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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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 000-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3432319**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

145 Broadway
Cambridge, MA 02142
(617) 444-3000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - par value $0.01 per share	AKAM	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") 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 ☒

The number of shares outstanding of the registrant's common stock as of November 4, 2024: 150,226,986

AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements (Unaudited)*

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data) (unaudited)	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 569,749	$ 489,468
Marketable securities	1,129,456	374,971
Accounts receivable, net of reserves of $3,820 and $3,469 at September 30, 2024, and December 31, 2023, respectively	696,493	724,302
Prepaid expenses and other current assets	238,732	216,114
Total current assets	2,634,430	1,804,855
Marketable securities	279,411	1,431,354
Property and equipment, net	1,948,799	1,825,944
Operating lease right-of-use assets	1,006,132	908,634
Acquired intangible assets, net	586,247	536,143
Goodwill	3,154,351	2,850,470
Deferred income tax assets	431,318	418,297
Other assets	149,769	124,340
Total assets	$ 10,190,457	$ 9,900,037

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS, continued

(in thousands, except share data) (unaudited)	September 30, 2024	December 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 106,629	$ 146,927
Accrued expenses	288,619	352,181
Deferred revenue	138,929	107,544
Convertible senior notes	1,148,471	—
Operating lease liabilities	251,596	222,944
Other current liabilities	48,779	6,442
Total current liabilities	1,983,023	836,038
Deferred revenue	24,316	23,006
Deferred income tax liabilities	27,387	24,622
Convertible senior notes	2,395,439	3,538,229
Operating lease liabilities	854,740	774,806
Other liabilities	111,414	106,181
Total liabilities	5,396,319	5,302,882
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; 700,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued or outstanding	—	—
Common stock, $0.01 par value; 700,000,000 shares authorized; 154,827,272 shares issued and 150,624,544 shares outstanding at September 30, 2024, and 151,232,908 shares issued and outstanding at December 31, 2023	1,548	1,512
Additional paid-in capital	2,479,552	2,222,993
Accumulated other comprehensive loss	(100,436)	(95,330)
Treasury stock, at cost, 4,202,728 shares at September 30, 2024, and no shares at December 31, 2023	(419,519)	—
Retained earnings	2,832,993	2,467,980
Total stockholders' equity	4,794,138	4,597,155
Total liabilities and stockholders' equity	$ 10,190,457	$ 9,900,037

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

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands, except per share data) (unaudited)	2024	2023	2024	2023
Revenue	$ 1,004,679	$ 965,484	$ 2,971,229	$ 2,816,903
Costs and operating expenses:				
Cost of revenue (exclusive of amortization of acquired intangible assets shown below)	408,806	383,075	1,206,437	1,117,666
Research and development	120,347	105,942	350,631	296,846
Sales and marketing	138,551	132,309	412,160	397,970
General and administrative	159,957	147,326	466,241	445,276
Amortization of acquired intangible assets	24,368	18,108	66,467	49,918
Restructuring charge	82,013	2,595	83,942	56,675
Total costs and operating expenses	934,042	789,355	2,585,878	2,364,351
Income from operations	70,637	176,129	385,351	452,552
Interest and marketable securities income, net	23,065	11,412	77,534	21,213
Interest expense	(6,735)	(4,987)	(20,382)	(10,825)
Other expense, net	(13,161)	(3,161)	(13,599)	(6,654)
Income before provision for income taxes	73,806	179,393	428,904	456,286
Provision for income taxes	(15,899)	(20,326)	(63,891)	(71,297)
Gain from equity method investment	—	1,475	—	1,475
Net income	$ 57,907	$ 160,542	$ 365,013	$ 386,464
Net income per share:				
Basic	$ 0.38	$ 1.06	$ 2.40	$ 2.53
Diluted	$ 0.38	$ 1.04	$ 2.36	$ 2.50
Shares used in per share calculations:				
Basic	151,435	151,359	151,776	153,020
Diluted	153,240	154,976	154,765	154,855

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

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands) (unaudited)	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net income	$ 57,907	$ 160,542	$ 365,013	$ 386,464
Other comprehensive gain (loss):				
Foreign currency translation adjustments	28,475	(20,250)	(6,870)	(9,604)
Change in unrealized gain on investments, net of income tax expense of $2,598, $883, $572 and $4,014 for the three and nine months ended September 30, 2024 and 2023, respectively	8,010	2,742	1,764	12,464
Other comprehensive gain (loss)	36,485	(17,508)	(5,106)	2,860
Comprehensive income	$ 94,392	$ 143,034	$ 359,907	$ 389,324

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

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) (unaudited)	For the Nine Months Ended September 30, 2024	2023
Cash flows from operating activities:		
Net income	$ 365,013	$ 386,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	480,461	423,142
Stock-based compensation	294,333	236,344
Provision (benefit) for deferred income taxes	938	(9,763)
Amortization of debt issuance costs	4,933	3,600
Other non-cash reconciling items, net	45,757	44,891
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	28,092	(46,262)
Prepaid expenses and other current assets	(25,480)	(16,103)
Accounts payable and accrued expenses	(79,191)	(60,170)
Deferred revenue	13,978	24,146
Other current liabilities	42,350	2,290
Other non-current assets and liabilities	4,199	(29,333)
Net cash provided by operating activities	1,175,383	959,246
Cash flows from investing activities:		
Cash paid for business acquisitions, net of cash acquired	(434,066)	(106,171)
Cash paid for asset acquisition	(4,862)	(36,348)
Purchases of property and equipment	(297,548)	(387,505)
Capitalization of internal-use software development costs	(224,860)	(208,648)
Purchases of short- and long-term marketable securities	(201,641)	(1,184,837)
Proceeds from sales of short- and long-term marketable securities	307,701	200,894
Proceeds from maturities and redemptions of short- and long-term marketable securities	296,623	197,641
Other, net	4,160	(7,431)
Net cash used in investing activities	(554,493)	(1,532,405)

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

	For the Nine Months Ended September 30,	
(in thousands) (unaudited)	2024	2023
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	—	90,000
Repayment of borrowings under revolving credit facility	—	(90,000)
Proceeds from the issuance of convertible senior notes, net of issuance costs	—	1,247,388
Proceeds from the issuance of warrants related to convertible senior notes	—	90,195
Purchase of note hedge related to convertible senior notes	—	(236,555)
Proceeds related to the issuance of common stock under stock plans	47,708	49,553
Employee taxes paid related to net share settlement of stock awards	(157,115)	(50,910)
Repurchases of common stock	(419,097)	(599,155)
Other, net	(10,291)	(360)
Net cash (used in) provided by financing activities	(538,795)	500,156
Effects of exchange rate changes on cash, cash equivalents and restricted cash	188	(7,729)
Net increase (decrease) in cash, cash equivalents and restricted cash	82,283	(80,732)
Cash, cash equivalents and restricted cash at beginning of period	490,470	543,022
Cash, cash equivalents and restricted cash at end of period	$ 572,753	$ 462,290
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net of refunds received of $5,499 and $7,462 for the nine months ended September 30, 2024 and 2023, respectively	$ 111,430	$ 109,820
Cash paid for interest expense	19,556	5,610
Cash paid for operating lease liabilities	213,459	187,888
Non-cash activities:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	285,494	252,961
Purchases of property and equipment and capitalization of internal-use software development costs included in accounts payable and accrued expenses	35,660	56,345
Capitalization of stock-based compensation	81,636	60,325
Reconciliation of cash and cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 569,749	$ 459,907
Restricted cash	3,004	2,383
Cash, cash equivalents and restricted cash	$ 572,753	$ 462,290

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

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Three Months Ended September 30, 2024						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
(in thousands, except share data) (unaudited)	Shares	Amount					
Balance at July 1, 2024	151,913,207	$ 1,544	$ 2,368,225	$ (136,921)	$ (253,258)	$ 2,775,086	$ 4,754,676
Issuance of common stock upon the vesting of restricted and deferred stock units, net of shares withheld for employee taxes	415,997	4	(15,656)				(15,652)
Stock-based compensation			126,983				126,983
Repurchases of common stock	(1,704,660)				(166,261)		(166,261)
Net income						57,907	57,907
Foreign currency translation adjustment				28,475			28,475
Change in unrealized gain on investments, net of tax				8,010			8,010
Balance at September 30, 2024	150,624,544	$ 1,548	$ 2,479,552	$ (100,436)	$ (419,519)	$ 2,832,993	$ 4,794,138

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, continued

	Three Months Ended September 30, 2023						
	Common Stock						
(in thousands, except share data) (unaudited)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at July 1, 2023	151,790,861	$ 1,580	$ 2,751,681	$ (119,964)	$ (490,403)	$ 2,146,273	$ 4,289,167
Issuance of common stock upon the exercise of stock options and vesting of restricted and deferred stock units, net of shares withheld for employee taxes	279,776	3	(11,463)				(11,460)
Stock-based compensation			105,424				105,424
Issuance of warrants related to convertible senior notes			90,195				90,195
Purchase of note hedge related to convertible senior notes, net of deferred taxes of $57,628			(178,927)				(178,927)
Repurchases of common stock	(1,114,788)				(113,229)		(113,229)
Net income						160,542	160,542
Foreign currency translation adjustment				(20,250)			(20,250)
Change in unrealized gain on investments, net of tax				2,742			2,742
Balance at September 30, 2023	150,955,849	$ 1,583	$ 2,756,910	$ (137,472)	$ (603,632)	$ 2,306,815	$ 4,324,204

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, continued

	Nine Months Ended September 30, 2024						
	Common Stock						
(in thousands, except share data) (unaudited)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 2024	151,232,908	$ 1,512	$ 2,222,993	$ (95,330)	$ —	$ 2,467,980	$ 4,597,155
Issuance of common stock upon the vesting of restricted and deferred stock units, net of shares withheld for employee taxes	3,224,444	32	(157,742)				(157,710)
Issuance of common stock under employee stock purchase plan	369,920	4	28,365				28,369
Stock-based compensation			385,936				385,936
Repurchases of common stock	(4,202,728)				(419,519)		(419,519)
Net income						365,013	365,013
Foreign currency translation adjustment				(6,870)			(6,870)
Change in unrealized gain on investments, net of tax				1,764			1,764
Balance at September 30, 2024	150,624,544	$ 1,548	$ 2,479,552	$ (100,436)	$ (419,519)	$ 2,832,993	$ 4,794,138

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, continued

	Nine Months Ended September 30, 2023						
	Common Stock						
(in thousands, except share data) (unaudited)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 2023	156,494,816	$ 1,565	$ 2,578,603	$ (140,332)	$ —	$ 1,920,351	$ 4,360,187
Issuance of common stock upon the exercise of stock options and vesting of restricted and deferred stock units, net of shares withheld for employee taxes	1,367,793	14	(52,716)				(52,702)
Issuance of common stock under employee stock purchase plan	399,395	4	31,265				31,269
Stock-based compensation			288,490				288,490
Issuance of warrants related to convertible senior notes			90,195				90,195
Purchase of note hedge related to convertible senior notes, net of deferred taxes of $57,628			(178,927)				(178,927)
Repurchases of common stock	(7,306,155)				(603,632)		(603,632)
Net income						386,464	386,464
Foreign currency translation adjustment				(9,604)			(9,604)
Change in unrealized gain on investments, net of tax				12,464			12,464
Balance at September 30, 2023	150,955,849	$ 1,583	$ 2,756,910	$ (137,472)	$ (603,632)	$ 2,306,815	$ 4,324,204

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

AKAMAI TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

Akamai Technologies, Inc. (the “Company”) provides solutions to power and protect business online. Its massively distributed edge and cloud platform, or Akamai Connected Cloud, comprises more than 4,200 edge points-of-presence in over 700 cities and approximately 130 countries. The Company was incorporated in Delaware in 1998 and is headquartered in Cambridge, Massachusetts. The Company is currently organized and operates as one operating and reportable segment.

