected due to increased demand.

***Fluctuations in foreign currency exchange rates could materially affect our financial results.***

Our financial statements are presented in U.S. dollars. Because some of our revenue, operating expenses, assets and liabilities are denominated in foreign currencies, we are subject to foreign exchange risks that could adversely affect our operations and reported results. To the extent that we incur expenses in one currency but earn revenue in another, any change in the values of those foreign currencies relative to the USD could cause our profits to decrease depending on the magnitude of the changes in foreign currencies, or our products to be less competitive against those of our competitors. To the extent that our foreign currency holdings and other assets denominated in a foreign currency are greater or less than our liabilities denominated in a foreign currency, we have foreign exchange exposure. More specifically, for current and potential international customers whose contracts are denominated in U.S. dollars, the relative change in local currency values creates relative fluctuations in our product pricing. These changes in international end customer costs may result in lost orders and reduce the competitiveness of our solutions in certain foreign markets. Additionally, intercompany sales to our non-U.S. dollar functional currency international subsidiaries are transacted in U.S. dollars which could increase our foreign exchange rate risk caused by foreign currency transaction gains and losses.

For non-U.S. dollar denominated sales, weakening of foreign currencies relative to the U.S. dollar generally leads us to raise international pricing, potentially reducing demand for our solutions. Should we decide not to raise local prices to fully offset the U.S. dollar's strengthening, the U.S. dollar value of our foreign currency denominated sales and earnings would be adversely affected. Fluctuations in foreign currency could result in a change in the U.S. dollar value of our foreign denominated assets and liabilities including accounts receivable. Therefore, the U.S. dollar equivalent collected on a given sale could be less than the amount invoiced causing the sale to be less profitable than contemplated.

Approximately 51% of our expenses, primarily payroll and rent, are paid in Israeli new shekels (NIS). The U.S. dollar compared to the NIS experienced meaningful volatility over the last several years, which, if it continues to present the same behavior, could have an adverse impact on our expenses and profitability. Although we take steps to hedge our foreign currency exposures related to our NIS expenses, such measures may not adequately protect us from material adverse effects due to the impact of local conflicts, including the ongoing Israel-Hamas conflict and tensions in the Middle East, global inflation or from fluctuations in the relative values of the U.S. dollar and other foreign currencies in which we transact business, and may result in a financial loss.

***The sales cycle for some of our solutions can be lengthy.***

Most of our sales transactions involve a short sales cycle; however, larger transactions often involve a longer sales cycle and may require, for example, discussions about budget and funding and about which potential solution is most suitable to the customer. The larger the sale, the longer these consultations tend to last. If our sales efforts to a potential customer do not result in sufficient revenue to justify our time and investments, our business, financial condition and results of operations could be adversely affected. We are currently expanding our sales of the C2C Platform to customers, and the impact of these longer sales cycles could become more significant over time. Because of the long approval process that typically accompanies strategic initiatives or capital expenditures by our customers, our sales process may be prolonged, revenues delayed, with little or no control over any delays encountered by us.

***Because most of our revenue is derived from subscriptions, which is recognized over the life of the subscription, near term declines in new or renewed agreements may not be reflected immediately in our operating results and may be difficult to discern.***

Most of our revenue in each quarter is derived from subscription agreements entered into with our customers during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not be fully reflected in our revenue for that quarter. Such declines, however, would negatively affect our revenue in future periods and the effect of significant downturns in sales of and market demand for our offerings, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. Annual Recurring Revenue, or ARR, is a key performance metric we use that is based on contractual terms in existence as of the end of a reporting period and is subject to change resulting from a number of factors including, but not limited to, addition of new customers, changes in user counts, terminations or non-renewals, renewal terms as well as upsells and cross-sells. For all of these reasons, the amount of subscription revenue we actually recognize will differ from ARR at the end of a period in which it was recorded. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenue if demand for new or renewed agreements deteriorates. Our subscription model also makes it difficult for us to rapidly increase our total revenue through additional sales in any period, as revenue from new subscriptions, which has historically comprised the majority of our revenue, is recognized over the applicable term of the agreement.

***If we are unable to retain qualified personnel and senior management, including Yossi Carmil, our Chief Executive Officer, and hire and retain additional qualified personnel, our business could suffer.***

Our ability to compete in the highly competitive technology industry depends upon our ability to attract, motivate, and retain qualified personnel. We are highly dependent on the continued contributions and customer relationships of our management and particularly on the skills of Yossi Carmil, our Chief Executive Officer. Mr. Carmil has served as our Chief Executive Officer for 19 years, and has been instrumental to our growth over this period. We believe that Mr. Carmil's experience and insights into our industry and our business would be difficult to replace. All of our executive officers and key personnel are at-will employees and may terminate their employment relationship with us at any time. The loss of the services of our key personnel and any of our other executive officers, and our inability to find suitable replacements, could result in a decline in sales, delays in product research and development, and harm to our business and operations.

Our success also depends on our ability to effectively source and staff people with the right mix of skills and experience to perform services for our customers, including our ability to transition personnel to new assignments on a timely basis. If we are unable to effectively utilize our personnel on a timely basis to fulfill the needs of our customers, our business could suffer.

We continue to face intense competition for qualified personnel, specifically personnel in sales, research and development. Larger companies with whom we compete will likely continue to invest more resources than we do on employee recruitment and are often able to offer more favorable compensation and incentive packages than we can. Further, many of the companies with which we compete for qualified personnel have greater resources than we have. We seek to retain and motivate existing personnel through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and operations could be harmed.

Furthermore, retention is an industry-wide issue given the competitive technology labor market and as the millennial workforce continues to value multiple company experience over long tenure. There is a limited pool of qualified personnel and at present, such personnel are in short supply. For example, over the last ten years we have experienced an increase in competition for recruiting qualified research and development teams and engineers in Israel where we have a substantial presence and need for skilled employees. Furthermore, if we experience high turnover of our research and development personnel, a lack of managerial resources to guide our research and development, or a lack of other research and development resources, we may miss or fail to execute on new product development and strategic opportunities and consequently lose potential and actual market share. The success of our business is dependent on our research and development teams developing and executing on a product roadmap that allows us to retain and increase the spending of our existing customers and attract new customers. A failure to continue offering the same caliber of solutions and to effectively meet our customers' needs due to a loss of key personnel could therefore adversely affect our business and results of operations.

Certain of our key employees participate in our equity plan and receive RSUs and/or options to purchase Ordinary Shares and/or are invited to participate in our 2021 Employee Share Purchase Plan ("ESPP"). Volatility in the trading price of Ordinary Shares may also affect our ability to attract and retain qualified personnel. Personnel may be more likely to leave us if the Ordinary Shares they own have significantly depreciated in value relative to the original purchase price of these shares or the exercise price of the options, or conversely, if the exercise price of the options that they hold are significantly above the trading price. Any of these factors could harm our business, financial condition, and results of operations.

***The security of our operations and the integrity of our software solutions are critical to our operations and to maintaining the trust and confidence of our customers.***

We have established practices and procedures intended to protect the security, integrity, availability and confidentiality of our systems and the integrity of the data our software solutions



generates. However, there can be no assurance that such measures will prevent all malicious activities, including deliberate insertion of exploitative code, malware or cyberattacks, or inadvertent disclosures (including of personal data or confidential business information) or unauthorized access, from impacting our system and information. We monitor new technological developments and new threats, and consistently update our software as needed to enhance its security. However, there can be no assurance that our software updates can keep up with evolving security and encryption strategies in the industry, and, as a result, our software may be vulnerable to malicious attacks. We may also experience breaches of our security due to human error, malfeasance, system errors or vulnerabilities, or other irregularities. As the techniques used to obtain unauthorized access change frequently, we may be unable to anticipate these techniques or to implement adequate preventative measures. Although to date, malicious activities directed at us have not had a material impact on our business nor, to our knowledge, have they impacted the integrity of the data that our solutions extract from devices, future malicious activities could compromise our solutions and cause us to incur liabilities that may have a material adverse impact on our reputation and business. While we maintain insurance coverage that we believe is adequate for our business, such coverage may not cover all potential costs and expenses associated with incidents that may occur in the future.

***We may be materially adversely affected by negative publicity related to our business and use of our products.***

Publicly available information regarding Cellebrite has historically been limited, in part due to the sensitivity of our work with customers or contractual requirements limiting or preventing public disclosure of certain aspects of our work or relationships with certain customers. As our business has grown and as interest in Cellebrite and digital investigative technology overall has increased, we have attracted, and may continue to attract, attention from news and other outlets, which in turn can lead to negative political and public sentiment. For example, we have received and may continue to be subject to adverse press coverage of our digital forensics software, which has the potential to create negative public or political sentiment because of perceived data security, ethical and other concerns. Moreover, adverse press coverage and other negative publicity, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or ultimately in legal claims. Due to the sensitive nature of our work and our confidentiality obligations and despite our ongoing efforts to provide increased transparency, where possible, into our business, operations, and product capabilities, we may be unable to or limited in our ability to respond to such harmful coverage, which could have a negative impact on our business. Responding to such coverage, claims, investigations and lawsuits, regardless of the ultimate outcome of the proceeding, can divert the time and effort of senior management from the management of our businesses. Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on our reputation, the morale and performance of our employees and our relationships with regulators. It may also have an adverse impact on our ability to take timely advantage of various business and market opportunities.

Additionally, activist criticism of our relationships with customers could potentially engender dissatisfaction among potential and existing customers, investors, and employees with how we address political and social concerns in our business activities, such as ceasing to do business in certain jurisdictions. See “[—Some of our solutions may be used by customers in a way that is, or that is perceived to be, incompatible with human rights. Any such perception could adversely affect our reputation, revenue and results of operations.](#)”. Conversely, being perceived as yielding to activism targeted at certain customers could damage our relationships with other customers, including governments and government agencies with which we do business, whose views may or may not be aligned with those of political and social activists. Actions we take in response to the activities of our customers, up to and including terminating our contracts or refusing a particular product use case could harm our brand and reputation. In either case, the resulting harm to our reputation could:

- cause certain customers to cease doing business with us;
- impair our ability to attract new customers, or to expand our relationships with existing customers;
- diminish our ability to recruit, hire, or retain employees;
- undermine our standing in professional communities to which we contribute and from which we receive expert knowledge; or
- prompt us to cease doing business with certain customers.

The direct and indirect effects of such factors, negative publicity, and the demands of responding to and addressing them, may have a material adverse effect on our businesses, financial condition and results of operations.

## **Risks Related to the Businesses of Cellebrite’s Customers**

***Our sales to government customers expose us to business volatility and risks, including government budgeting cycles and appropriations, early termination, audits, investigations, sanctions and penalties.***

We generate most of our revenue from contracts with federal, state, provincial and local governments, and many of these government customers may terminate most of these contracts at any time, without cause. There is pressure on some governments and their agencies, both domestically and internationally, to reduce spending. Further, U.S. federal government contracts are subject to the approval of appropriations made by the U.S. Congress to fund the expenditures under these contracts. In particular, budget uncertainty, the risk of future budget cuts, the potential for U.S. Government shutdowns, the use of continuing resolutions, and the federal debt ceiling can adversely affect our industry and the funding for our solutions. If appropriations were delayed or a government shutdown were to occur and were to continue for an extended period of time, we could be at risk of disruptions to our business.

Similarly, our contracts with U.S. state and local governments, Canadian federal, provincial and local governments and other foreign governments and their agencies are generally subject to government funding authorizations. Additionally, government contracts are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

***A decline in government budgets, changes in spending or budgetary priorities, or delays in contract awards may significantly and adversely affect our future revenue and limit our growth prospects.***

We generated more than 90% of our revenue in 2021, 2022 and 2023 from contracts with governments and government agencies, and our results of operations could be adversely affected by government spending caps or changes in government budgetary priorities, as well as by delays in the government budget process, program starts, or the award of contracts or orders under existing contract vehicles. Further, these government clients may terminate most of these contracts at any time, without cause and face increased pressure to reduce spending, see “— [Risks Related to Our Business and Industry](#) —.” We are materially dependent on acceptance of our solutions by law enforcement markets and government agencies, both domestic and international. If law enforcement and other government agencies do not continue to purchase, accept and use our solutions, our revenue will be adversely affected. Future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Budgetary constraints for political or economic reasons, particularly in light of the Russia-Ukraine conflict, the Israel-Hamas conflict and tensions in the Middle East due to the widening regional conflict also cause our governmental customers to divert budget and as a result forgo using our solutions. We face these risks in every country in which we operate.



Revenues from the U.S. federal government customers comprised of 17% of our total revenue in 2023. Those contracts are conditioned upon the continuing availability of U.S. Congressional appropriations. The U.S. Congress usually appropriates funds on a fiscal year (FY) basis even though contract performance may extend over many years. Consequently, contracts are often partially funded initially and additional funds are committed only as Congress makes further appropriations over time. If we incur costs in excess of funds obligated on a contract or in advance of a contract award, we may be at risk of not being reimbursed for those costs unless and until additional funds are obligated under the contract or the contract is awarded and funded. Additionally, when the U.S. Congress does not complete a budget before the end of the fiscal year, government operations typically are funded through one or more continuing resolutions that authorize agencies of the U.S. federal government to continue to operate consistent with funding levels from the prior year's appropriated amounts, but do not authorize new spending initiatives. When the U.S. federal government operates under a continuing resolution, contract awards may be delayed, canceled, or funded at lower levels, which could adversely impact our business, financial condition, and results of operations. If appropriations or continuing resolutions for the U.S. federal government departments and agencies with which we work or have prospective business are not made by September 30 (the last day of the federal fiscal year) of any given year, the lapse in appropriations may also have negative impacts on our ability to continue work and to recognize revenue from those customers, for so long as the lapse continues. In particular, when the U.S. Government operates under a continuing resolution, new contract and program starts are restricted and funding for our solutions may be unavailable, reduced or delayed. Shifting funding priorities or federal budget compromises, could also result in reductions in overall defense spending on an absolute or inflation-adjusted basis, which could adversely impact our business.

The U.S. federal government may also shift spending away from one or more of the federal agencies from which we derive much of our revenue, such as Immigration and Customs Enforcement, for budgetary or political reasons. A significant decline in overall U.S. federal government spending, a significant shift in spending priorities, the substantial reduction or elimination of particular law enforcement-related programs, or significant budget-related delays in contract or task order awards for large programs could adversely affect our future revenue and limit our growth prospects.

***Evolving government procurement policies and increased emphasis on cost over performance could adversely affect our business.***

A significant majority of our customers are in the public sector. The procurement process for government agencies can be more challenging than contracting in the private sector and can impose additional costs and complicate sales efforts. Further, changes in the political landscape or required procurement procedures that affect our target customers could be introduced prior to the completion of our sales cycle, making it more difficult or costly to finalize a contract with a new customer or expand or renew an existing customer relationship. For example, customers may require a competitive bidding process with extended response deadlines, review or appeal periods; or customers may need to secure funding, which could result in purchasing delays or cancellations; or customer attention may be diverted to other government matters, postponing the consideration of the purchase of our solutions. Such delays could harm our ability to provide our solutions efficiently and to grow or maintain our customer base. In addition, the majority of our government contracts include the right for government agencies to delay, curtail, renegotiate or terminate contracts and subcontracts at their convenience any time prior to their completion. Any decision by a government customer to exercise any of these rights in our contracts may result in a decline in our profits and revenue.

***Changes in civil forfeiture laws may affect our customers' ability to purchase our solutions.***

Many of our law enforcement customers in the United States use funds seized through civil forfeiture proceedings to fund the purchase of our solutions. State civil forfeiture statutes permit state governments to seize property with limited judicial oversight, often based on a preponderance of the evidence that the property was connected to criminal activity even if the owner of the property is not subject to criminal charges. A one-justice U.S. Supreme Court opinion in March 2017 sharply criticized civil forfeiture as possibly violating the due process clause of the U.S. Constitution, although the U.S. Supreme Court in that instance declined to hear the case on procedural grounds. An adverse U.S. Supreme Court decision or changes in state legislation could impact our customers' ability to seize funds or use seized funds to fund purchases. Changes in civil forfeiture statutes or regulations are outside of our control and could limit the amount of funds available to our customers, which could adversely affect the sale of our solutions.

***Our revenue from private sector customers, and our operations in general, could be adversely affected by any weakening of economic conditions.***

Our private sector customers may be more susceptible to weakening economic conditions than our public sector customers. Certain economies have experienced periods of downturn as a result of a multitude of factors, including, but not limited to, turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, declines in gross domestic product, increases in unemployment, volatility in commodity prices and worldwide stock markets, higher interest rates, potential governmental shutdowns, natural catastrophes, the COVID-19 pandemic, warfare, the geopolitical turmoil between Russia and Ukraine, Israel and Hamas and the overall volatility and violence in the Middle East and North Africa, inflation, excessive government debt and disruptions to global trade or tariffs. The severity and length of time that a downturn in economic and financial market conditions may persist, as well as the timing, strength and sustainability of any recovery, are unknown and are beyond our control.

Any instability in the global economy affects countries in different ways, at different times and with varying severity, which makes the impact to our business complex and unpredictable. During such downturns, many customers may delay or reduce technology purchases. Contract negotiations may become more protracted or conditions could result in reductions in the sales of our software, hardware and solutions, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, increased default risks associated with our accounts receivables, slower adoption of new technologies and increased price competition. While none of these delays has been significant, they may become significant in the future or transition from delays to outright cancellation. Additionally, a significant portion of our training activities are usually in person with on-premises training, and our on-the-ground on-premises deployment staff travel to our customers' workplaces to demonstrate how to use our solutions.

In addition, deterioration of the global credit markets could adversely impact our ability to complete licensing transactions and services transactions. Any of these events, as well as a general weakening of, or declining corporate confidence in, the global economy, or a curtailment in corporate spending could delay or decrease our revenue and therefore have a material adverse effect on our business, operating results and financial condition.

## **Risks Related to Cellebrite's Intellectual Property**

### ***Failure to adequately obtain, maintain, protect and enforce our intellectual property and other proprietary rights could adversely affect our business.***

Our success and ability to compete depends in part on our ability to maintain, protect, enforce and defend our intellectual property and other proprietary rights. We rely upon a combination of copyright, trademark, patent and trade secret laws, as well as certain contractual provisions, to establish, maintain, protect and enforce our intellectual property and other proprietary rights. Despite our efforts, third parties may attempt to disclose, obtain, copy, or use our intellectual property or other proprietary information or technology without our authorization, and our efforts to protect our intellectual property and other proprietary rights may not prevent such unauthorized disclosure or use, misappropriation, infringement, reverse engineering or other violation of our intellectual property or other proprietary rights. Effective protection of our rights may not be available to us in every country in which our solutions are available. The laws of some countries may not be as protective of intellectual property and other proprietary rights as those in Israel or the United States, and mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate. Additionally, the IP ownership and license rights of new technologies such as AI have not been fully addressed by U.S. courts interpreting current and new laws or regulations, and the use or adoption of such technologies in our products and services may expose us to potential intellectual property claims; breach of a data license, software license, or website terms of service allegations; claimed violations of privacy rights; and other tort claims. If such laws or regulations require increased transparency, it may impair protection of our trade secrets or other IP. Also, our involvement in standard setting activity or the need to obtain licenses from others may require us to license our intellectual property. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property or other proprietary information or technology. The violation of our licensing agreements by transferring or allowing the use of our intellectual property, proprietary information or technology without a license may pose additional risks.

In addition, we may be the subject of intellectual property infringement or misappropriation claims, which could be very time-consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages if we are found to have infringed patents, copyrights, trademarks, or other intellectual property rights, or breached trademark co-existence agreements or other intellectual property licenses and could require us to cease using or to rebrand all or portions of our solutions.

Any of our intellectual property rights may be challenged, narrowed, invalidated, held unenforceable, or circumvented in litigation or other proceedings, including, where applicable, opposition, re-examination, inter partes review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide us meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from our management, even if the eventual outcome is favorable to us.

While we currently have no outstanding issued patents, we seek patent protection and may in the future determine that we require additional patents in order to protect our software and processes, and we may be unable to obtain patent protection for the technology covered in our patent applications or such patent protection may not be obtained quickly enough to meet our business needs. Furthermore, the patent prosecution process is expensive, time-consuming, and complex, and we may not be able to prepare, file, prosecute, maintain, and enforce all necessary or desirable patent applications at a reasonable cost or in a timely manner. The scope of patent protection also can be reinterpreted after issuance and issued patents may be invalidated. Even if our patent applications do issue as patents, they may not issue in a form that is sufficiently broad to protect our technology, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage.

Third parties may legitimately and independently develop products, services, and technology similar to or duplicative of our products, services and technology. In addition to protection under intellectual property laws, we rely on confidentiality or license agreements that we generally enter into with our corporate partners, employees, consultants, advisors, vendors, and customers, and generally limit access to and distribution of our intellectual property and proprietary information. However, we cannot be certain that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached or challenged, or that such breaches will be detected. Furthermore, confidentiality and non-disclosure provisions can be difficult to enforce, and even if successfully enforced, may not be entirely effective. We cannot guarantee that any of the measures we have taken will prevent infringement, misappropriation, or other violation of our technology or other intellectual property or proprietary rights.

Moreover, we spend significant resources to monitor and protect our intellectual property and other proprietary rights from potential infringement, and in the future we may conclude that in at least some instances the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violation of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights. Any such litigation, whether or not it is resolved in our favor, could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Furthermore, attempts to enforce our intellectual property rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part.

***We may be subject to information technology system breaches, failures, or disruptions that could harm our operations, financial condition or reputation.***

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. Our technology systems may be damaged, disrupted, or compromised by malicious events, such as cyberattacks (including computer viruses, ransomware, and other malicious and destructive code, phishing attacks, and denial of service attacks), physical or electronic security breaches, natural disasters, fire, power loss, telecommunications failures, personnel misconduct, and human error. Cybersecurity threats employ a wide variety of methods and techniques, which may include the use of social engineering techniques or supply-chain attacks, are constantly evolving, and have become increasingly complex and sophisticated; all of which increase the difficulty of detecting and successfully defending against them. Furthermore, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until after they are launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures.

In addition, security breaches at other companies and in government agencies have increased in frequency and sophistication in recent years. Other companies have also experienced cybersecurity incidents that implicate confidential and proprietary company data and/or the personal data of end users of AI applications integrated into their software offerings or used in their operations. Although we take steps designed to secure our information technology infrastructure and sensitive data and enhance our business continuity and disaster recovery capabilities, we can provide no assurance that our current information technology systems or any updates or upgrades thereto, including the integration of AI capabilities into our product offerings the current or future information technology systems, cloud service providers, software and hardware vendors, supply chain information technology systems that we use or may use in the future, are fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar cybersecurity risks. Further, a greater number of our employees are working remotely and accessing our IT systems and networks remotely since the COVID-19 pandemic, which may further increase our vulnerability to cybercrimes and cyberattacks and increase the stress on our technology infrastructure and systems. We carry data protection liability insurance against cyber-attacks (Media, Intellectual Property & Products Liability, Cyber Liability, and Commercial General Liability), with limits we deem adequate for the reimbursement for damage to our computers, equipment and networks and resulting disruption of our operations, this insurance may not be sufficient to cover all of our losses from any future breaches or failures of our IT systems, networks and services

We have experienced and expect to continue to experience actual or attempted cyber-attacks of our information technology systems or networks. Although prior known cyberattacks directed at us have not had a material impact on our financial results, and we are continuing to bolster our threat detection and mitigation processes and procedures, we cannot guarantee that past, future, or ongoing cyberattacks or other security breaches or incidents against us, if successful, will not have a material impact on our business or financial results, whether directly or indirectly. Because we have historically been targeted by cyberattacks and may continue to be an attractive target for cyberattacks, we also may have a heightened risk of unauthorized access to, and misappropriation of, our proprietary and competitively sensitive information. For instance, the risk of cyber-attacks increased in connection with the military actions associated with Russia's invasion of Ukraine, as well as the Israel-Hamas conflict and widening regional conflict. In light of those and other geopolitical events, nation-state actors or their supporters may launch retaliatory cyber-attacks, or take other geopolitically motivated retaliatory actions that increase the likelihood of cyber-attacks and security breaches generally, which could disrupt our business operations, result in data compromise, or both. While we have security measures in place to protect our information and our customers' information and to prevent data loss and other security breaches and incidents, we have not always been and may not in the future be able to do so. There can be no assurance that in the future we will be able to anticipate or prevent security breaches or incidents, or unauthorized access of our information technology systems.

Any or all of these issues, or the perception that any of them have occurred, could negatively affect our ability to attract new customers, cause existing customers to terminate or not renew their agreements, hinder our ability to obtain and maintain required or desirable cybersecurity certifications, and result in reputational damage, any of which could materially adversely affect our results of operations, financial condition, and future prospects. Furthermore, there can be no assurance that any limitations of liability provisions in our license arrangements with customers or in our agreements with vendors, partners, or others would be enforceable, applicable, or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim.



***Some of our software and systems contain open source software, which may pose particular risks to our proprietary software and information technology systems.***

We utilize open source software in the development and application of our software solutions, and we will use open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses and is typically freely accessible, usable, and modifiable. Pursuant to such open source licenses, we may be subject to certain conditions, including requirements that we offer our proprietary software that incorporates the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, utilizing open source software, and that we license such modifications or derivative works under the terms of the particular open source license, or other license granting third-parties certain rights of further use. If we combine our proprietary software with open source software in a certain manner, we could, under certain provisions of the open source licenses, be required to release the source code of our proprietary software. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide updates, warranties, support, indemnities, assurances of title, or controls on origin of the software, and are provided on an “as-is” basis. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an “as-is” basis.

In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to re-engineer our products, or to take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, results of operations, financial condition, and growth prospects. We may face claims from third parties claiming ownership of, or demanding the release or license of, the open source software or derivative works that we developed from such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected portions of our source code, or cease offering the implicated software unless and until we can re-engineer it to avoid infringement. In addition, if the open source software we use is no longer maintained by the relevant open source community, then it may be more difficult to make the necessary revisions to our software, including modifications to address security vulnerabilities, which could impact our ability to mitigate cybersecurity risks or fulfill our contractual obligations to our customers.

We also may be required to re-engineer solutions if the license terms for incorporated open source software change. The re-engineering process of some or all of our software could require significant additional research and development resources, and we may not be able to complete it successfully. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software. These risks could be difficult to eliminate or manage and, if not addressed, could adversely affect our business, results of operations, and financial conditions.

***Other companies may claim that we infringe their intellectual property, which could materially increase costs and materially harm our ability to generate future revenue and profits.***

Claims of infringement (including misappropriation and/or other intellectual property violation) are common in the software industry and increasing related legal protections, including copyrights and patents, are applied to software solutions. Although most of our technology is proprietary in nature, we do include certain third party and open source software in our software solutions. In the case of third party software, we believe such software are licensed from the respective entity(ies) holding the intellectual property rights. While we believe that we have secured proper licenses for all material third-party intellectual property that is integrated into our solutions in a manner that requires a license, third parties have and may continue to assert infringement claims against us in the future, including the sometimes aggressive and opportunistic actions of non-practicing entities whose business model is to obtain patent-licensing revenue from operating companies such as us. Any such assertion, regardless of merit, may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on commercially reasonable terms. In addition, as we continue to develop software solutions and expand our portfolio using new technology and innovation, our exposure to threats of infringement may increase. Any infringement claims and related litigation could be time-consuming, expensive to settle or litigate, disruptive to our ability to generate revenue or enter into new market opportunities, could divert our management's attention and other resources, and may result in significant liability for damages if we are found to have infringed third party rights, and/or significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework or rebrand our solutions to avoid infringement of third party rights. Typically, our agreements with our partners and customers contain provisions which require us to indemnify them for damages sustained by them as a result of any intellectual property infringement claims involving our solutions. Any of the foregoing infringement claims and related litigation could have a significant adverse impact on our business and operating results as well as our ability to generate future revenue and profits.

### **Risks Related to Data Privacy and Human Rights**

***The use of certain of our solutions may be perceived as, or determined by the courts to be, in violation of privacy rights and related laws. Any such perception or determination could adversely affect our financial results and results of operations.***

Because of the nature of certain of our DI solutions, including those used for digital investigations, the general public could perceive that the use of our solutions may result in violations of individual privacy rights. In addition, certain courts or regulatory authorities could determine that the use of our software solutions is done in violation of privacy laws. Any such determination or perception by potential customers, the general public, government entities or the judicial system could harm our reputation, may result in reduced usage or adoption rates of our C2C Platform by our customers and adversely affect our reputation, revenue, financial condition and results of operations. We have dedicated substantial resources to mitigate these risks by complying with applicable laws and requiring all licensees to comply with applicable laws including privacy laws, but we have been advised that even if we have no access to the data stored on or extracted from devices, we may still be held responsible and even liable for the manner in which our customer uses such data, including if the customer uses the data in a way that is a violation of privacy related laws or our license agreement.

*Some of our solutions may be used by customers in a way that is, or that is perceived to be, incompatible with human rights. Any such perception could adversely affect our reputation, revenue and results of operations.*

We strive to sell our solutions to customers who will use them in a lawful and ethical manner. See “— [We may not enter into relationships with potential customers if we consider their activities to be inconsistent with our organizational mission or values.](#)” For example, all customers are required to confirm, before activation, that they will only use our product for lawful uses, but Cellebrite cannot verify that this undertaking is accurate. Further, some of our government customers may use our solutions in a manner that is incompatible with, or perceived to be incompatible with, generally acceptable human rights standards, without our knowledge or permission. For example, in August 2020, a group of 61 petitioners, including a number of human rights activists, filed a petition before the District Court in Tel Aviv against various Israeli government entities and Cellebrite. The petition asked the District Court to exercise its power under the Defense Export Control Law to stop the exportation of our UFED solution to police forces in Hong Kong. Activists alleged that UFED was being used against pro-democracy protestors in Hong Kong and that this was resulting in human rights abuses. We have since adopted policies and procedures intended to prevent sales to customers in China and Hong Kong and have proactively stopped selling to Russia, Belarus and a number of other countries, but this petition as well as adverse media coverage and petitions relating to Russia, Bangladesh and Uganda may have negatively impacted our reputation. Our license agreements prohibit customers from using our solutions in a manner that violates applicable laws (including laws with respect to human rights and the rights of individuals) or in support of any illegal activity or to violate the rights of any third party, and generally require our customers to indemnify us for losses that we suffer due to their actions; however, we cannot provide any assurance that customers or others will not manage to circumvent our restrictions or that we will not be subject to claims from third parties alleging that their rights were violated as a result of our customers’ use of our products. In the future, other allegations of misuse by our customers may damage our reputation, even if we took no part in the misuse or take immediate action to sever ties with such customers.



***We may not enter into relationships with potential customers if we consider their activities to be inconsistent with our organizational mission or values.***

We generally do not knowingly enter into business with customers whose positions or actions we consider inconsistent with our mission to support law enforcement agencies acting in a legal manner. We developed and continue to evolve an ethical risk management framework, intended to assist us in managing the risk of human rights abuses by our customers when using our products. We use the ethical framework to determine in which countries or with which customers we will pursue new business by applying a set of standards and indicators, including regulatory restrictions such as sanctions and export controls and a number of widely accepted human rights related indexes such as the Corruption Perception Index, Democracy Index and Freedom House Index. This ethical risk management framework will continue and evolve over time and applies quantitative as well as qualitative measures to aid in our decision making. Based on this ethical framework, we may decide not to engage with new customers or extend or renew licenses and services to existing customers operating in those countries that we do not consider to meet our ethical standards and corporate values. For example, we have adopted policies and procedures intended to prevent sales to customers in Bangladesh, Belarus, China, Hong Kong, Macau, Russia, Venezuela, Oman, Uganda and a number of other countries, partially due to concerns regarding human rights abuses, data privacy and security, partially due to regulatory requirements, and partially due to other business considerations, and we may in the future decide not to do business in other countries or with other existing or potential customers for similar reasons.

Most of our customers require the hosting of their proprietary data within their own organization, and therefore most of our products, whether deployed on-premise or otherwise, are operated by our customers without our involvement other than with respect to troubleshooting and support from time to time. Also with respect to our SaaS-based products, while we may be involved in the operation and maintenance of the SaaS platform, we do not have visibility to our customers' usage of our products. As a result, we rely on a range of public information sources, and largely depend on media and other reports, to learn if there is a claim made that our products are being used inconsistent with our organizational mission and values. Third party reports may be incomplete, unreliable or unavailable. In addition, a determination as to whether our products are being misused may involve subjective determinations or be the subject of differing opinions. We have in place certain safeguards that are intended to identify or prevent misuse of our products.

For example, the Company has an Ethics and Integrity Committee, which serves as an advisory body to the board. The committee is comprised of seven industry experts, which include ethics experts, legal experts, former members of the police force, former members of ministries of defense, technology experts, academic experts and community leaders. The role of the Ethics and Integrity Committee is to advise the board on matters pertaining to evolving international law, ethical considerations related to responsible business practices and requirements under law and regulations applied to the sale and use of our technologies.

Additionally, the license to use our products prohibits customers from using our solutions in violation of applicable laws (including laws with respect to human rights and the rights of individuals) or in support of any illegal activity or to violate the rights of any third party. We may terminate any license, among other things, in the event of a material breach that is not cured after 30 days' notice. In addition, we may disable the use of the software, among other things, if it is used in violation of the license. A determination regarding whether a breach of our license will result in termination or other corrective action involves judgment and depends on the facts and circumstances of each case.

We cannot be sure that the foregoing safeguards will be sufficient to prevent circumvention of our restrictions or to identify misuse of our products or prevent any such misuse. Our decisions not to do business within these countries or with these customers may alter our expectations surrounding our long-term financial benefits and results, which may harm our growth prospects, business, and results of operations. Although we endeavor to do business with customers and governments that are aligned with our mission and values, we cannot predict how the activities and values of our government and private sector customers will evolve over time, and they may evolve in a manner inconsistent with our mission.

***We occasionally have limited access to third-party data, and if our security measures are breached and unauthorized access to this data is obtained, our systems, data centers and our solutions may be perceived as not being secure, customers may curtail or stop using our solutions or service and we may incur significant legal and financial exposure and liabilities.***

We do not generally have access to or store customer data nor have access to the data processed by customers using our solutions. Nevertheless, our personnel occasionally have brief and limited access to data, including personally identifiable information (“PII”), when they receive calls for technical support or when they maintain or operate the relevant solution. One instance where we may have brief access to data is when a customer calls for technical support, they sometimes grant our service operators remote access to their device, which may result in the brief sharing of data with the service operator. In rare cases the customer may share the data with the technical support for further bug fixing research and analysis. We have internal processes for deleting such data shortly after the completion of the customer support and ensuring bug fix is sustainable and consistent, but the data is still shared for these limited periods and could potentially be, or be perceived as, more vulnerable as a result. In addition, customers may use our investigative management solution, the Guardian, to store, share and review sensitive data, including PII, when they decide to store such data in our investigative management SaaS solution. In addition, we may have access to customer data, including PII, in connection with the provision of our Advanced Services in which we serve as an outsourced forensics lab for the extraction of data from devices that are sent to us by our customers. The Company has implemented several internal processes and measures for deleting data shortly after completion of related services (in the case of Advanced Services), and that are designed to ensure managed, limited, brief and secure access to customers data, done strictly on a need-to-service basis. The Company uses internationally recognized information security measures and complies with industry standards. Our Advanced Services are provided from a strictly dedicated platform that combines authentication, authorization, networking, and observability into a single point, as well as internal processes intended to control access, usage, storage and retention of data. However, any actual or perceived unauthorized access, use, disclosure or modification to this data, could result in our solutions and services being viewed as less secure, which could lead to liability and a significant adverse effect on our reputation and financial and operating results.

### **Risks Related to Legal Compliance and Regulatory Matters**

***We are subject to Israeli encryption laws that may be subject to future reform, and our failure to obtain or maintain related licenses in compliance with these laws could negatively impact our business.***

The export of our solutions is subject to Israeli encryption control laws. Our export license under the Israeli encryption control regime prohibits us from exporting some of our products to customers in certain countries and require us to obtain the consent of the Ministry of Defense to export to customers in certain other countries. Our failure to comply with these requirements could subject us to financial and other penalties, which could materially adversely impact our revenue and profits, and harm our reputation.

Although Israel is not a party to the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (the “Wassenaar Arrangement”), it has adopted the Wassenaar Arrangement List of Dual Use Goods and Technologies, and the goods and technologies listed therein are subject to Israeli export control laws and regulations. However, neither cryptography (that is subject to Israeli encryption laws) nor cryptanalytic technology is regulated under the Israeli export control regime, even if such cryptography or cryptanalytic capabilities would otherwise be placed within Part 2 of Chapter 5 of the Wassenaar Arrangement Dual Use List which relates to Information Security. In 2016, the Israeli Ministry of Defense published draft regulations proposing to cancel the existing encryption control regime and to bring Part 2 of Chapter 5 of the Wassenaar Arrangement into full force and effect in its place. Over the last several years, the Israeli Ministry of Defense has renewed this effort and has stated publicly its intention to push this reform forward. However, this initiative stalled in 2023 when the Ministry of Economy (the regulator for non-defense related dual use exports) refused to cooperate with it. If our solutions do become subject to the Wassenaar Arrangement dual use list as adopted by Israel, then some of them are likely to be controlled under either the Israeli Defense Export Control Law, 5767-2007 or the Import and Export Order (Export Control over Dual Use Goods, Services and Technology), 5766-2006, depending on the nature of the customer and end use. The application of these laws’ requirements to us and to our products could subject us to different licensing requirements and may require us to adapt our marketing, sales and export practices to accommodate these changed requirements. This reform could adversely impact our ability to quickly, efficiently and cost effectively market and sell our products, and could materially adversely impact our business, revenue and profit.

***We are subject to export laws, regulations and governmental trade controls, and any noncompliance with these laws could negatively impact our operating results.***

Various countries regulate the export and import of certain encryption solutions and technology including cryptography or cryptanalytic capabilities, including import permits and licensing requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our customers’ ability to use our solutions in those countries. Any new export restrictions, new import restrictions, new legislation, changes in economic sanctions, or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons, or technologies targeted by such regulations, could result in decreased use of our products by existing customers with non-U.S. operations, declining adoption of our products by new customers with non-U.S. operations, limitation of our expansion into new markets, and decreased revenue and potential revenue growth.

Our activities or products could be subject to certain economic sanctions laws including the laws of Israel and the United States. We have adopted policies and procedures that are intended to restrict sales to countries subject to comprehensive U.S. and Israeli sanctions and to designated entities and individuals. Our solutions and technologies could be exported or re-exported to, or eventually be used by, these sanctioned targets due to circumvention of restrictions by customers, resellers or others, despite the contractual undertakings they are bound by that prohibit them from exporting or reselling to any unauthorized customer, and any such export, re-export or use, could have negative consequences, including government investigations, penalties and reputational harm. Any change in export regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business, financial condition and results of operations.

Differing regulatory and legal requirements and the possible enactment of additional regulations or restrictions on the use, import, export or re-export of our solutions or the provision of services, could delay, restrict, or prevent the sale or use of our solutions in some jurisdictions. If we or our business partners or counterparties, including licensors and licensees, prime contractors, subcontractors, sublicensors, vendors, customers, shipping partners, or contractors, fail to obtain appropriate import, export, or re-export licenses or permits, notwithstanding regulatory requirements or contractual commitments to do so, or if we fail to secure such contractual commitments where necessary, we may also be adversely affected, through reputational harm as well as other negative consequences, including government investigations and penalties.

These laws and regulations are subject to change over time and thus we must continue to monitor and dedicate resources to ensure continued compliance. Although we take precautions to prevent our software from being provided in violation of such laws, the software could be provided inadvertently in violation of such laws, despite the precautions we take. Non-compliance with applicable regulations or requirements could, depending on the severity of the violation, subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any of the foregoing actions are imposed on us, or if we do not prevail in any possible civil or criminal litigation, in each case, for sufficiently serious violations, our business, operating results, and financial condition could be materially adversely affected. We may also be adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and penalties could harm our business, operating results and financial condition.

***Our business is subject to complex and evolving U.S. and non-U.S. laws and regulations regarding privacy, data protection and security, technology protection, AI and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or otherwise harm our business.***

Our products are mostly used as an on-premise solution and are generally operated by our customers without our involvement. Nevertheless, our service operators occasionally have brief and limited access to customer data, including PII, when they receive calls for technical support, or in operating our SaaS-based solutions, such as the Guardian solution. In addition, we may extract files containing customer data, including PII, in connection with the provision of our Advanced Services in which we serve as an outsourced lab for the extraction of data from devices that are sent to us by our customers. In all of those situations, we do not access or view customer data, maintain such data securely with limited access, and delete all such data following the confirmation that the data has been received by the customer (with the exception of Guardian where data is stored or removed by the customers in their sole discretion). As a result, for the purposes of the European General Data Protection Regulation ("GDPR") and the UK equivalent legislation, we believe that we are not considered to be a controller and serve as a processor in a limited number of circumstances, within the meaning of those terms. For more information, see "[We may be subject to information technology system breaches, failures, or disruptions that could harm our operations, financial condition or reputation.](#)"

Given the global nature of our operations, we are subject to a variety of local, state, national, and international laws and directives and regulations in the United States and abroad related to privacy and data protection, data security, data storage, retention, transfer and deletion, technology protection, machine learning, AI and personal information. International data protection, data security, privacy, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, which, depending on the regime, may be enforced by private parties or government entities, are constantly evolving and can be subject to significant change, and they are likely to continue to develop and evolve for the foreseeable future. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving software and technology industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices.

A number of proposals are pending before U.S. federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. For example, despite recent developments including an in-principle agreement between the United States and European Commission and a subsequent Executive Order directing the steps that the United States will take to implement the U.S. commitments under the new European Union - U.S. Data Privacy Framework, new legal challenges to the mechanisms allowing companies to transfer personal data from the European Economic Area to certain other jurisdictions, including the United States, could emerge resulting in further limitations on the ability to transfer data across borders. Moreover, the following laws and regulations have taken, or will take, effect, creating further interpretive uncertainties for Cellebrite:

- GDPR took effect in May 2018 and applies to many of our products and services that provide service in Europe. The GDPR includes operational requirements for companies that receive or process personal data of residents of the EU. We are required to comply with the GDPR and, following the exit of the United Kingdom (“UK”) from the European Union (“EU”), the UK equivalent, the implementation of which exposes us to two parallel data protection regimes in Europe, each of which impose several stringent requirements for controllers and processors of personal data and could make it more difficult to and/or more costly for us to collect, store, use, transmit and process personal and sensitive data. Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States, and the efficacy and longevity of current transfer mechanisms between the EEA and the United States remains uncertain. Case law from the Court of Justice of the European Union (CJEU) states that reliance on the standard contractual clauses - a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism - alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case-by-case basis. On October 7, 2022, President Biden signed an Executive Order on ‘Enhancing Safeguards for United States Intelligence Activities’ which introduced new redress mechanisms and binding safeguards to address the concerns raised by the CJEU in relation to data transfers from the EEA to the United States and which formed the basis of the new EU-US Data Privacy Framework (DPF), as released on December 13, 2022. The European Commission adopted its Adequacy Decision in relation to the DPF on July 10, 2023, rendering the DPF effective as a GDPR transfer mechanism to U.S. entities self-certified under the DPF. The DPF also introduced a new redress mechanism for EU citizens which addresses a key concern in the previous CJEU judgments and may mean transfers under standard contractual clauses are less likely to be challenged in future. Similar mechanisms are also in place under UK law following the UK’s exit from the EU in 2021. Non-compliance with the GDPR and the UK legislation equivalent may result in administrative fines or monetary penalties of up to 4% of worldwide annual revenue in the preceding financial year or €20 million (whichever is higher) for the most serious infringements, and could result in proceedings against us by governmental entities or other related parties and may otherwise adversely impact our business, financial condition, and results of operations.
- The California Consumer Privacy Act, or the CCPA, went into effect on January 1, 2020 and became enforceable by the California Attorney General on July 1, 2020, along with related regulations that came into force on August 14, 2020. The CCPA gives California residents new rights to access and require deletion of their personal information, opt out of the sale of personal information, and receive detailed information about how their personal information is collected, used, and shared. The CCPA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. The effects of the CCPA potentially are significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply. Additionally, in November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020, or the CPRA. The CPRA imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data and establishes a regulatory agency dedicated to enforcing those requirements. The CPRA went into effect on January 1, 2023, and additional compliance investment and potential business process changes may be required.



Certain other state laws in the United States impose similar privacy obligations and all 50 states have laws including obligations to provide notification of certain security breaches to affected individuals, state officials and others. For example, on March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act (“VCDPA”), creating the second truly comprehensive U.S. state privacy law, which became effective on January 1, 2023 (the same day as CPRA went into effect). Further, there currently are also a number of proposals related to data privacy or security pending before federal, state, and foreign legislative and regulatory bodies, including in a number of states considering consumer protection laws similar to the CCPA and VCDPA. For example, Colorado adopted the Colorado Privacy Act (“CPA”) in June 2021 which went into effect on July 1, 2023. Utah adopted the Utah Consumer Privacy Act (“UCPA”) in March 2022 which went into effect on December 31, 2023. Additionally, Connecticut enacted the Connecticut Act Concerning Personal Data Privacy and Online Monitoring (“CTDPA”) in May 2022 which went into effect on July 1, 2023. Additional states continue to enact and propose new legislation relating to privacy and data security.

Each of these legislative actions may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. These developments may require us to review and amend the legal mechanisms by which we make and, or, receive personal data transfers from other countries to Israel. As data protection regulators issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

As we continue to innovate and improve our offerings by leveraging AI, our business model may be affected by global trends and laws that regulate the use of AI and machine learning. Such laws or regulations not only may cause us to modify our data handling practices, which could be costly or burdensome, but it also may impact our ability to use certain data for developing our products or impede customers regulated by such laws and regulations to adopt our products. In addition, we may become subject to new or heightened legal, ethical or other challenges arising out of the perceived or actual impact of AI on human rights, intellectual property, privacy and employment, among other issues, and we may experience brand or reputational harm, legal liability or increased costs associated with those issues. For more information, see [“—Issues in the use of artificial intelligence \(“AI”\) \(including machine learning\) in our C2C Platform may result in reputational harm, liability or impact our financial results.”](#)

These existing and proposed laws and regulations can be costly to comply with and can make our DI suite of solutions less effective or valuable, delay or impede the development of new solutions, result in negative publicity, increase our operating costs, require us to modify our data handling practices, limit our operations, impose substantial fines and penalties, require significant management time and attention, or put our data or technology at risk. Any failure or perceived failure by us or our suite of solutions to comply with U.S., EU, UK or other foreign laws, regulations, directives, policies, industry standards, or legal obligations relating to privacy, data protection, or information security, or any security incident that results in loss of or the unauthorized access to, or acquisition, use, release, or transfer of, personal information, personal data, or other customer or sensitive data or information may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, indemnification or other contractual obligations, other remedies, including fines or demands that we modify or cease existing business practices, or adverse publicity, and related costs and liabilities, which could significantly and adversely affect our business, reputation and results of operations.

***We may in the future become involved in legal, regulatory, or administrative inquiries and proceedings, and unfavorable outcomes in litigation or other of these matters could negatively impact our business, financial conditions, and results of operations.***

From time to time, we receive formal and informal inquiries from governmental agencies and regulators regarding our compliance with laws and regulations or otherwise relating to our business or transactions. We may also become subject to claims, lawsuits, proceedings and inquiries which could involve labor and employment disputes, discrimination and harassment allegations, commercial disputes, intellectual property rights (including patent, trademark, copyright, trade secret, and other proprietary rights), class actions, general contract, tort, or defamation, data privacy rights, antitrust concerns, common law fraud, government regulation, compliance, alleged federal and state securities and “blue sky” law violations or other investor related questions. Derivative claims, lawsuits, and proceedings, which may, from time to time, be asserted against our directors by our shareholders, could involve breach of fiduciary duty, breach of duty of loyalty, failure of oversight, corporate waste claims, and other matters. For example, a former consultant has brought a number of claims against the Company and a number of our directors and officers. These claims can lead to reputational harm and diversion of resources and management’s attention from our primary business operations. In addition, our business and results may be adversely affected by the outcome of currently pending and any future legal, regulatory, and/or administrative claims or proceedings, including through monetary damages or injunctive relief. In addition, over the last several years, lawsuits have been filed against cyber-related companies by large multinationals that claim that their terms of use or intellectual property have been violated and breached by the activities of the cyber companies. While we are not a cyber company, such a risk could potentially also apply to us and our solutions.

The number and significance of our legal disputes and inquiries may increase as we continue to grow larger, as our business has expanded in customer count and as our DI suite of solutions become more complex. Additionally, if customers fail to pay us under the terms of our agreements, we may be adversely affected due to the cost of enforcing the terms of our contracts through litigation. Litigation or other proceedings can be expensive and time consuming and can divert our resources and management’s attention from our primary business operations. The results of our litigation also cannot be predicted with certainty. If we are unable to prevail in litigation, we could incur payments of substantial monetary damages or fines, or undesirable changes to our DI suite of solutions or business practices, and accordingly, our business, financial condition, or results of operations could be materially and adversely affected. Furthermore, if we accrue a loss contingency for pending litigation and determine that it is probable, any disclosures, estimates, and reserves we reflect in our financial statements with regard to these matters may not reflect the ultimate disposition or financial impact of litigation or other such matters. These proceedings could also result in negative publicity, which could harm customer and public perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable.

Although we have limitation of liability provisions in our standard software licensing and service agreement terms and conditions, these provisions may not be enforceable in some circumstances, may vary in levels of protection across our agreements, or may not fully or effectively protect us from such claims and related liabilities and costs. We generally provide a warranty for our software and hardware solutions in our agreements. In the event that there is a failure of warranties in such agreements, we are generally obligated to replace or correct the product to conform to the warranty provision as set forth in the applicable agreement, or, if we are unable to do so, the customer is entitled to seek a refund of the purchase price of the product and service. The sale and support of our solutions also entail the risk of product liability claims. We maintain errors and omissions insurance to protect against certain claims associated with the use of our solutions, but our insurance coverage may not adequately cover any claim asserted against us. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management’s time and other resources.



***Failure to comply with laws, regulations, or contractual provisions applicable to our business could cause us to lose government customers or our ability to contract with the U.S. and other governments.***

The majority of our customers are government and state owned agencies, each with their own specific guidelines and compliance requirements for their government contracts. For example, our U.S. government business is subject to specific procurement regulations with numerous compliance requirements. In particular, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. These requirements, although customary in government contracting in the U.S., increase our performance and compliance costs. These costs may increase in the future, thereby reducing our margins, which could have an adverse effect on our financial condition.

Moreover, in the U.S., government contracts are subject to oversight audits by government representatives. Such audits could result in adjustments to our contracts. As an example, for contracts covered by the Cost Accounting Standards, any costs found to be improperly allocated to a specific contract may not be allowed, and such costs already reimbursed may have to be refunded. In addition, as a result of actual or perceived non-compliance with government contracting laws, regulations, or contractual provisions, we may be subject to other audits and internal investigations which may prove costly to our business financially and divert management's attention and time. Among the causes for debarment are violations of various laws or policies, including those related to procurement integrity, export control, U.S. government security regulations, employment practices, protection of criminal justice data, protection of the environment, accuracy of records, proper recording of costs, foreign corruption, Trade Agreements Act, Buy America Act, and the False Claims Act. Contracts with the federal U.S. government may be terminated for convenience by the government at any time. Furthermore, regulatory requirements imposed by governments other than the United States may be more stringent and non-compliance may subject us as well as to investigations, proceedings, sanctions, or other consequences from those governments, as well as, in some cases, allow such governments to terminate contracts for convenience at any time. These consequences remain uncertain because of the dynamic nature of governmental action and responses.

