tenable®

Annual Report 2019

Tenable Holdings, Inc.

Dear Stockholder:

I am pleased to invite you to attend the 2020 Annual Meeting of Stockholders (the "Annual Meeting") of Tenable Holdings, Inc. ("Tenable"), to be held on Wednesday, May 28, 2020 at 1:00 p.m. Eastern Time. We have adopted a virtual format for our Annual Meeting to provide a consistent and convenient experience to all shareholders regardless of location. You may attend the Annual Meeting via the Internet after you register at https://www.proxydocs.com/TENB. The virtual format allows you to listen to the meeting, submit questions and vote online. You may submit your vote prior to the start of the meeting, which can be done by following the instructions you receive in your notice, proxy card, or voting instruction forms.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement contain details of the business to be conducted at the Annual Meeting.

Whether or not you plan to attend the Annual Meeting, it is important that your shares are represented and voted. Therefore, I urge you to please vote and submit your proxy via the Internet, by telephone, or by mail.

On behalf of the Board of Directors, I would like to express our appreciation for your support and continued interest in Tenable.

Sincerely,

Amit Yoran
Chairman & CEO

7021 Columbia Gateway Drive, Suite 500
Columbia, Maryland 21046

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 28, 2020

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of **TENABLE HOLDINGS, INC.**, a Delaware corporation (the "Company"). The Annual Meeting will be held on Thursday, May 28, 2020 at 1:00 p.m. Eastern Time and will be a virtual stockholder meeting through which you can listen to the meeting, submit questions and vote online. The meeting can be accessed by visiting https://www.proxydocs.com/TENB and entering your control number which is included in the proxy materials mailed to you. The meeting will be held for the following purposes:

1. To elect the Board of Directors' nominees, John C. Huffard, Jr., A. Brooke Seawell and Richard Wells, to the Board of Directors to hold office until the 2023 Annual Meeting of Stockholders.

2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2020.

3. To indicate, on an advisory basis, the preferred frequency of future stockholder advisory votes on the compensation of the Company's Named Executive Officers.

4. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is March 31, 2020. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Stephen A. Riddick
General Counsel and Corporate Secretary

Columbia, MD
April 15, 2020

You are cordially invited to attend the virtual annual meeting. Whether or not you expect to attend the meeting, please vote over the telephone or the Internet as instructed in these materials as promptly as possible in order to ensure your representation at the meeting. Even if you have voted by proxy, you may still vote online if you attend the virtual annual meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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TENABLE HOLDINGS, INC.

7021 Columbia Gateway Drive, Suite 500
Columbia, Maryland 21046

PROXY STATEMENT
FOR THE 2020 ANNUAL MEETING OF STOCKHOLDERS
May 28, 2020

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why did I receive a notice regarding the availability of proxy materials on the Internet?

Pursuant to rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our proxy materials over the Internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (the “Notice”) because the Board of Directors (the "Board of Directors" or the "Board") of Tenable Holdings, Inc. (sometimes referred to as the “Company” or “Tenable”) is soliciting your proxy to vote at the 2020 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice.

We intend to mail the Notice on or about April 15, 2020 to all stockholders of record entitled to vote at the Annual Meeting.

Will I receive any other proxy materials by mail?

We may, in our discretion, elect to send you a proxy card. We may also send you a second Notice on or after April 27, 2020.

How do I attend the Annual Meeting?

The Annual Meeting will be a virtual stockholder meeting through which you can listen to the meeting, submit questions and vote online. The Annual Meeting can be accessed by visiting https://www.proxydocs.com/TENB and entering your control number which is included in the proxy materials mailed to you. We recommend that you log in a few minutes before the Annual Meeting to ensure that you are logged in when the meeting starts. Online check-in will begin at approximately 12:45 p.m. Eastern time. Information on how to vote online during the Annual Meeting is discussed below.

We have decided to hold a virtual stockholder meeting due to developments related to COVID-19. Stockholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on March 31, 2020 will be entitled to vote at the Annual Meeting. On this record date, there were 100,002,728 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 31, 2020 your shares were registered directly in your name with Tenable's transfer agent, American Stock Transfer & Trust Company, LLC, then you are a stockholder of record. As a stockholder of record, you may vote online during the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to vote by proxy using a proxy card that you may request or that we may elect to deliver at a later time or vote by proxy over the telephone or Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on March 31, 2020 your shares were held, not in your name, but rather in an account at a brokerage firm, bank or other similar organization, then you are the beneficial owner of shares held in "street name" and the Notice is being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares online during the Annual Meeting unless you request and obtain a valid proxy from your broker, bank or other agent.

What am I voting on?

There are three matters scheduled for a vote:

- Election of three directors (Proposal 1);
- Ratification of selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent registered public accounting firm of the Company for the year ending December 31, 2020 (Proposal 2); and
- Advisory indication of the preferred frequency of future stockholder advisory votes on the compensation of our Named Executive Officers (Proposal 3).

What if another matter is properly brought before the meeting?

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote?

You may either vote "For" all the nominees to the Board of Directors or you may "Withhold" your vote for any nominee you specify. For Proposal 2, you may vote "For" or "Against" or "Abstain" from voting. With regard to your advisory vote on how frequently we should solicit stockholder advisory approval of Named Executive Officer compensation, you may vote for any one of the following: "One Year", "Two Years" or "Three Years", or you may "Abstain" from voting on that matter.

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote online during the Annual Meeting, vote by proxy using a proxy card that you may request or that we may elect to deliver at a later time, vote by proxy over the telephone or vote by proxy through the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote online during the meeting even if you have already voted by proxy.

- To vote online during the meeting, access the Annual Meeting by visiting www.proxypush.com/TENB and entering your control number which is included in the proxy materials mailed to you. Please have your Notice in hand when you access the website and follow the instructions.
- To vote using the proxy card, simply complete, sign and date the proxy card that may be delivered and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.
- To vote over the telephone, dial toll-free 866-230-6244 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the control number from the Notice. To ensure your vote is counted, your telephone vote must be received either prior to the start of the meeting or, if you are attending the meeting, before the polls close during the meeting.
- To vote through the Internet, go to www.proxypush.com/TENB to complete an electronic proxy card. You will be asked to provide the control number from the Notice. To ensure your vote is counted, your Internet vote must be received either prior to the start of the meeting or, if you are attending the meeting, before the polls close during the meeting.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a Notice containing voting instructions from that organization rather than from Tenable. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote online during the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact that organization to request a proxy form.

Internet proxy voting will be provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of March 31, 2020.

If I am a stockholder of record and I do not vote, or if I return a proxy card or otherwise vote without giving specific voting instructions, what happens?

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the Internet or online during the Annual Meeting, your shares will not be voted.

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, “For” the election of all nominees for director, “For” the ratification of Ernst & Young LLP as independent auditors for the year ending December 31, 2020, and for “One Year” as the preferred frequency of advisory votes to approve Named Executive Officer compensation. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

If I am a beneficial owner of shares held in street name and I do not provide my broker or bank with voting instructions, what happens?

If you are a beneficial owner of shares held in street name and you do not instruct your broker, bank or other agent how to vote your shares, your broker, bank or other agent may still be able to vote your shares in its discretion. In this regard, brokers, banks and other securities intermediaries may use their discretion to vote your “uninstructed” shares with respect to matters considered to be “routine” under applicable rules, but not with respect to “non-routine” matters. Proposals 1 and 3 are considered to be “non-routine” under applicable rules, meaning that your broker may not vote your shares on those proposals in the absence of your voting instructions. However, Proposal 2 is considered to be “routine” under applicable rules, meaning that if you do not return voting instructions to your broker by its deadline, your shares may be voted by your broker in its discretion on Proposal 2.

If you are a beneficial owner of shares held in street name, in order to ensure your shares are voted in the way you would prefer, you must provide voting instructions to your broker, bank or other agent by the deadline provided in the materials you receive from your broker, bank or other agent.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one Notice?

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the Notice to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Stockholder of Record: Shares Registered in Your Name

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

- You may submit another properly completed proxy card with a later date.
- You may grant a subsequent proxy by telephone or through the Internet.
- You may send a timely written notice that you are revoking your proxy to Tenable Holdings, Inc., Attention: Corporate Secretary at 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046.
- You may attend the Annual Meeting and vote online. Simply attending the meeting will not, by itself, revoke your proxy.

Your most current proxy card or telephone or Internet proxy is the one that is counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If your shares are held by your broker, bank or other agent, you should follow the instructions provided by your broker, bank or other agent.

When are stockholder proposals and director nominations due for next year's Annual Meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by December 18, 2020, to 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046. If you wish to nominate an individual for election at, or bring business other than through a stockholder proposal before, the 2021 Annual Meeting of Stockholders, you must deliver your notice to our Corporate Secretary at the address above between January 28, 2021 and February 27, 2021. Your notice to the Corporate Secretary must set forth information specified in our bylaws, including your name and address and the class and number of shares of our stock that you beneficially own.

If you propose to bring business before an annual meeting of stockholders other than a director nomination, your notice must also include, as to each matter proposed, the following: (1) a brief description of the business desired to be brought before such annual meeting and the reasons for conducting that business at the annual meeting and (2) any material interest you have in that business. If you propose to nominate an individual for election as a director, your notice must also include, as to each person you propose to nominate for election as a director, the following: (1) the name, age, business address and residence address of the person, (2) the principal occupation or employment of the person, (3) the class and number of shares of our stock that are owned of record and beneficially owned by the person, (4) the date or dates on which the shares were acquired and the investment intent of the acquisition; (5) a statement whether such person, if elected, intends to tender, promptly following such person's failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, an irrevocable resignation effective upon acceptance of such resignation by the Board of Directors and (6) any other information concerning the person as would be required to be disclosed in a proxy statement soliciting proxies for the election of that person as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated under the Exchange Act, including the person's written consent to being named as a nominee and to serving as a director if elected. We may require any proposed nominee to furnish other information as we may reasonably require to determine the eligibility of the proposed nominee to serve as an independent director or that could be material to a reasonable stockholder's understanding of the independence, or lack of independence, of the proposed nominee.

For more information, and for more detailed requirements, please refer to our Amended and Restated Bylaws, filed as Exhibit 3.4 to our Registration Statement on Form S-1 (File No. 333-226002), filed with the SEC on June 29, 2018.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count, for Proposal 1, the proposal to elect directors, votes "For," "Withhold" and broker non-votes (described below); for Proposal 2, the proposal to ratify our independent auditors, votes "For," "Against" and "Abstain"; and, for Proposal 3, the proposal regarding the frequency of future stockholder advisory votes to approve the compensation of our Named Executive Officers, votes for "One Year," "Two Years," "Three Years," "Abstain" and broker non-votes. If you "Abstain" it will be counted towards the vote total for Proposals 2 and 3. For Proposal 2, it will have the same effect as

“Against” votes, and for Proposal 3, it will have the same effect as votes against each of the proposed voting frequencies. Broker non-votes on Proposals 1 and 3 will have no effect and will not be counted towards the vote total for those proposals. We do not expect broker non-votes on Proposal 2.

What are “broker non-votes”?

As discussed above, when a beneficial owner of shares held in street name does not give voting instructions to his or her broker, bank or other securities intermediary holding his or her shares as to how to vote on matters deemed to be “non-routine” under applicable rules, the broker, bank or other such agent cannot vote the shares. These un-voted shares are counted as “broker non-votes.” Proposal 1 and 3 are considered to be “non-routine” under applicable rules and we therefore expect broker non-votes on these proposals. However, as Proposal 2 is considered “routine” under applicable rules, we do not expect broker non-votes on this proposal.

As a reminder, if you are a beneficial owner of shares held in street name, in order to ensure your shares are voted in the way you would prefer, you must provide voting instructions to your broker, bank or other agent by the deadline provided in the materials you receive from your broker, bank or other agent.

How many votes are needed to approve each proposal?

For Proposal 1, the election of directors, the three nominees receiving the most “For” votes from the holders of shares present online at the meeting or represented by proxy and entitled to vote on the election of directors will be elected. Only votes “For” will affect the outcome. Broker non-votes will have no effect.

To be approved, Proposal 2, ratification of the selection of Ernst & Young LLP as the Company’s independent registered public accounting firm for 2020, must receive “For” votes from the holders of a majority of shares present online at the meeting or represented by proxy and entitled to vote on the matter. If you “Abstain” from voting, it will have the same effect as an “Against” vote. Since brokers have authority to vote on your behalf with respect to Proposal 2, we do not expect broker non-votes on this proposal.

For Proposal 3, the advisory vote on the frequency of future stockholder advisory votes on Named Executive Officer compensation, the frequency receiving the votes of the holders of a majority of shares present online at the meeting or represented by proxy and entitled to vote on this proposal will be considered the frequency preferred by the stockholders. If you “Abstain” from voting, it will have the same effect as an “Against” vote on each of the proposed frequencies. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present online at the meeting or represented by proxy. On the record date, there were 100,002,728 shares outstanding and entitled to vote. Thus, the holders of 50,001,365 shares must be present online at the meeting or represented by proxy at the meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote online during the virtual meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairperson of the meeting or the holders of a majority of shares present online at the meeting or represented by proxy may adjourn the meeting to another date.

How do I ask a question at the Annual Meeting?

Only stockholders of record as of March 31, 2020 may submit questions or comments at the virtual stockholders meeting. If you would like to submit a question, you may do so by joining the virtual stockholders meeting at https://www.proxydocs.com/TENB and typing your question in the box in the meeting portal.

To help ensure that we have a productive and efficient meeting, and in fairness to all stockholders in attendance, you will also find posted our rules of conduct for the Annual Meeting when you log in prior to the start of the Annual Meeting. In accordance with the rules of conduct, we ask that you limit your remarks to one brief question or comment that is relevant to the Annual Meeting or our business and that such remarks are respectful of your fellow stockholders and meeting participants. Our management may group questions by topic with a representative question read aloud and answered. In addition, questions may be ruled out of order if they are, among other things, irrelevant to our business, related to pending or threatened litigation, disorderly, repetitious of statements already made, or in furtherance of the speaker's own personal, political or business interests. Questions will be addressed in the "Question and Answer" portion of the Annual Meeting.

What do I do if I have technical difficulties in connection with the Annual Meeting?

If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Annual Meeting login page. Technical support will be available beginning at approximately 12:00 p.m. Eastern time on May 28, 2020.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

PROPOSAL 1
ELECTION OF DIRECTORS

Tenable's Board of Directors is divided into three classes and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

The Board of Directors currently consists of nine members. There are three directors in the class whose term of office expires in 2020. Each of the nominees listed below is currently a director of the Company, and all directors other than Ms. Zecher were previously elected by the stockholders. Ms. Zecher was recommended to the Nominating and Corporate Governance Committee by one of our executive officers prior to her nomination and election as a director in August of 2019. If elected at the Annual Meeting, each of these nominees would serve until the 2023 Annual Meeting of Stockholders and until their successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to invite and encourage directors and nominees for director to attend each annual meeting of stockholders. In 2019, four directors attended the Annual Meeting.

Directors are elected by a plurality of the votes of the holders of shares present online at the meeting or represented by proxy and entitled to vote on the election of directors. Accordingly, the three nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for that nominee will instead will be voted for the election of a substitute nominee proposed by the Board. Each person nominated for election has agreed to serve if elected. The Company's management has no reason to believe that any nominee will be unable to serve.

CLASS II NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2023 ANNUAL MEETING

The following is a brief biography of each nominee for director and a discussion of the specific experience, qualifications, attributes or skills of each nominee that led the Nominating and Corporate Governance Committee of the Board of Directors to recommend that person as a nominee for director, as of the date of this proxy statement.

The Nominating and Corporate Governance Committee seeks to assemble a board of directors that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and high-level management experience necessary to oversee and direct the Company's business. To that end, the Committee has identified and evaluated nominees in the broader context of the Board's overall composition, with the goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities that the Committee views as critical to effective functioning of the Board. To provide a mix of experience and perspective on the Board, the Committee also takes into account gender, age, and ethnic diversity. The brief biographies below include information, as of the date of this proxy statement, regarding the specific and particular experience, qualifications, attributes or skills of each director or nominee that led the Committee to believe that that nominee should continue to serve on the Board.

***John C. Huffard, Jr.**, age 52*

John C. Huffard, Jr. served as our Chief Operating Officer from May 2018 through December 2019. Prior to that, he served as our President and Chief Operating Officer from November 2008 to May 2018, and he co-founded our company in 2002. Mr. Huffard has also served as a member of our Board of Directors since 2002 and as a member of the board of directors of Norfolk Southern Corporation since February 2020. Mr. Huffard received a B.S.B.A. from Washington and Lee University and an M.B.A. from Babson College. Our Board of Directors believes that Mr. Huffard is qualified to serve as a director based on his in-depth knowledge of our company and our products due to his role as our co-founder and prior role as our Chief Operating Officer.

***A. Brooke Seawell**, age 72*

A. Brooke Seawell has served as a member of our Board of Directors since October 2017. Mr. Seawell is a Venture Partner at New Enterprise Associates Inc., a position he has held since January 2005. Mr. Seawell has served on the board of directors of NVIDIA Corporation, a visual computing company, since December 1997. He served on the boards of directors of Tableau Software, Inc., a business intelligence software company, from November 2011 to August 2019, Informatica Corporation, a data integration software company, from December 1997 to August 2015 and Glu Mobile Inc., a publisher of mobile games, from June 2006 to February 2014. Mr. Seawell received both a B.A. in Economics and an M.B.A. in Finance from Stanford University. Our Board of Directors believes that Mr. Seawell is qualified to serve as a director based on his extensive experience in technology finance and operations, including having served as the chief financial officer of two public companies and his experience as a director of public technology companies.

***Richard M. Wells**, age 42*

Richard M. Wells has served as a member of our Board of Directors since December 2015. Mr. Wells serves as a Managing Director at Insight Venture Management, LLC, a private equity and venture capital firm, a position he has held since 2005. He also currently serves on the boards of directors of a number of private technology companies. Mr. Wells received a B.S. in Economics from the University of Pennsylvania and an M.B.A. from Harvard University. Our Board of Directors believes that Mr. Wells is qualified to serve as a director based on his extensive experience in investing and advising managers of high growth software and Internet companies.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2021 ANNUAL MEETING

***Arthur W. Coviello, Jr.**, age 66*

Arthur W. Coviello, Jr. has served as a member of our Board of Directors since February 2018. Mr. Coviello is a Venture Partner at Rally Ventures, LLC, a position he has held since May 2015. From February 2011 to February 2015, Mr. Coviello served as Executive Chairman of RSA Security LLC. Mr. Coviello has served on the board of directors of Synchrony Financial since November 2015. He previously served on the boards of directors of Gigamon, Inc. from April 2017 until its acquisition in December 2017 and EnerNOC, Inc. from June 2009 until its acquisition in August 2017. Mr. Coviello received a B.B.A. in Business Administration from the University of Massachusetts. Our Board of Directors believes that Mr. Coviello is qualified to serve as a director based on his extensive security industry and management experience and his experience as a director of public technology companies.

***Kimberly L. Hammonds**, age 52*

Kimberly L. Hammonds has served as a member of our Board of Directors since June 2018. Ms. Hammonds founded the Mangrove Digital Group, LLC in May 2018. She previously served as Group Chief Operating Officer of Deutsche Bank AG, a global financial services company, from January 2016 to June 2018, and as a member of the management board of Deutsche Bank from August 2016 to June 2018. She joined Deutsche Bank as Global Chief Information Officer and Global Co-Head of Group Technology and Operations in November 2013, a position that she held until January 2016. Ms. Hammonds has served on the boards of directors of Box, Inc. since October 2018 and Zoom Video Communications since September 2018 and previously served on the boards of directors of Red Hat Inc. from August 2015 to July 2019 and Cloudera, Inc. from March 2017 to January 2020. Ms. Hammonds received a B.S. in Mechanical Engineering from the University of Michigan and an M.B.A. from Western Michigan University. Our Board of Directors believes that Ms. Hammonds is qualified to serve as a director based on her extensive management experience and her experience as a director of public technology companies.

***Jerry M. Kennelly**, age 69*

Jerry M. Kennelly has served as a member of our Board of Directors since May 2018. Mr. Kennelly is the Chairman and Chief Executive Officer of Scandic Capital, LLC, an investment firm, a position he has held since April 2018. Prior to joining Scandic, Mr. Kennelly co-founded Riverbed Technology, Inc., a network infrastructure company, in 2002, and served as its Chairman and Chief Executive Officer from May 2002 to April 2018. Mr. Kennelly served on the board of directors of Nimble Storage, Inc., a flash storage company, from April 2013 to April 2017 when Nimble Storage was acquired by Hewlett Packard Enterprise Company. Mr. Kennelly received a B.A. in Political Economy from Williams College and an M.S. in Accounting from New York University. Our Board of Directors believes that Mr. Kennelly is qualified to serve as a director based on his extensive operating and executive management experience with technology companies and his experience as a director of public technology companies.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2022 ANNUAL MEETING

***Amit Yoran**, age 49*

Amit Yoran has served as our Chief Executive Officer and Chairman since December 2016 and was appointed as our President, in addition to Chief Executive Officer and Chairman, in May 2018. Prior to joining Tenable, Mr. Yoran served as President of RSA Solutions, Inc. from October 2014 to December 2016 and as Senior Vice President of product of RSA Security LLC, the security division of Dell EMC, from April 2011 to October 2014. Mr. Yoran received a B.S. from the United States Military Academy at West Point and an M.S. in Computer Science from George Washington University. Our Board of Directors believes that Mr. Yoran is qualified to serve as a director based on his role as our Chief Executive Officer and his extensive management experience in the technology and security industries.

***Ping Li**, age 47*

Ping Li has served as a member of our Board of Directors since October 2012. Mr. Li is a Partner at Accel, a venture capital firm, where he has worked since 2004. Mr. Li served on the board of directors of Cloudera, Inc. from October 2008 to July 2018. Mr. Li received an A.B. in Economics from Harvard University and an M.B.A. from Stanford University. Our Board of Directors believes that Mr. Li is qualified to serve as a director based on his extensive investment experience in the IT and security industries and his experience serving as a director of a public technology company.

***Linda K. Zecher**, age 66*

Linda K. Zecher has served as a member of our Board of Director since August 2019. Ms. Zecher is the Chief Executive Officer and Managing Partner of the Barkley Group, a consulting firm focused on effective digital transformation, and has held such positions since January 2017. Prior to that time, she served as the President and Chief Executive Officer, and a member of the board of directors, of Houghton Mifflin Harcourt Company from September 2011 to September 2016. Ms. Zecher has served as a member of the board of directors of Hasbro, Inc. since August 2014. Ms. Zecher received a B.S. in Earth Science from The Ohio State University. Our Board of Directors believes that Ms. Zecher is qualified to serve as a director based on her extensive management experience with technology companies and her experience as a director of public companies.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independence of the Board of Directors

As required under the Nasdaq Stock Market (“Nasdaq”) listing standards, a majority of the members of a listed company’s Board of Directors must qualify as “independent,” as affirmatively determined by the Board of Directors. The Board consults with the Company’s counsel to ensure that the Board’s determinations are consistent with relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent listing standards of Nasdaq, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that the following seven directors are independent directors within the meaning of the applicable Nasdaq listing standards: Arthur W. Coviello, Jr., Kimberly L. Hammonds, Jerry M. Kennelly, Ping Li, A. Brooke Seawell, Richard M. Wells and Linda K. Zecher. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company.

Board Leadership Structure

Our Board of Directors is currently chaired by Mr. Yoran, our Chief Executive Officer. The Board believes that combining the positions of Chief Executive Officer and Board Chair helps to ensure that the Board and management act with a common purpose. The Board believes that combining the positions of Chief Executive Officer and Board Chair provides a single, clear chain of command to execute Tenable’s strategic initiatives and business plans. In addition, the Board believes that a combined Chief Executive Officer/Board Chair is better positioned to act as a bridge between management and the Board, facilitating the regular flow of information. The Board also believes that it is advantageous to have a Board Chair with significant history with and extensive knowledge of Tenable (as is the case with Mr. Yoran).

The Board has also appointed Mr. Li as lead independent director in order to help reinforce the independence of the Board as a whole. The position of lead independent director has been structured to serve as an effective balance to Mr. Yoran’s leadership as our combined Chief Executive Officer and Board Chair. The lead independent director is empowered to, among other duties and responsibilities, work with the Chief Executive Officer and Board Chair to develop and approve an appropriate Board meeting schedule; work with the Chief Executive Officer and Board Chair to develop and approve Board meeting agendas; provide the Chief Executive Officer and Board Chair feedback on the quality, quantity, and timeliness of the information provided to the Board; develop the agenda and moderate executive sessions of the independent members of the Board; preside over Board meetings when the Chief Executive Officer and Board Chair is not present or when Board or Chief Executive Officer performance or compensation is discussed; act as principal liaison between the independent members of the Board and Chief Executive Officer and Board Chair; convene meetings of the independent directors as appropriate; and perform such other duties as may be established or delegated by the Board. As a result, the Company believes that the lead independent director can help ensure the effective independent functioning of the Board in its oversight responsibilities. In addition, the Company believes that the lead independent director serves as a conduit between the other independent directors and the Board Chair, for example, by facilitating the inclusion on meeting agendas of matters of concern to the independent directors.

Role of the Board in Risk Oversight

One of the Board's key functions is informed oversight of Tenable's risk management process. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various Board standing committees that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company.

Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Audit Committee responsibilities also include oversight of information security risk management, including through oversight of the Cybersecurity Subcommittee of the Audit Committee, which assists the Audit Committee and the Board in overseeing cybersecurity risk management.

Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct.

Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Typically, the entire Board meets with members of management responsible for risk management at least annually, and the applicable Board committees meet at least annually with the employees responsible for risk management in the committees' respective areas of oversight. Both the Board as a whole and the various standing committees receive periodic reports from members of management responsible for risk management, as well as incidental reports as matters may arise. It is the responsibility of the committee chairs to report findings regarding material risk exposures to the Board as quickly as possible.

Meetings of the Board of Directors

The Board of Directors met seven times during 2019. Each director attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he or she served held during the portion of the last calendar year for which he or she was a director or committee member.

Information Regarding Committees of the Board of Directors

The Board has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for 2019 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Arthur W. Coviello, Jr.	X		X*
Kimberly L. Hammonds	X		X
Jerry M. Kennelly		X*	
Ping Li		X	
A. Brooke Seawell	X*		
Richard M. Wells		X	X
Linda K. Zecher		X	X
Total meetings in 2019	8	5	4

* Committee Chairperson

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable Nasdaq rules and regulations regarding "independence" and each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board in accordance with Section 3(a)(58)(A) of the Exchange Act to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions. The principal duties and responsibilities of our audit committee include, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- helping to ensure the independence and performance of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent registered public accounting firm, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing our policies on risk assessment and risk management;
- overseeing the organization and performance of the Company's internal audit function;
- meeting in executive session with management and the Company's independent registered public accountants;
- reviewing related party transactions;

- obtaining and reviewing a report by the independent registered public accounting firm at least annually, that describes its internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues when required by applicable law; and
- approving (or, as permitted, pre-approving) all audit and all permissible non-audit services to be performed by the independent registered public accounting firm.

The Audit Committee is composed of three directors: Arthur W. Coviello, Jr., Kimberly L. Hammonds and A. Brooke Seawell. The Audit Committee met eight times during 2019. The Board has adopted a written Audit Committee charter that is available to stockholders on our website at *www.tenable.com*.

The Board of Directors reviews the Nasdaq listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) and (ii) of the Nasdaq listing rules).

The Board of Directors has also determined that Mr. Seawell qualifies as an "audit committee financial expert," as defined in applicable SEC rules. The Board made a qualitative assessment of Mr. Seawell's level of knowledge and experience based on a number of factors, including his formal education and experience as a chief financial officer of public reporting companies.

Report of the Audit Committee of the Board of Directors*

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2019 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and SEC. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

A. Brooke Seawell, Chair
Kimberly L. Hammonds
Arthur W. Coviello, Jr.

**The material in this report is not "soliciting material," is not deemed "filed" with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

Compensation Committee

The Compensation Committee of the Board of Directors acts on behalf of the Board to review, modify and oversee the Company's compensation strategy, policies, plans and programs, including:

- establishment of corporate and individual performance objectives relevant to the compensation of our executive officers, directors and other senior management and evaluation of performance in light of these stated objectives;

- review and recommend to the Board for approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements, of our Chief Executive Officer, the other executive officers and directors; and
- administration of our equity compensation plans, bonus plans, benefit plans and other similar plans and programs.

The Compensation Committee is composed of four directors: Jerry M. Kennelly, Ping Li, Richard M. Wells and Linda K. Zecher. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 5605(d)(2) of the Nasdaq listing rules. The Compensation Committee met five times during 2019. The Board has adopted a written Compensation Committee charter that is available to stockholders on our website at *www.tenable.com*.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets quarterly and with greater frequency when necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with the Chief Executive Officer, Chief People Officer and Compensia, the compensation consultant engaged by the Compensation Committee. The Compensation Committee meets regularly in executive session. In addition to our Chief Executive Officer, our Chief People Officer and our General Counsel also regularly attend meetings at the invitation of the Compensation Committee and take part in discussions about executive compensation. From time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation or individual performance objectives. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company. In addition, under its charter, the Compensation Committee has the authority to obtain, at the expense of the Company, advice and assistance from compensation consultants and internal and external legal, accounting or other advisors and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. The Compensation Committee has direct responsibility for the oversight of the work of any consultants or advisers engaged for the purpose of advising the Committee. In particular, the Compensation Committee has the sole authority to retain, in its sole discretion, compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Under the charter, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee, other than in-house legal counsel and certain other types of advisers, only after taking into consideration six factors, prescribed by the SEC and Nasdaq, that bear upon the adviser's independence; however, there is no requirement that any adviser be independent.

During the past calendar year, after taking into consideration the six factors prescribed by the SEC and Nasdaq described above, the Compensation Committee retained Compensia as its compensation consultant. Our Compensation Committee identified Compensia based on Compensia's general reputation in the industry. The Compensation Committee requested that Compensia:

- evaluate the efficacy of the Company's existing compensation strategy and practices in supporting and reinforcing the Company's long-term strategic goals; and

- assist in refining the Company's compensation strategy and in developing and implementing an executive compensation program to execute that strategy.

As part of its engagement, Compensia was requested by the Compensation Committee to develop a comparative group of companies and to perform an analysis of competitive performance and compensation levels for that group. Compensia ultimately developed recommendations that were presented to the Compensation Committee for its consideration. Following an active dialogue with Compensia, the Compensation Committee approved the recommendations of Compensia.

Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate. In 2019, the Compensation Committee delegated authority to Mr. Yoran, in his capacity as our Chief Executive Officer and Chairman, to grant, without any further action required by the Compensation Committee, stock awards to certain employees who are not officers of the Company, up to and including employees at the vice president level. The purpose of this delegation of authority is to enhance the flexibility of equity award administration within the Company and to facilitate the timely grant of stock awards to non-management employees, particularly new employees and promoted employees, within specified limits approved by the Compensation Committee. The number of shares underlying awards approved by Mr. Yoran are subject to maximum limits based on a targeted market range of share value and other parameters for each recipient's classification as set forth in guidelines approved by the Compensation Committee from time to time. Typically, as part of its oversight function, the Compensation Committee reviews on a quarterly basis the list of grants made by Mr. Yoran. During 2019, Mr. Yoran exercised his authority to grant a total of 810,664 restricted stock units ("RSUs") to qualifying employees. No other equity awards were granted pursuant to Mr. Yoran's authority during 2019.

The Compensation Committee typically makes adjustments to annual compensation, approves changes to the key financial metric targets and formulas used to determine annual bonus payments, approves additional equity awards and establishes new performance objectives at one or more meetings held during the first quarter of the year. However, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. For all executives and directors as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current company-wide compensation levels and recommendations of the Compensation Committee's compensation consultant, including analyses of executive and director compensation paid at other companies identified by the consultant.

Compensation Committee Interlocks and Insider Participation

None of the current members of our Compensation Committee has ever been an executive officer or employee of ours. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Report of the Compensation Committee of the Board of Directors*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated into the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Jerry M. Kennelly, Chair
Ping Li
Richard M. Wells
Linda K. Zecher

**The material in this report is not "soliciting material," is furnished to, but not deemed "filed" with, the Commission and is not deemed to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board for selection candidates for election to the Board of Directors, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of management and the Board, and developing a set of corporate governance principles for the Company.

The Nominating and Corporate Governance Committee is composed of four directors: Arthur W. Coviello, Jr., Kimberly L. Hammonds, Linda K. Zecher and Richard M. Wells. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing rules). The Nominating and Corporate Governance Committee met four times during 2019. The Board has adopted a written Nominating and Corporate Governance Committee charter that is available to stockholders on the our website at *www.tenable.com*.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity (including gender, racial and ethnic diversity), age, skills and such other factors as it deems appropriate, given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability.

The Nominating and Corporate Governance Committee appreciates the value of thoughtful Board refreshment, and regularly identifies and considers qualities, skills and other director attributes that would enhance the composition of the Board. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee will review these directors’ overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors’ independence. The Committee also takes into account the results of the Board’s self-evaluation, conducted annually on a group and individual basis. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but also engages professional search firms from time to time to assist in identifying potential candidates. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates’ qualifications and then selects a nominee for recommendation to the Board by majority vote.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: Tenable Holdings, Inc., Attention: Corporate Secretary, 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046, at least 90 days, but not more than 120 days prior to the anniversary date of the preceding year's annual meeting of stockholders. Submissions must include the name and address of the stockholder on whose behalf the submission is made, the number of shares of Tenable stock owned beneficially by such stockholder on the date of the submission, the full name of the proposed nominee, a description of the proposed nominee’s business experience for at least the previous five years, complete biographical information and a description of the proposed nominee's qualifications as a director. Any submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Stockholder Communications with the Board of Directors

Historically, we have not provided a formal process related to stockholder communications with the Board. Every effort has been made to ensure that the views of stockholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe our responsiveness to stockholder communications to the Board has been excellent. Nevertheless, as part of its governance oversight responsibilities, the Nominating and Corporate Governance Committee will consider adopting a formal process for stockholder communications with the Board and, if adopted, publish it promptly and post it to our website.

Code of Ethics

We have adopted the Tenable Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on our website at *www.tenable.com*. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website.

PROPOSAL 2
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2020 and has further directed that management submit the selection of its independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements since 2014. Representatives of Ernst & Young LLP are expected to be present online at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present online at the meeting or represented by proxy and entitled to vote on the matter at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP.

Principal Accountant Fees and Services

The following table represents aggregate fees billed to the Company by Ernst & Young LLP, the Company's principal accountant.

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Audit Fees[(1)]	$ 1,876	$ 2,033
Audit-Related Fees[(2)]	—	125
All Other Fees[(3)]	5	2
Total Fees	$ 1,881	$ 2,160

(1) Audit fees consist of fees billed for professional services provided in connection with the audit of our annual consolidated financial statements, the review of our quarterly condensed consolidated financial statements, and related procedures and audit services that are normally provided by the independent registered public accounting firm in connection with regulatory filings. Audit fees for 2019 also include fees for the audit of our internal control over financial reporting and a business combination. Audit fees for 2018 also include fees for professional services provided in connection with our initial public offering, including comfort letters, consents and review of documents filed with the SEC.

(2) Audit-related fees during 2018 consisted of professional services provided in connection with pre-assessments for a service auditor's report under SOC 2.

(3) All other fees were related to access to online accounting and tax research software.

All fees described above were pre-approved by the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm, Ernst & Young LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual, explicit, case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The Chair of the Audit Committee has been delegated authority to pre-approve certain audit and non-audit services, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 2.**

PROPOSAL 3

ADVISORY VOTE ON THE FREQUENCY OF SOLICITATION OF FUTURE ADVISORY STOCKHOLDER APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Exchange Act enable our stockholders, at least once every six years, to indicate their preference regarding how frequently we should solicit a non-binding advisory vote on the compensation of our Named Executive Officers, as disclosed pursuant to the SEC's compensation disclosure rules. In accordance with the Dodd-Frank Act, we are asking stockholders to indicate whether they would prefer a non-binding advisory vote on the compensation of our Named Executive Officers every one, two or three years. Alternatively, stockholders may abstain from casting a vote.

After considering the benefits and consequences of each alternative, the Board recommends that the advisory vote on the compensation of our Named Executive Officers be submitted to stockholders each year.

The Board believes that an annual advisory vote on the compensation of our Named Executive Officers is the most appropriate policy for us at this time. While our executive compensation program is designed to promote the creation of stockholder value over the long term, the Board recognizes that executive compensation disclosures are made annually, and holding an annual advisory vote on the compensation of our Named Executive Officers provides us with more direct and immediate feedback on our executive compensation program, policies and practices. However, stockholders should note that because a proposed annual advisory vote would occur well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our compensation plans and arrangements for our executive officers in consideration of any single year's advisory vote by the time of the following year's annual meeting of stockholders. We believe, however, that an annual advisory vote on the compensation of our Named Executive Officers is consistent with our practice of seeking input and engaging in dialogue with our stockholders on corporate governance matters.

While the Board believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead being asked to indicate their preference, on an advisory basis, as to whether the non-binding advisory vote on the approval of the compensation of our Named Executive Officers should be held every year, every other year or every three years. The option among those choices that receives the votes of the holders of a majority of shares present online at the meeting or represented by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency preferred by the stockholders.

The Board values the opinions of the stockholders in this matter and, to the extent there is any significant vote in favor of one frequency over the other options, even if less than a majority, the Board will consider the stockholders' concerns and evaluate any appropriate next steps. However, because this vote is advisory and, therefore, not binding on the Board or us, the Board may decide that it is in the best interests of the stockholders that we hold an advisory vote on Named Executive Officer compensation more or less frequently than the option preferred by the stockholders. The vote will not be construed to create or imply any change or addition to the fiduciary duties of the Company or the Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF "ONE YEAR" FOR PROPOSAL 3.

EXECUTIVE OFFICERS

Our executive officers, and their respective ages as of April 15, 2020, are as follows:

Name	Age	Position(s)
Executive Officers		
Amit Yoran	49	Chief Executive Officer and Chairman
Stephen A. Vintz	51	Chief Financial Officer
Stephen A. Riddick	56	General Counsel and Corporate Secretary

The biography of Mr. Yoran is set forth in “Proposal 1: Election of Directors” above.

Stephen A. Vintz has served as our Chief Financial Officer since October 2014. Prior to joining Tenable, Mr. Vintz served as Executive Vice President and Chief Financial Officer of Vocus, Inc., a publicly-traded public relations software company, from January 2001 to June 2014. Mr. Vintz received a B.B.A. in Accounting from Loyola University Maryland and is a Certified Public Accountant.

Stephen A. Riddick has served as our General Counsel since May 2016 and was appointed as our Corporate Secretary, in addition to General Counsel, in May 2018. Prior to joining Tenable, Mr. Riddick served in a number of roles, including Associate General Counsel, at Praxair, Inc., a publicly traded producer and distributor of industrial gases and related technologies, from September 2010 to February 2016. Mr. Riddick served on the board of directors of the D.C. Jazz Festival from April 2017 to December 2019. Mr. Riddick received a B.A. in Economics from the University of Virginia and a J.D. from the University of North Carolina School of Law.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's common stock as of March 6, 2020 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

	Beneficial Ownership[1]	
Beneficial Owner	**Number of Shares**	**Percent of Total**
5% or greater stockholders:		
Entities affiliated with Insight Partners[2]	26,390,576	26.4%
Entities affiliated with Accel[3]	7,396,119	7.4
Ronald J. and Cynthia Y. Gula[4]	9,215,838	9.2
Named executive officers and directors:		
Amit Yoran[5]	3,684,409	3.6
Stephen A. Vintz[6]	958,673	*
Stephen A. Riddick[7]	194,703	*
John G. Negron[8]	37,076	*
John C. Huffard, Jr.[9]	3,765,988	3.8
Arthur W. Coviello, Jr.[10]	160,833	*
Kimberly L. Hammonds[11]	90,905	*
Jerry M. Kennelly[12]	38,664	*
Ping Li[13]	7,884,496	7.9
A. Brooke Seawell[14]	145,000	*
Richard M. Wells[15]	13,976	*
Linda K. Zecher	—	*
All current executive officers and directors as a group (11 persons)[16]	16,937,647	16.4%

* Represents beneficial ownership of less than 1%.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 99,929,738 shares outstanding on March 6, 2020, adjusted as required by rules promulgated by the SEC.