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. These financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation in the accompanying interim condensed consolidated financial statements.

Certain information and footnote disclosures normally included in the Company’s annual audited consolidated financial statements and accompanying notes have been condensed in, or omitted from, these interim financial statements. Accordingly, the unaudited interim condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 28, 2024. The December 31, 2023 condensed consolidated balance sheet included herein is derived from the Company's audited consolidated financial statements.

The results of operations presented in this quarterly report on Form 10-Q are not necessarily indicative of the results of operations that may be expected for any future periods. In the opinion of management, these unaudited interim condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair statement of the results of all interim periods reported herein.

Revision of Previously Issued Financial Statements

The interim condensed consolidated statement of cash flows for the nine months ended September 30, 2023, has been revised to correct an overstatement of $384.9 million included in purchases of short- and long-term marketable securities and proceeds from maturities and redemptions of short- and long-term marketable securities which should have been excluded from these amounts because they are cash equivalents. Management determined that the overstatement was not material to the Company's prior financial statements. The revision had no net impact on the Company's cash flows from operating, investing or financing activities for the nine months ended September 30, 2023. The change also had no impact on the condensed consolidated balance sheet as of September 30, 2023 and the condensed consolidated statements of income, condensed consolidated statements of comprehensive income or condensed consolidated statements of stockholders’ equity for the three and nine months ended September 30, 2023.

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued guidance to enhance income statement disclosures through additional disclosures of specified information about certain costs and expenses. This guidance will be effective for the Company's annual period ending December 31, 2027 and interim periods beginning on January 1, 2028, and is to be applied prospectively with the option to adopt retrospectively. The Company is evaluating the impact the update will have on its disclosures.

In December 2023, the FASB issued guidance to improve income tax disclosures, primarily through enhanced disclosures for the rate reconciliation and income taxes paid, in addition to the modification or elimination of other disclosures. This guidance will be effective for the Company's annual period ending December 31, 2025 and is to be applied prospectively with the option to adopt retrospectively. The Company is evaluating the impact the update will have on its disclosures.

In November 2023, the FASB issued guidance to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expense and application of all segment disclosure requirements to entities with a single reportable segment. This guidance will be effective for the Company's annual period ending December 31, 2024 and interim periods beginning on January 1, 2025 and is to be applied retrospectively. The Company has completed a preliminary assessment of significant expenses of its single segment and does not anticipate an impact on its consolidated financial statements other than for the additional required disclosures.

2. Fair Value Measurements

Available-for-sale marketable securities held as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

		Gross Unrealized			Classification on Balance Sheet	
	Amortized Cost	Gains	Losses	Aggregate Fair Value	Short-Term Marketable Securities	Long-Term Marketable Securities
As of September 30, 2024						
Time deposits	$ 12,881	$ —	$ —	$ 12,881	$ 12,881	$ —
Commercial paper	4,453	1	—	4,454	4,454	—
Corporate bonds	1,028,585	4,735	(73)	1,033,247	833,613	199,634
U.S. government agency obligations	323,064	1,440	(60)	324,444	268,970	55,474
	$ 1,368,983	$ 6,176	$ (133)	$ 1,375,026	$ 1,119,918	$ 255,108
As of December 31, 2023						
Time deposits	$ 14,426	$ —	$ —	$ 14,426	$ 14,426	$ —
Commercial paper	6,249	—	(5)	6,244	6,244	—
Corporate bonds	1,328,980	6,429	(4,201)	1,331,208	276,975	1,054,233
U.S. government agency obligations	428,157	2,462	(979)	429,640	74,369	355,271
	$ 1,777,812	$ 8,891	$ (5,185)	$ 1,781,518	$ 372,014	$ 1,409,504

The Company offers certain eligible employees the ability to participate in a non-qualified deferred compensation plan. The mutual funds held by the Company that are associated with this plan are classified as restricted equity securities. Additionally, the Company holds certain money market funds that are classified as equity securities. These securities are not included in the available-for-sale securities table above but are included in marketable securities in the interim condensed consolidated balance sheets.

Unrealized gains and unrealized temporary losses on investments classified as available-for-sale are included within accumulated other comprehensive loss in the interim condensed consolidated balance sheets. Upon realization, those amounts are reclassified from accumulated other comprehensive loss to interest and marketable securities income, net in the interim condensed consolidated statements of income. As of September 30, 2024, the Company held investments in corporate bonds and U.S. government agency obligations with a fair value of $86.0 million, which are classified as available-for-sale marketable securities and have been in a continuous unrealized loss position for more than 12 months. The unrealized losses related to these securities were insignificant and are included in accumulated other comprehensive loss as of September 30, 2024. The unrealized losses are attributable to changes in interest rates. Based on the evaluation of available evidence, the Company does not believe any unrealized losses represent other than temporary impairments.

The fair value measurements within the fair value hierarchy of the Company’s financial assets as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	Total Fair Value	Fair Value Measurements at Reporting Date Using	
		Level 1	Level 2
As of September 30, 2024			
Cash Equivalents and Marketable Securities:			
Money market funds	$ 146,898	$ 146,898	$ —
Time deposits	58,800	—	58,800
Commercial paper	4,454	—	4,454
Corporate bonds	1,033,247	—	1,033,247
U.S. government agency obligations	324,444	—	324,444
Mutual funds	26,739	26,739	—
	$ 1,594,582	$ 173,637	$ 1,420,945
As of December 31, 2023			
Cash Equivalents and Marketable Securities:			
Money market funds	$ 177,240	$ 177,240	$ —
Time deposits	39,670	—	39,670
Commercial paper	6,244	—	6,244
Corporate bonds	1,331,208	—	1,331,208
U.S. government agency obligations	429,640	—	429,640
Mutual funds	22,942	22,942	—
	$ 2,006,944	$ 200,182	$ 1,806,762

As of September 30, 2024 and December 31, 2023, the fair value of the Company's financial assets were determined utilizing a Level 1 or Level 2 valuation. Level 1 valuations are based upon the market prices for such investments that are readily available in active markets and Level 2 valuations are based upon the available quoted prices for similar assets in active markets (or identical assets in an inactive market). The Company did not have any transfers of assets or liabilities between Level 1 or Level 2 of the fair value measurement hierarchy during the nine months ended September 30, 2024.

When developing fair value estimates, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. When available, the Company uses quoted market prices to measure fair value. The valuation technique used to measure fair value for the Company's Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, the Company is required to make judgments about the assumptions market participants would use to estimate the fair value of a financial instrument.

Contractual maturities of the Company’s available-for-sale marketable securities held as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023
Due in 1 year or less	$ 1,119,918	$ 372,014
Due after 1 year through 5 years	255,108	1,409,504
	$ 1,375,026	$ 1,781,518

3. Accounts Receivable

Net accounts receivable consisted of the following as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Trade accounts receivable	$ 492,539	$ 516,175
Unbilled accounts receivable	207,774	211,596
Gross accounts receivable	700,313	727,771
Allowances for current expected credit losses and other reserves	(3,820)	(3,469)
Accounts receivable, net	$ 696,493	$ 724,302

A summary of activity in the accounts receivable allowance for current expected credit losses and other reserves for the nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	September 30, 2024	September 30, 2023
Beginning balance	$ 3,469	$ 5,917
Charges to income from operations	4,832	10,209
Collections from customers previously reserved and other	(4,481)	(10,039)
Ending balance	$ 3,820	$ 6,087

Charges to income from operations primarily represents charges to provision for doubtful accounts for increases in the allowance for current expected credit losses.

4. Incremental Costs to Obtain a Contract with a Customer

Deferred costs associated with obtaining customer contracts, specifically commission and incentive payments, as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023
Deferred costs included in prepaid expenses and other current assets	$ 61,272	$ 44,383
Deferred costs included in other assets	49,772	42,738
Total deferred costs	$ 111,044	$ 87,121

Information related to incremental costs to obtain a contract with a customer for the three and nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization expense related to deferred costs	$ 17,179	$ 12,840	$ 46,916	$ 37,225
Incremental costs capitalized	27,962	15,650	70,668	45,448

Amortization expense related to deferred costs is primarily included in sales and marketing expense in the interim condensed consolidated statements of income.

5. Acquisitions

Business acquisition-related costs during the three and nine months ended September 30, 2024 were $5.0 million and $7.4 million, respectively, and are included in general and administrative expense in the interim condensed consolidated statements of income. Pro forma results of operations for the acquisition completed during the nine months ended September 30, 2024 have not been presented because the effects of the acquisition were not material to the Company's consolidated financial results. Revenue and earnings of the acquired company since the date of the acquisition are included in the Company's interim condensed consolidated statements of income but are not presented separately because they are not material.

Noname Security

In June 2024, the Company acquired all the outstanding equity interests of Noname Gate Ltd. ("Noname Security") for $452.3 million in cash, subject to post-closing adjustments. Noname Security is intended to expand the Company's existing API Security offering by providing more flexible deployment options, extensive vendor integrations and enhanced attack analysis. The Company believes this acquisition will accelerate its ability to meet increasing customer and market demand. As of September 30, 2024, the purchase price allocation is preliminary, pending finalization of net working capital and certain income tax matters.