The laws and regulations applicable to each of our contracts may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, and termination of contracts and suspension or debarment from government contracting for a period of time with government agencies. Any such damages, penalties, disruption, or limitation in our ability to do business with a government could adversely impact, and could have a material adverse effect on, our business, results of operations, financial condition, public perception, and growth prospects.

***New laws and/or law interpretations, as well as changing regulations, create the risk that we may not comply with those laws and regulations and the costs to comply could materially adversely affect our business.***

We are subject to a variety of laws and regulations in Israel and abroad that involve matters central to our business, including privacy, data protection and personal information, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, electronic contracts and other communications, competition, consumer protection, telecommunications, product liability, taxation, labor and employment, economic or other trade prohibitions or sanctions, securities law compliance, and online payment services. The introduction of new solutions, expansion of our business to certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign data protection, privacy, content, competition, and other laws and regulations can impose different obligations or be more restrictive than those in Israel or the United States. These laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. New laws and regulations (or new interpretations of existing laws and regulations) may require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. The costs of compliance with these laws and regulation are high and are likely to increase in the future. Additionally, these laws and regulations, or any associated inquiries or investigations or other government actions, may delay or impede the development of new solutions, result in negative publicity, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

***We are subject to anti-corruption, anti-bribery, and similar laws, and non-compliance with such laws can subject us to criminal penalties or significant fines, harm our reputation, and significantly adversely affect our business, financial condition, results of operations, and growth prospects.***

We are and will be subject to anti-corruption, anti-bribery, anti-money laundering and financial and economic sanctions laws and regulations in various jurisdictions in which we conduct or in the future may conduct activities, including the FCPA, the U.K. Bribery Act 2010, and other domestic or foreign anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents and intermediaries, from corruptly offering, promising, authorizing or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. The U.K. Bribery Act also prohibits non-governmental “commercial” bribery and soliciting or accepting bribes. A violation of these laws or regulations could materially adversely affect our business, results of operations, financial condition and reputation.

Non-compliance with anti-corruption, anti-bribery, or similar laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal penalties, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and an investment in our securities.

## **Risks Relating to Cellebrite's Incorporation and Location in Israel**

*Our main offices and operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel or external responses to such instability.*

Our main offices, and many of our employees, including many of our management members, operate from our offices that are located in Israel, and many of our employees, officers and directors are residents of Israel. In addition, we have a small assembly facility in Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly affect our business and operations, as discussed below.

In recent years, Israel has been engaged in sporadic armed conflicts with terrorist and military groups. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our assembly facility, some of our employees and some of our consultants are located. Iran has also threatened Israel and may be developing nuclear weapons.

In October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and a military campaign against these terrorist organizations commenced in parallel to their continued rocket and terror attacks.

The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing, which may have a material adverse effect on the Company and its ability to effectively conduct its operations. For example, the Houthi militia, which controls parts of Yemen, has launched a number of attacks on marine vessels traversing the Red Sea, which marine vessels were thought to either be en route to Israel or to be partly owned by Israeli businessmen. The Red Sea is a vital maritime route for international trade traveling to and from Israel, and such attacks may have an adverse effect on supply chains to and from Israel.

In connection with the Israeli security cabinet's declaration of war against Hamas and possible hostilities with other organizations, several hundred thousand Israeli military reservists were drafted to perform immediate military service. Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict and/or national civil emergencies, may be called to active duty. Certain of our employees and consultants in Israel, in addition to employees of our service providers located in Israel, have been called, and additional employees may be called, for service in the current or future wars or other armed conflicts with Hamas, Hezbollah and other enemy countries or terrorist organizations, and such persons may be absent for extended periods of time. As a result, our operations may be disrupted by such absences, which disruption may materially and adversely affect our business and results of operations. Additionally, the absence of employees of our Israeli suppliers due to their military service in the current or future wars or other armed conflicts may disrupt their operations, which in turn may materially and adversely affect our ability to deliver or provide products and services to customers.

In addition, since the commencement of war with Hamas, there have been continued hostilities along Israel's northern border with Lebanon (with the Hezbollah terror organization) and southern border (with the Houthi movement in Yemen). It is possible that hostilities with Hezbollah in Lebanon will escalate, and that other terrorist organizations, including Palestinian military organizations in the West Bank as well as other hostile countries, such as Iran, will join the hostilities. Such clashes may escalate in the future into a greater regional conflict or war. In the event that our facilities are damaged as a result of hostile actions, or hostilities otherwise disrupt our ongoing operations, our ability to deliver or provide products and services in a timely manner or at all to meet our contractual obligations towards customers and vendors could be materially and adversely affected.

The intensity, duration and outcome of the ongoing conflict is uncertain and its continuation or escalation may have a material adverse effect on our business and operations. Further, escalation of the Israel-Hamas conflict and tension in the Middle East and North Africa may require us to change our operations in response to wartime impacts, which may be expensive, time-consuming and disruptive to our operations. If the Israel-Hamas conflict further escalates, additional restrictions and other governmental actions could increase the severity of the impact on our operations in Israel and could materially adversely affect our business. A severe disruption to our business may result in significant lost sales and may require substantial recovery time and expenditures to resume operations. Additionally, to the extent the Israel-Hamas or Israel-Hezbollah conflict causes loss of infrastructure and utilities services, such as energy, transportation or telecommunications, we could experience increased costs and other negative financial impacts. If such disruptions result in delays or cancellations of customer subscriptions or the assembly of our hardware product components or shipment of our products, our business, operating results and financial condition could be materially adversely affected.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, there are no assurances that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

The events described above may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing that may involve a downgrade in Israel's credit rating by rating agencies (such as the recent downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative"), which may have a material adverse effect on the Company and its ability to effectively conduct its operations.

In addition, in January 2024 the International Court of Justice, or ICJ, issued an interim ruling in a case filed by South Africa against Israel in December 2023, making allegations of genocide amid and in connection with the war in Gaza, and ordered Israel, among other things, to take measures to prevent genocidal acts, prevent and punish incitement to genocide, and take steps to provide basic services and humanitarian aid to civilians in Gaza. There are concerns that companies and businesses will terminate, and may have already terminated, certain commercial relationships with Israeli companies following the ICJ decision. In the past, the State of Israel and Israeli companies have been subjected to economic boycotts by specific countries and/or organizations. While some of these are eliminating these constraints, others may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability continues or increases. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to sell our solutions and therefore may have an adverse impact on our operating results, financial condition or the expansion of our business.

Lastly, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. In response to such initiative, many individuals, organizations and institutions, both within and outside of Israel, voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel, as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets and other changes in macroeconomic conditions. To date, these initiatives have been substantially put on hold. If such changes to Israel's judicial system are again pursued by the government and approved by the parliament, this may have an adverse effect on our business, our results of operations and our ability to raise additional funds, if deemed necessary by our management and board of directors.

***It may be difficult to enforce a U.S. judgment against us, our officers and directors or the experts named in this Annual Report in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors or experts.***

Most of our directors or officers are not residents of the United States and most of their and our assets are located outside the United States. Service of process upon us or our non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against us or our non-U.S. our directors and executive officers may be difficult to obtain within the United States. We have been informed by our legal counsel in Israel that it may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against us or our non-U.S. officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, typically through an expert witness, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside of Israel, which may make it difficult to collect on judgments rendered outside of Israel against us or our non-U.S. officers and directors.

Moreover, an Israeli court will not enforce a non-Israeli judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases), if its enforcement is likely to prejudice the sovereignty or security of the State of Israel, if it was obtained by fraud or in the absence of due process, if it is at variance with another valid judgment that was given in the same matter between the same parties, or if a suit in the same matter between the same parties was pending before a court or tribunal in Israel at the time the foreign action was brought.



***The rights and responsibilities of our shareholders are governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.***

We are incorporated under Israeli law. The rights and responsibilities of holders of Ordinary Shares are governed by our amended and restated articles of association (the “Amended Articles”) and the Israeli Companies Law (the “Companies Law”). These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law, each shareholder of an Israeli company has to act in good faith and in a customary manner in exercising his, her or its rights and fulfilling his, her or its obligations toward the Company and other shareholders and to refrain from abusing his, her or its power in the Company, including, among other things, in voting at the general meeting of shareholders, on one of the following: (i) amendments to a company’s articles of association, (ii) increases in a company’s authorized share capital, (iii) mergers and (iv) certain transactions requiring shareholders’ approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power according to the Amended Articles to appoint or prevent the appointment of a director or officer in the Company, or has other powers toward the Company according to the Amended Articles, has a duty of fairness toward the Company. However, Israeli law does not define the substance of this duty of fairness. There is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

***Provisions in the Amended Articles may have the effect of discouraging lawsuits against us and our directors and officers.***

Under the Amended Articles, the competent courts of Tel Aviv, Israel are the exclusive forum for (i) any derivative action or proceeding brought on behalf of Cellebrite, (ii) any action asserting a claim of breach of fiduciary duty or a claim of breach of the duty of loyalty owed by any of Cellebrite’s directors, officers or other employees or our shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law.

Additionally, unless Cellebrite consents in writing to the selection of an alternative forum, the U.S. federal courts shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the “Securities Act”) against us or any of our directors, officers, other employees or agents. Section 22 of the Securities Act, however, creates concurrent jurisdiction for U.S. federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies’ charter documents has been challenged in legal proceedings. While Delaware and certain U.S. courts have determined that such exclusive forum provisions are facially valid, a shareholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to these provisions; however, we note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Section 27 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Accordingly, notwithstanding the foregoing, the Amended Articles provide that the exclusive forum provision will not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

These exclusive forum provisions may limit a shareholders ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors or other employees which may discourage lawsuits against us, our directors, officers and employees.

### **Risks Relating to an Investment in our Securities**

#### ***Future issuances of Ordinary Shares by us or resales of our Ordinary Shares may cause the market price of the Ordinary Shares to drop significantly, even if Cellebrite's business is doing well.***

Concurrently with the Closing of the Merger, the Sponsor entered into the Investor Rights Agreement, which provided the Sponsor and the other parties thereto with customary demand registration rights and piggy-back registration rights with respect to registration statements filed by Cellebrite. See the section of this Annual Report titled "[Part I, Item 7. Major Shareholders and Related Party Transactions — Related Party Transactions.](#)" In accordance with this and certain obligations relating to the PIPE Investment, we filed a registration statement for the resale of 171,729,210 Ordinary Shares, 9,666,667 Warrants and 29,666,667 Ordinary Shares underlying Warrants, which was declared effective on October 6, 2021.

We have also historically used, and continue to use, our Ordinary Shares as a means of both rewarding our employees, non-employee directors, and consultants and aligning their interests with those of our shareholders. As of December 31, 2023, 23,888,325 Ordinary Shares were subject to outstanding awards (consisting of outstanding options to purchase 15,728,176 Ordinary Shares and 8,160,149 Ordinary Shares underlying unvested restricted share units ("RSUs")) granted to our and our affiliates' respective employees, non-employee directors, consultants and former employees under our equity incentive plans. Additionally, 25,218,083 Ordinary Shares were available for future grant under the 2021 Plan and 994,055 Ordinary Shares were available for grant under our equity incentive plans or for future purchase under our ESPP, subject to increase under the evergreens terms of certain of those plans. All of the underlying Ordinary Shares are registered on Form S-8 for immediate sale or resale. Thus, Ordinary Shares granted or issued under our equity incentive plans will, subject to vesting provisions, lock-up restrictions, and applicable Rule 144 volume limitations, be available for sale in the open market immediately upon registration.

An additional 15,000,000 Ordinary Shares may be issued upon achievement of certain triggering events (if at any time during the five-year period after the closing of the Merger the price of Ordinary Shares is greater than or equal to \$12.50, \$15.00 and \$30.00, respectively, over any 20 trading-days within any 30 trading-day period.) or upon a Change of Control (as defined in the Merger Agreement) before the five (5) year anniversary of the closing of the Merger.

In a registered offering of securities pursuant to the Securities Act (including via the registration statement on Form S-8) or otherwise in accordance with Rule 144 under the Securities Act, the Cellebrite employees and other shareholders may sell large amounts of Ordinary Shares in the open market or in privately negotiated transactions, which could have the effect of increasing the volatility in the trading price of the Ordinary Shares or putting significant downward pressure on the price of the Ordinary Shares. Further, sales of Ordinary Shares upon expiration of the applicable lockup period could encourage short sales by market participants. Generally, short selling means selling a security, contract or commodity not owned by the seller. The seller is committed to eventually purchase the financial instrument previously sold. Short sales are used to capitalize on an expected decline in the security's price. As such, short sales of Ordinary Shares could have a tendency to depress the price of the Ordinary Shares, which could increase the potential for short sales.

We cannot predict the size of future issuances by us or resales by others of Ordinary Shares or the effect, if any, that such future issuances and sales of Ordinary Shares will have on the market price of the Ordinary Shares. Sales of substantial amounts of Ordinary Shares (including those shares issued in connection with the Merger), or the perception that such sales could occur, may materially and adversely affect prevailing market prices of Ordinary Shares.



***As a “foreign private issuer” under applicable securities laws and regulations, Cellebrite is permitted to, and may, file less or different information with the U.S. Securities and Exchange Commission (the “SEC”) than a company incorporated in the United States, and will follow certain home country governance practices in lieu of certain Nasdaq requirements applicable to U.S. issuers.***

Cellebrite is considered a “foreign private issuer” under the Exchange Act and is therefore exempt from certain rules under the Exchange Act. Moreover, Cellebrite is not required to file periodic reports and financial statements with the SEC as frequently or within the same time frames as U.S. issuers with securities registered under the Exchange Act, and is not subject to the rules prescribing the furnishing and content of proxy statements (including the requirement applicable to emerging growth companies to disclose the compensation of its Chief Executive Officer and the other two most highly compensated executive officers on an individual, rather than an aggregate, basis). Cellebrite is not required to comply with Regulation FD, which imposes restrictions on the selective disclosure of material information to shareholders. In addition, Cellebrite’s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the related rules under the Exchange Act with respect to their purchases and sales of Cellebrite’s equity securities. Accordingly, if you own Cellebrite’s securities, you may receive less or different information about Cellebrite than that you would receive about a U.S. issuer.

In addition, as a “foreign private issuer” whose securities are listed on Nasdaq, Cellebrite is permitted to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements. A “foreign private issuer” must disclose in its annual reports filed with the SEC each Nasdaq requirement with which it does not comply, followed by a description of its applicable home country practice. Cellebrite currently intends to follow the corporate governance requirements of Nasdaq. However, Cellebrite cannot make any assurances that it will continue to follow such corporate governance requirements in the future, and may therefore in the future, rely on available Nasdaq exemptions that would allow Cellebrite to follow its home country practice. Unlike the requirements of Nasdaq, there are currently no mandatory corporate governance requirements in Israel that would require Cellebrite to (i) have a majority of its board of directors be independent, (ii) establish a nominating/governance committee, or (iii) hold regular executive sessions where only independent directors may be present. Such Israeli home country practices may afford less protection to holders of Cellebrite securities.

Cellebrite currently relies on this “foreign private issuer exemption” only with respect to the quorum requirement for shareholder meetings and the requirement regarding distribution of annual and interim reports. For more information, see [“Part II, Item 16G. Corporate Governance.”](#) Cellebrite otherwise complies with and intends to continue to comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. In addition, with respect to SEC rules, Cellebrite expects to issue interim quarterly financial information publicly and to furnish them to the SEC under cover of Form 6-K. Cellebrite may, however, in the future decide to rely upon the “foreign private issuer exemption” for purposes of opting out of some or all of the other Nasdaq corporate governance rules.

Cellebrite could lose its status as a “foreign private issuer” under applicable securities laws and regulations if more than 50% of Cellebrite’s outstanding voting securities become directly or indirectly held of record by U.S. holders and any one of the following is true: (i) the majority of Cellebrite’s directors or executive officers are U.S. citizens or residents; (ii) more than 50% of Cellebrite’s assets are located in the United States; or (iii) Cellebrite’s business is administered principally in the United States. If Cellebrite loses its status as a “foreign private issuer” in the future, it will no longer be exempt from the rules described above and, among other things, will be required to file periodic reports and annual and quarterly financial statements as if it were a company incorporated in the United States. If this were to happen, Cellebrite would likely incur substantial costs in fulfilling these additional regulatory requirements and members of Cellebrite’s management would likely have to divert time and resources from other responsibilities to ensuring these additional regulatory requirements are fulfilled.

***Cellebrite is an “emerging growth company” and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our securities may be less attractive to investors.***

Cellebrite is an “emerging growth company,” as defined in the JOBS Act, and it intends to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Cellebrite cannot predict if investors will find its securities less attractive because it will rely on these exemptions, including delaying adoption of new or revised accounting standards until such time as those standards apply to private companies and, to the extent that Cellebrite ceases to be a foreign private issuer, reduced disclosure obligations regarding executive compensation. If some investors find Ordinary Shares or Warrants less attractive as a result, there may be a less active trading market and the trading prices of such securities may be more volatile. Cellebrite may take advantage of these reporting exemptions until it is no longer an “emerging growth company.” Cellebrite will remain an “emerging growth company” until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the IPO, (b) in which it has total annual gross revenue of at least \$1.07 billion, or (c) in which it is deemed to be a large accelerated filer, which means the market value of Ordinary Shares that is held by non-affiliates exceeds \$700 million as of the last day of the second fiscal quarter of such fiscal year, and (2) the date on which it has issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

***Our largest shareholder, SUNCORPORATION, is a Japanese public company and currently a holder of 47.04% of Cellebrite’s outstanding shares.***

As of December 31, 2023, SUNCORPORATION (TSE JASDAQ: 6736), a Japanese public company, beneficially owns 47.04% of our Ordinary Shares. Therefore, SUNCORPORATION has significant influence on the outcome of all decisions at our shareholders’ meetings including:

- the election of our board of directors;
- amendments to our articles of association; and
- our ability to enter into a change of control transaction.

SUNCORPORATION’s decisions as to how it votes its Ordinary Shares may be contrary to the expectations or preferences of our other shareholders. The influence exerted by SUNCORPORATION may limit the ability of our shareholders to influence corporate matters and could also discourage other companies from pursuing any potential merger, takeover, or other change of control transactions with us. Further, SUNCORPORATION is a controlling shareholder which may in the future control elections to our board of directors and, therefore may have significant influence over our business and policies.

## **Risks Related to Ownership of the Ordinary Shares**

***Our share price has been and will likely continue to be volatile, and shareholders may lose all or part of their investment.***

Cellebrite shareholders have sold and may continue to sell their shares in the public market. The sales of significant amounts of our shares, or the perception in the market that this will occur, may decrease the market price of our shares. For more information, see [“Risks Relating to an Investment in our Securities— Future resales of the Ordinary Shares issued in connection with the Business Combination may cause the market price of the Ordinary Shares to drop significantly, even if Cellebrite’s business is doing well.”](#)

Our share price may also be volatile for other reasons, including:

- announcements by us or our competitors regarding, among other things, strategic changes, new products, product enhancements or technological advances, acquisitions, major transactions, significant litigation or regulatory matters, stock repurchases, or management changes;
- press or analyst publications, including with respect to changes in recommendations or earnings estimates or growth rates by financial analysts, changes in investors’ or analysts’ valuation measures for our securities, our credit ratings, our security solutions and customers, speculation regarding strategy or mergers and acquisitions (“M&A”), or market trends unrelated to our performance;
- stock sales by us or our directors, officers, or other significant holders, or stock repurchases by us;
- hedging or arbitrage trading activity by third parties;
- actual or anticipated fluctuations in our results of operations;
- market conditions in our industry and changes in the estimation of the future growth and size of our markets;
- real or perceived future dilution risk;
- meaningful M&A activities, actual or anticipated, or lack thereof;
- the trading volume of our ordinary shares; and
- general economic, regulatory, political and market conditions.

In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted against that company. Such lawsuits could result in substantial costs and divert management’s attention and resources, which could adversely affect our business.

***The U.S. Internal Revenue Service (“IRS”) may not agree that Cellebrite should be treated as a non-U.S. corporation for U.S. federal income tax purposes.***

Although Cellebrite is incorporated and tax resident in Israel, the IRS may assert that it should be treated as a U.S. corporation (and therefore a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 (“Section 7874”) of the Internal Revenue Code of 1986, as amended (the “Code”). For U.S. federal income tax purposes, a corporation is generally considered a U.S. “domestic” corporation (or U.S. tax resident) if it is organized in the United States, and a corporation is generally considered a “foreign” corporation (or non-U.S. tax resident) if it is not a U.S. corporation. Because Cellebrite is an entity incorporated and tax resident in Israel, it would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. Section 7874 provides an exception under which a foreign incorporated and foreign tax resident entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

As more fully described in the section titled “[Material U.S. Federal Income Tax Considerations — U.S. Federal Income Tax Treatment of Cellebrite — Tax Residence of Cellebrite for U.S. Federal Income Tax Purposes](#)”, based on the terms of the Merger and the rules for determining share ownership under Section 7874 and the Section 7874 Regulations, Cellebrite has not been and is not intended to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 since the Merger. However, the application of Section 7874 is complex, is subject to detailed regulations (the application of which is uncertain in various respects, could be impacted by changes in such U.S. Treasury regulations with possible retroactive effect), and is subject to certain factual uncertainties. Accordingly, potential application of Section 7874 is inherently uncertain and there can be no assurance that the IRS will not challenge the status of Cellebrite as a foreign corporation under Section 7874 or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge Cellebrite’s status as a foreign corporation for U.S. federal income tax purposes under Section 7874, Cellebrite and certain Cellebrite shareholders would be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Cellebrite and future withholding taxes on certain Cellebrite shareholders, depending on the application of any income tax treaty that might apply to reduce such withholding taxes. In particular, holders of Ordinary Shares and Warrants would be treated as holders of stock and warrants of a U.S. corporation.

See “[Part I, Item 10. Additional Information—E. Material Taxation— Material U.S. Federal Income Tax Considerations—U.S. Federal Income Tax Treatment of Cellebrite—Tax Residence of Cellebrite for U.S. Federal Income Tax Purposes](#)” for a more detailed discussion of the application of Section 7874 to the Merger. Investors in Cellebrite should consult their own advisors regarding the application of Section 7874 to the Merger.

***Section 7874 may limit the ability of TWC to use certain tax attributes, increase Cellebrite’s U.S. affiliates’ U.S. taxable income or have other adverse consequences to Cellebrite and Cellebrite’s shareholders.***

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions, as well as result in certain other adverse tax consequences, even if the acquiring foreign corporation is respected as a foreign corporation for purposes of Section 7874. In general, if a foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation and after the acquisition, the former shareholders of the acquired U.S. corporation hold at least 60% (by either vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation, subject to other requirements, certain adverse tax consequences under Section 7874 may apply.

If these rules apply to the Merger, Cellebrite and certain of Cellebrite's shareholders may be subject to adverse tax consequences including, but not limited to, restrictions on the use of tax attributes with respect to "inversion gain" recognized over a 10-year period following the transaction, disqualification of dividends paid from preferential "qualified dividend income" rates and the requirement that any U.S. corporation owned by Cellebrite include as "base erosion payments" that may be subject to a minimum U.S. federal income tax any amounts treated as reductions in gross income paid to certain related foreign persons. Furthermore, certain "disqualified individuals" (including officers and directors of a U.S. corporation) may be subject to an excise tax on certain stock-based compensation held thereby at a rate of 20%.

As more fully described in the section titled "Material U.S. Federal Income Tax Considerations — U.S. Federal Income Tax Treatment of Cellebrite — Utilization of TWC's Tax Attributes and Certain Other Adverse Tax Consequences to Cellebrite and Cellebrite's Shareholders," based on the terms of the Merger and the rules for determining share ownership under Section 7874 and the Section 7874 Regulations, Cellebrite is not intended to be subject to these rules under Section 7874 after the Merger. The above determination, however, is subject to detailed regulations (the application of which is uncertain in various respects and could be impacted by future changes in such U.S. Treasury regulations, with possible retroactive effect) and is subject to certain factual uncertainties. Accordingly, there can be no assurance that the IRS will not challenge whether Cellebrite is subject to the above rules or that such a challenge would not be sustained by a court.

However, even if Cellebrite is not subject to the above adverse consequences under Section 7874, Cellebrite may be limited in using its equity to engage in future acquisitions of U.S. corporations over a 36-month period following the Merger. If Cellebrite were to be treated as acquiring substantially all of the assets of a U.S. corporation within a 36-month period after the Merger, the Section 7874 Regulations (as defined in "Material U.S. Federal Income Tax Considerations — U.S. Federal Income Tax Treatment of Cellebrite — Tax Residence of Cellebrite for U.S. Federal Income Tax Purposes") would exclude certain shares of Cellebrite attributable to the Merger for purposes of determining the Section 7874 Percentage of that subsequent acquisition, making it more likely that Section 7874 will apply to such subsequent acquisition.

See "[Part I, Item 10. Additional Information—E. Material Taxation — Material U.S. Federal Income Tax Considerations — Material U.S. Federal Income Tax Treatment of Cellebrite — Utilization of TWC's Tax Attributes and Certain Other Adverse Tax Consequences to Cellebrite and Cellebrite's Shareholders](#)" for a more detailed discussion of the application of Section 7874 to the Merger. Investors in Cellebrite should consult their own advisors regarding the application of Section 7874 to the Merger.

## **Risks Related to the Israeli Tax Treatment of Cellebrite and the Merger**

*If we do not qualify for Israeli tax benefits, our effective tax rate on our business income and the Israeli withholding tax on distributions of dividends by us to our shareholders may be higher than expected.*

Cellebrite believes that it is currently entitled to claim certain tax benefits in Israel, including reduced corporate tax rates, reduced withholding tax rates with respect to dividend distributions and higher depreciation rates. These tax benefits require us to satisfy each tax year certain conditions that included in the provisions of Israeli tax laws. There can be no assurances that we will qualify for such tax benefits in any given year. If we do not qualify for such tax benefits, the effective Israeli tax rate on our business income and the withholding tax rate with respect to dividend that we will distribute to our shareholders may be higher than we expect.

***We may be required to pay Israeli taxes, including by way of withholding from our shareholders, as a result of the transactions contemplated by the Merger Agreement, and if we do not receive the Transaction Tax Ruling exempting the Indemnified TWC Parties from certain taxes we may be required to indemnify the Indemnified TWC Parties for such Israeli withholding tax liability.***

Pursuant to the Merger Agreement we have filed an application to receive the Transaction Tax Ruling (which was bifurcated to three separate applications) from the Israel Tax Authority, which seeks to determine (i) that none of the Indemnified TWC Parties (as defined in the Merger Agreement) are subject to Israeli tax with respect to receipt of Ordinary Shares and/or Warrants, (ii) the tax treatment of the issuance of the Price Adjustment Shares and the Additional Dividend (as defined in the Merger Agreement) for Israeli Tax purposes and (iii) that the Capital Restructuring (as defined in the Merger Agreement) is not subject to Israeli withholding Tax. We received a signed ruling regarding the Capital Restructuring and the distribution of funds from the trust account to the Company, as well as a signed ruling regarding the Additional Dividend. We withdrew the ruling applications with regards to the tax treatment of the issuance of the Price Adjustment Shares and the exemption of the Indemnified TWC Parties from Israeli tax with respect to receipt of Ordinary Shares and/or Warrants.

We made an irrevocable written undertaking to fully indemnify and hold harmless (on a grossed up basis, to account for their related tax liability and for their Cellebrite holdings) the Indemnified TWC Parties from any Israeli tax actually incurred by such Indemnified TWC Parties which should have been exempted by the Transaction Tax Ruling (including from all costs and expenses, including reasonable attorney costs, associated with such tax, including in defending such matters). If an indemnification event will occur, our business results may be adversely affected.

## **General Risk Factors**

***Joint ventures, partnerships, and strategic alliances may have a material adverse effect on our business, results of operations and prospects.***

We intend to continue to enter into joint ventures, partnerships, and strategic alliances as part of our long-term business strategy. Joint ventures, partnerships, strategic alliances, and other similar arrangements involve significant investments of both time and resources, and there can be no assurances that they will be successful. They may present significant challenges and risks, including that they may not advance our business strategy, we may get an unsatisfactory return on our investment or lose some or all of our investment, they may distract management and divert resources from our core business, they may expose us to unexpected liabilities, or we may choose a partner that does not cooperate as we expect them to and that fails to meet its obligations or that has economic, business, or legal interests or goals that are inconsistent with ours. For example, we partner with various resellers who coordinate the provision of our solutions to the end customers. Also, for example, there is risk for termination of strategic or technology partnerships that complement or compose part of our DI offering; such terminations may impact our ability to successfully compete in the market. We believe these arrangements can offer strategic advantages, but they increase our dependence on third parties to achieve our objectives.

Entry into certain joint ventures, partnerships, or strategic alliances now or in the future may be subject to government regulation, including review by U.S. or foreign government entities related to foreign direct investment. If a joint venture or similar arrangement were subject to regulatory review, such regulatory review might limit our ability to enter into the desired strategic alliance and thus our ability to carry out our long-term business strategy.



As our joint ventures, partnerships, and strategic alliances come to an end or terminate, we have been, in some cases, unable to renew or replace them on comparable terms, or at all. Each of our agreements with resellers have terms of just one year, and so these agreements are frequently up for renewal or termination. When we enter into joint ventures, partnerships, and strategic alliances, our partners may be required to undertake some portion of sales, marketing, implementation solutions, engineering solutions, or software configuration that we would otherwise provide. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement. In the event we enter into an arrangement with a particular partner, we may be less likely (or unable) to work with one or more direct competitors of our partner with which we would have worked absent the arrangement. We may have interests that are different from our partners and/or which may affect our ability to successfully collaborate with a given partner. Similarly, one or more of our partners in a joint venture, partnership, or strategic alliance may independently suffer a bankruptcy or other economic hardship that negatively affects its ability to continue as a going concern or successfully perform on its obligation under the arrangement. In addition, customer satisfaction with our solutions provided in connection with these arrangements may be less favorable than anticipated, negatively impacting anticipated revenue growth, margins and results of operations of arrangements in question. Further, some of our partners offer competing solutions or work with our competitors and some strategic partners have in the past and others may in the future be acquired by our competitors, resulting in the termination of the partnership. As a result of these and other factors, many of the companies with which we have joint ventures, partnerships, or strategic alliances may choose to pursue alternative technologies and develop alternative solutions in addition to or in lieu of our solutions, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with these partners, our ability to compete in a given marketplace or to grow our revenue would be impaired, and our results of operations may suffer. Even if we are successful in establishing and maintaining these relationships with our partners, we cannot assure you that these relationships will result in increased customer usage of our DI suite of solutions or increased revenue.

Further, winding down joint ventures, partnerships, or other strategic alliances can result in additional costs, litigation, and negative publicity. Any of these events could adversely affect our business, financial condition, results of operations, and growth prospects.

***We may acquire or invest in companies and technologies, which may divert our management's attention, and result in additional dilution to our shareholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions or investments.***

As part of our business strategy, we have engaged in strategic transactions in the past and expect to evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, products, services and other assets in the future. Past acquisitions or any future acquisition, investment or business relationship in some cases have and may in the future result in unforeseen risks, operating difficulties and expenditures, including but not limited to the following:

- An acquisition may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- Potential goodwill impairment charges related to acquisitions;
- Costs and potential difficulties associated with the requirement to test and assimilate the internal control processes of the acquired business;



- We may encounter difficulties or unforeseen expenditures assimilating or integrating the businesses, technologies, infrastructure, solutions, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us or if we are unable to retain key personnel, if their technology is not easily adapted to work with ours, or if we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise;
- We may not realize the expected benefits of the acquisition;
- An acquisition may disrupt our ongoing business, divert resources, increase our expenses, and distract our management;
- An acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- The potential impact on relationships with existing customers, vendors, and distributors as business partners as a result of acquiring another company or business that competes with or otherwise is incompatible with those existing relationships;
- The potential that our due diligence of the acquired company or business does not identify significant problems or liabilities, or that we underestimate the costs and effects of identified liabilities;
- Exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to claims from former employees, customers, or other third parties, which may differ from or be more significant than the risks our business faces;
- We may encounter difficulties in, or may be unable to, successfully sell any acquired solutions;
- An acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- An acquisition may require us to comply with additional laws and regulations, or to engage in substantial remediation efforts to cause the acquired company to comply with applicable laws or regulations, or result in liabilities resulting from the acquired company's failure to comply with applicable laws or regulations;
- Our use of cash to pay for an acquisition would limit other potential uses for our cash;
- If we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- To the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing shareholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, and financial condition. Moreover, we cannot assure you that we would not be exposed to unknown liabilities.

***Our international operations expose us to business, political and economic risks that could cause our operating results to suffer.***

We intend to continue to make efforts to increase our international operations and anticipate that international sales will continue to account for a significant portion of our revenue. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, differences in business practices, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws and regulations and the U.S. Foreign Corrupt Practices Act (“FCPA”), including potential violations by acts of agents or other intermediaries), costs related to localizing solutions for foreign markets, costs related to translating and distributing software solutions in a timely manner, costs related to increased financial accounting and reporting burdens and complexities, longer sales and collection cycles for accounts receivables, failure of laws or courts to protect our intellectual property rights adequately, local competition, and economic or political instability and uncertainties, including inflation, recession, interest rate fluctuations and actual or anticipated military or geopolitical conflicts. In addition, regulatory limitations regarding the repatriation of earnings may adversely affect the transfer of cash earned from foreign operations.

Significant international sales may also expose us to greater risk from political and economic instability, unexpected changes in Israeli, U.S. or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers. Economic downturns and geopolitical challenges in the Americas, EMEA or certain other parts of the world critical to our operations could cause our customers in or outside of those locations to reevaluate decisions to purchase our solutions or to delay or reduce their technology purchasing decisions, which could adversely impact our results of operations. Regional conflicts, such as Russia’s invasion of Ukraine, and measures taken in response thereto have created global security concerns that could have a lasting adverse impact on regional and global economies, and in turn, on our customers’ decision to purchase our products. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Finally, international expansion may be difficult, time consuming, and costly. These risks and their potential impacts may be exacerbated by to prolonged economic uncertainties of downturns. As a result, if revenue from international operations do not offset the expenses of establishing and maintaining foreign operations, our business, operating results and financial condition will suffer.

***If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.***

We have acquired and may acquire other companies and intangible assets, and we may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. If such goodwill is deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. Events which might indicate impairment include, but are not limited to, declines in stock price market capitalization or cash flows, adverse cost factors, deteriorating financial performance, strategic decisions made in response to economic, market and competitive conditions, the impact of the economic environment on us and our customer base, and/or relevant events such as changes in management, key personnel, litigation or customers.

We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which would negatively affect our results of operations.

***Our provision for income taxes and effective income tax rate may vary significantly and may adversely affect our results of operations and cash resources.***

Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions we complete, future levels of research and development spending, changes in the valuation of our deferred tax assets and liabilities, transfer pricing adjustments, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements, and/or any internal restructuring initiatives we may implement from time to time to streamline our operations, can have a material impact on our effective income tax rate.

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us and our transfer pricing methodology based upon our limited risk distributor model, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial position and financial results in the period or periods for which such determination is made.

***Our pricing structures for our solutions may change from time to time.***

In some cases we offer our solutions at a higher price point than many of our competitors, and this may change in the future. We have changed our pricing models in the past and expect that we may further change them from time to time in the future, including as a result of competition, global economic conditions, general reductions in our customers' spending levels, pricing studies, or changes in how our solutions are broadly offered or consumed. Similarly, as we introduce new solutions, or as a result of the evolution of our existing solutions, we may have difficulty determining the appropriate price structure for our solutions. In addition, as new and existing competitors introduce new solutions that compete with ours, or revise their pricing structures, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, as we continue to target selling our solutions to larger organizations, these larger organizations may demand substantial price concessions. In addition, we may need to change pricing policies to accommodate government pricing guidelines for our contracts with federal, state, local, and foreign governments and government agencies. If we are unable to modify or develop pricing models and strategies that are attractive to existing and prospective customers, while enabling us to significantly grow our sales and revenue relative to our associated costs and expenses in a reasonable period of time, our business, financial condition, and results of operations may be adversely impacted.

***If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the listing standards of Nasdaq. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We may also need to improve our internal control over financial reporting. Some members of our management team have limited or no experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies, and we have limited accounting and financial reporting personnel and other resources with which to address our internal controls and related procedures, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act that we will eventually be required to include in our annual reports filed with the SEC. We may need to hire and successfully integrate additional accounting and financial staff with appropriate company experience and technical accounting knowledge. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, we may identify in the future deficiencies in our controls. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which could have a negative effect on the trading price of our securities. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Stock Market LLC.

Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, 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 internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and results of operations and could cause a decline in the price of our securities.

*If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in “[Part II, Item 5. Operating and Financial Review and Prospects—E. Critical Accounting Estimates.](#)” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments involve: revenue recognition; contract acquisition costs; valuation of our ordinary shares, Price Adjustment Shares and share-based compensation; fair values of assets acquired and liabilities assumed in connection with the Merger; and income taxes. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our securities.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

We were incorporated on April 13, 1999 as a private limited liability company under the laws of the State of Israel. We are registered under the Israeli Companies Law as Cellebrite DI Ltd., and our registration number with the Israeli Registrar of Companies is 51-276657-7.

We are domiciled in Israel and our registered office is currently located at 94 Shlomo Shmelzer Road, Petah Tikva 4970602, Israel, which also currently serves as our principal executive offices, and our telephone number is +972-(73) 394-8000.

On April 8, 2021, we entered into the Merger with TWC, a publicly listed special purpose acquisition company and Merger Sub in the USA. On August 30, 2021, the Merger was consummated and Merger Sub merged with and into TWC, the separate corporate existence of Merger Sub ceased and TWC became the surviving corporation and a wholly-owned subsidiary of Cellebrite. The security holders of TWC became security holders of Cellebrite (the transactions consummated are referred to herein as the “Merger”).

Our capital expenditures amounted to \$7.9 million, \$9.1 million and \$8.1 million during the fiscal years ended December 31, 2023, 2022 and 2021, respectively, primarily consisting of expenditures related to property and equipment and intangible assets. For information on the Company’s current capital expenditures, see “[Part I, Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.](#)”

We are subject to certain of the informational filing requirements of the Exchange Act. Our SEC filings are available to you on the SEC’s website at [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (including, in our case, our annual reports on Form 20-F, our reports of foreign private issuer on Form 6-K, any amendments to these reports, as well as certain other SEC filings). We also make available on our website, free of charge, all such SEC filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <https://www.cellebrite.com>. The references to the SEC’s and our website are inactive textual references only, and information contained therein or connected thereto is not incorporated into this Annual Report. Since we are a “foreign private issuer,” we and our officers, directors and principal shareholders are exempt from certain rules and regulations under the Exchange Act. For more information, see “[Part I, Item 10. Additional Information—H. Documents on Display.](#)”

## **B. BUSINESS OVERVIEW**

### **Our Mission**

Our mission is to provide the primary suite of digital investigative solutions for public and private sector customers. Our Case-to-Closure (C2C) Platform, which encompasses Cellebrite flagship solutions delivered either on premise or through the cloud, is designed to assist our customers to deliver justice faster, smarter and more defensibly from case to closure, thereby helping to close the public safety gap and to create a safer world.

### **Overview**

Cellebrite is a leading provider of digital investigative solutions, primarily comprised of software and services, that help public and private sector customers around the world transform their investigative workflows and make digital evidence more accessible, actionable and defensible. Our digital forensics software, case and evidence management, and investigative analytic solutions offered within our C2C Platform are used to advance legally sanctioned investigations by approximately 7,000 customers worldwide, including many of the largest federal, state and local law enforcement and government agencies as well as enterprise companies and service providers.

Over the past 15 years, Cellebrite has leveraged its extensive expertise in mobile phones, including its deep understanding in hardware, firmware and operating systems, and in other digital sources to develop and market DI software solutions used to collect, review, decode, decrypt, analyze, share and manage digital evidence across the investigative lifecycle. As digital evidence has become integral to nearly every criminal investigation, our solutions are relied upon by our customers to advance the investigative lifecycle. With most major crimes now having a digital component, we continue to see healthy demand for our solutions, which are used to advance a wide range of investigations spanning child exploitation, homicide, anti-terror, border control, sexual crimes, human trafficking, financial crimes including those involving cryptocurrency, corporate security, and intellectual property theft. Our solutions are designed to help law enforcement agencies protect their communities more effectively and efficiently by advancing investigations, and in that supporting these agencies in their efforts to successfully prosecute criminals, and exonerate the innocent.

We have established our leadership in digital forensics software used by Digital Forensic Units within law enforcement agencies utilizing our Inseyets solution to access and extract digital evidence from within smartphones, computers, cloud-based applications and other digital sources, and decode that data into readable information that can be shared with investigators, analysts, prosecutors and other relevant professionals to promote legally sanctioned investigations. Our digital forensic software solutions are also used by legal, compliance and risk management, IT, cybersecurity and other corporate staff to support eDiscovery, corporate investigations and incidence response events. In recent years, we have augmented our digital forensic software offerings with the Cellebrite Guardian, a scalable, cloud-based case and evidence management platform that helps agencies create a high-fidelity chain of custody to manage the investigative lifecycle for digital evidence, from documenting the initial intake of devices to the sharing and reviewing of evidence with investigators, prosecutors and other law enforcement professionals. We have also extended our reach into the Investigative Units of law enforcement by developing the Cellebrite Pathfinder, a powerful, artificial intelligence (“AI”)-powered analytics software that is designed to help detectives quickly surface relevant leads and discover connections within enormous volumes of digital data that might be otherwise missed, as well as Cellebrite Smart Search, an open source intelligence tool to advance investigations by automating the collection and review of publicly available online data on persons and organizations of interest.



## Industry Background

Public safety is among the top priorities for national, regional and local governments around the world. Unfortunately, a pronounced public safety gap has occurred over the past decade due to a combination of factors including high crime rates, increasingly sophisticated criminals, the proliferation of digital sources, strained law enforcement manpower and limited financial resources, and heightened public scrutiny on police operations. Based on our Cellebrite 2024 Industry Trends Survey, the gap in public safety is creating three major challenges for law enforcement:

- *Data volume and complexity:* Most law enforcement officials that were surveyed agree that digital evidence increases case solvability. However, the volume of structured and unstructured data contained on mobile phones and other digital sources continues to grow with the average mobile phone containing more than 60,000 messages, 32,000 images and 1,000 videos. Just as notable, advanced mobile phone security and application encryption makes it harder for law enforcement to access and extract relevant information, a trend compounded because approximately two-thirds of the mobile phones involved in an investigation enter the digital forensics lab locked. Against the backdrop of these trends, many relevant agency personnel still do not believe they have the tools they need to access devices and handle the various data sources and volumes.
- *Inefficient Processes:* To protect the public and bring criminals to justice, law enforcement officials strive to conduct investigations swiftly and effectively. However, public sector investigations substantially rely on traditional, manual processes and workflows, which are often slow and typically conducted in silos. Compounding this trend, with crimes typically having a digital component, device backlog is another challenge that impacts overall efficiency. Many agencies believe that device backlog has worsened over the past years. For example our 2024 survey showed a 120% increase in the number of days it takes an investigator to receive a report about the data that was extracted from a device between 2021 and 2023. Compounding these issues, even after reviewing the data collected from digital witnesses, most investigators believe that key evidence is either missing, lost or both. Just as problematic, in a typical case, investigators can spend up to 45 hours reviewing messages, photos, videos and closed-circuit television, This often limits how quickly a case can be advanced.
- *Ethics and Accountability:* Law enforcement agencies are often scrutinized about the integrity and effectiveness of their operations and their personnel. In this environment, it is critical that agencies conduct investigations that adhere to the highest standards, comply with legal and agency requirements, and strengthen the chain of custody. This puts increased value on proper training and using technology to modernize key workflows, thereby reducing or eliminating costly, time-consuming, manual or otherwise outdated practices that can jeopardize the chain of custody and cause important evidence to be lost, corrupted or declared inadmissible.



Digital data has changed the way criminal cases are managed and prosecuted. By using the right tools and solutions to collect, review, analyze and manage data from a wide range of digital sources, law enforcement and other agencies can better identify relevant and impactful information contained within vast volumes of complex data at scale. As a result, they are better positioned to accelerate investigations and close more cases faster while reducing device backlog and increasing efficiencies. The use of right tools and solutions also enables law enforcement agencies to reduce or eliminate previously manual, time-consuming tasks. By using powerful analytic engines that are enhanced by AI, machine learning models and other sophisticated technological capabilities, investigators are better equipped to generate insights into vast volumes of disparate, unstructured and structured data, which supports their efforts to expedite cases and accelerate justice. Scalable management platforms can assist law enforcement agencies to ensure compliance with agency protocols and various regulatory requirements, such as to strengthen the chain of custody, and in making it easier and faster to share evidence-related information among authorized parties in a verifiable, defensible, secure and scalable manner. As a result of these benefits, we believe that demand for DI solutions will remain strong for the foreseeable future.

In the private sector, enterprises initiating corporate investigations, eDiscovery actions or incidence response to cybersecurity intrusions are challenged by a number of factors:

- *Changes in work environments:* Many employees are working outside of the traditional office environment as organizations shifted to support hybrid and work from home policies following the COVID-19 pandemic. As a result, remote collection is a major customer pain point, mainly for mid-to-large size enterprises. Cellebrite's 2023 Enterprise Solutions Trends Survey revealed that 70 percent of eDiscovery professionals that were surveyed agreed that accessing data from offsite mobile phones and other digital sources is a major endpoint collection challenge.
- *Disruptive to productivity:* Collecting data from the phones, computers and other devices that employees use for work can be disruptive to productivity especially if it requires the employees to lose access to the work device for an extended period of time.
- *Soaring data sources can lead to labor-intensive, expensive and time-consuming investigations:* Employees often have the flexibility to use smartphones, tablets and computers to access a range of cloud-based applications, virtual meeting platforms, social media and messaging apps to do their jobs while also having those devices available for personal use. As a result, there are more data sources involved in today's corporate investigations. Without advanced processing and analytics, traditional review of these sources will require larger teams of professionals, which can be costly, may require third-party investigators and potentially invade user privacy. Just as important, plaintiffs, defendants and judges want access to the relevant data quicker. Early case assessment has become increasingly necessary to provide more focused, relevant and narrow results in the review phase.
- *Large data volumes:* With employees using so many different and disparate mobile phones, computers, tablets, platforms, systems and applications, organizations are challenged to identify and collect only the relevant data.
- *Understanding root causes for security breaches are critical to limiting the potential damage and preventing future intrusions:* According to IBM's 2023 Data Breach Report, it takes over 200 days on average for an organization to identify a breach and the average cost of a data breach was approximately \$4.5 million.

For enterprises, access to and insights into digital data is critical to advancing eDiscovery, corporate investigations and incidence response. Intellectual property (IP) protection and data theft by existing or departing employee remains a top use case given the potential damage that IP theft can cause. For businesses in highly regulated industries such as financial services, insurance, banking, healthcare, pharmaceuticals, transportation and energy, access to data and sound records management are fundamental to eDiscovery and compliance. Other important private sector use cases for digital forensics software involve investigating claims of harassment, discrimination and other workplace issues as well as retrieving inaccessible, lost, corrupted or damaged data. Given the high cost associated with security breaches, enterprises are increasingly recognizing the value of investing in incidence response solutions that can quickly gather data to assess the impact of the attack, accelerate response time and analyze information from multiple sources to develop plans to strengthen their cyber defenses against future attacks. Today's digital forensic software solutions must support these important use cases and enable corporate staff and service providers to collect the necessary data, regardless of whether the device used by an employee is made available in a corporate facility or outside of it. Additionally, by using the right solutions, enterprises and service providers will efficiently expedite their investigations, eliminate extraneous data that is unrelated to the scope of an investigation and minimize the amount of time that data collection disrupts employee productivity.

## **Cellebrite's Case-to-Closure (C2C) Platform**

### *For Digital Forensics Units*

- *Digital Forensic Software:* Cellebrite's digital forensic software is used by examiners and other law enforcement professionals within the Digital Forensic Units of law enforcement agencies and by trained professionals across a wide range of federal or national agencies, to collect and review digital evidence from a wide range of digital sources when conducting legally sanctioned investigations. More specifically, as a result of a search warrant or owner consent, our solutions help our users lawfully access and extract digital data, including deleted or hidden data, from the widest range of mobile phones, including smartphones, feature phones and basic phones, computers and cloud-based applications. We also provide a decoding solution that converts the raw data extracted from mobile phones, tablets, computers, cloud-based applications, automobiles, open source information, GPS devices, memory sticks, drones, and call detail records ("CDRs") as well as from other digital sources like the web into human readable format that can be used by relevant stakeholders. Cellebrite's primary digital forensic software offering is Inseyets, an integrated solution which delivers lawful access to the broadest range of digital sources, provides comprehensive data extraction, faster decoding capabilities, intuitive workflows and advanced automation capabilities. Inseyets is designed to help law enforcement agencies of all sizes complete device examinations faster, thereby supporting their efforts to expedite investigations and reduce device backlog. Other key digital forensic offerings purchased and deployed by customers at scale include UFED, Premium and Physical Analyzer.

- *Case and Evidence Management:* Cellebrite's Guardian solution is a centralized, scalable, secure case and evidence management SaaS-based platform. Guardian enables examiners and other personnel in Digital Forensics Units to securely share, review and manage digital evidence, thereby supporting increased collaboration with relevant stakeholders, including investigators and prosecutors. Use of Guardian enables customers to boost productivity, streamline investigations, and increase the admissibility of digital evidence during a trial. This platform was designed to help customers fortify their chain of custody processes for digital evidence as an end-to-end case management platform, by enabling the creation of a verifiable, defensible audit trail from the moment a device is collected and entered into a Digital Forensics Unit through the entire investigation lifecycle. The proper use of Guardian supports key stakeholders such as investigators, prosecutors and other authorized personnel in their efforts to accelerate investigations and resolve cases faster by providing them with the ability to instantly and securely access and review evidence files and documents in the cloud.

*For Investigative Units:*

- *Investigative Analytics:* Cellebrite Pathfinder enables investigative teams to analyze vast volumes of digital data collected from disparate digital sources to accelerate investigations, surfacing leads, highlighting patterns and identifying important connections to help them in their efforts to resolve cases faster and more efficiently in support of legally sanctioned investigations. Leveraging AI and machine learning, Pathfinder helps automate data analysis and visualization, which, in turn, reduces the time spent manually reviewing digital evidence and enables actionable insights into a wide range of crime types. We also provide, in collaboration with our partners, CryptoCurrency Investigative Solutions for analyzing blockchain transactions together with related data from an extensive list of sources to help investigators identify and categorize wallets and transactions.
- *Open Source Intelligence Tools:* Cellebrite's SaaS-based Smart Search solution securely automates the collection and review of publicly available online data, including social media platforms, on persons and organizations of interest. Leveraging technology acquired by Cellebrite in 2021, Smart Search surfaces relevant online information, quickly generating a standardized, shareable report for stakeholders in support of legally sanctioned investigations. By integrating Cellebrite Smart Search into their workflow, professionals can inform investigations, enrich evidence, in turn, helping to accelerate insights and generate higher-quality leads.

*For Enterprises and Service Providers:*

- *Digital Forensic Software:* Cellebrite's digital forensic software for enterprises and service providers includes Inseyets for Enterprise, Endpoint Inspector, and Mobile Now. It enables legal, compliance and cybersecurity corporate staff to collect digital data from mobile phones, computers and business cloud-based applications. . With the user's consent, enterprise customers and service providers can use our portfolio of solutions to collect and review digital data, regardless of where the device is located. Cellebrite's remote and on-premise offerings capture the necessary data to advance eDiscovery and corporate investigations, which in turn, enables the customer to build a comprehensive digital picture , recover critical information, better understand cybersecurity intrusions , while protecting employees' privacy.