(2) Consists of (a) 8,122,926 shares of common stock held by Insight Venture Partners IX, L.P., or IVP IX, (b) 4,036,084 shares of common stock held by Insight Venture Partners (Cayman) IX, L.P., or IVP (Cayman) IX, (c) 860,622 shares of common stock held by Insight Venture Partners (Delaware) IX, L.P., or IVP (Delaware) IX, (d) 162,141 shares of common stock held by Insight Venture Partners IX (Co-Investors), L.P., or IVP IX (Co-Investors), and, collectively with IVP IX, IVP (Cayman) IX and IVP (Delaware) IX, the "IVP IX Funds", (e) 25,699 shares of common stock held by IVP (Venice), L.P., or IVP Venice, (f) 3,817,885 shares of common stock held by Insight Venture

Partners Growth-Buyout Coinvestment Fund, L.P., or IVP Coinvestment, (g) 3,069,356 shares of common stock held by Insight Venture Partners Growth-Buyout Coinvestment Fund (Cayman), L.P., or IVP Coinvestment (Cayman), (h) 2,822,284 shares of common stock held by Insight Venture Partners Growth-Buyout Coinvestment Fund (Delaware), L.P., or IVP Coinvestment (Delaware), and (i) 3,473,579 shares of common stock held by Insight Venture Partners Growth-Buyout Coinvestment Fund (B), L.P., or IVP Coinvestment (B), and, collectively with IVP Coinvestment, IVP Coinvestment (Cayman) and IVP Coinvestment (Delaware), the "IVP Coinvestment Funds" and, together with the IVP IX Funds and IVP Venice, the "IVP Funds." Insight Venture Associates IX, Ltd., or IVA IX Ltd., is the general partner of Insight Venture Associates IX, L.P., which is the general partner of each of the IVP IX Funds. Insight Venture Associates Growth-Buyout Coinvestment, Ltd., or IVA Coinvestment Ltd., is the general partner of Insight Venture Associates Growth-Buyout Coinvestment, L.P., which is the general partner of each of the IVP Coinvestment Funds. Insight Holdings Group, LLC, or Insight Holdings, is the sole shareholder of each of IVA IX Ltd., and IVA Coinvestment Ltd, Insight Holdings is the sole shareholder of Insight Venture Associates X, Ltd., which is the general partner of IVP GP (Venice), which in turn is the manager of IVP Venice. Each of Jeffrey L. Horing, Deven Parekh, Peter Sobiloff, Jeffrey Lieberman and Michael Triplett is a member of the board of managers of Insight Holdings and as such may be deemed to have shared voting and dispositive power over the shares held by each of the IVP Funds. Richard M. Wells is a Managing Director at Insight Venture Management, LLC, an entity affiliated with the IVP Funds, but does not have voting and dispositive power over the shares held by IVP Funds. The principal business address for all entities and individuals affiliated with Insight Partners is c/o Insight Partners, 1114 Avenue of the Americas, 36th Floor, New York, New York, 10036.

(3) Consists of (a) 2,182,696 shares of common stock held by Accel XI L.P., or Accel XI, (b) 163,992 shares of common stock held by Accel XI Strategic Partners L.P., or Accel XI Strategic, (c) 231,806 shares of common stock held by Accel Investors 2013 L.L.C., or AI 2013, (d) 4,326,710 shares of common stock held by Accel Growth Fund III L.P., or AGF III, (e) 204,267 shares of common stock held by Accel Growth Fund III Strategic Partners L.P., or AGF III Strategic, and (f) 286,648 shares of common stock held by Accel Growth Fund Investors 2014 L.L.C., or AGFI 2014. Accel Growth Fund III Associates L.L.C., or AGF III Associates, is the general partner of AGF III and AGF III Strategic and has the sole voting and investment power. Andrew G. Braccia, Sameer K. Gandhi, Ping Li, one of our directors, Tracy L. Sedlock, Ryan J. Sweeney and Richard P. Wong are the Managing Members of AGF III Associates and AGFI 2014 and share voting and investment powers over such shares. Accel XI Associates L.L.C., or Accel XI Associates, is the General Partner of Accel XI and Accel XI Strategic and has the sole voting and investment power. Andrew G. Braccia, Sameer K. Gandhi, Ping Li, one of our directors, Tracy L. Sedlock and Richard P. Wong are the Managing Members of Accel XI Associates and AI 2013 and share voting and investment powers over such shares. The principal business address for all entities and individuals affiliated with Accel is 500 University Avenue, Palo Alto, California 94301.

(4) As reported in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2019. Consists of (a) 2,424,375 shares of common stock held by Mr. Gula, (b) 477,469 shares of common stock held by Mr. Gula's spouse, Cynthia Y. Gula, (c) 174,287 shares of common stock held by Cynthia Y. Gula, as Trustee of the Ronald J. Gula 2013 Irrevocable Trust dated November 22, 2013, (d) 29,707 shares of common stock held by Michael Yates, as Trustee of the Cynthia Y. Gula 2013 Irrevocable Trust dated December 11, 2013, (e) 2,000,000 shares of common stock held by Cynthia Y. Gula, as Trustee of the Ronald J. Gula 2017 Grantor Retained Annuity Trust dated as of October 19, 2017 and (f) 4,110,000 shares of common stock held by Ronald J. Gula, as Trustee of the Cynthia Y. Gula 2016 Family Trust dated as of November 7, 2016. The address for Mr. and Mrs. Gula is c/o Gula Tech Adventures, P.O. Box 335, Woodstock, Maryland 21163.

(5) Consists of (a) 34,613 shares of common stock, (b) 1,357,685 shares of restricted common stock, 1,060,932 of which are scheduled to vest within 60 days of March 6, 2020 and (c) 2,292,111 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(6) Consists of (a) 268,565 shares of common stock and (b) 690,108 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(7) Consists of (a) 7,203 shares of common stock and (b) 187,500 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(8) Consists solely of 37,076 shares of common stock as of September 2, 2019, Mr. Negron's last day of employment with the Company.

(9) Consists of (a) 2,173 shares of common stock held by Mr. Huffard directly, (b) 31,847 shares of common stock held by Mr. Huffard's spouse, Mary Kathryn Braden Huffard, (c) 3,294,982 shares of common stock held by Mary Kathryn Braden Huffard and Jonathan M. Forster, as Trustees of The Three Suns Exempt Irrevocable Trust U/T/A dated March 2, 2012, (d) 390,183 shares of common stock held by Mary Kathryn Braden Huffard and Jonathan M. Forster, as Trustees of The Three Suns Non-Exempt Irrevocable Trust U/T/A dated March 2, 2012, (e) 86 shares of common stock held by Mr. Huffard and Mary Kathryn Braden Huffard, as Trustees of The John Cloyd Huffard Jr Revocable Trust and (f) 46,717 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(10) Consists of (a) 7,500 shares of common stock and (b) 153,333 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(11) Consists of (a) 14,239 shares of common stock and (b) 76,666 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(12) Consists of (a) 9,998 shares of common stock held directly by Kennelly Partners, L.P., an entity controlled by Mr. Kennelly, and (b) 28,666 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(13) Consists of (a) 2,182,696 shares of common stock held by Accel XI L.P., or Accel XI, (b) 163,992 shares of common stock held by Accel XI Strategic Partners L.P., or Accel XI Strategic, (c) 231,806 shares of common stock held by Accel Investors 2013 L.L.C., or AI 2013, (d) 4,326,710 shares of common stock held by Accel Growth Fund III L.P., or AGF III, (e) 204,267 shares of common stock held by Accel Growth Fund III Strategic Partners L.P., or AGF III Strategic, (f) 286,648 shares of common stock held by Accel Growth Fund Investors 2014 L.L.C., or AGFI 2014, (g) 384,759 of common stock held by Li Family Trust, or the Trust, and (h) 103,618 of common stock held by Li Family GST Exempt Trust, or GST. Accel Growth Fund III Associates L.L.C., or AGF III Associates, is the general partner of AGF III and AGF III Strategic and has the sole voting and investment power. In addition to Mr. Li, Andrew G. Braccia, Sameer K. Gandhi, Tracy L. Sedlock, Ryan J. Sweeney and Richard P. Wong are the Managing Members of AGF III Associates and AGFI 2014 and share voting and investment powers over such shares. Accel XI Associates L.L.C., or Accel XI Associates, is the General Partner of Accel XI and Accel XI Strategic and has the sole voting and investment power. Andrew G. Braccia, Sameer K. Gandhi, Ping Li, one of our directors, Tracy L. Sedlock and Richard P. Wong are the Managing Members of Accel XI Associates and AI 2013 and share voting and investment powers over such shares. Ping Li is trustee of the Trust and has voting and dispositive power over the shares held by the Trust. Members of Ping Li's immediate family are beneficial holders of the GST, and he may be deemed to exercise voting and investment power over

the shares held by the GST. The principal business address for all entities and individuals affiliated with Accel is 500 University Avenue, Palo Alto, California 94301.

(14) Consists of (a) 30,000 shares of common stock and (b) 115,000 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

(15) Consists of (a) 6,636 shares of common stock held by Mr. Wells directly and (b) 7,340 shares of common stock held by RW Fund IX LLC, an entity controlled by Mr. Wells.

(16) Consists of (a) 11,989,861 shares of common stock, (b) 1,357,685 shares of restricted common stock, 1,060,932 of which are scheduled to vest within 60 days of March 6, 2020 and (c) 3,590,101 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of March 6, 2020.

DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 2019, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

EXECUTIVE COMPENSATION

We became a public reporting company in July 2018, and filed our 2019 definitive proxy statement under the scaled reporting rules applicable to emerging growth companies. As of December 31, 2019, we ceased to be an emerging growth company and, therefore, this Proxy Statement includes additional information with respect to our executive compensation program, policies, and practices that was not previously required, including this Compensation Discussion and Analysis, certain additional compensation tables as set forth following the Compensation Discussion and Analysis, and an advisory vote of our stockholders on the preferred frequency of future stockholder advisory votes on the compensation of our Named Executive Officers, which is included as "Proposal 3" in this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding the 2019 compensation program for our principal executive officer, our principal financial officer, the executive officer (other than our principal executive officer and principal financial officer) at fiscal year-end who was our most highly-compensated executive officer, and one former executive officer whose compensation during 2019 would have placed him among our most highly-compensated executive officers (other than our principal executive officer and principal financial officer) had he been an executive officer as of December 31, 2019 (our “Named Executive Officers”). For 2019, our Named Executive Officers were:

Name	Position
Amit Yoran	Chief Executive Officer and Chairman of the Board of Directors
Stephen A. Vintz	Chief Financial Officer
Stephen A. Riddick	General Counsel and Corporate Secretary
John G. Negron [(1)]	Chief Revenue Officer

(1) Mr. Negron's employment as our Chief Revenue Officer terminated effective September 2, 2019. His compensation is discussed in this Compensation Discussion and Analysis for the period in which he was employed during 2019.

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during 2019. It also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices. Finally, it analyzes how and why the Compensation Committee arrived at the specific compensation decisions for our Named Executive Officers in 2019 and discusses the key factors that the Compensation Committee considered in determining their compensation.

Executive Summary

Who We Are

We are a leading provider of solutions for a new category of cybersecurity that we call Cyber Exposure. Cyber Exposure is a discipline for managing, measuring and comparing cybersecurity risk in the digital era. We are building on our deep technology expertise in the traditional vulnerability assessment and management market and are expanding that market to include modern attack surfaces and to provide analytics that help organizations translate vulnerability data into business insights to understand and reduce their cybersecurity risk.

As of December 31, 2019, we had over 30,000 customers who licensed our Tenable.io, Tenable.sc, or Nessus Professional products. As of December 31, 2019, our customers include more than 50% of the Fortune 500, more than 30% of the Global 2000, and large government agencies. In 2019, no single customer represented more than 2% of our revenue.

2019 Business Highlights

2019 was marked by significant achievements in revenue and calculated current billings growth. Our 2019 highlights were as follows:

- Revenue was $354.6 million, representing a 33% increase year-over-year.
- Calculated current billings was $414.9 million, representing a 27% increase year-over-year.
- GAAP loss from operations was $90.8 million, compared to a loss of $72.6 million in 2018.
- Non-GAAP loss from operations was $42.8 million, compared to a loss of $49.1 million in 2018.
- GAAP net loss was $99.0 million, compared to a net loss of $73.5 million in 2018.
- GAAP net loss per share was $1.03, compared to a net loss per share of $1.38 in 2018.
- Non-GAAP net loss was $40.5 million, compared to a net loss of $50.3 million in 2018.
- Pro forma non-GAAP net loss per share was $0.42, compared to a net loss per share of $0.59 in 2018.
- Net cash used in operating activities was $10.7 million, compared to $2.6 million in 2018.
- Free cash flow was $(31.4) million, compared to ($8.3) million in 2018. Free cash flow in 2019 included $13.1 million of non-recurring payments related to the Indegy acquisition, $11.4 million of capital expenditures for our new headquarters, and a $0.9 million reduction related to employee stock purchase plan activity. Free cash flow in 2018 included a $6.3 million benefit related to employee stock purchase plan activity.

Refer to the appendix for reconciliations of non-GAAP measures to comparable GAAP measures.

Executive Compensation Highlights

Based on our overall operating environment and these results, the Compensation Committee took the following key actions with respect to the compensation of our Named Executive Officers for and during 2019:

- *Base Salaries* - Maintained their annual base salaries at their 2018 levels.
- *Cash Bonuses* - Pre-selected under our Quarterly Bonus Plan quarterly and annual performance metrics consisting of revenue; adjusted earnings before interest, taxes, depreciation, and amortization (“EBITDA”); and bookings with targets pre-established by the Board of Directors as part of the Board's review of the annual financial plan, which resulted in full-year earned bonus payments in amounts ranging from $158,918 to $423,780, based on our achievement. These bonus payments represented 105.1% of their target bonus opportunities for 2019 for each of Messrs. Yoran, Vintz and Riddick, as we achieved an average of 105.1% of the financial performance objectives applicable to each of the foregoing for each fiscal quarter and the full-year and 93.5% of the target bonus opportunity for Mr. Negron as we achieved an average of 93.5% of the financial performance objectives applicable to Mr. Negron for the first three fiscal quarters of 2019, prorated for the term of his employment. Cash bonus amounts for Messrs. Yoran, Vintz and Riddick were paid out at greater than 100% of target due to our above target achievement of the adjusted EBITDA financial goal.

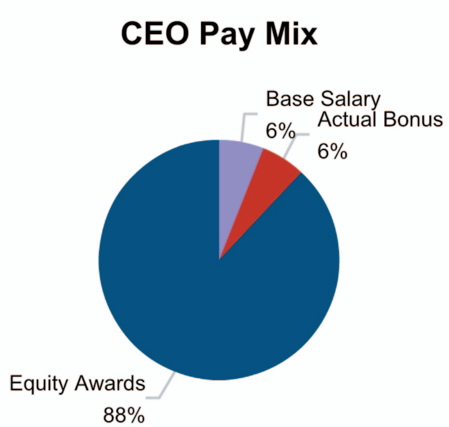
- *Long-Term Incentive Compensation* - Granted long-term incentive compensation opportunities in the form of time-based restricted stock unit ("RSU") awards that may be settled for shares of our common stock with grant date fair values in amounts ranging from approximately $1,400,000 to approximately $6,200,000.
- *Amended and Restated Employment Agreements* - Entered into amended and restated employment agreements setting forth the terms and conditions of their employment and severance arrangements to promote retention of our Named Executive Officers and provide continuity of management in the event of a change in control of the Company.

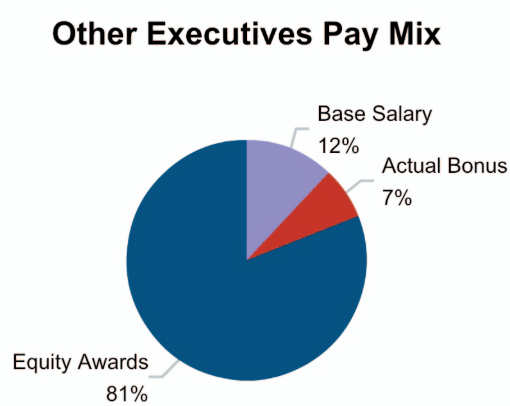
Relationship Between Pay and Performance

We believe our executive compensation program is reasonable and competitive, and appropriately balances the goals of attracting, motivating, rewarding, and retaining our Named Executive Officers with the goal of aligning their interests with those of our stockholders. To ensure this alignment and to motivate and reward individual initiative and effort, we seek to ensure that a meaningful portion of our Named Executive Officers' target annual total direct compensation is both variable in nature and "at-risk."

We emphasize variable "at-risk" compensation through two separate compensation elements. First, we provide the opportunity to participate in our Quarterly Bonus Plan which provides payments based on the achievement by our Named Executive Officers of pre-established short-term financial results compared to pre-established targets as determined from time to time by the Company and reviewed by our Board of Directors in connection with our annual financial plan. Second, since our initial public offering we have granted RSU awards to our Named Executive Officers, the value of which depends entirely on the value of our common stock, thereby incentivizing them to build sustainable long-term value for the benefit of our stockholders. These variable pay elements ensure that a substantial portion of our Named Executive Officers' target total direct compensation is contingent (rather than fixed) in nature, with the amounts ultimately payable commensurate with our actual performance.

For 2019, 94% of our CEO's total reported compensation and an average of 88% of our other Named Executive Officers' total reported compensation who were employed with us at the end of 2019 was linked to performance, consisting of the quarterly and annual bonuses earned and equity incentives awarded, as reported in the Summary Compensation Table.





We believe that this design provides balanced incentives for our Named Executive Officers to meet our business objectives and drive long-term growth. The Compensation Committee takes seriously its responsibility to maintain an appropriate pay-for-performance alignment with an emphasis on long-term stockholder value creation.

Executive Compensation Policies and Practices

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on a regular basis to ensure that it is consistent with our short-term and long-term goals given the dynamic nature of our business and the market in which we compete for executive talent. The following summarizes our executive compensation and related policies and practices:

What We Do

- ***Maintain an Independent Compensation Committee***. The Compensation Committee consists solely of independent directors who establish our compensation practices.
- ***Retain an Independent Compensation Advisor***. The Compensation Committee has engaged its own compensation consultant to provide information, analysis, and other advice on executive compensation independent of management. This consultant performed no other consulting or other services for us in 2019.
- ***Annual Executive Compensation Review***. The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review and determination of our compensation peer group used for comparative purposes and a review of our compensation-related risk profile to ensure that our compensation programs do not encourage excessive or inappropriate risk-taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us.
- ***Compensation At-Risk***. Our executive compensation program is designed so that a significant portion of our Named Executive Officers' compensation is "at risk" based on corporate performance, as well as equity-based, to align the interests of our Named Executive Officers and stockholders.
- ***Use a Pay-for-Performance Philosophy***. The majority of our Named Executive Officers' compensation is directly linked to corporate performance; we also structure their target total direct compensation opportunities with a significant long-term equity component, thereby making a substantial portion of each Named Executive Officer's target total direct compensation dependent upon our stock price and/or total stockholder return.
- ***Multi-Year Vesting Requirements***. The annual equity awards granted to our Named Executive Officers vest over multi-year periods, consistent with current market practice and our retention objectives.
- ***"Double-Trigger" Change-in-Control Arrangements***. All change-in-control payments and benefits are based on a "double-trigger" arrangement (that is, they require both a change-in-control of the Company plus a qualifying termination of employment before payments and benefits are paid). In addition, all such payments and benefits are subject to the execution and delivery of an effective general release of claims in favor of the Company.
- ***Succession Planning***. Our Board of Directors reviews the risks associated with our key executive officer positions to ensure an adequate succession strategy and plans are in place.

What We Do Not Do

- ***No Guaranteed Bonuses.*** We do not provide guaranteed bonuses to our executive officers.

- ***No Executive Retirement Plans***. We do not currently offer, nor do we have plans to offer, defined benefit pension plans or any non-qualified deferred compensation plans or arrangements to our Named Executive Officers other than the plans and arrangements that are available to all employees. Our Named Executive Officers are eligible to participate in our 401(k) Plan on the same basis as our other employees.
- ***No Perquisites.*** We do not provide perquisites or other personal benefits to our Named Executive Officers beyond what are provided to our other employees.
- ***No Tax Payments on Perquisites***. We do not provide any tax reimbursement payments (including “gross-ups”) on any perquisites or other personal benefits, other than on standard relocation benefits.
- ***No Excise Tax Payments on Future Post-Employment Compensation Arrangements***. We do not provide any excise tax reimbursement payments (including “gross-ups”) on payments or benefits contingent upon a change in control of the Company.
- ***No Hedging or Pledging of our Equity Securities.*** Our Insider Trading Policy prohibits our employees, including our executive officers, and the non-employee members of our Board of Directors from engaging in short sales, transactions in put or call options, hedging transactions, using margin accounts, pledges, or other inherently speculative transactions involving our equity securities.

Stockholder Advisory Vote on Frequency of Future Stockholder Advisory Votes on Named Executive Officer Compensation

At the Annual Meeting of Stockholders to which this Proxy Statement relates, we will be conducting a non-binding stockholder advisory vote on the frequency of future non-binding stockholder advisory votes on the compensation of our Named Executive Officers (commonly known as a “Say-on-Pay” vote). Stockholders will have the option of voting on whether future Say-on-Pay votes should be held on an annual, biennial, or triennial basis, or abstaining from such vote. Our Board of Directors is recommending that we hold future Say-on-Pay votes on an annual, rather than a biennial or triennial, basis. For additional information about the vote on the frequency of our Say-on-Pay votes, see “Proposal 3 above”.

Executive Compensation Philosophy and Objectives

Our executive compensation program is guided by our overarching philosophy of paying for demonstrable performance. Consistent with this philosophy, we have designed our executive compensation program to achieve the following primary objectives:

- Provide market competitive compensation and benefit levels that will attract, motivate, reward, and retain a highly talented team of executives within the context of responsible cost management;
- Establish a direct link between our financial and operational results and strategic objectives and the compensation of our executives;
- Align the interests and objectives of our executives with those of our stockholders by linking their long-term incentive compensation opportunities to stockholder value creation and their cash incentives to our annual performance; and
- Offer total compensation opportunities to our executives that, while competitive, are internally consistent.

We believe that our executive compensation program should include short-term and long-term elements, including cash and equity compensation, and should reward consistent performance that meets or exceeds expectations. We evaluate both performance and compensation to make sure that the compensation provided to our executives remains competitive relative to compensation paid by companies of similar size operating in our industry, taking into account our relative performance, our strategic objectives, and the performance of the individual executive.

Executive Compensation Design

The annual compensation arrangements for our Named Executive Officers consist of base salary, quarterly and annual performance-based cash bonuses, and long-term incentive compensation in the form of equity awards. The key component of our executive compensation program continues to be equity awards. Historically, we have emphasized the use of equity to provide incentives for our Named Executive Officers to focus on the growth of our overall enterprise value and, correspondingly, to create sustainable value for our stockholders. Since our initial public offering, we have used time-based RSU awards that have been settled in shares of our common stock as our principal equity incentive vehicle.

We believe that RSU awards offer our Named Executive Officers a valuable long-term incentive that aligns their interests with the long-term interests of our stockholders. Going forward, as we deem appropriate, we may introduce other forms of stock-based compensation awards into our executive compensation program to offer our Named Executive Officers additional types of equity incentives that further this objective.

We also offer cash compensation in the form of base salaries and quarterly and annual performance-based cash bonuses. Typically, we have structured our cash bonus opportunities to focus on the achievement of specific short-term financial objectives that will further our longer-term growth objectives.

We have not adopted any formal policies or employed guidelines for allocating compensation between current and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation. Instead, the Compensation Committee reviews each element of executive compensation separately and also takes into consideration the value of each Named Executive Officer’s target total direct compensation opportunity (the sum of base salary, cash bonus opportunity, and equity awards) as a whole, and its relative size in comparison to companies in our compensation peer group.

The Compensation Committee reviews our compensation philosophy, as well as our executive compensation program, at least annually. As part of this review process, the Compensation Committee applies the objectives described above within the context of our overall compensation philosophy while simultaneously considering the compensation levels needed to ensure that our executive compensation program remains competitive. In addition, the Compensation Committee considers whether we are meeting our retention objectives and the potential cost of replacing key executive officers.

Compensation-Setting Process

Role of Compensation Committee

The Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of our Named Executive Officers. It also makes compensation recommendations for the non-employee members of our Board of Directors to our full Board of Directors for their review and approval. The Compensation Committee has overall responsibility for overseeing our compensation and benefits policies generally, and overseeing and evaluating the compensation plans, policies, and practices applicable to our CEO and other Named Executive Officers.

In carrying out its responsibilities, the Compensation Committee evaluates our compensation policies and practices with a focus on the degree to which these policies and practices reflect our executive compensation philosophy, develops strategies and makes decisions that it believes further our philosophy or align with developments in best compensation practices, and reviews the performance of our Named Executive Officers when making decisions with respect to their compensation.

The Compensation Committee's authority, duties, and responsibilities are further described in its charter, which is reviewed annually and revised and updated as warranted. The charter is available at https://investors.tenable.com.

The Compensation Committee retains a compensation consultant (as described below) to provide support in its review and assessment of our executive compensation program.

Determining Total Direct Compensation

The Compensation Committee reviews the base salary levels, cash bonus targets, and long-term incentive compensation of our Named Executive Officers and all related performance criteria at the beginning of each year, or more frequently as warranted. Compensation adjustments to base salary are generally effective on March 1 and changes to target bonus amounts are generally effective at the beginning of the fiscal year.

In making decisions about the compensation of our Named Executive Officers, the members of the Compensation Committee do not establish a specific target and instead rely primarily on their general experience and subjective considerations of various factors, including the following:

- our executive compensation program objectives;
- our performance against the financial, operational, and strategic objectives established by the Compensation Committee and our Board of Directors;
- each individual Named Executive Officer's knowledge, skills, experience, qualifications, and tenure relative to other similarly situated executives at the companies in our compensation peer group;
- the scope of each Named Executive Officer's role and responsibilities compared to other similarly situated executives at the companies in our compensation peer group;
- the prior performance of each individual Named Executive Officer, based on a subjective assessment of his or her contributions to our overall performance, ability to lead his or her business unit or function, and work as part of a team, all of which reflect our core values;
- the potential of each individual Named Executive Officer to contribute to our long-term financial, operational, and strategic objectives;
- our financial performance relative to our peers;
- the compensation practices of our compensation peer group and the positioning of each Named Executive Officer's compensation in a ranking of peer company compensation levels based on an analysis of competitive market data; and
- the recommendations of our CEO with respect to the compensation of our Named Executive Officers (except with respect to his own compensation).

These factors provide the framework for compensation decision-making and final decisions regarding the compensation for each Named Executive Officer. No single factor is determinative in setting compensation levels, nor is the impact of any individual factor on the determination of pay levels quantifiable.

The Compensation Committee does not weigh these factors in any predetermined manner, nor does it apply any formulas in developing its compensation decisions. The members of the Compensation Committee consider this information in light of their individual experience, knowledge of the Company, knowledge of the competitive market, knowledge of each Named Executive Officer, and business judgment in making their decisions.

The Compensation Committee does not engage in formal benchmarking against other companies' compensation programs or practices to establish our compensation levels or make specific compensation decisions with respect to our Named Executive Officers. Instead, in making its determinations, the Compensation Committee reviews information summarizing the compensation paid at the companies in our compensation peer group, to the extent that the executive positions at these companies are considered comparable to our positions and informative of the competitive environment and from more broad-based compensation surveys to gain a general understanding of market compensation levels.

Role of Management

In discharging its responsibilities, the Compensation Committee works with members of our management, including our CEO. Our management assists the Compensation Committee by providing information on corporate and individual performance, market compensation data, and management's perspective on compensation matters. The Compensation Committee solicits and reviews our CEO's proposals with respect to program structures, as well as his recommendations for adjustments to annual cash compensation, long-term incentive compensation opportunities and other compensation-related matters for our Named Executive Officers (except with respect to his own compensation) based on his evaluation of their performance for the prior year.

At the beginning of each year, our CEO reviews the performance of our other Named Executive Officers based on such individual's level of success in accomplishing the business objectives established for him or her for the prior year and his or her overall performance during that year, and then shares these evaluations with, and makes recommendations to, the Compensation Committee for each element of compensation as described above.

The Compensation Committee reviews our CEO's proposals and recommendations and discusses them with him and considers them as one factor in determining and approving the compensation of our other Named Executive Officers. Our CEO also attends meetings of our Board of Directors and the Compensation Committee at which executive compensation matters are addressed, except with respect to discussions involving his own compensation.

Role of Compensation Consultant

The Compensation Committee has the sole authority to retain an external compensation consultant to assist it by providing information, analysis, and other advice relating to our executive compensation program and the decisions resulting from its annual executive compensation review, including the authority to approve the consultant's reasonable fees and other retention terms. The compensation consultant reports directly to the Compensation Committee and its chair, and serves at the discretion of the Compensation Committee, which reviews the engagement annually.

In 2019, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm ("Compensia"), to serve as its compensation consultant to advise on executive compensation matters, including competitive market pay practices for our Named Executive Officers, and to assist with the data analysis and development of the compensation peer group.

During 2019, Compensia attended the meetings of the Compensation Committee (both with and without management present) as requested and provided various services, including the following:

- the review, analysis, and updating of our compensation peer group;
- the review and analysis of the base salary levels, cash bonus opportunities, and long-term incentive compensation opportunities of our executive officers, including our Named Executive Officers, against competitive market data based on the companies in the compensation peer group and selected compensation surveys;
- the review and analysis of the base salary levels, cash bonus opportunities, and long-term incentive compensation opportunities for our Chief Product Officer and Chief Technology Officer positions;
- an analysis of competitive market practices in the consideration and finalization of changes to the post-employment compensation arrangements for our executive officers, including our Named Executive Officers;
- the review and analysis of the compensation arrangements of the non-employee members of our Board of Directors against competitive market data based on the companies in the compensation peer group;
- the review and analysis of competitive market practices in the design of short-term cash incentive compensation plans for executives;
- an assessment of executive compensation trends within our industry, and updating on corporate governance and regulatory issues and developments;
- consultation with the Compensation Committee chair and other members between Compensation Committee meetings; and
- support on other *ad hoc* matters throughout the year.

The terms of Compensia's engagement includes reporting directly to the Compensation Committee chair. Compensia also coordinated with our management for data collection and job matching for our executive officers. In 2019, Compensia did not provide any other services to us.

The Compensation Committee has evaluated its relationship with Compensia to ensure that it believes that such firm is independent from management. This review process included a review of the services that Compensia provided, the quality of those services, and the fees associated with the services provided during 2019. Based on this review, as well as consideration of the factors affecting independence set forth in Exchange Act Rule 10C-1(b)(4), Rule 5605(d)(3)(D) of the NASDAQ Marketplace Rules, and such other factors as were deemed relevant under the circumstances, the Compensation Committee has determined that no conflict of interest was raised as a result of the work performed by Compensia.

Competitive Positioning

For purposes of assessing our executive compensation against the competitive market, the Compensation Committee reviews and considers the compensation levels and practices of a select group of peer companies. This compensation peer group consists of technology companies that are similar to us in terms of revenue, market capitalization, and industry focus. The competitive data drawn from this compensation peer group is only one of several factors that the Compensation Committee considers, however, in making its decisions with respect to the compensation of our Named Executive Officers.

The compensation peer group for 2019, which was developed in April 2018 with the assistance of Compensia, to analyze the compensation of our executive officers, including our Named Executive Officers, comprised publicly-traded technology companies against which we compete for executive talent. In identifying and selecting the companies to comprise the compensation peer group, Compensia considered the following criteria:

- publicly traded companies headquartered in the United States and traded on a major United States stock exchange;
- companies in the information technology sector;
- companies with similar revenues - within a range of ~0.3x to ~3.0x our then-projected 2018 revenues of approximately $260 million (approximately $80 million to approximately $800 million);
- companies with similar market capitalizations - within a range of ~0.3x to ~3.0x our then-projected market capitalization of approximately $3.0 billion (approximately $1.0 billion to approximately $9.0 billion);
- companies in the Internet/network security software sector; and
- companies with positive revenue growth.

Using this methodology, the Compensation Committee approved a compensation peer group consisting of the following companies:

Cloudera	Coupa Software	Ellie Mae
FireEye	ForeScout Technology	HubSpot
Imperva	New Relic	Okta
Paycom Software	Paylocity Holding	Proofpoint
Qualys	Rapid7	Sailpoint Technologies
Twilio	Varonis Systems	Zendesk

The Compensation Committee used data drawn from the companies in our compensation peer group, as well as data from a custom data cut drawn from the Radford Global Technology Survey, to evaluate and analyze the competitive market when determining the total direct compensation of our Named Executive Officers, including base salary, target cash bonus opportunities, and long-term incentive compensation opportunities.

The Compensation Committee reviews our compensation peer group at least annually and makes adjustments to its composition if warranted, taking into account changes in both our business and the businesses of the companies in the peer group.

Compensation Elements

In 2019, the principal elements of our executive compensation program, and the objective and key features of each element, were as follows:

Element	Type and Form of Element	Objective	Key Features
Base Salary	Fixed/Cash	Designed to attract and retain highly talented executives by providing financial stability and security for performing job responsibilities through a fixed amount that is market competitive and rewards performance	Generally reviewed annually at beginning of year and determined based on various factors, including company and individual performance, retention objectives, a competitive market analysis, and recommendations of CEO
Cash Bonuses	Variable/Cash	Designed to motivate and reward executives with financial incentives for achieving or exceeding rigorous quarterly and annual financial objectives related to our key business imperatives	• Target bonus amounts generally reviewed annually at beginning of year and determined based on various factors, including company and individual performance, a competitive market analysis, and recommendations of CEO • Bonus payments entirely dependent upon achievement of pre-established corporate financial objectives selected by our Compensation Committee • Bonus payments earned determined after each quarter and full-year, based on actual achievement levels for corporate financial objectives compared to targets reviewed by our Board of Directors

Long Term Incentive Compensation	Variable/ Equity awards in the form of RSU awards that may be settled for shares of our common stock	Designed to motivate and reward executives for successful long-term performance, align interests of executives and stockholders by motivating them to create sustainable long-term stockholder value, and encourage continued employment of executives over the long-term	• Annual award opportunities generally reviewed and determined annually at beginning of year or as appropriate during year for new hires, promotions, or other special circumstances • Individual awards determined based on various factors, including company and individual performance, retention value of outstanding equity holdings, and competitive market analysis • Historically granted RSU awards or stock options with four-year vesting requirements, although the Compensation Committee has discretion to grant other equity vehicles and use different vesting requirements or performance conditions
Other Compensation	Retirement and health and welfare benefits offered to all employees on the same terms	Employee benefits that promote employee savings and health and welfare, which assists in attracting and retaining our executives and employees	Indirect compensation element consisting of programs such as medical, vision, dental, life and disability insurance, as well as the 401(k) Plan with a company matching contribution and an ESPP, and other plans and programs made available to all eligible employees

Base Salary

Base salary represents the fixed portion of the compensation of our Named Executive Officers and is an important element of compensation intended to attract and retain highly talented individuals. Generally, we use base salary to provide each Named Executive Officer with a specified level of cash compensation during the year with the expectation that he or she will perform his or her responsibilities to the best of his or her ability and in our best interests.

Generally, we establish the initial base salaries of our Named Executive Officers through arm's-length negotiation at the time we hire the individual, taking into account his or her position, qualifications, experience, prior salary level, and the base salaries of our other executive officers. Thereafter, the Compensation Committee reviews the base salaries of our Named Executive Officers each year as part of its annual compensation review, with input from our CEO (except with respect to his own base salary) and makes adjustments as it determines to be reasonable and necessary to reflect the scope of a Named Executive Officer's performance, individual contributions and responsibilities, position in the case of a promotion, and market conditions.

In February 2019, the Compensation Committee reviewed the base salaries of our Named Executive Officers, taking into consideration a competitive market analysis prepared by its compensation consultant and the recommendations of our CEO, as well as the other factors described in "Compensation-Setting Process - Determining Total Direct Compensation" above. Following this review, the Compensation Committee determined to maintain the base salaries of our Named Executive Officers at their 2018 levels given the recent adjustments to base salaries that were made in July 2018.

The base salaries of our Named Executive Officers for 2019 were as follows:

Named Executive Officer	2018 Base Salary	2019 Base Salary	Percentage Adjustment
Mr. Yoran	$ 400,000	$ 400,000	—
Mr. Vintz	350,000	350,000	—
Mr. Riddick	320,000	320,000	—
Mr. Negron(1)	350,000	350,000	—

(1) Mr. Negron's employment as our Chief Revenue Officer terminated effective September 2, 2019.

The base salaries paid to our Named Executive Officers during 2019 are set forth in the *Summary Compensation Table* below.

Cash Bonuses

To motivate and reward achievement of our short-term corporate financial objectives as reflected in our annual financial plan, as well as to further our long-term strategic and growth goals, our Named Executive Officers are eligible to participate in our broad-based Quarterly Bonus Plan. Our Quarterly Bonus Plan is designed to motivate and reward our employees to achieve a series of pre-established financial goals based on our revenue, adjusted EBITDA, and bookings targets set forth in our annual financial plan (collectively, the "Board Metrics"), which is reviewed annually by our Board of Directors.

The Quarterly Bonus Plan provides participants, including our Named Executive Officers, with an opportunity to earn formula-based cash bonuses on a quarterly and/or annual basis. We believe that paying bonuses throughout the year is the most effective way to motivate achievement of our short-term financial goals because quarterly and annual payments align with the time periods for which we provide external guidance to the investment community. Bonus payments for our Named Executive Officers with respect to the Board Metrics are made in five equally weighted installments, one following each fiscal quarter and the fifth payment following fiscal year-end, in each case based on a portion of the participants' target cash bonus opportunity for the year attributable to the Board Metrics and only to the extent that we have achieved the applicable Board Metrics for each respective fiscal quarter and the full fiscal year. Actual bonus payments at each periodic interval are calculated by multiplying 20% of a participant's target cash bonus opportunity attributable to the Board Metrics by the weighted average percentage attainment level of the applicable financial goals for each applicable fiscal quarter or full fiscal year. For the revenue and adjusted EBITDA performance goals, there is no specified minimum or maximum bonus achievement percentage or amount payable established. For the bookings performance goal, the threshold performance level to receive payment is 40% of the target performance level (determined at a 2:1 scaled achievement) and for performance above target payment is capped at 170% of target (also determined at a 2:1 scaled achievement).

In addition to the foregoing, Mr. Negron, our former Chief Revenue Officer, had an additional performance measure comprised of a separate bookings target established a "stretch" goal for the fiscal year (the "Corporate Bookings Stretch Metric"). 25% of his bonus target was attributable to achievement of the Board Metrics and the Corporate Bookings Stretch Metric, each weighted 50%, and the remaining 75% was attributable solely to achievement of the Corporate Bookings Stretch Metric.

In February 2019, the Compensation Committee reviewed the terms and conditions for the Quarterly Bonus Plan for 2019, including the target annual cash bonus opportunities of each Named Executive Officer and selected the Board Metrics and the Corporate Bookings Stretch Metric from the annual financial plan reviewed by the Board of Directors as the relevant performance metrics and determined their relative weightings for each Named Executive Officer. In February of every year, the Compensation Committee reviews the related achievement percentages for the prior year for each of the Board Metrics and the Corporate Bookings Stretch Metric and the corresponding quarterly and annual bonus payments and determines whether to make any discretionary adjustments.

Target Cash Bonus Opportunities

For purposes of the Quarterly Bonus Plan, cash bonuses are based upon a specific percentage of each participant’s annual base salary. In February 2019, the Compensation Committee reviewed the target cash bonus opportunities of our Named Executive Officers in place for 2018, taking into consideration a competitive market analysis prepared by its compensation consultant and the recommendations of our CEO, as well as the other factors described in “Compensation-Setting Process - Determining Total Direct Compensation” above. Following this review, the Compensation Committee determined to maintain the target cash bonus opportunities of our Named Executive Officers at their 2018 levels given the factors discussed above and the recent adjustments to their target cash bonus opportunities that were made in July 2018.

The target cash bonus opportunities of our Named Executive Officers for 2019 were as follows:

Named Executive Officer	2019 Target Cash Bonus Opportunity
Mr. Yoran	$ 400,000
Mr. Vintz	225,000
Mr. Riddick	150,000
Mr. Negron (1)	300,000

(1) Mr. Negron’s target cash bonus opportunity was attributable 25% ($75,000) to our performance based on 50% of the Board Metrics and 50% of the Corporate Bookings Stretch Metric and 75% ($225,000) to his actual achievement solely with respect to the Corporate Bookings Stretch Metric. Mr. Negron's employment as our Chief Revenue Officer terminated effective September 2, 2019.

Corporate Performance Measures

For purposes of the Quarterly Bonus Plan for each of Messrs. Yoran, Vintz and Riddick our Compensation Committee selected revenue, adjusted EBITDA, and bookings as set forth in our annual financial plan (the “Board Metrics”), each equally weighted, as the three performance measures upon which bonus payments for each would be based, other than for Mr. Negron as described above. The target achievement levels for the corporate performance measures for 2019 were established by the Board of Directors as part of their review of the annual financial plan.

Each of these performance measures was to be calculated as follows:

- Revenue - revenue was to be calculated in accordance with GAAP and as set forth in our quarterly and annual financial statements.

- Adjusted EBITDA - adjusted EBITDA was to be calculated as net loss before income tax provision, other non-operating income and (expense), depreciation and amortization, amortization of intangible acquired intangible assets, stock-based compensation and acquisition related expenses.
- Bookings - bookings was to be calculated as sales of new and renewal subscription licenses, perpetual licenses and related first-year maintenance, and services and training, which are closed in a period. Bookings is based on annual contract value (ACV), whereby we include only the first-year contract value as booked in cases where a multi-year deal is prepaid or billed upfront.

Our Board of Directors believed that, for purposes of the Quarterly Bonus Plan, these were the most appropriate corporate performance measures to use because, in its view, they would provide meaningful indicators of our successful execution of our annual financial plan and our ability to enhance long-term value creation. In particular, we believe our bookings levels is an effective measure of annual contract value, which management uses to measure the growth of our business.