The preliminary allocation of the purchase price for Noname Security and fair values of the assets acquired and liabilities assumed were as follows (in thousands):

Total purchase consideration	$	452,319
Allocation of the purchase consideration:		
Cash	$	18,253
Accounts receivable		5,984
Prepaid expenses and other current assets		2,919
Identifiable intangible assets		137,800
Deferred income tax assets		10,908
Total assets acquired		175,864
Accounts payable		(2,074)
Accrued expenses		(5,217)
Deferred revenue		(19,451)
Total liabilities assumed		(26,742)
Identifiable net assets acquired		149,122
Goodwill		303,197
Total purchase price allocation	$	452,319

The value of the goodwill can be attributed to a number of business factors, including a trained technical and sales workforce, and revenue and cost synergies expected to be realized. The Company expects that most of the goodwill related to the acquisition of Noname Security will be deductible for tax purposes as a result of post-acquisition transactions.

Identified intangible assets acquired and their respective estimated useful lives were as follows (in thousands, except years):

		Gross Carrying Amount	Estimated Useful Life (in years)
Completed technologies	$	132,300	10.5
Customer-related intangible assets		4,800	10.5
Trademarks		700	2.5
Total	$	137,800	

The Company applied the multi-period excess earnings method to estimate the fair values of the completed technologies and customer-related acquired intangible assets, and the relief-from-royalty method to estimate the fair values of the trademarks. The total weighted average amortization period for the intangible assets acquired from Noname Security is 10.5 years. The intangible assets are amortized using a method that approximates their economic benefit over their estimated useful lives.

6. Acquired Intangible Assets and Goodwill

Acquired intangible assets that are subject to amortization consisted of the following as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Completed technologies	$ 464,874	$ (214,054)	$ 250,820	$ 354,539	$ (196,572)	$ 157,967
Customer-related intangible assets	603,393	(301,524)	301,869	616,267	(273,758)	342,509
Trademarks and trade names	15,342	(10,193)	5,149	14,659	(9,117)	5,542
Acquired license rights	34,810	(6,401)	28,409	34,810	(4,685)	30,125
Total	$ 1,118,419	$ (532,172)	$ 586,247	$ 1,020,275	$ (484,132)	$ 536,143

During the third quarter of 2024, the Company recorded an impairment charge of $23.7 million related to completed technologies and customer-related acquired intangible assets whose values were no longer supported by future cash flows. See Note 8 for further discussion. Based on the Company's acquired intangible assets as of September 30, 2024, aggregate expense related to amortization of acquired intangible assets is expected to be $24.1 million for the remainder of 2024, and $92.3 million, $85.1 million, $70.4 million and $63.3 million for 2025, 2026, 2027 and 2028, respectively.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2024 were as follows (in thousands):

Balance as of January 1, 2024	$ 2,850,470
Acquisition of Noname Security	303,197
Measurement period adjustments related to acquisitions completed in prior years	18
Foreign currency translation	666
Balance as of September 30, 2024	$ 3,154,351

The Company tests goodwill for impairment at least annually. Through the date the interim condensed consolidated financial statements were issued, no triggering events have occurred that would indicate that a potential impairment exists.

7. Debt

Convertible Senior Notes

The Company has three convertible senior notes ("2029 Notes", "2027 Notes" and "2025 Notes") outstanding with a par value totaling $3,565.0 million (collectively, the "Notes") that are senior unsecured obligations of the Company and bear interest payable semi-annually in arrears. The following table summarizes further details of the Notes:

Notes	Issuance Date	Maturity Date	Principal Amount (in thousands)	Coupon Interest Rate	Effective Interest Rate
2029 Notes	August 18, 2023	February 15, 2029	$ 1,265,000	1.125 %	1.388 %
2027 Notes	August 16, 2019	September 1, 2027	$ 1,150,000	0.375 %	0.539 %
2025 Notes	May 21, 2018	May 1, 2025	$ 1,150,000	0.125 %	0.350 %

Conversion Rights of the Notes

At their option, holders may exercise the conversion right of the respective Notes at the following specified times and rates to receive the principal amount in cash and receive any amount in excess of the principal amount in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election.

Prior to the close of business on the business day immediately preceding the conversion date, as noted in the table below, under the following circumstances a holder may exercise their conversion right:

- during any calendar quarter commencing after the calendar quarter ended December 31, 2023 for the 2029 Notes, December 31, 2019 for the 2027 Notes and June 30, 2018 for the 2025 Notes (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the respective Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or

- upon the occurrence of specified corporate events.

On or after the respective conversion date, as noted in the table below, holders may convert all or any portion of their respective Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date.

If the Company undergoes a fundamental change at any time prior to the maturity date, holders of the Notes will have the right, at their option, to require the Company to repurchase for cash all or any portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the fundamental change repurchase date.

The conversion rights of the Notes are as follows:

Notes	Conversion Date	Conversion Rate [1]	Conversion Price per Share [1]
2029 Notes	October 15, 2028	7.9170	$ 126.31
2027 Notes	May 1, 2027	8.6073	$ 116.18
2025 Notes	January 1, 2025	10.5150	$ 95.10

(1) The conversion rate for the Notes is established as a number of shares of the Company's commons stock per $1,000 principal amount of the Notes, that is equivalent to the conversion price per share, subject to adjustments in certain events. Upon the occurrence of certain corporate events the Company will increase the conversion rate for a holder that elects to convert its Notes.

Components and Fair Value of the Notes

The Notes consisted of the following components as of September 30, 2024 and December 31, 2023 (in thousands):

	2029 Notes	2027 Notes	2025 Notes	Total
As of September 30, 2024				
Principal	$ 1,265,000	$ 1,150,000	$ 1,150,000	$ 3,565,000
Less: issuance costs, net of amortization	(14,139)	(5,422)	(1,529)	(21,090)
Net carrying amount	$ 1,250,861	$ 1,144,578	$ 1,148,471	$ 3,543,910
Estimated fair value (1)	$ 1,281,546	$ 1,188,755	$ 1,278,099	$ 3,748,400
As of December 31, 2023				
Principal	$ 1,265,000	$ 1,150,000	$ 1,150,000	$ 3,565,000
Less: issuance costs, net of amortization	(16,478)	(6,831)	(3,462)	(26,771)
Net carrying amount	$ 1,248,522	$ 1,143,169	$ 1,146,538	$ 3,538,229
Estimated fair value (1)	$ 1,376,915	$ 1,289,219	$ 1,467,274	$ 4,133,408

(1) The fair values were determined based on the quoted prices of the Notes in an inactive market on the last trading day of the reporting period and have been classified as Level 2 within the fair value hierarchy.

Note Hedges and Warrants

To minimize the impact of potential dilution upon conversion of the Notes, the Company entered into convertible note hedge transactions with respect to its common stock concurrently with each respective note issuance month. The note hedge transactions cover an approximate number of shares of the Company’s common stock at a strike price that corresponds to the conversion prices for the Notes, also subject to adjustment, and are exercisable upon conversion of the Notes. The note hedge transactions expire upon the respective maturity dates of the Notes. The Company determined that the note hedges meet the definition of a derivative and are classified in stockholders’ equity, as the note hedges are indexed to the Company's common stock, and the Company, at its election, may receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The Company recorded the purchase of the hedges as a decrease to additional paid-in capital. The Company does not recognize subsequent changes in fair value of the note hedges in its interim condensed consolidated financial statements.

Separately, the Company also entered into warrant transactions concurrently with each of the note issuances, whereby the Company sold warrants to acquire, subject to anti-dilution adjustments, shares of the Company’s common stock at a predetermined strike price per share. The convertible note hedge and warrant transactions will generally have the effect of increasing the conversion price of each of the Notes to the respective strike price related to the warrant transactions. The Company determined that the warrants meet the definition of a derivative and are classified in stockholders’ equity, as the warrants are indexed to the Company's common stock, and the Company, at its election, may pay or deliver to holders cash or shares of the Company's common stock. The Company recorded the proceeds from the issuance of the warrants as an increase to additional paid-in capital. The Company does not recognize subsequent changes in fair value of the warrants in its interim condensed consolidated financial statements. The following table summarizes the main terms impacting the note hedges and warrants (in thousands, except per share data):

	2029 Notes	2027 Notes	2025 Notes
Note hedge transaction cost	$ 236,555	$ 312,225	$ 261,740
Shares covered by note hedge transactions	10,015	9,898	12,093
Shares related to warrant transactions	10,015	9,898	12,093
Strike price per share related to warrant transactions	$ 180.44	$ 178.74	$ 149.18
Aggregate proceeds from sale of warrants	$ 90,195	$ 185,150	$ 119,945

Revolving Credit Facility

In November 2022, the Company entered into a $500.0 million five-year, revolving credit agreement (the "2022 Credit Agreement"). Borrowings under the 2022 Credit Agreement may be used to finance working capital needs and for general corporate purposes. The 2022 Credit Agreement provides for an initial $500.0 million in revolving loans. Under specified circumstances, the facility can be increased to up to $1.0 billion in aggregate principal amount. The 2022 Credit Agreement expires on November 22, 2027, and any amounts outstanding thereunder will become due and payable, subject to up to two one-year extensions at the Company's request and with the consent of the lenders party thereto.

Borrowings under the 2022 Credit Agreement bear interest, at the Company's option, and subject to a credit spread adjustment, at a term benchmark rate plus a spread of 0.75% to 1.125%, a reference rate plus a spread of 0.75% to 1.125%, or a base rate plus a spread of 0.00% to 0.125%, in each case with such spread being determined based on the Company's consolidated leverage ratio specified in the 2022 Credit Agreement. Regardless of what amounts, if any, are outstanding under the 2022 Credit Agreement, the Company is also obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.07% to 0.125%, with such rate being based on the Company's consolidated leverage ratio specified in the 2022 Credit Agreement.

The 2022 Credit Agreement contains customary representations and warranties, affirmative and negative covenants and events of default. As of September 30, 2024, the Company was in compliance with all covenants. The negative covenants include restrictions on subsidiary indebtedness, liens and fundamental changes. These covenants are subject to a number of important exceptions and qualifications. The principal financial covenant requires a maximum consolidated leverage ratio. There were no outstanding borrowings under the 2022 Credit Agreement as of September 30, 2024.