### *Cellebrite's Professional Services*

- *Training and Certification Services:* Backed with years of hands-on experience, Cellebrite's team of professional trainers delivers product training and certification programs to investigation practitioners, setting the industry standard for ongoing development and education. In 2023, Cellebrite offered 24 training courses both live in-person and virtually, and in self-paced formats. In recent years, an average of 11,000 examiners, investigators and other agency personnel have been certified annually as experts in Cellebrite's digital forensic software solutions.
- *Cellebrite Advanced Services:* Cellebrite's expert team serves as an extension to customer digital forensics lab teams, providing advanced services in Cellebrite's Global Lab facilities to help organizations access and extract digital evidence in support of ongoing active legally sanctioned investigations. Cellebrite Advanced Services helps its customers reduce device backlog and address evolving technological workloads.

### **Customers**

Cellebrite's base of approximately 7,000 customers include approximately 5,300 federal, state and local agencies as well as approximately 1,700 corporations and service providers. In 2023, Cellebrite's public sector customers represented more than 90% of total revenue. Initial deployments by national, regional and local law enforcement agencies primarily involve our digital forensics software. Over time, we have successfully increased our business with many of these customers as they expanded their operations and deployed additional digital forensic solutions from us with specialized capabilities that have helped them further modernize their investigative workflows and make digital evidence more accessible, intelligent and actionable. We also cross-sell and upsell our investigative solutions into the Investigative Units of our customers. In the private sector, we target primarily larger enterprises and service providers which are contracted by corporations to oversee Discovery and corporate investigatory activities. While we have an extensive global customer base that serves as the foundation for much of our growth, we continue to win business with new public and private sector customers. Our ability to expand existing customer relationships is partially reflected in our 125% recurring revenue dollar-based net retention rate (NRR) as of December 31, 2023.

Within a law enforcement agency, we primarily sell to two different segments of their operations: Digital Forensic Units and Investigative Units. Most mid-sized and large-sized law enforcement agencies have dedicated digital forensics units in which examiners and other professionals use specialized tools and solutions in dedicated laboratory environments that enable them to identify, acquire, process, analyze, and report on data stored electronically from a wide range of digital sources. Smaller agencies may operate digital forensic units with limited resources or cross-train certain staff to use digital forensics software and other related tools in support of their investigative efforts. In addition to use within digital forensics laboratories, we support customers who use our solutions in the field (outside of a traditional laboratory environment). The digital evidence collected by the professionals within the digital forensics units can be shared with investigators, prosecutors and others involved in the case. Investigative units are typically responsible for the investigation of serious crimes including assault, sexual assault, homicide, drug trafficking, child exploitation and robbery, substantial larcenies such as financial crimes. Investigative units within larger law enforcement agencies sometimes establish and manage multiple divisions or sub-units comprising teams of detectives, investigators, analysts or other specialized professionals who focus on specific crime types such as homicide, gangs, sex crimes, crimes against children, narcotics and many others,

As of December 31, 2023, our total customers were approximately 7,000. No organization accounted for more than 5% of our total 2023 revenue. Our top 25 customers accounted for 26% of total 2023 revenue.

Our customer base is geographically diverse. For a breakdown of our revenues by geography, see [Note 17](#) to our consolidated financial statements in “[Part III, Item 18. Financial Information.](#)”

Historically, we generate the majority of our revenue in the second half of our fiscal year with 55%, 54% and 54% of total annual revenue occurring in the second half of 2023, 2022 and 2021, respectively. This trend primarily reflects the timing of subscription agreements for our on-premise software solutions with U.S. Federal customers to align with the end of their fiscal year in September, and with many other customers, including North American state and local governments, to align with the end of their fiscal year in December. Over the past several years, we have successfully transitioned most of our customers from perpetual software licenses to subscription licenses. For the year ending December 31, 2023, total license subscription revenue represented 86% of our total annual revenue.

We have built long-standing, multi-year relationships with our largest customers. We use the NRR matrix to help us measure our customer retention rates. A key input into our NRR metric is net churn, which measures the reduction in the dollar-based value of customer contracts over any given 12-month period. For the year ending December 31, 2023, our net churn was 10%, which reflects the cumulative impact of license downgrades, cancellations and price negotiations from customers, which is mostly impacted by license cancellations tied to time-based projects and specialized task forces that have ended; license cancellations associated with budget constraints, a dynamic that typically impacts smaller government agencies and enterprises; and our decision in recent years to withdraw from certain countries and not renew agreements with certain customers in order to ensure compliance with certain laws and regulations, adhere to our high standards for ethics and responsible business practices, or most effectively and efficiently achieve our business objectives.

## **Strategy and Key Strategic Priorities**

Our growth is underpinned by an ongoing commitment to fund innovation and execute on our go-to-market initiatives intended to further expand the scope of existing customer relationships across our global installed customer base and, to a lesser extent, win business with new customers. Our recent growth with existing public sector customers has been primarily driven by upselling and cross-selling digital forensic software solutions with advanced access and extraction capabilities and, to a lesser extent, case and evidence management offerings to digital forensics units and cross-selling investigative analytics and other solutions to investigative units. To expand our private sector businesses, we have focused on delivering powerful, new solutions for remote and on-premise data collection including new SaaS-based offerings, and directing our go-to-market initiatives on larger enterprises and service providers. We expect these trends to continue into the foreseeable future.

In 2024, our top strategic priorities encompass:

- *Increase our leadership with digital forensic units:* According to our estimates, we are the leading provider of digital forensics software used by public sector law enforcement agencies for mobile phones. We plan to further expand our business in the digital forensic units in several ways. First, we plan to support customers as they upgrade from our legacy offerings to our new Cellebrite Inseyets solution and adopt high-value, specialized add-on modules such as lawful access capabilities to the most advanced mobile devices and automation. Second, we plan to continue driving adoption of our SaaS-based Guardian offering for case and evidence management and for sharing of data for review with investigators and prosecutors.



- *Accelerate growth with investigative units:* We believe that Investigative Units represent an important growth engine for our business as we increase the adoption of our investigative solutions designed to help accelerate investigations and consequently help resolve cases faster. Building on our sales progress during the past year for our Cellebrite Pathfinder offering, we see substantial opportunity to further expand smaller-scale Pathfinder deployments by existing customers and cross-sell our Pathfinder into our broader installed public sector customer base. In addition, we see opportunities to cloud-enable certain Pathfinder capabilities to appeal to law enforcement agencies of all sizes. We will also pursue opportunities to sell Smart Search into the Investigative Units.
- *Expand our business in the private sector:* We plan to continue leveraging the investments we have made to broaden our range of enterprise solutions and focus our sales activities on larger private sector customers, prospects and service providers. We believe that continued progress with our product development roadmaps and go-to-market execution will enable us to further expand our sales to enterprise customers and service providers.
- *Help customers harness the power of the cloud:* We have invested and continue to invest substantial resources to develop high-value cloud-based solutions, and to cloud-enable certain solutions and capabilities that were previously only available through solutions deployed on premise. We believe that SaaS-based offerings are increasingly appealing to our customers because they address key pain points while delivering scalability, relatively easy configuration, strong security and data backup capabilities without significant strain on existing IT resources. Our market research shows that many of our customers surveyed are increasingly planning to deploy cloud-based offerings with nearly half of respondents to Cellebrite's 2024 Industry Trends Survey indicating that they are receptive to managing digital evidence in the cloud.

Our business has historically generated strong cash flow from operations and has been minimally capital intensive. As of December 31, 2023, we reported cash and cash equivalents, cash deposits, short-term marketable securities and long-term marketable securities totaling \$331.8 million with no outstanding debt. With a strong financial foundation, our growth strategy also includes disciplined pursuit and evaluation of acquisition candidates that can help us accelerate innovation and speed time to market with C2C offerings, capabilities and features that can deepen existing customer relationships or enable us to expand our total addressable market, accelerate revenue growth, broaden our customer base, penetrate new buying centers within the installed customer base, or gain further scale with our SaaS offerings.

## **Research and Development**

Our ongoing investment in research and development is focused on enhancing our existing offerings with new features, functionality and capabilities as well as developing new offerings aiming to address evolving customer needs. Our extensive domain expertise and understanding of our customers' workflows and related requirements is critical to understanding their most painful challenges. We invest considerably in mobile research, utilizing teams of experts who apply specialized skills and domain knowledge to advance the access, extraction and decoding capabilities of our digital forensic software in order to keep pace with ever-changing smartphone hardware, operating systems and related applications. We also focus on enhancing our analytics capabilities through ongoing advancement of our AI and machine learning models. In addition, we continue to cloud-enable certain solutions and capabilities that were previously only made available through on-premise deployments and add new features and functionality to our SaaS-based solutions. We also modify and enhance certain digital forensic solutions for our public sector customers and develop new capabilities that address the specific needs of our enterprise customers and service providers, including capabilities aimed at helping them identify relevant data faster.

## **Technology Infrastructure**

Historically, our software solutions have been deployed on premise by our customers. In recent years, our customers have begun to utilize cloud-enabled solutions and services and we have responded by evolving our technology infrastructure to support the delivery of cloud-based solutions and capabilities. In conjunction with this activity, we work closely with Amazon Web Services (AWS) to deliver our cloud-based solutions including our Guardian platform for case and evidence management and Smart Search, which automates the collection and review of publicly available online data on persons and organizations of interest. As we drive greater adoption of our cloud-based solutions, we plan to continue making investments to further scale our infrastructure, aiming to achieve compliance with various technical program requirements, standards and certifications for deployment of our cloud-based solutions at scale by federal and state government customers. In addition, we will continue to thoughtfully evolve our go-to-market plans for Guardian to align with the customers and geographies best suited for near-term adoption.

## **Go-to-Market: Sales, Marketing, Customer Success & Technical Customer Support**

### *Sales:*

We calibrate our sales and marketing activities based upon the size of the customer and whether the opportunity is to engage an existing customer or a new customer. We target government agencies, including, federal, state and local law enforcement agencies as well as enterprise companies and service providers. The majority of our subscription agreements with public and private sector customers are one year in length, which lends itself to a high-touch sales approach in order to produce strong retention rates and to advance new sales activities.

Over time, we have seen more public sector agency budgets being diverted to digitally transform the investigative workflow and to help close the growing public safety gap. We utilize a combination of direct sales and indirect channels to reach public sector customers. Account executives and sales managers directly manage relationships with our largest customers while dedicated inside sales teams typically work with smaller customers. We sell to decision makers in public safety, which include the chief of investigations or the head of investigations and intelligence, or the head of the lab. Our sales professionals work with current and prospective customers to understand and address the challenges they face, enabling them to identify opportunities to expand sales volumes, introduce key offerings within our full suite of C2C solutions, and cultivate relationships with key decision makers in new buying centers within large agencies. In smaller accounts, we typically sell to police chiefs, senior law enforcement professionals or those charged with overseeing the agency's digital forensics labs. We augment our direct sales staff with pre-sales engineering resources to showcase our offering, support technical configurations and deploy our solutions. We utilize an inside sales organization to reach out to new public sector customers. In the private sector, we mainly sell to legal, compliance, internal investigation groups or eDiscovery groups within enterprises, and to service providers. Our account representatives in the private sector primarily focus on new customer acquisition and expanding our enterprise solution offerings within existing and new accounts. We often utilize resellers for government agency procurement to account for our internal business and operational needs, where direct sales opportunities do not exist or where the government requires local vendors due to local requirements. In the private sector, our direct salesforce in the EMEA and Asia Pacific regions is augmented by reseller relationships.



Cellebrite conducts a low volume of its business via e-commerce, and our e-commerce system is available only to customers who have a valid license to use Cellebrite's solutions. For more information regarding our e-commerce system, see – “Part I, [Item 3. Key Information](#) —D. [Risk Factors](#) — [Risks Related to Cellebrite's Business and Industry](#) — [We conduct a fairly low volume of our business via e-commerce, which may result in the purchase process being more difficult for customers compared to other businesses](#)”

*Marketing:*

To support the expansion of existing customer relationships, our marketing campaigns highlight the value we bring to them currently while introducing the value and advantages they can derive from increasing organizational adoption of existing solutions or using additional solutions in our portfolio. We develop and implement marketing programs to educate customers and increase awareness about how they can maximize existing Cellebrite solutions utilizing relevant channels such as our online customer community, in-person, virtual and on-demand customer workshops, webinars, and other content hosted on our website such as videos, blogs, infographics and technical white papers. We also provide relevant thought leadership content that highlights feedback, best practices, emerging trends and customer success stories around “what's now and what's next” in digital forensics, evidence management and investigative analytics that could be used to transform their investigative workflows. In addition, we participate in and sponsor relevant industry events and trade shows, and use account-based marketing to build awareness, create demand and drive user adoption to support account growth.

To attract and engage new customers, Cellebrite's branding and public relations efforts uses a variety of channels to communicate, such as press releases, industry events, social media, content marketing, customer success stories and community engagement initiatives. Typically, we utilize a layered approach with each channel and the corresponding messaging that build on and complement one another, resulting in a demand offer that is meant to be compelling and relevant to their needs. We also measure the impact and performance of these efforts and make adjustments accordingly across channels, content, messages and offerings.

*Customer Success & Technical Customer Support:*

We provide our customers with post-sale support to help customers maximize the utility of our offerings, address time-sensitive questions about the features and functionality of our solutions, and respond to technical issues that may arise. Our customer success teams spend time on site with customers, supporting installations, and augmenting our training programs to help customers quickly acclimate to our offerings. Our technical customer support teams operate from multiple office locations around the world, providing responsive, native language assistance by phone and email during business hours in certain countries and on a 24-hour basis in other countries. We complement and augment our support teams with a range of online resources including those available through the MyCellebrite Learning Hub.

**Competition**

We deliver a broad set of capabilities across the Case to Closure investigative workflow to support an expansive, global customer base. We typically compete with specialized vendors who focus on addressing certain parts of the digital investigation lifecycle. Some competitors have a specialty in digital forensics software, while others primarily offer analytics tools. Nevertheless, consolidation in the industry in recent years has resulted in certain competitors providing a broader range of solutions.

There are a number of companies serving the public safety sector who have greater name recognition and substantially greater financial management, marketing, service, support, technical, distributions and other resources than we do. While we may not compete directly against many of these companies, spending on their products and services may be prioritized over spending on our offerings. Additionally, certain competitors may be able to leverage their technical expertise or sales resources to respond more effectively than we can to changing or emerging technologies, standards and regulations or customer requirements.

Within the Digital Forensics Units, our digital forensics software offerings compete with Magnet Forensics Inc. (which was merged with GrayShift in 2023), Microsystemation AB, Oxygen Forensics, Inc., Exterro Inc. and others. Within the Digital Forensics Units of larger customers, a multi-vendor environment is common in part because a customer may desire to verify findings from its primary solution on a secondary solution, or because certain solutions are optimized for certain device types or applications.

We believe that our offerings are differentiated by:

- the breadth and depth of our mobile phone coverage as well as broad support for over 31,000 physical and virtual device profiles across mobile, laptop, computers, memory containers, applications, CDRs, etc.;
- advanced capabilities for lawful access and complete extraction for the most advanced smartphones with extensive, unmatched Android coverage;
- best-in-class decoding of digital data across the widest range of digital sources and thousands of applications, regardless of the digital forensics software used for extraction; and
- pricing that is optimized to address a wide range of customer technical requirements and budgets.

Within Digital Forensics Units, our Case and Evidence Management solution, Guardian, addresses a growing trend to manage digital evidence with a SaaS-based delivery model. Most customers have yet to adopt case and evidence management solutions to support digital evidence workflows and often manage digital evidence on external storage. However, we face competition from vendors including NICE Ltd., and Magnet Forensics Inc. We believe that Guardian is differentiated by:

- Share and review functionality for reports and evidence benefiting from our best-in-class decoding capabilities;
- Streamlined workflows to support the management of evidence within the Digital Forensic Unit;
- Monitoring and audit logs that are critical to establishing and validating the chain of custody;
- User access controls and permissioning capabilities;
- Security and scalability; and
- Optimized packaging and pricing aimed at enabling more customers to benefit from high-value Guardian functionality.

Within Investigative Units, our investigative analytics solution, Pathfinder, competes against traditional business information and visualization platforms as well as specialized analytics designed for law enforcement from vendors such as N. Harris Computer (which acquired the i2 intelligence analysis product portfolio from IBM in 2022), Nuix Limited, Pen-Link, Ltd. (which also acquired Cobwebs Technologies Ltd. in 2023), Griffeye Technologies AB (acquired by Magnet Forensics Inc. in 2023) and Siren (Sindice Ltd.). We believe that Pathfinder is differentiated by the ability to:

- analyze vast volumes of structured and unstructured mobile data from multiple phones as well as data from other digital sources in order to surface leads and identify connections among suspects, witnesses and victims;

- Apply AI and machine learning models to perform image categorization, data aggregation, audio-to-text analysis, object character recognition and facial similarities;
- support collaboration across teams and agency departments; and
- generate timely, comprehensive reports.

In the private sector, our digital forensic software solutions compete with vertical software providers such as Exterro Inc., Magnet Forensics Inc., Nuix Limited, and OpenText Corporation. Private sector service providers are typically return-on-investment driven and will decide to acquire our solutions when there is a financial justification for the investment. We believe that our digital forensic software solutions for the private sector are differentiated by:

- the ability to offer an integrated suite of solutions that support both remote and on-premise data collection for mobile, computer and business applications;
- deployment flexibility with cloud, SaaS and traditional on-premise offerings;
- targeted extraction to selectively collect specific information to help save time, money and protect user privacy;
- integration with specialized, third-party processing and analytics systems typically used in corporate investigations and eDiscovery activities; and
- packaging and pricing to optimize value for service providers.

## **License Terms**

The license to use our products is granted to customers on a limited, non-transferable, non-sublicensable, territory and subscription basis. The license contains customary undertakings from customers and additionally requires them not to use the software in violation of applicable laws (including laws with respect to privacy and other human rights and the rights of individuals), any human rights standards and best practices including internationally recognized human rights instruments, such as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Labor Organization Declaration on Fundamental Principles and Rights at work, or in support of any illegal activity or to violate the rights of any third party. We may terminate any license, among other things, in the event of a material breach that is not cured after 30 days' notice. In addition, we may disable the use of our software, among other things, if it is determined that our products were used in violation of the license or applicable laws.

## **Regulations**

We are subject to, and are required to comply with applicable laws and regulations on import and export controls, sanctions, privacy, data protection and employment, among others, in territories where the company operates and sells its solutions. In addition to the regulations outlined below, our operations also are subject to various laws and regulations governing the occupational health and safety of our employees and wage regulations, in each of the respective jurisdictions that we operate.

## ***Sanctions and Export Controls***

We are subject to Israeli regulations controlling the export of encryption technology. The Wassenaar Arrangement is a multilateral export control regime with 42 participating states. Although Israel is not a party to the Wassenaar Arrangement, it has adopted the Wassenaar Arrangement List of Dual Use Goods and Technologies and the goods and technologies listed therein are subject to Israeli export control laws and regulations. However, neither cryptography (that is subject to Israeli encryption control laws) nor cryptanalytic technology is regulated under the Israeli export control regime, even where its capabilities would otherwise place such cryptography within Part 2 of Chapter 5 of the Wassenaar Arrangement Dual Use List which relates to Information Security. Israeli law instead subjects such cryptography goods and technologies to its own encryption control regime, which includes export restrictions. Certain of our products are therefore currently subject to the Israeli encryption control regime and not to the Israeli export control laws vis-à-vis the Wassenaar Arrangement. Our export license under the Israeli encryption control regime prohibits us from exporting our controlled products to customers in certain countries and require us to obtain the consent of the Israeli Ministry of Defense to export controlled products to customers in certain other countries. We understand that these restrictions are based, among other things, on both considerations of national security and the Israeli government's assessment of the human rights record of the country in question.

In 2016, the Israeli Ministry of Defense published draft regulations proposing to cancel the existing encryption control regime and to bring Part 2 of Chapter 5 of the Wassenaar Arrangement into full force and effect in its place. Last year this effort was renewed and the regulator stated publicly its intention to advance this reform imminently. Section 5A(4)(b) of Part 2 of Chapter 5 of the Wassenaar Arrangement Dual Use List includes a new provision which (while not specifically stating) appears to apply to digital forensic technologies. If the reform will take place and the revised laws and regulations will come into effect, some of our solutions will become subject to the Wassenaar Arrangement dual use list as adopted by the State of Israel, and will likely be controlled under the Israeli Defense Export Control Law, 5767-2007 or the Import and Export Order (Export Control over Dual Use Goods, Services and Technology), 5766-2006, depending on the nature of the customer. For example, under the Defense Export Control Law, an Israeli company may not conduct "defense marketing activity" without a defense marketing license from the Israeli Ministry of Defense and, subject to certain marketing license exceptions, is subject to a licensing requirement from the Israeli Ministry of Defense for any export of controlled defense goods, services and/or know-how. The definition of defense marketing activity is broad and includes any marketing of "defense equipment, services and/or know-how" outside of Israel or to a non-Israeli (including within Israel) regarding controlled dual-use equipment, services and/or know-how. If this occurs and if we determine that this provision applies to some or all of our products, we may need to adapt our licensing, marketing and export practices to accommodate this regulatory change.

Various other countries in which we operate also regulate the import of certain encryption, decryption and cryptographic solutions and technology, including import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our customers' ability to implement our solutions in those countries.

Currently, some of our solutions are not subject to any heightened restrictions under applicable export control laws. However, many countries where we operate update their import or export control laws and lists on a regular basis and, therefore, it is possible that some of our currently non-controlled solutions will become subject to heightened controls. Such change in controls could limit our or our resellers' ability to distribute our solutions or limit our customers' ability to use these solutions.

Our activities may be subject to certain economic sanctions laws including the laws of the State of Israel and the United States, and we have adopted policies to ensure we remain compliant with such applicable regimes, laws and regulations. In addition, we have adopted policies and procedures to restrict sales in certain additional countries and to designated entities and individuals.

Even if we operate in full compliance with Israeli, US and other applicable laws, unlawful uses of our products by our clients or partners, despite the risk mitigation mechanisms we have put in place to prevent this, may nevertheless occur and result in the designation of our company under sanctions lists.

### ***Data Privacy***

Our products are mostly used as an on-premise solution and are generally operated by our customers without our involvement. Nevertheless, our service operators occasionally have brief and limited access to customer data, including PII, when they receive calls for technical support, or when they maintain or operate the relevant solution. One instance where we may have brief access to data is when a customer calls for technical support, they sometimes grant our service operators remote access to their device, which may result in the brief sharing of data with the service operator. In rare cases, the customer may share the data with the technical support team for further bug fixing research and analysis. We have internal processes for deleting such data shortly after the completion of the customer support and ensuring bug fix is sustainable and consistent, but the data is still shared for these limited periods and could potentially be, or be perceived as, more vulnerable as a result. In addition, customers may use our investigative management solution, the Guardian, to store, share and review sensitive data, including PII, when they decide to store such data in our investigative management SaaS solution. Further, we may extract files containing customer data, including PII, in connection with the provision of our Advanced Services in which we serve as an outsourced lab for the extraction of data from digital sources that are sent to us by our customers. In such situations, we do not access or view customer data, maintain such data securely with limited access, and delete such data following confirmation that the data has been received by the customer. As a result, for the purposes of the GDPR and the UK equivalent legislation, we are not considered to be a controller and serve as a processor in a limited number of circumstances, within the meaning of those terms under applicable data privacy laws.

Given the global nature of our operations, we are subject to a variety of local, state, national, and international laws and directives and regulations in the United States and abroad related to privacy and data protection, data security, data storage, retention, transfer and deletion, technology protection, and personal information.

The United States subjects companies to Federal and state laws and regulations regarding privacy and information security. California also recently enacted legislation, the CCPA, and follow-on legislation in the CPRA, which provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. Additionally, Colorado adopted the Colorado Privacy Act (“CPA”) in June 2021 which went into effect on July 1, 2023. Utah also adopted the Utah Consumer Privacy Act (“UCPA”) in March 2022 which went into effect on December 31, 2023. Likewise, Connecticut enacted the Connecticut Act Concerning Personal Data Privacy and Online Monitoring (“CTDPA”) in May 2022 which went into effect on July 1, 2023. We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States and other jurisdictions.

Outside of the United States, virtually every jurisdiction in which we operate has established its own legal framework relating to privacy, data protection, and information security matters with which we and/or our customers must comply. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, retention, disclosure, security, transfer, and other processing of data that identifies or may be used to identify or locate an individual. Some countries and regions have passed legislation that imposes significant obligations in connection with privacy, data protection, and information security, including the GDPR which became effective on May 25, 2018. We are required to comply with the GDPR and, following the exit of the UK from the EU, the UK equivalent, the implementation of which exposes us to two parallel data protection regimes in Europe, each of which impose several stringent requirements for controllers and processors of personal data and could make it more difficult to and/or more costly for us to collect, store, use, transmit and process personal and sensitive data. Non-compliance with the GDPR and the UK equivalent legislation may result in administrative fines or monetary penalties of up to 4% of worldwide annual revenue in the preceding financial year or €20 million (whichever is higher) for the most serious infringements, and could result in proceedings against us by governmental entities or other related parties and may otherwise adversely impact our business, financial condition, and results of operations.

As we continue to innovate and improve our offerings by leveraging AI, jurisdictions are turning increasing attention to the regulation and governance of the use of AI and machine learning technologies. As these legal requirements evolve, we may face additional scrutiny and regulation, and bear increased compliance costs and other exposures, associated with the regulation of our use of such technologies. In addition, we may become subject to new or heightened legal, ethical or other challenges arising out of the perceived or actual impact of AI on human rights, intellectual property, privacy and employment, among other issues, and we may experience brand or reputational harm, legal liability or increased costs associated with those issues. For more information, see [“—Issues in the use of artificial intelligence \(“AI”\) \(including machine learning\) in our C2C Platform may result in reputational harm, liability or impact our financial results.”](#)

## **Intellectual Property**

Our suite of digital investigative solutions is based on proprietary software and related intellectual property rights. We rely on a combination of copyright, trademark and trade secret laws, as well as certain contractual provisions to establish, maintain, protect and enforce our intellectual property and other proprietary rights, including those relating to our technology and solutions. In addition, we license technology from third parties that is integrated into some of our solutions.

We own a number of registered trademarks, including “Cellebrite,” “UFED” and other pending applications. Cellebrite also owns a number of domain names, including <http://www.cellebrite.com>.

## **Recent Acquisitions**

Not applicable.

## **Legal Proceedings**

See [“Part I, Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”](#)

## **C. ORGANIZATIONAL STRUCTURE**

The Company was incorporated on April 13, 1999 under Israeli Law and has subsidiaries in the United States, Germany, Singapore, Australia, Brazil, United Kingdom, France, Canada, Japan and India, which are listed below:



## SUBSIDIARIES OF CELLEBRITE DI LTD.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Cellebrite Inc.	U.S. (Delaware)
Cellebrite GmbH	Germany
Cellebrite Asia Pacific Pte Ltd.	Singapore
Cellebrite Soluções de Inteligência Digital Ltda	Brazil
Cellebrite Digital Intelligence Solutions Private Limited	India
Cellebrite UK Limited	United Kingdom
Cellebrite Canada Mobile Data Solutions Ltd.	Canada
Cellebrite France SAS	France
Cellebrite Japan K.K.	Japan
Cellebrite Australia PTY Limited	Australia
Cellebrite Digital Intelligence LP	U.S. (Delaware)

All subsidiaries are 100% owned by Cellebrite DI Ltd., except: Cellebrite Canada Mobile Data Solutions Ltd., which is 100% owned by Cellebrite UK Limited, Cellebrite Digital Intelligence LP which is 99% owned by Cellebrite DI Ltd., and 1% owned by Cellebrite Inc., and Cellebrite Digital Intelligence Solutions Private Limited which is 99.99% owned by Cellebrite DI Ltd and 0.01% owned by Cellebrite Asia Pacific Pte Ltd.

**D. PROPERTY, PLANTS AND EQUIPMENT**

Our main offices are currently located in a 6,386 square meter facility that we lease in Petah-Tikva, Israel, where the premises are used for all aspects of our operations (except for our factory). Our lease for this facility initially expired on December 11, 2007 and was extended until May 15, 2026. We also lease a 1,445 square meters facility in Kiryat Malachi, Israel where the premises are used for our hardware factory. Our lease for this facility initially expired in June 7, 2018 and was extended until February 28, 2031.

Our US main offices are currently located in a 12,698 sq. ft facility that we lease in Vienna, Virginia USA, where the offices are used for our sales, marketing and other go-to-market activities in the Americas. Our lease for this facility was extended until April 30, 2028.

In addition, we have offices in the following locations: Morristown, New Jersey; Ottawa, Canada; Singapore; New Delhi, India; Canberra, Australia; Tokyo, Japan; Sao Paulo, Brazil; London, UK; Munich, Germany and Tel Aviv, Israel. Our offices support functions across sales and marketing, services, research and development, and operations and administration.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### A. OPERATING RESULTS

*This operating and financial review should be read together with the section captioned “Selected Financial Data,” “Part I, Item 4, Information on the Company—B. Business Overview” and our consolidated financial statements and the related notes to those statements prepared in accordance with U.S. GAAP and included elsewhere in this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “[Part I, Item 3.D. Risk Factors](#)” and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “[Special Note About Forward-Looking Statements and Risk Factor Summary](#)” in this Annual Report.*

#### Overview

Cellebrite is a leading provider of digital investigative solutions, primarily comprised of software and services, that help public and private sector customers around the world transform their investigative workflows and make digital evidence more accessible, actionable and defensible. Our digital forensics software, case and evidence management, and investigative analytic solutions offered within our Case-to-Closure (C2C) Platform are used to advance legally sanctioned investigations by approximately 7,000 customers worldwide, including many of the largest federal, state and local law enforcement and government agencies as well as enterprise companies and service providers. For more information, see “[Part I, Item 4. Information on the Company — B. Business Overview](#).”

Our revenue was \$325.1 million and \$270.7 million for the years ended December 31, 2023 and 2022, respectively, representing a year-over-year increase of 20%. The increase in revenue period-over-period was driven by the following: (i) continued sales to existing customer base; and (ii) continuous adoption of our entire portfolio of offering.

Net loss of \$81.1 million and net income of \$120.8 million were incurred for the years ended December 31, 2023 and 2022, respectively, representing a period-over-period decrease of \$201.9 million. This decrease primarily reflects the impact of the financial expenses from presenting the Company’s Warrants, Restricted Sponsor shares liability and Price adjustment shares liability at their fair value. Our Adjusted EBITDA for the years ended December 31, 2023 and 2022 was \$61.9 million and \$25.9 million, respectively and reflects the company’s continuous revenue growth couple be prudent spending management.

#### Acquisitions

See “[Part I, Item 4. Information on the Company—B. Business Overview—Recent Acquisitions](#).”

## ***Merger***

On April 8, 2021, TWC, Cellebrite and Merger Sub entered into the Merger Agreement providing for, upon the terms and subject to the conditions thereof, the Merger between TWC and Cellebrite pursuant to which, among other things, Merger Sub merged with and into TWC at the Effective Time (as defined in the Merger Agreement), with TWC continuing as the surviving entity and as a wholly-owned subsidiary of Cellebrite. The Merger closed on August 30, 2021. The Merger was accounted for as a recapitalization, with no goodwill or other intangible assets recorded, in accordance with U.S. GAAP. Under this method of accounting, Cellebrite has been determined to be the accounting acquirer. The combined entity is the successor SEC registrant, meaning that Cellebrite's financial statements for previous periods will be disclosed in the registrant's future periodic reports filed with the SEC. In December 2023, TWC was dissolved.

As a consequence of the Merger, the Ordinary Shares are registered under the Exchange Act and listed on Nasdaq, and we were required to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. We have incurred, and expect to incur, additional annual expenses as a public company for, among other things, directors' and officers' liability and board of directors related expenses.

## ***Key Factors Affecting Our Performance***

Our historical financial performance has been, and we expect our financial performance in the future to be, mainly driven by our ability to:

- ***Increase penetration within existing customers.*** We plan to continue to increase penetration within our existing customers with our Case-to-Closure Platform of digital investigative software solutions and by expanding the breadth of our solutions capabilities to provide for continued up-sell and cross-selling opportunities primarily within the digital forensics units and investigative units of our law enforcement agency customers. We have seen increase in Annual Recurring Revenue ("ARR") and dollar-based net retention due to the broad use cases of our software offerings with public sector and private sector customers.
- ***Extend our technology and market leadership position.*** We intend to strengthen our position as a market-leading digital investigative suite of software solutions through investment in research and development and continued innovation. We plan to expand the functionality of our software solutions and invest in capabilities that cater to customer needs and mode of operation. Also, we are increasing our investment in SaaS and Cloud to address growing demand to use our solutions via these deployment options. Additionally, we plan to promote our offerings to address more private sector use cases. We believe this strategy expands our addressable market, enables new growth opportunities and allows us to continue to deliver differentiated high-value outcomes to our customers.
- ***Grow our customer base.*** We intend to drive new customer growth in both the public sector, mainly with smaller accounts, as well as in the private sector by focusing on enterprise accounts and introducing new offerings to address customers' needs (for example, our additional remote collection offering).

**Key Metrics**

In addition to our U.S. GAAP financial information, we monitor the following key metrics and non-GAAP financial measure in order to help us measure and evaluate the effectiveness of our operations:

	Year Ended December 31,	
	2023	2022
Annual recurring revenue (ARR)	\$316	\$249
YoY ARR Growth	27%	33%
Recurring revenue dollar-based net retention rate	125%	130%
Adjusted EBITDA	61.9	25.9

**Annual recurring revenue:** ARR is defined as the annualized value of active term-based subscription license contracts and maintenance contracts related to other non-recurring in effect at the end of that period. Subscription license contracts and maintenance contracts for other non-recurring are annualized by multiplying a full month revenue as of the last month of the period by 12.

**Recurring revenue dollar-based net retention rate:** Dollar-based net retention rate is calculated by dividing customer recurring revenue by base revenue. We define base revenue as recurring revenue we recognized from all customers with a valid license at the end of the equivalent quarter of the previous year. We define our customer revenue as the recurring revenue we recognized on the date of measurement from the same customer base included in our measure of base revenue, including recurring revenue resulting from additional sales to those customers.

**Operating Income:** Operating Income is calculated as Revenue less cost of revenue expenses and operating expenses.

**Non-GAAP Operating Income:** Non-GAAP Operating Income is calculated as Operating Income plus issuance expenses, share-based compensation expenses, amortization of intangible assets, and acquisition related costs.

The following table provides a reconciliation of our operating income to Non-GAAP operating income:

	Year Ended December 31,	
	2023	2022
(\$ in thousands)		
Operating income	\$ 33,237	\$ 1,044
Issuance expenses	(345)	—
Share-based compensation expense	18,998	13,708
Amortization of intangible assets	3,347	2,826
Acquisition related costs	45	1,960
Non-GAAP operating income	\$ 55,282	\$ 19,538

**Adjusted EBITDA:** Adjusted EBITDA is calculated as net income plus financial expense (income), tax expense (income), depreciation expenses, amortization of intangible assets, issuance expenses, share-based compensation expense, acquisition related costs.

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

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(\$ in thousands)</b>	
Net (loss) income	\$ (81,100)	\$ 120,805
Financial expense (income)	108,800	(119,716)
Tax expense (income)	5,537	(45)
Depreciation expenses	6,664	6,368
Amortization of intangible assets	3,347	2,826
Issuance expenses	(345)	—
Share-based compensation expense	18,998	13,708
Acquisition related costs	45	1,960
<b>Adjusted EBITDA</b>	<b>61,946</b>	<b>25,906</b>
Adjusted EBITDA margin	19%	10%

We believe that the use of non-GAAP operating income and Adjusted EBITDA is helpful to investors. These measures, which the Company refers to as our non-GAAP financial measures, are not prepared in accordance with GAAP.

The Company believes that the non-GAAP financial measures provide a more meaningful comparison of its operational performance from period to period and offers investors and management greater visibility to the underlying performance of its business. Mainly:

- Share-based compensation expenses utilize varying available valuation methodologies, subjective assumptions and a variety of equity instruments that can impact a company's non-cash expenses;
- Acquired intangible assets are valued at the time of acquisition and are amortized over an estimated useful life after the acquisition, and acquisition-related expenses are unrelated to current operations and neither are comparable to the prior period nor predictive of future results;
- To the extent that the above adjustments have an effect on tax expense (income), such an effect is excluded in the non-GAAP adjustment to net income;
- Tax expense (income), and depreciation and amortization expense vary for many reasons that are often unrelated to our underlying performance and make period-to-period comparisons more challenging; and
- Financial instruments are remeasured according to GAAP and vary for many reasons that are often unrelated to the Company's current operations and affect financial income.

## Key Components of Results of Operations

### Revenue

Revenue consists of subscription, other non-recurring, and professional services.

- *Subscription.* Subscription revenue is comprised of subscription services and term-license revenue. The subscription services revenue is the revenue that is recognized over the life of the subscription and the term-license revenue is what is immediately recognized upon the sale of an on-premise subscription license. In connection with our term-based license and other non-recurring arrangements, we generate revenue through maintenance and support under renewable subscription, fee-based contracts that include unspecified software updates and upgrades released when and if available as well as software patches and support. Customers with active subscriptions are also entitled to our technical customers' support.
- *Other non-recurring.* Other non-recurring revenue reflects the revenue recognized from sales of other non-recurring related to offerings such as hardware sold mainly in conjunction with new software license, perpetual license and usage-based fees. Other non-recurring fees are recognized upfront assuming all revenue recognition criteria are satisfied.
- *Professional Services.* Professional Services consists of revenue related to: (i) certified training sessions by Cellebrite Training; (ii) our advanced services; (iii) implementation of our products in connection with our software licenses and (iv) on premise contracted customer success and technical support. The revenue of professional services is recognized upon the delivery of our services.

### Cost of Revenue

Cost of revenue consists of cost of subscription, cost of other non-recurring, and cost of professional services.

- *Cost of Subscription.* Cost of subscription revenue includes all direct cost to deliver and support subscription services, including salaries and related employees' expenses, allocated overhead such as facilities expenses, third party license fees, fees paid to OEMs, hosting, and IT related expenses. We recognize these costs and expenses upon occurrence.
- *Cost of other non-recurring.* Cost of other non-recurring revenue includes all direct costs to deliver other non-recurring revenue, including HW costs, fees paid for third party products, materials, salaries and related employees' expenses, allocated overhead such as depreciation of equipment and IT related expenses, warehouse, manufacturing and supply chain costs. We recognize these costs and expenses upon occurrence.
- *Cost of Professional Service.* Cost of professional service revenue includes salaries and related employees' expenses, subcontractors and all direct costs related to services such as services materials, allocated overhead such as depreciation of equipment, facilities and IT related costs. We recognize these costs and expenses upon occurrence.



### ***Gross Profit and Gross Margin***

Gross profit is revenue less cost of revenue, and gross margin is gross profit as a percentage of revenue. Gross profit has been and will continue to be affected by various factors, including our revenue mix, the selling price to our customers, the cost of our manufacturing facility, supply chain, hosting, salaries, other related costs to our employees and subcontractors and overhead. We expect that our gross margin will fluctuate from period to period depending on the interplay of these various factors.

### ***Operating Expenses***

Operating expenses consists of research and development, sales and marketing and general and administrative. The most significant components of our operating expenses are personnel costs, which is included in each component of operating expenses and consists of salaries, benefits, bonuses, stock-based compensation and, with regards to sales and marketing expenses, sales commissions.

- *Research and development.* Research and development expenses primarily consist of the cost of salaries and related costs for employees, subcontractors cost and depreciation of equipment. Our costs of research and development also include facility-related expenses, recruitment and training, information system licenses, hosting, support and others that contribute to the research and development operations. We focus our research and development efforts on developing new solutions, core technologies and to further enhance the functionality, reliability, performance and flexibility of existing solutions. We believe that our software development teams and our core technologies represent a significant competitive advantage for us and we expect that our research and development expenses will continue to increase, as we invest in research and development headcount to further strengthen and enhance our solutions
- *Sales and marketing.* Sales and marketing expenses primarily consist of personnel, marketing, sales and business development personnel, travel expenses, and commissions earned by our sales personnel. Our costs of sales and marketing also include facility-related expenses, recruitment and training, information system licenses, hosting, support and others that contribute to the sales and marketing operations. We expect that sales and marketing expenses will continue to increase as we continue to invest in our Go-to-Market activities.
- *General and administrative.* General and administrative expenses primarily consist of personnel, insurance, consultants and facility-related costs for our executive, finance, legal, IT, human resources, administrative personnel, and other corporate expenses. We anticipate moderate growth in our expenses due to growing our operations. All of the departments are allocated with general and administrative expenses such as rent and related expenses, recruitment and training, information systems licenses, hosting, support and others.

### ***Quarterly Trends in Operating Expenses***

Operating expenses have generally increased sequentially as a result of our growth and are primarily related to increases in personnel-related costs, including share-based compensation, to support the expanded operations, continued investment in research and development, and expansion of commercial and marketing investments.

### ***Financial (Expense) Income, Net***

Financial (expense) income, net consists primarily of revaluation of derivative warrant liability, restricted sponsor shares and price adjustment shares, interest income on our short-term deposits, fees to banks and foreign currency realized and unrealized income and loss related to the impact of transactions denominated in a foreign currency and financial investment activities.

### ***Tax Expense (Income)***

Tax expense (income) (as well as deferred tax assets and liabilities, and liabilities for unrecognized tax benefits) reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in Israel, the United States, and numerous other foreign jurisdictions.

Significant judgments and estimates are required in determining the consolidated income tax expense (income).

Our income tax rate varies from Israel's statutory income tax rates, mainly due to differing tax rates and regulations in foreign jurisdictions and other differences between expenses and expenses recognized by other tax authorities in relevant jurisdictions. We expect this fluctuation in income tax rates, as well as its potential impact on our results of operations, to continue.

### ***Results of Operations***

The following tables and narrative set forth our results of operations for the periods presented. For a comparison of our results of operations for the years ended December 31, 2022 and 2021, see "[Part I, Item 5. Operating and Financial Review Prospects—A. Operating Results](#)" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 27, 2023, which comparative information is herein incorporated by reference.

	Year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Revenue:</b>		
Subscription services	\$ 209,751	\$ 153,470
Term-license	70,663	62,487
Total subscription	280,414	215,957
Other non-recurring	13,561	21,373
Professional services	31,135	33,321
<b>Total Revenue</b>	<b>325,110</b>	<b>270,651</b>
<b>Cost of revenue:</b>		
Cost of subscription services	19,219	16,875
Cost of term license	6	425
Total cost of subscription	19,225	17,300
Cost of other non-recurring	13,766	12,987
Cost of professional services	20,240	20,459
<b>Total cost of revenue</b>	<b>53,231</b>	<b>50,746</b>
<b>Gross profit</b>	<b>\$ 271,879</b>	<b>\$ 219,905</b>
<b>Operating expenses:</b>		
Research and development	84,386	80,620
Sales and marketing	110,813	97,387
General and administrative	43,443	40,854
<b>Total operating expenses</b>	<b>238,642</b>	<b>218,861</b>
<b>Operating income</b>	<b>33,237</b>	<b>1,044</b>
Financial (expense) income, net	(108,800)	119,716
<b>(Loss) income before tax expenses</b>	<b>(75,563)</b>	<b>120,760</b>
Tax expense (income)	5,537	(45)
<b>Net (loss) income</b>	<b>\$ (81,100)</b>	<b>\$ 120,805</b>
<b>Other comprehensive income</b>		
Unrealized income (loss) on hedging transactions, net of tax	1,252	(953)
Unrealize income (loss) on marketable securities	506	(502)
Foreign currency translation adjustments	(1,039)	414
Total other comprehensive income (loss), net of tax	719	(1,041)
<b>Total comprehensive (loss) income</b>	<b>\$ (80,381)</b>	<b>\$ 119,764</b>

Results of operations includes share-based compensation expenses:

	Year ended December 31,	
	2023	2022
	(\$ in thousands)	
Cost of revenue	\$ 1,733	\$ 1,283
Research and development	4,673	2,974
Sales and marketing	6,478	\$ 5,041
General and administrative	6,114	4,410
<b>Total share-based compensation</b>	<b>\$ 18,998</b>	<b>\$ 13,708</b>

The following table summarizes revenue for the year ended December 31

*Revenue*

	Year Ended December 31,		Change	
	2023	2022	Amount	Percent
	(\$ in thousands)			
Subscription services	\$ 209,751	\$ 153,470	\$ 56,281	37%
Term-license	70,663	62,487	8,176	13%
<b>Total subscription</b>	<b>280,414</b>	<b>215,957</b>	<b>64,457</b>	<b>30%</b>
Other non-recurring	13,561	21,373	(7,812)	(37%)
Professional services	31,135	33,321	(2,186)	(7%)
<b>Total Revenue</b>	<b>\$ 325,110</b>	<b>\$ 270,651</b>	<b>\$ 54,459</b>	<b>20%</b>

*Subscription*

Subscription revenue is comprised of subscription services and term-license revenue. The subscription services revenue is the revenue that is recognized over the life of the subscription and the term-license revenue is what is immediately recognized upon the sale of an on-premise subscription license. Subscription revenue increased by \$64.5 million, or 30% for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to an increase related to the continuous adoption of our leading Collect & Review offering.

*Other non-recurring*

Other non-recurring and other revenue decreased by \$7.8 million, or 37% for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to the adoption of our leading Collect & Review offering in a term-based license model instead of a perpetual model and usage-based fees.

*Professional Services*

Professional services revenue decreased by \$2.2 million, or 7% for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to reduced demand for Cellebrite Advanced Services as more customers adopted the advanced lawful access solutions.

*Cost of Revenue*

	Year Ended December 31,		Change	
	2023	2022	Amount	Percent
	(\$ in thousands)			
Cost of subscription services	\$ 19,219	\$ 16,875	\$ 2,344	14%
Cost of term license	6	425	(419)	(99%)
<b>Total subscription</b>	<b>19,225</b>	<b>17,300</b>	<b>1,925</b>	<b>11%</b>
Cost of other non-recurring	13,766	12,987	779	6%
Cost of professional services	20,240	20,459	(219)	(1%)
<b>Cost of Revenue</b>	<b>\$ 53,231</b>	<b>\$ 50,746</b>	<b>\$ 2,485</b>	<b>5%</b>

*Cost of Subscription*

Cost of subscription services increased by \$1.9 million, or 11% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. This increase is primarily due to OEM expenses, customer success and customer support expenses.

*Cost of Other Non-Recurring*

Cost of other non-recurring revenue marginally increased by \$0.8 million, or 6% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. This increase is primarily due to higher hardware revenue offset by a decrease in shipping costs.

*Cost of Professional Services*

Cost of professional services revenue decreased by \$0.2 million, or 1% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. This decrease is primarily due to efficiency introduced in our Training operation.

**Gross Profit and Gross Profit Margin**

	Year Ended December 31,		Change	
	2023	2022	Amount	Percent
(\$ in thousands)				
<b>Gross Profit:</b>				
Subscription services	\$ 190,532	\$ 136,595	\$ 53,937	39%
Term-license	70,657	62,062	8,595	14%
Total subscription	261,189	198,657	62,532	31%
Other non-recurring	(205)	8,386	(8,591)	(102%)
Professional services	10,895	12,862	(1,967)	(15%)
<b>Total gross profit</b>	<b>\$ 271,879</b>	<b>\$ 219,905</b>	<b>\$ 51,974</b>	<b>24%</b>
<b>Gross Profit Margins:</b>				
Subscription services	91%	89%		
Term-license	100%	99%		
Total subscription	93%	92%		
Other non-recurring	(2%)	39%		
Professional services	35%	39%		
<b>Total gross margin</b>	<b>84%</b>	<b>81%</b>		

*Subscription*

Subscription gross profit increased by \$62.5 million, or 31%, during the year ended December 31, 2023, as compared to the year ended December 31, 2022. Subscription gross profit margin marginally increased from 92% to 93%, during the year ended December 31, 2023, as compared to the year ended December 31, 2022, mainly due to a decrease in hosting expenses and partner solution expenses.

*Other non-recurring*

Other non-recurring and other gross profit decreased by \$8.6 million, or 102%, during the year ended December 31, 2023, as compared to the year ended December 31, 2022. Other non-recurring and other gross profit margin decreased from 39% to (2)%, during the year ended December 31, 2023, as compared to the year ended December 31, 2022, mainly as a result of lower Perpetual revenue and higher hardware revenue mix in 2023.

*Professional Services*

Professional services gross profit decreased by \$2.0 million, or 15% during the year ended December 31, 2023, as compared to the year ended December 31, 2022. Services gross profit margin decreased from 39% to 35%, during the year ended December 31, 2023, as compared to the year ended December 31, 2022, mainly as a result of lower CAS revenue offset by some training operational efficiency.



***Operating Expenses***

	Year Ended December 31		Change	
	2023	2022	Amount	Percent
	(\$ in thousands)			
<b>Operating expenses</b>				
Research and development	84,386	80,620	3,766	5%
Sales and marketing	110,813	97,387	13,426	14%
General and administrative	43,443	40,854	2,589	6%
<b>Total operating expenses</b>	<b>\$ 238,642</b>	<b>\$ 218,861</b>	<b>\$ 19,781</b>	<b>9%</b>

***Research and development***

Research and development expenses increased by \$3.8 million, or 5%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022. This increase is mainly attributable to an increase in salaries related costs for employees.

***Sales and marketing***

Sales and marketing expenses increased by \$13.4 million, or 14%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022. The increase primarily relates to higher salaries and related costs for employees and commissions earned by our sales personnel of \$8.9 million and increase of \$4.1 million in Marketing activities.

***General and administrative***

General and administrative expenses increased by \$2.6 million, or 6%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022. The increase primarily relates to consultancy and salaries related, offset by a decrease relating to insurance expenses.

***Finance (Expense) Income, net***

Finance (expense) income, net decreased by \$228.5 million, or 191%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022, mainly due to revaluation of derivative warrants, sponsor earn out shares and price adjustment shares derived expenses in 2023 due to an increase in share price.

***Taxes on Income***

Taxes on income increased by \$5.6 million, or 12,404%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022, mainly as a result of profit for tax position in the Parent Company. For additional information regarding Israeli corporate tax, see - “Part I, [Item 10. Additional Information — E. Material U.S Federal Income Tax Considerations — Non-U.S Holders - Tax Benefits Subsequent to the 2005 Amendment.](#)”

## **B. Liquidity and Capital Resources**

The following tables and narrative set forth our results of operations for the periods presented. For a discussion of our cash flows for the year ended December 31, 2021, see “[Part I, Item 5. Operating and Financial Review Prospects—B. Liquidity and Capital Resources](#)” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 27, 2023, which comparative information is herein incorporated by reference.

Our cash, cash equivalents, short-term deposits and marketable securities were \$331.8 million and \$205.7 million as of December 31, 2023 and December 31, 2022, respectively.

We derive our cash primarily from our business operations. Currently, our primary liquidity needs are employee salaries and benefits, product development, and other operating activities to support our organic growth, and our operating cash requirements may increase in the future as we continue to invest in the growth of our company. During the fiscal years ended December 31, 2023 and 2022, our capital expenditures amounted to \$7.9 million and \$9.1 million, respectively, primarily consisting of expenditures related to property and equipment and software and intangible assets, and we expect that our capital expenditures for the next 12 months will relate to the same needs. We may also enter into future arrangements to acquire or invest in businesses, products, services, strategic partnerships, and technologies.