For 2019, our Board of Directors established anticipated target levels for each performance measure which were set forth in our annual financial plan. These annual target levels were as follows:

(in thousands)		**Target Performance Level**
Revenue	$	358,582
Adjusted EBITDA(1)		(45,933)
Bookings		(2)

(1) Adjusted EBITDA is a non-GAAP measure. Refer to the appendix for reconciliations of non-GAAP measures to comparable GAAP measures.

(2) We have chosen not to disclose the various target performance levels for our bookings performance measure as such information is proprietary in nature, the disclosure of which could result in competitive harm to the Company. For 2019, the Board of Directors considered the target performance achievement levels for the Board Metrics to be challenging but achievable with significant effort requiring circumstances to align as projected and the target performance achievement level for the Corporate Bookings Stretch Metric to be difficult to achieve, requiring exceptional levels of effort on the part of Mr. Negron, as well as favorable external conditions.

Further, our Board of Directors determined not to establish specific individual performance goals for any of our Named Executive Officers for 2019 and, accordingly, each of their cash bonuses was entirely dependent on our achievement of the Board Metrics and the Corporate Bookings Stretch Metric, reinforcing our pay-for-performance philosophy.

2019 Cash Bonus Results

Our actual performance against the aggregate target level for the various corporate performance measures for each fiscal quarter and for the full fiscal year, as applicable, as well as the amounts received by each Named Executive Officer, were reviewed by the Compensation Committee in February 2020. Cash bonus amounts for Messrs. Yoran, Vintz and Riddick were paid out at greater than 100% of target due to our above target achievement of the adjusted EBITDA financial goal. The Compensation Committee did not make any discretionary adjustments to the quarterly and full year bonuses paid to the Named Executive Officers in 2019.

The following table provides information regarding the quarterly and full year payout level achieved and the actual quarterly and full year cash bonuses earned by the Named Executive Officers during 2019:

Named Executive Officer	Performance Period	Target Quarterly/ Annual Bonus	Aggregate Weighted Average Performance Achievement	Aggregate Weighted Average Payment Percentage	Actual Quarterly/ Annual Bonus
Mr. Yoran	First Quarter	$ 80,000	107.7%	107.7%	$ 86,180
	Second Quarter	80,000	106.6%	106.6%	85,280
	Third Quarter	80,000	105.7%	105.7%	84,560
	Fourth Quarter	80,000	104.6%	104.6%	83,680
	Full Year	80,000	105.1%	105.1%	84,080
	Total 2019	$ 400,000			$ 423,780
Mr. Vintz	First Quarter	$ 45,000	107.7%	107.7%	$ 48,476
	Second Quarter	45,000	106.6%	106.6%	47,970
	Third Quarter	45,000	105.7%	105.7%	47,565
	Fourth Quarter	45,000	104.6%	104.6%	47,070
	Full Year	45,000	105.1%	105.1%	47,295
	Total 2019	$ 225,000			$ 238,376
Mr. Riddick	First Quarter	$ 30,000	107.7%	107.7%	$ 32,318
	Second Quarter	30,000	106.6%	106.6%	31,980
	Third Quarter	30,000	105.7%	105.7%	31,710
	Fourth Quarter	30,000	104.6%	104.6%	31,380
	Full Year	30,000	105.1%	105.1%	31,530
	Total 2019	$ 150,000			$ 158,918
Mr. Negron(1)	First Quarter	$ 71,250	87.5%	87.5%	$ 62,319
	Second Quarter	71,250	101.3%	101.3%	72,149
	Third Quarter	49,327	90.8%	90.8%	44,809
	Fourth Quarter	—	—	—	—
	Full Year	—	—	—	—
	Total 2019	$ 191,827			$ 179,277

(1) Mr. Negron's employment as our Chief Revenue Officer terminated effective September 2, 2019. Consequently, his participation in the Quarterly Bonus Plan for the third fiscal quarter was prorated and paid as severance in connection with his employment termination and he did not participate in the Quarterly Bonus Plan for the fourth fiscal quarter or for the full fiscal year. Mr. Negron’s target cash bonus opportunity was attributable 25% ($75,000) to our performance based on 50% of the Board Metrics and 50% on the Corporate Bookings Stretch Metric and 75% ($225,000) to his actual achievement solely with respect to the Corporate Bookings Stretch Metric. This translated into a quarterly target cash bonus opportunity of $71,250 for the first through fourth quarters ($15,000 attributable to the 50% Board Metrics and 50% Corporate Bookings Stretch Metric and $56,250 attributable to the Corporate Bookings Stretch Metric) and a $15,000 target cash bonus opportunity

for the full fiscal year (which was attributable to the 50% Board Metrics and 50% Corporate Bookings Stretch Metric).

The cash bonus payments made to our Named Executive Officers for 2019 are set forth in the "*Summary Compensation Table*" below.

Long-Term Incentive Compensation

We view long-term incentive compensation in the form of equity awards as a critical element of our executive compensation program. We use equity awards to incentivize and reward our Named Executive Officers for long-term corporate performance based on the value of our common stock and, thereby, to align the interests of our Named Executive Officers with the interests of our stockholders.

In February 2019, as part of its annual compensation review the Compensation Committee determined to granted equity awards to our Named Executive Officers in the form of time-based RSU awards that are settled for shares of our common stock. RSU awards serve as an incentive that is aligned with the long-term interests of our stockholders because their value increases (or decreases) with any change in the value of the underlying shares. Further, RSUs serve our retention objectives because they are subject to a multi-year vesting requirement based on continued service.

The Compensation Committee, in exercising its judgment, determines the amount and form of these awards after taking into consideration a competitive market analysis prepared by its compensation consultant, the outstanding equity holdings of each Named Executive Officer (including the current economic value of his or her unvested equity holdings and the ability of these unvested holdings to satisfy our retention objectives), the projected impact of the proposed awards on our earnings, the proportion of our total shares outstanding used for annual employee long-term incentive compensation awards (our "burn rate") in relation to the annual burn rate ranges of the companies in our compensation peer group and other recently-public technology companies, the potential voting power dilution to our stockholders in relation to the median practice of the companies in our compensation peer group, the recommendations of our CEO (except with respect to his own equity award), and the other factors described in "Compensation-Setting Process - Determining Total Direct Compensation" above. Based upon these factors, the Compensation Committee determines the size of each equity award at levels it considered appropriate to create a meaningful opportunity for reward predicated on the creation of long-term stockholder value.

In February 2019, the Compensation Committee granted RSU awards to our Named Executive Officers in amounts that it considered to be consistent with our compensation philosophy and its desired market positioning, as follows:

Named Executive Officer	Restricted Stock Unit Award (shares)	Restricted Stock Unit Award (grant date fair value)	
Mr. Yoran	211,893	$	6,200,000
Mr. Vintz	136,705		4,000,000
Mr. Riddick	47,846		1,400,000
Mr. Negron[(1)]	54,682		1,600,000

(1) Mr. Negron's employment as our Chief Revenue Officer terminated effective September 2, 2019. Mr. Negron forfeited his award upon the termination of his employment as our Chief Revenue Office.

The RSU awards granted to our Named Executive Officers vest over a four-year period, with 25% of the total number of units subject to the award vesting on the first anniversary of February 20, 2019, the vesting commencement date, and 1/16th of the total number of units subject to the award vesting in quarterly installments over the following three years, contingent upon the Named Executive Officer's continued employment by us through each applicable vesting date.

The equity awards granted to our Named Executive Officers in 2019 are set forth in the "*Summary Compensation Table*" and the "*Grants of Plan-Based Awards Table*" below.

Health and Welfare, Retirement and ESPP Benefits

Our Named Executive Officers are eligible to receive the same employee benefits that are generally available to all full-time, salaried employees, subject to the satisfaction of certain eligibility requirements. These benefits include medical, dental, and vision insurance, business travel insurance, an employee assistance program, health and dependent care flexible spending accounts, basic life insurance, accidental death and dismemberment insurance, short-term and long-term disability insurance, commuter benefits, and reimbursement for mobile phone coverage.

We also maintain a Section 401(k) retirement plan (the "Section 401(k) Plan") that provides eligible employees, including our Named Executive Officers, with an opportunity to save for retirement on a tax-advantaged basis. We have the ability to make discretionary contributions to the Section 401(k) Plan and for 2019, during each pay period, we made matching contributions for each $1.00 of an employee's contribution, up to a maximum of 4% of the employee's eligible earnings, subject to annual limitations, for the applicable pay period.

We provide additional long-term equity incentives through the 2018 Employee Stock Purchase Plan (the "ESPP"), which became effective in connection with our initial public offering in July 2018. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code. Generally all of our regular employees (including our Named Executive Officers during their employment with us) may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Each offering will have one or more purchase dates on which our common stock will be purchased for employees participating in the offering. Unless otherwise determined by our Compensation Committee, shares are purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of our common stock on the first date of an offering or (b) 85% of the fair market value of our common stock on the date of purchase.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not provide significant perquisites or other personal benefits to our Named Executive Officers, except as generally made available to our employees or in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make him or her more efficient and effective, and for recruitment and retention purposes. During 2019, none of our Named Executive Officers received perquisites or other personal benefits that were, in the aggregate, $10,000 or more for each individual.

Employment Arrangements

We entered into written employment offer letters with each of our Named Executive Officers in connection with their initial employment with us.

These employment offer letters were superseded and replaced in their entirety by amended and restated employment agreements which were entered into and effective as of February 2019.

The amended and restated employment agreement reflect a standardized approach for the payment of severance and change in control payments and benefits to our Named Executive Officers. Under this approach, the post-employment compensation arrangements of our Named Executive Officers were established on a uniform basis and at levels that generally align with current market practice.

For detailed descriptions of the amended and restated employment agreements with our Named Executive Officers, see "*Potential Payments upon Termination or Change in Control*" below.

Post-Employment Compensation

Their amended and restated employment agreements provide our Named Executive Officers with certain protections in the event of their termination of employment by virtue of death or disability. In addition, the amended and restated employment agreements provide for certain protections in the event of an involuntary termination of employment, including an involuntary termination of employment in connection with a change in control of the Company. We believe that these protections are necessary from a retention standpoint.

These arrangements provide reasonable compensation to the Named Executive Officer if he or she leaves our employ under certain circumstances to facilitate his or her transition to new employment. Further, in some instances we seek to mitigate any potential employer liability and avoid future disputes or litigation by requiring a departing Named Executive Officer to execute and deliver an effective general release of claims in favor of the Company in a form acceptable to us as a condition to receiving post-employment compensation payments or benefits. We also believe that these arrangements help maintain the continued focus and dedication of our Named Executive Officers to their assigned duties to maximize stockholder value if there is a potential transaction that could involve a change in control of the Company.

Under the amended and restated employment agreements, all payments and benefits in the event of a change in control of the Company are payable only if there is a subsequent loss of employment by a Named Executive Officer (a so-called "double-trigger" arrangement). In the case of the acceleration of vesting of outstanding equity awards, we use this double-trigger arrangement to protect against the loss of retention value following a change in control of the Company and to avoid windfalls, both of which could occur if vesting of either equity or cash-based awards accelerated automatically as a result of the transaction.

We do not use excise tax payments (or "gross-ups") relating to a change in control of the Company and have no such obligations in place with respect to any of our Named Executive Officers.

We believe that having in place reasonable and competitive post-employment compensation arrangements, including in the event of a change in control of the Company, are essential to attracting and retaining highly qualified executives. The Compensation Committee does not consider the specific amounts payable under the post-employment compensation arrangements when determining the annual compensation for our Named Executive Officers. We do believe, however, that these arrangements are necessary to offer compensation packages that are competitive.

For detailed descriptions of the post-employment compensation arrangements with our Named Executive Officers, as well as an estimate of the potential payments and benefits payable under these arrangements, see "*Potential Payments upon Termination or Change in Control*" below.

Hedging and Pledging Prohibitions

Under our Insider Trading Policy, our employees (including officers), members of our Board of Directors, and consultants are prohibited from engaging in short sales, transactions in put or call options, hedging transactions, margin accounts, pledges, or other inherently speculative transactions with respect to our stock.

Tax and Accounting Considerations

The Compensation Committee takes the applicable tax and accounting requirements into consideration in designing and overseeing our executive compensation program.

Deductibility of Executive Compensation

Generally, Section 162(m) of the Code as amended by the Tax Cuts and Jobs Act of 2017 (the "TCJA") disallows public companies a tax deduction for federal income tax purposes of remuneration in excess of $1 million paid to their chief executive officer, chief financial officer, and any employee who is among the three highest compensated executive officers for the taxable year (other than the chief executive officer and chief financial officer) (each, a "Covered Employee"). In addition, once an individual becomes a Covered Employee for any taxable year beginning after December 31, 2016, that individual will remain a Covered Employee for all future years, including following any termination of employment.

Prior to the TCJA, Section 162(m) provided transition relief for newly-public companies pursuant to which the $1 million deduction limit did not apply to certain compensation paid (or in some cases, granted) pursuant to a plan or agreement that existed during the period in which the company was not a publicly held corporation and which was disclosed in the company's public filings at the time of its initial public offering, subject to certain requirements and limitations. Further, this transition relief remained in effect until the earliest to occur of the following: (i) the expiration of the plan or agreement; (ii) the material modification of the plan or agreement; (iii) the issuance of all employer stock and other compensation that had been allocated under the plan; or (iv) the first meeting of stockholders at which directors are to be elected that occurred after the close of the third calendar year following the calendar year in which the company's initial public offering occurred.

Recently, the Internal Revenue Service issued proposed regulations to implement the amendments made to Section 162(m) by the TCJA that would eliminate this transition relief for companies that become a publicly held corporation through an initial public offering after December 20, 2019. Under the proposed regulations, it appears that a company that was not a publicly held corporation and then becomes a publicly held corporation through an initial public offering on or before December 20, 2019, however, may continue to rely on the transition relief until the earliest to occur of the events enumerated above. Further, to the extent the transition relief for newly-public companies no longer applies, pursuant to the TCJA, effective for taxable years beginning after December 31, 2017, compensation paid to a Covered Employee in excess of $1 million will be subject to the deduction limit unless it qualifies for separate transition relief applicable to certain arrangements that qualify as written binding contracts that were in effect on November 2, 2017 and which have not been subsequently materially modified. Notwithstanding the foregoing, because of certain ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the proposed regulations, as well as other factors beyond the control of the Compensation Committee, no assurance can be given that any compensation paid by us will qualify for the transition relief under Section 162(m) for newly-public companies or the transition relief for compensation paid pursuant to written binding contracts and be deductible by us in the future.

Although the Compensation Committee may consider the tax implications as one factor in making compensation decisions for our Covered Employees, the Compensation Committee also considers other factors in making such decisions, including ensuring that our executive compensation program supports our business strategy. Consequently, the Compensation Committee retains the discretion and flexibility to compensate our Named Executive Officers in a manner consistent with the objectives of our executive compensation program and the best interests of the Company and our stockholders, which may include providing for compensation that is not deductible by the Company due to the deduction limit of Section 162(m). While the transition relief for newly-public companies may help to minimize the effect of the Section 162(m) deduction limit under Section 162(m) in the short-term, we expect that, going forward, some portion of our Named Executive Officers' compensation will not be fully deductible by the Company for federal income tax purposes.

Accounting for Stock-Based Compensation

The Compensation Committee takes accounting considerations into account in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"), the standard which governs the accounting treatment of certain stock-based compensation. Among other things, ASC Topic 718 requires us to record a compensation expense in our income statement for all equity awards granted to our executive officers and other employees. This compensation expense is based on the grant date "fair value" of the equity award and, in most cases, will be recognized ratably over the award's requisite service period (which, generally, will correspond to the award's vesting schedule). This compensation expense is also reported in the compensation tables below, even though recipients may never realize any value from their equity awards.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth information regarding compensation awarded to, earned by and paid to our Named Executive Officers with respect to the years ended December 31, 2017, 2018 and 2019.

Name and Principal Position	Year	Salary	Stock Awards[1]	Option Awards[1]	Non-Equity Incentive Plan Compensation[2]	All Other Compensation		Total
Amit Yoran[3] Chief Executive Officer and Chairman	2019	$400,000	$6,199,989	$ —	$ 423,780	$ —		$ 7,023,769
	2018	400,000	—	4,123,067	339,760	—		4,862,827
	2017	400,000	6,726,411	5,777,020	215,800	—		13,119,231
Stephen A. Vintz Chief Financial Officer	2019	350,000	3,999,988	—	238,376	11,200	(5)	4,599,564
	2018	343,000	—	3,086,405	233,623	3,649	(5)	3,666,677
	2017	336,000	—	—	230,905	437		567,342
Stephen A. Riddick General Counsel and Corporate Secretary	2019	$320,000	$1,399,974	$ —	$ 158,918	$ 11,200	(5)	$ 1,890,092
	2018	285,000	—	846,703	158,820	11,000	(5)	1,301,523
	2017	250,000	—	624,520	161,850	10,800	(5)	1,047,170
John G. Negron(4) Chief Revenue Officer	2019	234,679	1,599,995	—	134,468	172,676	(6)	2,141,818
	2018	331,000	—	1,178,017	293,672	6,853	(5)	1,809,542
	2017	262,400	—	1,250,762	272,024	1,560	(5)	1,786,746

(1) This column reflects the aggregate grant date fair value of restricted stock awards, RSUs and option awards granted during the year measured pursuant to ASC Topic 718. This calculation assumes that the Named Executive Officer will perform the requisite service for the award to vest in full as required by SEC rules. These amounts do not reflect the actual economic value that will be realized by the Named Executive Officer upon vesting of the restricted stock awards, RSUs, stock options, the exercise of the stock options, or the sale of the restricted stock or the common stock underlying such stock options or RSUs. The assumptions we used in valuing stock options are described in Note 9 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

(2) These amounts reflect the cash awards paid under the Quarterly Bonus Plan for performance during the applicable fiscal year. See the Compensation Discussion and Analysis for a more complete description of how the cash bonuses were determined for the year ended December 31, 2019.

(3) Mr. Yoran is also a member of our Board of Directors but does not receive any additional compensation in his capacity as a director.

(4) Mr. Negron's employment as our Chief Revenue Officer was terminated effective September 2, 2019.

(5) These amounts include company matching contributions under our 401(k) Plan.

(6) This amount includes $11,200 of company matching contributions under our 401(k) Plan and $161,476 of cash severance payments to Mr. Negron, pursuant to his amended and restated employment agreement.

Grants of Plan-Based Awards

The following table provides information on cash-based performance awards and stock unit awards in 2019 to our Named Executive Officers. There can be no assurance that the Grant Date Fair Value, as listed in this table, of the Stock Awards will ever be realized. These Grant Date Fair Value amounts also are included in the "Stock Awards" column of the Summary Compensation Table.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards				
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	Grant Date Fair Value of Stock Awards ($)
Amit Yoran	(2)	$ —	$ 400,000	$ —		
	2/20/2019				211,893	$ 6,199,989
Stephen A. Vintz	(2)	—	225,000	—		
	2/20/2019				136,705	3,999,988
Stephen A. Riddick	(2)	—	150,000	—		
	2/20/2019				47,846	1,399,974
John G. Negron	(2)	—	300,000	—		
	2/20/2019				54,682	1,599,995

(1) RSUs granted under our 2018 Equity Incentive Plan vest 25% on February 20, 2020, and quarterly thereafter for the following three years. Each award is settled in shares of common stock on each vesting date, subject to the Named Executive Officer's continuous service with the company

through the applicable vesting date. Mr. Negron forfeited his award upon the termination of his employment as our Chief Revenue Officer.

(2) These rows represent possible payouts pursuant to the Quarterly Bonus Plan for 2019. The Quarterly Bonus Plan did not contain any threshold or maximum values for 2019. For more information about these payments, see the Compensation Discussion & Analysis.

Outstanding Equity Awards

The following table sets forth certain information about outstanding equity awards granted to our Named Executive Officers that remain outstanding as of December 31, 2019.

	Option Awards[1]					Stock Awards[1]	
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price[2]**	**Option Expiration Date**	**Number of Shares of Stock That Have Not Vested (#)**	**Market Value of Shares of Stock That Have Not Vested[3]**
Amit Yoran	1/18/2017	1,952,171	887,353 [4]	$ 4.25	1/18/2027		
	1/18/2017	—	—			494,589 [4]	$11,850,352
	6/21/2018	—	565,657 [5]	16.21	6/21/2028		
	2/20/2019	—	—			211,893 [6]	5,076,956
Stephen A. Vintz	12/16/2014[7]	505,500	—	2.36	12/16/2024		
	6/30/2016	78,750	26,250 [8]	4.15	6/30/2026		
	6/21/2018	105,858	317,576 [9]	16.21	6/21/2028		
	2/20/2019	—	—			136,705 [6]	3,275,452
Stephen A. Riddick	5/31/2016	75,000	50,000 [11]	4.15	5/31/2026		
	6/26/2017	112,500	112,500 [12]	5.96	6/26/2027		
	6/21/2018	—	116,162 [5]	16.21	6/21/2028		
	2/20/2019	—	—			47,846 [6]	1,146,390
John G. Negron[10]							

(1) Except as noted, all of the option, restricted stock and restricted stock unit awards listed in the table were granted under our 2016 Stock Incentive Plan.

(2) All of the option awards listed in the table were granted with a per share exercise price equal to or above the fair market value of one share of our common stock on the date of grant, as determined in good faith by our Board of Directors.

(3) Represents the market value of the restricted stock award or restricted stock unit based on the closing price of our common stock of $23.96 per share on December 31, 2019.

(4) 25% of the shares subject to such awards vested on January 1, 2018, and continue to vest quarterly over three years thereafter, in each case subject to Mr. Yoran’s continued service, and subject to accelerated vesting in specified circumstances.

(5) 25% of the shares subject to the option vest in equal monthly installments over the twelve-month period beginning on June 21, 2020, and ending on the third anniversary of the grant date, and will continue to vest monthly over the twelve-month period thereafter, in each case subject to the recipient’s continued service, and subject to accelerated vesting in specified circumstances.

(6) Granted under our 2018 Equity Incentive Plan. 25% of the shares subject to the RSU award vested on February 20, 2020, and the remainder continue to vest in equal quarterly installments over three years thereafter, in each case subject to the recipient's continued service, and subject to accelerated vesting in specified circumstances.

(7) Granted under our 2012 Stock Incentive Plan.

(8) 25% of the shares subject to the option vested on June 30, 2017 and continue to vest on each twelve-month anniversary thereafter, in each case subject to Mr. Vintz's continued service, and subject to accelerated vesting in specified circumstances.

(9) 25% of the shares underlying the option vested on June 21, 2019 and continue to vest on each twelve-month anniversary thereafter, in each case subject to Mr. Vintz's continued service, and subject to accelerated vesting in specified circumstances.

(10) Due to the termination of his employment, as of December 31, 2019, Mr. Negron had no awards outstanding.

(11) 25% of the shares subject to the option vested on May 31, 2017, and continue to vest on each twelve-month anniversary thereafter, in each case subject to Mr. Riddick's continued service, and subject to accelerated vesting in specified circumstances.

(12) 25% of the shares subject to the option vested on June 26, 2018, and continue to vest on each twelve-month anniversary thereafter, in each case subject to Mr. Riddick's continued service, and subject to accelerated vesting in specified circumstances.

Options Exercised and Stock Vested

The following table shows information regarding the exercise of options and the vesting of stock previously granted to our Named Executive Officers during 2019.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(2)**
Amit Yoran	—	$ —	395,672	$ 10,381,444
Stephen A. Vintz	—	—	—	—
Stephen A. Riddick	75,000	2,009,500	—	—
John G. Negron	387,497	9,606,314	—	—

(1) The dollar amounts shown are determined by multiplying the number of options that were exercised by the intrinsic value of the options exercised based on the per share closing price of our common stock on the exercise date.

(2) The dollar amounts shown are determined by multiplying the number of shares that vested by the per share closing price of our common stock on the vesting date.

Employment Agreements with Our Named Executive Officers

Mr. Yoran

We entered into an offer letter with Mr. Yoran in October 2016, an addendum thereto in February 2017 and an amended and restated employment agreement in February 2019. Pursuant to the terms of his amended and restated employment agreement, Mr. Yoran's employment is at will and may be terminated at any time by us or Mr. Yoran. Under the terms of the agreement, Mr. Yoran is eligible to receive an annual base salary of $400,000, and quarterly bonuses with an aggregate annual target of $400,000 based upon the assessment by the Board or the Compensation Committee of Mr. Yoran's performance and our attainment of targeted goals as set by the Board or Compensation Committee. In connection with entering into his amended and restated employment agreement, Mr. Yoran also entered into an intellectual property, non-disclosure and non-solicitation agreement with us.

Under his employment agreement currently in effect, if Mr. Yoran is terminated without cause or resigns for good reason (each as defined in his amended and restated employment agreement), or if Mr. Yoran dies or his employment is terminated due to disability (as defined in his amended and restated employment agreement), provided he (or his estate, as applicable) signs and does not revoke a separation agreement that includes a release of claims, Mr. Yoran (or his estate) is eligible to receive 18 months of continued base salary, payment by the company of the employer-portion of premiums for continued group health coverage for up to 12 months following termination, a lump sum cash payment equal to Mr. Yoran's target annual bonus for the year in which the termination occurs, prorated based on the last day of employment and reduced by the amount of any quarterly bonuses previously paid or due for the year in which the termination occurs, and pro-rated accelerated vesting of his outstanding unvested equity awards based on the applicable vesting schedule. If Mr. Yoran is terminated without cause or resigns for good reason within the three months prior to or 12 months following a change in control (as defined in his amended and restated employment agreement), provided he signs and does not revoke a separation agreement that includes a release of claims, Mr. Yoran is eligible to receive the same base salary severance and group health plan contributions set forth above (provided that the base salary severance will be paid in a lump sum), a bonus severance payment equal to the sum of (i) 1.5 times Mr. Yoran's target annual bonus for the year in which the termination occurs, prorated based on the last day of employment and reduced by the amount of any quarterly bonuses previously paid or due for the year in which the termination occurs, plus (ii) 1.5 times Mr. Yoran's target annual bonus for the year in which the termination occurs, and accelerated vesting in full of any outstanding unvested equity incentive awards held by Mr. Yoran. Such severance is further conditioned upon Mr. Yoran's compliance with certain non-disclosure and non-solicitation obligations and resignation from all positions with us.

Mr. Vintz and Mr. Riddick

We entered into an offer letter with Mr. Vintz in October 2014 and an amended and restated employment agreement in February 2019. Pursuant to the terms of his amended and restated employment agreement, Mr. Vintz's employment is at will and may be terminated at any time by us or Mr. Vintz. Under the terms of the agreement, Mr. Vintz is eligible to receive an annual base salary of $350,000, and quarterly bonuses with an aggregate annual target of $225,000 based upon the assessment by our Chief Executive Officer of Mr. Vintz's performance and our attainment of targeted goals as set by the Board or Compensation Committee. In connection with entering into his amended and restated employment agreement, Mr. Vintz also entered into an intellectual property, non-disclosure and non-solicitation agreement with us.

We entered into an offer letter with Mr. Riddick in May 2016 and an amended and restated employment agreement in February 2019. Pursuant to the terms of his employment agreement, Mr.

Riddick's employment is at will and may be terminated at any time by us or Mr. Riddick. Under the terms of the agreement, Mr. Riddick is eligible to receive an annual base salary of $320,000, and quarterly bonuses with an aggregate annual target of $150,000 based upon the assessment by our Chief Executive Officer of Mr. Riddick's performance and our attainment of targeted goals as set by the Board or Compensation Committee. In connection with entering into his amended and restated employment agreement, Mr. Riddick also entered into an intellectual property, non-disclosure and non-solicitation agreement with us.

Under the employment agreements currently in effect with Mr. Vintz and Mr. Riddick, if the Named Executive Officer is terminated without cause or resigns for good reason (each as defined in the amended and restated employment agreement), provided the Named Executive Officer signs and does not revoke a separation agreement that includes a release of claims, the Named Executive Officer is eligible to receive 12 months of continued base salary, payment by the company of the employer-portion of premiums for continued group health coverage for up to 12 months following termination, a lump sum cash payment equal to the Named Executive Officer's target annual bonus for the year in which the termination occurs, prorated based on the last day of employment and reduced by the amount of any quarterly bonuses previously paid or due for the year in which the termination occurs, and pro-rated accelerated vesting of the Named Executive Officer's outstanding unvested equity awards based on the applicable vesting schedule. If such termination or resignation occurs within the three months prior to or 12 months following a change in control (as defined in his amended and restated employment agreement), provided the Named Executive Officer signs and does not revoke a separation agreement that includes a release of claims, the Named Executive Officer is eligible to receive the same base salary severance and group health plan contributions set forth above (provided that the base salary severance will be paid in a lump sum), a bonus severance payment equal to the sum of (i) one times the Named Executive Officer's target annual bonus for the year in which the termination occurs, prorated based on the last day of employment and reduced by the amount of any quarterly bonuses previously paid or due for the year in which the termination occurs, plus (ii) one times the Named Executive Officer's target annual bonus for the year in which the termination occurs, and accelerated vesting in full of any outstanding unvested equity incentive awards held by the Named Executive Officer. In addition, if the Named Executive Officer dies or his employment is terminated due to disability (as defined in his employment agreement), provided the Named Executive Officer's estate or the Named Executive Officer, as applicable, signs and does not revoke a separation agreement that includes a release of claims, the Named Executive Officer's dependents and the Named Executive Officer, as applicable, are eligible to receive payment by the company of the employer-portion of premiums for continued group health coverage for up to 12 months following termination. Such severance is further conditioned upon the Named Executive Officer's compliance with certain non-disclosure and non-solicitation obligations and resignation from all positions with us.

Mr. Negron

We entered into an offer letter with Mr. Negron in February 2017 and an amended and restated employment agreement in February 2019. Pursuant to the terms of his employment agreement, Mr. Negron's employment was at will and may have been terminated at any time by us or Mr. Negron. Under the terms of the agreement, Mr. Negron was eligible to receive an annual base salary of $350,000, and quarterly bonuses with an aggregate annual target of $300,000 based upon the assessment by our Chief Executive Officer of Mr. Negron's performance and our attainment of targeted goals as set by the Board or Compensation Committee. In connection with entering into his amended and restated employment agreement, Mr. Negron also entered into an intellectual property, non-disclosure and non-solicitation agreement with us.

Mr. Negron's employment as our Chief Revenue Office was terminated effective September 2, 2019. Pursuant to his employment agreement in effect upon termination, and subject to Mr. Negron's compliance with a separation agreement that includes a release of claims, Mr. Negron will receive 12 months of continued base salary, and received a lump sum cash payment equal to Mr. Negron's target annual bonus for the year in which his termination occurred, prorated based on the last day of employment and reduced by the amount of the quarterly cash bonuses he received. The remaining payments of continued base salary are subject to Mr. Negron's compliance with certain non-disclosure and non-solicitation obligations.

Potential Payments Upon Termination or Change in Control

The table below sets forth the values that the continuing Named Executive Officers would derive in the event of (i) death or disability, (ii) termination without cause or resignation for good reason not in connection with a change of control ("*Non-CIC Termination*"), and (iii) termination without cause or resignation for good reason in connection with a change of control ("*CIC Termination*"), that in each case hypothetically occurred on the last business day of 2019. For Mr. Negron, the table below sets forth the values Mr. Negron actually received upon his termination of employment as our Chief Revenue Office effective September 2, 2019.

	Death/Disability		Non-CIC Termination		CIC Termination	
Name	**Cash Severance[(1)]**	**Equity Severance[(2)]**	**Cash Severance[(3)]**	**Equity Severance[(2)]**	**Cash Severance[(4)]**	**Equity Severance[(2)]**
Amit Yoran	$ 762,281	$ 5,868,009	$ 762,281	$ 5,868,009	$ 1,562,281	$ 38,800,878
Stephen A. Vintz	11,169	—	442,158	670,206	667,158	6,256,678
Stephen A. Riddick	6,966	—	380,958	1,084,028	530,958	5,062,146
John G. Negron	—	—	394,809	—	—	—

(1) For Mr. Vintz and Mr. Riddick, represents the value of the payment by the company of the employer-paid portion of premiums for continued group health coverage for 12 months following termination. For Mr. Yoran, represents the value of 18 months of continued base salary, payment by the company of the employer-paid portion of premiums for continued group health coverage for 12 months following termination, and a lump sum cash payment equal to Mr. Yoran's target annual bonus reduced by the amount of the first three quarterly bonuses paid during 2019.

(2) Represents the value of accelerated restricted stock, the value of accelerated restricted stock units, and the intrinsic value of accelerated stock options, as applicable, in each case based on closing price of our common stock of $23.96 per share on December 31, 2019.

(3) Other than for Mr. Negron, represents the value of 12 months of continued base salary (18 months for Mr. Yoran), payment by the company of the employer-paid portion of premiums for continued group health coverage for 12 months following termination, and a lump sum cash payment equal to the Named Executive Officer's target annual bonus reduced by the amount of the first three quarterly bonuses paid during 2019.

(4) Represents the value of a lump sum cash payment equal to 12 months of base salary (18 months for Mr. Yoran), payment by the company of the employer-paid portion of premiums for continued group health coverage for 12 months following termination, a lump sum cash payment equal to one times the Named Executive Officer's target annual bonus (1.5 times for Mr. Yoran) reduced by the amount of the first three quarterly bonuses paid during 2019, and a lump sum cash payment equal to one times the Named Executive Officer's target annual bonus (1.5 times for Mr. Yoran).

DIRECTOR COMPENSATION

Director Compensation

This section provides information regarding the compensation of our non-employee directors in 2019 and Mr. John C. Huffard, Jr., who is a director and was an employee of the company during 2019, but not a Named Executive Officer. Our non-employee directors are also entitled to reimbursement of direct expenses incurred in connection with attending meetings of our Board of Directors or committees thereof. In the future, we may provide both cash and equity compensation to all of our independent directors.

2019 Cash Compensation

The cash compensation amounts set forth below (prorated where applicable) were payable to each non-employee director (other than Mr. Ping Li and Mr. Richard Wells, who are affiliated with Accel and Insight Venture Partners, respectively, each a major stockholder of the Company) (the "Eligible Directors") and Mr. Huffard in 2019 for their service on the Board of Directors of the company for the year ended December 31, 2019:

- Annual Board Service Retainer - $30,000
- Annual Retainer for Chairman of the Audit Committee - $20,000
- Annual Retainer for Chairman of the Compensation Committee - $12,000
- Annual Retainer for Chairman of the Nominating and Corporate Governance Committee - $7,500
- Annual Retainer for members of the Audit Committee - $10,000
- Annual Retainer for members of the Compensation Committee - $6,000
- Annual Retainer for members of the Nominating and Corporate Governance Committee - $4,000

Ms. Zecher was appointed to serve as a non-employee director, effective August 8, 2019 and the amounts she received were pro-rated based on actual service as a director during 2019. Mr. Huffard transitioned from an employee director to a non-employee director at the end of 2019 and received a partial payment of the Annual Board Service Retainer for his services as a director during the fourth fiscal quarter of 2019.

2019 Equity Compensation

On May 16, 2019, each Eligible Director (other than Ms. Zecher, who was not a director at that time, and Mr. Huffard, who is not an Eligible Director) was granted 6,740 RSUs, with the shares underlying the RSUs vesting on the earlier of the first anniversary of the date of grant of the company's next annual stockholder meeting, subject to each director's continued service as a director through the applicable vesting date and accelerated vesting in specified circumstances. Upon commencement of her service as a director on August 8, 2019, the Board granted Ms. Zecher 17,331 RSUs, with one-third of the RSUs vesting on each anniversary of the grant date such that the award will be fully vested after three years, subject to Ms. Zecher's continued service as a director through the applicable vesting dates and accelerated vesting in specified circumstances.

2019 Director Compensation

The following table provides information as to the compensation of our non-employee directors and Mr. Huffard for the year ended December 31, 2019:

Name[1]	Fees Earned or Paid in Cash	Stock Awards[2][3]	Total
Arthur W. Coviello, Jr.	$ 47,500	$ 199,976	$ 247,476
Kimberly L. Hammonds	44,000	199,976	243,976
John C. Huffard, Jr.[4]	7,500	— [4]	7,500
Jerry M. Kennelly	42,000	199,976	241,976
Ping Li[5]	—	—	—
A. Brooke Seawell	50,000	199,976	249,976
Richard M. Wells[5]	—	—	—
Linda Zecher	20,000	399,999	419,999

(1) Mr. Yoran did not earn compensation during 2019 for his service on our Board of Directors. Mr. Yoran's compensation is fully reflected in the "Summary Compensation Table" above.

(2) The amounts in the Stock Awards column reflect the aggregate grant date fair value of each RSU award granted during the year ended December 31, 2019, computed in accordance with ASC Topic 718. This calculation assumes that the director will perform the requisite service for the award to vest in full as required by SEC rules. These amounts do not reflect the actual economic value that will be realized by the director upon vesting of the RSUs or the sale of the common stock underlying such RSUs.

(3) As of December 31, 2019, Ms. Hammonds and Messrs. Coviello and Seawell each held options to purchase 230,000 shares of our common stock and Mr. Kennelly held options to purchase 198,000 shares of our common stock. None of our other non-employee directors held options to purchase shares of our common stock as of December 31, 2019. As of December 31, 2019, Ms. Hammonds and Messrs. Coviello, Kennelly and Seawell each held 6,740 RSUs and Ms. Zecher held 17,331 RSUs. None of our other non-employee directors held stock awards as of December 31, 2019.

(4) Mr. Huffard also served as our Chief Operating Officer in 2019. His employment with the company ended on December 31, 2019. He received a partial payment of the Annual Board Service Retainer in the amount of $7,500 for his services as a director during the fourth fiscal quarter of 2019. For his services as our Chief Operating Officer during 2019, he received $421,290 in cash compensation, consisting of $339,036 in salary, $71,054 in non-equity incentive plan compensation and $11,200 in company contributions under our 401(k) Plan. For his services as our Chief Operating Officer, he also received RSU awards on February 20, 2019 with an aggregate grant date fair value of $1,799,987, which were forfeited following the termination of his employment.

(5) Mr. Li and Mr. Wells are affiliated with Accel and Insight Venture Partners, respectively, each a major stockholder of the Company, and accordingly did not receive cash or equity compensation for their service as directors during 2019.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes our equity compensation plan information as of December 31, 2019. Information is included for equity compensation plans approved by our stockholders. We do not have any equity compensation plans not approved by our stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)(1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(c)(2)
Equity compensation plans approved by stockholders	16,110,191	$ 8.61	19,738,090
Equity compensation plans not approved by stockholders	—	—	—
Total	16,110,191	$ 8.61	19,738,090

(1) The weighted average exercise price of the outstanding stock options and rights excludes 2,893,621 shares in column (a) that are issuable upon vesting of RSUs, which have no exercise price.

(2) Includes our 2018 Equity Incentive Plan ("2018 Plan") and 2018 Employee Stock Purchase Plan ("2018 ESPP"). Stock options or other stock awards granted under our 2002 Stock Incentive Plan, 2012 Stock Incentive Plan and 2016 Stock Incentive Plan that are forfeited, terminated, expired or repurchased become available for issuance under our 2018 Plan. Our 2018 Plan provides that the total number of shares reserved of common stock reserved for issuance thereunder will be automatically increased, on January 1 of each calendar year, in an amount equal to 5% of the total number of shares of our capital stock outstanding on December 31 of the prior calendar year, or a lesser number of shares determined by our Board. Our 2018 ESPP provides that the number of shares of our common stock reserved for issuance thereunder will automatically increase on January of each calendar year by the lesser of: (1) 1.5% of the total number of shares our capital stock outstanding on December 31st of the preceding year; (2) 8,000,000 shares; or (3) a lesser number of shares determined by our Board. On January 1, 2020, the number of shares reserved for issuance under our 2018 Plan and our 2018 ESPP automatically increased by 4,929,361 shares and 1,478,808 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.

TRANSACTIONS WITH RELATED PERSONS AND INDEMNIFICATION

Related-Person Transactions Policy and Procedures

We have adopted a related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. For purposes of our policy only, a related person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are, were or will be participants in which the amount involved exceeds $120,000. Transactions involving compensation for services provided to us as an employee or director are not covered by this policy. A related person is any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to our Audit Committee, or, if Audit Committee approval would be inappropriate, to another independent body of our Board of Directors, for review, consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally. Under the policy, we will collect information that we deem reasonably necessary from each director, executive officer and, to the extent feasible, significant stockholder to enable us to identify any existing or potential related-person transactions and to effectuate the terms of the policy. In addition, under our Code of Business Conduct and Ethics, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest. In considering related person transactions, our Audit Committee, or other independent body of our Board of Directors, will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event that the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related person transaction, our Audit Committee, or other independent body of our Board of Directors, must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our stockholders, as our Audit Committee, or other independent body of our Board of Directors, determines in the good faith exercise of its discretion.

Certain Related Person Transactions

The following includes a summary of transactions since January 1, 2019 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our voting securities or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest. Other than described below, there have not been, nor are there currently any proposed, transactions or series of similar transactions to which we have been or will be a party other than compensation arrangements, which include equity and other compensation, termination, change in control and other arrangements, which are described under “Executive Compensation” and “Director Compensation.”

Employment Arrangements with Messrs. Schonberger and Vintz

We have employed Ron Schonberger, the brother of Amit Yoran, our Chief Executive Officer and Chairman, as our Associate General Counsel since October 2017, and Frank Vintz, the brother of Stephen A. Vintz, our Chief Financial Officer, as a Director of Customer Success since March 2017. Each of Mr. Schonberger and Mr. Frank Vintz is paid compensation consisting of salary, bonus and the fair value of options to purchase common stock or RSUs. In 2019, Mr. Schonberger and Mr. Frank Vintz received total cash and equity compensation of approximately $400,000 and $300,000, respectively.