Interest Expense

The Notes bear interest at fixed rates that are payable semi-annually in arrears on their respective interest payment dates each year. Interest expense, together with ongoing commitment fees under the terms of the Company's credit agreements, included in the interim condensed consolidated statements of income for the three and nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of debt issuance costs	$ 1,952	$ 1,528	$ 5,847	$ 3,861
Coupon interest payable on 2029 Notes	3,558	1,660	10,674	1,660
Coupon interest payable on 2027 Notes	1,078	1,078	3,234	3,234
Coupon interest payable on 2025 Notes	359	359	1,077	1,077
Interest payable and commitment fees under the 2022 credit agreements	149	486	464	1,254
Capitalization of interest expense	(361)	(124)	(914)	(261)
Total interest expense	$ 6,735	$ 4,987	$ 20,382	$ 10,825

8. Restructuring

During the third quarter of 2024, management committed to an action to restructure certain parts of the Company with the primary intent of redeploying resources to support the Company's strategic investments. As a result, certain headcount reductions were necessary. Additionally, the Company planned for the end of life of certain solutions which resulted in impairments of completed technologies and customer-related acquired intangible assets, as well as capitalized internal-use software. During the three and nine months ended September 30, 2024, the Company incurred $54.3 million of restructuring charges related to this action, including $39.8 million for employee severance and related expenses. The Company does not expect to incur material additional charges related to this action.

During the first quarter of 2023, management committed to an action to restructure certain parts of the Company to enable it to prioritize investments in the fastest growing areas of the business. As a result, certain headcount reductions were necessary. The Company has incurred $20.7 million of restructuring charges related to this action, of which $21.0 million was incurred during the nine months ended September 30, 2023. There were no significant charges incurred during the three and nine months ended September 30, 2024, and the Company does not expect to incur material additional charges related to this action.

The Company launched its FlexBase program in May 2022, which is a flexible workspace arrangement that allows employees to choose to work from their home office, a Company office or a combination of both, which is a significant change to the way employees worked prior to the program. The Company began to identify certain facilities that were no longer needed in the fourth quarter of 2021. As a result, impairments of right-of-use assets and leasehold improvements were recognized. No significant charges were incurred during the three months ended September 30, 2024. The Company has incurred $36.8 million of restructuring charges related to this action, of which $1.7 million was incurred during the nine months ended September 30, 2024, and $2.1 million and $27.4 million was incurred during the three and nine months ended September 30, 2023, respectively. The Company does not expect to incur material additional charges related to the FlexBase program.

The Company also recognizes restructuring charges related to completed acquisitions for severance and related expenses paid to redundant employees, fees paid to terminate redundant contracts and impairments of redundant long-lived assets, primarily duplicative facility-related assets, acquired intangible assets and capitalized internal-use software. Restructuring charges related to acquisitions were $27.0 million and $26.9 million during the three and nine months ended September 30, 2024, including $1.0 million and $1.1 million for employee severance and related expenses, respectively. The restructuring charges related to acquisitions during the three and nine months ended September 30, 2023 were $0.0 and $8.2 million , respectively.

The changes in the Company's accrual for employee severance and related expenses, included in other current liabilities, for all restructuring actions for the nine months ended September 30, 2024 were as follows (in thousands):

Balance as of January 1, 2024	$	837
Costs incurred		41,895
Cash disbursements		(746)
Translation adjustments and other		89
Balance as of September 30, 2024	$	42,075

9. Stockholders' Equity

Share Repurchase Program

Effective January 2022, the board of directors of the Company authorized a $1.8 billion share repurchase program through December 2024, of which $118.8 million remains available for repurchase as of September 30, 2024. In May 2024, the board of directors authorized a new $2.0 billion share repurchase program, effective May 2024 through June 2027, all of which remains available for repurchase as of September 30, 2024. The Company's goals for the share repurchase programs are to offset the dilution created by its employee equity compensation programs over time and provide the flexibility to return capital to shareholders as business and market conditions warrant, while still preserving its ability to pursue other strategic opportunities.

During the three and nine months ended September 30, 2024, the Company repurchased 1.7 million and 4.2 million shares of its common stock, respectively, for $165.8 million and $419.1 million, respectively.

Stock-Based Compensation

Components of total stock-based compensation included in the Company’s interim condensed consolidated statements of income for the three and nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	$ 16,566	$ 11,236	$ 45,048	$ 31,904
Research and development	39,275	33,366	114,271	87,468
Sales and marketing	21,076	17,290	58,863	48,558
General and administrative	25,690	25,125	76,151	68,414
Total stock-based compensation	102,607	87,017	294,333	236,344
Provision for income taxes	(14,322)	(10,028)	(76,403)	(40,249)
Total stock-based compensation, net of income taxes	$ 88,285	$ 76,989	$ 217,930	$ 196,095

In addition to the amounts of stock-based compensation reported in the table above, the Company’s interim condensed consolidated statements of income also include stock-based compensation reflected as a component of amortization primarily consisting of capitalized internal-use software; the additional stock-based compensation was $11.0 million and $31.3 million for the three and nine months ended September 30, 2024, respectively, before taxes, and $8.7 million and $24.1 million for the three and nine months ended September 30, 2023, respectively, before taxes.

10. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss, net of tax, which is reported as a component of stockholders' equity, for the nine months ended September 30, 2024 were as follows (in thousands):

	Foreign Currency Translation	Net Unrealized Gains on Investments	Total
Balance as of January 1, 2024	$ (98,035)	$ 2,705	$ (95,330)
Other comprehensive (loss) gain	(6,870)	1,764	(5,106)
Balance as of September 30, 2024	$ (104,905)	$ 4,469	$ (100,436)

Amounts reclassified from accumulated other comprehensive loss to net income were insignificant for the nine months ended September 30, 2024.

11. Revenue from Contracts with Customers

The Company sells its services through a sales force located both domestically and internationally. Revenue derived from operations outside of the U.S. is determined based on the country in which the sale originated. Other than the U.S., no single country accounted for 10% or more of the Company’s total revenue for any reported period. Revenue by geography included in the Company’s interim condensed consolidated statements of income for the three and nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
U.S.	$ 524,611	$ 498,536	$ 1,545,654	$ 1,452,431
International	480,068	466,948	1,425,575	1,364,472
Total revenue	$ 1,004,679	$ 965,484	$ 2,971,229	$ 2,816,903

The Company reports its revenue in three solution categories: security, delivery and compute. Security includes solutions that are designed to protect business online by keeping infrastructure, websites, applications and users safe. Delivery includes solutions that are designed to enable business online, including media delivery and web performance. Compute includes cloud computing, edge applications, cloud optimization and storage. Revenue by solution category included in the Company’s interim condensed consolidated statements of income for the three and nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Security	$ 518,670	$ 455,792	$ 1,508,059	$ 1,294,290
Delivery	319,132	379,304	1,000,289	1,153,386
Compute	166,877	130,388	462,881	369,227
Total revenue	$ 1,004,679	$ 965,484	$ 2,971,229	$ 2,816,903

Most security, delivery and compute services represent obligations that are satisfied over time as the customer simultaneously receives and consumes the services provided by the Company. Accordingly, the majority of the Company's revenue is recognized over time, generally ratably over the term of the arrangement due to consistent monthly usage commitments that expire each period. Any usage over a given commitment is recognized in the period in which the units are served. A small percentage of the Company's contracts are satisfied at a point in time, such as one-time professional services contracts, integration services and most license sales where the primary obligation is delivery of the license at the start of the term. In these cases, revenue is recognized at a point in time of delivery or satisfaction of the performance obligation.

During the nine months ended September 30, 2024 and 2023, the Company recognized $99.3 million and $98.2 million of revenue that was included in deferred revenue as of December 31, 2023 and 2022, respectively.

As of September 30, 2024, the aggregate amount of remaining performance obligations from contracts with customers was $3.5 billion. The Company expects to recognize approximately 65% of its remaining performance obligations as revenue over the next 12 months and approximately 30% over the next two to three years, with the remaining thereafter. Remaining performance obligations represent the amount of the transaction price under contracts with customers that are attributable to performance obligations that are unsatisfied or partially satisfied at the reporting date. This consists of future committed revenue for monthly, quarterly or annual periods within current contracts with customers, as well as deferred revenue arising from consideration invoiced in prior periods for which the related performance obligations have not been satisfied. It excludes estimates of variable consideration, such as usage-based contracts with no committed contract, as well as anticipated renewed contracts. Revenue recognized during the nine months ended September 30, 2024 and 2023, related to performance obligations satisfied in previous periods was not material.

12. Income Taxes

The Company's effective income tax rate is based on estimated income for the year, the estimated composition of the income in different jurisdictions and discrete adjustments, if any, in the applicable quarterly periods. Potential discrete adjustments include tax charges or benefits related to stock-based compensation, changes in tax legislation, settlements of tax audits or assessments, uncertain tax positions and acquisitions, among other items.

The Company’s effective income tax rate was 14.9% and 15.6% for the nine months ended September 30, 2024 and 2023, respectively. The lower effective tax rate for the nine months ended September 30, 2024 was primarily due to an increase in the excess tax benefit related to stock-based compensation and an increase in the benefit of U.S. federal and state research and development credits. These amounts were partially offset by a decrease in foreign income taxed at lower rates and the impact of the enactment of a 15% global minimum corporate income tax by Organisation for Economic Co-operation and Development ("OECD") member countries which impacted the Company beginning January 1, 2024.

For the nine months ended September 30, 2024, the effective income tax rate was lower than the federal statutory tax rate due to the excess tax benefit related to stock-based compensation, foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by non-deductible stock-based compensation and the adoption of a 15% global minimum corporate income tax by certain OECD member countries.

For the nine months ended September 30, 2023, the effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by non-deductible stock-based compensation and a shortfall related to stock-based compensation.

13. Net Income per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the applicable period. Diluted net income per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential common stock. Potential common stock consists of shares issuable pursuant to stock awards, convertible senior notes and warrants issued by the Company. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method and the dilutive effect of the convertible securities is reflected in diluted earnings per share by application of the if-converted method.