We believe that our existing cash and cash equivalents, short-term investments and cash flows from operations will be sufficient to fund our organic operations and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, timing of renewals and subscription renewal rates, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and expansion into new customer base, the timing of introductions of new software products and enhancements to existing software products, and the continuing market acceptance of our software offerings and our use of cash to pay for acquisitions. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

### **Credit Facilities**

We do not have any credit facilities.

### **Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(\$ in thousands)</b>	
Net cash provided by operating activities	\$ 102,058	\$ 20,577
Net cash used in investing activities	\$ (22,540)	\$ (91,231)
Net cash provided by financing activities	\$ 21,765	\$ 13,970

### **Operating Activities**

For the year ended December 31, 2023, cash provided by operating activities was \$102.1 million, mainly as a result of an increase in the Company's non-GAAP operating income, increase in sales to customers, and a decrease in accounts payables and accrued expenses.

For the year ended December 31, 2022, cash provided by operating activities was \$20.6 million, mainly as a result of the following: increase in deferred revenue, as a result of increased sales to customers, off-set by increase in inventories, prepaid expenses and other current assets, decrease in trade payables and other accounts payables and accrued expenses.

### ***Investing Activities***

Cash used in investing activities in the year ended December 31, 2023 was \$22.5 million, primarily as a result of purchase of property and equipment in the amount of \$5.2 million, purchase of Intangible assets in the amount of \$2.7 million, investment and maturities in short term deposits, net of \$15.6 million.

Cash used in investing activities in the year ended December 31, 2022 was \$91.2 million, primarily as a result of purchase of property and equipment in the amount of \$6.9 million, investment and maturities in marketable securities, net of \$67.1 million and investment and maturities in short term deposits, net of \$15.1 million.

### ***Financing Activities***

Cash provided by financing activities in the year ended December 31, 2023 was \$21.8 million, mainly as a result of proceeds from exercise of stock options to shares of \$19.1 million and proceeds from Employee Share Purchase Plan, net of \$2.6 million.

Cash provided by financing activities in the year ended December 31, 2022 was \$14 million, mainly as a result of proceeds from exercise of stock options to shares of \$12.6 million and proceeds from Employee Share Purchase Plan, net of \$1.3 million.

### **Contractual Obligations and Commitments**

As of December 31, 2023, we had commitments of \$15.5 million related to office and car leases arrangements, that we cannot cancel or where we would be required to pay a termination fee in the event of cancellation. Payments under these commitments are estimated to be made as follows:

(In thousands of U.S. dollars)	Payments (1)
Less than 1 year	\$ 5,071
1-3 years	5,887
3-5 years	1,907
More than 5 years	2,674
Total	\$ 15,539

(1) Amounts do not include recourse that we may have to recover termination fees or penalties from clients.

### **Off-Balance Sheet Arrangements**

We have instituted a foreign currency cash flow hedging program using foreign currency forward contracts and cylinder option strategy (“Derivative Instruments”) in order to hedge the exposure to variability in expected future cash flows resulting from changes in related foreign currency exchange rates. These transactions are designated as cash flow hedges, as defined under ASC topic 815, “Derivatives and Hedging.”

## **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk in the ordinary course of our business. 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 exchange rates and interest rates and inflation.

### ***Foreign Currency Exchange Risk***

Our revenue and expenses are primarily denominated in U.S. dollars and NIS and to a lesser extent, other currencies in our relevant subsidiaries. As some of our sales are denominated in non-U.S. dollars currencies, our revenue is subject to foreign currency risk. In addition, a significant portion of our operating costs in Israel, consisting mainly of salaries and related personnel expenses are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. Furthermore, we anticipate that a material portion of our expenses will continue to be denominated in NIS.

To reduce the impact of foreign exchange risks associated with forecasted future cash flows and the volatility in our consolidated statements of operations, we have established a hedging program. Our foreign currency contracts are generally short-term in duration. We do not enter into Derivative Instruments for trading or speculative purposes. We account for our Derivative Instruments as either assets or liabilities and carry them at fair value in the consolidated balance sheets. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. Our hedging program reduces but does not eliminate the impact of currency exchange rate movements. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business, after considering cash flow hedges, would have had an impact on our results of operations of \$8.3 million and \$9.3 million, for the year ended December 31, 2023 and 2022, respectively.

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk between two major financial institutions. However, failure of one or more of these financial institutions is possible and could result in incurred losses.

As of December 31, 2023, our cash, cash equivalents and short-term investments were primarily denominated in U.S. dollars. A 10% increase or decrease in current exchange rates would have affected our cash, cash equivalents, restricted cash, and short-term investment balances in amount of \$3.1 million and \$3.6 million as of December 31, 2023 and 2022, respectively.

### ***Interest Rate Risk***

As of December 31, 2023, we had cash and cash equivalents of \$189.5 million and short-term deposits of \$74.7 million. Cash and cash equivalents consist of cash in banks, bank deposits, and money market funds. Short-term investments generally consist of bank deposits. Our cash, cash equivalents, and short-term investments are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, a hypothetical 10% change in interest rates during any of the periods presented would have impacted our financial income by approximately \$4.8 million for the year ended December 31, 2023.

## **Inflation Risk**

Inflationary factors, such as increases in our cost of goods sold, may adversely affect our operating results. Although, recent elevated levels of inflation in the global and U.S. economies have not had a significant impact on our results of business, financial condition, or operations, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross profit if the selling prices of our products do not increase as much or more than these increased costs. If elevated levels of inflation persist or increase, our business, financial condition, or operations could be adversely affected, particularly in certain global markets. Additionally, most of our sales are denominated in U.S. dollars, EUR or GBP, which have not been subject to material currency inflation, and our operating expenses are denominated in NIS and U.S. dollar and have not been subject to material currency inflation.

## **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

Our research and development spending totaled \$84.4 million, \$80.6 million and \$65.5 million for the years ended December 31, 2023, 2022 and 2021 respectively. As described in “Part I, Item 3. Key Information—3.D. Risk Factors” and elsewhere in this Annual Report, government regulations and policies can make developing or marketing new technologies expensive or uncertain due to various restrictions on trade and technology transfers. See “[Part I, Item 3. Key Information—D. Risk Factors](#)” and “Part I, [Item 4. Information on the Company—B. Business Overview—Regulations.](#)” For further information on our research and development policies and additional product information, see “[Part I, Item 4. Information on the Company— B. Business Overview.](#)”

## **D. TREND INFORMATION**

See “[Part I, Item 5. Operating and Financial Review Prospects—A. Operating Results](#)” and “[Part I, Item 5. Operating and Financial Review Prospects—B. Liquidity and Capital Resources,](#)” which are incorporated by reference herein.

## **E. CRITICAL ACCOUNTING ESTIMATES**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Please see Notes to Consolidated Financial Statements included in [Item 18](#) of this Annual Report on Form 20-F for a summary of significant accounting policies and the effect on our financial statements.

### ***Revenue Recognition***

The Company sells its products to its customers either directly or indirectly through distribution channels all of whom are considered end customers.

For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price (“SSP”) for each performance obligation. The Company uses judgment in determining the SSP for its products and services. The Company typically assesses the SSP for its products and services on a periodic basis or when facts and circumstances change. To determine SSP, the Company maximizes the use of observable standalone sales and observable data, where available. In instances where performance obligations do not have observable standalone sales, the Company utilizes available information that may include the entity specific factors such as assessment of historical data of bundled sales of software licenses with other promised goods and services, and pricing strategies to estimate the price the Company would charge if the products and services were sold separately.

The Company satisfies performance obligations either over a time period or at a point in time depending on the nature of the underlying promise. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer. Revenue related to the license for proprietary software is recognized when the control over the license is provided to the customer and the license term begins. Revenue related to software update and upgrades are recognized ratably over the service period. Revenue related to other professional services is generally recognized over time and in certain cases at a point in time upon satisfaction of the performance obligation.

### ***Share-based Compensation***

We accounts for share-based compensation to employees and non-employees in accordance with ASC 718, “Compensation — Stock Compensation”, (“ASC 718”), which requires companies to estimate the fair value of equity-based payment awards on the date of grants based on the fair value of the awards granted. We grant awards that vest upon the satisfaction of service conditions and in certain grant market conditions. For awards with graded vesting schedules subject to service condition, the Company recognize compensation costs based on the straight line attribution method over the requisite service period of the awards. The Company estimate the fair value of share options granted using the Black-Scholes-Merton option-pricing model and for ESPP awards Monte Carlo pricing model and acceleration method. The Company measures the grant date fair value of its Restricted Share Units (“RSU”) based on the closing market price of the ordinary share on the date of grant. For Performance Share Units (“PSU”) subject to market conditions, the Company uses a Monte Carlo simulation model, which utilizes multiple inputs to estimate payout level and the probability that market conditions will be achieved.

The assumptions and estimates were determined as follows:

*Fair value of Ordinary Shares* — The Company’s Ordinary Shares have a limited history of being publicly traded. Prior to the consummation of the merger, the fair value was determined by management, with input from valuation reports prepared by third-party valuation specialists. In determining the fair value of ordinary shares subsequent to the consummation of the Merger Agreement, the board of directors considered the grant date fair value for share-based awards as of the closing price of our ordinary shares on NASDAQ on the date of grant.

*Risk-free interest rate* — The Company determined the risk-free interest rate by using a weighted-average equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.



*Expected term* — The expected term of options granted is based on historical experience and represents the period of time that options granted are expected to be outstanding. Since the Company does not have sufficient historical share exercise data to calculate the expected term of the share options. The Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected volatility Options* — Since the Company has a limited trading history of its Ordinary Shares, there is not sufficient historical volatility for the expected term of the share options. The expected volatility is derived from: (i) historical volatility of comparable companies, in accordance with the expected remaining lives of the option (ii) historical volatility of the Company's publicly traded shares, commencing August 30, 2021 and (iii) implied volatility of the Company's publicly traded Warrants.

*Expected Volatility ESPP* — Was based on Cellebrite's historical share price volatility, on a daily basis, for 6 months.

*Expected dividend yield*— The Company does not anticipate paying any dividends in the foreseeable future. Thus, the Company used 0% as its expected dividend yield

### ***Business combination***

The Company applies the provisions of ASC 805, "Business Combination" and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, the Company estimated the future expected cash flows from acquired core technology and acquired trade name from a market participant perspective, useful lives and discount rates. In addition, management makes significant estimates and assumptions, which are uncertain, but believed to be reasonable.

Significant estimates in valuing certain intangible assets include, but are not limited to future expected cash flows from acquired technology and acquired trademarks from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

### ***Income Taxes***

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". ASC 740 prescribes the use of the liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of enactment. A valuation allowance is provided, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. Deferred tax assets and deferred tax liabilities are presented under long-term assets.

The Company implements a two-step approach to recognize and measure uncertainty in income taxes. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is greater than 50 percent (cumulative basis) likely to be realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company classifies interest and penalties related to unrecognized tax benefits as part of income taxes.

### ***Marketable securities***

The Company accounts for investments in marketable securities in accordance with ASC No. 320, “Investments—Debt Securities” and ASC No.326, “Financial Instrument - Credit Losses”. Management determines the appropriate classification of its investments in the debt securities at the time of purchase and re-evaluates such determination at each balance sheet date.

As of December 31, 2023, all of the Company's marketable securities investments were classified as "available-for-sale" ("AFS") and are carried at fair value. Unrealized gains and losses are reported in a separate component of shareholders' equity (deficiency) in accumulated other comprehensive income, net of taxes. Gains and losses are recognized when realized, on a specific identification basis, in the Company's consolidated statements of income.

For each reporting period, we evaluate whether declines in fair value below the amortized cost are due to expected credit losses, as well as our ability and intent to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on AFS debt securities are recognized as a charge in financial (expenses) income and other, net, on the consolidated statements of income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income. As of December 31, 2023, no credit losses have been recorded.

We classified all our securities with maturities beyond 12 months as current assets under the caption short term investments on the consolidated balance sheet. These securities are available to support current operations and we may sell these debt securities prior to their stated maturities.

### ***Warrant liability***

The Company has classified the warrants assumed during the Merger (both public and private) as a liability pursuant to ASC 815-40 since the warrants do not meet the equity classification conditions. Accordingly, the Company measured the warrants at their fair value. The warrants liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statement of comprehensive loss.

The estimated fair value of the private placement warrant liabilities is determined using Level 3 inputs. Inherent in a Black-Scholes valuation model are assumptions related to expected share-price volatility, expiration, risk-free interest rate and dividend yield. The Company estimates the volatility of its common share based on historical volatility of select peer companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expiration of the warrants. The dividend yield is based on the historical rate, which the Company anticipates will remain at 0%.

### ***Restricted sponsor shares liability and Price adjustment shares liability***

The restricted Sponsor shares liability and Price adjustment shares are measured at fair value using Level 3 inputs.

The Company has determined that the price adjustment shares, and the restricted sponsor shares are freestanding financing instruments since those rights are legally detachable and separately exercisable. The Company has determined that the price adjustment rights, and the restricted sponsor shares are not indexed to Company's stock since if a change of control occurs, all the shares underlying the price adjustment shares and the restricted sponsor shares will be issued regardless of the company's stock price. Therefore, the Company accounted for the price adjustment shares and for the restricted sponsor shares as a liability measured at fair value through earnings.

### Recent Accounting Pronouncements

See the Summary of Significant Accounting Policies, included in our audited consolidated statements included in this Annual Report for a description of recently issued accounting pronouncements.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

The following persons who serve as Cellebrite's executive officers and directors, including their ages as of March 21, 2024. Biographies of the executive officers and directors are also included below.

Name	Age	Position
Executive Officers		
Yossi Carmil	57	Chief Executive Officer, Director
Dana Gerner	56	Chief Financial Officer
Ronnen Armon	60	Chief Products & Technologies Officer
Leeor Ben-Peretz	48	Chief Strategy Officer
Ayala Berler Shapira	53	General Counsel & Chief Compliance Officer
Marcus Jewell	51	Chief Revenue Officer
Lisa Cole	50	Chief Marketing Officer
Zohar Tadmor-Eilat	53	Chief People Officer
Directors		
Thomas E. Hogan	64	Chairman of the Board
Ryusuke Utsumi	58	Director
Yonatan Domnitz	42	Director
Elly Keinan	59	Director
Adam H. Clammer	53	Director
Brandon Van Buren	41	Director
Nadine Baudot-Trajtenberg	68	External Director
Dafna Gruber	58	External Director

## Executive Officers

*Yossi Carmil* is our Chief Executive Officer, a position which he has held since 2005, after joining Cellebrite in 2004. From September 2004 to June 2005 Mr. Carmil was Vice President of Sales at Cellebrite. As of June 2019 Mr. Carmil joined our board of directors. Prior to joining Cellebrite, Mr. Carmil served as the Director of Sales at ITS Telecom from 2001 to 2004. Prior to that, he was Vice President, Commercial at Siemens from 1998 to 2001. Mr. Carmil has previously served as a director of Communitake Limited, Cellomat Limited and the German-Israeli Chamber of Commerce. Mr. Carmil currently serves as a director of the American-Israeli Chamber of Commerce. Mr. Carmil holds a Bachelor's degree in Economics and Business Administration as well as an MBA from the Ludwig-Maximilians University in Munich, Germany.

*Dana Gerner* is our Chief Financial Officer, a position which she has held since May 2014. Prior to joining Cellebrite, Ms. Gerner served as Chief Financial Officer as well as President & Pool Management Director at Polymer Logistics from February 2000 to April 2014. Prior to that, Ms. Gerner was Chief Financial Officer at Leiman Schlüssel from November 1998 to January 2000. She also served as a Senior Manager at Ernst & Young from 1991 to 1996 and Head of Section at the Israeli Defense Force from 1988 to 1990. Ms. Gerner earned a BA in Accounting and Economics from Tel-Aviv University and a Master's degree in Innovation Management from Swinburne University.

*Ronnen Armon* is our Chief Products & Technologies Officer, a position which he has held since joining Cellebrite in July 2020. Prior to joining Cellebrite, he was the Chief Operations Officer at Verbit.ai from November 2019 to June 2020. Prior to that, he co-founded Capriza and worked there from July 2011 to November 2019 and became Chief Executive Officer in November 2017. He has also held key VP positions at HP Software from 2007 to 2011 and Mercury from February 2004 to October 2007. Prior to these roles, Mr. Armon served as the General Manager at Enigma from 1992 to 2002. Mr. Armon holds a BSc. degree in Computer Science and Industrial Engineering, and a Master's degree in System Analysis and Operations Research, both from the Technion, Israel's Institute of Technology.

*Leor Ben-Peretz* is our Chief Strategy Officer, a position which he has held since February 2020. Prior to serving as Chief Strategy Officer, Mr. Ben-Peretz has held a variety of executive business roles while at Cellebrite since joining Cellebrite in 2009. Prior to joining Cellebrite, Mr. Ben-Peretz served as the Director of Business Development & Channel Sales and the Director of Account Management at InfoGin from 2006 to 2009. Prior to that, he served as Project Manager at Comverse from 2005 to 2006. Mr. Ben-Peretz also served as the Senior Project Manager at Pelephone from 2004 to 2005 as well as Treasurer and Product Manager at Aladdin Knowledge systems from 1998 to 2003. Mr. Ben-Peretz holds a BA degree in Business and Economics from the Academic College of Tel-Aviv and an Executive MBA degree from the Hebrew University of Jerusalem.

*Ayala Berler Shapira* is our General Counsel & Chief Compliance Officer, a position which she has held since September 2022. Prior to joining Cellebrite, Ms. Berler Shapira held the position of Deputy General Counsel at Amdocs, a leading global software provider to the media and telecommunication industries, from 2011. Prior to that she acted as General Counsel for Jungo, a fast-growing high-tech company operating in the telecommunication market from 2006 until 2011. Prior to that she held a number of legal positions, both in house and in private practice. Ms. Berler Shapira holds a LLB in Law and BA in Business Administration from Tel-Aviv University and is a member of the Israeli and New York Bar Associations.

*Marcus Jewell* is our Chief Revenue Officer (CRO), a position which he held since November 2023. Mr. Jewell brings over 25 years of senior-level sales and management expertise. Marcus served as the CRO at CSS LLC, the parent company of CloudKitchens from 2022 to 2023. Prior to that he worked in various positions, including CRO at Juniper Networks from 2017 to 2023. Prior to that he served in senior global leadership roles at Brocade and Mitel, from 2005 to 2017. In 2021 Marcus was recognized by New Era as one of the top 10 most influential CRO's Globally. Marcus graduated from the University of South Wales with an Honors Degree in Engineering.

*Lisa Cole* is our Chief Marketing Officer, a position which she has held since joining Cellebrite in October 2022. Prior to joining Cellebrite, Ms. Cole was the Vice President of Corporate Marketing at FARO from October 2019 to October 2022. Prior to that, she was the Chief Marketing Officer at Huron from May 2017 to October 2019. Her transformative work for both companies improved performance and resulted in three prestigious honors: the 2022 Forrester Return on Integration (ROI) Award, SiriusDecisions' 2018 ROI Award; and Demand Gen Report's 2018 B2B Innovator Award. Ms. Cole holds a BS degree in Marketing Management from Western Governors University.

*Zohar Tadmor Eilat* is our Chief People Officer. Before joining Cellebrite, Ms. Tadmor Eilat was Global VP of Human Resources at CyberArk for 6 years. Prior to CyberArk, Ms. Tadmor Eilat served as the Global VP of Human Resources at BitTech/ BetaMedia for 3 years, and before that, she was the General Manager of HRISRAEL for 2 years and the VP of HR of Cal-Auto Group for 3 years. Ms. Tadmor Eilat holds an M.A. in Labor Studies – Organizational consulting and human resources management from Tel Aviv University, and a B.A. in Social Work, from the Hebrew University of Jerusalem.

## **Directors**

*Thomas E. Hogan* is a Director of Cellebrite and the Executive Chairman of the Board of Directors, a position which he has held since 2023. Mr. Hogan served as an Operating Managing Director for Vista Equity Partners from January, 2021 to February, 2023. During his Vista tenure Mr. Hogan served on the boards of privately held software companies, Pluralsight, Infoblox, Drift, and Gainsight. Prior to joining Vista in January 2021, Tom was the Chairman and CEO of Kony, Inc. from 2014 to its acquisition in the fall of 2019 by Swiss-based Temenos. Mr. Hogan also served on the board of Citrix from 2018 to 2022 when it was acquired by Vista Equity Partners. Prior to Kony, he was the executive vice president of Sales and Marketing for HP's \$57B Enterprise Business in 2010 after serving as the head of HP's Software business from 2006 - 2009. Prior to that he held senior executive positions with Siebel Systems and IBM and a five year stint as the CEO and board member of Vignette (VIGN). Mr. Hogan holds a master's degree from Northwestern's Kellogg School of Management with distinction and a BS in biomedical engineering from the University of Illinois.

*Ryusuke Utsumi* is a Director of Cellebrite, a position which he has held since April 2020. Mr. Utsumi is currently president of SUNCORPORATION after joining SUNCORPORATION in June 2012. Prior to that, Mr. Utsumi served as a General Manager at Chubu Aerospace Industrial Technology Center from June 2009 to June 2012. Prior to that, Mr. Utsumi served as the Incubation Manager at Aichi Venture House from March 2008 to June 2009.

*Yonatan Domnitz* is a Director of Cellebrite, a position which he has held since April 2020. Mr. Domnitz was appointed as a Director of SUNCORPORATION, the parent company of Cellebrite, in April 2020. He currently serves as a Managing Director and Strategic Analyst at Oasis Management (Hong Kong), a wholly-owned investment sub-advisory affiliate of Oasis Management Company Ltd., having joined the firm as an analyst in August 2012. Prior to his role with Oasis, Mr. Domnitz served as a Forensic Accountant at C. Lewis & Company LLP from January 2010 to August 2012 and RGL Forensics from August 2006 to December 2009. Mr. Domnitz has a BA (Hons) in History from University College London, successfully completed the Legal Practice Course at the College of Law having also attained a Graduate Diploma in Law. Mr. Domnitz qualified as a Chartered Accountant in 2009 and is an Associate member of the Institute of Chartered Accountants in England and Wales.

*Elly Keinan* is a Director of Cellebrite, a position which he has held since September 2020. Mr. Keinan currently serves as Group President of Kyndryl starting in March 2021. Prior to that, Mr. Keinan served a variety of executive roles at IBM, including President and Chairman of IBM Japan and General Manager of North America, serving in these various roles from July 1986 to June 2020. Mr. Keinan holds his BS in Computer Science and Electrical Engineering from Rensselaer Polytechnic Institute and his MBA from University of Miami Herbert Business School.



*Adam H. Clammer* is a Director of Cellebrite, a position which he has held since the consummation of the Merger. Mr. Clammer served as the Chief Executive Officer and a Director of TWC Tech Holdings II, LLC, from November 2020 until the consummation of the Merger. Mr. Clammer is also a Founding Partner of True Wind Capital Management, L.P., a private equity fund manager focused on the technology industry. Prior to founding True Wind Capital Management in 2015, Mr. Clammer was with KKR since 1995, where he co-founded and led the Global Technology Group from 2004 to 2013. Mr. Clammer has served on the boards of several public companies over the past 20 years. Mr. Clammer currently serves as Chairman of the Board of LeadVenture since 2017, as a director of VitalEdge Technologies (fka e-Emphasys) since 2022, as a director of Open Lending since 2020 and as a director of Rover Group, Inc (Nasdaq: ROVER) since 2021. Prior to joining KKR, Mr. Clammer worked in the Mergers & Acquisitions group at Morgan Stanley in New York and Hong Kong from 1992 to 1995. He holds a B.S. in Business Administration from the University of California, Berkeley and an M.B.A. from Harvard Business School, where he was a Baker Scholar.

*Brandon Van Buren* is a Director of Cellebrite, a position which he has held since May 2023. Mr. Van Buren was a Partner at Light Street, a global investment firm focused on disruptive growth technology businesses, where he led the private efforts for the Beacon Funds, from 2021 to 2022, and a Partner at True Wind Capital, a private equity firm focused on the technology industry, where he sat on the firm's investment committee, from 2017 to 2021. Prior to joining True Wind, Mr. Van Buren was a Principal at Google Capital and began his technology investing career at KKR. Mr. Van Buren previously served as a director of Open Lending (Nasdaq: LPRO) from 2020 to 2021 and Zix Corporation (Nasdaq: ZIXI) from 2019 to 2022. Mr. Van Buren holds an MBA from Harvard Business School, where he was a Baker Scholar, and a B.S. in Business Administration with concentrations in Finance and Accounting from California Polytechnic State University, San Luis Obispo.

*Nadine Baudot-Trajtenberg* is a Director of Cellebrite, a position which she has held since the consummation of the Merger. Ms Baudot-Trajtenberg has served as our external director under the Companies Law, since November 2021. Dr. Baudot-Trajtenberg teaches at the Arison school of Business at Reichman University in Herzliya, Israel, having previously served as Associate Dean at both the school of Economics and the Arison school of Business where she headed the Masters of Business Administration and Global Masters of Business Administration programs. She is currently a Director at Bank esh Israel, a newly licensed retail bank in Israel as well as a member of the board of the Hebrew University in Jerusalem. Prior to that, she served as Deputy Governor of the Bank of Israel from 2014 to 2019. Dr. Baudot-Trajtenberg has served on several boards, including the holding company of Menora Mivtachim, one of Israel's largest financial groups, Gazit Globe, a leading global real estate company, Bank Leumi Luxembourg, Bank Leumi Switzerland. Dr. Baudot-Trajtenberg holds a BSc. In Economics from the University of Montreal, an M.A. in Philosophy, Politics and Economics from the University of Oxford, and a Ph.D in Economics from Harvard University.

*Dafna Gruber* serves as an External Director, under Israeli Companies Law, of Cellebrite, a position which she has held since 2021. Ms. Gruber serves as a Chief Financial Officer of Netafim Ltd., a private company, and prior to that as chief financial officer in various companies including Aqua security Ltd. and Clal Industries Ltd. From 2007 to 2015, Ms. Gruber served as the Chief Financial Officer of NICE Systems Ltd., a public company traded on Nasdaq and TASE. responsible, inter alia, for finance, operation, MIS and IT, legal and investor relations. From 1996 until 2007, Ms. Gruber was part of Alvarion Ltd., a public company traded on Nasdaq and TASE, mostly as Chief Financial Officer. Ms. Gruber currently serves as an External Director at ICL Group Ltd. Ms. Gruber is a certified public accountant and holds a Bachelor's degree in Accounting and Economics from Tel Aviv University, Israel.



**Board Diversity**

The table below provides certain information regarding the diversity of our board of directors as of the date of this Annual Report

<b>Board Diversity Matrix (as of March 10, 2024)</b>				
Country of Principal Executive Offices:	Israel			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	9			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	2	6	0	1
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did Not Disclose Demographic Background	3			

## **Family Relationships**

There are no family relationships between any of our executive officers and our directors.

## **Arrangements for Election of Directors and Members of Management**

Our directors, aside from our external directors, were generally appointed by a simple majority vote of holders of our Ordinary Shares, participating and voting (in person or by proxy) at the annual general meeting of our shareholders. However, pursuant to the specific director appointment rights initially contained in the Amended Articles, (i) two directors (currently Adam H. Clammer and Brandon Van Buren), reasonably acceptable to Cellebrite, were nominated by the Sponsor (each a “Sponsor Director”); (ii) two directors (currently Ryusuke Utsumi and Yonatan Domnitz), reasonably acceptable to Cellebrite, were nominated by SUNCORPORATION (each a “SUN Director”); and (iii) one director, reasonably acceptable to Cellebrite, was nominated by IGP (“IGP Director”). However, as of the filing of this annual report, IGP no longer has nomination rights as they no longer hold the requisite 10%, and accordingly, following the retirement of Mr. Haim Shani, IGP has no representative on the Company’s board. As of the date of this annual report, the Amended Articles provide in respect of future director appointment rights that (i) one director is to be nominated by the Sponsor and reasonably acceptable to Cellebrite; and (ii) two directors are to be nominated by SUNCORPORATION and reasonably acceptable to Cellebrite. . Our external directors were elected by our shareholders on November 29, 2021 and are Ms. Gruber and Baudot-Trajtenberg. For more information, see “— [External Directors](#).”

Nadine Baudot-Trajtenberg and Dafna Gruber are considered external directors as required by Israeli Law, and together with Elly Keinan the three are considered independent directors under Israeli law (for the avoidance of doubt, the definition of independent director under Israeli Law differs than the definition under Nasdaq Rules). The Chairperson of Cellebrite’s board of directors is Thomas E. Hogan, who has served in such capacity in accordance with the terms of the Amended Articles since August 2023.

## **B. COMPENSATION**

### **Aggregate Compensation of Executive Officers and Directors**

The aggregate compensation, including share-based compensation, paid by us and our subsidiaries to our executive officers and directors for the year ended December 31, 2023 was approximately \$12.6 million. This amount includes approximately \$0.5 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but does not include business travel, relocation, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in Israel. Additionally, during the year December 31, 2023, we granted to our executive officers and directors under our equity incentive plans 3,890,492 Options, PSUs and RSUs.

The following is a summary of the salary expenses and social benefit costs of our five most highly compensated executive officers in 2023, or the "Covered Executives." All amounts reported reflect the cost to the Company as recognized in our financial statements for the year ended December 31, 2023. U.S. dollar amounts indicated for compensation of our Covered Executives are in thousands of dollars.

- Yossi Carmil. Compensation expenses recorded in 2023 of \$477 thousands in salary expenses and \$158 thousands in social benefits costs.
- Dana Gerner. Compensation expenses recorded in 2023 of \$307 thousands in salary expenses and \$81 thousands in social benefits costs.

- Ronnen Armon. Compensation expenses recorded in 2023 of \$282 thousands in salary expenses and \$77 thousands in social benefits costs.
- Leeor Ben-Peretz. Compensation expenses recorded in 2023 of \$236 thousands in salary expenses and \$63 thousands in social benefits costs.
- Lisa Cole. Compensation expenses recorded in 2023 of \$300 thousands in salary expenses and \$32 thousands in social benefits costs.

The salary expenses summarized above include the gross salary paid to the Covered Executives, and the benefit costs include the social benefits paid by us on behalf of the Covered Executives, convalescence pay, contributions made by the company to an insurance policy or a pension fund, work disability insurance, severance, educational fund and payments for social security.

In accordance with the Company's Compensation Policy, we also paid cash bonuses to our Covered Executives upon compliance with predetermined performance parameters and an over achievement bonus as set by the compensation committee and the board of directors. The 2023 cash bonus expenses for, Yossi Carmil, Dana Gerner, Ronnen Armon, Leeor Ben-Peretz and Lisa Cole as provided for in our 2023 financial statements (but due during 2024), were \$503, \$261, \$157, \$171 and \$167 thousands, respectively.

We recorded equity-based compensation expenses in our financial statements for the year ended December 31, 2023 for options, PSUs and restricted share units granted to Yossi Carmil, Dana Gerner, Ronnen Armon, Leeor Ben-Peretz and Lisa Cole of \$1,009 thousands, \$543 thousands, \$512 thousands, \$425 thousands and \$132 thousands respectively.

The relevant amounts underlying the equity awards granted to our executive officers in previous years will continue to be expensed in our financial statements over a four-year period on account of the grants given in previous years. Assumptions and key variables used in the calculation of such amounts are described in [Note 13](#) to our audited consolidated financial statements included in Item 18 of this Annual Report. All equity-based compensation grants to our Covered Executives were made in accordance with the parameters of our Company's compensation policy and were approved by the company's compensation committee and board of directors.

We pay each of our non-employee directors, except for our executive chairman (including our external directors in accordance with the Companies Law), an annual retainer of \$45 thousand, and with respect to an expert external director (as such term is defined in the Companies Law), an annual retainer of \$60 thousand. We also grant our non-employee directors, except for our executive chairman (including our external directors in accordance with the Companies Law) equity in the Company. In August 2021, upon election, non-employee directors were granted with restricted share units under our 2021 Equity Incentive Plan at a fair market value of \$150 thousand, which vest in three equal annual installments (the "Initial Grant") as a one time event. Following the Initial Grant and going forward, at each annual general meeting of our shareholders, beginning with the annual general meeting that was held in 2023, and provided the director is still in office, our non-employee director other than our executive chairman are granted restricted share units under our incentive plan at a fair market value of \$100 thousand as of the date of grant, which fully vest on the first anniversary of the grant date, respectively (the "Annual Grant"). We pay our executive chairman of the board (i) a fixed annual service fee of \$150 thousand (plus VAT if applicable), so long as he remains a member of the Board, (ii) a maximum annual bonus in the amount of \$250 thousand comprised of two separate tranches, based on achievement of performance targets, and (iii) participation in the Company's U.S. group medical insurance plan. We further granted our executive chairman of the Board, upon commencement of his tenure as chairman of the company options to purchase, in the aggregate, 1,500,000 Ordinary Shares of the Company, part of which vest in four equal annual installments and part of which vest upon achievement of a share price target. All above mentioned awards shall be accelerated in certain change of control events.

## **Compensation of Directors and Executive Officers**

### *Directors*

Under the Companies Law, the compensation of a public company's directors requires the approval of (i) its compensation committee, (ii) its board of directors and (iii) the approval of its shareholders at a general meeting, unless exempted pursuant to regulations promulgated under the Companies Law. In addition, if the compensation of a public company's directors is inconsistent with the company's compensation policy, then those inconsistent provisions must be separately considered by the compensation committee and board of directors, and approved by the shareholders by a special vote in one of the following two ways:

- at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such matter, present and voting at such meeting, vote in favor of the inconsistent provisions of the compensation package, excluding abstentions; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter voting against the inconsistent provisions of the compensation package does not exceed two percent (2%) of the aggregate voting rights in the Company.

### *Executive Officers other than the Chief Executive Officer*

The Companies Law requires the approval of the compensation of a public company's executive officers (other than the Chief Executive Officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) only if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company decline to approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

An amendment to an existing arrangement with an office holder requires only the approval of the compensation committee, if the compensation committee determines that the amendment is not material in comparison to the existing arrangement. However, according to regulations promulgated under the Companies Law, an amendment to an existing arrangement with an office holder (who is not a director) who is subordinate to the Chief Executive Officer shall not require the approval of the compensation committee, if (i) the amendment is approved by the Chief Executive Officer, (ii) the company's compensation policy provides that a non-material amendment to the terms of service of an office holder (other than the Chief Executive Officer) may be approved by the Chief Executive Officer and (iii) the engagement terms are consistent with the company's compensation policy.

### *Chief Executive Officer*

Under the Companies Law, the compensation of a public company's Chief Executive Officer is required to be approved by: (i) the company's compensation committee; (ii) the company's board of directors, and (iii) the company's shareholders (and if not a member of the board, by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company decline to approve the compensation arrangement with the Chief Executive Officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed report for their decision. The approval of each of the compensation committee and the board of directors should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of a Chief Executive Officer that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained (by a special majority vote as discussed above with respect to the approval of director compensation). In addition, the compensation committee may waive the shareholder approval requirement with regards to the approval of the engagement terms of a candidate for the Chief Executive Officer position, if they determine that the compensation arrangement is consistent with the company's stated compensation policy and that the Chief Executive Officer candidate did not have a prior business relationship with the company or a controlling shareholder of the company and that subjecting the approval of the engagement to a shareholder vote would impede the company's ability to employ the Chief Executive Officer candidate.

## **Equity Incentive Plans**

### ***2008 Share Option Plan***

Cellebrite's 2008 Share Option Plan (the "2008 Plan") was adopted by its board of directors on August 24, 2008. The 2008 Plan provided for the grant of options to our employees, directors, office holders, service providers and consultants of Cellebrite. No further grants of options were allowed after the Company's adoption of the 2019 Share Option Plan (described below); however, options granted under the 2008 Plan before such adoption continue in effect in accordance with their terms.

**Authorized Shares.** As of December 31, 2023, there were options to purchase 3,973,980 Ordinary Shares outstanding under the 2008 Plan. Ordinary shares subject to options granted under the 2008 Plan that expire or become unexercisable without having been exercised in full will become available again for future grant under the 2021 Equity Incentive Plan (the "2021 Plan").

**Administration.** Cellebrite's board of directors, or a duly authorized committee of Cellebrite's board of directors, administers the 2008 Plan. Under the 2008 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2008 Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2008 Plan and take all other actions and make all other determinations necessary for the administration of the 2008 Plan. If the administrator is a duly authorized committee of our board of directors, Cellebrite's board of directors will determine the grant of options to be made, if any, to members of such committee.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2008 Plan or terminate the 2008 Plan at any time before the date of expiration of its ten year term.

*Eligibility.* The 2008 Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 (“Section 102”) of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “Ordinance”), unapproved Section 102 options, and Section 3(i) of the Ordinance.

Section 102 of the Ordinance allows employees, directors and officers who are not “controlling shareholders” (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Our non-employee service providers and controlling shareholders who are considered Israeli residents may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the “capital gain track”.

*Grant.* All options granted pursuant to the 2008 Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, including the type of option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, unless such shorter term of expiration is otherwise designated by the administrator.

*Awards.* The 2008 Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Cellebrite or from shares held in Cellebrite’s treasury and not reserved for some other purpose.

*Exercise.* An option under the 2008 Plan may be exercised by providing Cellebrite with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Cellebrite its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2008 Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

*Transferability.* Neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee’s employment or service with Cellebrite, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three month period, all such unexercised options will terminate and the shares covered by such options shall be made available for issuance under the 2021 Share Incentive Plan.

In the event of termination of a grantee’s employment or service with Cellebrite due to such grantee’s death, retirement or “disability” (as defined in the 2008 Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal representative or authorized assignee, as applicable, within 6 months after such date of termination, unless otherwise provided by the administrator. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 6 months period following such date, will terminate and the shares covered by such options shall be made available for issuance under the 2021 Share Incentive Plan.



Notwithstanding any of the foregoing, if a grantee's employment or services with Cellebrite is terminated for "cause" (as defined in the 2008 Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall be made available for issuance under the 2021 Share Incentive Plan.

**Transactions.** In the event of a share split, reverse share split, bonus shares (stock dividend), recapitalization, combination or reclassification of our shares, all only if such event generally applies to all shares, the administrator in its sole discretion shall make an appropriate adjustment in the number of shares related to each outstanding option and to the number of shares reserved for issuance under the 2008 Plan, to the class and kind of shares subject to the 2008 Plan, as well as the exercise price per share of each outstanding option, as applicable, the terms and conditions concerning vesting and exercisability and the term and duration of outstanding options, or any other terms that the administrator adjusts in its discretion, or the type or class of security, asset or right underlying the option (which need not be only that of Cellebrite, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions); provided that any fractional shares resulting from such adjustment shall be rounded to the nearest whole share.

In the event of a dissolution or liquidation of Cellebrite, the board shall notify each optionee who holds unexercised options as soon as practicable prior to the effective date of such event. The board may allow the exercise of any or all outstanding options, whether or not vested, within 15 days as of the date in which Cellebrite has notified the optionee, and subject to the provisions of the Applicable Law (as defined under the 2008 Plan). To the extent it has not been previously exercised, an option will terminate immediately prior to the event. In the event of a merger, acquisition, shares sale or assets sale, then without the consent of the grantee, the administrator may, but is not required to, (i) cause any outstanding option to be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the option (a) provide the grantee with the option to exercise the options as to all or part of the shares, and may provide for an acceleration of vesting of unvested options, or (b) cancel the option and pay in cash, shares of Cellebrite, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

### ***2019 Share Option Plan***

Cellebrite's 2019 Share Option Plan (the "2019 Option Plan") was adopted by its board of directors on June 17, 2019. The 2019 Option Plan provides for the grant of options to our employees, directors, office holders, service providers and consultants of Cellebrite. No further grants of options were allowed after the Company's adoption of the 2021 Share Incentive Plan (described below); however, options granted under the 2019 Option Plan before such adoption continue in effect in accordance with their terms.

**Authorized Shares.** As of December 31, 2023, there were options outstanding to purchase 7,801,361 Ordinary Shares under the 2019 Option Plan. Ordinary shares subject to options granted under the 2019 Option Plan that expire or become unexercisable without having been exercised in full will become available again for future grant under the 2021 Share Incentive Plan.

Any Shares (a) underlying an option granted under the 2019 Option Plan or an option granted under the 2008 Plan (and any sub-plans) (the “Prior Plans”) (in an amount not to exceed 16,921,120 Shares under the Prior Plan(s)) that has expired, or was cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares, for any reason, without having been exercised; (b) if permitted by Cellebrite, tendered to pay the exercise price of an option (or the exercise price or other purchase price of any option under the Prior Plan(s)), or withholding tax obligations with respect to an option (or any options under the Prior Plan(s)); or (c) if permitted by the Company, subject to an option (or any option under the Prior Plan(s)) that are not delivered to a Grantee because such shares are withheld to pay the exercise price of such option (or of any option under the Prior Plan(s)), or withholding tax obligations with respect to such option (or such other option); shall automatically, and without any further action on the part of Cellebrite or any grantee, again be available for grant of options and shares issued upon exercise of (if applicable) vesting thereof for the purposes of the 2019 Option Plan (unless the 2019 Option Plan shall have been terminated) or unless the board determines otherwise. Such shares may, in whole or in part, be authorized but unissued shares.

*Administration.* Cellebrite’s board of directors, or a duly authorized committee of Cellebrite’s board of directors, administers the 2019 Option Plan. Under the 2019 Option Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2019 Option Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2019 Option Plan and take all other actions and make all other determinations necessary for the administration of the 2019 Option Plan. If the administrator is a duly authorized committee of our board of directors, Cellebrite’s board of directors will determine the grant of options to be made, if any, to members of such committee.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2019 Option Plan or terminate the 2019 Option Plan at any time before the date of expiration of its ten year term.

*Eligibility.* The 2019 Option Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 (“Section 102”) of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “Ordinance”), unapproved Section 102 options, and Section 3(i) of the Ordinance.

Section 102 of the Ordinance allows employees, directors and officers who are not “controlling shareholders” (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Our non-employee service providers and controlling shareholders who are considered Israeli residents may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the “capital gain track”.

*Grant.* All options granted pursuant to the 2019 Option Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, or upon the earlier termination of the grantee’s employment, unless such shorter term of expiration is otherwise designated by the administrator.

*Awards.* The 2019 Option Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Cellebrite or from shares held in Cellebrite's treasury and not reserved for some other purpose.

*Vesting of Options.* Unless otherwise determined by the Administration with respect to any, some or all options, each option shall vest over a 4-year period from the date of grant, with one quarter of such options becoming vested on the first anniversary of such grant, and the remaining portion in equal parts every quarter from the first anniversary and until the fourth anniversary of such grant or as otherwise indicated in the grantee's option agreement. An option may be subject to such other terms and conditions on the time or times when it may be exercised (including by way of performance conditions), as the Administration may deem appropriate. The vesting provisions of individual options may vary.

*Exercise.* An option under the 2019 Option Plan may be exercised by providing Cellebrite with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Cellebrite its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2019 Option Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

*Transferability.* Neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee's employment or service with Cellebrite or any of its affiliates, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three month period, all such unexercised options will terminate and the shares covered by such options shall be made available for issuance under the 2021 Share Incentive Plan.

In the event of termination of a grantee's employment or service with Cellebrite or any of its affiliates due to such grantee's death, retirement or "disability" (as defined in the 2019 Option Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal representative or authorized assignee, as applicable, within 12 months after such date of termination, unless otherwise provided by the administrator. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12 months period following such date, will terminate and the shares covered by such options shall be made available for issuance under the 2021Share Incentive Plan.

Notwithstanding any of the foregoing, if a grantee's employment or services with Cellebrite or any of its affiliates is terminated for "cause" (as defined in the 2019 Option Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall be made available for issuance under the 2021 Share Incentive Plan.

*Transactions.* In the event of a share split, reverse share split, bonus shares (stock dividend), recapitalization, combination or reclassification of our shares, all only if such event generally applies to all shares, the administrator in its sole discretion shall make an appropriate adjustment in the number of shares related to each outstanding option and to the number of shares reserved for issuance under the 2019 Option Plan, to the class and kind of shares subject to the 2019 Option Plan, as well as the exercise price per share of each outstanding option, as applicable, the terms and conditions concerning vesting and exercisability and the term and duration of outstanding options, or any other terms that the administrator adjusts in its discretion, or the type or class of security, asset or right underlying the option (which need not be only that of Cellebrite, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions); provided that any fractional shares resulting from such adjustment shall be rounded to the nearest whole share.

In the event of a dissolution or liquidation of Cellebrite, the board shall notify each grantee who holds unexercised options as soon as practicable prior to the effective date of such event. The board may allow the exercise of any or all outstanding options, whether or not vested, within 15 days as of the date in which Cellebrite has notified the grantee, and subject to the provisions of the Applicable Law (as defined under the 2019 Option Plan). To the extent it has not been previously exercised, an option will terminate immediately prior to the event. In the event of a merger, acquisition, shares sale or assets sale, then without the consent of the grantee, the administrator may, but is not required to, (i) cause any outstanding option to be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the option (a) provide the grantee with the option to exercise the option as to all or part of the shares, and may provide for an acceleration of vesting of unvested options, or (b) cancel the option and pay in cash, shares of Cellebrite, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

### ***2019 Restricted Share and Restricted Share Units Plan***

Cellebrite's 2019 Restricted Share and Restricted Share Units Plan (the "2019 Plan") was adopted by its board of directors on June 17, 2019. The 2019 Plan provides for the grant and issuance of restricted shares, RSUs or other share-based awards (collectively, awards) to employees, directors, officers, consultants, advisors and other service providers of Cellebrite and its affiliates.

*Authorized Shares.* As of December 31, 2023, there were no awards related to Ordinary Shares outstanding under the 2019 Plan.

*Administration.* Our board of directors, or a duly authorized committee of our board of directors, will administer the 2019 Plan. Under the 2019 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2019 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an ordinary share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2019 Plan and take all other actions and make all other determinations necessary for the administration of the 2019 Plan. The administrator also has the authority to amend and rescind rules, policies and regulations relating to the 2019 Plan or terminate the 2019 Plan at any time before the date of expiration of its ten year term.

*Tax Regimes.* The 2019 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “Ordinance”), and Section 3(i) of the Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), and Section 409A of the Code.

Section 102 of the Ordinance allows employees, directors and officers who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits.

*Grant.* All awards granted pursuant to the 2019 Plan will be evidenced by an award agreement, in a form approved, from time to time, by the administrator in its sole discretion. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. The provisions of the various award agreements entered into under the 2019 Plan need not be identical. Certain awards under the 2019 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

*Awards.* The 2019 Plan provides for the grant of restricted shares, RSUs or other share-based awards.

*Restricted Shares.* The administrator may award Ordinary Shares subject to vesting, or restricted shares to any eligible grantee, including under section 102 of the ordinance. The award agreement may include a purchase price (if applicable) and the terms of payment, which may include payment in cash or, subject to the administrator’s approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the administrator. During the restricted period the grantee shall possess all incidents of ownership of such restricted shares, subject to the 2019 Plan, including the right to vote and receive dividends with respect to such shares. All securities, if any, received by a grantee with respect to restricted shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original award.

*Restricted Share Units.* The administrator may award RSUs to any eligible grantee, including under Section 102 of the Ordinance. An RSU represents the right to receive a number of Ordinary Shares equal to the number of units earned. RSUs are settled following vesting and (if applicable) exercise as provided under the terms of the award agreement. No payment of purchase price will be required as consideration for RSUs, unless included in the award agreement or as required by applicable law. A grantee may be entitled to dividend equivalents, subject to the terms of the award agreement.

The 2019 Plan permits the administrator to grant RSUs subject to deferral arrangements, including pursuant to Section 409A of the Code (“DSUs”). The terms of outstanding DSUs granted to certain employees who are US taxpayers generally provide for four-year vesting subject to continued service of the grantee, and settlement of vested Ordinary Shares on the earliest to occur of (1) the ninth anniversary of the grant date, (2) the date of the grantee’s death, and (3) a change of control of the Company. Grantees are entitled to receive payments of dividend equivalents as to vested DSUs, payable no later than the end of the calendar month in which the dividend is paid to the Company’s shareholders.

*Other Share or Share-Based Awards.* The administrator may grant other awards under the 2019 Plan pursuant to which shares, cash (in settlement of share-based awards) or a combination thereof, are or may in the future be acquired or received, or awards denominated in stock units, including units valued on the basis of measures other than market value.



*Transferability.* Other than by will, the laws of descent and distribution or as otherwise provided under the 2019 Plan, neither an award nor any right to receive shares in connection with an award are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee's employment or service with Cellebrite or any of its affiliates, all unvested awards shall terminate as of the grantee's date of termination, except as otherwise provided in the award agreement or unless otherwise determined by the Board or the administrator.

In the event of termination of a grantee's employment or service with Cellebrite or any of its affiliates due to such grantee's death, retirement or "disability" (as defined in the 2019 Plan), all then-unvested held by such grantee as of the date of termination shall become fully vested.

Notwithstanding any of the foregoing, if a grantee's employment or services with the company or any of its affiliates is terminated for "cause" (as defined in the 2019 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination. Where a grantee's employment or services with the company is terminated for any of the above-stated reasons, all outstanding awards shall be made available for issuance under the 2021 Share Incentive Plan.

*Vesting.* Unless otherwise resolved by the administrator and stated in the award agreement, awards shall vest over a four year period, with 25% of the shares covered by the award vesting on the first anniversary of the vesting commencement date determined by the administrator (and in the absence of such determination, of date on which such award was granted), and 6.25% of the shares covered by the award vesting at the end of each subsequent three-month period, provided that the grantee remains in continuous service with the Company or an affiliate as of each such date. Vesting of awards granted under the 2019 Plan shall be suspended during any unpaid leave of absence, other than in the case of any (i) leave of absence which was pre-approved by the Company explicitly for purposes of continuing the vesting of Awards, or (ii) transfers between locations of the Company or any of its Affiliates, or between the Company and any of its Affiliates, or any respective successor thereof. For clarity, for purposes of the 2019 Plan, military leave, paid maternity or paternity leave or paid sick leave are not deemed unpaid leave of absence.

*Transactions.* In the event of a share split, reverse share split, share dividend, recapitalization, combination or reclassification of our shares, or any other increase or decrease in the number of issued shares effected without receipt of consideration by the company (but not including the conversion of any convertible securities of the company), the administrator in its sole discretion shall make an appropriate adjustment in the number of shares related to each outstanding award and to the number of shares reserved for issuance under the 2019 Plan, to the class and kind of shares subject to the 2019 Plan, as well as the exercise price per share of each outstanding award, as applicable, the terms and conditions concerning vesting and exercisability and the term and duration of outstanding awards, or any other terms that the administrator adjusts in its discretion, or the type or class of security, asset or right underlying the award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions); provided that any fractional shares resulting from such adjustment shall be rounded down to the nearest whole share unless otherwise determined by the administrator. In the event of a distribution of a cash dividend to all shareholders, the administrator may determine, without the consent of any holder of an award, that the exercise price of an outstanding and unexercised award shall be reduced by an amount equal to the per share gross dividend amount distributed by the Company, subject to applicable law.



In the event of a merger or consolidation of our company, or a sale of all, or substantially all, of the Company's shares or assets or other transaction having a similar effect on the Company, or change in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the board of directors determines to be a relevant transaction, then without the consent of the grantee, and subject to the terms of the applicable award agreement, the administrator may but is not required to (i) cause any outstanding award to be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the award (a) provide the grantee with the option to exercise the award as to all or part of the shares, and may provide for an acceleration of vesting of unvested awards, or (b) cancel the award and pay in cash, shares of the company, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any award as it shall deem, in good faith, appropriate.