Indemnification

We provide indemnification for our directors and executive officers so that they will be free from undue concern about personal liability in connection with their service to the Company. Under our Bylaws, we are required to indemnify our directors and executive officers to the extent not prohibited under Delaware law. We have also entered into indemnity agreements with our executive officers and directors. These agreements provide, among other things, that we will indemnify the officer or director, under the circumstances and to the extent provided for in the agreement, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under Delaware law and our Bylaws.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are our stockholders will be "householding" the Company's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or us. Direct your written request to Tenable Holdings, Inc., Attn: Corporate Secretary, 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request "householding" of their communications should contact their brokers.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

Stephen A. Riddick
General Counsel and Corporate Secretary
Dated: April 15, 2020

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2019 is available without charge upon written request to Tenable Holdings, Inc., Attention: Corporate Secretary, Tenable Holdings, Inc., 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046.

APPENDIX
RECONCILIATION OF NON-GAAP MEASURES

In this proxy statement, we discuss certain operating metrics and non-GAAP financial measures, as described below, which we think are important to better understand and evaluate our core operating and financial performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP included in our Annual Report on Form 10-K. We believe that these operating metrics and non-GAAP financial measures provide useful information about our operating and financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important metrics used by management for financial and operational decision-making.

Calculated Current Billings

We define calculated current billings, a non-GAAP financial measure, as total revenue recognized in a period plus the change in current deferred revenue in the corresponding period. We believe that calculated current billings is a key metric to measure our periodic performance. Given that most of our customers pay in advance (including multi-year contracts), but we generally recognize the related revenue ratably over time, we use calculated current billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers. We believe that calculated current billings, which excludes deferred revenue for periods beyond twelve months in a customer's contractual term, more closely correlates with annual contract value and that the variability in total billings, depending on the timing of large multi-year contracts and the preference for annual billing versus multi-year upfront billing, may distort growth in one period over another.

The following table presents a reconciliation of revenue, the most directly comparable financial measure calculated in accordance with GAAP, to calculated current billings:

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Revenue	$ 354,586	$ 267,360
Deferred revenue (current), end of period	274,348	213,644
Deferred revenue (current), beginning of period[(1)]	(214,069)	(154,898)
Calculated current billings	$ 414,865	$ 326,106

(1) Deferred revenue (current), beginning of period for 2019 includes $0.4 million related to Indegy's deferred revenue at the acquisition date, which is not included in the deferred revenue (current), end of period for 2018.

Free Cash Flow

We define free cash flow, a non-GAAP financial measure, as net cash used in operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment, for investment in our business and to make acquisitions. We believe that free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash.

The following table presents a reconciliation of net cash used in operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow:

	Year Ended December 31,	
(in thousands)	2019	2018
Net cash used in operating activities	$ (10,744)	$ (2,559)
Purchases of property and equipment	(20,674)	(5,733)
Free cash flow[1]	$ (31,418)	$ (8,292)

(1) Free cash flow in 2019 included non-recurring cash payments totaling $13.1 million associated with the Indegy acquisition, including $6.7 million for income taxes on the transfer of acquired intellectual property, $3.1 million for other costs related to the intellectual property transfer, $1.8 million for the settlement of unvested acquiree equity awards, and $1.5 million for acquisition-related expenses. Capital expenditures related to our new headquarters in 2019 were $11.4 million. Contributions to our employee stock purchase plan in 2019 and 2018 impacted free cash flow by $(0.9) million and $6.3 million, respectively.

Non-GAAP Loss from Operations

We use non-GAAP loss from operations as a key indicator of our financial performance. We define non-GAAP loss from operations as loss from operations, excluding the effects of stock-based compensation, acquisition-related expenses and amortization of acquired intangible assets. Acquisition-related expenses include transaction expenses and costs related to the transfer of acquired intellectual property.

The following table presents a reconciliation of loss from operations, the most directly comparable financial measure calculated in accordance with GAAP, to non-GAAP loss from operations:

	Year Ended December 31,	
(dollars in thousands)	2019	2018
Loss from operations	$ (90,799)	$ (72,581)
Stock-based compensation	43,443	22,875
Acquisition-related expenses	3,970	—
Amortization of acquired intangible assets	620	603
Non-GAAP loss from operations	$ (42,766)	$ (49,103)

Non-GAAP Net Loss, Non-GAAP Net Loss Per Share and Pro Forma Non-GAAP Net Loss Per Share

We use non-GAAP net loss, which excludes the effect of the accretion of Series A and B redeemable convertible preferred stock, stock-based compensation, acquisition-related expenses and amortization of acquired intangible assets, as well as the related tax impact, to calculate non-GAAP net loss per share and pro forma non-GAAP net loss per share. Pro forma non-GAAP net loss per share is calculated by giving effect to the conversion of our redeemable convertible preferred stock into common stock as though the conversion occurred at the beginning of each period presented prior to 2019. We believe that these non-GAAP measures provide important information to management and investors because they facilitate comparisons of our core operating results over multiple periods.

The following table presents a reconciliation of net loss, and net loss per share attributable to common stockholders, the most comparable financial measures calculated in accordance with GAAP, to non-GAAP net loss, non-GAAP net loss per share and pro forma non-GAAP net loss per share:

	Year Ended December 31,	
(in thousands, except for per share amounts)	**2019**	**2018**
Net loss attributable to common stockholders	$ (99,013)	$ (73,955)
Accretion of Series A and B redeemable convertible preferred stock	—	434
Acquisition-related expenses	3,970	—
Tax impact of acquisition(1)	10,582	—
Stock-based compensation	43,443	22,875
Tax impact of stock-based compensation(2)	(95)	(218)
Amortization of acquired intangible assets(3)	620	603
Non-GAAP net loss	$ (40,493)	$ (50,261)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.03)	$ (1.38)
Accretion of Series A and B redeemable convertible preferred stock	—	0.01
Acquisition-related expenses	0.04	—
Tax impact of acquisition(1)	0.11	—
Stock-based compensation	0.45	0.42
Tax impact of stock-based compensation(2)	—	—
Amortization of acquired intangible assets(3)	0.01	0.01
Non-GAAP net loss per share, basic and diluted	$ (0.42)	$ (0.94)
Weighted-average shares used to compute net loss per share attributable to common stockholders and non-GAAP net loss per share, basic and diluted	96,014	53,669
Pro forma adjustment to reflect the assumed conversion of our convertible redeemable preferred stock as of the beginning of the period	—	31,107
Weighted-average shares used to compute pro forma non-GAAP net loss per share, basic and diluted	96,014	84,776
Pro forma non-GAAP net loss per share, basic and diluted	$ (0.42)	$ (0.59)

(1) The tax impact of the acquisition includes $6.3 million of current tax expense and $4.2 million of deferred tax expense related to the transfer of acquired intellectual property.

(2) The tax impact of stock-based compensation is based on the tax treatment for applicable tax jurisdictions.

(3) The tax impact of amortization of acquired intangible assets is not material.

Adjusted EBITDA

Our Compensation Committee selected adjusted EBITDA, in addition to revenue and bookings as set forth in our annual financial plan, each equally weighted, as one of the three performance measures upon which bonus payments for our named executive officers would be based. The

Compensation Committee considers the adjusted EBITDA performance measure, along with the revenue and bookings measures, meaningful indicators of our successful execution of our annual financial plan and our ability to enhance long-term value creation. We define adjusted EBITDA as net loss before income tax provision, other non-operating income and (expense), depreciation and amortization, amortization of intangible acquired intangible assets, stock-based compensation and acquisition related expenses.

The following table presents a reconciliation of net loss, the most directly comparable financial measures calculated in accordance with GAAP, to adjusted EBITDA:

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Net loss	$ (99,013)	$ (73,521)
Provision for income taxes	13,364	2,364
Interest (income) expense, net	(5,830)	(2,355)
Other expense, net	680	931
Depreciation and amortization	6,260	5,589
Amortization of acquired intangible assets	620	603
Stock-based compensation	43,443	22,875
Acquisition-related expenses	3,970	—
Adjusted EBITDA	$ (36,506)	$ (43,514)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2019
or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____
Commission file number 001-38600

TENABLE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**47-5580846**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland, 21046
(Address of principal executive offices, including zip code)
(410) 872-0555
(Registrant's telephone number, including area code)

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

Title of each class	**Trading symbol(s)**	**Name of exchange on which registered**
Common stock, par value $0.01 per share	TENB	Nasdaq Global Select Market

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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 such files). Yes ☒ No ☐

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

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

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

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

As of June 28, 2019, the aggregate market value of the common stock of the registrant held by non-affiliates was approximately $1.2 billion.

The number of shares of the Registrant's common stock outstanding as of February 24, 2020 was 99,404,819.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to the 2020 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the year ended December 31, 2019.

TENABLE HOLDINGS, INC.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K, including the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” or “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These forward-looking statements include, but are not limited to, statements concerning the following:

- our market opportunity;
- the effects of increased competition as well as innovations by new and existing competitors in our market;
- our ability to adapt to technological change, release new products and product features and effectively enhance, innovate and scale our enterprise platform and solutions;
- our ability to effectively manage or sustain our growth and to achieve profitability;
- our ability to maintain and expand our customer base, including by attracting new customers;
- our relationships with third parties, including channel partners;
- completed and potential acquisitions and integration of complementary businesses and technologies;
- our ability to maintain, or strengthen awareness of, our brand;
- perceived or actual problems with the security, integrity, reliability, compatibility and quality of our platform and solutions;
- future revenue, hiring plans, expenses, capital expenditures, capital requirements and stock performance;
- our ability to attract and retain qualified employees and key personnel and further expand our overall headcount;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- our ability to maintain, protect and enhance our intellectual property;
- costs associated with defending intellectual property infringement and other claims; and
- the future trading prices of our common stock and the impact of securities analysts’ reports on these prices.

These statements represent the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed in the section titled “Risk Factors” included under Part I, Item 1A. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Item 1. Business

Overview

We are a leading provider of solutions for a new category of cybersecurity that we call Cyber Exposure. Cyber Exposure is a discipline for managing, measuring and comparing cybersecurity risk in the digital era. We are building on our deep technology expertise in the traditional vulnerability assessment and management market and are expanding that market to include modern attack surfaces and to provide analytics that help organizations translate vulnerability data into business insights to understand and reduce their cybersecurity risk.

Digital transformation is driving radical change. As organizations modernize their IT infrastructure and adopt cloud or hybrid cloud architectures that are no longer housed in the confines of their corporate networks, they have less visibility and control over the security of these assets. Organizations are also increasingly implementing modern solutions, such as Internet of Things, or IoT, devices, web applications and application containers, to enable the rapid development and deployment of new products, services and business models, as well as to drive operational efficiencies. Further, safety-critical Operational Technology, or OT, such as Industrial Control Systems, are now network-connected and need to be secured from cybersecurity threats. This digital transformation increases IT complexity and cybersecurity risk as attack surfaces expand.

While other functions in an organization, such as finance and operations, have a system to help them manage and measure risk, cybersecurity risk has not historically been adequately measured and understood. We are building our enterprise platform to be the System of Record for cybersecurity risk. Our enterprise platform provides a unified view into the organization’s state of security and enables security teams to prioritize and focus their remediation efforts, and translates vulnerability data into actionable business metrics and insights that boards of directors and executives can understand and use to make strategic decisions. We believe our Cyber Exposure solutions are transforming how cybersecurity risk is managed and measured and will help organizations more rapidly embrace digital transformation.

Our enterprise platform offerings provide broad visibility into security issues such as vulnerabilities, misconfigurations, internal and regulatory compliance violations and other indicators of the state of an organization’s security across IT infrastructure and applications, cloud environments and Industrial IoT and OT environments. We also provide deep analytics to help organizations score, trend and compare their cyber exposure over time, and communicate cyber risk in business terms to make better strategic decisions. Our enterprise platform integrates and analyzes data from our native collectors alongside IT asset, vulnerability and threat data from third-party systems and applications to prioritize security issues for remediation and focus an organization’s resources based on risk and business criticality.

We have experienced rapid growth in recent periods. In 2019, 2018 and 2017 our total revenue was $354.6 million, $267.4 million and $187.7 million, respectively, representing year-over-year growth rates of 33% from 2018 to 2019 and 42% from 2017 to 2018. Our net loss was $99.0 million, $73.5 million and $41.0 million in 2019, 2018 and 2017, respectively.

Our Platform Offerings

Our vision is to empower every organization to understand and reduce their cybersecurity risk.

Our Enterprise Platform Offerings

Our enterprise platform enables organizations to answer foundational and strategic questions such as:

- Where are we exposed?
- Where should we prioritize based on risk?
- Are we reducing our exposure over time?
- How do we compare to our peers?

Our enterprise platform offerings include Tenable.io, which is our software as a service, or SaaS, offering, and Tenable.sc, which is our on-premises offering, both of which provide organizations with applications purpose-built for areas of both traditional and modern attack surfaces. These applications are designed with views, workflows and dashboards to help identify vulnerabilities, internal and regulatory compliance violations, misconfigurations and other cybersecurity issues, prioritize these issues for remediation and provide insightful remediation guidance. In addition, our enterprise platform offerings provide a depth of insight that stems from risk-based and predictive analytics.

In 2019, we released Predictive Prioritization, which combines vulnerability data and threat intelligence to predict which vulnerabilities are most likely to be exploited. We also combine asset data to layer in the asset's business criticality to further help prioritization. Additionally, with the general availability of Tenable Lumin in 2019, we help organizations score their cyber exposure, or level of cyber risk, across technology areas, teams or business units, prioritize where to focus to reduce their risk, track improvement over time and benchmark their organization to industry peers. We leverage our unique data asset of vulnerability knowledge built over 20 years and combine it with other data sources, such as threat intelligence and asset information. Through machine learning algorithms, we provide insights that help organizations focus based on business impact. As we extend our depth of analytics to measure cybersecurity risk beyond vulnerability prioritization, for example, to assess which public cloud platforms pose the most risk to an organization, we believe Lumin will become a key component of an organization's cybersecurity portfolio to help security executives better understand their overall cyber risk posture and make strategic decisions based on these insights.

Enterprises typically start with vulnerability management to secure traditional IT assets and expand their deployment over time to cover more traditional IT assets and/or more types of modern assets by deploying additional applications. For organizations with hybrid IT environments, some customers choose to expand their deployments to include both Tenable.sc and Tenable.io as an integrated solution spanning both on-premises and cloud-based management.

Our enterprise platform offerings deliver the following capabilities:

- *Live asset discovery.* We can automatically discover a broad range of traditional and modern IT assets, including on-premises infrastructure, web applications, cloud environments, mobile devices, containers, IoT devices and OT systems. We use a combination of active scanning, passive network monitoring and public cloud monitoring via our connector to identify known and unknown assets on the network.
- *Automated exposure assessment.* With every change in a customer's computing environment, we can automatically assess and identify where there are vulnerabilities, internal and regulatory compliance violations and misconfigurations across assets and cloud environments, such as missing software patches or outdated software versions. In addition,

we can help optimize existing security technology investments to identify indicators of cyber exposure, such as improperly configured anti-virus software.

- *Deep analytics to allow for prioritization.* We combine our product and vulnerability research IP with third-party data to provide business context and allow organizations to prioritize remediation efforts based on the business criticality of the asset and the likelihood of exploit. Predictive Prioritization enables organizations to reduce business risk by focusing on the vulnerabilities with the greatest likelihood of imminently being exploited, by combining Tenable vulnerability data with third-party threat and vulnerability data across more than 150 data sources using a proprietary machine learning algorithm developed by our Tenable Research data science team to predict the likelihood of a vulnerability being exploited. Predictive Prioritization provides a threat-based view of vulnerabilities, which is a critical component of modern risk-based vulnerability management.
- *Open and extensible platform*. Our enterprise platform ingests a wide set of third-party data sources to enhance analysis and integrates that data with industry-leading IT workflow, security information and event management, or SIEM, and systems management tools to accelerate remediation and provide common visibility across security and IT operations teams.
- *Cyber exposure measurement.* Tenable Lumin leverages our expansive knowledge base of assets and vulnerabilities coupled with data science insights to help our customers objectively score, trend and benchmark cyber exposure across their organizations, including by business unit or geography, and compare their cyber exposure against industry peers and best practices. We believe this capability is critical to help security executives effectively translate technical information and communicate cybersecurity risk to a non-technical audience, including the C-suite and the Board of Directors, to make better strategic decisions on where to focus investment to maximize cybersecurity risk reduction. As we continue to expand our database with more vulnerability and asset intelligence as well as additional third-party data sources, we anticipate that we will be able to leverage these insights in Lumin to measure an organization's cyber exposure beyond vulnerabilities to overall cybersecurity program effectiveness. Lumin is a key component of building the System of Record for cybersecurity to help organizations make better decisions around cybersecurity risk, including but not limited to vulnerability prioritization. This supports our vision to create industry standard metrics and benchmarks for cyber exposure to create an objective measure of cyber risk.

Nessus

Our co-founder is the creator of Nessus, one of the most widely deployed vulnerability assessment solutions in the cybersecurity industry, which underpins our enterprise platform. Since the introduction of Nessus in 1998, an extensive community of Nessus users has emerged. We continue to cultivate knowledge and affinity within this user base, which, when combined with our enterprise customers and our Tenable Research team of cybersecurity and data science experts, creates powerful network effects in the form of a continuous feedback loop of data and insights. We use these learnings to expand our assessment capabilities and coverage, continually optimize our solutions and inform our product strategy and innovation priorities. We believe these data and insights will also fuel and strengthen our benchmarking capabilities over time.

Nessus Professional

Nessus Professional is a vulnerability assessment solution for identifying security vulnerabilities, configuration issues and malware. Nessus Professional serves as both a stand-alone product designed for security consultants and practitioners performing one-time or ad-hoc assessment as well as an on-ramp product to our enterprise platform. With broad vulnerability coverage, accurate analysis and an easy-to-use interface, Nessus Professional offers a cost-effective and comprehensive solution for security consultants and users with ad-hoc assessment needs.

Nessus Essentials

We also offer a free version of our Nessus product, Nessus Essentials, which includes vulnerability and configuration assessment for a limited number of assets, but does not include access to support and certain features that Nessus Professional customers enjoy.

Technology Architecture

Our platform is built from the ground up to support the needs of modern IT assets and environments. Our platform's scalability can meet the requirements of the largest global enterprise customers, which may require assessment for millions of assets.

Foundational elements of our technology architecture include:

- ***Public cloud infrastructure for agility.*** Our use of the public cloud delivers agility and market responsiveness without the capital investment or time delay involved with planning, purchasing and deploying hardware. It also provides a flexible cost profile in which capacity can be quickly adjusted up or down in response to new opportunities and market demand, with relatively modest fixed costs.
- ***Scalability.*** Our platform scales up and down to continuously meet customer demands, through the use of public cloud infrastructure around the world. This approach provides elastic resources for compute, data transfer and storage, and allows us to meet the needs of even the largest global enterprises and government agencies. Our platform manages and supports millions of assets for multiple enterprise customers across a variety of industries, with the ability to process millions of application programming interface, or API, calls daily. The platform can scale to support IoT deployments that are an order of magnitude larger than IT deployments.
- ***Availability.*** Our modern architecture, leveraging state-of-the-art public cloud services, offers high availability and high performance. It provides geographic redundancy, as well as automated backup, without the need for us to build redundant infrastructure. As a result, we offer a service level agreement for Tenable.io that promises 99.95% availability to help ensure the reliability of operation for our customers.
- ***Extensibility and integration.*** Our open API and software development kit, or SDK, enables import of data from third-party sources and sensors-including competitor products-to augment our native discovery, assessment and analytics. This is essential to providing a unified view of assets, vulnerabilities and exposure across the enterprise. These capabilities also enable flexible export of our data to third party systems.
- ***Unified Platform.*** Our products are built on a unified platform with a unified data model that enables us to share data, assets and vulnerabilities across our applications so our customers can run workflows and have a consistent user experience across our products.
- ***Widely adopted industry standard file format.*** The ".Nessus" file format for vulnerability data used in all of our products is openly documented and supported by dozens of products and programming languages, which simplifies integration with our ecosystem partners' technologies.

Our Technology Ecosystem

We have partnered and/or integrated with market leading technology companies to pioneer the industry's first Cyber Exposure ecosystem to help organizations build resilient cybersecurity programs. Our ecosystem consists of a variety of third-party data import sources into our platform offerings, as well as export of our data out to third-party IT systems. Our technology ecosystem connects disparate solutions and data to automate processes and accelerate an organization's ability to understand, manage and reduce its cyber exposure.

We integrate a variety of third-party data sources, including ticketing, configuration management databases, or CMDBs, and systems management, into our platform to augment our native data collection and help with analysis and remediation prioritization. Furthermore, our data is also exported out to enrich third-party IT management and security systems.

Our Growth Strategy

Our objectives are to maintain our market leadership in Cyber Exposure and to capture our large market opportunity. To accomplish these objectives, we intend to:

- ***Continue to Acquire New Enterprise Platform Customers.*** We believe there is a substantial opportunity to increase adoption of our enterprise platform offerings. We have experienced growth in new enterprise platform customers due to investments in sales and marketing. We intend to continue to aggressively pursue new domestic and international customers by adding sales capacity and leveraging our network of channel partnerships around the world.
- ***Expand Asset Coverage Within Our Customer Base***. We believe we have a significant opportunity to expand our relationships with our existing customers by targeting additional teams, business units or geographies, pursuing broad enterprise deployments and generally expanding our coverage of their IT assets.
- ***Invest in Our Technology Platform and Expand Use Cases***. We intend to continue to innovate and develop our enterprise platform, including the addition of incremental capabilities, such as coverage of new attack surfaces and asset types and the addition of analytical capabilities, to help our customers measure and benchmark their cyber exposure. As we collect more data and ingest more data from third-party sources, we believe our data set will become even more valuable over time, which will allow us to continue to develop new analytical products and capabilities to our existing product suite over time.
- ***Explore Acquisition Opportunities***. In 2019 we acquired Indegy Ltd., or Indegy, a leader in industrial cybersecurity that provides visibility, security and control across OT environments. Indegy further extends our depth of OT expertise and intelligence and our breadth of OT-specific capabilities from vulnerability management to asset inventory, configuration management and threat detection. We may acquire other businesses, technology and/or development personnel that will expand and enhance the functionality of our platform offerings.

Customers

We sell and market our enterprise platform offerings through our field sales force that works closely with our channel partners, which includes a network of distributors and resellers, in developing sales opportunities. We use a two-tiered channel model whereby we sell our enterprise platform offerings to our distributors, which in turn sell to our resellers, which then sell to end users, which we call customers.

Our customers are located in over 160 countries and include enterprises of all sizes and span a wide range of industries, including manufacturing, energy and industrials; technology, media and telecommunications; banking, insurance and finance; government, education and non-profit; healthcare; and retail and consumer.

As of December 31, 2019, we had over 30,000 customers who licensed our Tenable.io, Tenable.sc or Nessus Professional products. Our customers include more than 50% of the Fortune 500 and over 30% of the Global 2000 organizations at December 31, 2019. In 2019, 2018 and 2017, no single customer represented more than 2% of our revenue.

Sales and Marketing

Our sales strategy employs both a direct-touch approach through our sales forces and a low-touch approach through sales closed by our channel partners and transacted on our e-commerce website. Both direct-touch and channel-originated sales are fulfilled through our channel partnerships. Our sales and customer success renewal teams collaborate closely with our channel partners to prospect, manage and support our customers, developing and maintaining close relationships with all of our enterprise platform customers.

We sell to organizations of all sizes across a broad range of industries, with a specific focus on enterprise accounts. Our sales team is divided by customer size and geography, including Americas; Europe, the Middle East and Africa, or EMEA; and Asia Pacific and Japan, or APAC.

Our partner ecosystem provides us with a number of advantages, including increased in-bound registered sales leads, broader geographic reach and greater deal velocity. Our channel partners include distributors, value-added resellers, system integrators and managed security service providers.

Our marketing efforts focus on cultivating brand awareness and leveraging our brand strength with Nessus, building demand across all segments with a specific emphasis on our enterprise customers and delivering tailored marketing programs focused on security executives, functional managers and security practitioners and consultants with Nessus. We also provide educational programs to DevOps teams for our Container Security and Web Application Scanning products. We execute marketing programs targeted at new customer acquisition, customer retention and cross-selling and up-selling of products across our platform.

Research and Development

Our engineering expertise combines extensive security product development experience with individuals who possess deep cloud and user interface design background. Our engineering team has groups that focus on Nessus configuration auditing, Nessus vulnerability enumeration, passive network traffic analysis and system log analysis, including public cloud.

Additionally, our Tenable Research team includes a team of cybersecurity and data science experts who produce original research and apply data science techniques to our security telemetry data to provide meaningful insights. This data fuels the benchmarking offering in our enterprise platform and we believe will become a trusted source throughout the industry for understanding Cyber Exposure. Tenable Research, including data science, is a key component of our thought leadership.

We believe ongoing and timely development of new products and features is imperative to maintaining our competitive position. We continue to invest in development of our solutions across our global innovation centers in Columbia, Maryland; Los Angeles, California; San Jose, California;

Dublin, Ireland; and Tel Aviv, Israel.

Our research and development expense was $87.1 million, $76.7 million and $57.7 million in 2019, 2018 and 2017, respectively.

Backlog

We define backlog as contractually committed orders to be invoiced under our existing agreements that are not included in the deferred revenue on our consolidated balance sheets. As of December 31, 2019 and 2018, we had backlog of $3.6 million and $3.3 million, respectively. We expect substantially all of the backlog at December 31, 2019 to be invoiced within the following twelve months.

Competition

The market for cybersecurity solutions is fragmented, intensely competitive and constantly evolving. We compete with a range of established and emerging cybersecurity software and services vendors, as well as homegrown solutions. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward. Our competitors include: vulnerability management and assessment vendors, including Qualys and Rapid7; diversified security software and services vendors, including IBM; endpoint security vendors with nascent vulnerability assessment capabilities, including Tanium and CrowdStrike; and providers of point solutions that compete with some of the features present in our solutions. We also compete against internally-developed efforts that often use open source solutions.

We believe that the principal competitive factors affecting the market for cybersecurity solutions include product functionality, breadth and depth of offerings, flexibility of delivery models, ease of deployment and use, integration capabilities such as open APIs and scalability, uptime and performance. We believe that our suite of solutions generally competes favorably with respect to these factors and may serve as a complement to the solutions offered by our competitors in some cases. Some of our more established actual and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and significantly greater resources than we do. In addition, as our market grows and rapidly changes, we expect it will continue to attract new competitors, including companies that are larger and more established than us and smaller emerging companies, which could introduce new products and services.

Intellectual Property

Our success depends in part upon our ability to protect our core technology and intellectual property. We rely on a combination of trade secrets, copyrights, patents and trademarks, as well as contractual protections, to establish and protect our intellectual property rights and protect our proprietary technology.

As of December 31, 2019, we had 16 issued patents and six patent applications pending in the United States. Our issued patents expire between 2027 and 2034 and cover our passive network scanning, monitoring and analysis technologies and additional features of our enterprise platform. As of December 31, 2019, we had 17 registered trademarks and two trademark applications pending in the United States. We view our copyrights, trade secrets and know-how as a significant component of our intellectual property assets.

We also license certain software from third parties for integration into our solutions, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available.

We control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners, and our software is protected by U.S. and international copyright and trade secret laws. Despite our efforts to protect our trade secrets and proprietary rights through intellectual property rights, licenses and confidentiality and invention assignment agreements, unauthorized parties may still attempt to copy, reverse engineer, misappropriate or otherwise obtain and use our software and technology. In addition, we intend to expand our international operations, and effective patent, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries.

Government Regulation

Various federal, state and foreign legislative and regulatory bodies have legislation pending that could affect our business. In particular, the European Union passed the General Data Protection Regulation, or GDPR, which came into force on May 25, 2018. The GDPR includes more stringent operational requirements on entities that receive or process personal data (as compared to existing EU law), along with significant penalties for non-compliance, more robust obligations on data processors and data controllers, greater rights for data subjects (potentially requiring significant changes to both our technology and operations), and heavier documentation requirements for data protection compliance programs. In addition, the GDPR increases the scrutiny of transfers of personal data from locations in the EEA to the United States and other jurisdictions that the European Commission does not recognize as having “adequate” data protection laws, and imposes substantial fines for breaches and violations (up to the greater of €20 million or 4% of consolidated annual worldwide gross revenue).

Similarly, there are a number of federal and state level legislative proposals in the United States that could impose new obligations on us. For example, California recently enacted the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020 and creates new individual privacy rights for consumers and places increased privacy and security obligations on entities handling the personal data of consumers or households. The CCPA requires covered companies to provide new disclosures to California consumers, which could include our employees residing in California based on the broad definitions in the law, to provide such consumers new ways to opt out of certain sales of personal information, and to allow for a new private cause of action for data breaches. Other states are beginning to pass similar laws. In addition, some countries are considering or have passed legislation implementing more onerous data protection requirements or requiring local storage and processing of data or other requirements that could increase the cost and complexity of delivering our services.

Like other U.S.-based IT security products, our products are subject to U.S. export control laws and regulations, specifically the Export Administration Regulations, or EAR, U.S. economic and trade sanctions regulations and applicable foreign government import, export and use requirements. Certain of our products are subject to encryption controls under the EAR due to the nature of the product and its use or incorporation of encryption functionality. Under the encryption controls in the EAR, applicable products may only be exported outside of the United States with required export authorizations, such as a license, a license exception or other appropriate government authorizations. In addition to the restrictions under the EAR, U.S. export control laws and economic sanctions prohibit the export of products and services to countries, governments, entities or persons subject to U.S. embargoes or trade sanctions.

Employees and Culture

As of December 31, 2019, we had 1,477 employees, including 476 employees located outside of the United States. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

We believe in upholding a core set of values for our entire global workforce:

- ***One Tenable***: We are united as one Tenable team. We win together. We are one team internally, with our customers, with our partners and in the market.
- ***We Care***: About our work, about our customers, about one another and about our communities. We speak straight and we do the right thing.
- ***Deliver Results***: We set high goals, take bold risks, measure honestly and deliver results that exceed expectations.
- ***What We Do Matters***: The work that we do makes a difference in the world.

Financial Information and Segments

Segment and geographic information required by Part I, Item 1 of Form 10-K can be found in Note 1 and Note 12 of the Notes to our Consolidated Financial Statements included in Part II, Item 8, Financial Statements, of this Form 10-K.

Corporate Information

Tenable Network Security, Inc., our predecessor, was incorporated under the laws of the State of Delaware in 2002. Tenable Holdings, Inc. was incorporated in Delaware in October 2015, and in November 2015, Tenable Network Security, Inc. was merged into our wholly-owned indirect subsidiary and in 2017 was renamed as Tenable, Inc.

Our principal executive offices are located at 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland 21046. Our telephone number is (410) 872-0555. Our website address is www.tenable.com. The information contained on, or that can be accessed through, our website is not incorporated by reference, and you should not consider any information contained on, or that can be accessed through, our website as part of this Annual Report on Form 10-K.

“Tenable,” “Nessus,” “Tenable.io," "Lumin" and the Tenable logo, and other trademarks or service marks of Tenable Holdings, Inc. appearing in this Annual Report on Form 10-K are the property of Tenable Holdings, Inc. This Annual Report on Form 10-K contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K may appear without the ® or TM symbols.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act, are available for download free of charge from our investor relations website https://investors.tenable.com after we file them with the Securities and Exchange Commission, or the SEC. The SEC’s website https://www.sec.gov contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The contents of any website referred to in this Form 10-K are not intended to be incorporated into this Annual Report on Form 10-K or in any other report or document we file with the SEC.

Item 1A. Risk Factors

Our operations and financial results are subject to significant risks and uncertainties including those described below. You should carefully consider the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Business and Industry

We have a history of losses and may not achieve or maintain profitability in the future.

We have historically incurred net losses, including net losses of $99.0 million, $73.5 million and $41.0 million in 2019, 2018 and 2017, respectively. As of December 31, 2019, we had an accumulated deficit of $565.1 million. Because the market for our offerings is highly competitive and rapidly evolving and these solutions have not yet reached widespread adoption, it is difficult for us to predict our future results of operations. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of sales of our offerings to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs to increase in future periods, which could negatively affect our future operating results if our revenue does not increase at a greater rate. In particular, we expect to continue to expend substantial financial and other resources on:

- public cloud infrastructure and computing costs;
- research and development related to our offerings, including investments in our research and development team;
- sales and marketing, including a significant expansion of our sales organization, both domestically and internationally;
- continued international expansion of our business; and
- general and administrative expense, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed and we may not be able to achieve or maintain profitability over the long term. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed, and we may not achieve or maintain profitability in the future.

We may not be able to sustain our revenue growth rate in the future.

From 2018 to 2019, our revenue grew from $267.4 million to $354.6 million, representing year-over-year growth of 33%. This growth was primarily from an increase in subscription revenue. Although we have experienced rapid growth historically and currently have high customer renewal rates, we may not continue to grow as rapidly in the future due to a decline in our renewal rates, failure to attract new customers or other factors. Any success that we may experience in the future will depend in large part on our ability to, among other things:

- maintain and expand our customer base;
- increase revenue from existing customers through increased or broader use of our offerings within their organizations;
- improve the performance and capabilities of our offerings through research and development;
- continue to develop and expand our enterprise platform;
- maintain the rate at which customers purchase and renew subscriptions to our enterprise platform offerings;
- continue to successfully expand our business domestically and internationally; and
- successfully compete with other companies.

If we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

We may be unable to rapidly and efficiently adjust our cost structure in response to significant revenue declines, which could adversely affect our operating results.

We recognize substantially all of our revenue ratably over the term of our subscriptions and, to a lesser extent, perpetual licenses ratably over an expected period of benefit and, as a result, downturns in sales may not be immediately reflected in our operating results.

We recognize substantially all of our revenue ratably over the terms of our subscriptions with customers, which generally occurs over a one-year period and, for our perpetual licenses, over a five-year expected period of benefit. As a result, a substantial portion of the revenue that we report in each period will be derived from the recognition of deferred revenue relating to agreements entered into during previous periods. Consequently, a decline in new sales or renewals in any one period may not be immediately reflected in our revenue results for that period. This decline, however, will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. This also makes it difficult for us to rapidly increase our revenue growth through additional sales in any period, as revenue from new customers generally will be recognized over the term of the applicable agreement.

We may not be able to scale our business quickly enough to meet our customers' growing needs.

As usage of our enterprise platform grows, and as customers expand in size or expand the number of IT assets or IP addresses under their subscriptions, we may need to devote additional resources to improving our technology architecture, integrating with third-party systems and maintaining infrastructure performance. In addition, we will need to appropriately scale our sales and marketing headcount, as well as grow our third-party channel partner network, to serve our growing customer base. If we are unable to scale our business appropriately, it could reduce the attractiveness of our solutions to customers, resulting in decreased sales to new customers, lower renewal rates by existing customers or the issuance of service credits or requested refunds, each of which could hurt our revenue growth and our reputation. Even if we are able to upgrade our systems and expand our personnel, any such expansion will be expensive and complex, requiring management time and attention. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely impact our financial results.

If our enterprise platform offerings do not interoperate with our customers' network and security infrastructure or with third-party products, websites or services, our results of operations may be harmed.

Our enterprise platform offerings, Tenable.io and Tenable.sc, must interoperate with our customers' existing network and security infrastructure. These complex systems are developed, delivered and maintained by the customer and a myriad of vendors and service providers. As a result, the components of our customers' infrastructure have different specifications, rapidly evolve, utilize multiple protocol standards, include multiple versions and generations of products and may be highly customized. We must be able to interoperate and provide our security offerings to customers with highly complex and customized networks, which requires careful planning and execution between our customers, our customer support teams and our channel partners. Further, when new or updated elements of our customers' infrastructure or new industry standards or protocols are introduced, we may have to update or enhance our cloud platform and our other solutions to allow us to continue to provide service to customers. Our competitors or other vendors may refuse to work with us to allow their products to interoperate with our solutions, which could make it difficult for our cloud platform to function properly in customer networks that include these third-party products.

We may not deliver or maintain interoperability quickly or cost-effectively, or at all. These efforts require capital investment and engineering resources. If we fail to maintain compatibility of our cloud platform and our other solutions with our customers' network and security infrastructures, our customers may not be able to fully utilize our solutions, and we may, among other consequences, lose or fail to increase our market share and experience reduced demand for our services, which would materially harm our business, operating results and financial condition.

If our solutions fail to detect vulnerabilities or incorrectly detect vulnerabilities, or if they contain undetected errors or defects, our brand and reputation could be harmed.

If our solutions fail to detect vulnerabilities in our customers' cybersecurity infrastructure, or if our solutions fail to identify new and increasingly complex methods of cyberattacks, our business and reputation may suffer. There is no guarantee that our solutions will detect all vulnerabilities, especially in light of the rapidly changing security landscape to which we must respond. Additionally, our solutions may falsely detect vulnerabilities or threats that do not actually exist. For example, our solutions rely on information provided by an active community of users who contribute new exploits, attacks and vulnerabilities. If the information from these third parties is inaccurate, the potential for false indications of security vulnerabilities increases. These false positives, while typical in the industry, may impair the perceived reliability of our offerings and may therefore adversely impact market acceptance of our products and could result in negative publicity, loss of customers and sales and increased costs to remedy any problem.

Our solutions may also contain undetected errors or defects when first introduced or as new versions are released. We have experienced these errors or defects in the past in connection with new solutions and product upgrades and we expect that these errors or defects will be found from time to time in the future in new or enhanced solutions after commercial release. Defects may cause our solutions to be vulnerable to attacks, cause them to fail to detect vulnerabilities, or temporarily interrupt customers' networking traffic or operational technology environments. Any errors, defects, disruptions in service or other performance problems with our solutions may damage our customers' business and could hurt our reputation. If our solutions fail to detect vulnerabilities for any reason, we may incur significant costs, the attention of our key personnel could be diverted, our customers may delay or withhold payment to us or elect not to renew or other significant customer relations problems may arise. We may also be subject to liability claims for damages related to errors or defects in our solutions. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our solutions may harm our business and operating results.

An actual or perceived security breach or theft of the sensitive data of one of our customers, regardless of whether the breach is attributable to the failure of our solutions, could adversely affect the market's perception of our brand and our offerings and subject us to legal claims.

Our future quarterly results of operations are likely to fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.

Our revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including:

- the level of demand for our enterprise platform;
- the introduction of new products and product enhancements by existing competitors or new entrants into our market, and changes in pricing for solutions offered by us or our competitors;
- the rate of renewal of subscriptions, and extent of expansion of assets under such subscriptions, with existing customers;
- the mix of customers licensing our products on a subscription basis as compared to a perpetual license;
- large customers failing to renew their subscriptions;
- the size, timing and terms of our subscription agreements with new customers;
- our ability to interoperate our solutions with our customers' network and security infrastructure;
- the timing and growth of our business, in particular through our hiring of new employees and international expansion;
- network outages, security breaches, technical difficulties or interruptions with our solutions;
- changes in the growth rate of the markets in which we compete;
- the length of the license term, amount prepaid and other material terms of subscriptions to our solutions sold during a period;
- customers delaying purchasing decisions in anticipation of new developments or enhancements by us or our competitors or otherwise;
- changes in customers' budgets;
- seasonal variations related to sales and marketing and other activities, such as expenses related to our customers;
- our ability to increase, retain and incentivize the channel partners that market and sell our solutions;
- our ability to integrate our solutions with our ecosystem partners' technology;
- our ability to integrate any future acquisitions of businesses;
- our brand and reputation;
- the timing of our adoption of new or revised accounting pronouncements applicable to public companies and the impact on our results of operations;

- our ability to control costs, including our operating expenses, such as third-party cloud infrastructure costs and facilities costs;
- our ability to hire, train and maintain our direct sales force;
- unforeseen litigation and intellectual property infringement;
- fluctuations in our effective tax rate;
- general economic and political conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers operate; and
- other events or factors, including those resulting from pandemics, war, incidents of terrorism or responses to these events.

Any one of these or other factors discussed elsewhere in this Annual Report on Form 10-K, or the cumulative effect of some of these factors, may result in fluctuations in our revenue and operating results, meaning that quarter-to-quarter comparisons of our revenue, results of operations and cash flows may not necessarily be indicative of our future performance and may cause us to miss our guidance and analyst expectations and may cause our stock price to decline.

In addition, we have historically experienced seasonality in entering into agreements with customers. We typically enter into a significantly higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the third and fourth quarters. The increase in customer agreements in the third quarter is primarily attributable to U.S. government and related agencies, and the increase in the fourth quarter is primarily attributable to large enterprise account buying patterns typical in the software industry. We expect that seasonality will continue to affect our operating results in the future and may reduce our ability to predict cash flow and optimize the timing of our operating expenses.

We face intense competition.

The market for cybersecurity solutions is fragmented, intensely competitive and constantly evolving. We compete with a range of established and emerging cybersecurity software and services vendors, as well as homegrown solutions. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward. Our competitors include: vulnerability management and assessment vendors, including Qualys and Rapid7; diversified security software and services vendors, including IBM; endpoint security vendors with nascent vulnerability assessment capabilities, including Tanium and CrowdStrike; and providers of point solutions that compete with some of the features present in our solutions. We also compete against internally-developed efforts that often use open source solutions.