The components used in the computation of basic and diluted net income per share for the three and nine months ended September 30, 2024 and 2023 were as follows (in thousands, except per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income	$ 57,907	$ 160,542	$ 365,013	$ 386,464
Denominator:				
Shares used for basic net income per share	151,435	151,359	151,776	153,020
Effect of dilutive securities:				
Stock awards	1,511	3,073	2,120	1,654
Convertible senior notes	294	544	869	181
Warrants related to issuance of convertible senior notes	—	—	—	—
Shares used for diluted net income per share	153,240	154,976	154,765	154,855
Basic net income per share	$ 0.38	$ 1.06	$ 2.40	$ 2.53
Diluted net income per share	$ 0.38	$ 1.04	$ 2.36	$ 2.50

For the three and nine months ended September 30, 2024 and 2023, certain potential outstanding shares from service-based stock awards and warrants were excluded from the computation of diluted net income per share because the effect of including these items was anti-dilutive. Additionally, certain market- and performance-based stock awards were excluded from the computation of diluted net income per share because the underlying market and performance conditions for such stock awards had not been met as of these dates. The number of potentially outstanding shares excluded from the computation of diluted net income per share for the three and nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Service-based stock awards	974	1,501	2,802	3,842
Market- and performance-based stock awards	1,311	1,250	1,318	1,367
Warrants related to issuance of convertible senior notes	32,006	32,006	32,006	25,329
Total shares excluded from computation	34,291	34,757	36,126	30,538

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

This quarterly report on Form 10-Q, particularly Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below, and notes to our unaudited interim condensed consolidated financial statements included herein contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management as of the date hereof based on information currently available to our management. Use of words such as "believes," "could," "expects," "anticipates," "intends," "plans," "seeks," "projects," "estimates," "should," "would," "forecasts," "if," "continues," "goal," "likely," "may," "will," variations of such words or similar expressions are intended to identify a forward-looking statement. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions. Actual results may differ materially from the forward-looking statements we make as a result of various factors, including, but not limited to: potential slowing revenue growth, a reduction in spending by our customers, global economic and geopolitical conditions, our ability to acquire or develop new solutions, our ability to compete effectively, including our ability to continue to grow our compute solutions, security risks stemming from ineffective information technology systems or cybersecurity breaches, risks of maintaining global operations, regulatory developments, intellectual property claims or disputes, investment related risks and maintaining an effective system of internal controls. See "Risk Factors" elsewhere in this quarterly report on Form 10-Q and in our other reports with the Securities and Exchange Commission for a discussion of certain risks associated with our business. We disclaim any obligation to update forward-looking statements as a result of new information, future events or otherwise, including the potential impact of any mergers, acquisitions, divestitures or other events that may be announced after the date hereof.

Our management's discussion and analysis of our financial condition and results of operations is based upon our unaudited interim condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q, which we have prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), for interim periods and with Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The preparation of these unaudited interim condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related items, including, but not limited to, revenue recognition, accounts receivable and related reserves, valuation and impairment of marketable securities, goodwill and acquired intangible assets, capitalized internal-use software development costs, impairment and useful lives of long-lived assets, income taxes and stock-based compensation. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances at the time they are made. Actual results may differ from our estimates. See the section entitled "Application of Critical Accounting Policies and Estimates" in our annual report on Form 10-K for the year ended December 31, 2023 for further discussion of our critical accounting policies and estimates.

Overview

We provide solutions to power and protect business online through our massively distributed edge and cloud platform, which we refer to as Akamai Connected Cloud. Akamai Connected Cloud underpins our cloud computing, security and content delivery solutions, and is central to our financial success. The key factors that influence our financial success are our ability to build on recurring revenue commitments for our security and performance offerings, increase traffic on our network, continue to develop, scale and successfully bring to market our cloud computing platform and compute-to-edge solutions that meet the needs of professional users and enterprises, including with respect to reliability, effectively manage the prices we charge for our solutions, develop new products and appropriately manage our capital spending and other expenses. The purpose of this discussion and analysis section is to provide material information relevant to an assessment of our financial condition and results of operations from management's perspective, including to describe and explain key trends, events and other factors that impacted our reported results and that are likely to impact our future performance.

Revenue

We primarily derive revenue from the sale of services to customers pursuant to contracts having terms of one year or longer, which allows us to have a consistent and predictable base level of revenue. Services included in our contracts consist of security solutions, the delivery of content, applications and software over the internet, cloud computing solutions and professional services. In addition to a base level of revenue, we are also dependent on our ability to increase our product offerings and to cross-sell additional services to our new and existing customers, particularly for our security and compute solutions portfolios. Our revenue is also impacted by customer renewals and the pricing for such renewals, the rate of adoption and timing of customer offerings, variability of one-time events, usage of cloud computing services and the amount of traffic we serve on our network. Geopolitical, economic and other developments that impact our customers' businesses can also impact our ability to attract new customers or continue to cross-sell additional services to existing customers and traffic levels for customers with variable usage. Over the longer term, our ability to expand our product portfolio and to effectively manage the prices we charge for our solutions are key factors impacting our revenue growth.

We have observed the following trends related to our revenue in recent years:

- Increased sales of our security solutions, led by application security solutions and segmentation solutions from our acquisition of Guardicore Ltd., and increased sales of our compute solutions, attributable to our acquisition of Linode Limited Liability Company ("Linode") and enhanced services on our compute platform, have made a significant contribution to revenue growth. Our security and compute solutions represented almost two-thirds of our total revenue during the first nine months of 2024. We plan to continue to invest in these areas with a focus on further advancing our product portfolios and sales capabilities.

- Traffic on our network continues to grow as compared to prior years, but we, and the industry more broadly, are seeing growth at a more moderate pace than we've experienced in the past. In particular, we are seeing traffic growth slowing in verticals such as media and gaming, as these customers optimize their traffic and manage through underlying business challenges at a time of global economic and geopolitical headwinds. For instance, a large social media customer has taken steps to lower costs and reduce reliance on U.S. providers by optimizing its platform, including using a “do-it-yourself” component, which has reduced traffic on our network and negatively impacted our revenue in 2024. If our customers' businesses continue to be impacted by economic and geopolitical headwinds, they may optimize their traffic or may increase their reliance on “do-it-yourself” solutions, which may negatively impact traffic on our network and revenue.

- The prices paid by some of our delivery and security customers have declined in recent years due to competition and contract renewals, which negatively impacts our revenue growth rates. We have been able to mitigate some of the negative impacts to our revenue growth rates by upselling incremental solutions to our existing delivery and security customers. We continue to take steps upon contract renewals to optimize how we charge certain high-volume traffic delivery customers, including, in certain circumstances, charging a premium for higher-cost destinations and focusing on continuing to maintain alignment between customer traffic volumes and unit pricing.

- Revenue from our international operations continues to grow, particularly from new customer acquisition and cross-selling of incremental solutions. Because we publicly report in U.S. dollars our reported revenue results are negatively impacted when the dollar strengthens and benefit when the dollar weakens.

- We have experienced variations in certain types of revenue from quarter-to-quarter. These quarterly variations in revenue are attributable to, among other things, the timing of large customer contract renewals; the frequency and timing of purchases of custom solutions or licensed software; the nature and timing of software and gaming releases by our customers; holiday season activity; and whether there are large live sporting or other events or situations that impact the amount of media traffic on our network.

Expenses

Our level of profitability is impacted by our expenses, including direct costs to support our revenue such as bandwidth and co-location costs, which includes energy to power our network. We have observed the following trends related to our profitability in recent years:

- Co-location costs are a significant portion of our cost of revenue. As we continue to build out our new compute locations to provide us with the ability to scale our platform, we have entered into, and expect to continue to enter into, longer term leases that include certain financial commitments in order to achieve more favorable unit economics. The costs of the financial commitments are expensed ratably over the lease term, and, as a result, in some cases, we are incurring costs in advance of these compute locations being fully utilized. We continue to improve our internal-use software and remain disciplined in managing our hardware deployments, which enables us to use servers more efficiently. We expect to continue to scale our network in the future, which we believe will allow us to effectively manage our co-location costs to maintain or improve current levels of profitability.

- Network bandwidth costs are also a significant portion of our cost of revenue. Historically, we have been able to mitigate increases in these costs through investment in internal-use software development to improve the performance and efficiency of our network. We will need to continue to effectively manage our bandwidth costs to maintain or improve current levels of profitability.

- Network build-out and supporting service costs represent another significant portion of our cost of revenue. These costs include maintenance and supporting services incurred as we continue to build out our compute infrastructure and maintain our global network, and costs of third-party cloud providers used for some of our operations. We have seen these costs increase in recent years as a result of our network expansion, and particularly the build out of our compute infrastructure. We previously experienced increased costs from third-party cloud providers, but have begun to mitigate those costs by migrating to our own cloud solutions and working to optimize third-party cloud spend. We will need to continue to effectively manage our network build-out and supporting service costs and continue to migrate third-party cloud services to Akamai Connected Cloud to maintain or improve current levels of profitability.

- Our employees are core to the operations of our business, and payroll and related costs, including stock-based compensation, is our largest expense. It is important to the success of operations that we offer competitive compensation packages. However, we are focused on remaining disciplined in allocating our resources to support our faster growing security and compute solutions, including maintaining operational efficiencies to mitigate the rising cost of talent. In 2023, we redesigned one of our non-executive short-term incentive compensation programs by shifting certain employees from a cash-based to stock-based program. We also introduced a non-executive incentive program tied to our initiative to migrate certain third-party cloud services onto Akamai Connected Cloud. These programs were designed to better align employee incentives with the interests of our stockholders, which increased our stock-based compensation.

- Depreciation expense related to our network equipment also contributes to our overall expense levels. In recent years, we have invested in our network, particularly as part of building out our compute infrastructure, which increased our capital expenditures and resulting depreciation expense. We are also experiencing an increase in certain server component costs that support our compute build out. We plan to continue to make investments in capital expenditures, however, the focus is to further invest in support of our faster growing compute solutions and to manage our server costs.

- Growth in our international operations incrementally increases our exposure to foreign currency fluctuations. Because we publicly report in U.S. dollars, our expenses are positively impacted when the dollar strengthens and are negatively impacted when the dollar weakens.

Recent Acquisition

In June 2024, we acquired Noname Gate Ltd. ("Noname Security") for $452.3 million, subject to post-closing adjustments. Noname Security is intended to expand our existing API Security offering by providing more flexible deployment options, extensive vendor integrations and enhanced attack analysis. We believe this acquisition will accelerate our ability to meet increasing customer and market demand. As part of the acquisition, we integrated approximately 200 Noname Security employees primarily within sales and marketing and research and development. The acquisition is expected to add approximately $20.0 million of revenue for 2024 and will be dilutive to our earnings per share through 2024.