### ***2021 Share Incentive Plan***

The 2021 Share Incentive Plan (the "2021 Plan"), was adopted by our board of directors on August 5, 2021. The 2021 Plan provides for the grant of equity-based incentive awards to our employees, directors, officers, consultants, advisors and other persons or entities who provide services to us in order to incentivize them to increase their efforts on behalf of the Company and to promote the success of the Company's business.

*Shares Available for Grants.* As of December 31, 2023, there were 12,435,797 Ordinary Shares underlying outstanding awards (including options, PSUs and RSUs) under the 2021 Plan, and 25,218,083 Ordinary Shares available for future grant under the 2021 Plan. The maximum number of Ordinary shares available for issuance under the 2021 Plan is equal to the sum of (i) 18,716,872 shares, equal to 10% of our outstanding shares immediately after the closing of the Merger, (ii) any shares subject to awards under the 2008 and the 2019 Option Plans that expire, or are cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares or became unexercisable without having been exercised, and (iii) an annual increase on the first day of each year beginning in 2022 and on January 1st of each calendar year thereafter during the term of the 2021 Plan, equal to 5% of the outstanding Ordinary shares of the Company on the last day of the immediately preceding calendar year. No more than 24,100,000 Ordinary shares may be issued upon the exercise of incentive stock options. If permitted by our board of directors, shares tendered to pay the exercise price or withholding tax obligations with respect to an award granted under the 2021 Plan, the 2019 Option Plan or the 2008 Plan, may again be available for issuance under the 2021 Plan. Our board of directors may also reduce the number of ordinary shares reserved and available for issuance under the 2021 Plan in its discretion.

*Administration.* Our board of directors or a duly authorized committee of our board of directors will administer the 2021 Plan. Under the 2021 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2021 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an ordinary share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2021 Plan, determine the tax track for the purpose of awards subject to Section 102 of the Israeli Income Tax Ordinance (New Version) 5271-1961 (which we refer to as the "Ordinance" herein) and take all other actions and make all other determinations necessary for the administration of the 2021 Plan.

The administrator also has the authority to approve the conversion, substitution, cancellation or suspension under and in accordance with the 2021 Plan of any or all option awards or Ordinary shares, and the authority to modify option awards to eligible individuals who are foreign nationals or are individuals who are employed outside Israel to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of the 2021 Plan but without amending the 2021 Plan.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2021 Plan or terminate the 2021 Plan at any time before the date of expiration of its ten year term.

*Eligibility.* The 2021 Plan provides for grants of awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, and Section 3(i) of the Ordinance and, for awards granted to our United States employees or service providers (including those who are deemed to be residents of the United States for tax purposes), Section 422 of the Code and Section 409A of the Code. For a description of the implications of Section 102, see above under the description of the 2019 Option Plan.

*Grants.* All awards granted pursuant to the 2021 Plan will be evidenced by an award agreement, in a form approved by the administrator in its sole discretion. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Certain awards under the 2021 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

Each Award Agreement shall provide the vesting schedule for the award as determined by the administrator. The administrator shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding award at such time and under such circumstances as it, in its sole discretion, deems appropriate.

*Awards.* The 2021 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), Ordinary Shares, restricted shares, RSUs, stock appreciation rights and other share-based awards.

Options granted under the 2021 Plan to Company employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code, or may be non-qualified stock options. The exercise price of an option may not be less than the par value of the shares (if the shares bear a par value) for which such option is exercisable. The exercise price of an Incentive Stock Option may not be less than 100% of the fair market value of the underlying share on the date of grant or such other amount as may be required pursuant to the Code, and in the case of Incentive Stock Options granted to ten percent stockholders, not less than 110%.

*Exercise.* An award under the 2021 Plan may be exercised by providing the Company with a written or electronic notice of exercise and full payment of the exercise price for such shares underlying the award, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. An award may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2021 Plan, the administrator may, in its discretion, accept cash, provide for net withholding of shares in a cashless exercise mechanism or direct a securities broker to sell shares and deliver all or a part of the proceeds to the Company or the trustee.

*Transferability.* Other than by will, the laws of descent and distribution or as otherwise provided under the 2021 Plan, neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee's employment or service with the Company or any of its affiliates (other than by reason of death or permanent disability), all vested and exercisable awards held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three month period, all such unexercised awards will terminate and the shares covered by such awards shall again be available for issuance under the 2021 Plan. In the event of termination of a grantee's employment or service with the Company or any of its affiliates due to such grantee's death or permanent disability, or in the event of the grantee's death within the three month period (or such longer period as determined by the administrator) following his or her termination of service, all vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within one year after such date of termination, unless otherwise provided by the administrator. Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the one year period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

Notwithstanding any of the foregoing, if a grantee's employment or services with the Company or any of its affiliates is terminated for "cause" (as defined in the 2021 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

*Voting Rights.* Except with respect to restricted share awards, grantees will not have the rights as a shareholder of the Company with respect to any shares covered by an award until the award has vested and/or the grantee has exercised such award, paid any exercise price for such award and becomes the record holder of the shares. With respect to restricted share awards, grantees will possess all incidents of ownership of the restricted shares, including the right to vote and receive dividends on such shares.

*Dividends.* Grantees holding restricted share awards will be entitled to receive dividends and other distributions with respect to the shares underlying the restricted share award. Any stock split, stock dividend, combination of shares or similar transaction will be subject to the restrictions of the original restricted share award. Grantees holding RSUs will not be eligible to receive dividend but may be eligible to receive dividend equivalents.

*Transactions.* In the event of a share split, reverse share split, share dividend, recapitalization, combination or reclassification of the Company's shares, the administrator in its sole discretion may, and where required by applicable law shall, without the need for a consent of any holder, make an appropriate adjustment in order to adjust (i) the number and class of shares reserved and available for the outstanding awards, (ii) the number and class of shares covered by outstanding awards, (iii) the exercise price per share covered by any award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding awards, and (v) the type or class of security, asset or right underlying the award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the award that in the opinion of the administrator should be adjusted; provided that any fractional shares resulting from such adjustment shall be rounded to the nearest whole share unless otherwise determined by the administrator. In the event of a distribution of a cash dividend to all shareholders, the administrator may determine, without the consent of any holder of an award, that the exercise price of an outstanding and unexercised award shall be reduced by an amount equal to the per share gross dividend amount distributed by the Company, subject to applicable law.

In the event of a merger or consolidation of the Company, or a sale of all, or substantially all, of the Company's shares or assets or other transaction having a similar effect on the Company, or change in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the board of directors determines to be a relevant transaction, then without the consent of the grantee, (i) unless otherwise determined by the administrator, any outstanding award will be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the award the administrator may (a) provide the grantee with the option to exercise the award as to all or part of the shares, and may provide for an acceleration of vesting of unvested awards, (b) cancel the award and pay in cash, shares of the Company, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances, or (c) provide that the terms of any award shall be otherwise amended, modified or terminated, as determined by the administrator to be fair in the circumstances.

### ***2021 Employee Share Purchase Plan***

The ESPP was adopted by our board of directors on August 5, 2021. The ESPP is comprised of two distinct components: (1) the component intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code (the "Section 423 Component") and (2) the component not intended to be tax qualified under Section 423 of the Code to facilitate participation for employees who are not eligible to benefit from favorable U.S. federal tax treatment and, to the extent applicable, to provide flexibility to comply with non U.S. law and other considerations (the "Non-Section 423 Component").

*Authorized Shares.* The maximum number of shares of our common stock which was initially available for issuance under the ESPP was not to exceed 1,871,687 shares, equal to 1% of our outstanding shares immediately after the closing of the Merger. In 2023 the Company issued a total of 587,579 shares with respect to ESPP. On the first day of each fiscal year beginning with our 2023 fiscal year and ending on and including the fiscal year of 2033, the initial pool of Ordinary Shares available for issuance under the ESPP has and shall be increased by that number of our Ordinary Shares equal to the lesser of:

- 1% of the outstanding Ordinary Shares as of the last day of the immediately preceding fiscal year, determined on a fully diluted basis; or
- such smaller amount as our board of directors may determine.

In no event will more than 36,150,000 Ordinary Shares (subject to adjustment as provided for in the ESPP) be available for issuance under the Section 423 Component.

*ESPP Administration.* Unless otherwise determined by our board of directors, the compensation committee of our board of directors (or such other committee or sub-committee to which our board of directors delegates administration of the ESPP) will administer the ESPP and will have the authority to interpret the terms of the ESPP, determine eligibility under the ESPP, determine when rights to purchase shares shall be granted and the provisions of each offering of such rights, to impose a mandatory holding period under which employees may not dispose or transfer shares under the ESPP, prescribe, revoke and amend forms, rules and procedures relating to the ESPP, and otherwise exercise such powers and to perform such acts as the administrator deems necessary or expedient to promote the best interests of the Company and its subsidiaries and to carry out the intent that the ESPP be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code for the Section 423 Component.

*Eligibility.* Participation in the Section 423 Component may be limited in the terms of any offering to exclude an employee of the Company and any of its designated subsidiaries (a) who is a highly-compensated employee (within the meaning of Section 423(b)(4)(D) of the Code), (b) who has not a service requirement set by the administrator of the ESPP pursuant to Section 423(b)(4)(A) of the Code (such requirement not to exceed two years), (c) who customarily works less than 20 hours per week, (d) whose customary employment is for less than five months per fiscal year, and/or(e)who is a citizen or resident of a non-U.S. jurisdiction and the grant of a right to purchase shares under the ESPP to such employee would be prohibited under the laws of such non-U.S. jurisdiction or the grant of a right to purchase shares under the ESPP to such employee in compliance with the laws of such non-U.S. jurisdiction would cause the ESPP to violate the requirements of Section 423 of the Code. Any of the foregoing exclusions must be applied in an identical manner to all employees under each offering period, in accordance with Treasury Regulation Section 1.423-2(e). Under the Section 423 Component, designated subsidiaries include any subsidiary (within the meaning of Section 424(f) of the Code) of the Company that has been designated by our board of directors or the compensation committee as eligible to participate in the ESPP (and if an entity does not so qualify within the meaning of Section 424(f) of the Code, it shall automatically be deemed to be a designated subsidiary in the Non-Section 423 Component). In addition, with respect to the Non-Section 423 Component, designated subsidiaries may include any corporate or noncorporate entity in which the Company has a direct or indirect equity interest or significant business relationship. Under the Section 423 Component, no employee may be granted a purchase right if, immediately after the purchase right is granted, the employee would own (or, under applicable statutory attribution rules, would be deemed to own) shares possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or any of its subsidiaries. In addition, in order to facilitate participation in the ESPP, the compensation committee may provide for such special terms applicable to participants who are citizens or residents of a non-U.S. jurisdiction, or who are employed by a designated subsidiary outside of the U.S., as the compensation committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Except as permitted by Section 423 of the Code, with respect to the Non-Section 423 Component, such special terms may not be more favorable than the terms of rights granted under the Section 423 Component to eligible employees who are residents of the United States.

*Offering Periods.* The ESPP provides for offering periods, not to exceed 27 months each, during which we will grant rights to purchase our Ordinary Shares to our employees. The timing of the offering periods will be determined by the administrator. The terms and conditions applicable to each offering period will be set forth in an offering document adopted by the administrator for the particular offering period. The maximum number of shares that may be purchased by any eligible employee during a particular offering period is 30,000 shares, unless otherwise specified by the administrator in the offering document. The provisions of offerings during separate offering periods under the ESPP need not be identical.

*Contributions.* Our ESPP will permit participants to purchase our Ordinary Shares through contributions (in the form of payroll deductions, or otherwise, to the extent permitted by the administrator). The percentage of compensation designated by an eligible employee as payroll deductions for participation in an offering may not be less than 1% and may not be more than the maximum percentage specified by the administrator in the applicable offering document (which maximum percentage shall be 25% in the absence of any such specification). A participant may increase or decrease the percentage of compensation designated in his or her subscription agreement, or may suspend his or her payroll deductions, at any time during an offering period; provided, however, that the administrator may limit the number of changes a participant may make in the applicable offering document. In the absence of any specific designation by the administrator, a participant may decrease (but not increase) his or her payroll deduction elections one time during each offering period.



*Exercise of Purchase Right.* Amounts contributed and accumulated by the participant will be used to purchase our Ordinary Shares at the end of each offering period. Unless otherwise determined by the administrator, the purchase price of the shares will be 85% of the lower of the fair market value of our Ordinary Shares on (i) the first trading day of the offering period or (ii) the last trading day of the offering period (and may not be lower than such amount with respect to the Section 423 Component). Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase our Ordinary Shares. Participation ends automatically upon termination of employment with us.

*Non-Transferability.* A participant may not transfer contributions credited to his or her account nor any rights granted under our ESPP other than by will, the laws of descent and distribution or as otherwise provided under our ESPP.

*Corporate Transactions.* In the event of certain transactions or events such as a consolidation, merger or similar transaction, a sale or transfer of all or substantially all of the Company's assets, or a dissolution or liquidation of the Company, the administrator may, in its discretion, provide that (i) each outstanding purchase right will be (a) assumed or substituted for a right granted by the acquiror or successor corporation or by a parent or subsidiary of such entity, (b) terminated in exchange for cash or other property as determined by the administrator, (c) adjusted with respect to the number and type of shares (or other securities or property) subject to outstanding rights under the ESPP and/or in the terms and conditions of outstanding rights and rights that may be granted in the future; (d) cancelled with accumulated payroll deductions returned to each participant, or (ii) the participant's accumulated payroll deductions may be used to purchase shares prior to the end of the offering period and before the date of the proposed sale, merger or similar transaction.

*Amendment; Termination.* The administrator will have the authority to amend, suspend or terminate our ESPP. Our ESPP is not subject to a specific termination date.

## **Indemnification**

The Company has entered into indemnification agreements with its directors and executive officers. Information regarding such indemnification agreements is included in this Annual Report under the section titled "[Item 6. Directors, Senior Management and Employees—C. Board Practices—Approval of Related Party Transactions under Israeli Law—Exculpation, Insurance and Indemnification of Office Holders](#)" and is incorporated herein by reference.



## C. BOARD PRACTICES

As an Israeli company, we are subject to various corporate governance requirements under the Companies Law, relating to matters such as external directors, the audit committee, the compensation committee and an internal auditor.

Additionally, we are a “foreign private issuer” under the Exchange Act. As a foreign private issuer, we are permitted to comply with Israeli corporate governance practices instead of the corporate governance rules of Nasdaq, provided that we disclose which requirements we are not following and the equivalent Israeli requirement. We currently rely on this “foreign private issuer exemption” only with respect to the quorum requirement for shareholder meetings and the requirement regarding distribution of annual reports. For more information, see “[Part I, Item 16G. Corporate Governance.](#)” We otherwise comply with and intend to continue to comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. We may, however, in the future decide to rely upon the “foreign private issuer exemption” for purposes of opting out of some or all of the other Nasdaq corporate governance rules. Following our home country governance practices may provide less protection than is accorded to investors under the Nasdaq rules applicable to domestic issuers. For more information, see “[Part I, Item 3. Key Information — D. Risk Factors—Risks Relating to an Investment in our Securities —As a ‘foreign private issuer’ under applicable securities laws and regulations, Cellebrite is permitted to, and may, file less or different information with the SEC than a company incorporated in the United States, and will follow certain home country governance practices in lieu of certain Nasdaq requirements applicable to U.S. issuers.](#)”

### Board of Directors

Under the Companies Law and the Amended Articles, our business and affairs are managed under the direction of our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to executive management. Our Chief Executive Officer (referred to as a “general manager” under the Companies Law) is responsible for our day-to-day management. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by the Chief Executive Officer, subject to applicable corporate approvals, and are subject to the terms of any applicable employment or consulting agreements that we may enter into with them.

Pursuant to the Amended Articles, other than external directors, for whom special election requirements apply under the Companies Law, the number of directors on our board of directors consists of no less than three and no more than eleven directors divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than the external directors). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election. Therefore, each year the term of office of only one class of directors will expire.

Our directors who are not external directors are divided among the three classes as follows:

- the Class III directors are Yossi Carmil, Adam Clammer, and Thomas Hogan, and their terms will expire at our annual meeting of shareholders to be held in 2024; and
- the Class I directors are Elly Keinan and Yonatan Domnitz, and their terms will expire at the annual general meeting of shareholders to be held in 2025; and

- the Class II directors are Brandon Van Buren and Ryusuke Utsumi, and their terms will expire at our annual meeting of shareholders to be held in 2026.

Our directors, aside from our external directors, were generally appointed by a simple majority vote of holders of our Ordinary Shares, participating and voting (in person or by proxy) at the annual general meeting of our shareholders. However, pursuant to the specific director appointment rights contained in the Amended Articles, (i) two directors reasonably acceptable to Cellebrite were nominated by the Sponsor (each a “Sponsor Director”); and (ii) two directors reasonably acceptable to Cellebrite were nominated by SUNCORPORATION (each a “SUN Director”). As of the date of this annual report, the Amended Articles provide in respect of future director appointment rights that (i) one director is to be nominated by the Sponsor and reasonably acceptable to Cellebrite; and (ii) two directors are to be nominated by SUNCORPORATION and reasonably acceptable to Cellebrite. Our external directors were elected by our shareholders on November 29, 2021 and are Ms. Gruber and Baudot-Trajtenberg. For more information, see “— [External Directors](#).”

Each director, aside from our external directors, the Sponsor Directors and the SUN Directors will hold office until the annual general meeting of our shareholders for the year in which such director’s term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless such director is removed from office as described below.

With respect to the directors appointed pursuant to the specific appointment rights described above: one Sponsor Director serves in Class II (the “Class II Sponsor Director”) and the other Sponsor Director serves in Class III (the “Class III Sponsor Director”); one SUN Director serves in Class I (the “Class I SUN Director”) and the other SUN Director serves in Class II (the “Class II SUN Director”).

The director appointment rights of the Sponsor and SUNCORPORATION under the Cellebrite Articles are subject to the following limitations:

- The Sponsor had the right to appoint a Class II Sponsor Director and a Class III Sponsor Director during the period commencing on the date of the consummation of the Merger and ending on the earlier of (i) the date immediately following Cellebrite’s 2023 annual general meeting of its shareholders and (ii) the date on which TWC and certain affiliates (the “Sponsor Parties”) beneficially own in the aggregate less than two-thirds (2/3) of the number of Ordinary Shares beneficially owned by the Sponsor Parties on the date of the consummation of the Merger. Following such period and until the earlier of (i) the date immediately prior to Cellebrite’s 2027 annual general meeting of its shareholders and (ii) the date on which the Sponsor Parties beneficially own in the aggregate less than one-third (1/3) of the number of Ordinary Shares beneficially owned by the Sponsor Parties on the consummation of the Merger, the Sponsor has the right to appoint one Class III Sponsor Director.
- SUNCORPORATION has the right to appoint a Class I SUN Director and a Class II SUN Director until such time as SUNCORPORATION and its affiliates cease to beneficially own in the aggregate at least 20% of the issued and outstanding Ordinary Shares. Following such time and until such time as SUNCORPORATION and its affiliates cease to beneficially own in the aggregate at least 10% of the issued and outstanding Ordinary Shares, SUNCORPORATION has the right to appoint a Class I SUN Director.

Under the Amended Articles, the approval of the holders of at least 65% of the total voting power of our shareholders is generally required to remove any of our directors (other than the external directors, the Sponsor Directors and the SUN Directors) from office or amend the provision requiring the approval of at least 65% of the total voting power of our shareholders to remove any of our directors from office. In addition, vacancies on our board of directors may only be filled by a vote of a simple majority of the directors then in office or in case of a Sponsor Directors or SUN Directors, by a majority of the holders of the respective director appointment rights. A director so appointed will hold office until the next annual general meeting of our shareholders for the election of the class of directors in respect of which the vacancy was created. In the case of a vacancy due to the number of directors being less than the maximum number of directors stated in the Amended Articles, the new director filling the vacancy will serve until the next annual general meeting of our shareholders for the election of the class of directors to which such director was assigned by our board of directors.

### **Director Independence**

The Nasdaq corporate governance rules require that a majority of our board of directors be independent. An “independent director” is defined generally as a person who has no material relationship with the listed company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the listed company). Our board of directors has determined that each of our directors, other than Mr. Carmil and Mr. Hogan, is an independent director as defined in the Nasdaq corporate governance rules.

### **Chairperson of the Board**

The Amended Articles provide that the Chairperson of the board of directors is appointed by the members of the board of directors from among them. Under the Companies Law, the chief executive officer of a public company, or a relative of the chief executive officer, may not serve as the chairperson of the board of directors, and the chairperson of the board of directors, or a relative of the chairperson, may not be vested with authorities of the chief executive officer unless approved by a special majority of the company’s shareholders. The shareholders’ approval can be effective for a period of five years following an initial public offering, and subsequently, for additional periods of up to three years.

In addition, a person who is subordinated, directly or indirectly, to the chief executive officer may not serve as the chairperson of the board of directors, the chairperson of the board of directors may not be vested with authorities that are granted to persons who are subordinated to the chief executive officer and the chairperson of the board of directors may not serve in any other position in the company or in a controlled subsidiary, but may serve as a director or chairperson of a controlled subsidiary.

## External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are “public companies,” including companies with shares listed on Nasdaq are required to appoint at least two external directors. Our external directors, who were elected by our shareholders on November 29, 2021, are Mses. Gruber and Baudot-Trajtenberg.

Pursuant to the regulations promulgated under the Companies Law, companies whose shares are traded on specified U.S. stock exchanges, including Nasdaq, and which do not have a controlling shareholder (as such term is defined in the Companies Law), and follow the U.S. rules with respect to the appointment of independent directors and the composition of the Board’s committees, may (but are not required to) elect to opt out of the requirement to maintain external directors and opt out of the composition requirements under the Companies Law with respect to the audit and compensation committees. We currently cannot rely on such exemption because SUN Corporation is a controlling shareholder of Cellebrite.

The provisions of the Companies Law set forth special approval requirements for the election of external directors. External directors must be elected by a majority vote of the shares present and voting at a meeting of shareholders, provided that either:

- such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in the election of the external director (other than a personal interest not deriving from a relationship with a controlling shareholder) that are voted at the meeting, excluding abstentions, to which we refer as a disinterested majority; or
- the total number of shares voted by non-controlling shareholders and by shareholders who do not have a personal interest in the election of the external director against the election of the external director does not exceed 2% of the aggregate voting rights in the company.

The term “controlling shareholder” as used in the Companies Law for purposes of all matters related to external directors and for certain other purposes (such as the requirements related to appointment to the audit committee or compensation committee, as described below), means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint a majority of the directors of the company or its general manager. With respect to certain matters (various related party transactions), a controlling shareholder is deemed to include a shareholder that holds 25% or more of the voting rights in a public company if no other shareholder holds more than 50% of the voting rights in the company, but excludes a shareholder whose power derives solely from his or her position as a director of the company or from any other position with the company.

The initial term of an external director is three years. Thereafter, an external director may be re-elected by shareholders to serve in that capacity for up to two additional three-year terms, provided that either:

- (i) his or her service for each such additional term is recommended by one or more shareholders holding at least 1% of the company’s voting rights and is approved at a shareholders meeting by a disinterested majority, where the total number of shares held by non-controlling, disinterested shareholders voting for such re-election exceeds 2% of the aggregate voting rights in the company, subject to additional restrictions set forth in the Companies Law with respect to affiliations of external director nominee;

- (ii) his or her service for each such additional term is recommended by the board of directors and is approved at a meeting of shareholders by the same majority required for the initial election of an external director (as described above); or
- (iii) his or her service for each such additional term is suggested by the director himself/herself and is approved at a shareholders meeting by a disinterested majority, where the total number of shares held by non-controlling, disinterested shareholders voting for such re-election exceeds 2% of the aggregate voting rights in the company, subject to additional restrictions set forth in the Companies Law with respect to affiliations of external director nominee.

The term of office for external directors for Israeli companies traded on certain foreign stock exchanges, including Nasdaq may be extended indefinitely in increments of additional three-year terms, in each case provided that the audit committee and the board of directors of the company confirm that, in light of the external director's expertise and special contribution to the work of the board of directors and its committees, the re-election for such additional period(s) is beneficial to the company, and provided that the external director is re-elected subject to the same shareholder vote requirements (as described above regarding the re-election of external directors). Prior to the approval of the re-election of the external director at a general meeting of shareholders, the company's shareholders must be informed of the term previously served by him or her and of the reasons why the board of directors and audit committee recommended the extension of his or her term.

External directors may be removed from office by a special general meeting of shareholders called by the board of directors, which approves such dismissal by the same shareholder vote percentage required for their election or by a court, in each case, only if such director does not meet the statutory qualifications for appointment, or violating their duty of loyalty to the company. The court may also remove an external director from office, if it determines, at the request of the company, a board member, a shareholder or a creditor that the board member is not able to fulfil his role or if such board member was convicted by a foreign court of certain specific offences.

If an external directorship becomes vacant and there are fewer than two external directors on the board of directors at the time, then the board of directors is required under the Companies Law to call a shareholders' meeting as soon as practicable to appoint a replacement external director. Each committee of the board of directors that has the right to exercise the powers of the board of directors must include at least one external director and the audit committee and the compensation committee must include all external directors then serving on the board of directors and an external director must serve as chair thereof. Under the Companies Law, external directors of a company are prohibited from receiving, directly or indirectly, any compensation from the company other than for their services as external directors pursuant to the Companies Law and the regulations promulgated thereunder. Compensation of an external director is determined prior to his or her appointment and may not be changed during his or her term subject to certain exceptions.

The Companies Law provides that a person is not qualified to be appointed as an external director if (i) the person is a relative of a controlling shareholder of the company, or (ii) if that person or his or her relative, partner, employer, another person to whom he or she was directly or indirectly subordinate, or any entity under the person's control, has or had, during the two years preceding the date of appointment as an external director: (a) any affiliation or other disqualifying relationship with the company, with any person or entity controlling the company or a relative of such person, or with any entity controlled by or under common control with the company; or (b) in the case of a company with no controlling shareholder or any shareholder holding 25% or more of its voting rights, had at the date of appointment as an external director, any affiliation or other disqualifying relationship with a person then serving as chairman of the board or Chief Executive Officer, a holder of 5% or more of the issued share capital or voting power in the company or the most senior financial officer.

The term “relative” is defined in the Companies Law as a spouse, sibling, parent, grandparent or descendant; spouse’s sibling, parent or descendant; and the spouse of each of the foregoing persons. Under the Companies Law, the term “affiliation” and the similar types of disqualifying relationships include (subject to certain exceptions):

- an employment relationship;
- a business or professional relationship even if not maintained on a regular basis (but excluding insignificant relationships);
- control; and
- service as an office holder, excluding service as a director in a private company prior to the initial public offering of its shares if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

The term “office holder” is defined in the Companies Law as a general manager (i.e., Chief Executive Officer), chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of that person’s title, a director and any other manager directly subordinate to the general manager.

In addition, no person may serve as an external director if that person’s position or professional or other activities create, or may create, a conflict of interest with that person’s responsibilities as a director or otherwise interfere with that person’s ability to serve as an external director or if the person is an employee of the Israel Securities Authority of an Israeli stock exchange.

Following the termination of an external director’s service on a board of directors, such former external director and his or her spouse and children may not be provided a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder’s control. This includes engagement as an office holder of the company or a company controlled by its controlling shareholder or employment by, or provision of services to, any such company for consideration, either directly or indirectly, including through a corporation controlled by the former external director. This restriction extends for a period of two years with regard to the former external director and his or her spouse or child and for one year with respect to other relatives of the former external director.

If at the time at which an external director is appointed all members of the board of directors who are not controlling shareholders or relatives of controlling shareholders of the company are of the same gender, the external director to be appointed must be of the other gender. A director of one company may not be appointed as an external director of another company if a director of the other company is acting as an external director of the first company at such time.

According to the Companies Law and regulations promulgated thereunder, a person may be appointed as an external director only if he or she has professional qualifications or if he or she has accounting and financial expertise (each, as defined below); provided that at least one of the external directors must be determined by our board of directors to have accounting and financial expertise. However, if at least one of our other directors (i) is an audit committee independent financial expert according to U.S. law and (ii) has accounting and financial expertise as defined under the Companies Law, then neither of our external directors is required to possess accounting and financial expertise as long as each possesses the requisite professional qualifications.



A director with accounting and financial expertise is a director who, due to his or her education, experience and skills, possesses an expertise in, and an understanding of, financial and accounting matters and financial statements, such that he or she is able to understand the financial statements of the company and initiate a discussion about the presentation of financial data. A director is deemed to have professional qualifications if he or she has any of (i) an academic degree in economics, business management, accounting, law or public administration, (ii) an academic degree or has completed another form of higher education in the primary field of business of the company or in a field which is relevant to his/her position in the company or (iii) at least five years of experience serving in one of the following capacities, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a significant volume of business, (b) a senior position in the company's primary field of business or (c) a senior position in public administration or service. The board of directors is charged with determining whether a director possesses financial and accounting expertise or professional qualifications.

### **Lead Independent Director**

Our board of directors has adopted corporate governance guidelines, which now serve as a flexible framework within which our board of directors and its committees operate subject to the requirements of applicable law and regulations. Under these guidelines and in accordance with the Companies Law, the positions of Chairperson of the board of directors and Chief Executive Officer may not be held by the same person unless approved by a special majority of our shareholders pursuant to the Companies Law, as described below. If the Chief Executive Officer serves as the chairperson of the board of directors or if the chairperson is not independent under Nasdaq rules, the guidelines provide that the non-management board members must designate an independent director to serve as the lead independent director.

We have designated Adam Clammer to serve as our lead independent director given that our Chairman, Thomas Hogan, is not independent under Nasdaq rules.

The authorities and responsibilities of the lead independent director include, but are not be limited to, the following:

- presiding as chairman of meetings of the board of directors at which the chairman of the board of directors is not present, including executive sessions of the independent members of the board of directors;
- serving as liaison between the chairman of the board of directors and the independent members of the board of directors;
- approving meeting agendas for the board of directors;
- approving information sent to the board of directors;
- approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- if so determined by the board of directors at such time, providing leadership and serving as temporary chairperson in the event of the inability of the chairperson to fulfill his/her role due to crisis or other event or circumstance which would make leadership by existing management inappropriate or ineffective, in which case the lead independent director shall have the authority to convene meetings of the full board of directors;
- having the authority to call meetings of the independent members of the board of directors; and
- if requested by major shareholders, ensuring that he or she is available for consultation and direct communication.

## **Audit Committee**

### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint an audit committee. The audit committee must be comprised of at least three directors, including all of the external directors, one of whom must serve as chairman of the committee. The audit committee may not include the chairman of the board, a controlling shareholder of the company, a relative of a controlling shareholder, a director employed by or providing services on a regular basis to the company, to a controlling shareholder or to an entity controlled by a controlling shareholder, or a director who derives most of his or her income from a controlling shareholder. In addition, under the Companies Law, the audit committee of a publicly traded company must consist of a majority of unaffiliated directors. In general, an “unaffiliated director” under the Companies Law is defined as either an external director or as a director who meets the following criteria:

- he or she meets the qualifications for being appointed as an external director, except for the requirement (i) that the director be an Israeli resident (which does not apply to companies such as ours whose securities have been offered outside of Israel or are listed for trading outside of Israel) and (ii) for accounting and financial expertise or professional qualifications; and
- he or she has not served as a director of the company for a period exceeding nine consecutive years. For this purpose, a break of less than two years in the service shall not be deemed to interrupt the continuation of the service.

Each member of our audit committee (each, as identified in the second paragraph under the sub-heading “Listing Requirements” below) is an unaffiliated director under the Companies Law, thereby fulfilling the foregoing Israeli law requirement for the composition of the audit committee.

The audit committee may not include the chairman of the board, a controlling shareholder of the company, a relative of a controlling shareholder, a director employed by or providing services on a regular basis to the company, to a controlling shareholder or to an entity controlled by a controlling shareholder, or a director who derives most of his or her income from a controlling shareholder. In addition, under the Companies Law, the audit committee of a publicly traded company must consist of a majority of independent directors.

### *Listing Requirements*

Under the corporate governance rules of Nasdaq we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise.

Our audit committee consists of Dafna Gruber, Nadine Baudot-Trajtenberg and Brandon Van Buren, each of whom is an independent director in accordance with Rule 10A-3(b)(1) under the Exchange Act and satisfies the independent director requirements under the Nasdaq rules. Dafna Gruber serves as the chairperson of the audit committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the corporate governance rules of Nasdaq. Our board has determined that Dafna Gruber is an audit committee financial expert as defined by the SEC rules.

### *Audit Committee Role*

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee, which are consistent with the Companies Law, the SEC rules, and the Nasdaq corporate governance rules. These responsibilities include, but are not limited to:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors in accordance with Israeli law;
- recommending the engagement or termination of the person filling the office of our internal auditor; and
- recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the accountants are independent of management.

Under the Israeli Companies Law, our audit committee is responsible for:

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;
- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under the Israeli Companies Law) (see “—[Approval of Related Party Transactions Under Israeli Law](#)”);
- establishing the approval process (including, potentially, the approval of the audit committee and conducting a competitive procedure supervised by the audit committee) for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest;
- where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto;
- examining our internal audit controls and internal auditor’s performance, including whether the internal auditor has sufficient resources and tools to fulfill his responsibilities;
- examining the scope of our auditor’s work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and
- establishing procedures for the handling of employees’ complaints as to the management of our business and the protection to be provided to such employees.

Our audit committee may not approve any actions requiring its approval (see “—[Approval of Related Party Transactions Under Israeli Law](#)”), unless at the time of the approval a majority of the committee’s members are present, which majority consists of unaffiliated directors including at least one external director.

## **Compensation Committee**

### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint a compensation committee. The compensation committee generally (subject to certain exceptions that do not apply to our company) must be comprised of at least three directors, including all of the external directors, who must constitute a majority of the members of the compensation committee, and one of whom must serve as chairman. Each compensation committee member who is not an external director must be a director whose compensation is similar to the amount that may be paid to an external director. The compensation committee is subject to the same Companies Law restrictions as the audit committee as to who may not be a member of the compensation committee. Each member of our compensation committee (each, as identified in the second paragraph under the sub-heading “Listing Requirements” below) fulfills the foregoing Israeli law requirements related to the composition of the compensation committee.

### *Listing Requirements*

Under the corporate governance rules of Nasdaq, we are required to maintain a wholly-independent compensation committee consisting of at least two independent directors or, if we choose to follow requirements under Israeli law, we must disclose that fact in this annual report. Each of the members of the compensation committee is required to be independent under the Nasdaq rules relating to compensation committee members and Rule 10C-1(b)(1) under the Exchange Act, which are different than the general test for independence of board members.

Our compensation committee consists of Dafna Gruber, Nadine Baudot-Trajtenberg and Elly Keinan. Nadine Baudot-Trajtenberg serves as chairperson of the committee. Our board of directors has determined that each member of our compensation committee is independent under the corporate governance rules of Nasdaq and that each satisfies the above-described additional requirements for compensation committee members under the Nasdaq rules and Exchange Act.

### *Compensation Committee Role*

In accordance with the Companies Law, the roles of the compensation committee are, among others, as follows:

- making recommendations to the board of directors with respect to the approval of the compensation policy for office holders and, once every three years, regarding any extensions to a compensation policy that was adopted for a period of more than three years (other than following a company’s initial public offering, in which case such approval must occur within 5 years of the initial public offering);
- reviewing the implementation of the compensation policy and periodically making recommendations to the board of directors with respect to any amendments or updates of the compensation policy;
- resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders;

- exempting, under certain circumstances, a transaction with our Chief Executive Officer from the approval of our shareholders.
- determining, subject to the approval of the board and under special circumstances, whether to override a determination of the company's shareholders regarding certain compensation related issues.

An office holder is defined in the Companies Law as a director, chief executive officer, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of such person's title, and any other manager directly subordinate to the chief executive officer. Each person listed in the table under the section titled "Directors and Senior Management" is an office holder under the Companies Law.

Our board of directors has adopted a compensation committee charter setting forth the responsibilities of the committee, which are consistent with the corporate governance rules of Nasdaq and include among others:

- recommending to our board of directors for its approval a compensation policy in accordance with the requirements of the Companies Law as well as other compensation policies, incentive-based compensation plans and equity-based compensation plans, and overseeing the development and implementation of such policies and recommending to our board of directors any amendments or modifications the committee deems appropriate, including as required under the Companies Law;
- reviewing and approving the granting of options and other incentive awards to our Chief Executive Officer and other executive officers, including reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, including evaluating their performance in light of such goals and objectives;
- approving and exempting certain transactions regarding office holders' compensation pursuant to the Companies Law; and
- administering our equity-based compensation plans, including without limitation, approving the adoption of such plans, amending and interpreting such plans and the awards and agreements issued pursuant thereto, and making awards to eligible persons under the plans and determining the terms of such awards.

#### *Compensation Policy under the Companies Law*

In general, under the Companies Law, a public company must have a compensation policy approved by the board of directors after receiving and considering the recommendations of the compensation committee. In addition, our compensation policy must be approved at least once every three years, first, by our board of directors, upon recommendation of our compensation committee, and second, by a majority of the Ordinary Shares present, in person or by proxy, and voting (excluding abstentions) at a general meeting of shareholders, provided that either:

- such majority includes at least a majority of the shares held by shareholders who are not controlling shareholders and shareholders who do not have a personal interest in such compensation policy; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation policy and who vote against the policy does not exceed two percent (2%) of the aggregate voting rights in the Company.

Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed grounds and after discussing again the compensation policy, that approval of the compensation policy, despite the objection of shareholders, is for the benefit of the company.

If a company that initially offers its securities to the public, like us, adopts a compensation policy in advance of its initial public offering, and describes it in its Annual Report for such offering, then such compensation policy shall be deemed a validly adopted policy in accordance with the Companies Law requirements described above. Furthermore, if the compensation policy is established in accordance with the aforementioned relief, then it will remain in effect for a term of five years from the date such company becomes a public company.

The compensation policy must be based on certain considerations, include certain provisions and reference certain matters as set forth in the Companies Law. The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement (under special circumstances, the compensation committee, board of directors and the shareholders may approve terms of employment or engagement of an office holder which do not comply with the compensation policy. The board of directors may approve terms of employment or engagement of an office holder despite the objection of the shareholders on the condition that the compensation committee and then the board of directors approve it, on the basis of detailed grounds and after discussing again such terms of employment or engagement). The compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company's objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company's risk management policy; the size and the nature of the company's operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company's long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder. The compensation policy must furthermore consider the following additional factors:

- the knowledge, skills, expertise and accomplishments of the relevant office holder;
- the office holder's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the terms offered and the average compensation of the other employees of the company, including those employed through manpower companies;
- the impact of disparities in salary upon work relationships in the company;
- the possibility of reducing variable compensation at the discretion of the board of directors;
- the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- as to severance compensation, the period of service of the office holder, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.



In addition, the Companies Law provides that the following matters must be included in the compensation policy (the "Compensation Policy Mandatory Provisions"): (i) the award of variable components must be based on long term and measurable performance criteria (other than non-material variable components, which may be based on non-measurable criteria taking into account the relevant person's contribution to the performance of the company); (ii) the company must set a ratio between fixed and variable pay, set a cap on the payment of any cash variable compensation components as of the payment of such components, and set a cap on the maximum cash value all non-cash variable components as of their grant date; (iii) the compensation policy must include a provision requiring the relevant person to return to the company any compensation that was awarded on the basis of financial figures that were subsequently restated; (iv) equity based variable compensation components should have an appropriate minimum vesting periods, which should be linked to long term performance objectives; and (v) the company must set a clear limit on termination payments.

Our compensation policy is designed to promote retention and motivation of directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance and provide a risk management tool. To that end, a portion of our executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. On the other hand, our compensation policy includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm us in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officers' individual characteristics (such as their respective position, education, scope of responsibilities and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include: base salary, annual bonuses and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort or outstanding company performance), equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary.

An annual cash bonus may be awarded to executive officers upon the attainment of preset periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers other than our Chief Executive Officer will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our Chief Executive Officer and subject to minimum thresholds. The annual cash bonus that may be granted to executive officers other than our Chief Executive Officer may alternatively be based entirely on a discretionary evaluation. Furthermore, our Chief Executive Officer is entitled to approve performance objectives for executive officers who report to him.

The measurable performance objectives of our Chief Executive Officer will be determined annually by our compensation committee and board of directors. A non-material portion of the Chief Executive Officer's annual cash bonus, as provided in our compensation policy, may be based on a discretionary evaluation of the Chief Executive Officer's overall performance by the compensation committee and the board of directors.

The equity-based compensation under our compensation policy for our executive officers (including members of our board of directors) is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares and RSUs, in accordance with our equity incentive plan then in place. All equity-based incentives granted to executive officers shall be subject to vesting periods in order to promote long-term retention of the awarded executive officers.

In addition, our compensation policy contains compensation recovery provisions which allow us under certain conditions to recover bonuses paid in excess, enable our Chief Executive Officer to approve an immaterial change in the terms of employment of an executive officer who reports directly him (provided that the changes of the terms of employment are in accordance with our compensation policy) and allow us to exculpate, indemnify and insure our executive officers and directors to the maximum extent permitted by Israeli law subject to certain limitations set forth therein.

Our compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director) of 2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel) of 2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in our compensation policy.

### **Nominating and Governance Committee**

Our nominating and governance committee consists of Yonatan Domnitz, Brandon Van Buren and Adam Clammer. Mr. Clammer serves as chairperson of the committee. Our board of directors has adopted a nominating and governance committee charter setting forth the responsibilities of the committee, which include, but are not limited to:

- overseeing and assisting our board in reviewing and recommending nominees for election of directors, including that its membership consists of persons with sufficiently diverse and independent backgrounds;
- assessing the performance of the members of our board; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to our board a set of corporate governance guidelines applicable to our business.

## **Internal Auditor**

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law (which refers to the Internal Audit Law 5752-1992), the internal auditor shall not, outside the body in which he or she serves as internal auditor, have any responsibility which creates or is liable to create a conflict of interests with his or her responsibility as internal auditor. In addition, the internal auditor shall not, in the body in which he or she serves as internal auditor, have any responsibility other than internal audit, except for the responsibilities of a commissioner of public complaints or of a commissioner of employees' complaints, and even that only if the additional responsibility does not interfere with the performance of his or her primary responsibility. As of December 31, 2023, our internal auditor is Deloitte, represented by Ms. Sharon Cohen.

## **Approval of Related Party Transactions under Israeli Law**

### *Fiduciary Duties of Directors and Executive Officers*

The Companies Law codifies the fiduciary duties that office holders owe to a company. An office holder is defined in the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of such person's title, a director and any other manager directly subordinate to the general manager. Each person listed in the table under "Directors and Senior Management" is an office holder under the Companies Law.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the business advisability of a given action brought for his, her or its approval or performed by virtue of his, her or its position; and
- all other important information pertaining to such action.

The duty of loyalty requires that an office holder act in good faith and in the best interests of the company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of his, her or its duties in the company and his, her or its other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself, herself or itself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his, her or its position as an office holder.

Under the Companies Law, a company may approve an act specified above which would otherwise constitute a breach of the office holder's fiduciary duty, provided that the office holder acted in good faith, neither the act nor its approval harms the company and the office holder discloses his, her or its personal interest, including any substantial fact or document, a sufficient time before the date for discussion of the approval of such act. Any such approval is subject to the terms of the Companies Law setting forth, among other things, the appropriate bodies of the company required to provide such approval and the methods of obtaining such approval.

*Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions*

The Companies Law requires that an office holder promptly disclose to the company any personal interest and all related material information known to such office holder concerning any existing or proposed transaction with the company, no later than the meeting of the board of directors in which the transaction is first considered. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director, or general manager or in which such person has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest includes the personal interest of a person who votes by virtue of a power of attorney given to him by the office holder, even if the office holder giving the voting proxy does not have a personal interest, and the person who was given a power of attorney by the office holder who has a personal interest, shall also be deemed a vote of a person with a personal interest, irrespective of whether the person who votes has or does not have discretion.

If it is determined by the Audit Committee that an office holder has a personal interest in a non-extraordinary transaction (meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities), approval by the board of directors is required for the transaction unless the company's articles of association provide for a different method of approval. Any such transaction that is adverse to the company's best interests may not be approved by the board of directors.

Pursuant to the Amended Articles, a transaction between the company and an office holder, and a transaction between the company and another entity in which an office holder of the company has a personal interest, in each case, which is not an non extraordinary transaction (as defined above), shall require only the approval by the board of directors or a committee of the board of directors. Such authorization, as well as the actual approval, may be for a particular transaction or more generally for specific type of transactions.

Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction (meaning any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities) in which an office holder has a personal interest.

A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless a majority of the directors or members of the audit committee, as applicable, have a personal interest in the matter. If a majority of the members of the audit committee or the board of directors have a personal interest in the matter, then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof and, in such case, shareholder approval is also required. However, an office holder who has a personal interest may participate in order to present the transaction, if the chairman of the audit committee or the chairman of the board of directors, as applicable, decided that he/she is needed for the presentation.

For a description of the approvals required under Israeli law for compensation arrangements of officers and directors, see ["Part I, Item 6. Directors, Senior Management and Employees—B. Compensation—Compensation of Directors and Executive Officers."](#)

### *Shareholder Duties*

Pursuant to the Companies Law, a shareholder has a duty to act in good faith and in a customary manner in exercising his or her rights and in fulfilling his or her duties toward the company and other shareholders and to refrain from abusing his or her power with respect to the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- interested party transactions that require shareholder approval.

In addition, a shareholder has a general duty to refrain from discriminating against other shareholders.

Certain shareholders also have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it has the power to determine the outcome of a shareholder vote, and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or exercise any other rights available to it under the company's articles of association with respect to the company. The Companies Law does not define the substance of this duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty of fairness.

### *Personal interests of a controlling shareholder*

Certain disclosure and approval requirements apply under Israeli law to certain transactions with controlling shareholders, certain transactions in which a controlling shareholder has a personal interest, and certain arrangements regarding the terms of service or employment of a controlling shareholder. For these purposes, a controlling shareholder is any shareholder that has the ability to direct the company's actions, including any shareholder holding 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Two or more shareholders holding voting rights in a company and each of whom has a personal interest in the approval of the same transaction shall be considered to be joint holders.

Extraordinary transactions with a controlling shareholder or with relatives of a controlling shareholder or in which a controlling shareholder has a personal interest, directly and indirectly, including through a company controlled by him or her, and any transaction for him or her to provide services to the company, require the approval of the audit committee, the board of directors and a majority of the shareholders of the company, in that order. In addition, the shareholders' approval must be by a special majority. In addition, any such extraordinary transaction whose term is more than three years generally requires approval as described above every three years.

### *Exculpation, Insurance and Indemnification of Office Holders*

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care, but only if a provision authorizing such exculpation is included in its articles of association. The Amended Articles include such a provision. An Israeli company may not exculpate a director from liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder from the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is contained in its articles of association:

- a financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the above mentioned events and amount or criteria;
- reasonable litigation expenses, including reasonable attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (iii) in connection with a monetary sanction;
- reasonable litigation expenses, including legal fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third-party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent;
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, pursuant to certain provisions of the Israeli Securities Law, 5728-1968 (the "Israeli Securities Law");
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder pursuant to certain provisions of the Israeli Economic Competition Law, 5758-1988; and
- any other event, occurrence, matter or circumstance under any law with respect to which the Company may, or will be able to, indemnify an office holder.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the Company;
- a breach of the duty of care to the company or to a third-party, including a breach arising out of the negligent conduct of the office holder;



- a financial liability imposed on the office holder in favor of a third-party;
- a financial liability imposed on the office holder in favor of a third-party harmed by a breach in an administrative proceeding;
- expenses, including reasonable litigation expenses and legal fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her, pursuant to certain provisions of the Israeli Securities Law; and
- any other event, occurrence, matters or circumstances under any law with respect to which the company may, or will be able to, insure an office holder.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of the duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, monetary sanction, or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification, and insurance of office holders must be approved by the compensation committee and the board of directors (and, with respect to directors and the chief executive officer, by the shareholders). However, under regulations promulgated under the Companies Law, the insurance of office holders shall not require shareholder approval and may be approved by only the compensation committee if the engagement terms are determined in accordance with the company's compensation policy, which was approved by the shareholders by the same special majority required to approve a compensation policy, provided that the insurance policy is on market terms and the insurance policy is not likely to materially impact the company's profitability, assets, or obligations.

The Amended Articles allow us to exculpate, indemnify, and insure our officer holders for any liability imposed on them as a consequence of an act (including any omission) which was performed by virtue of being an office holder. Our office holders are currently covered by a directors and officers' liability insurance policy.

We have entered into agreements with each of our directors and executive officers exculpating them in advance, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances.

The maximum indemnification amount set forth in such agreements is limited to an amount equal to the higher of \$250 million, 25% of our total shareholders' equity as reflected in our most recent consolidated financial statements prior to the date on which the indemnity payment is made and 10% of our total market cap calculated based on the average closing price our Ordinary Shares over the 30 trading days prior to the actual payment, multiplied by the total number of our issued and outstanding shares as of the date of the payment (other than indemnification for an offering of securities to the public, including by a shareholder in a secondary offering, in which case the maximum indemnification amount is limited to the gross proceeds raised by us and/or any selling shareholder in such public offering). The maximum amount set forth in such agreements is in addition to any amount paid (if paid) under insurance and/or by a third-party pursuant to an indemnification arrangement.

In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act, however, is against public policy and therefore unenforceable.

## **Ethics and Integrity Advisory Committee**

The Company has an Ethics and Integrity Committee, which serves as an advisory body to the board of directors. The committee is currently comprised of seven industry experts, which include ethics experts, legal experts, former members of the police force, former members of ministries of defense, technology experts, academic experts and community leaders. The role of the Ethics and Integrity Committee is to advise the board on matters pertaining to evolving international law, ethical considerations related to responsible business practices and requirements under law and regulations applied to the sale and use of our technologies.

### **D. EMPLOYEES**

As of December 31, 2023, we had 1,008 full-time employees, consisting of 111 employees in services, 127 Employees in Operation and Information system, 352 employees in research and development, 118 employees in general and administrative and 300 employees in sales and marketing. Among our full-time employees as of December 31, 2023, 280 were in North America, 526 were in Israel, 124 were in Europe, 58 were in Asia Pacific and 20 in Latin America. Our employees are driven by the ability to accelerate justice for the public safety as well as contributing directly to a safer corporate environment.

### **E. SHARE OWNERSHIP**

For information regarding the share ownership of directors and officers, see “Part I, [Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.](#)” For information as to our equity incentive plans, see “Part I, [Item 6. Directors, Senior Management and Employees—B. Compensation—Equity Incentive Plans.](#)”

### **F. DISCLOSURE OF A REGISTRANT’S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION.**

Not applicable.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. MAJOR SHAREHOLDERS**

The following table sets forth information relating to the beneficial ownership of our Ordinary Shares by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of outstanding Ordinary Shares;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, Ordinary Shares subject to options or other rights (as set forth above) held by that person that are currently exercisable, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the Ordinary Shares shown as beneficially owned by such person, except as otherwise indicated in the table or footnotes below.

The percentage of Ordinary Shares beneficially owned is computed on the basis of 205,297,065 Ordinary Shares outstanding as of March 11, 2024.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all Ordinary Shares beneficially owned by them. To our knowledge, no Ordinary Shares beneficially owned by any executive officer, or director have been pledged as security. All of our shareholders, including the shareholders listed below, have the same voting rights attached to their Ordinary Shares. Unless otherwise noted below, each shareholder’s address is 94 Shlomo Shmelzer Road, Petah Tikva 4970602, Israel.