Some of our actual and potential competitors have significant advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger intellectual property portfolios, government certifications and broader global distribution and presence. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Companies that are larger and more established than us are focusing on cybersecurity and could directly compete with us. For example, in 2019 Microsoft introduced a vulnerability management offering as part of their existing endpoint security platform. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly.

Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements or new or evolving attacks by, or indicators of compromise that identify, cyber bad actors. With the introduction of new technologies, the evolution of our offerings and new market entrants, we expect competition to intensify in the future. In addition, some of our larger competitors have substantially broader product offerings and can bundle competing products and services with other software offerings. As a result, customers may choose a bundled product offering from our competitors, even if individual products have more limited functionality than our solutions. These competitors may also offer their products at a lower price as part of this larger sale, which could increase pricing pressure on our offerings and cause the average sales price for our offerings to decline. These larger competitors are also often in a better position to withstand any significant reduction in capital spending, and will therefore not be as susceptible to economic downturns. One component of our enterprise platform involves assessing cyber exposure in a public cloud environment. We are dependent upon the providers to allow our solutions to access their cloud offerings. If one or more cloud providers elected to offer exclusively their own cloud security product or otherwise eliminate the ability of our solutions to access their cloud on behalf of our customers, our business and financial results could be harmed.

Furthermore, our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and products and services offerings in the markets we address. In addition, current or potential competitors may be acquired by third parties with greater available resources. As a result of such relationships and acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. For all of these reasons, we may not be able to compete successfully against our current or future competitors.

If we do not continue to innovate and offer solutions that address the dynamic cybersecurity landscape, we may not remain competitive.

The cybersecurity market is characterized by very rapid technological advances, changes in customer requirements, frequent new product introductions and enhancements and evolving industry standards. Our success also depends on continued innovation to provide features that make our solutions responsive to the cybersecurity landscape. While we continue to invest significant resources in research and development in order to ensure that our solutions continue to address the cyber security risks that our customers face, the introduction of solutions and services embodying new technologies could render our existing solutions or services obsolete or less attractive to customers. In addition, developing new solutions and product enhancements is expensive and time-consuming, we may face delays or uncertainty in our release timing, and there is no assurance that such activities will result in significant cost savings, revenue or other expected benefits. If we spend significant time and effort on research and development and are unable to generate an adequate return on our investment, our business and results of operations may be materially and adversely affected. Further, we may not be able to successfully anticipate or adapt to changing technology or customer requirements or the dynamic threat landscape on a timely basis, or at all, which would impair our ability to execute on our business strategy.

Our business and results of operations depend substantially on our customers renewing their subscriptions with us and expanding the number of IT assets or IP addresses under their subscriptions. Any decline in our customer renewals, terminations or failure to convince our customers to expand their use of subscription offerings would harm our business, results of operations, and financial condition.

Our subscription offerings are term-based and a majority of our subscription contracts are for one year in duration. In order for us to maintain or improve our results of operations, it is important that a high percentage of our customers renew their subscriptions with us when the existing subscription term expires, and renew on the same or more favorable terms. Our customers have no obligation to renew their subscriptions, and we may not be able to accurately predict customer renewal rates. In addition, the growth of our business depends in part on our customers expanding their use of subscription offerings and related services. Historically, some of our customers have elected not to renew their subscriptions with us for a variety of reasons, including as a result of changes in their strategic IT priorities, budgets, costs and, in some instances, due to competing solutions. Our retention rate may also decline or fluctuate as a result of a number of other factors, including our customers' satisfaction or dissatisfaction with our software, the increase in the contract value of subscription and support contracts from new customers, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, global economic conditions, and the other risk factors described in this Annual Report on Form 10-K. Additionally, many of our customers, including certain top customers, have the right to terminate their agreements with us for convenience and for other reasons. We cannot assure you that customers will maintain their agreements with us, renew subscriptions or increase their usage of our software. If our customers do not maintain or renew their subscriptions or renew on less favorable terms, or if we are unable to expand our customers' use of our software, our business, results of operations, and financial condition may be harmed.

Our brand, reputation and ability to attract, retain and serve our customers are dependent in part upon the reliable performance of our solutions and network infrastructure.

We have experienced, and may in the future experience, disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints and fraud or cybersecurity attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

Prolonged delays or unforeseen difficulties in connection with adding capacity or upgrading our network architecture when required may cause our service quality to suffer. Problems with the reliability or security of our systems could harm our reputation. Damage to our reputation and the cost of remedying these problems could negatively affect our business, financial condition, and operating results.

Any disruptions or other performance problems with our solutions could harm our reputation and business and may damage our customers' businesses, including by interrupting their networking traffic or operational technology environments. Interruptions in our service delivery might reduce our revenue, cause us to issue credits to customers, subject us to potential liability and cause customers to not renew their purchases of our solutions.

We must maintain and enhance our brand.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our enterprise platform and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenue and, even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our solutions.

We rely on third parties to maintain and operate certain elements of our network infrastructure.

We utilize data centers located in North America, Europe and Asia to operate and maintain certain elements of our own network infrastructure. Some elements of this complex system are operated by third parties that we do not control and that could require significant time to replace. We expect this dependence on third parties to continue. For example, Tenable.io is hosted on Amazon Web Services, or AWS, which provides us with computing and storage capacity. Interruptions in our systems or the third-party systems on which we rely, particularly AWS, whether due to system failures, computer viruses, physical or electronic break-ins or other factors, could affect the security or availability of our solutions, network infrastructure and website.

Our existing data center facilities and third-party hosting providers have no obligations to renew their agreements with us on commercially reasonable terms or at all, and certain of the agreements governing these relationships may be terminated by either party with notice or access to hosting services may be restricted by the provider at any time, with no or limited notice. For example, our agreement with AWS allows AWS to terminate the agreement with two years' written notice and allows AWS, under certain circumstances, to temporarily restrict access to hosting services provided by AWS without prior notice. Although we expect that we could receive similar services from other third parties, if any of our arrangements with third parties, including AWS, are terminated, we could experience interruptions on our platform and in our ability to make our platform available to customers, as well as downtime, delays and additional expenses in arranging alternative cloud infrastructure services.

It is possible that our customers and potential customers would hold us accountable for any breach of security affecting third parties' infrastructure. We may incur significant liability from those customers and from third parties with respect to any such breach. Because our agreement with AWS limits their liability for damages, we may not be able to recover a material portion of our liabilities to our customers and third parties from AWS in the event of any breach affecting AWS systems.

If we continue to grow, we may not be able to manage our growth effectively.

We have recently experienced a period of rapid growth in our headcount and operations. In particular, we grew from 984 employees as of December 31, 2017 to 1,252 employees as of December 31, 2018 and to 1,477 employees as of December 31, 2019. We have also significantly increased the size of our customer base over the last several years. We anticipate that we will continue to significantly expand our operations and headcount in the near term. Our growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage our growth could result in difficulty or delays in deploying our solutions and services to customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. We could also face inefficiencies or service disruptions as a result of our efforts to maintain and scale our domestic and international facilities, and additional facilities may not be available to us on commercially reasonable terms, or at all. Any of these difficulties could adversely impact our business performance and results of operations.

Our rapid growth also makes it difficult to evaluate our future prospects. Our ability to forecast our future operating results is subject to a number of uncertainties, including our ability to plan for and model future growth. If our assumptions regarding these uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our business could suffer and the trading price of our stock may decline.

Organizations may be reluctant to purchase our enterprise platform offerings that are cloud-based due to the actual or perceived vulnerability of cloud solutions.

Some organizations, including those in the defense industry and highly regulated industries such as healthcare and financial services, have historically been reluctant to use cloud-based solutions for cybersecurity because they have concerns regarding the risks associated with the reliability or security of the technology delivery model associated with these solutions. If we or other software companies with cloud-based offerings experience security incidents, breaches of customer data, disruptions in service delivery or other problems, the market for cloud-based solutions as a whole may be negatively impacted, which in turn would negatively impact our revenue and our growth prospects.

Our sales cycle is long and unpredictable.

The timing of sales of our offerings is difficult to forecast because of the length and unpredictability of our sales cycle, particularly with large enterprises and with respect to certain of our solutions. We sell our solutions primarily to IT departments that are managing a growing set of user and compliance demands, which has increased the complexity of customer requirements to be met and confirmed during the sales cycle and prolonged our sales cycle. Our average sales cycle with an enterprise customer is approximately four months, and to the extent we continue to enter into larger deals, our average sales cycle is likely to increase. Further, the length of time that potential customers devote to their testing and evaluation, contract negotiation and budgeting processes varies significantly, depending on the size of the organization and nature of the product or service under consideration. In addition, we might devote substantial time and effort to a particular unsuccessful sales effort, and as a result, we could lose other sales opportunities or incur expenses that are not offset by an increase in revenue, which could harm our business.

Regulatory, legislative or self-regulatory standard developments regarding privacy and data security matters could adversely affect our ability to conduct our business.

We, along with a significant number of our customers, are subject to laws, rules, regulations, and industry standards related to data privacy and cyber security, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data. In addition to current privacy and data security regulations currently in force in the jurisdictions where we operate, the General Data Protection Regulation, or GDPR came into force in May 2018. The GDPR contains numerous requirements and changes from prior European Union, or EU, law, including more robust obligations on data processors and data controllers, greater rights for data subjects, and heavier documentation requirements for data protection compliance programs. Specifically, the GDPR introduced numerous privacy-related changes for companies operating in the EU, including greater control over personal data by data subjects, such as the “right to be forgotten", increased data portability for EU consumers, data breach notification requirements, and increased fines. In particular, under the GDPR, fines of up to €20 million or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain of the GDPR’s requirements. The GDPR requirements apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. We have an internal data privacy function that oversees and supervises our compliance with European data protection regulations.

In the United States and globally, governments and agencies have adopted, and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering data subject privacy, data security, technologies such as cookies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices and the collection, including the collection of information, use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users. We may be subject directly or via contract to such laws, policies, regulations, and standards. New regulation or legislative actions regarding data privacy and security, together with applicable industry standards, may increase the costs of doing business and could have a material adverse impact on our operations and cash flows.

While we have taken steps to mitigate the impact on us, such as implementing standard contractual clauses as appropriate and self-certifying under the EU-US Privacy Shield, the efficacy and longevity of these mechanisms remains uncertain. Potential or actual legal proceeding could lead to one or both of these mechanisms being declared invalid. Further, local data protection authorities general may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU states.

Similarly, there are a number of federal and state level legislative proposals in the United States that could impose new obligations on us. For example, California recently enacted the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020 and creates new individual privacy rights for consumers and places increased privacy and security obligations on entities handling the personal data of consumers or households. The CCPA requires covered companies to provide new disclosures to California consumers, which could include our employees residing in California based on the broad definitions in the law, to provide such consumers new ways to opt out of certain sales of personal information, and to allow for new causes of action for data breaches. In addition, some countries are considering or have passed legislation implementing more onerous data protection requirements or requiring local storage and processing of data or other requirements that could increase the cost and complexity of delivering our services.

If we are investigated by an applicable data protection authority or are determined to have not complied with applicable laws, we may face fines and other penalties. Any such investigation or charges by applicable data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new customers. Existing and proposed laws and regulations can be costly to comply with, could expose us to significant penalties for non-compliance, can delay or impede the development or adoption of our products and services, reduce the overall demand for our services, result in negative publicity, increase our operating costs, require significant management time and attention and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices.

We rely on our third-party channel partner network of distributors and resellers to generate a substantial amount of our revenue.

Our success is dependent in part upon establishing and maintaining relationships with a variety of channel partners that we utilize to extend our geographic reach and market penetration. We use a two-tiered, indirect fulfillment model whereby we sell our products and services to our distributors, which in turn sell to our resellers, which then sell to our end users, which we call customers. We anticipate that we will continue to rely on this two-tiered sales model in order to help facilitate sales of our offerings as part of larger purchases in the United States and to grow our business internationally. In 2019, 2018 and 2017, we derived 90%, 88% and 83%, respectively, of our revenue from subscriptions and perpetual licenses sold through channel partners, and the percentage of revenue derived from channel partners may continue to increase in future periods. Ingram Micro, Inc., a distributor, accounted for 43%, 46% and 45% of our revenue in 2019, 2018 and 2017, respectively, and 40% of our accounts receivable as of December 31, 2019 and 46% as of December 31, 2018. Our agreements with our channel partners, including our agreement with Ingram Micro, are non-exclusive and do not prohibit them from working with our competitors or offering competing solutions, and some of our channel partners may have more established relationships with our competitors. Similarly, our channel partners have no obligations to renew their agreements with us on commercially reasonable terms or at all, and certain of the agreements governing these relationships may be terminated by either party at any time, with no or limited notice. For example, our agreement with Ingram Micro allows Ingram Micro to terminate the agreement in their discretion upon 30 days' written notice to us. If our channel partners choose to place greater emphasis on products of their own or those offered by our competitors or a result of an acquisition, competitive factors or other reasons do not continue to market and sell our solutions in an effective manner or at all, our ability to grow our business and sell our solutions, particularly in key international markets, may be adversely affected. In addition, our failure to recruit additional channel partners, or any reduction or delay in their sales of our solutions and professional services or conflicts between channel sales and our direct sales and marketing activities may harm our results of operations. Finally, even if we are successful, our relationships with channel partners may not result in greater customer usage of our solutions and professional services or increased revenue.

A portion of our revenue is generated from subscriptions and perpetual licenses sold to domestic governmental entities, foreign governmental entities and other heavily regulated organizations, which are subject to a number of challenges and risks.

A portion of our revenue is generated from subscriptions and perpetual licenses sold to governmental entities in the United States. Additionally, many of our current and prospective customers, such as those in the financial services, energy, insurance and healthcare industries, are highly regulated and may be required to comply with more stringent regulations in connection with subscribing to and implementing our enterprise platform. Selling licenses to these entities can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a sale. Governmental demand and payment for our enterprise platform may also be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our enterprise platform. In addition, governmental entities have the authority to terminate contracts at any time for the convenience of the government, which creates risk regarding revenue anticipated under our existing government contracts.

Further, governmental and highly regulated entities often require contract terms that differ from our standard customer arrangements, including terms that can lead to those customers obtaining broader rights in our solutions than would be expected under a standard commercial contract and terms that can allow for early termination. The U.S. government will be able to terminate any of its contracts with us either for its convenience or if we default by failing to perform in accordance with the contract schedule and terms. Termination for convenience provisions would generally enable us to recover only our costs incurred or committed, settlement expenses, and profit on the work completed prior to termination. Termination for default provisions do not permit these recoveries and would make us liable for excess costs incurred by the U.S. government in procuring undelivered items from another source. Contracts with governmental and highly regulated entities may also include preferential pricing terms. In the United States, federal government agencies may promulgate regulations, and the President may issue executive orders, requiring federal contractors to adhere to different or additional requirements after a contract is signed. If we do not meet applicable requirements of law or contract, we could be subject to significant liability from our customers or regulators. Even if we do meet these requirements, the additional costs associated with providing our enterprise platform to government and highly regulated customers could harm our operating results.

Moreover, changes in the underlying statutory and regulatory conditions that affect these types of customers could harm our ability to efficiently provide them access to our enterprise platform and to grow or maintain our customer base. In addition, engaging in sales activities to foreign governments introduces additional compliance risks, including risks specific to anti-bribery regulations, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.K. Bribery Act 2010 and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate. Further, in some jurisdictions we may be required to obtain government certifications, which may be costly to maintain and, if we lost such certifications in the future or if such certification requirements changed, would restrict our ability to sell to government entities until we have attained such certifications.

Some of our revenue is derived from contracts with U.S. government entities, as well as subcontracts with higher-tier contractors. As a result, we are subject to federal contracting regulations, including the Federal Acquisition Regulation, or the FAR. Under the FAR, certain types of contracts require pricing that is based on estimated direct and indirect costs, which are subject to change.

In connection with our U.S. government contracts, we may be subject to government audits and review of our policies, procedures, and internal controls for compliance with contract terms, procurement regulations, and applicable laws. In certain circumstances, if we do not comply with the terms of a contract or with regulations or statutes, we could be subject to contract termination or downward contract price adjustments or refund obligations, could be assessed civil or criminal penalties, or could be debarred or suspended from obtaining future government contracts for a specified period of time. Any such termination, adjustment, sanction, debarment or suspension could have an adverse effect on our business.

In the course of providing our solutions and professional services to governmental entities, our employees and those of our channel partners may be exposed to sensitive government information. Any failure by us or our channel partners to safeguard and maintain the confidentiality of such information could subject us to liability and reputational harm, which could materially and adversely affect our results of operations and financial performance.

Our pricing model subjects us to various challenges that could make it difficult for us to derive expected value from our customers and we may need to reduce our prices or change our pricing model to remain competitive.

Subscriptions and perpetual licenses to our enterprise platform are generally priced based on the number of IP addresses that can be monitored, the total IT assets that can be monitored. We expect that we may need to change our pricing from time to time. As competitors introduce new products that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. We also must determine the appropriate price to enable us to compete effectively internationally. Moreover, mid- to large-size enterprises may demand substantial price discounts as part of the negotiation of sales contracts and, as the amount of IT assets or IP addresses within our customers' organization grows, we may face additional pressure from our customers regarding our pricing. As a result, we may be required or choose to reduce our prices or change our pricing model, which could adversely affect our business, revenue, operating margins and financial condition.

Further, our subscription agreements and perpetual licenses generally provide that we can audit our customers’ use of our offerings to ensure compliance with the terms of such agreement or license and monitor an increase in IT assets and IP addresses being monitored. However, a customer may resist or refuse to allow us to audit their usage, in which case we may have to pursue legal recourse to enforce our rights under the agreement or license, which would require us to spend money, distract management and potentially adversely affect our relationship with our customers and users.

If our enterprise platform offerings do not achieve sufficient market acceptance, our results of operations and competitive position will suffer.

We spend substantial amounts of time and money to research and develop and enhance our enterprise platform offerings to meet our customers' rapidly evolving demands. In addition, we invest in efforts to continue to add capabilities to our existing products and enable the continued detection of new network vulnerabilities. We typically incur expenses and expend resources upfront to market, promote and sell our new and enhanced offerings. Therefore, when we develop and introduce new or enhanced offerings, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. For example, if Tenable Lumin does not garner widespread market adoption and implementation, our operating results and competitive position could suffer.

Further, we may make enhancements to our offerings that our customers do not like, find useful or agree with. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any of our features or usage of our offerings.

Our new offerings or enhancements and changes to our existing offerings could fail to attain sufficient market acceptance for many reasons, including:

- failure to predict market demand accurately in terms of functionality and to supply offerings that meets this demand in a timely fashion;
- defects, errors or failures;
- negative publicity about their performance or effectiveness;
- delays in releasing our new offerings or enhancements to our existing offerings to the market;
- introduction or anticipated introduction of competing products by our competitors;
- poor business conditions for our customers, causing them to delay IT purchases; and
- reluctance of customers to purchase cloud-based offerings.

If our new or enhanced offerings do not achieve adequate acceptance in the market, our competitive position will be impaired, and our revenue will be diminished. The adverse effect on our operating results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new or enhanced offerings.

Our strategy of offering and deploying our solutions in the cloud, on-premises environments or using a hybrid approach causes us to incur increased expenses and may pose challenges to our business.

We offer and sell our enterprise platform for use in the cloud, on-premises environments or using a hybrid approach using the customer's own infrastructure. Our cloud offering enables our customers to eliminate the burden of provisioning and maintaining infrastructure and to scale their usage of our solutions quickly, while our on-premises offering allows for the customer's complete control over data security and software infrastructure. Historically, our solutions were developed in the context of the on-premises offering, and we have less operating experience offering and selling subscriptions to our solutions via our cloud offering. Although a substantial majority of our revenue has historically been generated from customers using our solutions on an on-premises basis, our customers are increasingly adopting our cloud offering. We expect that our customers will continue to move to our cloud offering and that it will become more central to our distribution model. We expect our gross profit to increase in absolute dollars and our gross margin to decrease to the extent that revenue from our cloud-based subscriptions increases as a percentage of revenue, although our gross margin could fluctuate from period to period. To support both on-premises environments and cloud instances of our product, our support team must be trained on and learn multiple environments in which our solution is deployed, which is more expensive than supporting only a cloud offering. Moreover, we must engineer our software for an on-premises environment, cloud offering and hybrid installation, which we expect will cause us additional research and development expense that may impact our operating results. As more of our customers transition to the cloud, we may be subject to additional competitive pressures, which may harm our business. We are directing a significant portion of our financial and operating resources to implement a robust and secure cloud offering for our customers, but even if we continue to make these investments, we may be unsuccessful in growing or implementing our cloud offering in a way that competes successfully against our current and future competitors and our business, results of operations and financial condition could be harmed.

Our customers' increased usage of our cloud-based offerings requires us to continually improve our computer network and infrastructure to avoid service interruptions or slower system performance.

As usage of our cloud-based offerings grows and as customers use them for more complicated applications, increased assets and with increased data requirements, we will need to devote additional resources to improving our platform architecture and our infrastructure in order to maintain the performance of our cloud offering. Any failure or delays in our computer systems could cause service interruptions or slower system performance. If sustained or repeated, these performance issues could reduce the attractiveness of our enterprise platform to customers. These performance issues could result in lost customer opportunities and lower renewal rates, any of which could hurt our revenue growth, customer loyalty and reputation.

A component of our growth strategy is dependent on our continued international expansion, which adds complexity to our operations.

We market and sell our solutions and professional services throughout the world and have personnel in many parts of the world. International operations generated 37% and 33% of our revenue in 2019 and 2018, respectively. Our growth strategy is dependent, in part, on our continued international expansion. We expect to conduct a significant amount of our business with organizations that are located outside the United States, particularly in Europe and Asia. We cannot assure that our expansion efforts into international markets will be successful in creating further demand for our solutions and professional services outside of the United States or in effectively selling our solutions and professional services in the international markets that we enter. Our current international operations and future initiatives will involve a variety of risks, including:

- increased management, infrastructure and legal costs associated with having international operations;
- reliance on channel partners;
- trade and foreign exchange restrictions, including potential changes in trade relations arising from policy initiatives implemented by the current U.S. administration, which has been critical of existing and proposed trade agreements;
- economic or political instability in foreign markets, including instability related to the United Kingdom's recent exit from the European Union and its ongoing legal, political and economic relationship with the European Union;
- greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods;

- changes in regulatory requirements, including, but not limited to data privacy, data protection and data security regulations;
- difficulties and costs of staffing, managing and potentially reorganizing foreign operations;
- the uncertainty and limitation of protection for intellectual property rights in some countries;
- costs of compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;
- differing labor regulations in jurisdictions where labor laws are generally more advantageous to employees as compared to the U.S., including deemed hourly wage and overtime regulations in these locations;
- costs of compliance with U.S. laws and regulations for foreign operations, including the FCPA, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell or provide our solutions in certain foreign markets, and the risks and costs of non-compliance;
- requirements to comply with foreign privacy, data protection and information security laws and regulations and the risks and costs of noncompliance;
- heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, and irregularities in, financial statements;
- the potential for political unrest, pandemics, acts of terrorism, hostilities or war;
- management communication and integration problems resulting from cultural differences and geographic dispersion;
- costs associated with language localization of our solutions; and
- costs of compliance with multiple and possibly overlapping tax structures.

Our business, including the sales of our solutions and professional services by us and our channel partners, may be subject to foreign governmental regulations, which vary substantially from country to country and change from time to time. Our failure, or the failure by our channel partners, to comply with these regulations could adversely affect our business. Further, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. Although we have implemented policies and procedures designed to comply with these laws and policies, there can be no assurance that our employees, contractors, channel partners and agents have complied, or will comply, with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our solutions and could have a material adverse effect on our business and results of operations. If we are unable to successfully manage the challenges of international expansion and operations, our business and operating results could be adversely affected.

We rely on the performance of highly skilled personnel, including senior management and our engineering, professional services, sales and technology professionals.

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management team and our highly skilled team members, including our sales personnel, professional services personnel and software engineers. We do not maintain key man insurance on any of our executive officers or key employees. From time to time, there may be changes in our senior management team resulting from the termination or departure of our executive officers and key employees. Our senior management and key employees are employed on an at-will basis, which means that they could terminate their employment with us at any time. The loss of any of our senior management or key employees could adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees.

Our ability to successfully pursue our growth strategy also depends on our ability to attract, motivate and retain our personnel. Competition for well-qualified employees in all aspects of our business, including sales personnel, professional services personnel and software engineers, is intense. Our recruiting efforts focus on elite universities and our primary recruiting competition are well-known, high-paying firms. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business would be adversely affected.

We must effectively develop and expand our sales and marketing capabilities.

Our ability to increase our customer base and achieve broader market acceptance of our Cyber Exposure solutions will depend to a significant extent on our ability to expand our sales and marketing operations. We plan to continue expanding our sales force and our third-party channel partner network of distributors and resellers both domestically and internationally; however, there is no assurance that we will be successful in attracting and retaining talented sales personnel or strategic partners or that any new sales personnel or strategic partners will be able to achieve productivity in a reasonable period of time or at all. We also plan to dedicate significant resources to sales and marketing programs, including through electronic marketing campaigns and trade event sponsorship and participation. All of these efforts will require us to invest significant financial and other resources and our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue.

We must offer high-quality support.

Our customers rely on our personnel for support of our enterprise platform. High-quality support is important for the renewal of our agreements with existing customers and to our existing customers expanding the number of IP addresses or IT assets under their subscriptions. The importance of high-quality support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell new software to existing and new customers would suffer and our reputation with existing or potential customers would be harmed.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with strategic partners to provide broader customer coverage and solution delivery capabilities. We depend on partnerships with market leading technology companies to maintain and expand our Cyber Exposure ecosystem by integrating third party data into our platform. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our agreements with our strategic partners generally are non-exclusive and do not prohibit them from working with our competitors or offering competing solutions. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our services. If our partners choose to place greater emphasis on products of their own or those offered by our competitors or do not effectively market and sell our product, our ability to grow our business and sell software and professional services may be adversely affected. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our solutions by potential customers. We also license third-party threat data that is used in our solutions in order to deliver our offerings. In the future, this data may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of this data could result in delays in the provisioning of our offerings until equivalent data is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our solutions or increased revenue.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in Columbia, Maryland. The area around Washington, D.C. could be subject to terrorist attacks. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems and our website for our development, marketing, operational support, hosted services and sales activities. In the event of a major hurricane, earthquake or catastrophic event such as fire, power loss, telecommunications failure, cyberattack, war or terrorist attack that impacts our corporate headquarters, other facilities or off-premises infrastructure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our software development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

Recent and future acquisitions could disrupt our business and adversely affect our business operations and financial results.

We have in the past acquired products, technologies and businesses from other parties, such as our recent acquisition of Indegy Ltd. in December 2019, and we may choose to expand our current business by acquiring additional businesses or technologies in the future. Acquisitions, including the Indegy acquisition, involve many risks, including 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;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- 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;
- 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;

- our use of cash to pay for an acquisition would limit other potential uses for our cash; and
- 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.

The occurrence of any of these risks could have a material adverse effect on our business operations and financial results. In addition, we may only be able to conduct limited due diligence on an acquired company's operations. Following an acquisition, we may be subject to unforeseen liabilities arising from an acquired company's past or present operations and these liabilities may be greater than the warranty and indemnity limitations that we negotiate. Any unforeseen liability that is greater than these warranty and indemnity limitations could have a negative impact on our financial condition.

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

We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, we intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our product, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Our loan and security agreement with Silicon Valley Bank includes restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions, and any debt financing that we secure in the future could have similar restrictive covenants. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

The nature of our business requires the application of complex accounting rules and regulations. Significant changes in current principles will affect our consolidated financial statements and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our results of operations.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission, or SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. In addition, many companies' accounting disclosures are being subjected to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could impact our financial statements.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, or U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include the determination of the estimated economic life of perpetual licenses for revenue recognition, the estimated period of benefit for deferred commissions, useful lives of long-lived assets, the valuation of stock-based compensation, including the estimated underlying fair value of our common stock prior to our IPO, the incremental borrowing rate for operating leases, and the valuation of deferred tax assets. 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 trading price of our common stock.

Additionally, we regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial position and profit, or cause an adverse deviation from our revenue and operating profit target, which may negatively impact our financial results.

Our operating results may be negatively affected if we are required to pay additional state sales tax, value added, or other transaction taxes, and we could be subject to liability with respect to all or a portion of past or future sales.

We currently collect and remit sales and use, value added and other transaction taxes in certain of the jurisdictions where we do business based on our assessment of the amount of taxes owed by us in such jurisdictions. However, in some jurisdictions in which we do business, we do not believe that we owe such taxes, and therefore we currently do not collect and remit such taxes in those jurisdictions or record contingent tax liabilities in respect of those jurisdictions.

Further, due to uncertainty in the application and interpretation of applicable tax laws in various jurisdictions, we may be exposed to sales and use, value added or other transaction tax liability. A successful assertion that we are required to pay additional taxes in connection with sales of our solutions, or the imposition of new laws or regulations requiring the payment of additional taxes, would create increased costs and administrative burdens for us. If we are subject to additional taxes and determine to offset such increased costs by collecting and remitting sales taxes from our customers, or otherwise passing those costs through to our customers, companies may be discouraged from using our solutions. Any increased tax burden may decrease our ability or willingness to compete in relatively burdensome tax jurisdictions, result in substantial tax liabilities related to past sales or otherwise harm our business and operating results.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2019 we had federal, state and foreign net operating loss carryforwards, or NOLs, of $186.0 million, $132.0 million, and $163.6 million, respectively, available to offset future taxable income, which begin to expire in 2030. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire.

In addition, under the provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, substantial changes in our ownership may limit the amount of pre-change NOLs that can be utilized annually in the future to offset taxable income. Section 382 of the Internal Revenue Code imposes limitations on a company's ability to use NOLs if a company experiences a more-than-50-percent ownership change over a three-year testing period. Based upon an analysis as of December 31, 2017, we determined that we do not expect these limitations to impair our ability to use our NOLs prior to expiration. However, if changes in our ownership occur in the future, our ability to use our NOLs may be further limited. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we achieve profitability.

Uncertainties in the interpretation and application of the 2017 Tax Cuts and Jobs Act and possible future changes in tax laws or regulations could materially affect our tax obligations and effective tax rate.

Forecasts of our income tax position and effective tax rate for financial accounting purposes are complex and subject to uncertainty because our income tax position for each year combines the effects of a mix of profits earned and losses incurred by us in various tax jurisdictions with a broad range of income tax rates, as well as changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules and changes to these rules and tax laws, the results of examinations by various tax authorities, and the impact of any acquisition, business combination or other reorganization or financing transaction. To forecast our global tax rate, we estimate our pre-tax profits and losses by jurisdiction and forecast our tax expense by jurisdiction. If the mix of profits and losses, our ability to use tax credits, our assessment of the need for valuation allowances, or effective tax rates by jurisdiction is different than those estimated, our actual tax rate could be materially different than forecasted, which could have a material impact on our results of business, financial condition and results of operations.

On December 22, 2017, U.S. Federal tax reform was enacted with the signing of the Tax Cuts and Jobs Act, or TCJA. Future guidance from the U.S. Internal Revenue Service and other tax authorities with respect to the TCJA may affect us, and certain aspects of the TCJA could be repealed or modified in future legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our U.S. operations, the taxation of foreign earnings and the deductibility of expenses under the TCJA or future tax reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges in the current or future taxable years and could increase our future U.S. tax expense. The foregoing items, as well as any other future changes in tax laws, could have a material adverse effect on our business, cash flow, financial condition or results of operations. In addition, it is uncertain if and to what extent various states will conform to the TCJA or any newly enacted federal tax legislation.

We are subject to anti-corruption laws, anti-bribery and similar laws with respect to our domestic and international operations, and non-compliance with such laws can subject us to criminal and/or civil liability and materially harm our business and reputation.

We are subject to the anti-bribery laws of the jurisdictions in which we operate. This includes the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act 2010, and other anti-corruption laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit our company from authorizing, offering, or providing, directly or indirectly, improper payments or benefits in order to gain or maintain business, including payments to recipients in the public or private sector. We use third-party law firms, accountants, and other representatives for regulatory compliance, sales, and other purposes in several countries. We sell directly and indirectly, via third-party representatives, to the U.S. and non-U.S. customers, both private and government sectors, and our employees and third-party representatives interact with these customers who may include government officials. We can be held liable for the corrupt or other illegal activities of these third-party representatives, our employees, contractors, and other agents, even if we do not explicitly authorize such activities. Noncompliance with these laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our reputation, business, results of operations and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, results of operations, and financial condition. Moreover, as an issuer of securities, we also are subject to the accounting and internal controls provisions of the FCPA. These provisions require us to maintain accurate books and records and a system of internal controls sufficient to detect and prevent corrupt conduct. Failure to abide by these provisions may have an adverse effect on our business, operations or financial condition.

We are subject to governmental export and import controls and economic and trade sanctions that could impair our ability to conduct business in international markets and subject us to liability if we are not in compliance with applicable laws and regulations.

The United States and other countries maintain and administer export and import laws and regulations. Our products are subject to U.S. export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control. We are required to comply with these laws and regulations. If we fail to comply with such laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our solutions, or changes in applicable export or import laws and regulations may create delays in the introduction and sale of our products in international markets or, in some cases, prevent the export or import of our solutions to certain countries, governments or persons altogether. Any change in export or import laws and regulations or economic or trade sanctions, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations could also result in decreased use of our products, or in our decreased ability to export or sell our products to existing or potential customers. For example, the current U.S. administration has been critical of existing trade agreements and may impose more stringent export and import controls. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition, and results of operations.

Furthermore, we incorporate encryption technology into certain of our solutions. Various countries regulate the import of certain encryption 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. Encrypted products and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of imports or exports of encryption solutions, or our failure to obtain required import or export approval for our solutions, could harm our international sales and adversely affect our revenue. Compliance with applicable laws and regulations regarding the export and import of our solutions, including with respect to new solutions or changes in existing solutions, may create delays in the introduction of our solutions in international markets, prevent our customers with international operations from deploying our solutions globally or, in some cases, could prevent the export or import of our solutions to certain countries, governments, entities or persons altogether.

Moreover, U.S. export control laws and economic sanctions programs prohibit the shipment of certain products and services to countries, governments and persons that are subject to U.S. economic embargoes and trade sanctions. Any violations of such economic embargoes and trade sanction regulations could have negative consequences, including government investigations, penalties and reputational harm.

Risks Related to Government Regulation, Data Collection and Intellectual Property

Our business could be adversely affected if our employees cannot obtain and maintain required security clearances or we cannot establish and maintain a required facility security clearance.

Certain U.S. government contracts may require our employees to maintain various levels of security clearances, and may require us to maintain a facility security clearance, to comply with Department of Defense, or DoD, requirements. The DoD has strict security clearance requirements for personnel who perform work in support of classified programs. Obtaining and maintaining a facility clearance and security clearances for employees can be a difficult, sometimes lengthy process. If we do not have employees with the appropriate security clearances, then a customer requiring classified work could terminate an existing contract or decide not to renew the contract upon its expiration. To the extent we are not able to obtain or maintain a facility security clearance, we may not be able to bid on or win new classified contracts, and existing contracts requiring a facility security clearance could be terminated.

Any failure to protect our proprietary technology and intellectual property rights could substantially harm our business and operating results.

Our success and ability to compete depend in part on our ability to protect our proprietary technology and intellectual property. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage.

As of December 31, 2019, we had 16 issued patents and six patent applications pending in the United States relating to our technology. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers. Obtaining and enforcing software patents in the United States is becoming increasingly challenging. Any patents we have obtained or may obtain in the future may be found to be invalid or unenforceable in light of recent and future changes in the law. We have registered the “Tenable,” “Nessus,” “Tenable.io” and "Lumin" names and our Tenable logo in the United States and certain other countries. We have registrations and/or pending applications for additional marks in the United States; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights. While we have copyrights in our software we do not typically register such copyrights with the Copyright Office. This failure to register the copyrights in our software may preclude us from obtaining statutory damages for infringement under certain circumstances. We also license software from third parties for integration into our software, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality and invention assignment agreements with our employees, consultants, strategic partners, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, copy, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, several agreements may give customers limited rights to access portions of our proprietary source code, and the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. To the extent that we expand our activities outside of the United States, our exposure to unauthorized copying and use of our solutions and proprietary information may increase. We may be unable to determine the extent of any unauthorized use or infringement of our solutions, technologies or intellectual property rights.

There can be no assurance that the steps that we take will be adequate to protect our proprietary technology and intellectual property, that others will not develop or patent similar or superior technologies, solutions or services, or that our trademarks, patents, and other intellectual property will not be challenged, invalidated or circumvented by others. Furthermore, effective trademark, patent, copyright, and trade secret protection may not be available in every country in which our software is available or where we have employees or independent contractors. In addition, the legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights in internet and software-related industries are uncertain and still evolving.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could seriously adversely affect our brand and adversely impact our business.

We may be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own significant numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. In the past, we have been subject to allegations of patent infringement that were unsuccessful, and we expect in the future to be subject to claims that we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility or face increasing competition, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to enterprise software companies. We may in the future be subject to claims that employees or contractors, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties. To the extent that intellectual property claims are made against our customers based on their usage of our technology, we have certain obligations to indemnify and defend such customers from those claims. The term of our contractual indemnity provisions often survives termination or expiration of the applicable agreement. Large indemnity payments, defense costs or damage claims from contractual breach could harm our business, results of operations and financial condition.

There may be third-party intellectual property rights, including issued or pending patents that cover significant aspects of our technologies or business methods. Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate, could divert our management's attention and other resources and could result in adverse publicity. These claims could also subject us to making substantial payments for legal fees, settlement payments, and other costs or damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop making, selling, offering for sale, or using technology found to be in violation of a third party's rights. We might be required to seek a license for the third-party intellectual property rights, which may not be available on reasonable terms or at all. Even if a license is available to us, we may be required to pay significant upfront fees, milestones or royalties, which would increase our operating expenses. Moreover, to the extent we only have a license to any intellectual property used in our solutions, there may be no guarantee of continued access to such intellectual property, including on reasonable terms. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities covered by such intellectual property, and may be unable to compete effectively. Any of these results would adversely affect our business, results of operations, financial condition and cash flows.

Portions of our solutions utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Our software contains software made available by third parties under so-called "open source" licenses. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that such open source software infringes the claimants' intellectual property rights. We could be subject to suits by parties claiming that what we believe to be licensed open source software infringes their intellectual property rights. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, certain open source licenses require that source code for software programs that are subject to the license be made available to the public and that any modifications or derivative works to such open source software continue to be licensed under the same terms. Further, certain open source licenses also include a provision that if we enforce any patents against the software programs that are subject to the license, we would lose the license to such software. If we were to fail to comply with the terms of such open source software licenses, such failures could result in costly litigation, lead to negative public relations or require that we quickly find replacement software which may be difficult to accomplish in a timely manner.

Although we monitor our use of open source software in an effort both to comply with the terms of the applicable open source licenses and to avoid subjecting our software to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our product or operate our business. By the terms of certain open source licenses, we could be required to release the source code of our software and to make our proprietary software available under open source licenses, if we combine or distribute our software with open source software in a certain manner. In the event that portions of our software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all, or a portion of, that software or otherwise be limited in the licensing of our software, each of which could reduce or eliminate the value of our product. Many of the risks associated with usage of open source software cannot be eliminated, and could negatively affect our business, results of operations and financial condition.

Risks Related to Our Common Stock

Our stock price may be volatile, and the value of our common stock may decline.

The market price of our common stock may fluctuate substantially and depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the market price of our common stock include the following:

- actual or anticipated changes or fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders, or the perception that these sales might occur, including in connection with anticipated distributions of shares of our common stock by entities affiliated with members of our Board of Directors;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;

- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property rights or our solutions, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major changes in our management or our Board of Directors;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from pandemics, war, incidents of terrorism or responses to these events.

Recently, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

An active public trading market may not be sustained.

Prior to our initial public offering, or IPO, in July 2018, there was no public market or active private market for our common stock. Following our IPO, an active public trading market may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. As a new public company, we may be slow to attract research coverage and the analysts who publish information about our common stock will have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. In addition, the stock prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet, or exceed, our announced guidance or the expectations of analysts or public investors, analysts could downgrade our common stock or publish unfavorable research about us. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Future sales of substantial amounts of our common stock in the public markets, or the perception that they might occur, could reduce the price that our common stock might otherwise attain.

Sales of a substantial number of shares of our common stock in the public market by us or our stockholders, or the perception that these sales might occur, including in connection with anticipated distributions of shares of our common stock by entities affiliated with members of our Board of Directors, could depress the market price of our common stock, impair our ability to raise capital through the sale of additional equity securities and make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, we have filed registration statements on Form S-8 under the Securities Act registering the issuance of shares of common stock subject to options and other equity awards issued or reserved for future issuance under our equity incentive plans. Shares registered under these registration statements, and under additional registration statements on Form S-8 that we may file to register additional shares of common stock pursuant to provisions of our equity incentive plans that provide for an automatic increase in the number of shares reserved and available for issuance each year, are available for sale in the public market subject to vesting arrangements and exercise of options and the restrictions of Rule 144 under the Securities Act in the case of our affiliates.

The issuance of additional stock in connection with financings, acquisitions, investments, our equity incentive plan or otherwise will dilute all other stockholders.