Global Economic Conditions

Global macroeconomic and geopolitical conditions continue to impact our customers, as well as our business and revenue growth rates. We, along with our customers, continue to manage through an uncertain period of fluctuating inflation, regulations that may negatively impact business, economic and political uncertainty, uncertain energy supplies, heightened geopolitical tensions and conflict, potential for supply chain disruptions, changes in international tax laws, fluctuations in foreign exchange rates and elevated interest rates. To the extent these macroeconomic conditions continue, we expect that it may adversely affect our business, operations and financial results.

Results of Operations

The following sets forth, as a percentage of revenue, interim condensed consolidated statements of income data for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and operating expenses:				
Cost of revenue (exclusive of amortization of acquired intangible assets shown below)	40.7	39.7	40.6	39.7
Research and development	12.0	11.0	11.8	10.5
Sales and marketing	13.8	13.7	13.9	14.1
General and administrative	15.9	15.3	15.7	15.8
Amortization of acquired intangible assets	2.4	1.9	2.2	1.8
Restructuring charge	8.2	0.3	2.8	2.0
Total costs and operating expenses	93.0	81.8	87.0	83.9
Income from operations	7.0	18.2	13.0	16.1
Interest and marketable securities income, net	2.3	1.2	2.6	0.8
Interest expense	(0.7)	(0.5)	(0.7)	(0.4)
Other expense, net	(1.3)	(0.3)	(0.5)	(0.2)
Income before provision for income taxes	7.3	18.6	14.4	16.2
Provision for income taxes	(1.6)	(2.1)	(2.2)	(2.5)
Gain from equity method investment	—	0.2	—	0.1
Net income	5.8 %	16.6 %	12.3 %	13.7 %

Revenue

Revenue by solution category during the periods presented was as follows (in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2024	2023	% Change	% Change at Constant Currency	2024	2023	% Change	% Change at Constant Currency
Security	$ 518,670	$ 455,792	13.8 %	14.2 %	$ 1,508,059	$ 1,294,290	16.5 %	17.2 %
Delivery	319,132	379,304	(15.9)	(15.8)	1,000,289	1,153,386	(13.3)	(12.7)
Compute	166,877	130,388	28.0	28.1	462,881	369,227	25.4	25.8
Total revenue	$ 1,004,679	$ 965,484	4.1 %	4.3 %	$ 2,971,229	$ 2,816,903	5.5 %	6.1 %

During the three and nine months ended September 30, 2024, the increase in our revenue, as compared to the same periods in 2023, was primarily the result of continued growth in sales of our security and compute solutions, partially offset by a decline in revenue from our delivery solutions due to impacts from economic and geopolitical uncertainty our customers are facing.

The increase in security solutions revenue for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was due to growth in sales of key products in our security solutions portfolio, including our segmentation and web application solutions.

The decrease in delivery solutions revenue for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was due to our customers' economic and geopolitical headwinds which resulted in moderation of traffic growth rates and the continued downward pricing of renewals. These headwinds are also causing a large social media customer to increase their focus on cost optimization and "do-it-yourself" solutions, which reduced traffic on our network and had a negative impact on our delivery revenue.

The increase in compute solutions revenue for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was due to growth in sales of compute products, including cloud optimization solutions, to new and existing customers.

Revenue derived in the U.S. and internationally during the periods presented was as follows (in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2024	2023	% Change	% Change at Constant Currency	2024	2023	% Change	% Change at Constant Currency
U.S.	$ 524,611	$ 498,536	5.2 %	5.2 %	$ 1,545,654	$ 1,452,431	6.4 %	6.4 %
As a percentage of revenue	*52.2 %*	*51.6 %*			*52.0 %*	*51.6 %*		
International	480,068	466,948	2.8	3.3	1,425,575	1,364,472	4.5	5.7
As a percentage of revenue	*47.8 %*	*48.4 %*			*48.0 %*	*48.4 %*		
Total revenue	$ 1,004,679	$ 965,484	4.1 %	4.3 %	$ 2,971,229	$ 2,816,903	5.5 %	6.1 %

For the three and nine months ended September 30, 2024 and 2023, no single country outside the U.S. accounted for 10% or more of revenue during these periods. Changes in foreign currency exchange rates unfavorably impacted our revenue by $2.7 million and $16.2 million during the three and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023.

Cost of Revenue

Cost of revenue consisted of the following for the periods presented (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Co-location fees	$ 79,074	$ 63,480	24.6 %	$ 227,070	$ 185,493	22.4 %
Bandwidth fees	55,653	58,382	(4.7)	178,084	170,008	4.8
Network build-out and supporting services	48,236	52,004	(7.2)	140,573	159,238	(11.7)
Payroll and related costs	84,417	83,052	1.6	251,054	244,072	2.9
Stock-based compensation, including amortization of prior capitalized amounts	26,811	19,555	37.1	74,196	54,910	35.1
Acquisition-related costs	—	578	(100.0)	—	2,611	(100.0)
Depreciation of network equipment	72,546	60,887	19.1	207,157	168,275	23.1
Amortization of internal-use software	42,069	45,137	(6.8)	128,303	133,059	(3.6)
Total cost of revenue	$ 408,806	$ 383,075	6.7 %	$ 1,206,437	$ 1,117,666	7.9 %
As a percentage of revenue	*40.7 %*	*39.7 %*		*40.6 %*	*39.7 %*	

The increase in cost of revenue for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to higher co-location fees and depreciation of network equipment as a result of investment in Akamai Connected Cloud, particularly as we build out our compute infrastructure to support future growth and scalability, as well as stock-based compensation as a result of the shift in one of our compensation programs from cash-based to stock-based for certain employees in 2024. These increases were partially offset by lower network build-out and supporting services due to a decrease in third-party cloud costs as we have been migrating third-party cloud services onto our own cloud solutions and working to optimize third-party cloud spending. Additionally, the increase in stock-based compensation for the nine months ended September 30, 2024, as compared to the same period in 2023, was a result of the timing of our performance-based equity award grants.

During the remainder of 2024, we expect our cost of revenue to increase as compared to 2023, in particular our co-location costs and depreciation of network equipment, due to investments in our network to support the continued growth of our compute solutions. We plan to continue to focus our efforts on managing our operating margins, including our bandwidth and network build-out costs. Specifically, we are continuing to migrate third-party cloud services onto Akamai Connected Cloud, which we expect will continue to reduce third-party cloud services costs.

Research and Development Expenses

Research and development expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Payroll and related costs	$ 140,658	$ 126,364	11.3 %	$ 423,772	$ 371,539	14.1 %
Stock-based compensation	39,275	33,366	17.7	114,271	87,468	30.6
Capitalized salaries and related costs	(67,385)	(60,735)	10.9	(208,403)	(182,266)	14.3
Acquisition-related costs	—	251	(100.0)	—	468	(100.0)
Other expenses	7,799	6,696	16.5	20,991	19,637	6.9
Total research and development	$ 120,347	$ 105,942	13.6 %	$ 350,631	$ 296,846	18.1 %
As a percentage of revenue	*12.0 %*	*11.0 %*		*11.8 %*	*10.5 %*	

The increase in research and development expenses during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to higher payroll and related costs and stock-based compensation, as a result of headcount growth from our strategic initiatives, including the acquisition of Noname Security, and prior year annual merit increases, partially offset by increases in capitalized salaries and related costs as we had additional resources focused on development activities related to our platform and solutions. Additionally, the increase in stock-based compensation for the nine months ended September 30, 2024, as compared to the same period in 2023, was a result of the timing of our performance-based equity award grants.

Research and development costs are expensed as incurred, other than certain internal-use software development costs eligible for capitalization. Capitalized development costs consist of payroll and related costs for personnel and external consulting expenses involved in the development of internal-use software used to deliver our services and operate our network. During the three months ended September 30, 2024 and 2023, we capitalized $25.7 million and $22.1 million, respectively, of stock-based compensation. During the nine months ended September 30, 2024 and 2023, we capitalized $76.0 million and $55.4 million, respectively, of stock-based compensation. These capitalized internal-use software development costs are amortized to cost of revenue over their estimated useful lives, ranging from two to ten years based on the software developed and its expected useful life.

During the remainder of 2024, we expect our research and development costs to increase as compared to 2023, in particular payroll and related costs, in support of our faster growing security and compute solutions. However, we plan to continue to focus our efforts on managing our operating margins.

Sales and Marketing Expenses

Sales and marketing expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Payroll and related costs	$ 97,146	$ 93,715	3.7 %	$ 290,518	$ 281,068	3.4 %
Stock-based compensation	21,076	17,290	21.9	58,863	48,558	21.2
Marketing programs and related costs	14,077	14,716	(4.3)	40,808	44,721	(8.7)
Acquisition-related costs	—	503	(100.0)	—	1,387	(100.0)
Other expenses	6,252	6,085	2.7	21,971	22,236	(1.2)
Total sales and marketing	$ 138,551	$ 132,309	4.7 %	$ 412,160	$ 397,970	3.6 %
As a percentage of revenue	*13.8 %*	*13.7 %*		*13.9 %*	*14.1 %*	

The increase in sales and marketing expenses during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was due to higher payroll and related costs and stock-based compensation as a result of prior year annual merit increases and employees acquired through the Noname Security acquisition. Additionally, the increase during the nine months ended September 30, 2024, as compared to the same period in 2023, was due to stock-based compensation as a result of the timing of our performance-based equity award grants, partially offset by a reduction in marketing programs and related costs as a result of the timing of events and advertising spend.

During the remainder of 2024, we expect our sales and marketing expenses to increase as compared to 2023 due to our continued investment in go-to-market efforts and the sales and marketing personnel added from the Noname Security acquisition in June 2024. However, we plan to continue to carefully manage costs in an effort to manage our operating margins.