	<b>Number of Ordinary Shares Beneficially Owned</b>	<b>Percentage of Outstanding Ordinary Shares</b>
<b>5% Holders:</b>		
SUNCORPORATION <sup>(1)</sup>	95,597,718	46.6%
IGP Saferworld, Limited Partnership / IGP Investments (G.P.L.P), Limited Partnership <sup>(2)</sup>	11,782,173	5.7%
True Wind Capital Management <sup>(3)</sup>	23,054,167	6.5%
<b><i>Name and Address of Beneficial Owners Executive Officers and Directors</i></b>		
Yossi Carmil	4,935,971	2.4%
Marcus Jewell	*	*
Dana Gerner	*	*
Leor Ben-Peretz	*	*
Ronnen Armon	*	*
Lisa Cole	*	*
Ayala Berler Shapira	*	*
Zohar Tadmor-Eilat	*	*
Ryusuke Utsumi	*	*
Yonatan Domnitz	*	*
Thomas E. Hogan	*	*
Elly Keinan	*	*
Adam H. Clammer <sup>(4)</sup>	*	*
Brandon Van Buren	*	*
Dafna Gruber	*	*
Nadine Baudot-Trajtenberg	*	*
<b>All Executive Officers and Directors as a Group</b>	<b>7,442,766</b>	<b>3.6%</b>

\* Less than 1%

- (1) According to a Schedule 13G/A filed with the SEC on February 8, 2024, SUNCORPORATION is the sole beneficial owner of the Ordinary Shares. Its address is 250 Asahi, Kochino-cho, Konan, Aichi 483-8555, Japan. SUNCORPORATION is a publicly traded company on the Tokyo Stock Exchange.
- (2) Based on a Schedule 13G/A filed on March 12, 2024 and information provided by IGP Saferworld, Limited Partnership (“IGP Saferworld”), as of March 11, 2024, IGP Saferworld and IGP Investments (G.P.L.P), Limited Partnership (“IGP LP”), the general partner of IGP Saferworld, beneficially owned 11,782,173 ordinary shares. The decrease from the amount reported on the Schedule 13G/A reflects a distribution-in-kind effected by IGP Saferworld subsequent to December 31, 2023. IGP Saferworld directly holds 10,763,366 of these shares and IGP LP directly holds 1,018,807 ordinary shares. IGP Investments (G.P.), Ltd., in turn, serves as the general partner to IGP LP. Additionally, Mr. Haim Shani and Mr. Moshe Lichtman serve as the managing directors of IGP Investments (G.P.), Ltd. and possess ultimate voting and investment authority with respect to all of the reported ordinary shares directly held by IGP Saferworld and IGP Investments (G.P.L.P), Limited Partnership. Mr. Haim Shani holds 11,832 of the reported ordinary shares individually. All of the reporting persons disclaim any beneficial ownership of the reported shares other than to the extent of any pecuniary interest they may have therein, directly or indirectly. The address of each of the persons named in this footnote is 3 Arik Einstein St., Building B, 9 floor, Herzliya, 4659071, Israel.
- (3) According to a Schedule 13D filed with the SEC on September 9, 2021, reflects 5,887,500 vested ordinary shares, 7,500,000 unvested ordinary shares and 9,666,667 ordinary shares underlying the Company’s Warrants owned by TWC Tech Holdings II, LLC. The 7,500,000 unvested ordinary shares carry full voting rights while they remain unvested and are thus shown as beneficially owned. For more information, see [“Part I, Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions —Restricted Sponsor Shares and Price Adjustment Shares—Restricted Sponsor Shares and Price Adjustment Shares.”](#) TWC SPAC Aggregator II, LLC is the managing member of TWC Tech Holdings II, LLC. TWC Employee SPAC Aggregator II, LLC is the managing member of TWC SPAC Aggregator II, LLC. True Wind Capital Management, L.P. is the managing member of TWC Employee SPAC Aggregator II, LLC. True Wind Capital Management GP, LLC is the general partner of True Wind Capital Management, L.P. As the managing members of True Wind Capital Management GP, LLC, James H. Greene Jr. and Adam H. Clammer may be deemed to have or share beneficial ownership of the Ordinary Shares held directly by TWC Tech Holdings II, LLC. The address of each the persons named in this footnote is c/o True Wind Capital, Four Embarcadero Center, Suite 2100, San Francisco, CA 94111.
- (4) According to a Schedule 13D filed with the SEC on September 9, 2021, Mr. Clammer may be deemed the beneficial owner of 23,804,167 shares as of the date hereof. This number consists of the 23,054,167 shares beneficially owned through TWC Tech Holdings II, LLC and 750,000 shares held by two family trusts of which Mr. Clammer is trustee or has the indirect power to acquire assets by virtue of a right of substitution of assets.

### **Option Holdings**

Pursuant to SEC rules, the following table provides information as of March 11, 2024 regarding all options to purchase our ordinary shares (including options exercisable and unexercisable) held by our Chief Executive Officer Yossi Carmil, who is our only executive officer or director who owned more than 1% of our ordinary shares outstanding as of that date.

<b>Number of Ordinary Shares Underlying Option</b>	<b>Exercise Price</b>	<b>Expiration Date</b>
557,987	\$2.43	7/1/2027
1,055,424	\$2.49	7/1/2028
527,712	\$3.02	4/1/2029
551,788	\$2.57	6/17/2029
551,787	\$3.05	6/17/2029
551,787	\$3.59	6/17/2029
551,783	\$4.22	6/17/2029
132,196	\$6.60	2/15/2032
176,262	\$4.95	2/13/2033
188,648	\$9.25	2/13/2034

### **Registered Holders**

Based on a review of the information provided to us by our transfer agent, as of December 31, 2023, there were 7 registered holders of our shares in the United States, including Cede & Co., the nominee of the Depository Trust Company, together holding approximately 42.5% of our outstanding Ordinary Shares. The number of record holders in the United States is not representative of the number of beneficial holders, nor is it representative of where such beneficial holders are resident, since many of these ordinary shares were held by brokers or other nominees.

### **B. RELATED PARTY TRANSACTIONS**

The below is a description of all reportable related party transactions since January 1, 2023:

#### ***Distribution Agreement with SUNCORPORATION***

We expect to enter into a new distribution agreement with SUNCORPORATION, which will replace a previous distribution agreement which expired on March 1, 2024.

Under the proposed Distribution Agreement, SUNCORPORATION will be the non-exclusive distributor for the promotion, marketing and sale of our mobile solutions in Japan. The proposed Distribution Agreement was approved by the audit committee on February 11, 2024 following the determination of the audit committee that the Distribution Agreement is not deemed to be an "extraordinary transaction" under the Companies Law.



### ***Restricted Sponsor Shares and Price Adjustment Shares***

As set forth in the Merger Agreement, 7,500,000 Ordinary Shares issued to TWC Tech Holdings II, LLC, out of a total of 13,500,000 shares, are Restricted Sponsor Shares and will vest in 3 tranches of 3,000,000, 3,000,000 and 1,500,000, upon achievement of the triggering events (as defined in the Merger Agreement); if at any time during the Price Adjustment Period the price of Ordinary Shares will be greater than or equal to \$12.50, \$15.00 and \$30.00, respectively, over any twenty trading days within any thirty trading day period. In the event of a post-Closing change of control transaction involving the Company, any Restricted Sponsor Shares not previously vested will vest and will be entitled to participate in the change of control transaction. The probability of such event was considered by the Company. Upon the expiration of the Price Adjustment Period (a period of seven years from the closing date of the Merger), any unvested shares that have not vested as of such time will be forfeited. The Company security holders shall be entitled to vote their unvested Restricted Sponsor Shares and receive dividends and other distribution, and to have all other economic rights, in each case, with respect to such Restricted Sponsor Shares while they remain unvested.

As set forth in the Merger Agreement, holders of the Ordinary Shares and vested RSUs, in each case as of immediately prior to the Effective Time, are eligible to receive up to 15,000,000 Ordinary Shares that will vest in 3 tranches of 5,000,000 upon achievement of the triggering events (if at any time during the Price Adjustment Period the price of Ordinary Shares will be greater than or equal to \$12.50, \$15.00 and \$30.00, respectively, over any 20 trading-days within any 30 trading-day period.) or upon a Change of Control (as defined in Merger Agreement) before the five (5) year anniversary of the Closing Date.

### ***Investors Rights Agreement***

Pursuant to the Merger Agreement, certain TWC stockholders who received Ordinary Shares and certain Cellebrite shareholders (collectively “Cellebrite Equityholders”) and Cellebrite entered into the Investor Rights Agreement, pursuant to which, among other things, Cellebrite agreed to file a registration statement within 30 days of the Effective Time to register for resale under the Securities Act (x) the Ordinary Shares and the Warrants issued or issuable pursuant to the Merger Agreement (including the Ordinary Shares underlying the Warrants, any and all earned Price Adjustment Shares (as defined in the Merger Agreement), and the Ordinary Shares issued pursuant to the Share Purchase Agreement) and (y) certain Ordinary Shares held by Cellebrite Equityholders which were subject to registration rights pursuant to other registration rights agreements in existence prior to the date thereof. The Company filed registration statement on Form F-1 on September 27, 2021, which became effective on October 6, 2021. The Investor Rights Agreement also permits underwritten takedowns and provides for customary “piggyback” registration rights. Cellebrite agreed to indemnify the Sponsor and certain of the Sponsor’s related persons from certain liabilities arising from the Merger Agreement, the transactions agreements relating to the Merger, and the transactions and filings contemplated thereby, subject to certain limitations set forth in the Investor Rights Agreement.

### ***Indemnification Agreements***

We have entered into indemnification agreements with our directors and executive officers. See “Part I, [Item 6. Directors, Senior Management and Employees—C. Board Practices—Approval of Related Party Transactions under Israeli Law—Exculpation, Insurance and Indemnification of Office Holders](#)” for additional information.

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See [Item 18](#) of this Annual Report for consolidated financial statements and other financial information.

**Legal Proceedings**

From time to time, Cellebrite may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Cellebrite is not currently a party to any legal proceedings, the outcome of which, if determined adversely to Cellebrite, would individually or in the aggregate have a material effect on its business or financial condition.

**Dividend Policy**

We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial condition and future prospects and other factors our board of directors may deem relevant. Furthermore, distribution of dividends may also be limited by Israeli law, which permits the distribution of dividends only out of retained earnings or otherwise upon the permission of an Israeli court.

**B. SIGNIFICANT CHANGES**

A discussion of significant changes since December 31, 2023 is provided under Item 4 of this Annual Report and is incorporated herein by reference.

**ITEM 9. THE OFFER AND LISTING**

**A. OFFER AND LISTING DETAILS**

The Ordinary Shares and Warrants are listed on Nasdaq under the symbols CLBT and CLBTW, respectively.

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

See [“Part I, Item 9. The Offer and Listing—A. Offer and Listing Details.”](#)

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

A copy of our Amended Articles is attached as [Exhibit 1.1](#) to this Annual Report. The information called for by this Item is set forth in [Exhibit 2.2](#) to this Annual Report and is incorporated by reference into this Annual Report.

**C. MATERIAL CONTRACTS**

For information concerning our material contracts, see “[Part I, Item 4. Information on the Company](#)” and “[Part I, Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.](#)”

**D. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS**

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our Ordinary Shares and Warrants. There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our Ordinary Shares or the proceeds from the sale of the Ordinary Shares or Warrants, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Ordinary Shares and Warrants by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our Amended Articles or by the laws of the State of Israel.

**E. TAXATION**

**Material U.S. Federal Income Tax Considerations**

The following discussion summarizes the material U.S. federal income tax considerations to U.S. Holders and Non-U.S. Holders (as defined below) of the ownership and disposition of Ordinary Shares and Warrants. This discussion applies only to the Ordinary Shares and Warrants, as the case may be, that are held as “capital assets” within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (generally, property held for investment).

The following does not purport to be a complete analysis of all potential tax effects arising in connection with the ownership and disposition of Ordinary Shares and Warrants. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the “IRS”), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect the tax consequences discussed below. Cellebrite has not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS will not take or a court will not sustain a contrary position regarding the tax consequences discussed below.

This discussion does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income and the alternative minimum tax. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- banks, insurance companies, and certain other financial institutions;
- regulated investment companies and real estate investment trusts;
- brokers, dealers, or traders in securities;
- traders in securities that elect to mark to market;
- tax-exempt organizations or governmental organizations;
- U.S. expatriates and former citizens or long-term residents of the U.S.;
- persons holding Ordinary Shares and/or Warrants, as the case may be, as part of a hedge, straddle, constructive sale, or other risk reduction strategy or as part of a conversion transaction or other integrated or similar transaction;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to Ordinary Shares and/or Warrants, as the case may be, being taken into account in an applicable financial statement;
- persons that actually or constructively own 5% or more (by vote or value) of the outstanding Ordinary Shares;
- founders, sponsors, officers or directors of TWC;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax (and their shareholders);
- S corporations, partnerships, or other entities or arrangements treated as partnerships or other flow-through entities for U.S. federal income tax purposes (and investors therein);
- U.S. Holders having a functional currency other than the U.S. dollar;
- persons who hold or received Ordinary Shares and/or Warrants, as the case may be, pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Ordinary Shares and/or Warrants, the tax treatment of a partner in such partnership will depend on the status of the partner or participant in the arrangement, the activities of the entity or arrangement, and certain determinations made at the partner or participant level. Accordingly, entities or arrangements treated as partnerships for U.S. federal income tax purposes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of Ordinary Shares and/or Warrants, as the case may be, that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation) created or organized in, or under the laws of, the U.S., any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

**THE U.S. FEDERAL INCOME TAX TREATMENT OF THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES AND/OR WARRANTS TO ANY PARTICULAR HOLDER WILL DEPEND ON THE HOLDER’S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES AND/OR WARRANTS.**

#### **U.S. Federal Income Tax Treatment of Cellebrite**

##### ***Utilization of TWC’s Tax Attributes and Certain Other Adverse Tax Consequences to Cellebrite and Cellebrite’s Shareholders.***

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions, as well as result in certain other adverse tax consequences, even if the acquiring foreign corporation is respected as a foreign corporation for purposes of Section 7874. Specifically, Section 7874 can apply in this manner if (i) the foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation, (ii) after the acquisition, the former shareholders of the acquired U.S. corporation hold at least 60% (by either vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation, (iii) the Third Country Rule does not apply, and (iv) the foreign corporation’s “expanded affiliated group” does not meet the Substantial Business Activities Exception.

Based upon the terms of the Merger and the rules for determining share ownership under Section 7874 of the Code and the Section 7874 Regulations, Cellebrite expects that the Section 7874 Percentage should have been less than 60% after the Merger. Accordingly, the limitations and other rules described above are not expected to apply to Cellebrite or TWC after the Merger.

If the Section 7874 Percentage applicable to the Merger is at least 60% but less than 80% and the Third Country Rule does not apply (as expected), Cellebrite and certain of Cellebrite's shareholders may be subject to adverse tax consequences including, but not limited to, restrictions on the use of tax attributes with respect to "inversion gain" recognized over a 10-year period following the transaction, disqualification of dividends paid from preferential "qualified dividend income" rates and the requirement that any U.S. corporation owned by Cellebrite include as "base erosion payments" that may be subject to a minimum U.S. federal income tax any amounts treated as reductions in gross income paid to certain related foreign persons. Furthermore, certain "disqualified individuals" (including officers and directors of a U.S. corporation) may be subject to an excise tax on certain stock-based compensation held thereby at a rate of 20%. However, as a blank check company whose assets are primarily comprised of cash and cash equivalents, it is not expected that TWC will have a significant amount of inversion gain as a result of the Merger. Moreover, if it is determined that the Section 7874 Percentage is at least 60% and that Cellebrite is tax resident in a jurisdiction other than Israel, the Third Country Rule would apply and Cellebrite would be treated as a U.S. corporation under Section 7874 of the Code in the same manner as described above under "— Tax Residence of Cellebrite for U.S. Federal Income Tax Purposes."

The above determination, however, is subject to detailed regulations (the application of which is uncertain in various respects and could be impacted by future changes in such U.S. Treasury regulations, with possible retroactive effect) and is subject to certain factual uncertainties. In addition, changes to the rules in Section 7874 or Section 7874 Regulations, or other changes in law, could adversely affect the above determination for U.S. federal income tax purposes. Therefore, the application of Section 7874 is inherently uncertain. There can be no assurance that the IRS will not challenge whether Cellebrite is subject to the above rules or that such a challenge would not be sustained by a court. If the IRS successfully applied these rules to Cellebrite, significant adverse tax consequences would result for Cellebrite and for certain Cellebrite shareholders, including a higher effective corporate tax rate on Cellebrite.

## **U.S. Holders**

### ***U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to U.S. Holders***

#### *Distributions on Ordinary Shares*

If Cellebrite makes distributions of cash or property on the Ordinary Shares, such distributions will be treated first as a dividend to the extent of Cellebrite's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and then as a tax-free return of capital to the extent of the U.S. Holder's tax basis, with any excess treated as capital gain from the sale or exchange of the shares. The amount of any such distribution will include any amounts withheld by Cellebrite (or another applicable withholding agent). If Cellebrite does not provide calculations of its earnings and profits under U.S. federal income tax principles, all cash distributions may be reported as dividends for U.S. federal income tax purposes. Any dividend will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Subject to the discussions above under "— Utilization of TWC's Tax Attributes and Certain Other Adverse Tax Consequences to Cellebrite and Cellebrite's Shareholders" and below under "— Passive Foreign Investment Company Rules," dividends received by certain non-corporate U.S. Holders (including individuals) may be "qualified dividend income," which is taxed at the lower applicable capital gains rate, provided that:

- either (a) the shares are readily tradable on an established securities market in the United States, or (b) Cellebrite is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program;



- Cellebrite is neither a PFIC (as discussed below under below under “— Passive Foreign Investment Company Rules”) nor treated as such with respect to the U.S. Holder for Cellebrite’s taxable year in which the dividend is paid or the preceding taxable year;
- the U.S. Holder satisfies certain holding period requirements;
- the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property; and
- the taxpayer does not take the dividends into account as investment income under Code Section 163(d)(4)(B).

There can be no assurances that Cellebrite will be eligible for benefits of an applicable comprehensive income tax treaty between the United States and Israel. In addition, there also can be no assurance that Ordinary Shares will be considered “readily tradable” on an established securities market in accordance with applicable legal authorities. Furthermore, Cellebrite will not constitute a qualified foreign corporation for purposes of these rules if it is a PFIC for the taxable year in which it pays a dividend or for the preceding taxable year. See “—[Passive Foreign Investment Company Rules.](#)” U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to Ordinary Shares.

The amount of any dividend distribution paid in foreign currency will be the U.S. dollar amount calculated by reference to the applicable exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Foreign withholding tax (if any) paid on dividends on Ordinary Shares at the rate applicable to a U.S. Holder (taking into account any applicable income tax treaty) may, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such U.S. Holder’s United States federal income tax liability. In lieu of claiming a foreign tax credit, a U.S. Holder may, in certain circumstances, deduct foreign taxes in computing their taxable income, subject to generally applicable limitations under U.S. law. Generally, an election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. If a refund of the tax withheld is available under the laws of the state of Israel or under the applicable income tax treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder’s U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). Subject to certain exceptions, dividends on Ordinary Shares will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by a fraction, the numerator of which is the reduced rate applicable to qualified dividend income and the denominator of which is the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by Cellebrite with respect to the Ordinary Shares generally will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” Moreover, Treasury regulations that apply to taxable years beginning on or after December 28, 2021 may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit unless the taxes are creditable under an applicable treaty and the holder is eligible for benefits under the treaty and elects its application. However, a recent notice from the IRS indicates that the U.S. Department of the Treasury and the IRS are considering proposing amendments to such Treasury regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such Treasury regulations for taxable years beginning on or after December 28, 2021 and ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). The rules governing foreign tax credits are complex and U.S. Holders are urged to consult their tax advisors regarding the creditability of foreign taxes in their particular circumstances.

*Sale, Exchange, Redemption or Other Taxable Disposition of Ordinary Shares and Warrants*

Subject to the discussion below under “— *Passive Foreign Investment Company Rules*,” a U.S. Holder generally will recognize gain or loss on any sale, exchange, redemption or other taxable disposition of Ordinary Shares or Warrants in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such A U.S. Holder’s initial tax basis in shares generally will equal the cost of such shares.

Any gain or loss recognized by a U.S. Holder on a taxable disposition of Ordinary Shares or Warrants generally will be capital gain or loss. A non-corporate U.S. Holder, including an individual, who has held the Ordinary Shares and/or Warrants for more than one year generally will be eligible for reduced tax rates for such long-term capital gains. The deductibility of capital losses is subject to limitations.

Any such gain or loss recognized generally will be treated as U.S. source income or loss. Accordingly, in the event any Israeli tax (including withholding tax) is imposed upon such sale or other disposition, a U.S. Holder may not be able to utilize foreign tax credits unless such holder has foreign source income or gain in the same category from other sources. Moreover, there are special rules under the income tax treaty between the United States and Israel (the “Treaty”), which may impact a U.S. Holder’s ability to claim a foreign tax credit. In addition, Treasury regulations that apply to taxable years beginning on or after December 28, 2021 may preclude a U.S. Holder from claiming a foreign tax credit with respect to Israeli taxes on gain from dispositions of Ordinary Shares or Warrants unless the U.S. Holder is eligible for benefits under the Treaty and elects its application and other applicable requirements are satisfied. However, a recent notice from the IRS indicates that the U.S. Department of the Treasury and the IRS are considering proposing amendments to such Treasury regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such Treasury regulations for taxable years beginning on or after December 28, 2021 and ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). The rules governing foreign tax credits and deductibility of foreign taxes are complex and U.S. Holders are urged to consult their tax advisor regarding the ability to claim a foreign tax credit and the application of the Treaty to such U.S. Holder’s particular circumstances.

This discussion assumes that any consideration received (or deemed received) by a holder in consideration for the sale or other taxable disposition of our Ordinary Shares or Warrants will be in U.S. dollars.

*Exercise, Lapse, or Redemption of a Warrant*

Subject to the PFIC rules discussed below, a U.S. Holder generally will not recognize gain or loss upon the acquisition of an Ordinary Share on the exercise of a Warrant for cash. A U.S. Holder’s tax basis in Ordinary Shares received upon exercise of the Warrant generally should be an amount equal to the sum of U.S. Holder’s initial investment in the Warrant (or, with respect to Warrants received in the Merger, the U.S. Holder’s tax basis in the TWC warrant exchanged therefor (assuming the Merger is not a taxable transaction under Sections 368(a) or 367(a) of the Code) and the exercise price. The U.S. Holder’s holding period for an Ordinary Share received upon exercise of the Warrant will begin on the date following the date of exercise (or possibly the date of exercise) of the Warrant and will not include the period during which the U.S. Holder held the Warrant. If a Warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder’s tax basis in the Warrant.

The tax consequences of a cashless exercise of a Warrant are not clear under current tax law. Subject to the PFIC rules discussed below, a cashless exercise may be tax-deferred, either because the exercise is not a gain realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either tax-deferred situation, a U.S. Holder's basis in the Ordinary Shares received generally would equal the U.S. Holder's basis in the Warrants exercised therefor. If the cashless exercise is not treated as a gain realization event, a U.S. Holder's holding period in the Ordinary Shares would be treated as commencing on the date following the date of exercise (or possibly the date of exercise) of the Warrants and will not include the period during which the U.S. Holder held the Warrants. If the cashless exercise were treated as a recapitalization, the holding period of the Ordinary Shares would include the holding period of the Warrants exercised therefor.

It is also possible that a cashless exercise of a Warrant could be treated in part as a taxable exchange in which gain or loss would be recognized in the manner set forth above under “— *Sale, Exchange, Redemption or Other Taxable Disposition of Ordinary Shares and Warrants.*” In such event, a U.S. Holder could be deemed to have surrendered warrants equal to the number of Ordinary Shares having an aggregate fair market value equal to the exercise price for the total number of warrants to be exercised. Subject to the PFIC rules discussed below, the U.S. Holder would recognize capital gain or loss with respect to the Warrants deemed surrendered in an amount generally equal to the difference between (i) the fair market value of the Ordinary Shares that would have been received in a regular exercise of the Warrants deemed surrendered and (ii) the U.S. Holder's tax basis in such Warrants deemed surrendered. In this case, a U.S. Holder's aggregate tax basis in the Ordinary Shares received would equal the sum of (i) U.S. Holder's tax basis in the Warrants deemed exercised and (ii) the aggregate exercise price of such Warrants. A U.S. Holder's holding period for the Ordinary Shares received in such case generally would commence on the date following the date of exercise (or possibly the date of exercise) of the Warrants and will not include the period during which the U.S. Holder held the Warrants.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise of Warrants, including when a U.S. Holder's holding period would commence with respect to the Ordinary Share received, there can be no assurance regarding which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise of Warrants.

Subject to the PFIC rules described below, if Cellebrite redeems Warrants for cash pursuant to the redemption provisions described in the section of this registration statement entitled “— Description of Warrants — Public Warrants” or if Cellebrite purchases Warrants in an open market transaction, such redemption or purchase generally will be treated as a taxable disposition to the U.S. Holder, taxed as described above under “— *Sale, Exchange, Redemption or Other Taxable Disposition of Ordinary Shares and Warrants.*”

### *Possible Constructive Distributions*

The terms of each Warrant provide for an adjustment to the number of Ordinary Shares for which the Warrant may be exercised or to the exercise price of the Warrant in certain events, as discussed in the section of this registration statement captioned “Description of Warrants.” An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. Holder of a Warrant would, however, be treated as receiving a constructive distribution from Cellebrite if, for example, the adjustment increases the holder’s proportionate interest in Cellebrite’s assets or earnings and profits (for instance, through an increase in the number of Ordinary Shares that would be obtained upon exercise of such warrant) as a result of a distribution of cash or other property such as other securities to the holders of the Ordinary Shares which is taxable to the U.S. Holders of such shares as described under “— Distributions on Ordinary Shares” above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holder of such Warrant received a cash distribution from equal to the fair market value of such increased interest.

The terms of each Warrant provide for an adjustment to the number of Ordinary Shares for which the Warrant may be exercised or to the exercise price of the Warrant in certain events, as discussed in the section of this registration statement captioned “Description of Warrants.” An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. Holder of a Warrant would, however, be treated as receiving a constructive distribution from Cellebrite if, for example, the adjustment increases the holder’s proportionate interest in Cellebrite’s assets or earnings and profits (for instance, through an increase in the number of Ordinary Shares that would be obtained upon exercise of such warrant) as a result of a distribution of cash or other property such as other securities to the holders of the Ordinary Shares which is taxable to the U.S. Holders of such shares as described under “— Distributions on Ordinary Shares” above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holder of such Warrant received a cash distribution equal to the fair market value of such increased interest.

### *Passive Foreign Investment Company Rules*

The treatment of U.S. Holders of the Ordinary Shares and Warrants could be materially different from that described above, if Cellebrite is treated as a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes generally will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income (such as interest, dividends, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of assets giving rise to passive income); or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, Cellebrite will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other entity treated as a corporation for U.S. federal income tax purposes in which Cellebrite own, directly or indirectly, 25% or more (by value) of the stock.

Cellebrite’s status as a PFIC will depend on the nature and composition of its income and the nature, composition and value of its assets from time to time. The 50% passive asset test described above is generally based on the fair market value of each asset. If Cellebrite is a “controlled foreign corporation” within the meaning of Section 957(a) of the Code (determined by disregarding certain downward attribution rules) (“CFC”) and not publicly traded for the relevant taxable year, however, the test will be applied based on the adjusted basis of Cellebrite’s assets.

Treasury Regulations adopted in 2021, or the New Regulations, modify certain of the rules described above. Such modifications include, for example, permitting asset value to be determined more frequently than on a quarterly basis and treating a non-U.S. corporation as publicly traded for a taxable year if the stock of such corporation is publicly traded, other than in de minimis quantities, for at least twenty trading days during such taxable year.

The New Regulations generally apply to taxable years of shareholders beginning on or after January 14, 2021. Investors who are U.S. Holders should consult their own tax advisors regarding the impact and applicability of the New Regulations.

Cellebrite expects that it would be considered “publicly traded” for the 2023 taxable year because its stock was publicly traded, other than in de minimis quantities, for at least twenty days during the 2023 taxable year. Therefore, Cellebrite will apply the 50% passive asset test using the fair market value of its assets. This determination, however, is subject to uncertainty. In addition, Cellebrite’s status may depend, in part, on how quickly it utilizes its cash on-hand and cash from future financings in its business.

Based on the foregoing and on the composition of its income, the composition and estimated fair market value of its assets and the nature of its business, with respect to the taxable year ended December 31, 2023, Cellebrite believes that it was not a PFIC and presently does not anticipate that it will be a PFIC based upon the value of its assets, including any goodwill, and the nature and composition of its income and assets.

Nevertheless, whether Cellebrite is treated as a PFIC is determined on an annual basis. As discussed above, the determination of whether a non-U.S. corporation is a PFIC is a factual determination that depends on, among other things, the composition of Cellebrite’s income and assets, and the market value of its shares and assets, including the composition of income and assets and the market value of shares and assets of its subsidiaries, from time to time, and thus the determination can only be made annually after the close of each taxable year. Thus, no assurance can be given as to whether Cellebrite will be a PFIC in 2023 or for any future taxable year. Furthermore, the value of Cellebrite’s gross assets is likely to be determined in part by reference to its market capitalization, which may fluctuate significantly. In addition, Cellebrite’s U.S. counsel expresses no opinion with respect to Cellebrite’s PFIC status for, 2023, 2024 or future taxable years.

Under the PFIC rules, if Cellebrite were considered a PFIC at any time that a U.S. Holder owns Ordinary Shares or Warrants, Cellebrite would continue to be treated as a PFIC with respect to such holder unless (i) Cellebrite ceased to be a PFIC and (ii) (a) the U.S. Holder has made a valid QEF (as described below) election for the first taxable year in which the holder owned such holder’s Ordinary Shares in which Cellebrite was a PFIC, (b) a valid mark-to-market election (as described below) is in effect for the particular year, or (c) the U.S. Holder has made a “deemed sale” election under the PFIC rules. If such a “deemed sale” election is made, a U.S. Holder will be deemed to have sold its Ordinary Shares at their fair market value on the last day of the last taxable year in which Cellebrite is classified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below. After the “deemed sale” election, the Ordinary Shares with respect to which the “deemed sale” election was made will not be treated as shares in a PFIC unless Cellebrite subsequently becomes a PFIC.

For each taxable year that Cellebrite is treated as a PFIC with respect to a U.S. Holder’s Ordinary Shares or Warrants, the U.S. Holder will be subject to special tax rules with respect to any “excess distribution” (as defined below) received and any gain realized from a sale or disposition (including a pledge and transfers of Ordinary Shares or Warrants that would otherwise qualify as nonrecognition transactions for U.S. federal income tax purposes) of its Ordinary Shares or Warrants (collectively the “excess distribution rules”), unless, with respect to the Ordinary Shares, the U.S. Holder makes a valid QEF or mark-to-market election as discussed below. Generally, distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions received by such U.S. Holder during the shorter of the three preceding taxable years or the portion of such U.S. Holder’s holding period for the Ordinary Shares or Warrants that preceded the taxable year of the distribution will be treated as excess distributions. Under these special tax rules:



- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Ordinary Shares or Warrants;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution or to the period in the U.S. Holder's holding period before the first day of Cellebrite's first taxable year in which Cellebrite is a PFIC, will be treated as ordinary income;
- the amount allocated to each other taxable year (or portions thereof) of the U.S. Holder and included in its holding period will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year without regard to the U.S. Holder's other items of income and loss for such year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder with respect to the resulting tax attributable to each such year.

Under the excess distribution rules, the tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of the Ordinary Shares or Warrants cannot be treated as capital gains, even though the U.S. Holder holds the Ordinary Shares or Warrants as capital assets.

Certain of the PFIC rules may impact U.S. Holders with respect equity interests in subsidiaries and other entities which Cellebrite may hold, directly or indirectly, that are PFICs (collectively, "Lower-Tier PFICs"). There can be no assurance, however, that Cellebrite does not own, or will not in the future acquire, an interest in a subsidiary or other entity that is or would be treated as a Lower-Tier PFIC. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of Cellebrite's subsidiaries.

If Cellebrite is a PFIC, a U.S. Holder of shares in Cellebrite may avoid taxation under the excess distribution rules described above in respect to the Ordinary Shares by making a timely and valid "qualified electing fund" ("QEF") election (if eligible to do so). However, a U.S. Holder may make a QEF election with respect to its Ordinary Shares only if Cellebrite provides U.S. Holders on an annual basis with certain financial information specified under applicable U.S. Treasury regulations, including the information provided in a PFIC Annual Information Statement. If Cellebrite determines that it is a PFIC for any taxable year, Cellebrite may decide at that time to provide U.S. Holders with the required information on an annual basis to allow U.S. Holders to make a QEF election with respect to the Ordinary Shares. There can be no assurance, however, that Cellebrite will have timely knowledge of its status as a PFIC in the future or that Cellebrite will timely provide such information for such years. The failure to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder's prior QEF election.

A U.S. Holder that makes a QEF election with respect to its Ordinary Shares would generally be required to include in income for each year that Cellebrite is treated as a PFIC the U.S. Holder's pro rata share of Cellebrite's ordinary earnings for the year (which would be subject to tax as ordinary income) and net capital gains for the year (which would be subject to tax at the rates applicable to long-term capital gains), without regard to the amount of any distributions made in respect of the Ordinary Shares. Any net deficits or net capital losses of Cellebrite for a taxable year, however, would not be passed through and included on the tax return of the U.S. Holder. A U.S. Holder's basis in the Ordinary Shares would be increased by the amount of income inclusions under the QEF rules. Dividends actually paid on the Ordinary Shares generally would not be subject to U.S. federal income tax to the extent of prior income inclusions and would reduce the U.S. Holder's basis in the Ordinary Shares by a corresponding amount. If Cellebrite owns any interests in a Lower-Tier PFIC, a U.S. Holder generally must make a separate QEF election for each Lower-Tier PFIC, subject to Cellebrite's providing the relevant tax information for each Lower-Tier PFIC on an annual basis. There can be no assurance that Cellebrite will have timely knowledge of the status of any such Lower-Tier PFIC. In addition, Cellebrite may not hold a controlling interest in any such Lower-Tier PFIC and thus there can be no assurance Cellebrite will be able to cause the Lower-Tier PFIC to provide such required information.



If a U.S. Holder does not make a QEF election (or a mark-to-market election, as discussed below) effective from the first taxable year of a U.S. Holder's holding period for the Ordinary Shares in which Cellebrite is a PFIC, then the Ordinary Shares will generally continue to be treated as an interest in a PFIC, and the U.S. Holder generally will remain subject to the excess distribution rules. A U.S. Holder that first makes a QEF election in a later year may avoid the continued application of the excess distribution rules to its Ordinary Shares by making a "deemed sale" election. In that case, the U.S. Holder will be deemed to have sold the Ordinary Shares at their fair market value on the first day of the taxable year in which the QEF election becomes effective, and any gain from such deemed sale would be subject to the excess distribution rules described above. As a result of the "deemed sale" election, the U.S. Holder will have additional basis (to the extent of any gain recognized on the deemed sale) and, solely for purposes of the PFIC rules, a new holding period for the Ordinary Shares.

It is not entirely clear how various aspects of the PFIC rules apply to the warrants. However, a U.S. Holder may not make a QEF election with respect to its Warrants. As a result, if a U.S. Holder sells or otherwise disposes of such warrants (other than upon exercise of such warrants) and Cellebrite was a PFIC at any time during the U.S. Holder's holding period of such warrants, any gain recognized generally will be treated as an excess distribution, taxed as described above. If a U.S. Holder that exercises such warrants properly makes and maintains a QEF election with respect to the newly acquired Ordinary Shares (or has previously made a QEF election with respect to the Ordinary Shares), the QEF election will apply to the newly acquired Ordinary Shares. Notwithstanding such QEF election, the rules relating to "excess distributions" discussed above, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired Ordinary Shares (which, while not entirely clear, generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the Warrants), unless the U.S. Holder makes a "deemed sale" election under the PFIC rules. U.S. Holders are urged to consult their tax advisors as to the application of the rules governing "deemed sale" elections to their particular circumstances.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder that is eligible to make a QEF election with respect to its Ordinary Shares generally may do so by providing the appropriate information to the IRS in the U.S. Holder's timely filed tax return for the year in which the election becomes effective. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a retroactive QEF election under their particular circumstances.

U.S. Holders should consult their tax advisors as to the availability and desirability of a QEF election.

Alternatively, if Cellebrite is a PFIC and the Ordinary Shares constitute “marketable stock” (as defined below), a U.S. Holder may make a mark-to-market election for its Ordinary Shares with respect to such shares for the first taxable year in which it holds (or is deemed to hold) the Ordinary Shares and each subsequent taxable year to elect out of the excess distribution rules discussed above. If a U.S. Holder makes a mark-to-market election with respect to its Ordinary Shares, such U.S. Holder generally will include in income for each year that Cellebrite is treated as a PFIC with respect to such Ordinary Shares an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of the U.S. Holder’s taxable year over the adjusted basis in the Ordinary Shares. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the taxable year. However, deductions will be allowed only to the extent of any net mark-to-market gains on the Ordinary Shares included in the U.S. Holder’s income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the Ordinary Shares, as well as to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent the amount of such loss does not exceed the net mark-to-market gains for such Ordinary Shares previously included in income. A U.S. Holder’s basis in the Ordinary Shares will be adjusted to reflect any mark-to-market income or loss. If a U.S. Holder makes a mark-to-market election, any distributions Cellebrite makes would generally be subject to the rules discussed above under “— Distributions on Ordinary Shares,” except the lower rates applicable to qualified dividend income would not apply. Currently, U.S. Holders of Warrants will not be able to make a mark-to-market election with respect to their Warrants.

The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. The Ordinary Shares, which are listed on Nasdaq, are expected to qualify as marketable stock for purposes of the PFIC rules, but there can be no assurance that Ordinary Shares will be “regularly traded” for purposes of these rules. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless Ordinary Shares cease to qualify as “marketable stock” for purposes of the PFIC rules or the IRS consents to the revocation of the election. Because a mark-to-market election cannot be made for equity interests in any Lower-Tier PFICs, a U.S. Holder that does not make the applicable QEF elections generally will continue to be subject to the excess distribution rules with respect to its indirect interest in any Lower-Tier PFICs as described above, even if a mark-to-market election is made for Ordinary Shares.

If a U.S. Holder does not make a mark-to-market election (or a QEF election, as discussed above) effective from the first taxable year of a U.S. Holder’s holding period for the Ordinary Shares in which Cellebrite is a PFIC, then the U.S. Holder generally will remain subject to the excess distribution rules. A U.S. Holder that first makes a mark-to-market election with respect to the Ordinary Shares in a later year will continue to be subject to the excess distribution rules during the taxable year for which the mark-to-market election becomes effective, including with respect to any mark-to-market gain recognized at the end of that year. In subsequent years for which a valid mark-to-market election remains in effect, the excess distribution rules generally will not apply. A U.S. Holder that is eligible to make a mark-to-market with respect to its Ordinary Shares may do so by providing the appropriate information on IRS Form 8621 and timely filing that form with the U.S. Holder’s tax return for the year in which the election becomes effective.

U.S. Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any Lower-Tier PFICs.

A U.S. Holder of a PFIC may be required to file an IRS Form 8621 on an annual basis and to provide such other information as may be required by the U.S. Treasury Department. Failure to do so, if required, will extend the statute of limitations applicable to such U.S. Holder until such required information is furnished to the IRS. U.S. Holders should consult their tax advisors regarding any reporting requirements that may apply to them if Cellebrite is a PFIC.

The rules dealing with PFICs and with the QEF, “deemed sale,” and mark-to-market elections are very complex and are affected by various factors in addition to those described above. U.S. Holders are strongly encouraged to consult their tax advisors regarding the application of the PFIC rules to their particular circumstances.

### **Non-U.S. Holders**

The section applies to Non-U.S. Holders of Ordinary Shares and Warrants. For purposes of this discussion, a Non-U.S. Holder means a beneficial owner (other than a partnership or an entity or arrangement so characterized for U.S. federal income tax purposes) of Ordinary Shares or Warrants that is for U.S. federal income tax purposes not a U.S. Holder, including:

- a nonresident alien individual, other than certain former citizens and residents of the United States subject to U.S. tax as expatriates;
- a foreign corporation; or
- a foreign estate or trust;

but generally does not include a beneficial owner who has been or is engaged in the conduct of a trade or business within the U.S. or an individual who is present in the United States for 183 days or more in the taxable year of the disposition of Ordinary Shares or Warrants (except to the extent discussed below). If you are such an individual, you should consult your tax advisor regarding the U.S. federal income tax consequences of the ownership and disposition of Ordinary Shares or Warrants.

### **U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to Non-U.S. Holders**

Subject to the discussion below concerning backup withholding, any (i) dividends of cash or property (including constructive distributions treated as dividends as further described under the heading “U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to U.S. Holders — Possible Constructive Distributions”) paid or deemed paid to a Non-U.S. Holder in respect of Ordinary Shares or (ii) gain realized upon the sale or other taxable disposition of Ordinary Shares and/or Warrants by a Non-U.S. Holder generally will not be subject to U.S. federal income taxation or withholding tax unless:

- the gain or dividend is effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or a “fixed base” in the United States to which such gain is attributable); or
- in the case of any gain, the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met.

Gain or distributions described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

The U.S. federal income tax treatment of a Non-U.S. Holder's exercise of a Warrant, or the lapse of a Warrant held by a Non-U.S. Holder, generally will correspond to the U.S. federal income tax treatment of the exercise or lapse of a Warrant by a U.S. Holder, as described under "*U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to U.S. Holders — Exercise, Lapse or Redemption of a Warrant*" above, although to the extent a cashless exercise or lapse results in a taxable exchange, the consequences would be similar to those described in the preceding paragraphs above for a Non-U.S. Holder's gain on the sale or other disposition of the Ordinary Shares and Warrants.

The characterization for United States federal income tax purposes of the redemption of the Non-U.S. Holder's Warrants generally will correspond to the United States federal income tax treatment of such a redemption of a U.S. Holder's warrants, as described under "*U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to U.S. Holders — Exercise, Lapse or Redemption of a Warrants*" above, and the consequences of the redemption to the Non-U.S. Holder will be as described in the paragraphs above under the heading "*— U.S. Federal Income Tax Consequences of the Ownership and Disposition of Ordinary Shares and Warrants to Non-U.S. Holders*" based on such characterization.

### **Information Reporting and Backup Withholding**

Information reporting requirements may apply to dividends received by U.S. Holders of Ordinary Shares, and the proceeds received on the disposition of Ordinary Shares effected within the U.S. (and, in certain cases, outside the U.S.), in each case other than U.S. Holders that are exempt recipients (such as corporations). Backup withholding (currently at a rate of 24%) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number (generally on an IRS Form W-9 provided to the paying agent of the U.S. Holder's broker) or is otherwise subject to backup withholding. Any redemptions treated as dividend payments with respect to Ordinary Shares and proceeds from the sale, exchange, redemption or other disposition of Ordinary Shares may be subject to information reporting to the IRS and possible U.S. backup withholding. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Information returns may be required to be filed with the IRS in connection with, and Non-U.S. Holders may be subject to backup withholding on amounts received in respect of, a Non-U.S. Holder's disposition of their Ordinary Shares, unless the Non-U.S. Holder furnishes to the applicable withholding agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, as applicable, or the Non-U.S. Holder otherwise establishes an exemption. Dividends paid with respect to Ordinary Shares and proceeds from the sale of other disposition of Ordinary Shares received in the U.S. by a Non-U.S. Holder through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding unless such Non-U.S. Holder provides proof of an applicable exemption or complies with certain certification procedures described above, and otherwise complies with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against the taxpayer's U.S. federal income tax liability, and a taxpayer may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and furnishing any required information.

Additionally, certain U.S. Holders that hold an interest in "specified foreign financial assets" (which may include the Ordinary Shares) are required to report information relating to such assets on IRS Form 8938, subject to certain exceptions. Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. U.S. Holders should consult their tax advisors regarding the applicability of these requirements to their acquisition and ownership of the Ordinary Shares.

**THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE TO YOU DEPENDING UPON YOUR PARTICULAR SITUATION. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES TO YOU OF THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES AND WARRANTS, AS APPLICABLE, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND TAX TREATIES AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. OR OTHER TAX LAWS.**

### **Tax Residence of Cellebrite for U.S. Federal Income Tax Purposes**

Although Cellebrite is incorporated and tax resident in Israel, the IRS may assert that it should be treated as a U.S. corporation (and therefore a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Code. For U.S. federal income tax purposes, a corporation is generally considered a U.S. "domestic" corporation (or U.S. tax resident) if it is created or organized in or under the laws of the United States, any state thereof, or the District of Columbia and a corporation is generally considered a "foreign" corporation (or non-U.S. tax resident) if it is not a U.S. corporation. Because Cellebrite is an entity incorporated and tax resident in Israel, it would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated and foreign tax resident entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. The Section 7874 rules are complex and require analysis of all relevant facts, and there is limited guidance and significant uncertainties as to their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a foreign corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation (including the indirect acquisition of assets of the U.S. corporation by acquiring the outstanding shares of the U.S. corporation), (ii) the shareholders of the acquired U.S. corporation hold, by vote or value, at least 80% (or 60% if the Third Country Rule, as defined herein, applies) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the U.S. acquired corporation (the "Section 7874 Percentage"), and (iii) the foreign corporation's "expanded affiliated group" does not have substantial business activities in the foreign corporation's country of tax residency relative to such expanded affiliated group's worldwide activities (the "Substantial Business Activities Exception"). In order to satisfy the Substantial Business Activities Exception, at least 25% of the employees (by headcount and compensation), real and tangible assets and gross income of the foreign acquiring corporation's "expanded affiliated group" must be based, incurred, located and derived, respectively, in the country in which the foreign acquiring corporation is a tax resident after the acquisition. The Treasury regulations promulgated under Section 7874 (the "Section 7874 Regulations") generally also provide that if (i) there is an acquisition of substantially all of the assets held directly or indirectly by a U.S. corporation after which the shareholders of the acquired U.S. corporation hold, by vote or value, at least 60% of the shares of the foreign acquiring corporation by reason of holding shares in the U.S. acquired corporation, and (ii) in a related acquisition, such foreign acquiring corporation acquires another foreign corporation exceeding a certain threshold value, and the foreign acquiring corporation is not tax resident in the foreign country in which the acquired foreign corporation was tax resident prior to the transactions, then the foreign acquiring corporation will be treated as a domestic corporation for U.S. federal income tax purposes (the "Third Country Rule"). The Section 7874 Regulations further provide for a number of special rules that aggregate multiple acquisitions of U.S. corporations for purposes of Section 7874 that are conducted as part of a plan or conducted over a 36-month period. Moreover, certain acquisitions of U.S. corporations over a 36-month period will impact the Section 7874 Percentage, making it more likely that Section 7874 will apply to a foreign acquiring corporation.



Cellebrite indirectly acquired substantially all of the assets of TWC through the Merger. Cellebrite do not expect the Third Country Rule to be applicable to the Merger. As a result, Section 7874 of the Code may apply to cause Cellebrite to be treated as a U.S. corporation for U.S. federal income tax purposes following the Merger depending on whether the Section 7874 Percentage equals or exceeds 80%, subject to the applicability of the Substantial Business Activities Exception.

Based upon the terms of the Merger and the rules for determining share ownership under Section 7874 and the Section 7874 Regulations, Cellebrite expects that the Section 7874 Percentage of TWC stockholders in Cellebrite should have been less than 80% after the Merger. Accordingly, Cellebrite is not expected to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code. The calculation of the Section 7874 Percentage is complex, is subject to detailed regulations (the application of which is uncertain in various respects and could be impacted by changes in such U.S. tax laws with possible retroactive effect) and is subject to certain factual uncertainties. Moreover, former holders of TWC securities may be deemed to own an amount of Ordinary Shares in respect to certain redemptions by TWC of TWC common stock prior to the Merger for purposes of determining the ownership percentage of former holders of TWC securities under Section 7874 of the Code. Accordingly, the status of Cellebrite as a foreign corporation is inherently uncertain and there can be no assurance that the IRS will not challenge the status of Cellebrite as a foreign corporation under Section 7874 or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge under Section 7874 Cellebrite's status as a foreign corporation for U.S. federal income tax purposes, Cellebrite and certain Cellebrite shareholders would be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Cellebrite and future withholding taxes on certain Cellebrite shareholders, depending on the application of any income tax treaty that might apply to reduce such withholding taxes, and holders of Ordinary Shares and/or Warrants would be treated as holders of stock and warrants of a U.S. corporation.

However, even if the Section 7874 Percentage was such that Cellebrite were still respected as a foreign corporation under Section 7874, Cellebrite may be limited in using its equity to engage in future acquisitions of U.S. corporations over a 36-month period following the Merger. If Cellebrite were to be treated as acquiring substantially all of the assets of a U.S. corporation within a 36-month period after the Merger, the Section 7874 Regulations would exclude certain shares of Cellebrite attributable to the Merger for purposes of determining the Section 7874 Percentage of that subsequent acquisition, making it more likely that Section 7874 would apply to such subsequent acquisition.

### **Material Israeli Tax Considerations**

*The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Ordinary Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.*



## **Israeli tax considerations**

The following is a brief summary of the material Israeli tax laws applicable to Cellebrite, and certain Israeli Government programs that benefit Cellebrite. This section also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of Ordinary Shares purchased by investors. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities, trusts or foundations, partnerships, controlled foreign corporations and any other type of taxpayer that are subject to special tax regimes not covered in this discussion. To the extent that the discussion is based on new tax legislation that has not yet been subject to judicial or administrative interpretation, Cellebrite cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

### **General corporate tax structure in Israel**

Israeli companies are generally subject to corporate tax. Since 2018 the ordinary corporate tax rate has been 23%. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Beneficiary Enterprise, a Preferred Enterprise, or a Technological Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the prevailing regular tax rate

### **Law for the Encouragement of Industry (Taxes), 5729-1969**

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies.” We believe that we currently qualify as an Industrial Company within the meaning of the Industry Encouragement Law.

The Industry Encouragement Law defines an “Industrial Company” as an Israeli resident-company incorporated in Israel, of which 90% or more of its income in any tax year, other than income from certain defense loans, is derived from an “Industrial Enterprise” owned by it and located in Israel or in the “Area”, in accordance with the definition under section 3A of the Israeli Income Tax Ordinance (New Version) 1961, or the Ordinance. An “Industrial Enterprise” is defined as an enterprise which is held by an Industrial Company, whose principal activity in a given tax year is industrial production.

Following are the main tax benefits available to Industrial Companies:

- Amortization of the cost of purchased patent, rights to use a patent, and know-how, Additional Dividend that were purchased in good faith, and are used for the development or advancement of the Industrial Enterprise, over an eight-year period, commencing on the year in which such rights were first exercised;
- Under limited conditions, an election to file consolidated tax returns with controlled Israeli Industrial Companies; and
- Expenses related to a public offering are deductible in equal amounts over three years commencing on the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

## **Tax benefits and grants for research and development**

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, related to scientific research and development for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Ordinance. Expenditures that are unqualified under the conditions above are deductible in equal amounts over three years.

From time to time, we may apply to the Israel Innovation Authority for approval to allow a tax deduction for all or most of research and development expenses during the year incurred. There can be no assurance that such application will be accepted. If we will not be able to deduct research and development expenses during the year of the payment, we will be able to deduct research and development expenses during a period of three years commencing in the year of the payment of such expenses.

## **Law for the Encouragement of Capital Investments, 5719-1959**

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain eligible companies with incentives for capital investments in production facilities (or other eligible assets) and certain tax benefits with respect to certain eligible income.