Our certificate of incorporation authorizes us to issue up to 500,000,000 shares of common stock and up to 10,000,000 shares of preferred stock with such rights and preferences as may be determined by our Board of Directors. Subject to compliance with applicable rules and regulations, in the future we may issue common stock or other securities convertible into shares of our common stock from time to time in connection with a financing, acquisition, investment, our equity incentive plan or otherwise. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of the then outstanding shares of our common stock, which could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

Concentration of ownership among our existing directors, executive officers and holders of 5% or more of our outstanding common stock may prevent new investors from influencing significant corporate decisions, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Our executive officers, directors and current beneficial owners of 5% or more of our common stock beneficially own a significant percentage of our outstanding common stock. These persons, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with the interests of other stockholders.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the Nasdaq and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources, particularly as we are no longer an “emerging growth company” as of December 31, 2019. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired, and are in the process of hiring, additional personnel to help comply with these requirements, we may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be materially harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, financial condition, results of operations and prospects.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our Board of Directors, particularly to serve on our audit committee and compensation committee.

In addition, as a result of our disclosure obligations as a public company, we may have reduced strategic flexibility and may be under pressure to focus on short-term results, which could materially and adversely affect our ability to achieve long-term profitability.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. In addition, our loan and security agreement with Silicon Valley Bank contains restrictive covenants that prohibit us, subject to certain exceptions, from paying dividends on our common stock.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This report by management is included in Part II, Item 9A of this Form 10-K. In addition, now that we have ceased to be an "emerging growth company," our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting in this Form 10-K. We are also required to disclose significant changes made in our internal control procedures on a quarterly basis.

Our compliance with Section 404 requires that we incur substantial professional fees and expend significant management efforts, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove members of our Board of Directors and our current management and could negatively impact the market price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our Board of Directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors;
- the ability of our Board of Directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without

stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- the exclusive right of our Board of Directors to elect a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairperson of our Board of Directors, Chief Executive Officer or president (in the absence of a chief executive officer) or a majority vote of our Board of Directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquirer to affect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our Board of Directors, by majority vote, to amend our amended and restated bylaws, which may allow our Board of Directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend our amended and restated bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our Board of Directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or the U.S. federal district courts will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision, if permitted by applicable law, may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers or other employees. If a court were to find this exclusive forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our results of operations and financial condition.

Our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Recently, the Delaware Chancery Court issued an opinion invalidating such a provision. In light of that recent decision, we will not attempt to enforce this provision of our amended and restated certificate of incorporation to the extent it is not permitted by applicable law. As a result, we may incur additional costs associated with resolving disputes that would otherwise be restricted by that provision in other jurisdictions, which could seriously harm our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Columbia, Maryland and consist of approximately 96,000 square feet under leases that expire in May 2021 and May 2020. We have entered into a lease for our planned new corporate headquarters located in Columbia, Maryland, which consists of approximately 160,000 square feet under a lease that expires in February 2032, which we plan to occupy in 2020. We maintain additional offices in multiple locations in the United States and internationally in Europe and the Middle East, Asia Pacific and South America. We believe that our current facilities are adequate to meet our ongoing needs and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. We have received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock trades on the Nasdaq Global Select Market under the ticker symbol "TENB."

Holders of Record

At December 31, 2019, we had 34 holders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any dividends on our common stock. In addition, our loan and security agreement with Silicon Valley Bank contains restrictive covenants that prohibit us, subject to certain exceptions, from paying dividends on our common stock. We currently intend to retain all available funds and any future earnings for the operation and expansion of our business and do not anticipate declaring or paying cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our current and future debt agreements, and other factors that our board of directors may deem relevant.

Unregistered Sales of Equity Securities

None.

Use of Proceeds from IPO

On July 30, 2018, we completed our IPO, in which we issued and sold 12,535,000 shares of common stock at a price to the public of $23.00 per share, including 1,635,000 shares of common stock purchased by our underwriters pursuant to the full exercise of their over-allotment option to purchase additional shares. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-226002), which was declared effective by the SEC on July 25, 2018.

Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Allen & Company LLC and Deutsche Bank Securities Inc. acted as active book-running managers for the offering. Stifel, Nicolaus & Company, Incorporated acted as passive book-running manager for the offering, and William Blair & Company, L.L.C. and BTIG, LLC acted as co-managers for the offering. The offering commenced on July 25, 2018 and did not terminate before all securities registered on the registration statement were sold.

We received net proceeds of $264.6 million after deducting underwriting discounts and commissions and offering expenses. No offering expenses incurred by us were paid directly or indirectly to any of our directors, officers or persons owning ten percent or more of our capital stock (or their associates or affiliates).

There has been no material change in the planned use of the IPO proceeds as described in our final prospectus for our IPO dated as of July 25, 2018 and filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act on July 26, 2018.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data

The following selected consolidated statements of operations data for the years ended December 31, 2019, 2018 and 2017 and the selected consolidated balance sheet data as of December 31, 2019 and 2018 are derived from our audited consolidated financial statements included in this Annual Report on Form 10-K. The consolidated statements of operations data for the years ended December 31, 2016 and 2015 and consolidated balance sheet data as of December 31, 2017, 2016 and 2015 are from our audited financial statements not included in this Annual Report on Form 10-K.

You should read the following selected financial data with the historical consolidated financial statements and related notes to those statements, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this Annual Report on Form 10-K.

Consolidated Statements of Operations Data:	**Year Ended December 31,**				
(in thousands, except per share data)	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue[1]	$ 354,586	$ 267,360	$ 187,727	$ 124,371	$ 93,466
Cost of revenue[2]	60,818	43,167	25,588	14,219	10,914
Gross profit	293,768	224,193	162,139	110,152	82,552
Operating expenses:					
Sales and marketing[2]	228,035	173,344	116,299	85,736	60,635
Research and development[2]	87,064	76,698	57,673	40,085	25,288
General and administrative[2]	69,468	46,732	28,927	20,164	15,348
Recapitalization costs[3]	—	—	—	—	67,039
Total operating expenses	384,567	296,774	202,899	145,985	168,310
Loss from operations	(90,799)	(72,581)	(40,760)	(35,833)	(85,758)
Interest income (expense), net	5,830	2,355	(75)	(35)	10
Other expense, net	(680)	(931)	(16)	(497)	(199)
Loss before income taxes	(85,649)	(71,157)	(40,851)	(36,365)	(85,947)
Provision for (benefit from) income taxes	13,364	2,364	171	843	(2,188)
Net loss	(99,013)	(73,521)	(41,022)	(37,208)	(83,759)
Accretion of Series A and B redeemable convertible preferred stock	—	(434)	(763)	(763)	(29)
Net loss attributable to common stockholders	$ (99,013)	$ (73,955)	$ (41,785)	$ (37,971)	$ (83,788)
Net loss per share attributable to common stockholders, basic and diluted[4]	$ (1.03)	$ (1.38)	$ (1.88)	$ (1.81)	$ (1.45)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	96,014	53,669	22,211	20,974	57,654

(1) We adopted Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, or ASC 606, on January 1, 2017 using the modified retrospective method. The 2016 and 2015 consolidated statements of operations were not adjusted for the adoption of ASC 606.

(2) Includes stock-based compensation expense as follows:

(in thousands)	Year Ended December 31, 2019	2018	2017	2016	2015
Cost of revenue	$ 2,817	$ 1,707	$ 281	$ 223	$ 52
Sales and marketing	16,032	6,911	1,579	969	866
Research and development	8,911	5,804	1,782	602	252
General and administrative	15,683	8,453	4,118	738	509
Total stock-based compensation expense	$ 43,443	$ 22,875	$ 7,760	$ 2,532	$ 1,679

(3) We recorded a charge of $67.0 million primarily resulting from the repurchase price paid to common stockholders exceeding the estimated fair value of the common stock on the date of the Series B financing.

(4) See Note 10 to our consolidated financial statements in this Annual Report on Form 10-K for details on the calculation of basic and diluted net loss per share attributable to common stockholders.

Consolidated Balance Sheet Data: (in thousands)	December 31, 2019	2018	2017	2016	2015
Cash and cash equivalents	$ 74,363	$165,116	$ 27,210	$ 34,470	$ 43,743
Working capital (deficit)[1]	35,319	142,484	(69,091)	(18,538)	13,862
Total assets	558,612	460,612	164,337	105,494	83,993
Deferred revenue, current and non-current	363,127	289,903	225,818	107,447	63,218
Redeemable convertible preferred stock	—	—	277,735	276,972	276,209
Accumulated deficit	(565,121)	(466,108)	(392,587)	(313,147)	(275,939)
Total stockholders' equity (deficit)	98,905	121,763	(371,665)	(301,918)	(266,862)

(1) We define working capital (deficit) as total current assets less total current liabilities. See our consolidated financial statements in this Annual Report on Form 10-K for further details regarding our current assets and current liabilities. Changes in working capital (deficit) between 2016 and 2017 reflect increases in deferred revenue and deferred commissions as a result of our subscription model and our adoption of ASC 606 on January 1, 2017.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K, or this Form 10-K. This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “would” or the negative or plural of these words or similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled “Risk Factors,” set forth in Part I, Item 1A of this Form 10-K and in our other filings with the SEC. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

On December 2, 2019, we acquired Indegy Ltd. (“Indegy”) to expand our Operational Technology ("OT") specific capabilities. The results of operations of Indegy were not material to our consolidated statement of operations for 2019.

Overview

We are a leading provider of solutions for a new category of cybersecurity that we call Cyber Exposure. Cyber Exposure is a discipline for managing, measuring and comparing cybersecurity risk in the digital era. Our enterprise platform enables broad visibility into an organization’s cyber exposure across the modern attack surface and deep insights that help organizations translate vulnerability data into business insights to understand and reduce their cybersecurity risk.

Our enterprise platform offerings include Tenable.io, which is our software as a service, or SaaS, offering and Tenable.sc, which is our on-premises offering, both of which provide organizations with applications purpose-built for areas of both traditional and modern attack surfaces, including IT infrastructure and applications, cloud environments and Industrial IoT and OT environments. These applications are designed with views, workflows and dashboards to help identify vulnerabilities, internal and regulatory compliance violations, misconfigurations and other cybersecurity issues, prioritize these issues for remediation, and provide insightful remediation guidance.

Our enterprise platform offerings are primarily sold on a subscription basis with a one-year term. Our subscription terms are generally not longer than three years. These offerings are typically prepaid in advance. To a lesser extent, we generate ratably recognizable revenue from perpetual licenses and from the related ongoing maintenance.

We sell and market our products and services through our field sales force that works closely with our channel partners, which includes a network of distributors and resellers, in developing sales opportunities. We use a two-tiered channel model whereby we sell our enterprise platform offerings to our distributors, which in turn sell to our resellers, which then sell to end users, which we call customers.

Many of our enterprise platform customers initially use either our free or paid version of Nessus, one of the industry's most widely deployed vulnerability assessment solutions. Nessus, which is the technology that underpins our enterprise platform offerings, is designed to quickly and accurately identify vulnerabilities, configuration and compliance issues and malware. Our free version of Nessus, Nessus Essentials, allows for vulnerability assessment over a limited number of IP addresses. We believe many of our Nessus customers begin with Nessus Essentials and subsequently upgrade to Nessus Professional, the paid version of Nessus; however, we expect many users to continue to use Nessus Essentials.

We have experienced rapid growth in recent years. Revenue in 2019, 2018 and 2017 was $354.6 million, $267.4 million and $187.7 million, respectively, representing year-over-year growth of 33% and 42%, respectively. Our net loss in 2019, 2018 and 2017 was $99.0 million, $73.5 million and $41.0 million, respectively, as we continue to invest in our business and market opportunity.

Financial Highlights

Below are our key financial results:

	Year Ended December 31,		
(in thousands, except per share data)	**2019**	**2018**	**2017**
Revenue	$ 354,586	$ 267,360	$ 187,727
Loss from operations	(90,799)	(72,581)	(40,760)
Net loss	(99,013)	(73,521)	(41,022)
Net loss per share attributable to common stockholders, basic and diluted	(1.03)	(1.38)	(1.88)
Net cash used in operating activities	(10,744)	(2,559)	(6,266)
Purchases of property and equipment	(20,674)	(5,733)	(2,755)

Factors Affecting Our Performance

Product Leadership

Our enterprise platform provides visibility into the broadest range of traditional and modern IT assets across cloud and on-premises environments. We are intensely focused on continued innovation and ongoing development of our enterprise platform offerings that empower organizations to understand and reduce their cyber exposure. Additionally, we continue to expand the capabilities of our Nessus products, specifically as they relate to the ability to scan for and detect the rapidly expanding volume of vulnerabilities.

We intend to continue to invest in our engineering capabilities and marketing activities to maintain our position in the highly-competitive market for cybersecurity solutions. Our results of operations may fluctuate as we make these investments to drive increased customer adoption and usage.

New Enterprise Platform Customer Acquisition

We believe that our customer base provides a significant opportunity to expand sales of our enterprise platform offerings and that our ability to continue to grow our enterprise platform customers will increase future opportunities for renewals and follow-on sales. We believe that we have significant room to increase our market share.

We expect to grow our enterprise platform customers by continuing to expand our sales organization and leveraging our channel partner network, which we believe will allow us to identify new enterprise customers, enter new markets, including internationally, as well as to convert more of our existing Nessus Professional customers to enterprise platform customers.

We have increased our sales and marketing headcount in recent years and we will continue to invest in our partner network and sales and marketing capability in order to grow domestically and internationally.

Retaining and Expanding Revenue from Existing Customers

Our enterprise platform offerings utilize IT asset-based or IP address-based pricing models. Once enterprise customers have licensed our platform offerings, they typically seek broader coverage over their traditional IT assets, including networking infrastructure, desktops and on-premises servers. As customers launch new applications or migrate existing applications to the cloud and deploy web applications, containers, internet of things, or IoT, and operational technology, or OT, they often increase the scope of their subscriptions and/or add additional perpetual licenses to our enterprise platforms.

We are also focused on upselling customers from Nessus Professional to our enterprise platform offerings. Nessus Professional customers are typically organizations or independent security consultants that use Nessus Professional for a single vulnerability assessment at a point in time. We seek to convert these customers to our enterprise platform offerings, which provide continuous visibility and insights into their attack surface, as their needs develop.

Further, we plan to expand existing platform capabilities and launch new products, which we believe will drive new product purchases and follow-on purchases over time, thereby contributing to customer renewals. We believe that there is a significant opportunity to drive additional sales to existing customers, and we expect to invest in sales and marketing and customer success personnel and activities to achieve additional revenue growth from existing customers. However, our ability to increase sales to existing customers will depend on a number of factors, including satisfaction or dissatisfaction with our products and services, competition, pricing, economic conditions or overall changes in our spending levels.

We evaluate our ability to expand sales with our existing customers by assessing our dollar-based net expansion rate. We calculate our dollar-based net expansion rate as follows:

- Denominator: To calculate our dollar-based net expansion rate as of the end of a reporting period, we first determine the annual recurring revenue, or ARR, from all active subscriptions and maintenance from perpetual licenses as of the last day of the same reporting period in the prior year. This represents recurring payments that we expect to receive in the next 12-month period from the cohort of customers that existed on the last day of the same reporting period in the prior year.

- Numerator: We measure the ARR for that same cohort of customers representing all subscriptions and maintenance from perpetual licenses based on customer orders as of the end of the reporting period.

We calculate dollar-based net expansion rate by dividing the numerator by the denominator.

While our dollar-based net expansion rate may decline or fluctuate from quarter to quarter based on the result of a number of factors, including our existing customers' satisfaction with our solutions, the pricing of our solutions and the ability of competing solutions and the pricing thereof, our dollar-based net expansion rate has historically exceeded, and we expect that it will continue to exceed, 110%.

Investing in Business Growth

Since our founding, we have invested significantly in growing our business. We intend to continue to invest in sales and marketing to grow our sales team, expand brand and Cyber Exposure awareness and optimize our channel partner network. We also intend to continue to invest in our research and development team to further our technological leadership position in Cyber Exposure and enhance the functionality of our solutions. Any investments we make in our sales and marketing and research and development teams will occur in advance of experiencing the benefits from such investments, so it may be difficult for us to determine if we are efficiently allocating resources in those areas. We may also explore acquisitions of businesses, technology and/or development personnel that will expand and enhance the functionality of our platform offerings. These investment activities could increase our net losses over the short term if our revenue growth does not increase at higher rates. However, we expect that these investments will ultimately benefit our results of operations.

Key Operating and Financial Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain operating metrics and non-GAAP financial measures, as described below, to understand and evaluate our core operating and financial performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these operating metrics and non-GAAP financial measures provide useful information about our operating and financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important metrics used by management for financial and operational decision-making. We present these operating metrics and non-GAAP financial measures to assist investors in seeing our operating and financial performance using a management view and because we believe that these measures provide an additional tool for investors to use in comparing our core operating and financial performance over multiple periods with other companies in our industry.

Calculated Current Billings

We use the non-GAAP measure of calculated current billings, which we believe is a key metric to measure our periodic performance. Given that most of our customers pay in advance, we typically recognize a majority of the related revenue ratably over time. We use calculated current billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers.

Calculated current billings consists of revenue recognized in a period plus the change in current deferred revenue in the corresponding period. We believe that calculated current billings, which excludes deferred revenue for periods beyond twelve months in a customer's contractual term, more closely correlates with annual contract value and that the variability in total billings, depending on the timing of large multi-year contracts and the preference for annual billing versus multi-year upfront billing, may distort growth in one period over another. While we believe that calculated current billings provides valuable insight into the cash that will be generated from sales of our subscriptions, this metric may vary from period-to-period for a number of reasons, and therefore has a number of limitations as a quarter-to-quarter or year-over-year comparative measure. For example, calculated current billings include amounts that have not yet been recognized as revenue; an increasing number of large sales transactions, for which the timing has and will continue to vary, may occur in quarters subsequent to or in advance of those that we anticipate; and our calculation of current billings may be different from other companies that report similar financial measures. Additionally, calculated current billings in any one period may be impacted by the timing of customer renewals, including early renewals, which could favorably or unfavorably impact year-over-year comparisons. Because of these and other limitations, you should consider calculated current billings along with revenue and our other GAAP financial results.

Our adoption of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* as of January 1, 2017 resulted in a $55.0 million increase in deferred revenue primarily related to the deferral of perpetual license revenue. This cumulative adjustment to deferred revenue at January 1, 2017 increased calculated current billings by $16.7 million in 2017, $11.8 million in 2018 and $5.6 million in 2019 and is expected to increase our calculated current billings by $1.9 million in 2020.

The following table presents a reconciliation of revenue, the most directly comparable financial measure calculated in accordance with GAAP, to calculated current billings:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Revenue	$ 354,586	$ 267,360	$ 187,727
Deferred revenue (current), end of period	274,348	213,644	154,898
Deferred revenue (current), beginning of period[1][2]	(214,069)	(154,898)	(107,006)
Calculated current billings	$ 414,865	$ 326,106	$ 235,619

(1) Deferred revenue (current), beginning of period for 2019 includes $0.4 million related to Indegy's deferred revenue at the acquisition date, which is not included in the deferred revenue (current), end of period for 2018.

(2) In connection with adopting ASC 606, we recorded $19.0 million of current deferred revenue on January 1, 2017 related to perpetual license revenue recognized in prior periods.

Free Cash Flow

We use the non-GAAP measure of free cash flow, which we define as GAAP net cash flows from operating activities reduced by purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment, for investment in our business and to make acquisitions. We believe that free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash.

Our use of free cash flow has limitations as an analytical tool and you should not consider it in isolation or as a substitute for an analysis of our results under GAAP. First, free cash flow is not a substitute for net cash flows from operating activities. Second, other companies may calculate free cash flow or similarly titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a tool for comparison. Additionally, the utility of free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for a given period. Because of these and other limitations, you should consider free cash flow along with net cash used in operating activities and our other GAAP financial measures.

The following table presents a reconciliation of net cash used in operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow:

	Year Ended December 31,		
(in thousands)	2019	2018	2017
Net cash used in operating activities	$ (10,744)	$ (2,559)	$ (6,266)
Purchases of property and equipment	(20,674)	(5,733)	(2,755)
Free cash flow(1)	$ (31,418)	$ (8,292)	$ (9,021)

(1) Free cash flow in 2019 included non-recurring cash payments totaling $13.1 million associated with the Indegy acquisition, including $6.7 million for income taxes on the transfer of acquired intellectual property, $3.1 million for other costs related to the intellectual property transfer, $1.8 million for the settlement of unvested acquiree equity awards, and $1.5 million for acquisition-related expenses. Capital expenditures related to our new headquarters in 2019 were $11.4 million. Contributions to our employee stock purchase plan in 2019 and 2018 impacted free cash flow by $(0.9) million and $6.3 million, respectively.

Enterprise Platform Customers

We believe that our customer base provides a significant opportunity to expand sales of our enterprise platform offerings. The following tables summarize key components of our customer base:

	Year Ended December 31,		
	2019	2018	2017
Number of new enterprise platform customers added in period(1)	1,511	1,178	1,017

(1) We define an enterprise platform customer as a customer that has licensed Tenable.io or Tenable.sc for an annual amount of $5,000 or greater. New enterprise platform customers represent new customer logos during the periods presented and do not include customer conversions from Nessus Professional to enterprise platforms.

	At December 31,		
	2019	2018	2017
Number of customers with $100,000 and greater in annual contract value at end of period	641	453	265

Non-GAAP Loss from Operations and Non-GAAP Operating Margin

We use non-GAAP loss from operations along with non-GAAP operating margin as key indicators of our financial performance. We define these non-GAAP financial measures as their respective GAAP measures, excluding the effects of stock-based compensation, acquisition-related expenses and amortization of acquired intangible assets. Acquisition-related expenses include transaction expenses and costs related to the transfer of acquired intellectual property.

We believe that these non-GAAP financial measures provide useful information about our core operating results over multiple periods. There are a number of limitations related to the use of the non-GAAP financial measures as compared to GAAP loss from operations and operating margin, including that non-GAAP loss from operations and non-GAAP operating margin exclude stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy.

The following table presents a reconciliation of loss from operations, the most directly comparable financial measure calculated in accordance with GAAP, to non-GAAP loss from operations, and operating margin, the most directly comparable financial measure calculated in accordance with GAAP, to non-GAAP operating margin:

	Year Ended December 31,		
(dollars in thousands)	**2019**	**2018**	**2017**
Loss from operations	$ (90,799)	$ (72,581)	$ (40,760)
Stock-based compensation	43,443	22,875	7,760
Acquisition-related expenses	3,970	—	—
Amortization of acquired intangible assets	620	603	603
Non-GAAP loss from operations	$ (42,766)	$ (49,103)	$ (32,397)
Operating margin	(26)%	(27)%	(22)%
Non-GAAP operating margin	(12)%	(18)%	(17)%

Non-GAAP Net Loss, Non-GAAP Net Loss Per Share and Pro Forma Non-GAAP Net Loss Per Share

We use non-GAAP net loss, which excludes the effect of the accretion of Series A and B redeemable convertible preferred stock, stock-based compensation, acquisition-related expenses and amortization of acquired intangible assets, as well as the related tax impact, to calculate non-GAAP net loss per share and pro forma non-GAAP net loss per share. Pro forma non-GAAP net loss per share is calculated by giving effect to the conversion of our redeemable convertible preferred stock into common stock as though the conversion occurred at the beginning of each period presented prior to 2019. We believe that these non-GAAP measures provide important information to management and investors because they facilitate comparisons of our core operating results over multiple periods.

The following table presents a reconciliation of net loss, and net loss per share attributable to common stockholders, the most comparable financial measures calculated in accordance with GAAP, to non-GAAP net loss, non-GAAP net loss per share and pro forma non-GAAP net loss per share:

	Year Ended December 31,		
(in thousands, except for per share amounts)	**2019**	**2018**	**2017**
Net loss attributable to common stockholders	$ (99,013)	$ (73,955)	$ (41,785)
Accretion of Series A and B redeemable convertible preferred stock	—	434	763
Acquisition-related expenses	3,970	—	—
Tax impact of acquisition(1)	10,582	—	—
Stock-based compensation	43,443	22,875	7,760
Tax impact of stock-based compensation(2)	(95)	(218)	(54)
Amortization of acquired intangible assets(3)	620	603	603
Non-GAAP net loss	$ (40,493)	$ (50,261)	$ (32,713)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.03)	$ (1.38)	$ (1.88)
Accretion of Series A and B redeemable convertible preferred stock	—	0.01	0.03
Acquisition-related expenses	0.04	—	—
Tax impact of acquisition(1)	0.11	—	—
Stock-based compensation	0.45	0.42	0.35
Tax impact of stock-based compensation(2)	—	—	—
Amortization of acquired intangible assets(3)	0.01	0.01	0.03
Non-GAAP net loss per share, basic and diluted	$ (0.42)	$ (0.94)	$ (1.47)
Weighted-average shares used to compute net loss per share attributable to common stockholders and non-GAAP net loss per share, basic and diluted	96,014	53,669	22,211
Pro forma adjustment to reflect the assumed conversion of our convertible redeemable preferred stock as of the beginning of the period	—	31,107	55,386
Weighted-average shares used to compute pro forma non-GAAP net loss per share, basic and diluted	96,014	84,776	77,597
Pro forma non-GAAP net loss per share, basic and diluted	$ (0.42)	$ (0.59)	$ (0.42)

(1) The tax impact of the acquisition includes $6.3 million of current tax expense and $4.2 million of deferred tax expense related to the transfer of acquired intellectual property.

(2) The tax impact of stock-based compensation is based on the tax treatment for applicable tax jurisdictions.

(3) The tax impact of amortization of acquired intangible assets is not material.

Components of Our Results of Operations

Revenue

We generate revenue from subscription arrangements for our software and cloud-based solutions, perpetual licenses, maintenance associated with perpetual licenses and professional services.

Our subscription arrangements generally have annual or multi-year contractual terms to use our software or cloud-based solutions, including ongoing software updates during the contractual period. Revenue is recognized ratably over the subscription term given the critical utility provided by the ongoing updates that are released throughout the contract period.

Our perpetual licenses are generally sold with one or more years of maintenance, which includes ongoing software updates. Given the critical utility provided by the ongoing software updates and updated ability to identify network vulnerabilities included in maintenance, we combine the perpetual license and the maintenance into a single performance obligation. Perpetual license arrangements generally contain a material right related to the customer's ability to renew maintenance at a price that is less than the initial license fee. We apply a practical alternative to allocating a portion of the transaction price to the material right performance obligation and estimate a hypothetical transaction price which includes fees for expected maintenance renewals based on the estimated economic life of perpetual license contracts. We allocate the transaction price between the cybersecurity subscription provided in the initial contract and the material right related to expected contract renewals based on the hypothetical transaction price. We recognize the amount allocated to the combined license and maintenance performance obligation over the initial contractual period, which is generally one year. We recognize the amount allocated to the material right over the expected maintenance renewal period, which begins at the end of the initial contractual term and is generally four years. We have estimated the five-year economic life of perpetual license contracts based on historical contract attrition, expected renewal periods, the lifecycle of our technology and other factors. This estimate may change over time.

Professional services and other revenue is primarily comprised of advisory services and training related to the deployment and optimization of our products. These services do not result in significant customization of our products. Professional services and other revenue is recognized as the services are performed.

We have historically experienced, and expect in the future to experience, seasonality in entering into agreements with customers. We typically enter into a significantly higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the third and fourth quarters of the year. The increase in customer agreements in the third quarter is primarily attributable to U.S. government and related agencies, and the increase in the fourth quarter is primarily attributable to large enterprise account buying patterns typical in the software industry. Our recent growth and the ratable nature of our subscription revenue makes this seasonality less apparent in our overall financial results.

Cost of Revenue, Gross Profit and Gross Margin

Cost of revenue includes personnel costs related to our technical support group that provides assistance to customers, including salaries, benefits, bonuses, payroll taxes and stock-based compensation. Cost of revenue also includes cloud infrastructure costs, the costs related to professional services and training, depreciation, amortization of acquired and developed technology and allocated overhead costs, which consist of information technology and facilities.

We intend to continue to invest additional resources in our cloud-based platform and customer support team as we grow our business. The level and timing of investment in these areas could affect our cost of revenue in the future.

Gross profit, or revenue less cost of revenue, and gross margin, or gross profit as a percentage of revenue, have been and will continue to be affected by various factors, including the timing of our acquisition of new customers and our renewals of and follow-on sales to existing customers, the costs associated with operating our cloud-based platform, the extent to which we expand our customer support team and the extent to which we can increase the efficiency of our technology and infrastructure through technological improvements.

We expect our gross profit to increase in absolute dollars but our gross margin to decrease, as we expect revenue from our cloud-based subscriptions to increase as a percentage of revenue, although our gross margin could fluctuate from period to period depending on the interplay of all of these factors.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, payroll taxes and stock-based compensation expense. Operating expenses also include depreciation and amortization as well as allocated overhead costs including IT and facilities costs.

Sales and Marketing

Sales and marketing expense consists of personnel costs, sales commissions, marketing programs, travel and entertainment, expenses for conferences and events and allocated overhead costs.

We intend to continue to make investments in our sales and marketing teams to grow revenue, further penetrate the market and expand our global customer base. We expect our sales and marketing expense to continue to increase in absolute dollars and to be our largest operating expense category for the foreseeable future. However, as our revenue increases, we expect our sales and marketing expense to decrease as a percentage of our revenue over the long term, although our sales and marketing expense may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Research and Development

Research and development expense consists of personnel costs, software used to develop our products, travel and entertainment, consulting and professional fees for third-party development resources as well as allocated overhead. Our research and development expense supports our efforts to continue to add capabilities to our existing products and enable the continued detection of new network vulnerabilities.

We expect our research and development expense to continue to increase in absolute dollars for the foreseeable future as we continue to invest in research and development efforts to enhance the functionality of our cloud-based platform. However, we expect our research and development expense to decrease as a percentage of our revenue over the long term, although our research and development expense may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and Administrative

General and administrative expense consists of personnel costs for our executive, finance, legal, human resources and administrative departments. Additional expenses include travel and entertainment, professional fees, insurance, allocated overhead, and acquisition related costs.

We expect our general and administrative expense to continue to increase in absolute dollars for the foreseeable future due to additional costs associated with accounting, compliance, insurance and investor relations as a public company. However, we expect our general and administrative expense to decrease as a percentage of our revenue over the long term, although our general and administrative expense may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Interest Income, Net

Interest income, net consists primarily of interest income earned on cash and cash equivalents and short-term investments and interest expense in connection with fees for our unused revolving credit facility.

Other Expense, Net

Other expense, net consists primarily of foreign currency remeasurement and transaction gains and losses.

Provision for Income Taxes

Provision for income taxes consists of income taxes in certain foreign jurisdictions in which we conduct business and withhold taxes on sales with customers. We have recorded deferred tax assets for which a full valuation allowance has been provided, including net operating loss carryforwards and tax credits. We expect to maintain this full valuation allowance for the foreseeable future as it is more likely than not that some or all of those deferred tax assets may not be realized based on our history of losses. In 2019, the provision for income taxes included the tax impact related to the transfer of acquired intellectual property.

Results of Operations

The following tables set forth our consolidated results of operations for the periods presented:

	Year Ended December 31,		
(in thousands)	2019	2018	2017
Revenue	$ 354,586	$ 267,360	$ 187,727
Cost of revenue[(1)]	60,818	43,167	25,588
Gross profit	293,768	224,193	162,139
Operating expenses:			
Sales and marketing[(1)]	228,035	173,344	116,299
Research and development[(1)]	87,064	76,698	57,673
General and administrative[(1)]	69,468	46,732	28,927
Total operating expenses	384,567	296,774	202,899
Loss from operations	(90,799)	(72,581)	(40,760)
Interest income (expense), net	5,830	2,355	(75)
Other expense, net	(680)	(931)	(16)
Loss before income taxes	(85,649)	(71,157)	(40,851)
Provision for income taxes	13,364	2,364	171
Net loss	$ (99,013)	$ (73,521)	$ (41,022)

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

	Year Ended December 31,		
(in thousands)	2019	2018	2017
Cost of revenue	$ 2,817	$ 1,707	$ 281
Sales and marketing	16,032	6,911	1,579
Research and development	8,911	5,804	1,782
General and administrative	15,683	8,453	4,118
Total stock-based compensation expense	$ 43,443	$ 22,875	$ 7,760

Comparison of 2019 and 2018

Revenue

	Year Ended December 31,		Change	
(dollars in thousands)	2019	2018	($)	(%)
Revenue	$ 354,586	$ 267,360	$ 87,226	33%

The increase in revenue of $87.2 million was comprised of increases in subscription revenue of $84.7 million and professional services and other revenue of $3.0 million, net of a decrease in perpetual license and maintenance revenue of $0.5 million. Revenue from existing customers comprised 84% of the increase, while the remaining increase was due to revenue from new customers since January 1, 2019. International revenue increased $40.4 million, or 45%.

Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		Change	
(dollars in thousands)	2019	2018	($)	(%)
Cost of revenue	$ 60,818	$ 43,167	$ 17,651	41%
Gross profit	293,768	224,193	69,575	31%
Gross margin	83%	84%		

The increase in cost of revenue of $17.7 million was primarily due to:

- a $7.3 million increase in personnel costs, primarily due to increased headcount, including a $1.1 million increase in stock-based compensation;
- a $7.0 million increase in third-party cloud infrastructure costs, largely associated with the increased adoption of Tenable.io, as well as the launch of Tenable Lumin;
- a $0.9 million increase in allocated overhead costs driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis;
- a $0.6 million increase professional fees;
- a $0.6 million increase in depreciation and amortization; and
- a $0.5 million increase in software subscriptions.

Operating Expenses

Sales and Marketing

	Year Ended December 31,		Change	
(dollars in thousands)	2019	2018	($)	(%)
Sales and marketing	$ 228,035	$ 173,344	$ 54,691	32%

The increase in sales and marketing expense of $54.7 million was primarily due to:

- a $32.1 million increase in personnel costs, largely associated with an increase in headcount, including a $9.1 million increase in stock-based compensation;
- a $10.0 million increase in sales commissions, including sales commission draws, due to increased sales and the amortization of deferred commissions;
- a $5.7 million increase in selling expenses, including travel and meeting costs and software subscriptions;
- a $3.4 million increase in allocated overhead costs driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis; and
- a $3.2 million increase in expenses for demand generation programs, including advertising, sponsorships, and brand awareness efforts aimed at acquiring new customers.

Research and Development

	Year Ended December 31,		Change	
(dollars in thousands)	2019	2018	($)	(%)
Research and development	$ 87,064	$ 76,698	$ 10,366	14%

The increase in research and development expense of $10.4 million was primarily due to:

- an $8.1 million increase in personnel costs, largely associated with an increase in headcount, including a $3.3 million increase in stock-based compensation, and net of $1.7 million of development costs and stock-based compensation capitalized related to internal use software;
- a $2.0 million increase in third-party cloud infrastructure costs related to the development of new and future offerings;
- a $0.9 million increase in software subscriptions; and
- a $0.7 million increase in allocated overhead driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis, partially offset by
- a $0.9 million decrease in travel and meeting costs.

General and Administrative

	Year Ended December 31,		Change	
(dollars in thousands)	**2019**	**2018**	**($)**	**(%)**
General and administrative	$ 69,468	$ 46,732	$ 22,736	49%

The increase in general and administrative expense of $22.7 million was primarily due to:

- a $12.3 million increase in personnel costs, largely associated with an increase in headcount, including a $6.4 million increase in stock-based compensation;
- a $4.0 million increase in acquisition-related expenses, including $2.1 million related to the transfer of acquired intellectual property;
- a $3.7 million increase in professional fees, which includes costs associated with being a public company; and
- a $1.1 million increase in allocated overhead driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis.

Comparison of 2018 and 2017

Revenue

	Year Ended December 31,		Change	
(dollars in thousands)	**2018**	**2017**	**($)**	**(%)**
Revenue	$ 267,360	$ 187,727	$ 79,633	42%

The increase in revenue of $79.6 million was comprised of increases in subscription revenue of $72.9 million, perpetual license and maintenance revenue of $4.3 million and professional services and other revenue of $2.4 million. Revenue from existing customers comprised 68% of the increase, while the remaining increase was due to revenue from new customers since January 1, 2018. International revenue increased $31.6 million, or 55%.

Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		Change	
(dollars in thousands)	2018	2017	($)	(%)
Cost of revenue	$ 43,167	$ 25,588	$ 17,579	69%
Gross profit	224,193	162,139	62,054	38%
Gross margin	84%	86%		

The increase in cost of revenue of $17.6 million was primarily due to:

- a $6.9 million increase in personnel costs, primarily due to increased headcount, including a $1.4 million increase in stock-based compensation;
- a $5.3 million increase in third-party cloud infrastructure costs, largely associated with the increased adoption of Tenable.io;
- a $3.3 million increase in allocated overhead costs driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis;
- a $0.8 million increase in software subscription expenses; and
- a $0.5 million increase in depreciation and amortization.

Operating Expenses

Sales and Marketing

	Year Ended December 31,		Change	
(dollars in thousands)	2018	2017	($)	(%)
Sales and marketing	$ 173,344	$ 116,299	$ 57,045	49%

The increase in sales and marketing expense of $57.0 million was primarily due to:

- a $29.2 million increase in personnel costs, largely associated with an increase in headcount, including a $5.3 million increase in stock-based compensation;
- a $14.3 million increase in sales commissions, including sales commission draws, due to increased sales and the amortization of deferred commissions;
- a $6.1 million increase in expenses for demand generation programs, including advertising, sponsorships and brand awareness efforts aimed at acquiring new customers; and
- a $4.9 million increase in selling expenses, including travel and meeting costs and the costs of software subscriptions.

Research and Development

	Year Ended December 31,		Change	
(dollars in thousands)	2018	2017	($)	(%)
Research and development	$ 76,698	$ 57,673	$ 19,025	33%

The increase in research and development expense of $19.0 million was primarily due to:

- a $15.1 million increase in personnel costs, largely associated with an increase in headcount, including a $4.0 million increase in stock-based compensation, and net of $2.4 million of development costs capitalized related to internal use software;

- a $1.6 million increase in third-party cloud infrastructure costs related to the development of new and future offerings;
- a $0.7 million increase in software subscription expenses; and
- a $0.6 million increase in allocated overhead driven by both the increase in headcount and the overall increase in such costs on a year-over-year basis.

General and Administrative

	Year Ended December 31,		Change	
(dollars in thousands)	2018	2017	($)	(%)
General and administrative	$ 46,732	$ 28,927	$ 17,805	62%

The increase in general and administrative expense of $17.8 million was primarily due to:

- a $11.9 million increase in personnel costs, largely associated with an increase in headcount, including a $4.3 million increase in stock-based compensation;
- a $3.3 million increase in professional fees, which includes costs associated with being a public company; and
- a $0.8 million increase in software subscription expense.

Liquidity and Capital Resources

At December 31, 2019, we had cash and cash equivalents consisting of bank deposits, money market funds and commercial paper of $74.4 million and short-term investments consisting of commercial paper, U.S. Treasury and agency obligations and corporate bonds of $137.9 million.

Since inception and prior to our IPO, we financed our operations through cash provided by operations, including payments received from customers using our software products and services, and we did not raise any primary institutional capital. The proceeds of our Series A and Series B redeemable convertible preferred stock financings were used to repurchase shares of capital stock from former stockholders. Upon the completion of our IPO in July 2018, we received net proceeds of $264.6 million. We have generated significant operating losses from our operations, as reflected by our accumulated deficit of $565.1 million at December 31, 2019.

We typically invoice our customers annually in advance and, to a lesser extent, multi-year in advance. Therefore, a substantial source of our cash is from such prepayments, which are included on our consolidated balance sheets as deferred revenue. Deferred revenue consists primarily of the unearned portion of billed fees for our subscriptions and perpetual licenses, which is subsequently recognized as revenue in accordance with our revenue recognition policy. At December 31, 2019, we had deferred revenue of $363.1 million, of which $274.3 million was recorded as a current liability and is expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria are met.

Our principal uses of cash in recent periods have been funding our operations, expansion of our sales and marketing and research and development activities, investments in infrastructure and acquiring complementary businesses and technology. We expect to continue incurring operating losses and generating negative cash flows from operations in the near-term; however, we believe that our existing cash and cash equivalents and short-term investments will be sufficient to fund our operating and capital needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue growth rate, subscription renewal activity, the timing and extent of spending to support further infrastructure and research and development efforts, the timing and extent of additional capital expenditures to invest in new and existing office spaces, the expansion of sales and marketing and international operating activities, the timing of introduction of new product capabilities and enhancements of our platform and the continuing market acceptance of our platform. Capital expenditures related to our new corporate headquarters were $11.4 million in 2019. In 2020, we expect capital expenditures related to our new corporate headquarters to be approximately $16.0 million and we expect to receive $12.5 million in tenant improvement reimbursements.

We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek equity or debt financing. In the event that financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results and financial condition would be adversely affected.

Credit Facility

In May 2017, we entered into a $25.0 million revolving credit facility with Silicon Valley Bank. Pursuant to the terms of the revolving credit facility, we may issue up to $5.0 million of letters of credit, which reduce the total amount available for borrowing under such facility. The revolving credit facility terminates on May 4, 2020. To date, we have not borrowed any amounts under the revolving credit facility.