General and Administrative Expenses

General and administrative expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Payroll and related costs	$ 56,224	$ 55,030	2.2 %	$ 169,737	$ 164,537	3.2 %
Stock-based compensation	25,690	25,125	2.2	76,151	68,414	11.3
Depreciation and amortization	16,559	16,197	2.2	49,622	49,149	1.0
Facilities-related costs	22,368	21,805	2.6	64,864	68,677	(5.6)
Provision (benefit) for doubtful accounts	1,410	(1,500)	(194.0)	3,491	408	755.6
Acquisition-related costs	5,036	1,716	193.5	7,387	7,690	(3.9)
Software and related service costs	14,617	13,516	8.1	43,218	40,913	5.6
Other expenses	18,053	15,437	16.9	51,771	45,488	13.8
Total general and administrative	$ 159,957	$ 147,326	8.6 %	$ 466,241	$ 445,276	4.7 %
As a percentage of revenue	*15.9 %*	*15.3 %*		*15.7 %*	*15.8 %*	

The increase in general and administrative expenses during the three months ended September 30, 2024, as compared to the same period in 2023, was primarily due to higher acquisition-related costs from our acquisition of Noname Security and an increased provision for doubtful accounts due to collection risks with certain customers and the reversal of provisions in the third quarter of 2023 as a result of customer payments. The increase in general and administrative expenses during the nine months ended September 30, 2024, as compared to the same period in 2023, was due to higher payroll and related costs as a result of prior year merit increases, an increase in other expenses related to professional service fees to support our business and stock-based compensation as a result of the timing of our performance-based equity award grants. These increases were partially offset by decreased facilities-related costs as we exited certain facilities in connection with our FlexBase program.

During the remainder of 2024, we expect our general and administrative expenses to increase as compared to 2023, to support the operations of the business. However, we plan to continue to control costs in an effort to manage our operating margins.

Amortization of Acquired Intangible Assets

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Amortization of acquired intangible assets	$ 24,368	$ 18,108	34.6 %	$ 66,467	$ 49,918	33.2 %
As a percentage of revenue	*2.4 %*	*1.9 %*		*2.2 %*	*1.8 %*	

The increase in amortization of acquired intangible assets for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was the result of amortization of acquired intangible assets related to our recent acquisitions. Based on acquired intangible assets at September 30, 2024, we expect amortization of acquired intangible assets to be approximately $24.1 million for the remainder of 2024, and $92.3 million, $85.1 million, $70.4 million and $63.3 million for 2025, 2026, 2027 and 2028, respectively.

Restructuring Charge

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Restructuring charge	$ 82,013	$ 2,595	nm	$ 83,942	$ 56,675	48.1 %
As a percentage of revenue	*8.2 %*	*0.3 %*		*2.8 %*	*2.0 %*	

The restructuring charge for the three and nine months ended September 30, 2024 was driven by management's commitment to an action with the primary intent to redeploy resources to support our strategic investments and as a result of our completed acquisitions. The restructuring charge included severance and related expenses for certain headcount reductions, as well as impairments of acquired intangible assets and capitalized internal-use software. We do not expect to incur material additional charges related to these actions.

The restructuring charge for the three and nine months ended September 30, 2023 was driven by our FlexBase program as we exited certain facilities that were no longer needed, resulting in impairments of right-of-use-assets and leasehold improvements. We do not expect to incur material additional charges related to the FlexBase program.

Additionally, the restructuring charge for the nine months ended September 30, 2023 included the result of management's commitment to an action to restructure certain parts of the company to enable the prioritization of investments in the fastest growing areas of the business. The restructuring charge for the action included severance and related expenses for certain headcount reductions. We do not expect to incur material additional charges related to this action.

Non-Operating Income

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Interest and marketable securities income, net	$ 23,065	$ 11,412	102.1 %	$ 77,534	$ 21,213	265.5 %
As a percentage of revenue	*2.3 %*	*1.2 %*		*2.6 %*	*0.8 %*	
Interest expense	$ (6,735)	$ (4,987)	35.1 %	$ (20,382)	$ (10,825)	88.3 %
As a percentage of revenue	*(0.7)%*	*(0.5)%*		*(0.7)%*	*(0.4)%*	
Other expense, net	$ (13,161)	$ (3,161)	316.4 %	$ (13,599)	$ (6,654)	104.4 %
As a percentage of revenue	*(1.3)%*	*(0.3)%*		*(0.5)%*	*(0.2)%*	

Interest and marketable securities income, net consists of interest earned on invested cash and marketable securities balances and income and losses on mutual funds that are associated with our employee non-qualified deferred compensation plan. The increase for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was the result of increased cash, cash equivalents and marketable securities balances received from our August 2023 issuance of $1,265.0 million in par value of convertible senior notes due 2029 and higher interest rates, as well as increased gains associated with the non-qualified deferred compensation plan.

Interest expense is related to our debt transactions, which are described in Note 7 to the interim condensed consolidated financial statements. The increase to interest expense for the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to the August 2023 issuance of $1,265.0 million in par value of convertible senior notes due 2029.

Other expense, net primarily represents net foreign exchange gains and losses mainly due to foreign exchange rate fluctuations on the remeasurement of monetary assets and liabilities that are not denominated in the functional currency as well as other non-operating expense and income items. Other expense, net may fluctuate in the future based on changes in foreign currency exchange rates or other events.

Provision for Income Taxes

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Provision for income taxes	$ (15,899)	$ (20,326)	(21.8)%	$ (63,891)	$ (71,297)	(10.4)%
As a percentage of revenue	*(1.6)%*	*(2.1)%*		*(2.2)%*	*(2.5)%*	
Effective income tax rate	*(21.5)%*	*(11.3)%*		*(14.9)%*	*(15.6)%*	

For the three months ended September 30, 2024, as compared to the same period in 2023, our provision for income taxes decreased due to lower profitability, partially offset by an increase in global intangible low-taxed income and a decrease in foreign income taxed at lower rates. For the nine months ended September 30, 2024, as compared to the same period in 2023, our provision for income taxes decreased due to lower profitability, an increase in the excess tax benefit related to stock-based compensation and an increase in the benefit of U.S. federal and state research and development credits. These amounts were partially offset by a decrease in foreign income taxed at lower rates and the 15% global minimum corporate income tax that the Organisation for Economic Co-operation and Development ("OECD") member countries have begun implementing and which was effective for us beginning January 1, 2024.

For the three months ended September 30, 2024, our effective income tax rate was higher than the federal statutory tax rate due to non-deductible stock-based compensation, partially offset by the excess tax benefit related to stock-based compensation, foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits. For the nine months ended September 30, 2024, our effective income tax rate was lower than the federal statutory tax rate due to the excess tax benefit related to stock-based compensation, foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by non-deductible stock-based compensation and the adoption of a 15% global minimum corporate income tax by certain OECD member countries.

For the three and nine months ended September 30, 2023, our effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by non-deductible stock-based compensation and a shortfall related to stock-based compensation.

In determining our net deferred tax assets and valuation allowances, annualized effective income tax rates and cash paid for income taxes, management is required to make judgments and estimates about domestic and foreign profitability, the timing and extent of the utilization of net operating loss carryforwards, applicable tax rates, transfer pricing methodologies and tax planning strategies. Judgments and estimates related to our projections and assumptions are inherently uncertain; therefore, actual results could differ materially from our projections.

Gain from Equity Method Investment

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Gain from equity method investment	$ —	$ 1,475	(100.0)%	$ —	$ 1,475	(100.0)%
As a percentage of revenue	*— %*	*0.2 %*		*— %*	*0.1 %*	

The amounts reflected in gain from equity method investment related to our investment with Mitsubishi UFJ Financial Group ("MUFG") in a joint venture, GO-NET. GO-NET intended to operate a blockchain-based online payment network. However, GO-NET operations were suspended in February 2022, and ultimately liquidated in August 2023. The gain from equity method investment for the three and nine months ended September 30, 2023, was related to the liquidation and disbursement of our portion of GO-NET's remaining assets, which were previously impaired. We do not expect additional activity related to this investment.

Use of Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP ("non-GAAP financial measures"). Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, to measure executive compensation and to evaluate our financial performance. These non-GAAP financial measures are non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per diluted share, Adjusted EBITDA, Adjusted EBITDA margin and impact of foreign currency exchange rates, as discussed below.

Management believes that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparison of financial results across accounting periods and to those of our peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate our operating results and future prospects in the same manner as management. These non-GAAP financial measures may exclude expenses and gains that may be unusual in nature, infrequent or not reflective of our ongoing operating results.

The non-GAAP financial measures do not replace the presentation of our GAAP financial measures and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP.

The non-GAAP adjustments, and our basis for excluding them from non-GAAP financial measures, are outlined below:

- **Amortization of acquired intangible assets** – We have incurred amortization of intangible assets, included in our GAAP financial statements, related to various acquisitions we have made. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization can vary significantly and is unique to each acquisition; therefore, we exclude amortization of acquired intangible assets from our non-GAAP financial measures to provide investors with a consistent basis for comparing pre- and post-acquisition operating results.

- **Stock-based compensation and amortization of capitalized stock-based compensation** – Stock-based compensation is an important aspect of the compensation paid to our employees which includes long-term incentive plans to encourage retention, performance-based plans to encourage achievement of specified financial targets and also short-term incentive awards with a one year vest. The grant date fair value of the stock-based compensation awards varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of our current financial results to previous and future periods difficult to interpret; therefore, we believe it is useful to exclude stock-based compensation and amortization of capitalized stock-based compensation from our non-GAAP financial measures in order to highlight the performance of our core business and to be consistent with the way many investors evaluate our performance and compare our operating results to peer companies.

- **Acquisition-related costs** – Acquisition-related costs include transaction fees, advisory fees, due diligence costs and other direct costs associated with strategic activities, as well as certain additional compensation costs payable to employees acquired from the Linode acquisition if employed for a certain period of time. The additional compensation cost was initiated by and determined by the seller and is in addition to normal levels of compensation, including retention programs, offered by Akamai. Acquisition-related costs are impacted by the timing and size of the acquisitions, and we exclude acquisition-related costs from our non-GAAP financial measures to provide a useful comparison of operating results to prior periods and to peer companies because such amounts vary significantly based on the magnitude of our acquisition transactions and do not reflect our core operations.

- **Restructuring charge** – We have incurred restructuring charges from programs that have significantly changed either the scope of the business undertaken by us or the manner in which that business is conducted. These charges include severance and related expenses for workforce reductions, impairments of long-lived assets that will no longer be used in operations (including acquired intangible assets, right-of-use assets, other facility-related property and equipment and internal-use software) and termination fees for any contracts cancelled as part of these programs. We exclude these items from our non-GAAP financial measures when evaluating our continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of our business.

- **Amortization of debt issuance costs and capitalized interest expense** – We have convertible senior notes outstanding that mature in 2029, 2027 and 2025. The issuance costs of the convertible senior notes are amortized to interest expense and are excluded from our non-GAAP results because management believes the non-cash amortization expense is not representative of ongoing operating performance.

- **Gains and losses on investments** – We have recorded gains and losses from the disposition, changes to fair value and impairment of certain investments. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the types of events giving rise to these gains and losses are not representative of our core business operations and ongoing operating performance.