The Investment Law was significantly amended effective as of April 1, 2005 (the “2005 Amendment”), as of January 1, 2011 (the “2011 Amendment”) and as of January 1, 2017 (the “2017 Amendment”). Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the amended Investment Law. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

The following discussion is a summary of the Investment Law following its most recent amendments:

### ***Tax Benefits Subsequent to the 2005 Amendment***

The 2005 Amendment applies to new investment programs and investment programs commencing after 2004 but does not apply to investment programs approved prior to April 1, 2005, referred to as an Approved Enterprise. The 2005 Amendment provides that terms and benefits included in any certificate of approval that was granted before the 2005 Amendment became effective (April 1, 2005) will remain subject to the provisions of the Investment Law as in effect on the date of such approval. Pursuant to the 2005 Amendment, the Israeli Authority for Investments and Development of the Industry and Economy, or the Investment Center, will continue to grant Approved Enterprise status to qualifying investments. The 2005 Amendment, however, limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as an Approved Enterprise.

The 2005 Amendment provides that Approved Enterprise status will only be necessary for receiving cash grants. As a result, it was no longer necessary for a company to obtain the advance approval of the Investment Center in order to receive the tax benefits previously available under the alternative benefits track. Instead, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set forth in the 2005 Amendment. Companies or programs under the new provisions receiving these tax benefits are referred to as Beneficiary Enterprises. A company that has a Beneficiary Enterprise may, at its discretion, approach the Israel Tax Authority for a pre-ruling confirming that it is in compliance with the provisions of the Investment Law, as amended.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities) which are generally required to derive more than 25% of their business income from export to specific markets with a population of at least 14 million in 2012 (such export criteria will further be increased in the future by 1.4% per annum). In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets certain conditions set forth in the 2005 Amendment for tax benefits, including exceeding a minimum investment amount specified in the Investment Law. Such investment entitles a company to receive a "Beneficiary Enterprise" status with respect to the investment, and may be made over a period of no more than three years ending in the year in which the company requested to have the tax benefits apply to its Beneficiary Enterprise. Where a company requests to have the tax benefits apply to an expansion of existing facilities, only the expansion will be considered to be a Beneficiary Enterprise and the company's effective tax rate will be the weighted average of the applicable rates. In such case, the minimum investment required in order to qualify as a Beneficiary Enterprise must exceed a certain percentage of the value of the company's production assets before the expansion.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Beneficiary Enterprise depends on, among other things, the geographic location within Israel of the Beneficiary Enterprise. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Beneficiary Enterprise within Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year. The benefits period is limited to 12 starting from the year in which the company first chose to have the tax benefits apply (14 years if the Beneficiary Enterprise relates to the establishment of a new enterprise in priority Zone A) (the "Election Year").

A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Beneficiary Enterprise during the tax exemption period will be subject to deferred corporate tax in respect of the gross amount of the dividend distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable. Certain transactions will be considered as a deemed distribution of dividends for the purposes of the claw-back of corporate tax, including certain payments made, whether directly or indirectly, to certain related parties or controlling shareholders (including entities controlled by such controlling shareholders), payments in liquidation and consideration paid to shareholders in a buyback of shares. We have filed an application with the Israel Tax Authority to receive the Transaction Tax Ruling to determine, inter alia, the amount of claw-back of Israeli corporate income tax, if any, that we will be required to pay with respect to the distribution of the Additional Dividend out of income derived by our Beneficiary Enterprise.

On November 15, 2021 the Investment Law was amended to provide, on a temporary basis, a reduced corporate income tax on the distribution or release within a year from such amendment of tax-Exempt Profits derived by Approved and Beneficiary Enterprises. The amount of the reduced tax will be determined based on a formula. In order to qualify for the reduction, Cellebrite must invest certain amounts in productive assets and research and development in Israel. In parallel to the temporary amendment, the law was also amended to reduce the ability of companies to retain the tax-exempt profits. Effective August 15, 2021, dividend distributions will be treated as if made on a pro-rata basis from all types of earnings, including Exempt Profits.

Immediately prior to going public, the Company declared and distributed dividend in the amount of \$100 million of which all corporate taxes pursuant the achieved tax ruling were paid in 2022.

Dividends paid to Israeli shareholders out of income attributed to a Beneficiary Enterprise (or out of dividends received from a company whose income is attributed to a Beneficiary Enterprise) are generally subject to withholding tax at source at the rate of 15% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 15%, or such lower rate as may be provided in an applicable tax treaty). The reduced rate of 15% is limited to dividends and distributions out of income derived during the benefits period and actually paid at any time up to 12 years thereafter. After this period, the withholding tax is applied at a rate of up to 30%, or at a lower rate under an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). In the case of a Foreign Investors' Company (as such term is defined in the Investment Law), the 12-year limitation on reduced withholding tax on dividends does not apply.

The benefits available to a Beneficiary Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations. If a company does not meet these conditions, it would be required to refund the amount of tax benefits, as adjusted by the Israeli consumer price index, and interest, or other monetary penalties.

### ***Tax benefits under the 2011 amendment***

The 2011 Amendment canceled the availability of the benefits granted to Industrial Companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a “Preferred Company” through its “Preferred Enterprise” (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes either (i) a company incorporated in Israel that is not fully owned by a governmental entity, or (ii) a limited partnership that: (a) was registered under the Israeli Partnerships Ordinance and; (b) all of its limited partners are companies incorporated in Israel, but not all of them are governmental entities; which has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 10%. Under the 2011 Amendment, such corporate tax rate was reduced from 15% and 10%, respectively, to 12.5% and 7%, respectively, in 2013, 16% and 9% respectively, in 2014, 2015 and 2016, and 16% and 7.5%, respectively, in 2017 and thereafter. Income derived by a Preferred Company from a “Special Preferred Enterprise” (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone. Since January 1, 2017, the definition for “Special Preferred Enterprise” includes less stringent conditions.

Dividends distributed from income which is attributed to a “Preferred Enterprise” will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations—0%, (although, if such dividends are subsequently distributed to individuals or a non-Israeli company the below rates detailed in sub sections (ii) and (iii) shall apply) (ii) Israeli resident individuals—20% (iii) non-Israeli residents (individuals and corporations)—20% (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate of 20%, or such lower rate under the provisions of an applicable tax treaty).

The 2011 Amendment also provided transitional provisions to address companies already enjoying existing tax benefits under the Investment Law. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011, a Beneficiary Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met.

In May 2019, we filed a notification that Cellebrite wishes to apply the new benefits under the 2011 Amendment. Accordingly, we are not entitled to Beneficiary Enterprise tax benefits as of January 1, 2019, however certain other provisions described above with respect to the distribution or payment out of income that was previously earned under the Beneficiary Enterprise regime may still apply.

### **New tax benefits under the 2017 amendment that became effective on January 1, 2017**

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of “Technological Enterprises,” as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a Preferred Company satisfying certain conditions will qualify as a “Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technology Income,” as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technological Enterprise located in development zone “A.” In addition, a Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the Israel Innovation Authority (previously known as the Israeli Office of the Chief Scientist).

The 2017 Amendment further provides that a Preferred Company satisfying certain conditions (group-consolidated revenues of at least NIS 10 billion) will qualify as a “Special Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 6% on “Preferred Technological Income” regardless of the company’s geographic location within Israel. In addition, a Special Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain “Benefitted Intangible Assets” to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the Israel Innovation Authority. A Special Preferred Technological Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise to Israeli shareholders, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20%, or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, the aforesaid will apply). If such dividends are distributed to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate will be 4%. The reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company.

Cellebrite is eligible to the tax benefits under the 2017 Amendment as a Preferred Technological Enterprise.

On February 16, 2020 Cellebrite received a Tax Ruling from the Israel Tax Authority regarding its entitlement to tax benefits as a Preferred Technological Enterprise subject to the compliance with the conditions settled in such Tax Ruling and in the Encouragement Law. The Tax Ruling is valid from 2019 until tax year 2023 (inclusive).

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.



## **Taxation of our shareholders**

### ***Capital gains taxes applicable to non-Israeli resident shareholders.***

Israeli capital gains tax is imposed on the disposition of capital assets by a non-Israeli resident if those assets (i) are located in Israel, (ii) are shares or a right to shares in an Israeli resident corporation or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a tax treaty between Israel and the seller's country of residence provides otherwise. The Israeli tax law distinguishes between "Real Capital Gain" and "Inflationary Surplus." Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase in the relevant asset's price that is attributable to the increase in the Israeli Consumer Price Index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of disposition. Inflationary Surplus is currently not subject to tax in Israel. Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus. Generally, Real Capital Gain accrued by individuals on the sale of Ordinary Shares will be taxed at the rate of 25%. However, if the shareholder is a "substantial shareholder" at the time of sale or at any time during the preceding 12-month period (or claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares), such gain will be taxed at the rate of 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person with respect to the material matters of the corporation on a permanent basis pursuant to an agreement, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Real Capital Gain derived by corporations will be generally subject to a corporate tax rate of 23% (in 2023).

Individual shareholders whose income from the sale of securities is considered as business income in Israel are taxed at the marginal tax rates applicable to business income (up to 47% in 2023), including Surtax, if applicable, as described below

A non-Israeli resident that derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel, should generally be exempt from Israeli capital gains tax if, among other things, the capital gains derived from the sale of shares was not attributed to a fixed enterprise that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) hold, whether directly or indirectly, more than 25% of the means of control, as such term is defined above, in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the Convention Between the Government of the United States of America and the Government of the State of Israel with respect to Taxes on Income, as amended (the “United States Israel Tax Treaty”), the sale, exchange or other disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S. Israel Tax Treaty (a “U.S. Resident”) is generally exempt from Israeli capital gains tax unless: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain terms; (iv) such U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12 month period preceding the disposition, subject to certain conditions; or (v) such U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. In any such case, the sale, exchange or disposition of such shares would be subject to Israeli tax, to the extent applicable. However, under the United States-Israel Tax Treaty, a Treaty U.S. Resident may be permitted to claim a credit for the Israeli tax against the U.S. federal income tax imposed with respect to the sale, exchange or disposition of the shares, subject to the limitations under U.S. laws applicable to foreign tax credits. The United States-Israel Tax Treaty does not provide such credit against any U.S. state or local taxes.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale (i.e., resident certificate or other documentation).

Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the Israel Tax Authority may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the Israel Tax Authority to confirm their status as non-Israeli resident, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

A detailed return, including a computation of the tax due, must be filed and an advance payment must be paid on January 31 and July 30 of each tax year for sales of securities traded on a stock exchange made within the previous six months. However, if all tax due was withheld at the source according to applicable provisions of the Ordinance and the regulations promulgated thereunder, the return does not need to be filed provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed and an advance payment does not need to be made, and (iii) the taxpayer is not obligated to pay excess tax (as further explained below). Capital gains are also reportable on an annual income tax return

***Capital gains taxes applicable to Israeli resident shareholders.***

An Israeli resident corporation that derives capital gains from the sale of shares in an Israeli resident company will generally be subject to tax on the real capital gains generated on such sale at the corporate tax rate of 23% (in 2023). An Israeli resident individual will generally be subject to capital gain tax at the rate of 25%. However, if the individual shareholder claims deduction of interest expenditures or is a “substantial shareholder” (as defined above) at the time of the sale or at any time during the preceding twelve months period, such gain will be taxed at the rate of 30%. Individual holders dealing in securities in Israel for whom the income from the sale of securities is considered “business income” as defined in section 2(1) of the Ordinance are taxed at the marginal tax rates applicable to business income (up to 47% in 2023). Certain Israeli institutions who are exempt from tax under section 9(2) or section 129(C)(a)(1) of the Ordinance (such as exempt trust fund, pension fund) may be exempt from capital gains tax from the sale of the shares.

***Taxation of Israeli shareholders on receipt of dividends.***

An Israeli resident individual is generally subject to Israeli income tax on the receipt of dividends at the rate of 25%. With respect to a person who is a “substantial shareholder” (as defined above) at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not), 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Beneficiary Enterprise and 20% if the dividend is distributed from income attributed to a Preferred Enterprise or a Preferred Technological Enterprise. If the recipient of the dividend is an Israeli resident corporation such dividend income will be exempt from tax provided the income from which such dividend is distributed was derived or accrued within Israel and was received directly or indirectly from another corporation that is liable to Israeli corporate tax. An exempt trust fund, pension fund or other entity that is exempt from tax under section 9(2) or section 129(C)(a)(1) of the Israeli Tax Ordinance is exempt from tax on dividend.

***Taxation of non-Israeli shareholders on receipt of dividends.***

Non-Israeli residents (either individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends at the rate of 25%, which tax will be withheld at source, unless relief is provided in an applicable treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" (as defined above) at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not), 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Beneficiary Enterprise, 20% if the dividend is distributed from income attributed to a Preferred Enterprise or a Technological Enterprise, and 4% if the dividend is distributed from income attributed to a Technological Enterprise to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, (please note that the reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company), unless a reduced rate is provided under an applicable tax treaty (the reduced rates stated in this paragraph are subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for such reduced tax rate). For example, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our Ordinary Shares who is a U.S. Resident is 25%. However, the maximum rate of withholding tax on dividends, not generated by an Approved Enterprise, a Beneficiary Enterprise, a Preferred Enterprise or a Preferred Technological Enterprise, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, dividends distributed from income attributed to an Approved Enterprise, Beneficiary Enterprise, Preferred Enterprise or a Preferred Technological Enterprise are not entitled to such reduced rate under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. If the dividend is attributable partly to income derived from either an Approved Enterprise, Benefited Enterprise, Preferred Enterprise or a Preferred Technological Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability. Application for the reduced tax rate requires appropriate documentation presented and specific instruction received from the Israeli Tax Authorities to the extent tax is withheld at source at the maximum rates (see above), a qualified tax treaty recipient will be required to comply with certain administrative procedures with the Israeli Tax Authorities in order to receive a refund of the excess tax withheld.

A foreign resident receiving dividend income from an Israeli company, from which the full tax was deducted, will generally be exempt from filing a tax return in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay Surtax (see below) in accordance with section 121B of the Ordinance.

### ***Israeli Tax Withholding.***

In addition to all of the above, any payment made by an Israeli resident company may be subject to Israeli withholding tax, regardless of whether the recipient should be subject to Israeli tax with respect to the receipt of such payment, unless the recipient provides the company with a valid certificate issued by the Israel Tax Authority to exempt the recipient from such withholding tax liability. We have approached the Israel Tax Authority in an application to receive the Transaction Tax Ruling that will determine, inter alia, that the Indemnified TWC Parties shall not be subject to any Israeli tax with respect to receipt of Ordinary Shares and/or Warrants and/or any cash amount from the Trust Account or with respect to the Per Share Cash Consideration, Per Share Equity Consideration, the Price Adjustment Shares or the Additional Dividend and that we have no withholding obligation with respect to the Capital Restructuring or the issuance of Price Adjustment Shares. We received a signed ruling regarding the Capital Restructuring and the distribution of funds from the trust account to the Company, as well as a signed ruling regarding the Additional Dividend. We withdraw the ruling applications with regards to the tax treatment of the issuance of the Price Adjustment Shares and the exemption of the Indemnified TWC Parties from Israeli tax with respect to receipt of Ordinary Shares and/or Warrants.

### ***Surtax***

Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, dividends, interest and capital gain) exceeding NIS 698,280 for 2023, which amount is linked to the annual change in the Israeli consumer price index.

### ***Estate and Gift Tax***

Israeli law presently does not impose estate or gift taxes.

#### **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

#### **G. STATEMENT BY EXPERTS**

Not applicable.

#### **H. DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports of foreign private issuer on Form 6-K. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information we have filed electronically with the SEC. We also make available on our website, free of charge, all such SEC filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <https://www.cellebrite.com>. The references to the SEC's and our website are inactive textual references only, and information contained therein or connected thereto is not incorporated into this Annual Report.

As a “foreign private issuer,” we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements (including the requirement applicable to emerging growth companies to disclose the compensation of its Chief Executive Officer and the other two most highly compensated executive officers on an individual, rather than an aggregate, basis), and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we expect to issue interim quarterly financial information publicly and to furnish it to the SEC under cover of Form 6-K.

**I. SUBSIDIARY INFORMATION**

Not applicable

**J. ANNUAL REPORT TO SECURITY HOLDERS**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risk in the ordinary course of our business. 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 exchange rates and interest rates and inflation. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see “[Part I, Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources](#)”.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**12.A. DEBT SECURITIES**

Not applicable.

**12.B. WARRANTS AND RIGHTS**

See “[Part I, Item 10. Additional Information—B. Memorandum and Articles of Association](#)” which is incorporated herein by reference.

**12.C. OTHER SECURITIES**

Not applicable.

**12.D. AMERICAN DEPOSITARY SHARES**

Not applicable.



## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### **Material Modifications to the Rights of Security Holders**

Our Amended Articles took effect on August 30, 2021 in connection with the Merger. A copy of our Amended Articles is being filed as [Exhibit 1.1](#) to this Annual Report. See Item “[Part I, Item 10. Additional Information—B. Memorandum and Articles of Association.](#)”

#### **Use of Proceeds**

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Any controls and procedures, can provide only reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective.

#### *Management’s Annual Report on Internal Control over Financial Reporting*

Management of the Company, including the principal executive and financial officers, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Our internal controls are designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its evaluation, management concluded the company's internal control over financial reporting was effective as of December 31, 2023.

### ***Attestation Report of the Registered Public Accounting Firm***

Pursuant to applicable SEC rules this Annual Report does not include an attestation report of our independent registered public accounting firm. We will only be required to include this report once we otherwise cease to qualify as an emerging growth company and are also an accelerated filer or large accelerated filer.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this annual report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 16.**

### **A. AUDIT COMMITTEE AND FINANCIAL EXPERT**

Our board of directors has determined that Dafna Gruber qualifies as an "audit committee financial expert," as defined under the U.S. federal securities laws and has the requisite financial experience defined by the Nasdaq Rules. In addition, Dafna Gruber is independent as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and under the listing standards of the Nasdaq Global Market.

### **B. CODE OF ETHICS**

We have adopted a Code of Conduct ("Code") that applies to all our employees, officers and directors, including our principal executive, principal financial and principal accounting officers. Our Code of Conduct addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code, employee misconduct, conflicts of interest or other violations. Our Code is also intended to meet the definition of "code of ethics" under Item 16B of 20-F under the Exchange Act.

We will disclose on our website any amendment to, or waiver from, a provision of our Code of Conduct that applies to our directors or executive officers to the extent required under the rules of the SEC or Nasdaq. Our Code is available on our website at <http://www.cellebrite.com>. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein.

## C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

### Fees Paid to the Auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global Limited, served as our independent registered public accounting firm for the fiscal years ended December 31, 2023 and December 31, 2022. Following are the fees for professional services in each of the respective fiscal years:

	<u>2023</u>	<u>2022</u>
Audit fees(1)	\$ 505	\$ 455
Tax fees(2)	170	164
Audit related	115	135
Total	<u>\$ 790</u>	<u>\$ 754</u>

- (1) “Audit fees” include fees for services performed by our independent public accounting firm in connection with our annual audit consolidated financial statements, certain procedures regarding our quarterly financial results submitted on Form 6-K, and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings, including in connection with review of registration statements and consents.
- (2) “Tax fees” include fees for professional services rendered during the years ended December 31, 2023 and 2022 by our independent registered public accounting firm for tax compliance and tax advice and tax planning services on actual or contemplated transactions.

### *Pre-Approval Policies and Procedures*

Pursuant to our audit committee charter and the requirements of Israeli law, our audit committee pre-approves the audit, audit-related, tax and other permitted services of our independent registered public accounting firm before it is engaged to render those services. Our audit committee has pre-approved all the audit services and all of the non-audit services provided to us and to our subsidiaries since the Closing of our Merger.

## D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

## E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

## F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

## **G. CORPORATE GOVERNANCE**

We are a “foreign private issuer” under the Exchange Act, and our Ordinary Shares and Warrants are listed on Nasdaq. Under the Nasdaq rules, listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by Nasdaq with limited exceptions (i.e., provided that we disclose which requirements we are not following and the equivalent Israeli requirement). We currently rely on this “home country practice exemption” only with respect to the following requirements:

- Quorum requirement. As permitted under the Companies Law, pursuant to our Amended Articles, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, any number of shareholders). Those minimal attendance levels are lower than 33 1/3% of the issued share capital, which is the minimal quorum permitted under the corporate governance rules of Nasdaq.
- Distribution of Annual and Interim Reports. Unlike Nasdaq Rule 5250(d), which requires listed issuers to make annual reports on Form 20-F available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute such reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition, we will make our annual report on Form 20-F containing audited financial statements available to our shareholders at our offices (in addition to a public website).

We otherwise comply with and intend to continue to comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. We may, however, in the future decide to rely upon the “foreign private issuer exemption” for purposes of opting out of some or all of the other Nasdaq corporate governance rules. Following our home country governance practices may provide less protection than is accorded to investors under the Nasdaq rules applicable to domestic issuers. For more information, see [“Part I, Item 3. Additional Information—D. Risk Factors—Risks Relating to an Investment in our Securities—As a ‘foreign private issuer’ under applicable securities laws and regulations, Cellebrite is permitted to, and may, file less or different information with the U.S. Securities and Exchange Commission \(the “SEC”\) than a company incorporated in the United States, and will follow certain home country governance practices in lieu of certain Nasdaq requirements applicable to U.S. issuers.”](#)

## **H. MINE SAFETY DISCLOSURE**

Not applicable.

## **I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **J. INSIDER TRADING POLICIES**

Not applicable.

## **K. CYBERSECURITY**

### **Risk management and strategy**

We have adopted data protection and cybersecurity policies and procedures and continuously work to embed data protection and cybersecurity risk management practices in our operations. Our processes for assessing, identifying, and managing material risks from cybersecurity threats have been integrated into our overall risk management processes and procedures.

We have implemented a governance structure to help assess, identify and manage cybersecurity risks. Our cybersecurity policies encompass incident response procedures, risk management, third-party risk management among various other procedures. In order to help develop these policies and procedures, we monitor cybersecurity and data protection requirements, standards, and regulations applicable to us, as well as emerging risks related to cybersecurity. Cellebrite has obtained certifications for widely recognized industry standards, including ISO 27001, ISO 27017, SOC 2, and NIST 800-53.

Cellebrite adopted a set of information and Cyber security policies and procedures, intended to cover relevant domains, including physical security, asset management, network security, system planning and acceptance, secure configuration, systems updates, licensing and copyrights, secure development, change management, security health check, malware protection, data handling, separation of duties, access control, acceptable use, business use notice, mobile and telecommunication, BYOD use and control, security awareness and professional training, human resource security, exchange of information, audit trail and monitoring, risk management, internal audits, service provider relationship, incident management, backup and restore, business continuity management.

We engage in periodic reviews of our cybersecurity program, including cybersecurity risk and threats. We regularly subject ourselves to external evaluations administered by third-party consultants. These entail performance of penetration testing and comprehensive cyber risk assessments which include a thorough business impact analysis with respect to third party service providers our cybersecurity strategy encompasses a third party risk program which monitors and manages vendors' cybersecurity risks throughout the engagement lifecycle; we conduct comprehensive risk assessments to ensure adherence to data protection and cybersecurity controls, leveraging a specialized vendor risk management solution; Moreover, our agreements with these third-party service providers encompass ongoing surveillance, alerting, and appropriate responses when necessary. Vendors' access to our data and systems is constantly monitored and reviewed, with a requirement for alignment with our security awareness program.

We have a Crisis Management Team (CMT) that includes executive officers and is alerted to cybersecurity incidents. The CMT undergoes an annual incident response table-top exercise to promote resilience in the event of a cyber incident. Additionally, we have an Information Security Steering Committee that oversees technological and operational initiatives while considering cybersecurity risk mitigation. Our incident response model consists of six phases (Preparation, Identification, Containment, Eradication, Recovery, and Lessons Learned). Our cybersecurity program and Incident Response Policy provide a framework for assessing the impact and materiality of cybersecurity incidents, and for communicating and coordinating with relevant stakeholders, including external entities, where applicable. The cybersecurity incident response plan emphasizes the importance of documentation, reporting, and continuous improvement through regular training and exercises and post-incident reviews and analysis. The further plan aims to minimize the impact of cybersecurity incidents on Cellebrite's operations, reputation, and financial stability, and to support the Company's ability to provide a timely and effective response.

Computer viruses, hackers, employees and other external hazards could expose our information systems to cybersecurity breaches, cybersecurity incidents or other disruptions, any of which could materially and adversely affect our business, as further described in [“Part I, Item 3.D. Risk Factors - We may be subject to information technology system breaches, failures, or disruptions that could harm our operations, financial condition or reputation”](#). While we have experienced immaterial cybersecurity incidents in the past, to date, we are not aware that we have experienced a material cybersecurity incident during the 2023 fiscal year.

### ***Governance***

As part of our overall risk management approach, we prioritize the identification and management of cybersecurity risk at several levels, including Board oversight, executive commitment and employee training. Our Audit Committee, comprised of independent directors from our Board, was appointed by the Board to discharge its responsibilities to oversee the Company’s operational risks (including information technology (IT) risks, business continuity and data security). Our Audit Committee is informed of such risks and mitigation plans taken by the Company through quarterly reviews by our group’s relevant executive(s).

Our Chief Information Security Officer (CISO) a certified and experienced Information Security Manager for more than 20 years, has held positions in several public and private organizations. The CISO oversees the implementation and compliance of our information security standards and mitigation of information security related risks and reports directly to the EVP IS&O (IT/IS and Operations). We also have a management-level committee and a Crisis Management Team who support our processes to assess and manage cybersecurity risk as follows:

- The Crisis Management Team (CMT), which includes senior executives across the Company, is alerted as appropriate to cybersecurity incidents, natural disasters and business outages. This team assesses its communication plan to confirm that its members can be alerted quickly in the event of an actual crisis and meet as a team to discuss the event and response options on an annual basis. In addition, the CMT undergoes an annual incident response tabletop exercise to promote resilience in the event of a cyber incident.
- The Information Security Steering Committee, which includes our EVP IS&O (IT/IS and Operations) and members of executive leadership, oversees technological and operational initiatives while considering cybersecurity risk mitigation with respect to these initiatives.

Each of these committees provides summary reports on their activities, which the relevant executive communicates as appropriate to the CEO and the Audit Committee.

At the employee level, we maintain an experienced information technology team who are tasked with implementing our cybersecurity program and support the CISO in carrying out reporting, security monitoring and mitigation functions. We also hold employee trainings on cybersecurity, records and information management, conduct phishing tests and generally seek to promote awareness of cybersecurity risk through communication and education of our employee population.



### PART III

#### Item 17. FINANCIAL STATEMENTS

See “[Part III, Item 18. Financial Statements.](#)”

#### Item 18. FINANCIAL STATEMENTS

Please refer to pages F-1 through F-46 of this Annual Report.

#### Item 19. EXHIBITS

Exhibit Number	Description
1.1	<a href="#">Amended and Restated Articles of Cellebrite DI Ltd. (as currently in effect) incorporated by reference to Exhibit 1.1 to the Company’s Annual Report on Form 20-F (File No. 001-40772) filed with the SEC on April 27, 2023.</a>
2.1	<a href="#">Specimen Ordinary Share Certificate of Cellebrite DI Ltd., incorporated by reference to Exhibit 4.5 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
2.2	<a href="#">Form of Assignment, Assumption and Amendment Agreement, by and among Cellebrite DI Ltd., TWC Tech Holdings II Corp. and American Stock Transfer &amp; Trust Company., incorporated by reference to Exhibit 4.7 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
2.3	<a href="#">Specimen Warrant Certificate of Cellebrite DI Ltd., incorporated by reference to Exhibit 4.6 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
2.4	<a href="#">Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, incorporated by reference to Exhibit 2.4 to the Company’s Annual Report on Form 20-F (File No. 001-40772) filed with the SEC on April 27, 2023.</a>
4.1	<a href="#">Business Combination Agreement and Plan of Merger, dated as of April 8, 2021, by and among Cellebrite DI Ltd., Cupcake Merger Sub Inc. and TWC Tech Holdings II Corp. (included as Annex A to the proxy statement/prospectus), incorporated by reference to Exhibit 2.1 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
4.2†	<a href="#">Form of Investor Rights Agreement, by and among Cellebrite DI Ltd., SUNCORPORATION, IGP SaferWorld Limited Partnership and the other equity holders of TWC Tech Holdings II Corp. and of Cellebrite DI Ltd. party thereto, incorporated by reference to Exhibit 4.10 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
4.3††	<a href="#">Cellebrite Mobile Synchronization Ltd. 2008 Share Option Plan, incorporated by reference to Exhibit 10.8 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
4.4††	<a href="#">Cellebrite DI Ltd. 2019 Restricted Share and Restricted Share Units Plan, incorporated by reference to Exhibit 10.10 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>

4.5††	<a href="#">Cellebrite Mobile Synchronization Ltd. 2019 Share Option Plan, incorporated by reference to Exhibit 10.9 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
4.6††	<a href="#">2021 Cellebrite DI Ltd. Share Incentive Plan, incorporated by reference to Exhibit 10.11 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
4.7††	<a href="#">2021 Cellebrite DI Ltd. Employee Share Purchase Plan, incorporated by reference to Exhibit 10.12 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
4.8††	<a href="#">Form of Director and Officer Indemnification Agreement, incorporated by reference to Exhibit 10.13 to Amendment No. 3 to the Company’s Registration Statement on Form F-4 (File No. 333-256177) filed with the SEC on August 5, 2021.</a>
4.9††	<a href="#">Compensation Policy for Directors and Officers, incorporated by reference to Exhibit 4.9 to the Company’s Annual Report on Form 20-F (File No. 001-40772) filed with the SEC on April 27, 2023.</a>
4.10	<a href="#">Office Lease Agreement, dated as of January 12, 2015, by and between the Azorei Malal Industries Ltd. and Cellebrite DI Ltd., and amendments thereto, incorporated by reference to Exhibit 10.6 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
4.11	<a href="#">Office Lease Agreement, dated as of June 7, 2018 by and between Mivnei Nadlan (C.D.) Company Ltd. (f/k/a/ Mivnei Ta’asia Company Ltd.) and Cellebrite DI Ltd., and amendments thereto, incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form F-4 (File No. 333-256177), as amended, filed with the SEC on May 17, 2021.</a>
8.1*	<a href="#">List of subsidiaries of Cellebrite DI Ltd.</a>
12.1*	<a href="#">Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a>
13.2**	<a href="#">Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a>
15.1*	<a href="#">Consent of KPMG Somekh Chaikin, independent registered accounting firm for Cellebrite DI Ltd.</a>
15.2*	<a href="#">Consent of Kost Forer Gabbay &amp; Kasierer, a member of Ernst &amp; Young Global Limited, current independent registered accounting firm of Cellebrite DI Ltd.</a>
97.1*	<a href="#">Policy for the Recovery of Erroneously Awarded Compensation.</a>
101.INS*	Inline XBRL Instance 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 (embedded within the Inline XBRL Document).

\* Filed herewith.

\*\* Furnished herewith

† Schedules and exhibits to this Exhibit omitted pursuant to the instructions to Item 19.4(a) of Form 20-F.

†† Indicates a management contract or compensatory plan.

### **SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

March 21, 2024

Cellebrite DI Ltd.

By: /s/ Yossi Carmil

Name: Yossi Carmil

Title: Chief Executive Officer

## INDEX TO FINANCIAL STATEMENTS

### FINANCIAL STATEMENTS OF CELLEBRITE DI LTD. AND ITS SUBSIDIARIES

**Audited Consolidated Financial Statements (as of and for the Year Ended December 31, 2023)**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Shareholders and the Board of Directors of**

**CELLEBRITE DI Ltd.**

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of CELLEBRITE DI Ltd. and its subsidiaries ("the Company") as of December 31, 2023 and 2022, the related consolidated statements of (loss) income, comprehensive (loss) income, changes in shareholders' equity (deficiency) and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER

A Member of EY Global

We have served as the Company's auditor since 2022.

Tel-Aviv, Israel

March 21, 2024





17 Ha'arba'a Street, PO Box  
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Tel Aviv 6100601, Israel  
+972 3 684 8000

## **Report of Independent Registered Public Accounting Firm**

**To the Shareholders and Board of Directors of  
Cellebrite DI Ltd.:**

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of income, changes in shareholders' deficiency, and cash flows of Cellebrite DI Ltd. and its subsidiaries (the Company) for the year ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/Somekh Chaikin

Member Firm of KPMG International

We have served as the Company's auditor from 2007 until 2022.

March 29, 2022

Tel-Aviv, Israel

**CONSOLIDATED BALANCE SHEETS**

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

	Note	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 189,517	\$ 87,645
Short-term deposits		74,713	51,335
Marketable securities	5	38,693	44,643
Trade receivables (net of allowance for credit losses of \$1,583 and \$1,904 as of December 31, 2023 and December 31, 2022, respectively)		77,269	78,761
Prepaid expenses and other current assets	6	26,400	17,085
Contract acquisition costs		5,550	6,286
Inventories	7	9,940	10,176
<b>Total current assets</b>		<b>422,082</b>	<b>295,931</b>
<b>Non-current assets</b>			
Other non-current assets		7,341	1,731
Marketable securities	5	28,859	22,125
Deferred tax assets, net	18	7,024	12,511
Property and equipment, net	8	15,896	17,259
Operating lease right-of-use assets, net	11	14,260	15,653
Intangible assets, net	4	10,594	11,254
Goodwill	3	26,829	26,829
<b>Total non-current assets</b>		<b>110,803</b>	<b>107,362</b>
<b>Total assets</b>		<b>\$ 532,885</b>	<b>\$ 403,293</b>

**CONSOLIDATED BALANCE SHEETS**

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

	Note	December 31, 2023	December 31, 2022
<b>Liabilities and Shareholders equity (deficiency)</b>			
<b>Current liabilities</b>			
Trade payables		\$ 8,282	\$ 4,612
Other accounts payable and accrued expenses	9	44,845	45,453
Deferred revenues	17	195,725	152,709
Operating lease liabilities	11	4,972	5,003
<b>Total current liabilities</b>		<b>253,824</b>	<b>207,777</b>
<b>Long-term liabilities</b>			
Other long term liabilities		5,515	5,394
Deferred revenues	17	47,098	42,173
Restricted Sponsor Shares liability	15	47,247	17,532
Price Adjustment Shares liability	15	81,715	26,184
Warrant liability	15	54,117	20,015
Operating lease liabilities	11	9,157	10,353
<b>Total long-term liabilities</b>		<b>244,849</b>	<b>121,651</b>
<b>Total liabilities</b>		<b>\$ 498,673</b>	<b>\$ 329,428</b>
Commitments and contingencies	12		
<b>Shareholders' equity</b>	13		
Share capital, NIS 0.00001 par value; 3,454,112,863 shares authorized and 203,230,928 and 193,014,155 shares issued and outstanding as of December 31, 2023 and 2022, respectively		— *	— *
Additional paid-in capital		(84,896)	(125,624)
Treasury stock, NIS 0.00001 par value; 41,776 ordinary shares		(85)	(85)
Accumulated other comprehensive income		1,050	331
Retained earnings		118,143	199,243
<b>Total Shareholders' equity</b>		<b>34,212</b>	<b>73,865</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 532,885</b>	<b>\$ 403,293</b>

\* Less than US\$ 1.

**CONSOLIDATED STATEMENTS OF (LOSS) INCOME**

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

	Note	Year Ended December 31,		
		2023	2022	2021
<b>Revenue:</b>				
Subscription services		\$ 209,751	\$ 153,470	\$ 120,889
Term-license		70,663	62,487	62,428
Other non-recurring		13,561	21,373	34,169
Professional services		31,135	33,321	28,760
<b>Total revenue</b>		<b>325,110</b>	<b>270,651</b>	<b>246,246</b>
<b>Cost of revenue:</b>				
Subscription services		19,219	16,875	9,369
Term-license		6	425	2,299
Other non-recurring		13,766	12,987	9,817
Professional services		20,240	20,459	21,072
<b>Total cost of revenue</b>		<b>53,231</b>	<b>50,746</b>	<b>42,557</b>
<b>Gross profit</b>		<b>271,879</b>	<b>219,905</b>	<b>203,689</b>
<b>Operating expenses:</b>				
Research and development		84,386	80,620	65,541
Sales and marketing		110,813	97,387	76,389
General and administrative		43,443	40,854	47,937
<b>Total operating expenses</b>		<b>238,642</b>	<b>218,861</b>	<b>189,867</b>
<b>Operating income</b>		<b>33,237</b>	<b>1,044</b>	<b>13,822</b>
Financial (expense) income, net	19	(108,800)	119,716	68,483
<b>(Loss) income before tax expenses</b>		<b>(75,563)</b>	<b>120,760</b>	<b>82,305</b>
Tax expense (income)		5,537	(45)	10,909
<b>Net (loss) income</b>		<b>\$ (81,100)</b>	<b>\$ 120,805</b>	<b>\$ 71,396</b>
<b>Net (loss) income per share:</b>				
	14			
Basic and diluted net (loss) income per share attributable to ordinary shareholders		(81,100)	116,111	70,433
Basic net (loss) income per ordinary share		\$ (0.43)	\$ 0.64	\$ 0.49
Diluted net (loss) income per ordinary share		\$ (0.43)	\$ 0.59	\$ 0.44
Weighted average number of ordinary shares used in computing basic net (loss) income per share		190,154,549	182,693,375	144,002,394
Weighted average number of ordinary shares used in computing diluted net (loss) income per share		190,154,549	195,393,558	161,538,579

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****U.S. dollars in thousands (except share and per share data)**

	Year Ended December 31,		
	2023	2022	2021
Net (loss) income	\$ (81,100)	\$ 120,805	\$ 71,396
Change in foreign currency translation adjustment	(1,039)	414	995
Change in unrealized losses on marketable securities:			
Unrealized losses arising during the period	506	(502)	—
Net change (net of tax effect of \$2, \$189- and \$—)	506	(502)	—
Change in unrealized (losses) gain on cash flow hedges:			
Unrealized (losses) gains arising during the period	(48)	(3,488)	364
Less -reclassification adjustment for net losses realized and included in net	1,300	2,535	(1,308)
Net change (net of tax effect of \$171, \$130 and \$129)	1,252	(953)	(944)
Total other comprehensive income (loss)	719	(1,041)	51
Comprehensive (loss) income	\$ (80,381)	\$ 119,764	\$ 71,447



**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)**

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

	Redeemable convertible preferred shares		Ordinary Shares Amount (**)	Share capital	Additional paid-in capital	Treasury stock	Comprehensive income	Retained earnings	Total
	Shares	Amount							
Balance at December 31, 2020	39,779,261	\$ 101,205	124,671,507	\$ — *	\$ 34,226	\$ (85)	\$ 1,321	\$ 28,342	\$ 63,804
Net income	—	—	—	—	—	—	—	71,396	71,396
Other comprehensive income	—	—	—	—	—	—	51	—	51
Share based compensation	—	—	—	—	6,480	—	—	—	6,480
Exercise of share option and vested RSUs	—	—	2,804,827	— *	2,305	—	—	—	2,305
Conversion of preferred shares	(39,779,261)	(101,205)	39,779,261	—	101,205	—	—	—	101,205
Dividend paid	—	—	—	—	(78,700)	—	—	(21,300)	(100,000)
Balance at December 31, 2021	—	\$ —	187,680,294	\$ — *	\$ —	\$ (85)	\$ 1,372	\$ 78,438	\$ (73,347)
Net income	—	—	—	—	—	—	—	120,805	120,805
Other comprehensive loss	—	—	—	—	—	—	(1,041)	—	(1,041)
Share based compensation	—	—	—	—	13,708	—	—	—	13,708
Exercise of share options, vested RSUs and ESPP	—	—	5,333,361	— *	13,735	—	—	—	13,735
Exercise of public warrants	—	—	500	— *	5	—	—	—	5
Balance at December 31, 2022	—	\$ —	193,014,155	\$ — *	\$ —	\$ (85)	\$ 331	\$ 199,243	\$ 73,865
Net loss	—	—	—	—	—	—	—	(81,100)	(81,100)
Other comprehensive income	—	—	—	—	—	—	719	—	719
Share based compensation	—	—	—	—	18,998	—	—	—	18,998
Exercise of share options, vested RSUs and ESPP	—	—	10,216,773	— *	21,730	—	—	—	21,730
Balance at December 31, 2023	—	\$ —	203,230,928	\$ — *	\$ (84,896)	\$ (85)	\$ 1,050	\$ 118,143	\$ 34,212

\* Less than US\$ 1.

\*\* Prior period results have been retroactively adjusted to reflect the 1:1.0422 reverse stock split effected on August 30, 2021. See also [Note 13](#), Shareholders' equity (deficiency), for details.

**CONSOLIDATED STATEMENTS OF CASH FLOWS****U.S. dollars in thousands (except share and per share data)**

	Year Ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$ (81,100)	\$ 120,805	\$ 71,396
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Share based compensation	18,998	13,708	6,480
Amortization of premium, discount and accrued interest on marketable securities	(1,106)	(372)	—
Depreciation and amortization	10,011	9,194	7,007
Deferred tax assets, net	5,125	(2,392)	(1,638)
Interest income from short term deposits	(7,737)	(684)	—
Remeasurement of Warrant liability	34,102	(36,463)	(11,967)
Remeasurement of Restricted Sponsor Shares liability	29,715	(27,180)	(17,635)
Remeasurement of Price Adjustment Shares liabilities	55,531	(53,220)	(38,271)
Changes in Operating lease right-of-use assets	4,362	4,667	—
Changes in Operating lease liabilities	(4,196)	(5,955)	—
Decrease (increase) in trade receivables	2,271	(12,885)	(1,958)
Increase in deferred revenues	46,114	38,966	21,804
Increase in prepaid expenses and other current assets	(9,211)	(5,692)	(8,304)
(Increase) decrease in other non-current assets	(5,610)	227	(1,394)
Decrease (increase) in inventories	243	(3,680)	(1,798)
Increase (decrease) in trade payables	3,691	(5,471)	4,239
Increase (decrease) in other accounts payable and accrued expenses	734	(8,853)	5,107
Increase (decrease) in other long-term liabilities	121	(4,143)	2,984
<b>Net cash provided by operating activities</b>	<b>102,058</b>	<b>20,577</b>	<b>36,052</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(5,231)	(6,897)	(5,111)
Cash paid in conjunction with acquisitions	—	—	(20,000)
Purchase of intangible asset	(2,687)	(2,188)	(3,000)
Investment in marketable securities	(55,317)	(89,364)	—
Proceeds from maturity of marketable securities	56,336	22,277	—
Investment in short term deposits	(89,000)	(76,000)	(21,000)
Redemption of short term deposits	73,359	60,941	94,337
<b>Net cash (used in) provided by investing activities</b>	<b>(22,540)</b>	<b>(91,231)</b>	<b>45,226</b>
<b>Cash flows from financing activities:</b>			
Exercise of options	19,142	12,628	2,305
Proceeds from Employee Share Purchase Plan, net	2,623	1,337	—
Exercise of public warrants	—	5	—
Payment of dividend	—	—	(100,000)
Proceeds from Recapitalization transaction, net	—	—	29,298
<b>Net cash provided by (used in) financing activities</b>	<b>21,765</b>	<b>13,970</b>	<b>(68,397)</b>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>101,283</b>	<b>(56,684)</b>	<b>12,881</b>
Net effect of currency translation on cash, cash equivalents and restricted cash	589	(1,644)	(754)
Cash, cash equivalents and restricted cash at beginning of year	87,645	145,973	133,846
<b>Cash and cash equivalents and restricted cash at end of year</b>	<b>\$ 189,517</b>	<b>\$ 87,645</b>	<b>\$ 145,973</b>

Supplemental disclosure of cash flow information:

**CONSOLIDATED STATEMENTS OF CASH FLOWS****U.S. dollars in thousands (except share and per share data)**

Income taxes paid	\$	10,047	\$	9,053	\$	8,157
Supplemental disclosure of Non-cash investment activities:						
Purchase of property and equipment	\$	—	\$	—	\$	814
Purchase of Intangible assets	\$	—	\$	664	\$	—
Operating lease liabilities arising from obtaining right of use assets	\$	4,363	\$	—	\$	—

**Note 1. General**

- a. Cellebrite DI Ltd. (the “Company”), an Israeli company, was incorporated on April 13, 1999 as a private company, and began its operations in July 1999. The Company and its wholly owned subsidiaries deliver a Case to Closure platform, comprising software and services for legally sanctioned investigations. The Company’s Case to Closure platform allows users to collect, review, analyze, and manage digital data across the investigative lifecycle with respect to legally sanctioned investigations. The Company’s primary shareholder is SUNCORPORATION, a public Company traded in the Japanese market (See also [Note 20](#)).
- b. On April 8, 2021, the Company entered into a Business Combination Agreement and Plan of Merger (the “Merger Agreement”) with TWC Tech Holdings II Corp. (“TWC”), a public listed company in Nasdaq and Cupcake Merger Sub, Inc., a new wholly-owned subsidiary of Cellebrite (the “Merger Sub”) in the USA. TWC is a Special Purpose Acquisition Company (“SPAC”). On August 30, 2021, the Merger was consummated. Upon the terms and subject to the conditions of the Merger Agreement, at the Effective Time, Merger Sub merged with and into TWC, the separate corporate existence of Merger Sub ceased and TWC became the surviving corporation and a wholly-owned subsidiary of the Company (the “Merger”). TWC became a wholly-owned subsidiary of the Company and the security holders of TWC became security holders of the Company. In December 2023, TWC was dissolved.

The merger was accounted as a recapitalization, with no goodwill or other intangible assets recorded, in accordance with U.S. GAAP. Under this method of accounting, the Company has been determined to be the accounting acquirer.

On the date of Closing of the Merger (the “Closing”) and prior to the Merger becoming effective by acceptance of the Merger Certificate for filing by the Secretary of State of the State of Delaware, and prior to the Company’s Preferred Share conversion into Ordinary Shares as described below, an initial dividend of \$21,300 (“Initial Dividend”) and an additional dividend of \$78,700 (“Additional Dividend”) were paid to the holders of Company’s Ordinary Shares, Preferred Shares and vested restricted share units (“RSU”) (all the “Company Shareholders”).

Immediately after the payment of the Initial Dividend and the Additional Dividend and prior to the Effective Time each Company Preferred Share was automatically converted into Ordinary Share in accordance with the terms in Cellebrite’s Article of Association.

Immediately following such conversion but prior to the Effective Time, the Company effected a reverse stock split of each Company Ordinary Share into such number of Company Ordinary Shares, which set the Ordinary Share value at \$10 (See also [Note 13.a](#)).

Furthermore, Cellebrite issued TWC security holders the following securities at the Effective Time: each Public Share was converted into the right to receive one (1) Ordinary Share (the “Per Share Merger Consideration”).

At the Effective Time each private warrant of TWC and each Public Warrant was converted into a warrant of Cellebrite, exercisable for the amount of Per Share Merger Consideration that the holder thereof would have received if such warrant had been exercisable and exercised immediately prior to the Merger. Additionally, each option and restricted share unit of Cellebrite remain outstanding, subject to adjusted terms to reflect the effect of the Stock Split on Ordinary Shares.

## Notes to consolidated financial statements

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

Concurrently with the execution of the Merger Agreement, certain accredited investors (the “PIPE Investors” and each, a “PIPE Investor”) entered into share purchase agreements (the “Share Purchase Agreements” and each, a “Share Purchase Agreement”) pursuant to which the PIPE Investors committed to purchase Ordinary Shares from certain Cellebrite shareholders at a purchase price of \$10.00 per share in an aggregate number equal to 30,000,000 and an aggregate

purchase price of \$300,000 (the “PIPE Investments” and each, a “PIPE Investment”) on the closing date of August 30, 2021 (the “Closing Date”), which were converted into 30,000,000 Ordinary Shares upon the consummation of the Merger (the “PIPE Shares”). The PIPE Investment closed immediately prior to the Merger.

- c. On November 11, 2021, the Company completed the acquisition of Digital Clues LTD. (“DC”) carved out assets (the “DC Assets”), for a total consideration of \$20,000. The DC Assets provide the ability to view, collect, and analyze information from on-line open sources, and produce actionable intelligence. See also [Note 3](#).

## Notes to consolidated financial statements

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

**Note 2. Summary of Significant Accounting Policies****A. Basis of presentation**

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP).

**B. Financial statements in United States dollars**

The currency of the primary economic environment in which the operations of Cellebrite DI Ltd. and certain subsidiaries are conducted is the U.S. dollar ("dollar"); thus, the dollar is the functional currency of Cellebrite DI Ltd. and certain subsidiaries.

Cellebrite DI Ltd. and certain subsidiaries' transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of income as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be a non-dollar currency, assets and liabilities are translated at year-end exchange rates and statement of income items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity (deficiency).

**C. Use of estimates**

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

Significant items subject to such estimates and assumptions include, but are not limited to, the allocation of transaction price among various performance obligation, the fair value of acquired intangible assets and goodwill in a business combination, share-based compensation, unrecognized tax benefits, marketable securities, fair value measurement of restricted sponsor shares liability, price adjustment shares liability and warrant liabilities.

**D. Principles of consolidation**

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

**E. Cash and cash equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

**F. Short Term Bank Deposit**

Short-term bank deposits consist of bank deposits with original maturities of more than three months and up to twelve months.



**Notes to consolidated financial statements****U.S. dollars (in thousands, except share and per share data)****G. Marketable securities**

The Company accounts for investments in marketable securities in accordance with ASC No. 320, "Investments—Debt Securities". Management determines the appropriate classification of its investments in the debt securities at the time of purchase and re-evaluates such determination at each balance sheet date.

As of December 31, 2023 and 2022, all of the Company's marketable securities investments were classified as "available-for-sale" ("AFS") and are carried at fair value. Unrealized gains and losses are reported in a separate component of shareholders' equity (deficiency) in accumulated other comprehensive income, net of taxes. Gains and losses are recognized when realized, on a specific identification basis, in the Company's consolidated statements of income.

For each reporting period, the Company evaluates whether declines in fair value below the amortized cost are due to expected credit losses, as well as the Company's ability and intention to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on AFS debt securities are recognized as a charge in financial expenses (income) and other, net, on the consolidated statements of income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive (loss) income. As of December 31, 2023 and 2022 credit losses were immaterial.

**H. Trade Receivable**

Trade receivables are recorded net of credit losses allowance for any potential uncollectible amounts.

The Company makes estimates of expected credit and collectability trends for the allowance for credit losses based upon its assessment of various factors, including historical collectability experience, the age of the trade receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers.

As of December 31, 2023 and 2022, the allowances for credit losses of trade receivable were \$1,583 and \$1,904 respectively.

The Company writes off receivables when they are deemed uncollectible, having exhausted all collection efforts. Actual collection experience may not meet expectations and may result in increased bad debt expense.

**I. Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the "moving average cost" method. Inventory write-downs are provided to cover technological obsolescence, excess inventories and discontinued products.

Inventory write-down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand, and is charged to cost of revenues. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

During the years ended December 31, 2023, 2022 and 2021, the Company recorded inventory write-offs in the amounts of \$608, \$211 and \$230, respectively. Such write-offs were included in cost of revenues.

## Notes to consolidated financial statements

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

**J. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and software	12.5 – 33
Manufacturing equipment	7
Furniture and equipment	7– 15
Leasehold improvements	*

\*Over the shorter of the expected lease term or estimated useful lives.

**K. Impairment of long-lived assets**

Long-lived assets, including property and equipment, Right-of-use assets and finite-lived intangible assets, are reviewed for impairment whenever facts or circumstances either internally or externally may indicate that the carrying value of an asset may not be recoverable. If there are indications of an impairment, the Company tests for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset to the carrying amount of the asset or asset group. If the asset or asset group is determined to be impaired, any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss.