Interest on borrowings under the revolving credit facility accrues at a variable rate tied to the prime rate or the LIBOR rate, at our election. Interest is payable quarterly in arrears. We are required to pay a quarterly commitment fee that accrues at a rate of 0.25% per annum on the unused portion of the borrowing commitment.

The revolving credit facility contains customary conditions to borrowing, events of default and covenants, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. If, as of the last day of any quarter, the outstanding balance of the revolving credit facility exceeds $5.0 million, there are financial covenants that require us to maintain a minimum level of earnings before income taxes, interest, depreciation and amortization adjusted to add changes in deferred revenue in the period and a minimum current ratio level. We were in compliance with all covenants under the revolving credit facility at December 31, 2019.

Letter of Credit

On January 9, 2020, we entered into a $2.5 million standby letter of credit ("Letter of Credit") for the security deposit on our new headquarters lease. The Letter of Credit bears interest at 2% per annum and expires one year from the issue date, with automatic renewals for additional one year terms until the final expiration date of February 2032. The Letter of Credit reduces the amount available for borrowing under our revolving credit facility.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Net cash used in operating activities	$ (10,744)	$ (2,559)	$ (6,266)
Net cash used in investing activities	(113,050)	(123,221)	(2,755)
Net cash provided by financing activities	34,161	264,749	2,091
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,080)	(1,063)	(68)
Net (decrease) increase in cash and cash equivalents and restricted cash	$ (90,713)	$ 137,906	$ (6,998)

Operating Activities

In 2019, net cash used in operating activities was $10.7 million, which primarily consisted of our $99.0 million net loss, adjusted for stock-based compensation expense of $41.6 million and depreciation and amortization of $6.9 million, as well as a net cash inflow of $36.3 million from changes in operating assets and liabilities. The net inflow from changes in operating assets and liabilities was primarily due to a $72.8 million increase in deferred revenue primarily due to increased subscription sales, as a majority of our customers are invoiced in advance, partially offset by a $25.9 million increase in accounts receivable and a $12.8 million increase in deferred commissions.

In 2018, net cash used in operating activities was $2.6 million, which primarily consisted of our $73.5 million net loss, adjusted for stock-based compensation expense of $22.9 million and depreciation and amortization of $6.2 million, as well as a net cash inflow of $41.4 million from changes in operating assets and liabilities. The net inflow from changes in operating assets and liabilities was primarily due to a $64.1 million increase in deferred revenue, primarily due to increased subscription sales, as a majority of our customers are invoiced in advance, partially offset by a $17.4 million increase in accounts receivable.

In 2017, net cash used in operating activities was $6.3 million, which primarily consisted of our $41.0 million net loss, adjusted for stock-based compensation expense of $7.8 million and depreciation and amortization of $4.7 million, as well as a net cash inflow of $23.1 million from changes in operating assets and liabilities. The net inflow from operating assets and liabilities was primarily due to an increase of $63.4 million in deferred revenue, including the cumulative impact of adopting ASC 606, from increased subscription sales as a majority of our customers are invoiced in advance, partially offset by a $14.8 million increase in accounts receivable. In addition, deferred commissions increased $20.1 million, including the cumulative impact of adopting ASC 606.

Investing Activities

From 2018 to 2019, net cash used in investing activities decreased by $10.2 million, primarily due to a decrease in our purchase, net of sales, of investments of $100.0 million, partially offset by cash paid for acquisitions of $74.9 million and capital expenditures for our new corporate headquarters of $11.4 million.

From 2017 to 2018, net cash used in investing activities increased by $120.5 million, primarily due to our purchase of short-term investments of commercial paper, U.S. Treasury securities and corporate bonds of $117.5 million.

Financing Activities

From 2018 to 2019, net cash provided by financing activities decreased by $230.6 million, primarily due to proceeds from our IPO, net of underwriting discounts and commissions, of $268.5 million, less payments of offering costs related to our IPO of $3.9 million in 2018, partially offset by proceeds from the exercise of stock options of $19.0 million and stock issued in connection with the employee stock purchase plan of $15.1 million in 2019.

From 2017 to 2018, net cash provided by financing activities increased by $262.7 million, primarily due to proceeds from our IPO, net of underwriting discounts and commissions, less payments of offering costs related to our IPO.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2019:

(in thousands)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Operating lease commitments	$ 84,454	$ 5,308	$ 13,988	$ 14,207	$ 50,951
Non-cancellable purchase obligations	5,693	3,589	2,104	—	—
Total contractual obligations	$ 90,147	$ 8,897	$ 16,092	$ 14,207	$ 50,951

Not included in the table above is $7.2 million of unrecognized tax benefits and $1.2 million of asset retirement obligations, because the timing of future cash outflows is uncertain.

Off-Balance Sheet Arrangements

At December 31, 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We early adopted ASC 606 on January 1, 2017 using the modified retrospective method and applying the guidance to all contracts as of January 1, 2017.

The core principle of ASC 606 is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle of ASC 606, we apply the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

In situations where we enter into a contractual arrangement that includes non-standard terms and conditions, such as acceptance provisions and options to purchase additional products and services, as well as contract modifications, we apply judgment in identifying and assessing the impact on revenue recognition.

We generate revenue from subscription arrangements for our software and cloud-based solutions, perpetual licenses, maintenance associated with perpetual licenses and professional services and other revenue.

Subscription Revenue

Our subscription arrangements generally have annual or multi-year contractual terms and allow customers to use our software or cloud solutions, including ongoing software updates and the ability to identify the latest cybersecurity vulnerabilities. Revenue is recognized ratably over the subscription term given the critical utility provided by the ongoing updates that are released throughout the contract period.

Perpetual License and Maintenance Revenue

Our perpetual licenses are generally sold with one or more years of maintenance, which include ongoing software updates and the ongoing ability to identify the latest cybersecurity vulnerabilities. Given the critical utility provided by the ongoing software updates and updated ability to identify network vulnerabilities included in maintenance, we combine the perpetual license and the maintenance into a single performance obligation. Perpetual license arrangements generally contain a material right related to the customer’s ability to renew maintenance at a price that is less than the initial license fee. We apply a practical alternative to allocating a portion of the transaction price to the material right performance obligation and estimate a hypothetical transaction price which includes fees for expected maintenance renewals based on the estimated economic life of the perpetual license contracts. We allocate the transaction price between the cybersecurity subscription provided in the initial contract and the material right related to expected contract renewals based on the hypothetical transaction price. We recognize the amount allocated to the combined license and maintenance performance obligation over the initial contractual period, which is generally one year. We recognize the amount allocated to the material right over the expected maintenance renewal period, which begins at the end of the initial contractual term and is generally four years. We have estimated the five-year economic life of perpetual license contracts based on historical contract attrition, expected renewal periods, the lifecycle of the our technology and other factors. While we believe that the estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Professional Services and Other Revenue

Professional services and other revenue is primarily comprised of advisory services and training related to the deployment and optimization of our products. These services do not result in significant customization of our products. Professional services and other revenue is recognized as the services are performed.

Contracts with Multiple Performance Obligations

In cases where our contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis. We typically determine standalone selling price based on observable selling prices of our products and services.

Variable Consideration

We record revenue from sales at the net sales price, which is the transaction price, including estimates of variable consideration when applicable. Certain of our customers may be entitled to receive credits and in certain circumstances, refunds, if service level commitments are not met. We have not historically experienced significant incidents affecting the ability to meet these service level commitments and any estimated refunds related to these agreements have not been material.

Sales through our channel partner network of distributors and resellers are generally discounted as compared to the price that we would sell to an end user. Revenue for sales through our channel network, which is fixed, is recorded net of any distributor or reseller margin.

Deferred Commissions

Sales commissions, including related incremental fringe benefit costs, are considered to be incremental costs of obtaining a contract, and therefore are deferred over an estimated period of benefit, which ranges between three and four years for subscription arrangements and five years for perpetual license arrangements. We have estimated the period of benefit based on the expected contract term including renewal periods, the lifecycle of our technology and other factors. Sales commissions on contract renewals are capitalized and amortized ratably over the contract term, with the exception of contracts with renewal periods that are one year or less, in which case the incremental costs are expensed as incurred. While we believe that the estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Stock-Based Compensation

Stock-based compensation expense related to our stock options, restricted stock, restricted stock units, or RSUs, and purchase rights issued under our 2018 Employee Stock Purchase Plan, or the 2018 ESPP, is calculated based on the fair value of the awards granted and is recognized on a straight-line basis over the requisite service period, which is generally two to four years, with the exception of RSUs that include performance-based vesting conditions and are expensed using the accelerated attribution method. We account for forfeitures as they occur.

Estimating the fair value of stock options and purchase rights under the 2018 ESPP using the Black-Scholes option-pricing model requires assumptions as to the fair value of our underlying common stock, the estimated term of the option, the risk free interest rates, the expected volatility of the price of our common stock and the expected dividend yield. The assumptions used to estimate the fair value of the option awards reflect our best estimates. If any of the assumptions change significantly, stock-based compensation for future awards may differ significantly compared with the awards granted previously.

The assumptions and estimates are as follows:

- *Fair Value of Common Stock.* See “Common Stock Valuations” discussion below.
- *Expected Term.* This is the period of time that the options granted are expected to remain unexercised. We employ the simplified method to calculate the average expected term.
- *Volatility.* This is a measure of the amount by which a financial variable, such as a share price, has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. As we do not yet have sufficient history of our own volatility, we have identified several public entities of similar size, complexity and stage of development and estimate volatility based on the volatility of these companies.
- *Risk-Free Interest Rate.* This is the U.S. Treasury rate, having a term that most closely resembles the expected life of the stock option.
- *Dividend Yield*. We have not and do not expect to pay dividends on our common stock.

Common Stock Valuations

Following our IPO, we use the market price of our common stock at the date of grant as the fair value. Prior to our IPO, the lack of an active public market for our common stock required our board of directors to exercise reasonable judgment and consider a number of factors in order to make the best estimate of fair value of our common stock, in accordance with the technical practice-aid issued by the American Institute of Certified Public Accountants Practice Aid entitled *Valuation of Privately-Held Company Equity Securities Issued as Compensation*. Factors considered in connection with estimating the fair value of our common stock underlying our award of restricted stock and stock option awards when performing the fair value calculations with the Black Scholes option-pricing model included:

- The results of independent third-party valuations of our common stock
- Recent arm’s length transactions involving the sale or transfer of our common stock
- The rights, preferences and privileges of our Series A and Series B redeemable convertible preferred stock relative to those of our common stock
- Our historical financial results and future financial projections
- The market value of equity interests in substantially similar businesses, which equity interests can be valued through nondiscretionary, objective means
- The lack of marketability of our common stock
- The likelihood of achieving a liquidity event, such as an IPO given prevailing market conditions
- Industry outlook
- General economic outlook including economic growth, inflation and unemployment, interest rate environment and global economic trends

As described above, the exercise price of our stock option awards was determined by our board of directors, with input from management, taking into account the factors described above, using a combination of valuation methodologies with varying weighting applied to each methodology as of the grant date.

Application of these approaches involved the use of estimates, judgment and assumptions that were highly complex and subjective, such as those regarding our expected future revenue, expenses and future cash flows, discount rates, market multiples, the selection of comparable companies and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions would have impacted our valuations as of each valuation date and may have had a material impact on the valuation of our common stock.

The fair value of each stock option was estimated on the grant date based on the following assumptions:

	Year Ended December 31,	
	2018	2017
Expected term (in years)	6.3	6.3
Expected volatility	41.3% — 43.3%	45.2% — 47.0%
Risk-free interest rate	2.7% — 2.9%	1.9% — 2.4%
Expected dividend yield	—	—
Expected forfeiture rate	—	—

The fair value of each 2018 ESPP purchase right was estimated on the offering or modification dates based on the following assumptions:

	Year Ended December 31,	
	2019	2018
Expected term (in years)	0.5 — 2.0	0.6 — 2.1
Expected volatility	34.4% — 44.6%	31.9% — 33.5%
Risk-free interest rate	1.5% — 2.5%	2.3% — 2.7%
Expected dividend yield	—	—

Business Combinations

We account for business combinations by recognizing the fair value of acquired assets and liabilities. The excess purchase consideration over the fair value of acquired assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make estimates and assumptions, especially with respect to intangible assets. Estimates in valuing certain identifiable intangible assets require significant judgment and include, but are not limited to, expected long-term market growth, future expected operating expenses, costs of capital, and appropriate discount rates. Our estimate of fair value is based upon assumptions we believe to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. During the measurement period, we may make adjustments to the fair value of assets acquired and liabilities assumed, with offsetting adjustments to goodwill. Any adjustments made after the measurement period will be reflected in the consolidated statements of operations. Acquisition-related transaction costs are expensed as incurred.

Income Taxes

We are subject to federal, state and local taxes in the United States as well as numerous international jurisdictions. These foreign jurisdictions have different statutory tax rates than the United States. Earnings generated by our international entities are related to transfer pricing requirements as applicable under local jurisdiction tax laws.

We record a provision for income taxes under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities, net operating loss carryforwards and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. We have valuation allowances in all jurisdictions against deferred tax assets net of deferred tax liabilities that will reverse and provide a source of taxable income. Our evaluation of valuation allowances could change in the future and the impact could have a material impact on our financial statements.

We recognize tax benefits from an uncertain tax position if it is more likely than not to be sustained upon audit by the relevant taxing authority. Interest and penalties associated with such uncertain tax positions are classified as a component of income tax expense.

In December 2019, subsequent to our acquisition of Indegy Ltd. we transferred the acquired Indegy intellectual property through an intercompany transaction. The valuation of Indegy's intellectual property for tax purposes resulted in $6.3 million of current tax expense and $4.2 million of deferred tax expense in Israel. The valuation of the intellectual property for tax purposes required significant judgment and assumptions with respect to forecasted operating results and discount rates.

The Tax Cuts and Jobs Act, or the 2017 Tax Act, was enacted into law, which contains several significant changes to how corporations are taxed in the United States, including the reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018. The new legislation also includes a variety of other changes, such as a one-time repatriation tax on accumulated foreign earnings, or transition tax, acceleration of business asset expensing and reduction in the amount of executive pay that could qualify as a tax deduction.

The 2017 Tax Act also included international tax provisions that will affect the Company, including the favorable tax regime for taxing foreign derived intangible income. Additional international provisions include the global intangible low taxed income, or GILTI, regime and the base erosion anti-abuse tax.

Depending on the jurisdiction, distributions of earnings could be subject to withholding taxes at rates applicable to the distributing jurisdiction. As we intend to continue to reinvest the earnings of foreign subsidiaries indefinitely, we have not provided for a U.S. income tax liability and foreign withholding taxes on undistributed foreign earnings of foreign subsidiaries.

Recently Issued Accounting Pronouncements

Refer to Note 1 to our consolidated financial statements in this Annual Report on Form 10-K for more information regarding recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business, including interest rate, foreign currency exchange and inflation risks.

Interest Rate Risk

At December 31, 2019, we had cash and cash equivalents of $74.4 million, consisting of cash deposits, money market funds and commercial paper. We also had short-term investments of $137.9 million, consisting of commercial paper, U.S. Treasury securities and corporate bonds. Our investments are carried at their fair market value with cumulative unrealized gains or losses recorded as a component of accumulated other comprehensive income within stockholders' equity. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Interest-earning instruments carry a degree of interest rate risk; however, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

We have not had any borrowings outstanding under the revolving credit facility since it was established in May 2017. Any borrowings under the revolving credit facility would bear interest at a variable rate tied to the prime rate or the LIBOR rate. We do not have any other long-term debt or financial liabilities with floating interest rates that would subject us to interest rate fluctuations.

On January 9, 2020, we entered into a $2.5 million standby letter of credit ("Letter of Credit") for the security deposit on our new headquarters lease. The Letter of Credit bears interest at 2% per annum and expires one year from the issue date, with automatic renewals for additional one year terms until the final expiration date of February 2032. The Letter of Credit reduces the amount available for borrowing under our revolving credit facility.

Foreign Currency Exchange Risk

Substantially all of our sales contracts are denominated in U.S. dollars, with a limited number of contracts denominated in foreign currencies. A portion of our operating expenses, including foreign denominated leases, are incurred outside the United States, denominated in foreign currencies and subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound and Australian dollar. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize remeasurement and transaction gains (losses) in our consolidated statements of operations. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations, or financial condition.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Tenable Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tenable Holdings, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at item 15(a)(2) (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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for leases in 2018 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and the related amendments.

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 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. 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 provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

	Revenue Recognition - Identification and Evaluation of Contracts with Non-Standard Terms and Conditions
Description of the Matter	As described in Note 1 to the consolidated financial statements, management enters into certain contracts with customers, including software subscription arrangements and perpetual licenses with related maintenance, with non-standard terms and conditions. The principal consideration for our determination that performing procedures relating to the identification and evaluation of non-standard terms and conditions in contracts is a critical audit matter is the significant amount of judgment required by management in identifying and evaluating non-standard terms and conditions and the impact on the amount and timing of revenue recognition. This in turn led to a high degree of auditor judgment and significant audit effort in performing our audit procedures to evaluate whether non-standard terms and conditions in contracts were appropriately identified and evaluated by management.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for identifying and evaluating contracts with non-standard terms and conditions. These procedures also included, among others, on a sample basis (i) testing the completeness and accuracy of management's identification of contracts with non-standard terms and conditions and (ii) testing management's determination of the impact of non-standard terms and conditions on the amount and timing of revenue recognition.
	Valuation of Acquired Intangible Asset
Description of the Matter	As described in Note 5 to the consolidated financial statements, during the year ended December 31, 2019, the Company completed the acquisition of Indegy Ltd. ("Indegy") for $80.1 million in cash. The Company's accounting for the acquisition included determining the fair value of the acquired intangible assets including developed technology of $15.5 million. Auditing the accounting for the acquired intangible asset of Indegy involved complex auditor judgment due to the estimation required in management's determination of the fair value. The estimation was significant primarily due to the sensitivity of the fair value of the developed technology to the underlying assumptions, including the discount rate, projected revenue growth rates, the obsolescence factor, and projected profit margins. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for accounting for the acquired intangible asset. For example, we tested controls over management's review of the valuation model and significant assumptions used in the valuation as well as controls over the completeness and accuracy of the data used in the model and assumptions. To test the fair value of the acquired developed technology, our audit procedures included, among others, evaluating the Company's use of valuation methodologies, evaluating the significant assumptions, evaluating the prospective financial information and testing the completeness and accuracy of underlying data. We involved our valuation specialists to assist in testing certain significant assumptions used to value the acquired intangible asset. For example, we compared the significant assumptions to current industry and market trends, historical results of the acquired business and to other relevant factors. We also performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value resulting from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014

Tysons, Virginia

February 28, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Tenable Holdings, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Tenable Holdings, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Tenable Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Indegy Ltd. acquired on December 2, 2019, which is included in the 2019 consolidated financial statements of Tenable Holdings, Inc. and constituted less than 2% of total assets as of December 31, 2019 and less than 1% of total revenue and operating expenses for the year then ended. Our audit of internal control over financial reporting of Tenable Holdings, Inc. also did not include an evaluation of the internal control over financial reporting of Indegy Ltd.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Tenable Holdings, Inc. as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at item 15(a)(2) (collectively referred to as the "consolidated financial statements") and our report dated February 28, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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. Also, 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.

/s/ Ernst & Young LLP

Tysons, Virginia

February 28, 2020

TENABLE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 74,363	$ 165,116
Short-term investments	137,904	118,119
Accounts receivable (net of allowance for doubtful accounts of $764 and $188 at December 31, 2019 and 2018, respectively)	94,827	68,261
Deferred commissions	28,499	23,272
Prepaid expenses and other current assets	27,369	22,020
Total current assets	362,962	396,788
Property and equipment, net	26,847	11,348
Deferred commissions (net of current portion)	43,766	36,162
Operating lease right-of-use assets	42,847	8,504
Intangible assets, net	15,508	427
Goodwill	54,138	265
Other assets	12,544	7,118
Total assets	$ 558,612	$ 460,612
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,732	$ 171
Accrued expenses	8,436	5,554
Accrued compensation	36,634	29,594
Deferred revenue	274,348	213,644
Operating lease liabilities	5,209	4,262
Other current liabilities	1,284	1,079
Total current liabilities	327,643	254,304
Deferred revenue (net of current portion)	88,779	76,259
Operating lease liabilities (net of current portion)	40,663	6,055
Other liabilities	2,622	2,231
Total liabilities	459,707	338,849
Stockholders' equity:		
Common stock (par value: $0.01; 500,000 shares authorized, 98,587 and 93,126 shares issued and outstanding at December 31, 2019 and 2018, respectively)	986	931
Additional paid-in capital	662,990	586,940
Accumulated other comprehensive income	50	—
Accumulated deficit	(565,121)	(466,108)
Total stockholders' equity	98,905	121,763
Total liabilities and stockholders' equity	$ 558,612	$ 460,612

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

TENABLE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Revenue	$ 354,586	$ 267,360	$ 187,727
Cost of revenue	60,818	43,167	25,588
Gross profit	293,768	224,193	162,139
Operating expenses:			
Sales and marketing	228,035	173,344	116,299
Research and development	87,064	76,698	57,673
General and administrative	69,468	46,732	28,927
Total operating expenses	384,567	296,774	202,899
Loss from operations	(90,799)	(72,581)	(40,760)
Interest income (expense), net	5,830	2,355	(75)
Other expense, net	(680)	(931)	(16)
Loss before income taxes	(85,649)	(71,157)	(40,851)
Provision for income taxes	13,364	2,364	171
Net loss	(99,013)	(73,521)	(41,022)
Accretion of Series A and B redeemable convertible preferred stock	—	(434)	(763)
Net loss attributable to common stockholders	$ (99,013)	$ (73,955)	$ (41,785)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.03)	$ (1.38)	$ (1.88)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	96,014	53,669	22,211

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

TENABLE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)	Year Ended December 31, 2019	2018	2017
Net loss	$ (99,013)	$ (73,521)	$ (41,022)
Other comprehensive income, net of tax:			
Unrealized gains on available-for-sale securities	50	—	—
Other comprehensive income	50	—	—
Comprehensive loss	$ (98,963)	$ (73,521)	$ (41,022)

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

TENABLE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

	Redeemable Convertible Preferred Stock							Accumulated		Total
	Series A		Series B		Common Stock		Additional Paid-in	Other Comprehensive	Accumulated	Stockholders' Equity
(in thousands)	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income	Deficit	(Deficit)
Balance at December 31, 2016	15,848	$ 49,913	39,538	$ 227,059	21,165	$ 212	$ 11,017	$ —	$ (313,147)	$ (301,918)
Cumulative effect of adoptions of new accounting standards	—	—	—	—	—	—	61	—	(38,418)	(38,357)
Accretion of Series A and B redeemable convertible preferred stock	—	22	—	741	—	—	(763)	—	—	(763)
Issuance of restricted stock award	—	—	—	—	1,583	16	(16)	—	—	—
Exercise of stock options	—	—	—	—	1,870	19	3,001	—	—	3,020
Repurchase of common stock	—	—	—	—	(146)	(1)	(384)	—	—	(385)
Stock-based compensation	—	—	—	—	—	—	7,760	—	—	7,760
Net loss	—	—	—	—	—	—	—	—	(41,022)	(41,022)
Balance at December 31, 2017	15,848	49,935	39,538	227,800	24,472	246	20,676	—	(392,587)	(371,665)
Accretion of Series A and B redeemable convertible preferred stock	—	13	—	421	—	—	(434)	—	—	(434)
Exercise of stock options	—	—	—	—	740	7	1,661	—	—	1,668
Repurchase of common stock	—	—	—	—	(7)	(1)	(74)	—	—	(75)
Stock-based compensation	—	—	—	—	—	—	23,022	—	—	23,022
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions and other offering expenses	—	—	—	—	12,535	125	264,474	—	—	264,599
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(15,848)	(49,948)	(39,538)	(228,221)	55,386	554	277,615	—	—	278,169
Net loss	—	—	—	—	—	—	—	—	(73,521)	(73,521)
Balance at December 31, 2018	—	—	—	—	93,126	931	586,940	—	(466,108)	121,763
Exercise of stock options	—	—	—	—	4,205	42	19,006	—	—	19,048
Vesting of restricted stock units	—	—	—	—	479	5	(5)	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	—	—	777	8	15,121	—	—	15,129
Stock-based compensation	—	—	—	—	—	—	41,928	—	—	41,928
Other comprehensive income	—	—	—	—	—	—	—	50	—	50
Net loss	—	—	—	—	—	—	—	—	(99,013)	(99,013)
Balance at December 31, 2019	—	$ —	—	$ —	98,587	$ 986	$ 662,990	$ 50	$ (565,121)	$ 98,905

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

TENABLE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2019	2018	2017
Cash flows from operating activities:			
Net loss	$ (99,013)	$ (73,521)	$ (41,022)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred income taxes	4,243	—	(873)
Depreciation and amortization	6,880	6,192	4,692
Stock-based compensation	41,610	22,875	7,760
Other	(784)	533	125
Changes in operating assets and liabilities:			
Accounts receivable	(25,941)	(17,408)	(14,769)
Prepaid expenses and other current assets	(5,188)	(6,105)	(8,345)
Deferred commissions	(12,831)	(9,258)	(20,058)
Other assets	(3,336)	(1,876)	(3,267)
Accounts payable and accrued expenses	4,244	294	1,922
Accrued compensation	6,269	11,112	4,298
Deferred revenue	72,799	64,085	63,404
Other current liabilities	255	408	421
Other liabilities	49	110	(554)
Net cash used in operating activities	(10,744)	(2,559)	(6,266)
Cash flows from investing activities:			
Purchases of property and equipment	(20,674)	(5,733)	(2,755)
Purchases of investments	(242,059)	(117,488)	—
Sales and maturities of investments	224,594	—	—
Business combination, net of cash acquired	(74,911)	—	—
Net cash used in investing activities	(113,050)	(123,221)	(2,755)
Cash flows from financing activities:			
Proceeds from initial public offering, net of underwriting discounts and commissions	—	268,531	—
Payments of costs related to initial public offering	—	(3,932)	—
Principal payments under finance lease obligations	(16)	(1,443)	(306)
Credit facility issuance costs	—	—	(238)
Proceeds from stock issued in connection with the employee stock purchase plan	15,129	—	—
Proceeds from the exercise of stock options	19,048	1,668	3,020
Repurchases of common stock	—	(75)	(385)
Net cash provided by financing activities	34,161	264,749	2,091
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,080)	(1,063)	(68)
Net (decrease) increase in cash and cash equivalents and restricted cash	(90,713)	137,906	(6,998)
Cash and cash equivalents and restricted cash at beginning of year	165,378	27,472	34,470
Cash and cash equivalents and restricted cash at end of year	$ 74,665	$ 165,378	$ 27,472
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 96	$ 111	$ 79
Cash paid for income taxes	8,530	1,207	642

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

TENABLE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Significant Accounting Policies

Business Description

Tenable Holdings, Inc. (the “Company,” “we,” "us," or “our”) is a provider of Cyber Exposure solutions, which is a discipline for managing and measuring cybersecurity risk in the digital era. Our enterprise software platform enables broad visibility into an organization’s cyber exposure across the modern attack surface and deep insights that help organizations translate technical data into business insights to understand and reduce their cybersecurity risk.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Tenable Holdings, Inc. and our wholly owned subsidiaries and have been prepared in conformity with United States generally accepted accounting principles (“GAAP”). All intercompany accounts and transactions have been eliminated in consolidation.

Initial Public Offering

On July 30, 2018, we completed our initial public offering ("IPO"), in which we issued and sold 12,535,000 shares of common stock at a price to the public of $23.00 per share, including 1,635,000 shares of common stock purchased by our underwriters from the full exercise of their over-allotment option. All of the shares sold in the IPO were sold by the Company. We received net proceeds of $264.6 million after deducting underwriting discounts and commissions and other offering expenses.

Upon the completion of our IPO, all 15,847,500 shares of our Series A Redeemable Convertible Preferred Stock ("Series A") and 39,538,354 shares of our Series B Redeemable Convertible Preferred Stock ("Series B") automatically converted into an aggregate of 55,385,854 shares of our common stock. Our Amended and Restated Certificate of Incorporation adopted in connection with the IPO authorizes a total of 500,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates include, but are not limited to, the determination of the estimated economic life of perpetual licenses for revenue recognition, the estimated period of benefit for deferred commissions, useful lives of long-lived assets, the fair value of acquired intangible assets, the valuation of stock-based compensation, including the estimated underlying fair value of our common stock prior to our IPO, the incremental borrowing rate for operating leases, and the valuation of deferred tax assets. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable. Actual results could differ significantly from these estimates.

Foreign Currency

The functional currency for all of our foreign subsidiaries is the U.S. dollar. Assets and liabilities denominated in other currencies are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. We bill our customers in U.S. dollars. Expenses incurred in non U.S. dollar currencies are remeasured into U.S. dollars when incurred. Remeasurement losses in currencies other than the functional currency were $1.1 million, $1.0 million and $0.1 million in 2019, 2018 and 2017, respectively, and are included as a component of other expense, net in the consolidated statements of operations.

Revenue Recognition

We recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services. To achieve this, we apply the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

In situations where we enter into a contractual arrangement that includes non-standard terms and conditions, such as acceptance provisions or options to purchase additional products and services, as well as contract modifications, we apply judgment in identifying and assessing the impact on revenue recognition.

We generate revenue from subscription arrangements for software and cloud-based solutions, perpetual licenses, maintenance associated with perpetual licenses, and professional services and other revenue. We begin to recognize revenue when control of our software or services is transferred to the customer, which for sales made through distributors is concurrent with the transfer to the end user.

The following table presents a summary of revenue:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Subscription revenue	$ 290,549	$ 205,827	$ 132,873
Perpetual license and maintenance revenue	54,173	54,622	50,337
Professional services and other revenue	9,864	6,911	4,517
Revenue	$ 354,586	$ 267,360	$ 187,727

Subscription Revenue

Subscription arrangements generally have annual or multi-year contractual terms and allow customers to use our software or cloud solutions, including ongoing software updates and the ability to identify the latest cybersecurity vulnerabilities. Revenue is recognized ratably over the subscription term given the critical utility provided by the ongoing updates that are released throughout the contract period.

Perpetual License and Maintenance Revenue

Our perpetual licenses are generally sold with one or more years of maintenance, which include ongoing software updates and the ongoing ability to identify the latest cybersecurity vulnerabilities. Given the critical utility provided by the ongoing software updates and updated ability to identify network vulnerabilities included in maintenance, we combine the perpetual license and the maintenance into a single performance obligation. Perpetual license arrangements generally contain a material right related to the customer's ability to renew maintenance at a price that is less than the initial license fee. We apply a practical alternative to allocating a portion of the transaction price to the material right performance obligation and estimate a hypothetical transaction price which includes fees for expected maintenance renewals based on the estimated economic life of the perpetual license contracts. We allocate the transaction price between the cybersecurity subscription provided in the initial contract and the material right related to expected contract renewals based on the hypothetical transaction price. We recognize the amount allocated to the combined license and maintenance performance obligation over the initial contractual period, which is generally one year. We recognize the amount allocated to the material right over the expected maintenance renewal period, which begins at the end of the initial contractual term and is generally four years. We have estimated the five-year economic life of perpetual license contracts based on historical contract attrition, expected renewal periods, the lifecycle of the our technology and other factors. While we believe that the estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Professional Services and Other Revenue

Professional services and other revenue is primarily comprised of advisory services and training related to the deployment and optimization of our products. These services do not result in significant customization of our products. Professional services and other revenue is recognized as the services are performed.

Contracts with Multiple Performance Obligations

In cases where our contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis. We typically determine standalone selling price based on observable selling prices of our products and services.

Variable Consideration

We record revenue from sales at the net sales price, which is the transaction price, including estimates of variable consideration when applicable. Certain of our customers may be entitled to receive credits and in certain circumstances, refunds, if service level commitments are not met. We have not historically experienced significant incidents affecting the ability to meet these service level commitments and any estimated refunds related to these agreements have not been material.

Sales through our channel network of distributors and resellers are generally discounted as compared to the price that we would sell to an end user. Revenue for sales through our channel network is recorded net of any distributor or reseller margin.

Concentrations

We sell our products and services through a channel network of distributors and resellers, along with our own sales teams. We derived 90%, 88% and 83% of revenue through our channel network in 2019, 2018 and 2017, respectively. One of our distributors accounted for 43%, 46% and 45% of revenue in 2019, 2018 and 2017, respectively. That same distributor accounted for 40% and 46% of accounts receivable at December 31, 2019 and 2018, respectively.

Contract Balances

We generally bill our customers in advance and accounts receivable are recorded when we have the right to invoice the customer. Contract liabilities consist of deferred revenue and include customer billings and payments received in advance of performance under the contract. In 2019 and 2018, we recognized revenue of $214.0 million and $154.9 million, respectively, that was included in the deferred revenue balance at the beginning of each of the respective periods.

Remaining Performance Obligations

At December 31, 2019, the future estimated revenue related to unsatisfied performance obligations was $367.3 million, with approximately 75% expected to be recognized as revenue over the succeeding twelve months, and the remainder expected to be recognized over the four years thereafter.

Cash and Cash Equivalents

We consider all highly liquid financial instruments with an original maturity of three months or less when purchased to be cash equivalents.

At December 31, 2019, cash and cash equivalents included $0.4 million of restricted cash, which is related to collateral for a lease and credit card deposits. Cash and cash equivalents did not include any restricted cash at December 31, 2018. At December 31, 2019 and 2018, cash and cash equivalents excluded $0.3 million of restricted cash, which is related to an account established as collateral for a lease arrangement and was included in other assets on the consolidated balance sheets.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We measure cash and cash equivalents and short-term investments at fair value using a fair value hierarchy of inputs. We approximate fair value by using the carrying amounts for accounts receivable, accounts payable and accrued expenses due to their short-term nature.

Investments

We currently invest in commercial paper, corporate bonds, and U.S. treasury and agency obligations. Our investments are classified as available-for-sale and recorded at fair value, with unrealized gains and losses reported in accumulated other comprehensive loss within stockholders' equity (deficit). We review our investment portfolio to determine whether investments have indicators of possible impairment.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount, less an allowance for doubtful accounts, and do not bear interest. We maintain an allowance for doubtful accounts at an amount estimated to be sufficient to cover the risk of collecting less than full payment of the receivables. At each balance sheet date, we evaluate our receivables and assess the allowance for doubtful accounts based on specific customer collection issues and historical write-off trends.

Deferred Commissions

Sales commissions, including related incremental fringe benefit costs, are considered to be incremental costs of obtaining a contract. Sales commissions on initial sales are not commensurate with sales commissions on contract renewals and therefore are recognized over an estimated period of benefit, which ranges between three and four years for subscription arrangements and five years for perpetual license arrangements. We estimated the period of benefit based on the expected contract term including renewal periods, the lifecycle of our technology, and other factors. Sales commissions on contract renewals are capitalized and amortized ratably over the contract term, with the exception of contracts with renewal periods that are one year or less, in which case the incremental costs are expensed as incurred.

The following summarizes the activity of deferred incremental costs of obtaining a contract:

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Beginning balance	$ 59,434	$ 50,176
Capitalization of contract acquisition costs	40,172	29,075
Amortization of deferred contract acquisition costs	(27,341)	(19,817)
Ending balance	$ 72,265	$ 59,434

Amortization of deferred contract acquisition costs is included in sales and marketing expense in the consolidated statements of operations.

Property and Equipment, net

Property and equipment, net is stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: three years for computer software and equipment and five years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the respective leases. Property and equipment, net includes right-of-use assets acquired under finance leases. Amortization of assets acquired under finance leases is included in depreciation expense. Repairs and maintenance costs are expensed as incurred.

Leases

In December 2018, we early adopted ASC Topic 842, *Leases* ("ASC 842") as of January 1, 2018 using the modified retrospective method applying the transition provisions at the beginning of the period of adoption, rather than at the beginning of the earliest comparative period presented in these financial statements. We elected the package of practical expedients as permitted under the transition guidance, which allowed us to not reassess whether arrangements contain leases, not reassess lease classification, and not reassess initial direct costs.

The most significant impact of adopting ASC 842 was the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases of $10.1 million and $12.3 million, respectively on January 1, 2018, which included reclassifying prepaid rent and deferred rent as a component of the ROU asset. Additionally, we concluded that we did not control the building under construction for our new corporate headquarters, and upon adoption, derecognized $2.3 million of construction-in-progress and a $1.8 million construction financing obligation on January 1, 2018 and recognized a $0.5 million deposit. Our accounting for finance leases (formerly referred to as capital leases prior to the adoption of ASC 842) remained substantially unchanged.

We determine if an arrangement contains a lease and the classification of that lease, if applicable, at inception. We have elected to not recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less). For contracts with lease and non-lease components, we have elected to not allocate the contract consideration, and account for the lease and non-lease components as a single lease component. Additionally, we enter into arrangements to use shared office spaces and other facilities, and have determined that these arrangements do not contain leases as we do not have the right to use an identified asset. Operating leases are included in operating lease ROU assets, operating lease liabilities and operating lease liabilities (net of current portion) in our consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities and other liabilities in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments under the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within our operating leases are generally not determinable and we use our incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of our incremental borrowing rate requires judgment. We determine our incremental borrowing rate for each lease using our current borrowing rate, adjusted for various factors including level of collateralization, term and currency to align with the terms of the lease. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives. Certain of our leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain we will exercise that option. An option to terminate is considered unless it is reasonably certain we will not exercise the option.

Lease expense for lease payments is recognized on a straight-line basis over the term of the lease.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured as the excess of the carrying amount over the fair value. There was no impairment of long-lived assets in 2019, 2018 and 2017.

Business Combinations

We account for business combinations by recognizing the fair value of acquired assets and liabilities. The excess purchase consideration over the fair value of acquired assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make estimates and assumptions, especially with respect to intangible assets. Estimates in valuing certain identifiable intangible assets include, but are not limited to, projected revenue growth rates, future expected operating expenses, the obsolescence factor and appropriate discount rate. Our estimate of fair value is based upon assumptions we believe to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. During the measurement period, we may make adjustments to the fair value of assets acquired and liabilities assumed, with offsetting adjustments to goodwill. Any adjustments made after the measurement period will be reflected in the consolidated statements of operations. Acquisition-related transaction costs are expensed as incurred.

Goodwill

The excess purchase consideration over the fair value of acquired assets and liabilities is recorded as goodwill. Goodwill is assessed for impairment annually, or more often if there are indications of impairment. During the periods presented, there were no indications of impairment.

Advertising

Advertising costs are expensed as they are incurred. We incurred advertising costs of $5.3 million, $3.3 million and $3.2 million in 2019, 2018 and 2017, respectively, which was included in sales and marketing expense in the consolidated statements of operations.

Software Development Costs

Research and development costs to develop software to be sold, leased or marketed are expensed as incurred up to the point of technological feasibility for the related software product. We have not capitalized development costs for software to be sold, leased or marketed to date, as the software development process is essentially completed concurrent with the establishment of technological feasibility. As such, these costs are expensed as incurred and recognized in research and development costs in the consolidated statements of operations.

Software developed for internal use, with no substantive plans to market such software at the time of development, are capitalized and included in property and equipment, net in the consolidated balance sheets. Costs incurred during the preliminary planning and evaluation and post implementation stages of the project are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. In 2019 and 2018, we capitalized $4.2 million and $2.4 million, respectively, of development costs related to internal use software. In 2017, capitalized costs related to software developed for internal use were immaterial.

Stock-Based Compensation

Stock-based compensation expense related to our stock options, restricted stock, restricted stock units ("RSUs") and purchase rights issued under our 2018 Employee Stock Purchase Plan ("2018 ESPP") is calculated based on the fair value of the awards granted and is recognized on a straight-line basis over the requisite service period, which is generally two to four years, with the exception of RSUs that include performance-based vesting conditions and are expensed using the accelerated attribution method. We account for forfeitures as they occur.

The fair value of stock options and 2018 ESPP purchase rights is estimated on the grant date using the Black-Scholes option pricing model, which requires us to make assumptions and judgments, including the expected term, expected volatility, and risk-free interest rates. Prior to our IPO, we estimated the fair value of our common stock at the date of grant. Following our IPO, we use the market price of our common stock at the date of grant.

Net Loss per Share

We calculate basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock as the holders of our redeemable convertible preferred stock do not have a contractual obligation to share in losses.

Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Net loss attributable to common stockholders is calculated by adjusting net loss by the current period accretion of redeemable convertible preferred stock.

Upon the completion of our IPO, all of our Series A and Series B redeemable convertible preferred stock automatically converted into shares of our common stock.

Diluted earnings per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents in the period, including stock options, unvested restricted shares, redeemable convertible preferred stock and shares to be issued under our 2018 ESPP. As we have reported losses for all periods presented, all potentially dilutive securities have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect would be antidilutive.

Segment Information

We operate as one operating segment as our chief executive officer, who is our chief operating decision maker, reviews financial information on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

Income Taxes

Income taxes are accounted for under the asset and liability method. This method requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities, net operating loss carryforwards, and tax credit carryforwards. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

We recognize tax benefits from an uncertain tax position if it is more likely than not to be sustained upon audit by the relevant taxing authority. Interest and penalties associated with such uncertain tax positions are classified as a component of income tax expense.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13 - *Financial Instruments-Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*. This ASU amended guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. This guidance was effective for us beginning January 1, 2020, and will be adopted using the modified-retrospective method. We do not expect the impact of adopting this standard to be material for our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15 — *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. Under this ASU, implementation costs related to a cloud computing arrangement that is a service contract will be capitalized consistent with the requirements for capitalizing internal-use software development costs. The capitalized implementation costs are subsequently expensed over the term of the hosting arrangement. This guidance was effective for us beginning January 1, 2020, and will be adopted on a prospective basis. We do not expect the impact of adopting this standard to be material for our consolidated financial statements.