During the year ended December 31, 2023, 2022 and 2021, no impairment losses have been identified.

**L. Leases**

The Company determines if an arrangement meets the definition of a lease at the inception of the lease.

Right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease agreement. ROU assets are initially measured at amounts, which represents the discounted present value of the lease payments over the lease, plus any initial direct costs incurred. The lease liability is initially measured at lease commencement date based on the discounted present value of the lease payments over the lease term. The implicit rate within the operating leases is generally not determinable, therefore the Company uses the Incremental Borrowing Rate (“IBR”) based on the information available at commencement date in determining the present value of lease payments.

Lease term may include options to extend or terminate the lease when it is reasonably certain that the Company would exercise and extend option and not exercise a termination option. The Company elected to not recognize a lease liability and a ROU asset for leases with a term of twelve months or less. The Company also elected the practical expedient to not separate lease and non-lease components for its leases..

Payments under the Company’s lease agreements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease ROU assets and liabilities.

**M. Revenue recognition**

The Company's revenues are comprised of four main categories: (a) Subscription Services, including support services (updates, upgrades and technical support) on term-based licenses; (b) Term Licenses; (c) other non-recurring; and (d) professional services.

The Company recognizes revenue pursuant to the five-step framework contained in ASC 606, Revenue from Contracts with Customers: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligations

The Company sells its products to its customers either directly or indirectly through distribution channels all of whom are considered end users.

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services are delivered. The amount of revenue recognized reflects the consideration that the Company expects to receive in exchange for these goods or services.

The Company determines that it has a contract with a customer when each party's rights regarding the products or services to be transferred can be identified, the payment terms for the services can be identified, the Company has determined the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation.

Performance obligations promised in a contract are identified based on the products and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the products or services either on their own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the products and services is separately identifiable from other promises in the contract.

The Company's software licenses either provide its customers the right to use its software for a fixed term, or a perpetual right to use its software, in most cases between a one-year and three-year time frame. The Company concluded that the software license is distinct as the customer can benefit from the software on its own.

Subscription revenue is derived from maintenance and support under renewable subscription, fee-based contracts that include unspecified software updates and upgrades released when and if available as well as software support. Customers with active subscriptions are also entitled to our technical customers' support. Performance obligations related to software maintenance services generally have a consistent continuous pattern of transfer to a customer during the contract period.

Other non-recurring revenue derived mostly from hardware sold mainly in conjunction with new software license, perpetual license and usage-based fees.

Professional services revenues primarily consist of: (i) certified training classes by Cellebrite Academy; (ii) our advanced services; (iii) implementation of our products in connection with our software licenses and (iv) on premise contracted customer success and technical support. Each of these performance obligations provide benefit to the customer on a standalone basis and are distinct in the context of the contract.

**Notes to consolidated financial statements****U.S. dollars (in thousands, except share and per share data)**

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring products or delivery of services to the customer. Payment terms generally are 30 days. The Company applied the practical expedient in ASC 606 and did not evaluate payment terms of one year or less for the existence of a significant financing component. Revenue is recognized net of any taxes collected from customers which are subsequently remitted to governmental entities (e.g., sales tax and other indirect taxes). The Company does not offer right of return to its contracts.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price (“SSP”) for each performance obligation. The Company uses judgment in determining the SSP for its products and services. The Company typically assesses the SSP for its products and services on a periodic basis or when facts and circumstances change. To determine SSP, the Company maximizes the use of observable standalone sales and observable data, where available. In instances where performance obligations do not have observable standalone sales, the Company utilizes available information that may include the entity specific factors such as assessment of historical data of bundled sales of software licenses with other promised goods and services, and pricing strategies to estimate the price the Company would charge if the products and services were sold separately.

The Company satisfies performance obligations either over time or at a point in time depending on the nature of the underlying promise. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer. Revenues related to the license for proprietary software are recognized when the control over the license is provided to the customer and the license term begins. Revenue related to software update and upgrades are recognized ratably over the service period. Revenues related to other professional services are recognized as services are performed.

**N. Contract acquisition cost**

The Company capitalizes sales commission as costs of obtaining a contract when they are incremental and if they are expected to be recovered. These costs are recorded as deferred contract acquisition costs on the consolidated balance sheets. The Company determines whether costs should be deferred based on its sales compensation plans and if the commissions are incremental and would not have occurred absent the customer contract.

Sales commissions for the renewal of a contract are considered commensurate with the sales commissions paid for the acquisition of the initial contract given no substantive difference in commission rates in proportion to their respective contract values.

Amortization of sales commissions are consistent with the pattern of revenue recognition of each performance obligation and are included in sales and marketing expense in the consolidated statements of operations.

The Company periodically reviews these deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit. No impairment losses of capitalizes sales commissions were recorded during the periods presented.

Amortization of deferred contract acquisition cost for the year ended December 31, 2023, 2022 and 2021 were \$9,596, \$6,883 and \$5,405 respectively.

Assets recognized from the costs incurred to obtain a contract were \$6,245 and \$6,846 as of December 31, 2023 and 2022, respectively.

## Notes to consolidated financial statements

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

**O. Research and development**

Research and development expenses are primarily comprised of costs of the Company's research and development personnel and other development related expenses. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software that qualifies for capitalization

**P. Internal use software**

Costs incurred to develop internal-use software are capitalized and amortized over the estimated useful life of the software. In accordance with ASC Topic, 350-40, "Internal-Use Software," capitalization of costs to develop internal-use software begins when preliminary development efforts are successfully completed, the Company has committed project funding and it is probable that the project will be completed, and the software will be used as intended. Costs related to the design or maintenance of internal-use software are expensed as incurred.

**Q. Employee benefit plans**

- a. Israeli Severance Pay** - The Israeli Severance Pay Law, 1963 ("Severance Pay Law"), specifies that employees are entitled to severance payment, following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one month salary for each year of employment, or a portion thereof.

The majority of the Company's liability for severance pay is covered by the provisions of Section 14 of the Severance Pay Law ("Section 14"). Under Section 14, employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made on behalf of the employee with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees.

As a result, the Company does not recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company's balance sheet.

For the year ended December 31, 2023, 2022 and 2021 severance pay expenses amounted to \$4,305, \$4,392 and \$4,067 respectively.

- b.** The US Subsidiary has a defined contribution plan (the "Contribution Plan") under the provisions of Section 401(k) of the Internal Revenue Code (the "Code") which covers eligible U.S. employees as they are defined in the Contribution Plan. Participants may elect to contribute up to a maximum amount prescribed by the Code. The Company, at its discretion, makes matching contributions to the greater of 6% of the participant's compensation. For the year ended December 31, 2023, 2022 and 2021, the Company made 401(k) plan contributions of approximately \$2,043, \$1,711 and \$1,455, respectively.

**R. Advertising Expenses**

Marketing events expenses and other related marketing expenses are charged to expense as incurred. Marketing expenses for the years 2023, 2022 and 2021 were \$7,853, \$5,906 and \$5,274 respectively.

**S. Income taxes**

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". ASC 740 prescribes the use of the liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of enactment. A valuation allowance is provided, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. Deferred tax assets and deferred tax liabilities are presented under long-term assets.

The Company implements a two-step approach to recognize and measure uncertainty in income taxes. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is greater than 50 percent (cumulative basis) likely to be realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company classifies interest and penalties related to unrecognized tax benefits as part of income taxes.

**T. Stock-Based Compensation**

The Company accounts for share-based compensation to employees and non-employees in accordance with ASC 718, "Compensation — Stock Compensation", ("ASC 718"), which requires companies to estimate the fair value of equity-based payment awards on the date of grants based on the fair value of the awards granted.

The Company grants awards that vest upon the satisfaction of service condition and in certain grant market conditions.

For awards with graded vesting schedule subject to service condition, the Company recognize compensation costs based on the straight line attribution method over the requisite service period of the awards.

The Company estimate the fair value of share options granted using the Black-Scholes-Merton option-pricing model and for ESPP awards Monte Carlo pricing model and acceleration method.

The Company measures the grant date fair value of its RSUs based on the closing market price of the ordinary share on the date of grant. For PSUs subject to market conditions, the Company uses a Monte Carlo simulation model, which utilizes multiple inputs to estimate payout level and the probability that market conditions will be achieved.

The Company used the following weighted-average assumptions for options granted to employees and non-employees:



## Notes to consolidated financial statements

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

	Year ended December 31,		
	2023	2022	2021
Contractual period in years	10	10	10
Volatility	50.3% - 51.8%	43.2% - 51.9%	35.9% - 52.7%
Risk free interest rate	3.7% - 4.5%	2.0% - 4.2%	1.3% - 1.4%
Dividend yield	0%	0%	0% - 5%
Exercise price	\$4.95 - \$7.99	\$4.79 - \$6.60	\$5.41 - \$8.27
Fair value of Ordinary Share	\$4.95 - \$7.99	\$4.79 - \$6.60	\$5.41 - \$8.27
Expected term	6.11	6.11	6.11

The fair value of ESPP was estimated on the grant date using Monte Carlo valuation methodology with the following weighted average assumptions:

	Year Ended December 31, 2023
Volatility	39.7%-50.5%
Expected term	6 months
Risk-free interest rate	4.2%-5.1%
Share price	\$4.69-\$8.42
Dividend yield	0%

These assumptions and estimates were determined as follows:

*Fair value of Ordinary shares* — The Company's Ordinary shares have a limited history of being publicly traded. Prior to the consummation of the merger, the fair value was determined by management, with input from valuation reports prepared by third-party valuation specialists. In determining the fair value of ordinary shares subsequent to the consummation of the Merger agreement, the board of directors considered the grant date fair value for share-based awards as of the closing price of the Company's ordinary shares on NASDAQ on the business day prior to grant date.

*Risk-free interest rate* — The Company determined the risk-free interest rate by using a weighted-average equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.

*Expected term* — The expected term of options granted is based on historical experience and represents the period of time that options granted are expected to be outstanding. Since the Company doesn't have sufficient historical share exercise data to calculate the expected term of the share options. The Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected volatility Options* — Since the Company has a limited trading history of its Ordinary shares, there is not sufficient historical volatility for the expected term of the share options. The expected volatility is derived: (i) historical volatility of comparable companies, in accordance with the expected remaining lives of the option (ii) historical volatility of the Company's publicly traded shares, commencing August 30, 2021 and (iii) implied volatility of the Company's publicly traded warrants.

**Notes to consolidated financial statements****U.S. dollars (in thousands, except share and per share data)**

*Expected Volatility ESPP* — was based on Cellebrite’s historical share price volatility, on a daily basis, for 6 months.

*Expected dividend yield*— The Company does not anticipate paying any dividends in the foreseeable future. Thus, the Company used 0% as its expected dividend yield.

**U. Fair value measurements**

The Company accounts for fair value in accordance with ASC 820, “Fair Value Measurements and Disclosures”. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs for the asset or liability used to measure fair value that are supported by little or no market activity and that are significant to the fair value of the asset or liability at measurement date.

The carrying value of trade receivable and payables and the Company’s cash and cash equivalents and short-term deposits, approximates fair value due to the short time to expected payment or receipt of cash.

**V. Derivative instruments**

The Company accounts for derivatives and hedging based on ASC No. 815, “Derivatives and Hedging” (“ASC No. 815”). ASC No. 815 requires the Company to recognize all derivatives on the balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, as well as the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. If the derivatives meet the definition of a hedge and are designated as such, depending on the nature of the hedge, changes in the fair value of such derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in accumulated other comprehensive income until the hedged item is recognized in earnings.

The Company has instituted a foreign currency cash flow hedging program using foreign currency forward contracts (“derivative instruments”) in order to hedge the exposure to variability in expected future cash flows resulting from changes in related foreign currency exchange rates. The Company hedges portions of its forecasted expenses denominated in NIS. These transactions are designated as cash flow hedges, as defined under ASC 815, “Derivatives and Hedging”.

## Notes to consolidated financial statements

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

The Company measured the fair value of the contracts in accordance with ASC No. 820 (classified as level 2 of the fair value hierarchy). These contracts met the requirement for cash flow hedge accounting and, as such, gains (losses) on the contracts are recognized initially as component of Accumulated Other Comprehensive (loss) income in the balance sheets and reclassified to the statements of (loss) income in the period the related hedged items affect earnings.

The fair value of derivative instruments liabilities and assets balances as of December 31, 2023 and 2022, totaled \$995 and \$652, respectively.

**W. Goodwill**

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350, “Intangible — Goodwill and Other”, goodwill is not amortized, but rather is subject to an annual impairment test.

ASC 350 requires goodwill to be tested for impairment at the reporting unit level at least annually, the fourth quarter, or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. The Company operates in one operating segment, and this segment is the only reporting unit.

ASC 350 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the quantitative goodwill impairment test is performed. Alternatively, ASC 350 permits an entity to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative goodwill impairment test. If the carrying value of a reporting unit exceeds its fair value, the Company recognizes an impairment of goodwill for the amount of this excess, in accordance with the guidance in FASB Accounting Standards Update (“ASU”) No. 2017-04, Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment.

The Company performs the goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present and compares the fair value of the reporting unit with its carrying value. There were no impairment charges to goodwill during the period presented.

**X. Intangible assets**

Intangible assets are amortized over their estimated useful lives using the straight-line method, at the following annual period ranges:

	<b>Years</b>
Core technology	4- 7
Trade name	4
Customer relationship	10

Each period the Company evaluates the estimated remaining useful lives of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

**Y. Business combination**

The Company applies the provisions of ASC 805, “Business Combination” and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, the Company estimated the future expected cash flows from acquired core technology and acquired trade name from a market participant perspective, useful lives and discount rates. In addition, management makes significant estimates and assumptions, which are uncertain, but believed to be reasonable.

Significant estimates in valuing certain intangible assets include, but are not limited to future expected cash flows from acquired technology and acquired trademarks from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

**Z. Concentrations of credit risk**

Financial instruments that potentially expose the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, restricted cash, trade receivables and other receivables.

The majority of the Company’s cash and cash equivalents are invested in deposits mainly in dollars with major international banks. Generally, these cash and cash equivalents and short term investment may be redeemed upon demand. Management believes that the financial institutions that hold the Company’s and its subsidiaries’ cash and cash equivalents are institutions with high credit standing, and accordingly, minimal credit risk exists with respect to these assets.

The Company’s trade receivables are geographically diversified and derived from sales to customers all over the world. The Company mitigates its credit risks by performing an ongoing credit evaluations of its customers’ financial conditions. The Company and its subsidiaries generally do not require collateral; however, in certain circumstances, the Company and its subsidiaries may require letters of credit, additional guarantees or advance payments.

The Company’s marketable securities consist of investments in government, corporate and government sponsored enterprises debentures. The Company’s investment policy, approved by the Board of Directors, limits the amount that the Company may invest in any one type of investment, or issuer, thereby reducing credit risk concentrations.

The Company enter into foreign currency forward and option contracts intended to protect cash flows resulting from scheduled payments such as payroll and rent related expenses against the volatility in value of forecasted non-dollar currency. The derivative instruments hedge a portion of the Company's non-dollar currency exposure. See [Note 2V](#) and [Note 10](#) for additional information.

## Notes to consolidated financial statements

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

**AA. Segment information**

The Company identifies operating segments in accordance with ASC Topic 280, "Segment Reporting" as components of an entity for which discrete financial information is available and is regularly reviewed by the chief operating decision maker, or decision-making group, in making decisions regarding resource allocation and evaluating financial performance. The Company operates in one operating and reportable segment. Financial information is evaluated regularly by the chief operating decision maker, who is the Company's CEO, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by geographical region can be found in the revenue recognition disclosures in [Note 17](#) below. The following table presents the Company's long-lived assets by geographic region, which consist of property and equipment, net and operating lease right-of-use assets:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
EMEA	\$ 20,691	\$ 26,595
Americas	8,024	5,712
APAC	1,441	605
Total long-lived assets	<b>\$ 30,156</b>	<b>\$ 32,912</b>

**AB. Basic and diluted net (loss) income per share**

The Company computes net income per share using the two-class method required for participating securities. The two-class method requires income available to Common shareholders for the period to be allocated between Common shares and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The holders of the Company's participating securities are entitled to dividends that would be distributed to the holders of Common shares, on a pro-rata basis. Diluted earnings per share is computed using the weighted-average number of shares and the effect of potentially dilutive securities outstanding during the period.

The Company's participating securities consists of the Restricted sponsor share ,which, in the event of a dividend distribution, will be entitled to non-forfeitable dividends on a proportional basis with the common shares. The Company does not allocate losses to these participating securities as they do not share in the Company's losses.

The potentially dilutive share options to purchase ordinary shares that were excluded from the computation amounted to 7,848,793 14,148,829 and 9,995,236 for the years ended December 31, 2023, 2022 and 2021, respectively, because including them would have been anti-dilutive.

The Restricted sponsor shares and Price adjustments shares, in the amount of 7,500,000 and 15,000,000, respectively, that are subject to the occurrence of certain conditions, were excluded from the diluted net income per share calculation for the years ended December 31, 2023, 2022 and 2021

Public warrants and Private warrants in the amount of 19,999,449 and 9,666,667, were excluded from the diluted income per share for the years ended December 31, 2023, 2022 and 2021, as the inclusion would have been anti-dilutive.

**AC. Recently issued accounting pronouncements**

As an “Emerging growth company,” the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

Recently adopted accounting pronouncements:

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which resulted more timely recognition of losses. The accounting standard is effective for the fiscal year beginning on January 1, 2023, including interim periods within that year.

The adoption did not have a material impact on the Company’s consolidated financial statements.

Recently issued accounting pronouncements not yet adopted:

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses on an interim and annual basis. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods for the fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. The Company is currently evaluating the effect of adopting the ASU on its disclosures.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments should be applied on a prospective basis. The Company is currently evaluating the effect of adopting the ASU on its disclosures.

## Notes to consolidated financial statements

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**Note 3. Business combination**

Acquisition of Digital Clues Carved Out Assets:

On November 11, 2021, the Company completed the acquisition of Digital Clues LTD. (“DC”) carved out assets (“DC Assets”), for a total consideration of \$20,000 . The DC Assets provide the ability to view, collect, and analyze information from on-line open sources, and produce actionable intelligence. The asset acquisition meets the definition of a business.

The purchase price allocation for the acquisition has been determined as follows:

	<b>Amount</b>
Net assets	\$ (890)
Technology	3,347
Customer relationship	177
Goodwill	17,366
Total	<u>\$ 20,000</u>

Goodwill is primarily attributable to expected synergies arising from technology integration and expanded product availability to the Company’s existing and new customers. Goodwill is deductible for income tax purpose.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

	<b>Fair Value</b>	<b>Useful Life</b>
	<b>US\$ thousands</b>	<b>In years</b>
Core technology	3,347	7
Customer relationship	177	10
Total identifiable intangible assets	<u>\$ 3,524</u>	

During the years ended December 31, 2023 , 2022 and 2021, the Company recorded amortization expenses of \$496, \$496 and \$67, respectively.



## Notes to consolidated financial statements

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**Note 4. Intangible assets, net**

Finite-lived intangible assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Original amounts:		
Core technology	\$ 15,950	\$ 13,263
Trade name	3,900	3,900
Customer relationship	177	177
	<u>20,027</u>	<u>17,340</u>
Accumulated amortization:		
Core technology	5,657	3,303
Trade name	3,738	2,763
Customer relationship	38	20
	<u>9,433</u>	<u>6,086</u>
Intangible assets, net	<u>\$ 10,594</u>	<u>\$ 11,254</u>

a. Amortization expense amounted to \$3,347, \$2,826 and \$1,971 for the years ended December 31, 2023, 2022 and 2021, respectively.

b. The expected future amortization expenses by year related to the intangible assets as of December 31, 2023 are as follows:

2024	\$ 3,227
2025	3,060
2026	2,543
2027	1,281
2028 and thereafter	483
	<u>\$ 10,594</u>

**Note 5. Marketable securities**

Marketable securities consisted of the following:

	<u>December 31, 2023</u>			
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value (Level 2)</u>
Corporate bond	\$ 18,521	\$ 57	\$ (29)	\$ 18,549
Agency bond	40,487	63	(64)	40,486
US Government	8,538	13	(34)	8,517
Total	<u>\$ 67,546</u>	<u>\$ 133</u>	<u>\$ (127)</u>	<u>\$ 67,552</u>

## Notes to consolidated financial statements

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

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bond	\$ 20,963	\$ —	\$ (266)	\$ 20,697
Agency bond	24,394	8	(237)	24,165
Treasury bills	7,126	—	(9)	7,117
US Government	10,005	—	(187)	9,818
Municipality	175	—	—	175
Commercial paper	4,796	—	—	4,796
Total	\$ 67,459	\$ 8	\$ (699)	\$ 66,768

As of December 31, 2023 and 2022, no continuous unrealized losses for 12 months or greater were identified.

The following table summarizes the Company's marketable securities by contractual maturities:

	December 31, 2023	December 31, 2022
Due in 1 year or less	\$ 38,693	\$ 44,643
Due in 1 year through 2 years	28,859	22,125
Total	\$ 67,552	\$ 66,768

**Note 6. Prepaid expenses and other current assets**

	December 31, 2023	December 31, 2022
Advances to suppliers	\$ 598	\$ 790
Prepaid expenses	8,894	7,807
Government institutions	15,470	7,401
Other	1,438	1,087
	\$ 26,400	\$ 17,085

**Note 7. Inventories**

	December 31, 2023	December 31, 2022
Raw materials	\$ 7,815	\$ 7,451
Finished goods	2,125	2,725
	\$ 9,940	\$ 10,176

## Notes to consolidated financial statements

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

**Note 8. Property and equipment, net**

	December 31, 2023	December 31, 2022
Manufacturing equipment	\$ 582	\$ 546
Furniture and equipment	10,461	10,203
Leasehold improvements	7,465	6,674
Computers and software	30,641	27,140
	<u>49,149</u>	<u>44,563</u>
Less—accumulated depreciation	(33,253)	(27,304)
	<u>\$ 15,896</u>	<u>\$ 17,259</u>

Depreciation expenses were \$6,664, \$6,368 and \$5,036 in the year ended December 31, 2023, 2022 and 2021, respectively.

**Note 9. Other accounts payable and accrued expenses**

	December 31, 2023	December 31, 2022
Governmental institution	\$ 2,646	\$ 1,227
Employees and related expenses	34,111	33,495
Income tax payable	833	2,853
Accrued expenses	6,161	6,244
Advances from customers	862	628
Other	232	1,006
	<u>\$ 44,845</u>	<u>\$ 45,453</u>

**Note 10. Derivative Instruments**

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates.

ASC 815, "Derivatives and Hedging" ("ASC 815"), requires the Company to recognize all of its derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

Gains and losses on derivatives instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that are attributable to a particular risk), are recorded in accumulated other comprehensive income (loss) and reclassified into statement of income in the same accounting period in which the designated forecasted transaction or hedged item affects earnings.

## Notes to consolidated financial statements

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

The Company entered into option and forward contracts to hedge a portion of anticipated New Israeli Shekel ("NIS") payroll and benefit payments. These derivative instruments are designated as cash flow hedges, as defined by ASC 815 and accordingly are measured at fair value. These transactions are effective and, as a result, gain or loss on the derivative instruments are reported as a component of accumulated other comprehensive income and reclassified as Cost of revenues and Operating expenses, at the time that the hedged income/expense is recorded.

	Net Notional amount		Fair value (Level 2 within the fair value hierarchy)	
	December 31		December 31,	
	2023	2022	2023	2022
Option contracts to hedge payroll expenses NIS	\$ 32,158	\$ 31,833	\$ 1,159	\$ 173
Forward contracts to hedge payroll expenses (income) NIS	—	5,598	—	(229)
	<u>\$ 32,158</u>	<u>\$ 37,431</u>	<u>\$ 1,159</u>	<u>\$ (56)</u>

The Company currently hedges its exposure to the variability in future cash flows for a maximum period of one year. As of December 31, 2023, the Company expects to reclassify all of its unrealized gains and losses from accumulated other comprehensive income to earnings during the next nine months. The fair value of the Company's outstanding derivative instruments at December 31, 2023 and 2022 is summarized below:

	Balance Sheet line item	Fair value of derivative instruments	
		December 31,	
		2023	2022
Derivative liabilities:			
Foreign exchange option contracts	Prepaid expenses and other current assets	\$ 1,159	\$ 173
Foreign exchange forward contracts	Prepaid expenses and other current assets	—	—
Foreign exchange option contracts	Other account payable	(164)	(596)
Foreign exchange forward contracts	Other account payable	\$ —	\$ (229)

## Notes to consolidated financial statements

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

The effect of derivative instruments in cash flow hedging relationship on income and other comprehensive income for the year ended December 31, 2023, 2022 and 2021, is summarized below:

	<b>Amount of (loss) gain recognized in other comprehensive income on derivative, net of tax (effective portion)</b>		
	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Derivatives in foreign exchange cash flow hedging relationships:			
Forward contracts	\$ (168)	\$ (643)	\$ 110
Option contracts	120	(2,845)	254
	<u>\$ (48)</u>	<u>\$ (3,488)</u>	<u>\$ 364</u>

Derivatives in foreign exchange cash flow hedging relationships for the year ended December 31, 2023, 2022 and 2021, is summarized below:

	<b>Statements of income line item</b>	<b>Amount of gain (loss) reclassified from other comprehensive income into income (expenses), net of tax (effective portion)</b>		
		<b>Year ended December 31,</b>		
		<b>2023</b>	<b>2022</b>	<b>2021</b>
Option contracts to hedge payroll	Cost of revenues and operating expenses	\$ 930	\$ 2,491	\$ (657)
Forward contracts to hedge payroll	Cost of revenues and operating expenses	370	44	(651)
		<u>\$ 1,300</u>	<u>\$ 2,535</u>	<u>\$ (1,308)</u>

**Note 11. Lease**

The Company entered into operating leases primarily for offices. The leases have remaining lease terms of up to 10.5 years

The components of operating lease costs were as follows:

	<b>Year ended December 31, 2023</b>
Operating lease cost	\$ 4,934
Short-term lease cost	347
Variable lease cost	269
Total net lease costs	<u>\$ 5,550</u>

## Notes to consolidated financial statements

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

Supplemental balance sheet information related to operating leases is as follows:

	<b>Year ended December 31, 2023</b>
Operating lease ROU assets	\$ 14,260
Operating lease liabilities, current	\$ 4,972
Operating lease liabilities, long-term	\$ 9,157
Weighted average remaining lease term (in years)	4.59
Weighted average discount rate	2.48 %

Minimum lease payments for the Company's ROU assets over the remaining lease periods as of December 31, 2023, are as follows:

Fiscal Years Ending December 31,	<b>Operating Leases</b>
2024	\$ 5,018
2025	3,939
2026	1,947
2027	1,143
2028 and thereafter	3,442
<b>Total undiscounted lease payments</b>	<b>15,489</b>
Less: imputed interest	(1,360)
<b>Present value of lease liabilities</b>	<b>\$ 14,129</b>

**Note 12. Commitments and contingencies**

From time to time, the Company may be involved in various claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated the Company would accrue a liability for the estimated loss. As of December 31, 2023 and 2022, the Company is not involved in any claims or legal proceedings which require accrual of liability for the estimated loss.

**Note 13. Shareholders' equity (deficiency)****a. Stock Split**

On August 30, 2021, the Company's board of directors approved a 1:1.0422 reverse stock split. As a result, all ordinary shares, Preferred Shares, options for ordinary shares, restricted share units, exercise price and net income (loss) per share amounts were adjusted retroactively for all periods presented in these condensed consolidated financial statements as if the stock split and change in par value had been in effect as of the date of these condensed consolidated interim financial statements.

## Notes to consolidated financial statements

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 U.S. dollars (in thousands, except share and per share data)
b. Ordinary Shares

As of December 31, 2023 and 2022, the Company was authorized to issue 3,454,112,863 shares of par value NIS 0.00001 per share ordinary share. The voting, dividend and liquidation rights of the holders of the Company's common share is subject to and qualified by the rights, powers and preferences of the holders of the preferred shares as set forth below.

Common share confers upon its holders the following rights:

- i. The right to participate and vote in the Company's general meetings. Each share will entitle its holder, when attending and participating in the voting to one vote;
- ii. Dividends or Distribution shall be paid or be made to the holders of Ordinary Shares, shall be in an amount equal the product of the dividend or distribution payable or made on each ordinary share determined as if all preferred shares had been converted into ordinary shares and the number of ordinary shares issuable upon conversion of such preferred share, in each case calculated on the record date for determination of holders entitled to receive such dividend or distribution; and
- iii. The right to a share in the distribution of the Company's excess assets upon liquidation pro rata to the par value of the share held by them.

c. Redeemable Convertible Preferred shares rights

On June 17, 2019, the Company issued 39,779,261 Convertible Preferred shares for \$2.765 per share (the "Original Issue Price") for the total consideration of \$101,205 (net of issuance costs).

On June 17, 2019, IGP Saferworld Limited Partnership (hereinafter: "IGP"), an investment vehicle of IGP Capital, a venture capital firm based in Israel, invested \$110 million in the Company, in exchange for the Company's redeemable convertible preferred shares, representing 24.4% of the Company's outstanding ordinary and preferred shares (see also [Note 1b](#) and [Note 13b](#)). Following the IGP investment, the Company paid to its employees compensation in the amount of \$4,034 includes in other expenses in the consolidated statements of operations and comprehensive income (loss).

On August 30, 2021, immediately before the consummation of the Merger with TWC, the Company's Preferred Shares were converted into Ordinary Shares.

d. Option Plan, RSU's and PSU's:

On August 5, 2021, the Company adopted the 2021 Share Incentive Plan (the "2021 Share Incentive Plan). The 2021 Share Incentive Plan provides for the grant of share options (including incentive share options and non-qualified share options), ordinary shares, RSUs, PSUs, and other share-based awards.

The maximum aggregate number of shares that may be issued pursuant to awards under this 2021 Plan is 37,653,880. Out of which 12,435,797 were granted as of December 31, 2023.

As of December 31, 2023 the aggregate amount of options, RSUs and PSUs outstanding is 23,888,325.



## Notes to consolidated financial statements

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

A summary of the Company's option activity and related information is as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)
Outstanding at December 31, 2022	20,457,660	\$ 2.99	6.39
Granted	3,222,786	6.44	
Exercised	7,391,891	2.58	
Forfeited	560,379	4.67	
Outstanding at December 31, 2023	15,728,176	\$ 3.83	6.23
Exercisable at December 31, 2023	11,441,966	\$ 3.07	5.25

The weighted average fair values at grant date of options granted for the year ended December 31, 2023, 2022 and 2021 were \$3.59, \$2.86 and \$5.04 per share, respectively.

The total intrinsic value of options exercised during the years 2023, 2022 and 2021, was \$33,237, \$12,116, and \$8,547, respectively.

The aggregate intrinsic value of the outstanding options at December 31, 2023, 2022 and 2021, represents the amount of 15,728,176, 18,121,448 and 25,440,041, respectively, outstanding options that are in-the-money as of such dates. The remaining 2,336,212 and 47,856 outstanding options are out-of-the-money as of December 31, 2022 and 2021, respectively, and their intrinsic value was considered as zero.

A summary of the Company's RSUs and PSUs activity is as follows:

	December 31, 2023
	Number of RSUs
Unvested at beginning of year	6,391,352
Granted	5,850,513
Vested	2,216,312
Forfeited	1,865,404
Unvested, at end of year	8,160,149

The weighted average fair value at grant date of RSUs and PSUs granted for the year ended December 31, 2023, 2022 and 2021 was \$5.75, \$6.02 and \$8.27 respectively.

The total aggregate fair value of shares vested during the years 2023, 2022 and 2021 was \$13,805, \$3,025 and \$927 respectively.

As of December 31, 2023, the Company had approximately \$52,917 of unrecognized compensation expense related to non-vested shares options, non-vested RSU's and non-vested PSU's expected to be recognized over a weighted average period of 2.95 years.

e. 2021 Employee Share Purchase Plan:

On August 5, 2021, the Company adopted the 2021 Employee Share Purchase Plan ("ESPP").

## Notes to consolidated financial statements

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

The aggregate number of Shares that may be issued pursuant to rights granted under the ESPP shall be 1,871,687 Shares. In addition, on the first day of each calendar year beginning on January 1, 2023 and ending on and including January 1, 2033, the number of Shares available for issuance under the Plan shall be increased by that number of Shares equal to the lesser of (a) 1.0% of the Shares outstanding on the last day of the immediately preceding calendar year, as determined on a fully diluted basis, and (b) such smaller number of Shares as may be determined by the Board. If any right granted under the ESPP shall for any reason terminate without having been exercised, the Shares not purchased under such right shall again become available for issuance under the ESPP.

As of December 31, 2023 and 2022, 587,579 and 290,053 ordinary shares had been issued under the ESPP. The ESPP is compensatory and, as such, results in recognition of compensation cost.

- f. Share based compensation expenses related to the consolidated statements of operations recognized were comprised as follows:

	<b>Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cost of revenues	\$ 1,733	\$ 1,283	\$ 290
Research and development	4,673	2,974	1,076
Sales and marketing	6,478	5,041	2,332
General and administrative	6,114	4,410	2,782
	<b>\$ 18,998</b>	<b>\$ 13,708</b>	<b>\$ 6,480</b>

## Notes to consolidated financial statements

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

**Note 14. Net (loss) income per share**

The following table sets forth the computation of basic losses and earnings per share:

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net (loss) income	\$ (81,100)	\$ 120,805	\$ 71,396
Basic net income attributable to Restricted sponsor shares	—	4,694	963
Basic net (loss) income attributable to Ordinary shareholders	(81,100)	116,111	70,433
Denominator:			
Weighted average number of Ordinary shares used in computing basic net (loss) income per share	190,154,549	182,693,375	144,002,394
Basic net (loss) income per share of Ordinary shareholders	\$ (0.43)	\$ 0.64	\$ 0.49
Weighted average number of Ordinary shares used in computing diluted net (loss) income per share	190,154,549	195,393,558	161,538,579
Diluted net (loss) income per share of Ordinary shareholders	\$ (0.43)	\$ 0.59	\$ 0.44

**Note 15. Fair value measurements**Warrant liability

Upon the closing of the transaction, 20,000,000 Public Warrants and 9,666,667 private warrants, that were both issued by TWC prior to the transaction, were outstanding to purchase the Company's Ordinary Shares. Each warrant entitles the holder to purchase one Company Ordinary Share at a price of \$11.50 per share, subject to adjustments. The warrants are exercisable at any time commencing 30 days after the completion of the transaction and expire five years after the Closing Date or earlier upon redemption or liquidation. The Company may redeem the outstanding Public Warrants in whole and not in part at a price of \$0.01 per warrant at any time after they become exercisable, provided that the last sale price of the Company Ordinary Shares equals or exceeds \$18 per share, subject to adjustments, for any 20 trading-days within a 30 trading-day period ending three business days prior to the date on which the Company sends the notice of redemption to the warrant holders.

The private warrants have similar terms as the Public Warrants, except that the private warrants may be exercised for cash or on a cashless basis at the holder's option and the private warrants will not be redeemed by the Company as long as they are held by the initial purchasers or their permitted transferees, but once they are transferred, they have the same rights as the Public Warrants.

## Notes to consolidated financial statements

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

The Company has classified the warrants assumed during the Merger (both public and private) as a liability pursuant to ASC 815-40 since the warrants do not meet the equity classification conditions. Accordingly, the Company measured the warrants at their fair value. The warrants liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statement of comprehensive loss.

During the year ended December 31, 2022, 500 public warrants were exercised in a total amount of \$5.

	Public Warrants (Level 1)	Private Placement Warrants (Level 3)	Total Warrant liability
Balance, December 31, 2021	\$ 35,200	\$ 21,278	\$ 56,478
Change in fair value	(22,240)	(14,223)	(36,463)
Balance, December 31, 2022	\$ 12,960	\$ 7,055	\$ 20,015
Change in fair value	18,439	15,663	34,102
Balance, December 31, 2023	\$ 31,399	\$ 22,718	\$ 54,117

The estimated fair value of the private placement warrant liabilities is determined using Level 3 inputs. Inherent in a Black-Scholes valuation model are assumptions related to expected share-price volatility, expiration, risk-free interest rate and dividend yield. The Company estimates the volatility of its common share based on historical volatility of select peer companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expiration of the warrants. The dividend yield is based on the historical rate, which the Company anticipates will remain at 0%.

The following table provides quantitative information regarding Level 3 fair value measurements inputs as their measurement dates:

	December 31, 2023	December 31, 2022
Number of private placement warrants	9,666,667	9,666,667
Exercise price	\$11.5	\$11.5
Share price	\$8.66	\$4.36
Expiration term (in years)	2.66	3.66
Volatility	51.9%	52.9%
Risk-free Rate	4.10%	4.13%
Dividend yield	0%	0%

## Notes to consolidated financial statements

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

Restricted sponsor shares liability and Price adjustment shares liability

7,500,000 Ordinary Shares issued to TWC Tech Holdings II, LLC, out of a total of 13,500,000 shares, are Restricted Sponsor Shares and will vest in 3 tranches of 3,000,000, 3,000,000 and 1,500,000, upon achievement of the triggering events (as defined in the Business Combination Agreement)); if at any time during the Price Adjustment Period the price of Ordinary Shares will be greater than or equal to \$12.50, \$15.00 and \$30.00, respectively, over any twenty trading days within any thirty trading day period. In the event of a post-Closing change of control transaction involving the Company, any Restricted Sponsor Shares not previously vested will vest and will be entitled to participate in the change of control transaction. The probability of such event was considered by the Company. Upon the expiration of the Price Adjustment Period (a period of seven years), any unvested Cellebrite Shares that have not vested as of such time will be forfeited. The Company security holders shall be entitled to vote their unvested Restricted Sponsor Shares and receive dividends and other distribution, and to have all other economic rights, in each case, with respect to such Restricted Sponsor Shares while they remain unvested.

Holders of the Ordinary Shares and vested RSUs, in each case as of immediately prior to the Effective Time, are eligible to receive up to 15,000,000 Ordinary Shares that will vest in 3 tranches of 5,000,000 upon achievement of the triggering events (if at any time during the Price Adjustment Period the price of Ordinary Shares will be greater than or equal to \$12.50, \$15.00 and \$17.50, respectively, over any 20 trading-days within any 30 trading-day period.) or upon a Change of Control (as defined in Merger Agreement) before the five (5) year anniversary of the Closing Date.

The restricted Sponsor shares liability and Price adjustment shares are measured at fair value using Level 3 inputs.

The Company has determined that the price adjustment shares, and the restricted sponsor shares are freestanding financing instruments since those rights are legally detachable and separately exercisable. The Company has determined that the price adjustment rights, and the restricted sponsor shares are not indexed to Company's stock since if a change of control occurs, all the shares underlying the price adjustment shares and the restricted sponsor shares will be issued regardless of the company's stock price. Therefore, the Company accounted for the price adjustment shares and for the restricted sponsor shares as a liability measured at fair value through earnings.

	<b>Restricted sponsor shares (level 3)</b>	<b>Price adjustment shares (level 3)</b>	<b>Total</b>
Balance, December 31, 2021	\$ 44,712	\$ 79,404	\$ 124,116
Change in fair value of restricted sponsor shares and price adjustment shares	(27,180)	(53,220)	(80,400)
Balance, December 31, 2022	\$ 17,532	\$ 26,184	\$ 43,716
Change in fair value of restricted sponsor shares and price adjustment shares	29,715	55,531	85,246
Balance, December 31, 2023	\$ 47,247	\$ 81,715	\$ 128,962

## Notes to consolidated financial statements

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

The following table provides quantitative information regarding Level 3 fair value measurements inputs as their measurement dates:

	December 31, 2023		December 31, 2022	
	Restricted sponsor shares	Price adjustment shares	Restricted sponsor shares	Price adjustment shares
Number of shares	7,500,000	15,000,000	7,500,000	15,000,000
Share price	\$12.5-\$30.0	\$12.5-\$17.5	\$12.5-\$30.0	\$12.5-\$17.5
Remaining exercise period	4.66	2.66	5.66	3.66
Share value	\$3.62-\$7.17	\$4.47-\$6.31	\$1.17-\$2.63	\$1.32-\$2

**Note 16. Accumulated other comprehensive income (loss)**

	Unrealized Gains (losses) on marketable securities	Unrealized Gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ (502)	\$ (377)	\$ 1,210	\$ 331
Other comprehensive income before reclassifications	506	(48)	(1,039)	(581)
Amounts reclassified from accumulated other comprehensive income	—	1,300	—	1,300
Net current period other comprehensive income	506	1,252	(1,039)	719
	\$ 4	\$ 875	\$ 171	\$ 1,050

**Note 17. Revenues****Disaggregation of Revenues**

The following table provides information about disaggregated revenue by geographical areas

	Year Ended December 31,		
	2023	2022	2021
EMEA	\$ 112,247	\$ 92,749	\$ 88,441
America	172,154	141,920	126,929
APAC	40,709	35,982	30,876
Total	\$ 325,110	\$ 270,651	\$ 246,246

**Contract Balances**

## Notes to consolidated financial statements

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

The following table provides information about accounts receivable, contract assets, and contract liabilities from contracts with customers:

	December 31, 2023	December 31, 2022
Contract liabilities, current	\$ 195,725	\$ 152,709
Contract liabilities, non-current	47,098	42,173

Unbilled receivables include amounts related to the Company's contractual right to consideration for completed performance objectives not yet invoiced. The increase in contract balances is consistent with the increase in the overall operation of the Company.

Contract liabilities consist of deferred revenue. Revenue is deferred when the Company invoices in advance of performance under a contract. The current portion of the deferred revenue balance is recognized as revenue during the 12-month period after the balance sheet date. The non current portion of the deferred revenue balance is recognized as revenue following the 12-month period after the balance sheet date. Of the \$194,882 and \$159,409 of deferred revenue as of December 31, 2022 and December 31, 2021, respectively, the Company recognized \$141,307 and \$104,868 as revenue during the year ended December 31, 2023 and 2022, respectively.

### Remaining Performance Obligations

The Company's remaining performance obligations are comprised of product and services revenue not yet delivered. As of December 31, 2023 and December 31, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was \$331,996 and \$276,409 respectively, which consists of both billed consideration in the amount of \$242,823 and \$194,882 respectively, and unbilled consideration in the amount of \$89,173 and \$81,527 respectively, that the Company expects to recognize as revenue. As of December 31, 2023, the Company expects to recognize the majority of its remaining performance obligations as revenue in the year ended December 31, 2023.

## Note 18. Taxes on income

### A. Israeli taxation

#### 1. Corporate tax rates in Israel:

The tax rates relevant to corporations in Israel in the years 2023, 2022 and 2021 is 23%. However, the effective tax rate reported by a company that derives income from a Preferred Enterprise or Preferred Technological Enterprise (as discussed below) is lower.

#### 2. Tax benefits under the Law for Encouragement of Capital Investments, 1959 ("the Investment Law") Approved/Beneficiary Enterprise

Pursuant to the Investment Law, the Company was awarded "Approved Enterprise" and "Beneficiary Enterprise" status under the government alternative benefits path beginning in 2003 until 2018 (included). During this period the Company was entitled to beneficial tax rates of 0% – 10%. The Company decided to terminate its "Approved" and "Beneficiary Enterprise" status early and enjoy beneficial tax rates under the "preferred technological enterprise" status effective beginning 2019.



In the event of distribution of dividends from income taxable at 0% tax rate (the “Trapped Earnings”) as part of the Approved Enterprise or Beneficiary Enterprise statuses, the amount distributed will be subject to corporate tax at the rate ordinarily applicable to the Approved or Beneficiary Enterprise’s.

During the year ended December 31, 2021, the Company distributed approximately \$71,000 attributable to all of the Company’s Trapped Earnings and recorded a related income tax expense of approximately \$7,000.

During October 2022, a final ruling was signed by the Company and the ITA, according to which, the Company paid approximately \$4,900.

### **3. Tax benefits under the Law for Encouragement of Preferred Enterprise and Preferred Technology Enterprise**

On May 16, 2017 the Knesset Finance Committee approved Encouragement of Capital Investment Regulations (Preferred Technological Income and Capital Gain of Technological Enterprise) — 2017 (hereinafter: “the Regulations”), which provides rules for applying the “Preferred Technological Enterprise” tax benefit track including the formula that provides the mechanism for allocating the technological income eligible for the benefits

Commencing in 2019 the Company elected the Preferred Technology Enterprise status to apply under the Law for the Encouragement of Capital Investments (the “Investment Law”). The approval is currently in affect for the tax years 2019 to 2023. The Company expects to continue to meet the conditions to be entitled to the “Preferred Technological Enterprise” status beyond 2023.

Income subject to the Preferred Technology Enterprise status is taxed at reduced tax rate of 12% and income from manufacturing activity in Area A is taxed at reduced tax rate of 7.5%.

### **4. Tax benefits under the Law for the Encouragement of Industry (Taxation), 1969:**

Management believes that the Company currently qualifies as an "industrial company" under the above law and as such, is entitled to certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights for tax purposes.

### **5. Tax Benefits for Research and Development:**

Israeli tax law (section 20A to the Israeli Tax Ordinance (New Version), 1961) allows a tax deduction for research and development expenses, including capital expenses, in the year in which they are paid. Such expenses must relate to scientific research in industry, agriculture, transportation or energy, and must be approved by the relevant Israeli government ministry, determined by the field of research. Expenses incurred in scientific research that are not approved by the relevant government ministry are amortized over a three-year period starting from the tax year in which they are paid.

### **6. Foreign Exchange Regulations:**

Under the Foreign Exchange Regulations, the Company calculates its Israeli tax liability in U.S. dollars according to the Israeli Income Tax Regulations (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income), 1986. The tax liability, as calculated in U.S. dollars is translated into NIS according to the exchange rate as of December 31 of each year.

## Notes to consolidated financial statements

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

**B. Income taxes on non-Israeli subsidiaries:**

The Company's subsidiaries incorporated in the US, Germany, Singapore, Australia, Brazil, UK, France, Canada, Japan and India are taxed according to tax laws in the countries of their residence. The Company's effective tax rate depends on the geographical mix of where its profits are earned. In the year 2023, the Company's U.S. subsidiary is subject to combined federal and state income taxes of 24% and the subsidiaries in Germany and Singapore are subject to corporation tax at a rate of approximately 33% and 17% respectively. As of December 31, 2023, the Company had approximately \$45,431 undistributed earnings of its subsidiaries.

These undistributed earnings were designated as indefinitely reinvested.

In the event of a distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, we may be liable for income taxes, subject to an adjustment, if any, for foreign tax credits and foreign withholding taxes payable to certain foreign tax authorities.

**C. Deferred taxes**

Deferred taxes recognized for the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and such amounts for income tax purposes. Significant components of the deferred tax liabilities and assets are as follows:

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Deferred research and development cost	\$ 2,661	\$ 4,410
Employee related liabilities	3,275	2,023
Intangible assets	857	991
Goodwill	1,647	2,851
Deferred revenues	2,563	2,167
Carryforward loss	—	1,826
Operating lease liability	2,732	2,094
Issuance costs	—	675
Marketable securities	13	189
Derivative instruments	—	52
Property and equipment	39	—
Other	749	765
Total deferred tax assets	<u>14,536</u>	<u>18,043</u>
Deferred tax liabilities:		
Deferred costs	3,066	1,946
Intangible assets	337	497
Goodwill	445	237
Property and equipment	874	777
Operating lease right-of-use assets	2,652	2,022
Derivative instruments	119	—
Marketable securities	15	—
Other	4	53
Total deferred tax liabilities	<u>7,512</u>	<u>5,532</u>
Total deferred tax assets, net	<u>\$ 7,024</u>	<u>\$ 12,511</u>

## Notes to consolidated financial statements

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

A reconciliation of the amount that would result from applying the Company's statutory tax rate in Israel to income before income tax expense to the reported amount of income tax expense allocated to continuing operations is as follows:

	Year Ended December 31,		
	2023	2022	2021
Income before income taxes expense, as reported in the consolidated statements of operations	\$ (75,563)	\$ 120,760	\$ 82,305
Statutory tax rate in Israel	23 %	23 %	23 %
Theoretical taxes on income	(17,379)	27,775	18,930
Foreign subsidiaries taxed at different tax rates	565	104	167
Preferred tax rates in Israel	9,713	(12,121)	(7,598)
Remeasurement of liability instruments	14,322	(14,024)	(8,145)
Non-deductible expense	823	400	1,363
Taxes in respect of prior years	(1,193)	103	(125)
Tax on dividend distributed from trapped earnings	—	(2,369)	7,068
Research and development tax credits	(2,087)	—	—
Other	773	87	(751)
Actual tax expense (income)	\$ 5,537	\$ (45)	\$ 10,909

(Loss) income before income tax expense is comprised as follows:

	Year Ended December 31,		
	2023	2022	2021
Domestic	\$ (88,298)	\$ 110,187	\$ 71,434
Foreign	12,735	10,573	10,871
	\$ (75,563)	\$ 120,760	\$ 82,305

Tax expense (income) allocated to continuing operations is comprised as follows:

	Year Ended December 31,		
	2023	2022	2021
<b>Current:</b>			
Domestic	\$ 3,010	\$ (2,573)	\$ 9,665
Foreign	(2,876)	4,920	2,882
Total current tax expense:	134	2,347	12,547
<b>Deferred:</b>			
Domestic	1,596	(85)	(10)
Foreign	3,807	(2,307)	(1,628)
Total deferred tax benefit	5,403	(2,392)	(1,638)
Total tax expense (income)	\$ 5,537	\$ (45)	\$ 10,909

## Notes to consolidated financial statements

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

A reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits is as follows:

	December 31, 2023	December 31, 2022
Unrecognized tax benefits, beginning of year	\$ 3,073	\$ 3,238
Decreases in tax positions for prior years	(436)	(452)
Increases in tax positions for current year	892	287
Unrecognized tax benefits, end of year	<u>\$ 3,529</u>	<u>\$ 3,073</u>

Interest expense recognized related to uncertain tax positions amounted to \$173 , \$129 and \$92 in 2023 , 2022 and 2021, respectively. Total accrued interest as of December 31, 2023 and 2022 was \$470 and \$297, respectively, and were included in accrued expenses.

The Company currently does not expect unrecognized tax benefits to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

The Company's income tax assessments in Israel through the year 2017 are considered final.

The Company is subject to income tax in other jurisdictions outside of Israel, of which the major jurisdiction is the U.S. The Company's operation in the US is subject to potential examination for tax years 2020 and afterwards.

Timing of the resolution of audits is highly uncertain and therefore, as of December 31, 2023, the Company cannot estimate the change in unrecognized tax benefits resulting from these audit within the next 12 months.

**Note 19. Financial (expense) income, net**

	Year Ended December 31,		
	2023	2022	2021
<b>Financial income:</b>			
Interest on deposits	\$ 8,888	\$ 1,603	\$ 847
Foreign currency translation differences	585	1,736	51
Remeasurement of liability instruments	—	116,863	67,873
Other	1,828	741	276
<b>Financial expenses:</b>			
Remeasurement of liability instruments	(119,348)	—	—
Bank charges	(233)	(187)	(166)
Changes in exchange rates	(379)	(891)	(245)
Other	(141)	(149)	(153)
	<u>\$ (108,800)</u>	<u>\$ 119,716</u>	<u>\$ 68,483</u>

## Notes to consolidated financial statements

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

**Note 20. Transactions and Balances with Related Parties**

SUN Corporation, the Company's controlling shareholder is also a reseller of the Company in the Japanese market.

**A. Transactions with SUN Corporation**

	Year Ended December 31,		
	2023	2022	2021
Revenues	4,061	3,586	3,678

**C. Balances with SUN Corporation**

	December 31, 2023	December 31, 2022
Trade receivables	345	122