2. Cash and Cash Equivalents and Short-Term Investments

The following tables summarize the amortized cost, unrealized gain and loss and estimated fair value of cash equivalents and short-term investments:

	December 31, 2019			
(in thousands)	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Estimated Fair Value**
Cash equivalents:				
Money market funds	$ 13,588	$ —	$ —	$ 13,588
Commercial paper	8,987	—	—	8,987
Total cash equivalents	$ 22,575	$ —	$ —	$ 22,575
Short-term investments:				
Commercial paper	$ 61,371	$ —	$ —	$ 61,371
Corporate bonds	23,856	14	(1)	23,869
U.S. Treasury and agency obligations	52,627	38	(1)	52,664
Total short-term investments	$ 137,854	$ 52	$ (2)	$ 137,904

	December 31, 2018			
(in thousands)	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Estimated Fair Value**
Cash equivalents:				
Money market funds	$ 38,022	$ —	$ —	$ 38,022
Total cash equivalents	$ 38,022	$ —	$ —	$ 38,022
Short-term investments:				
Commercial paper	$ 79,634	$ —	$ —	$ 79,634
Corporate bonds	16,119	—	—	16,119
U.S. Treasury and agency obligations	22,366	—	—	22,366
Total short-term investments	$ 118,119	$ —	$ —	$ 118,119

For any investments that were in an unrealized loss position, we considered if we intended on selling the investments before maturity and if it is more-likely-than-not that we would have to sell the security before the recovery of the amortized cost basis. We concluded that there were no other-than-temporary impairments at December 31, 2019.

At December 31, 2019, all of our short-term investments had maturities within the next twelve months.

3. Fair Value Measurements

We measure certain financial instruments at fair value using a fair value hierarchy. In the hierarchy, assets are classified based on the lowest level inputs used in valuation into the following categories:

- *Level 1* — Quoted prices in active markets for identical assets and liabilities;
- *Level 2* — Observable inputs including quoted market prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, or inputs that are corroborated by observable market data; and
- *Level 3* — Unobservable inputs.

The following tables summarize assets that are measured at fair value on a recurring basis:

	December 31, 2019			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents				
Money market funds	$ 13,588	$ —	$ —	$ 13,588
Commercial paper	—	8,987	—	8,987
	$ 13,588	$ 8,987	$ —	$ 22,575
Short-term investments				
Commercial paper	$ —	$ 61,371	$ —	$ 61,371
Corporate bonds	—	23,869	—	23,869
U.S. Treasury and agency obligations	—	52,664	—	52,664
	$ —	$ 137,904	$ —	$ 137,904

	December 31, 2018			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents				
Money market funds	$ 38,022	$ —	$ —	$ 38,022
	$ 38,022	$ —	$ —	$ 38,022
Short-term investments				
Commercial paper	$ —	$ 79,634	$ —	$ 79,634
Corporate bonds	—	16,119	—	16,119
U.S. Treasury and agency obligations	—	22,366	—	22,366
	$ —	$ 118,119	$ —	$ 118,119

We did not have any liabilities measured and recorded at fair value at December 31, 2019 or December 31, 2018.

4. Property and Equipment, Net

Property and equipment, net consisted of the following:

	December 31,	
(in thousands)	**2019**	**2018**
Computer software and equipment	$ 21,234	$ 13,038
Furniture and fixtures	4,504	2,376
Leasehold improvements	16,953	7,266
Right-of-use assets under finance leases	1,866	1,854
Total	44,557	24,534
Less: accumulated depreciation and amortization	(17,710)	(13,186)
Property and equipment, net	$ 26,847	$ 11,348

Depreciation and amortization related to property and equipment was $6.3 million, $5.6 million and $4.1 million in 2019, 2018 and 2017, respectively.

5. Acquisition, Goodwill and Intangible Assets

Business Combination

On December 2, 2019, we acquired Indegy Ltd. ("Indegy") to expand our OT-specific capabilities. Through a share purchase agreement, we acquired 100% of Indegy's equity in exchange for cash consideration of $80.1 million, including cash acquired of $5.5 million. As part of the acquisition, all unvested options to acquire ordinary shares of Indegy vested immediately, and all options to acquire ordinary shares of Indegy were canceled in exchange for a right to receive a portion of the cash consideration. We paid $1.8 million for unvested options, which is included in post-acquisition stock-based compensation expense in our consolidated statements of operations.

The cash consideration was allocated as follows:

(in thousands)	
Cash acquired	$ 5,500
Other net tangible assets acquired	735
Deferred tax assets, net	4,243
Intangible assets	15,700
Goodwill	53,873
Total purchase price allocation	$ 80,051

We are still finalizing the allocation of the purchase price, which may change as additional information becomes available related to any working capital adjustment and income taxes.

Acquired intangible assets and their estimated useful lives at the date of acquisition are as follows:

(dollars in thousands)	Intangible Assets		
	Cost		Weighted Average Useful Life
Acquired technology	$	15,500	7 years
Trade name		200	2 years
Acquired intangible assets	$	15,700	

The results of operations of Indegy are included in our consolidated statements of operations from the acquisition date and were not material. Pro forma results of operations are not presented as they are not material to the consolidated statements of operations.

In 2019, we recognized $4.0 million of acquisition-related transaction costs in general and administrative expense, which included $2.1 million of expense related to the intercompany transfer of intellectual property.

Goodwill and Acquired Intangible Assets

The changes in the carrying amount of goodwill are as follows:

(in thousands)		
Balance at December 31, 2018	$	265
Acquired goodwill		53,873
Balance at December 31, 2019	$	54,138

The excess purchase consideration over the fair value of acquired assets and liabilities is recorded as goodwill. The acquired goodwill reflects the synergies we expect from integrating Indegy's capabilities into our enterprise platform offerings and from marketing and selling these new capabilities to our customers. None of the acquired goodwill is tax deductible.

Acquired intangible assets subject to amortization are as follows:

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired technology	$ 17,325	$ (2,009)	$ 15,316	$ 1,824	$ (1,397)	$ 427
Trade name	200	(8)	192	—	—	—
	$ 17,525	$ (2,017)	$ 15,508	$ 1,824	$ (1,397)	$ 427

Amortization of acquired intangible assets was $0.6 million in each of 2019, 2018 and 2017, respectively.

At December 31, 2019, estimated future amortization of intangible assets is as follows:

(in thousands)		
Year ending December 31,		
2020	$	2,314
2021		2,306
2022		2,214
2023		2,214
2024		2,214
Thereafter		4,246
Total	$	15,508

6. Leases

We have operating leases for office facilities and finance leases for computer and office equipment. Our leases have remaining terms of less than one year to just over twelve years, some of which include one or more options to renew, with renewal terms up to five years and some of which include options to terminate the leases within the next two to five years. The ROU assets and liabilities at December 31, 2019 assume the option to early terminate one of our leases in 2021 and one of our leases in 2025.

In August 2019, we took possession of the leased office space for our future headquarters in Columbia, Maryland. We recorded an initial ROU asset of $32.3 million and a lease liability of $32.0 million, with a lease term of 147 months. In November 2019, we amended this lease to increase square footage and modify the timing of future payments. Future lease payments related to this lease are $72.2 million and the lease payments are expected to commence in the second quarter of 2021.

The components of lease expense were as follows:

	Year Ended December 31,			
(in thousands)	2019		2018	
Operating lease cost	$	6,045	$	3,694
Finance lease cost				
Amortization of ROU assets	$	607	$	614
Interest on lease liabilities		7		35
Total finance lease cost	$	614	$	649

Rent expense for short-term leases in 2019 and 2018 was not material.

Supplemental information related to leases was as follows:

	December 31, 2019	December 31, 2018
Operating leases		
Weighted average remaining lease term	10.0 years	3.1 years
Weighted average discount rate	5.8%	7.1%

(in thousands)	Year Ended December 31, 2019	2018
Supplemental cash flow information related to leases:		
Operating cash payments for operating leases	$ 4,452	$ 4,313
Operating cash payments for finance leases	7	35
ROU assets obtained in exchange for lease obligations		
Operating leases	$ 39,170	$ 1,525
Finance leases	11	15

Maturities of operating lease liabilities at December 31, 2019 were as follows:

(in thousands)	
Year ending December 31,	
2020	$ 5,308
2021	6,940
2022	7,048
2023	7,036
2024	7,171
Thereafter	50,951
Total lease payments	84,454
Less: Imputed interest	(24,077)
Less: Tenant incentives	(14,505)
Total	$ 45,872

7. Debt

On May 4, 2017, we entered into a $25.0 million revolving credit facility (“Credit Facility”) with Silicon Valley Bank, which is available for use until May 4, 2020. The Credit Facility is intended to be used to fund working capital and to provide increased liquidity and financial flexibility and bears interest at either LIBOR plus 2%, or the lender's prime rate plus 1%. In addition, we pay quarterly in arrears 0.25% of the average unused portion. The Credit Facility is secured by a first priority security interest in all of our assets, with a negative pledge on our Intellectual Property, as defined in the credit agreement.

The Credit Facility contains certain restrictive covenants customary for facilities of this type including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. If, as of the last day of any quarter, the outstanding balance of the Credit Facility exceeds $5.0 million, there are financial covenants that require us to maintain a minimum level of earnings before income taxes, interest, depreciation and amortization (“EBITDA”) adjusted to add changes in deferred revenue in the period, and a minimum current ratio level.

There were no borrowings or letters of credit issued under the Credit Facility in 2019 or 2018. On January 9, 2020, we entered into a $2.5 million standby letter of credit ("Letter of Credit") for the security deposit on our new headquarters lease. The Letter of Credit bears interest at 2% per annum and expires one year from the issue date, with automatic renewals for additional one year terms until the final expiration date of February 2032.

8. Redeemable Convertible Preferred Stock and Common Stock

Redeemable Convertible Preferred Stock

In October 2012, Tenable, Inc. (now a wholly owned subsidiary of Tenable Holdings, Inc.) issued 15,847,500 shares of Series A redeemable convertible preferred stock. In December 2015, we issued 15,847,500 shares, par value of $0.01, of Series A redeemable convertible preferred stock ("Series A") in exchange for Series A redeemable convertible preferred stock of Tenable, Inc. in connection with a recapitalization. This exchange was made on a one for one basis. In addition, we authorized 42,000,000 shares and issued 39,538,354 shares, par value of $0.01, of Series B redeemable convertible preferred stock ("Series B"). Upon completion of our IPO, Series A and Series B (together, the “Redeemable Convertible Preferred Stock”) automatically converted into an aggregate of 55,385,854 shares of our common stock.

We accreted the Redeemable Convertible Preferred Stock to the redemption price at the redemption date using the effective interest method. Upon completion of our IPO, the accretion rights of the Redeemable Convertible Preferred Stock were terminated.

Upon the completion of our IPO, we filed an Amended and Restated Certificate of Incorporation, authorizing a total of 500,000,000 shares of common stock and 10,000,000 shares of preferred stock. There were no shares of preferred stock issued or outstanding at December 31, 2019 or 2018.

Common Stock

The voting, dividend, and liquidation rights of common stockholders are subject to, and qualified by, the rights of preferred stockholders. The common stockholders are entitled to receive dividends when, as and if, declared by the Board of Directors, subject to preferential dividend rights of preferred stockholders. Upon dissolution or liquidation, our common stockholders will be entitled to receive all assets available for distribution to stockholders, subject to any preferential rights of preferred stockholders.

9. Stock-Based Compensation

We have various stock incentive plans under which we have issued stock-based awards. Stock options granted under our stock incentive plans have a maximum term of ten years, generally vest over a period of three to four years, and the exercise price cannot be less than the fair market value on the date of grant. RSUs granted under our stock incentive plans generally vest over a period of two to four years.

In 2018, our Board of Directors adopted, and our stockholders approved, our 2018 Equity Incentive Plan ("2018 Plan"). No additional grants were made under our other stock incentive plans, and any shares subject to stock options or other stock awards granted under our other plans that would have returned to such plan (such as upon the expiration or termination of a stock award prior to vesting) were added to, and are available for issuance under, our 2018 Plan. In addition, the number of shares of our common stock reserved for issuance under our 2018 Plan automatically increases on January 1 of each year through 2028, according to an evergreen provision. Due to this provision, we reserved an additional 4,656,320 shares of our common stock in January 2019. At December 31, 2019, there were 15,395,809 shares available for grant.

Stock-based compensation expense included in the consolidated statements of operations was as follows:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Cost of revenue	$ 2,817	$ 1,707	$ 281
Sales and marketing	16,032	6,911	1,579
Research and development	8,911	5,804	1,782
General and administrative	15,683	8,453	4,118
Total stock-based compensation expense	$ 43,443	$ 22,875	$ 7,760

At December 31, 2019, the total unrecognized stock-based compensation expense related to outstanding stock options was $24.3 million, which is expected to be recognized over an estimated remaining weighted average period of 2.1 years.

At December 31, 2019, the unrecognized stock-based compensation expense related to unvested awards of restricted stock was $1.7 million, which is expected to be recognized over an estimated remaining period of 1.0 year.

At December 31, 2019, the unrecognized stock-based compensation expense related to unvested RSUs was $59.4 million, which is expected to be recognized over an estimated remaining period of 3.1 years.

Stock Options

A summary of our stock option activity for the periods presented is below:

(in thousands, except for per share data and years)	Number of Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	9,336	$ 2.77	7.2	$ 15,374
Granted	9,022	5.22		
Exercised	(1,870)	1.62		7,667
Forfeited/canceled	(1,915)	3.21		
Outstanding at December 31, 2017	14,573	4.38	8.2	77,020
Granted	6,108	15.17		
Exercised	(740)	2.26		9,902
Forfeited/canceled	(722)	7.23		
Outstanding at December 31, 2018	19,219	7.78	8.0	277,114
Granted	—	—		
Exercised	(4,205)	4.53		98,378
Forfeited/canceled	(2,075)	10.63		
Outstanding at December 31, 2019	12,939	8.38	7.1	201,608
Exercisable at December 31, 2019	6,473	6.04	6.4	116,016

At December 31, 2019, there were 12.9 million stock options outstanding that were vested and expected to vest.

In 2018 and 2017, we granted stock options to employees that vest over three to four years and had a per share weighted average grant date fair value of $6.84 and $2.48, respectively. Estimating the fair value of stock options using the Black-Scholes option-pricing model requires assumptions as to the estimated term of the option, the risk-free interest rate, the expected volatility of the price of our common stock, the expected dividend yield, and the fair value of our underlying common stock prior to our IPO.

Fair Value of Common Stock. Following our IPO, we use the market price of our common stock at the date of grant. Prior to our IPO, the lack of an active public market for our common stock required an estimate of the fair value of the common stock for granting stock options and restricted shares, and for determining stock-based compensation expense. Contemporaneous third-party valuations were obtained to assist in determining the fair value of our common stock. The contemporaneous valuations were performed in accordance with applicable methodologies, approaches and assumptions of the technical practice-aid issued by the American Institute of Certified Public Accountants Practice Aid entitled *Valuation of Privately-Held Company Equity Securities Issued as Compensation.*

Expected Term. This is the period of time that the options granted are expected to remain unexercised. We employ the simplified method to calculate the average expected term.

Expected Volatility. Volatility is a measure of the amount by which a financial variable, such as a share price, has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. As we do not yet have sufficient history of our own volatility, we have identified several public entities of similar size, complexity, and stage of development and estimate volatility based on the volatility of these companies.

Risk-Free Interest Rate. This is the U.S. Treasury rate, having a term that most closely resembles the expected life of the stock option.

Expected Dividend Yield. We have never declared or paid dividends and have no plans to do so in the foreseeable future.

The fair value of each stock option was estimated on the grant date based on the following assumptions:

	Year Ended December 31,	
	2018	**2017**
Expected term (in years)	6.3	6.3
Expected volatility	41.3% — 43.3%	45.2% — 47.0%
Risk-free interest rate	2.7% — 2.9%	1.9% — 2.4%
Expected dividend yield	—	—
Expected forfeiture rate	—	—

Restricted Stock and Restricted Stock Units

A summary of our restricted stock and RSU activity is presented below:

	Restricted Stock		Restricted Stock Units	
(in thousands, except for per share data and years)	**Number of Shares**	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Unvested balance at December 31, 2016	—	$ —	—	$ —
Granted	1,583	4.25	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Unvested balance at December 31, 2017	1,583	4.25	—	—
Granted	—	—	1,200	18.75
Vested	(693)	4.25	—	—
Forfeited	—	—	(71)	16.27
Unvested balance at December 31, 2018	890	4.25	1,129	18.90
Granted	—	—	2,715	27.81
Vested	(395)	4.25	(479)	18.28
Forfeited	—	—	(471)	25.21
Unvested balance at December 31, 2019	495	4.25	2,894	26.34

The grant date fair value was based on the estimated fair value of our common stock on the date of grant. RSUs granted before July 30, 2018 vest upon the satisfaction of both service-based and performance-based vesting conditions. The performance-based condition was satisfied upon the completion of our IPO. RSUs granted after July 30, 2018 vest upon the satisfaction of a service-based vesting condition.

Compensation expense for restricted stock and RSUs is recognized on a straight-line basis over the requisite service period, with the exception of RSUs that include performance-based vesting conditions, which are expensed using the accelerated attribution method.

2018 Employee Stock Purchase Plan

In 2018, our board of directors adopted, and our stockholders approved, our 2018 ESPP. The number of shares of common stock reserved for issuance under our 2018 ESPP automatically increases on January 1 of each year through 2028 according to an evergreen provision. Due to this provision, we reserved an additional 1,396,896 shares of our common stock in January 2019. At December 31, 2019, there were 4,620,087 shares available for grant.

Under our 2018 ESPP, employees may set aside up to 15% of their gross earnings, on an after-tax basis, to purchase our common stock at a discounted price, which is calculated at 85% of the lower of the fair market value of our common stock on the first day of an offering or on the date of purchase. The 2018 ESPP permits offerings up to 27 months in duration, with one or more purchase periods in each offering. Additionally, in cases where the fair market value of a share of our common stock on the first day of a new purchase period within an offering is less than or equal to the fair market value of a share of our common stock at the beginning of the offering, that offering will be terminated and participants will be automatically enrolled in a new offering with a new 24-month duration with purchase periods every six months.

In 2019, employees purchased 776,809 shares of our common stock at a weighted average price of $19.48 per share, resulting in cash proceeds to us of $15.1 million.

At December 31, 2019, there was $5.4 million of employee contributions to the 2018 ESPP included in accrued compensation. The unrecognized stock-based compensation expense related to our 2018 ESPP was $8.5 million, which is expected to be recognized over the remaining offering period of 1.7 years.

The fair value of the 2018 ESPP purchase rights was estimated on the offering or modification dates using a Black-Scholes option-pricing model and the following assumptions:

	Year Ended December 31,	
	2019	**2018**
Expected term (in years)	0.5 — 2.0	0.6 — 2.1
Expected volatility	34.4% — 44.6%	31.9% — 33.5%
Risk-free interest rate	1.5% — 2.5%	2.3% — 2.7%
Expected dividend yield	—	—

10. Net Loss Per Share Attributable to Common Stockholders

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Year Ended December 31,		
(in thousands, except per share data)	**2019**	**2018**	**2017**
Net loss attributable to common stockholders	$ (99,013)	$ (73,955)	$ (41,785)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	96,014	53,669	22,211
Net loss per share attributable to common stockholders, basic and diluted	$ (1.03)	$ (1.38)	$ (1.88)

The following potentially dilutive securities have been excluded from the diluted per share calculations because they would have been antidilutive:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Stock options	12,939	19,219	14,573
Restricted stock units	2,894	1,129	—
Restricted shares	495	890	1,583
Shares to be issued under the 2018 ESPP	278	320	—
Redeemable convertible preferred stock	—	—	55,386
Total	16,606	21,558	71,542

11. Income Taxes

U.S. and international components of loss before income taxes were as follows:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
U.S. (loss) income	$ (21,644)	$ 1,429	$ (29,357)
Foreign loss	(64,005)	(72,586)	(11,494)
Total loss before income taxes	$ (85,649)	$ (71,157)	$ (40,851)

The components of the provision for income taxes were as follows:

(in thousands)	Year Ended December 31, 2019	2018	2017
Current			
Federal	$ (224)	$ —	$ 140
State	100	58	6
Foreign	9,245	2,306	898
Total current tax expense	9,121	2,364	1,044
Deferred			
Foreign	4,243	—	(873)
Total deferred tax expense (benefit)	4,243	—	(873)
Total provision for income taxes	$ 13,364	$ 2,364	$ 171

The items accounting for the difference between income taxes computed at the federal statutory rate and our effective tax rate were as follows:

	Year Ended December 31, 2019	2018	2017
U.S. federal statutory tax rate	21.0 %	21.0 %	34.0 %
State and local taxes	4.8	(1.5)	2.4
Research and development tax credit	3.1	1.9	3.0
Stock-based compensation	19.0	0.5	—
Uncertain tax positions	(0.5)	(1.0)	(0.2)
Foreign tax rate differential	(7.9)	(9.4)	(4.0)
Change in valuation allowance	(40.8)	(12.6)	2.7
Gain on sale of intellectual property	(12.3)	—	—
Transition tax	—	—	(2.7)
Revaluation of U.S. deferred income taxes	—	—	(34.5)
Other	(2.0)	(2.2)	(1.1)
Effective tax rate	(15.6)%	(3.3)%	(0.4)%

We maintain a valuation allowance on U.S. federal, state and foreign net deferred tax assets as the realization of our deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain.

The components of the deferred tax assets and liabilities were as follows:

(in thousands)	December 31, 2019	December 31, 2018
Deferred tax assets:		
Net operating losses	$ 65,494	$ 32,745
Deferred revenue	13,891	16,488
Stock-based compensation	10,032	5,581
Tax credits	7,585	5,320
Leases	10,451	2,436
Accrued compensation	918	697
Other	263	68
Total deferred tax assets	108,634	63,335
Valuation allowance	(82,237)	(47,266)
Net deferred tax assets	26,397	16,069
Deferred tax liabilities:		
Deferred commissions	(15,003)	(13,273)
Property and equipment	(10,086)	(2,166)
Intangible assets	(919)	(353)
Other	(389)	(277)
Total deferred tax liabilities	(26,397)	(16,069)
Net deferred tax liabilities	$ —	$ —

At December 31, 2019, we had net operating loss ("NOL") carryforwards for federal, state and foreign tax purposes of $186.0 million, $132.0 million, and $163.6 million, respectively, which will begin to expire in 2030, as well as $10.1 million of federal, state and foreign research and development tax credits, foreign tax credits, minimum tax credits and certain states' job creation tax credits. The federal research and development and foreign tax credits will begin to expire in 2032 and the state job creation tax credits will begin to expire in 2020.

In December 2019, we sold acquired intellectual property through an intercompany transaction, which resulted in $6.3 million of current tax expense and $4.2 million of deferred tax expense in Israel.

In 2018, we recorded a deferred tax asset of $1.7 million related to our operating lease liability and recorded a deferred tax liability of $1.7 million related to our operating lease right-of-use asset due to the adoption of ASU 842. In connection with our IPO, we recorded a $1.9 million increase in our valuation allowance related to certain transaction costs.

We are currently subject to the annual limitation under Sections 382 and 383 of the Internal Revenue Code. We will not be precluded from realizing the NOL carryforward and tax credits but may be limited in the amount we could utilize in any given tax year in the event that the federal and state taxable income will exceed the limitation imposed by Section 382. The amount of the annual limitation is determined based on our value immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years.

At December 31, 2019 and 2018, the total amount of gross unrecognized tax benefits was $7.2 million and $4.8 million, respectively, which, if recognized, would impact our effective tax rate by less than $0.1 million in each year. Interest and penalties associated with uncertain tax positions recognized as a component of income tax expense were immaterial in 2019, 2018 and 2017.

The change in gross unrecognized tax benefits, excluding accrued interest, were as follows:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Unrecognized tax benefits at the beginning of the period	$ 4,814	$ 1,199	$ 736
Additions for tax positions in the current year	2,306	3,571	446
Increase in prior year positions	90	102	30
Decrease in prior year positions	(89)	(58)	(13)
Acquisitions	42	—	—
Unrecognized tax benefits at the end of the period	$ 7,163	$ 4,814	$ 1,199

We file income tax returns in the United States, including various state jurisdictions. Our subsidiaries file income tax returns in various foreign jurisdictions. Tax years after 2014 remain open to examination by the major taxing jurisdictions in which we are subject to tax. At December 31, 2019, we were not under examination by the Internal Revenue Service or any state or foreign tax jurisdiction.

Depending on the jurisdiction, distributions of earnings could be subject to withholding taxes at rates applicable to the distributing jurisdiction. As we intend to continue to reinvest the earnings of foreign subsidiaries indefinitely, we have not provided for a U.S. income tax liability and foreign withholding taxes on undistributed foreign earnings of foreign subsidiaries. It is not practicable for us to determine the amount of unrecognized tax expense on these reinvested international earnings.

12. Geographic Information

We operate as one operating segment. Our Chief Executive Officer, who is our chief operating decision maker, reviews financial information on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

Revenue by region, based on the address of the end user as specified in our subscription, license or service agreements, was as follows:

	Year Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Americas	$ 243,616	$ 191,204	$ 138,876
Europe, Middle East and Africa	77,676	53,839	34,121
Asia Pacific	33,294	22,317	14,730
Revenue	$ 354,586	$ 267,360	$ 187,727

Customers located in the United States accounted for 63%, 67% and 69% of revenue in 2019, 2018 and 2017, respectively. No other country accounted for 10% or more of revenue in the periods presented.

Our property and equipment, net by geographic area is summarized as follows:

(in thousands)	December 31, 2019	December 31, 2018
United States	$ 21,464	$ 6,487
International	5,383	4,861
Property and equipment, net	$ 26,847	$ 11,348

13. Benefit Plans

We maintain a contributory defined contribution 401(k) plan for our U.S. employees. We adopted a Safe Harbor Plan effective January 1, 2016, and as a result, company-matched contributions are fully vested. Additional contributory plans are in effect internationally. Our contribution expense for such plans was $6.2 million, $4.8 million and $3.3 million in 2019, 2018 and 2017, respectively.

14. Quarterly Results (unaudited)

The following tables summarize our unaudited quarterly consolidated statements of operations data for each of the eight quarters through the period ended December 31, 2019. The information for each of these quarters has been prepared on the same basis as our audited annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Historical results are not necessarily indicative of the results that may be expected in the future, and the quarterly results are not necessarily indicative of the results that may be expected for the full year or any other period.

(in thousands, except per share amounts)	Three Months Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Revenue	$ 80,301	$ 85,384	$ 91,852	$ 97,049
Cost of revenue	13,226	13,918	15,245	18,429
Gross profit	67,075	71,466	76,607	78,620
Operating expenses:				
Sales and marketing	52,689	56,015	56,699	62,632
Research and development	21,935	21,698	20,763	22,668
General and administrative	15,136	15,987	17,472	20,873
Total operating expenses	89,760	93,700	94,934	106,173
Loss from operations	(22,685)	(22,234)	(18,327)	(27,553)
Interest income, net	1,556	1,594	1,527	1,153
Other expense, net	(214)	(122)	(240)	(104)
Loss before income taxes	(21,343)	(20,762)	(17,040)	(26,504)
Provision for income taxes	97	866	600	11,801
Net loss	(21,440)	(21,628)	(17,640)	(38,305)
Accretion of Series A and B redeemable convertible preferred stock	—	—	—	—
Net loss attributable to common stockholders	$ (21,440)	$ (21,628)	$ (17,640)	$ (38,305)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.23)	$ (0.23)	$ (0.18)	$ (0.39)

(in thousands, except per share amounts)	Three Months Ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenue	$ 59,107	$ 63,592	$ 69,440	$ 75,221
Cost of revenue	8,728	9,879	12,161	12,399
Gross profit	50,379	53,713	57,279	62,822
Operating expenses:				
Sales and marketing	39,588	41,826	44,550	47,380
Research and development	17,185	17,791	20,553	21,169
General and administrative	9,055	10,541	13,272	13,864
Total operating expenses	65,828	70,158	78,375	82,413
Loss from operations	(15,449)	(16,445)	(21,096)	(19,591)
Interest (expense) income, net	(26)	(23)	894	1,510
Other income (expense), net	18	(438)	(185)	(326)
Loss before income taxes	(15,457)	(16,906)	(20,387)	(18,407)
Provision for income taxes	431	244	482	1,207
Net loss	(15,888)	(17,150)	(20,869)	(19,614)
Accretion of Series A and B redeemable convertible preferred stock	(188)	(191)	(55)	—
Net loss attributable to common stockholders	$ (16,076)	$ (17,341)	$ (20,924)	$ (19,614)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.68)	$ (0.73)	$ (0.28)	$ (0.21)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2019, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in this Form 10-K was (a) reported within the time periods specified by SEC rules and regulations and (b) communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding any required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that our internal control over financial reporting was effective at December 31, 2019. We completed the acquisition of Indegy on December 2, 2019. Since we have not yet fully incorporated the internal controls and procedures of Indegy into our internal control over financial reporting, management excluded Indegy from its assessment of the effectiveness of our internal controls at December 31, 2019. Indegy represented less than 2% of our total assets at December 31, 2019 and less than 1% of our revenue and operating expenses in 2019.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting as of December 31, 2019, which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

We implemented business combination controls in connection with our acquisition of Indegy. There were no other changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

The information required by this item will be contained in our definitive proxy statement to be filed with the SEC in connection with our 2020 annual meeting of stockholders, or the Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2019, under the captions "Information Regarding the Board of Directors and Corporate Governance," "Election of Directors" and "Executive Officers" and is incorporated in this report by reference.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement under the captions "Executive Compensation" and "Non-Employee Director Compensation" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item will be set forth in the Proxy Statement under the captions "Transactions with Related Persons" and "Independence of the Board of Directors" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement under the caption "Ratification of Selection of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

See the Index to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

SCHEDULE II
SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS

(in thousands)	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions[1]	Balance at End of Year
Allowance for Doubtful Accounts				
Year Ended December 31, 2019	$ 188	$ 967	$ (391)	$ 764
Year Ended December 31, 2018	160	149	(121)	188
Year Ended December 31, 2017	200	327	(367)	160

(1) Consists of write-offs of uncollectible accounts, net of recoveries.

All other schedules have been omitted because they are not required, not applicable, or the required information is included in the financial statements or the notes to the financial statements.

(a)(3) Exhibits

The following is a list of Exhibits filed as part of this Annual Report on Form 10-K:

Exhibit Number	Description	Location
2.1	Share Purchase Agreement, dated as of December 2, 2019, by and between Tenable, Inc., Indegy Ltd., the shareholders of Indegy set forth on Schedule I to the Purchase Agreement and Shareholder Representative Services LLC, as the representative of Indegy's shareholders and optionholders thereunder.	Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-38600) on December 2, 2019
3.1	Amended and Restated Certificate of Incorporation of Tenable Holdings, Inc.	Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38600) on July 30, 2018
3.2	Amended and Restated Bylaws of Tenable Holdings, Inc.	Previously filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on June 29, 2018
4.1	Common Stock Certificate of Tenable Holdings, Inc.	Previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on July 16, 2018
4.2	Investors' Rights Agreement by and among Tenable Holdings, Inc. and certain of its stockholders, dated December 18, 2015	Previously filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on July 16, 2018

4.3	Description of Common Stock of Tenable Holdings, Inc.	Filed herewith
10.1+	2016 Stock Incentive Plan and Irish Supplement and Forms of Option Grant Notice and Agreement and Exercise Notice and Form of Restricted Stock Grant Notice and Agreement thereunder, as amended to date	Previously filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-226347) on July 26, 2018
10.2+	2012 Stock Incentive Plan and Form of Notice of Stock Option Grant and Form of Stock Option Agreement and Notice of Exercise and Common Stock Purchase Agreement thereunder, as amended to date	Previously filed as Exhibit 10.2 to the Company's Registration Statement on Form S-8 (File No. 333-226347) on July 26, 2018
10.3+	2002 Stock Incentive Plan and Form of Notice of Option Grant and Form of Stock Option Agreement and Form of Notice of Stock Option Exercise and Form of Stock Award Agreement thereunder, as amended to date	Previously filed as Exhibit 10.3 to the Company's Registration Statement on Form S-8 (File No. 333-226347) on July 26, 2018
10.4+	2018 Equity Incentive Plan and Forms of Stock Option Grant Notice and Agreement and Restricted Stock Unit Grant Notice and Agreement thereunder	Previously filed as Exhibit 10.4 to the Company's Registration Statement on Form S-8 (File No. 333-226347) on July 26, 2018
10.5+	2018 Employee Stock Purchase Plan	Previously filed as Exhibit 10.5 to the Company's Registration Statement on Form S-8 (File No. 333-226347) on July 26, 2018
10.6+	Form of Indemnification Agreement by and between Tenable Holdings, Inc. and each of its directors and executive officers	Previously filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on July 16, 2018
10.7+	Amended and Restated Employment Agreement, dated as of February 20, 2019, by and between Tenable, Inc. and Amit Yoran	Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-38600) on February 22, 2019
10.8+	Amended and Restated Employment Agreement, dated as of February 20, 2019, by and between Tenable, Inc. and Stephen A. Vintz	Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-38600) on February 22, 2019
10.9+	Amended and Restated Employment Agreement, dated as of February 20, 2019, by and between Tenable, Inc. and John G. Negron	Previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-38600) on February 22, 2019
10.10+	Amended and Restated Employment Agreement, dated as of February 20, 2019, by and between Tenable, Inc. and Stephen A. Riddick	Previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-38600) on February 22, 2019
10.11	Loan and Security Agreement, dated as of May 4, 2017, by and between Tenable Network Security, Inc. and Silicon Valley Bank	Previously filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on July 16, 2018
10.12#	Distribution Agreement, dated as of September 10, 2012, by and between Tenable Network Security, Inc. and Ingram Micro, Inc.	Previously filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-226002) on July 16, 2018
21.1	Subsidiaries of Tenable Holdings, Inc.	Filed herewith
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm	Filed herewith
24.1	Power of Attorney	Filed herewith
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith

32.1*	Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.SCH, 101.CAL, 101.DEF, 101.LAB and 101.PRE)	

(*) This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

(+) Indicates management contract or compensatory plan.

(#) Confidential treatment has been granted as to certain portions, indicated by asterisks, which portions have been omitted and filed separately with the Securities and Exchange Commission.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

TENABLE HOLDINGS, INC.

Date: February 28, 2020	By: /s/ Amit Yoran Amit Yoran Chairman and Chief Executive Officer
Date: February 28, 2020	By: /s/ Stephen A. Vintz Stephen A. Vintz Chief Financial Officer

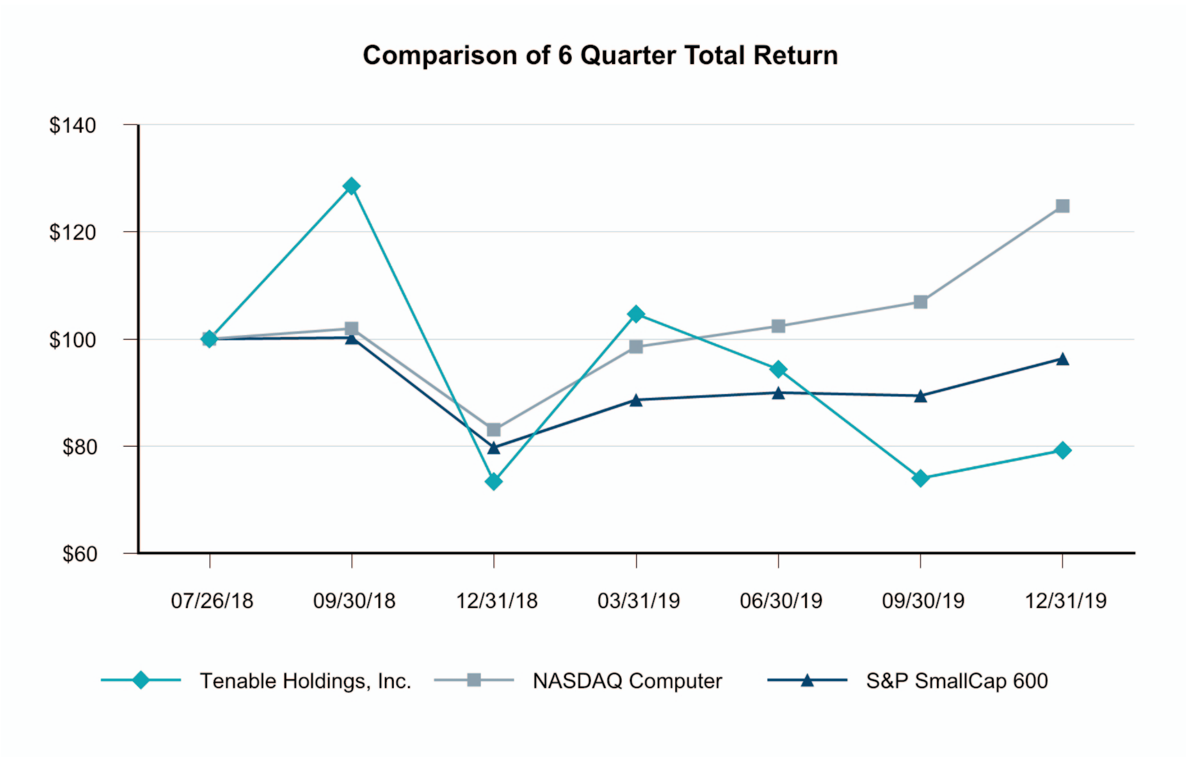
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Amit Yoran, Stephen A. Vintz and Stephen A. Riddick, jointly and severally, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Annual Report on Form 10-K of Tenable Holdings, Inc., and any or all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises hereby ratifying and confirming all that said attorneys-in-fact and agents, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Amit Yoran Amit Yoran	Chairman and Chief Executive Officer *(Principal Executive Officer)*	February 28, 2020
/s/ Stephen A. Vintz Stephen A. Vintz	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	February 28, 2020
/s/ Arthur W. Coviello, Jr. Arthur W. Coviello, Jr.	Director	February 28, 2020
/s/ Kimberly L. Hammonds Kimberly L. Hammonds	Director	February 28, 2020
/s/ John C. Huffard, Jr. John C. Huffard, Jr.	Director	February 28, 2020
/s/ Jerry M. Kennelly Jerry M. Kennelly	Director	February 28, 2020
/s/ Ping Li Ping Li	Director	February 28, 2020
/s/ A. Brooke Seawell A. Brooke Seawell	Director	February 28, 2020
/s/ Richard M. Wells Richard M. Wells	Director	February 28, 2020
/s/ Linda K. Zecher Linda K. Zecher	Director	February 28, 2020

Stock Performance Graph

We have presented below the cumulative total return to our stockholders between July 26, 2018 (the date our common stock began trading on the Nasdaq Global Select Market) through December 31, 2019 in comparison to the Nasdaq Computer Index and the Standard & Poor's, or the S&P, SmallCap 600 Index. All values assume a $100 initial investment, and data for the Nasdaq Computer Index and S&P SmallCap 600 Index assume reinvestment of dividends. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our common stock.



Company/Index	7/26/2018[(1)]	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Tenable Holdings, Inc.	$ 100.00	$ 128.53	$ 73.36	$ 104.66	$ 94.35	$ 73.98	$ 79.21
NASDAQ Computer Index	100.00	101.92	83.01	98.54	102.35	106.88	124.80
S&P SmallCap 600 Index	100.00	100.20	79.73	88.63	89.95	89.43	96.36

(1) Base period

CORPORATE EXECUTIVES

Amit Yoran
Chief Executive Officer and
Chairman of the Board of Directors

Stephen A. Vintz
Chief Financial Officer

Mark Thurmond
Chief Operating Officer

Stephen A. Riddick
General Counsel and Corporate Secretary

Renaud M. Deraison
Chief Technology Officer
and Co-Founder

Ofer Ben-David
Chief Product Officer

Jennifer L. Johnson
Chief Marketing Officer

Bridgett P. Paradise
Chief People Officer

BOARD OF DIRECTORS

A. Brooke Seawell
Venture Partner, New Enterprise Associates

Amit Yoran
Chief Executive Officer and
Chairman of the Board of Directors

Arthur W. Coviello, Jr.
Venture Partner, Rally Ventures

Jerry M. Kennelly
Chief Executive Officer, Scandic Capital

John C. Huffard, Jr.
Co-Founder

Kimberly L. Hammonds
Founder, Mangrove Digital Group

Ping Li
General Partner, Accel

Richard Wells
Managing Director, Insight Venture Partners

Linda Zecher
Chief Executive Officer, Barkley Group

CORPORATE INFORMATION

Common Stock Listing
Listed: Nasdaq Global Select Market
Symbol: TENB

Annual Meeting
Thursday, May 28, 2020
at 1:00 p.m. Eastern Time

Registrar and Transfer Agent
American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
T: (800) 937-5449

Legal Counsel
Cooley LLP
1299 Pennsylvania Ave NW, Suite 700
Washington, D.C. 20004

Independent Registered Public Accounting Firm
Ernst & Young LLP
17715 Tysons Boulevard
Tysons, Virginia 22102

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