- **Gains and losses from equity method investment** – We record income or losses on our share of earnings and losses from our equity method investment, and any gains from returns of investments or impairments. We exclude such income and losses because we do not have direct control over the operations of the investment and the related income and losses are not representative of our core business operations.

- **Income tax effect of non-GAAP adjustments and certain discrete tax items** – The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect of non-GAAP adjustments is the difference between GAAP and non-GAAP income tax expense. Non-GAAP income tax expense is computed on non-GAAP pre-tax income (GAAP pre-tax income adjusted for non-GAAP adjustments) and excludes certain discrete tax items (such as the impact of intercompany sales of intellectual property related to our acquisitions), if any. We believe that applying the non-GAAP adjustments and their related income tax effect allows us to highlight income attributable to our core operations.

The following table reconciles GAAP income from operations to non-GAAP income from operations and non-GAAP operating margin for the periods presented (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Income from operations	$ 70,637	$ 176,129	$ 385,351	$ 452,552
Amortization of acquired intangible assets	24,368	18,108	66,467	49,918
Stock-based compensation	102,607	87,017	294,333	236,344
Amortization of capitalized stock-based compensation and capitalized interest expense	11,089	9,077	31,646	25,207
Restructuring charge	82,013	2,595	83,942	56,675
Acquisition-related costs	5,036	3,048	7,387	12,156
Non-GAAP income from operations	$ 295,750	$ 295,974	$ 869,126	$ 832,852
GAAP operating margin	7.0 %	18.2 %	13.0 %	16.1 %
Non-GAAP operating margin	29.4 %	30.7 %	29.3 %	29.6 %

The following table reconciles GAAP net income to non-GAAP net income for the periods presented (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 57,907	$ 160,542	$ 365,013	$ 386,464
Amortization of acquired intangible assets	24,368	18,108	66,467	49,918
Stock-based compensation	102,607	87,017	294,333	236,344
Amortization of capitalized stock-based compensation and capitalized interest expense	11,089	9,077	31,646	25,207
Restructuring charge	82,013	2,595	83,942	56,675
Acquisition-related costs	5,036	3,048	7,387	12,156
Amortization of debt issuance costs	1,591	1,404	4,933	3,600
(Gain) loss on investments	—	(110)	66	(311)
Gain from equity method investment	—	(1,475)	—	(1,475)
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(41,097)	(29,135)	(112,130)	(71,202)
Non-GAAP net income	$ 243,514	$ 251,071	$ 741,657	$ 697,376

The following table reconciles GAAP net income per diluted share to non-GAAP net income per diluted share for the periods presented (in thousands, except per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income per diluted share	$ 0.38	$ 1.04	$ 2.36	$ 2.50
Amortization of acquired intangible assets	0.16	0.12	0.43	0.32
Stock-based compensation	0.67	0.56	1.90	1.53
Amortization of capitalized stock-based compensation and capitalized interest expense	0.07	0.06	0.20	0.16
Restructuring charge	0.54	0.02	0.54	0.37
Acquisition-related costs	0.03	0.02	0.05	0.08
Amortization of debt issuance costs	0.01	0.01	0.03	0.02
(Gain) loss on investments	—	—	—	—
Gain from equity method investment	—	(0.01)	—	(0.01)
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(0.27)	(0.19)	(0.72)	(0.46)
Adjustment for shares [(1)]	—	0.01	0.03	0.01
Non-GAAP net income per diluted share [(2)]	$ 1.59	$ 1.63	$ 4.82	$ 4.51
Shares used in GAAP per diluted share calculations	153,240	154,976	154,765	154,855
Impact of benefit from note hedge transactions [(1)]	(294)	(544)	(869)	(181)
Shares used in non-GAAP per diluted share calculations [(1)]	152,946	154,432	153,896	154,674

(1) Shares used in non-GAAP per diluted share calculations have been adjusted for the periods presented, for the benefit of our note hedge transactions. During these periods, our average stock price was in excess of $95.10, which is the initial conversion price of our convertible senior notes due in 2025. See further definition below.
(2) Amounts may not foot due to rounding.

Non-GAAP net income per diluted share is calculated as non-GAAP net income divided by weighted average diluted common shares outstanding. Diluted weighted average common shares outstanding are adjusted in non-GAAP per share calculations for the shares that would be delivered to us pursuant to the note hedge transactions entered into in connection with the issuance of $1,265 million of convertible senior notes due 2029 and the issuances of $1,150 million of convertible senior notes due 2027 and 2025, respectively. Under GAAP, shares delivered under hedge transactions are not considered offsetting shares in the fully-diluted share calculation until they are delivered. However, we would receive a benefit from the note hedge transactions and would not allow the dilution to occur, so management believes that adjusting for this benefit provides a meaningful view of operating performance. With respect to the convertible senior notes due in each of 2029, 2027 and 2025, unless our weighted average stock price is greater than $126.31, $116.18 and $95.10, respectively, the initial conversion prices, there will be no difference between GAAP and non-GAAP diluted weighted average common shares outstanding.

We consider Adjusted EBITDA to be another important indicator of the operational strength and performance of our business and a good measure of our historical operating trends. Adjusted EBITDA eliminates items that we do not consider to be part of our core operations. We define Adjusted EBITDA as GAAP net income excluding the following items: interest and marketable securities income and losses; income taxes; depreciation and amortization of tangible and intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; foreign exchange gains and losses; interest expense; amortization of capitalized interest expense; certain gains and losses on investments; income and losses from equity method investments; and other non-recurring or unusual items that may arise from time to time. Adjusted EBITDA margin represents Adjusted EBITDA stated as a percentage of revenue.

The following table reconciles GAAP net income to Adjusted EBITDA and Adjusted EBITDA margin for the periods presented (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 57,907	$ 160,542	$ 365,013	$ 386,464
Interest and marketable securities income, net	(23,065)	(11,412)	(77,534)	(21,213)
Provision for income taxes	15,899	20,326	63,891	71,297
Depreciation and amortization	130,517	121,626	383,180	348,721
Amortization of capitalized stock-based compensation and capitalized interest expense	11,089	9,077	31,646	25,207
Amortization of acquired intangible assets	24,368	18,108	66,467	49,918
Stock-based compensation	102,607	87,017	294,333	236,344
Restructuring charge	82,013	2,595	83,942	56,675
Acquisition-related costs	5,036	3,048	7,387	12,156
Interest expense	6,735	4,987	20,382	10,825
(Gain) loss on investments	—	(110)	66	(311)
Gain from equity method investment	—	(1,475)	—	(1,475)
Other expense, net	13,161	3,271	13,533	6,965
Adjusted EBITDA	$ 426,267	$ 417,600	$ 1,252,306	$ 1,181,573
Net income margin	5.8 %	16.6 %	12.3 %	13.7 %
Adjusted EBITDA margin	42.4 %	43.3 %	42.1 %	41.9 %

Impact of Foreign Currency Exchange Rates

Revenue and earnings from our international operations have historically been an important contributor to our financial results. Consequently, our financial results have been impacted, and management expects they will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, when the local currencies of our international subsidiaries weaken, generally our consolidated results stated in U.S. dollars are negatively impacted.

Because exchange rates are a meaningful factor in understanding period-to-period comparisons, management believes the presentation of the impact of foreign currency exchange rates on revenue and earnings enhances the understanding of our financial results and evaluation of performance in comparison to prior periods. The dollar impact of changes in foreign currency exchange rates presented is calculated by translating current period results using monthly average foreign currency exchange rates from the comparative period and comparing them to the reported amount. The percentage change at constant currency presented is calculated by comparing the prior period amounts as reported and the current period amounts translated using the same monthly average foreign currency exchange rates from the comparative period.

Liquidity and Capital Resources

To date, we have financed our operations primarily through public and private sales of debt and equity securities and cash generated by operations. As of September 30, 2024, our cash, cash equivalents and marketable securities, which are detailed in Note 2 to the interim condensed consolidated financial statements, totaled $2.0 billion. We place our cash investments in instruments that meet high-quality credit standards, as specified in our investment policy. Our investment policy is also designed to limit the amount of our credit exposure to any one issue or issuer and seeks to manage these assets to achieve our goals of preserving principal and maintaining adequate liquidity at all times.

Changes in cash, cash equivalents and marketable securities are dependent upon changes in, among other things, working capital items such as accounts receivable, deferred revenue, accounts payable, various accrued expenses and operating lease obligations, as well as changes in our capital and financial structure due to common stock repurchases, debt repayments and issuances, purchases and sales of marketable securities, cash paid for acquisitions and similar events. We believe our strong balance sheet and cash position are important competitive differentiators that provide the financial stability and flexibility to enable us to continue to make investments at opportune times. We expect to continue to evaluate strategic investments to strengthen our business.

As of September 30, 2024, we had cash and cash equivalents of $349.6 million held in accounts outside the U.S. The U.S. Tax Cuts and Jobs Act establishes a territorial tax system in the U.S., which provides companies with the potential ability to repatriate earnings with minimal U.S. federal income tax impact. As a result, our liquidity is not expected to be materially impacted by the amount of cash and cash equivalents held in accounts outside the U.S.

Cash Provided by Operating Activities

	For the Nine Months Ended September 30,	
(in thousands)	2024	2023
Net income	$ 365,013	$ 386,464
Non-cash reconciling items included in net income	826,422	698,214
Changes in operating assets and liabilities	(16,052)	(125,432)
Net cash provided by operating activities	$ 1,175,383	$ 959,246

The increase in cash provided by operating activities for the nine months ended September 30, 2024, as compared to the same period in 2023, was due to timing of collections from customers and as a result of the shift in our performance-based compensation program from cash-based to stock-based, which led to cash bonus payments in 2023 that did not recur in 2024.

Cash Used in Investing Activities

	For the Nine Months Ended September 30,	
(in thousands)	2024	2023
Cash paid for business acquisitions, net of cash acquired	$ (434,066)	$ (106,171)
Cash paid for asset acquisition	(4,862)	(36,348)
Purchases of property and equipment and capitalization of internal-use software development costs	(522,408)	(596,153)
Net marketable securities activity	402,683	(786,302)
Other, net	4,160	(7,431)
Net cash used in investing activities	$ (554,493)	$ (1,532,405)

The decrease in cash used in investing activities during the nine months ended September 30, 2024, as compared to the same period in 2023, was due to an increase in cash proceeds from net marketable securities activity to fund the acquisition of Noname Security in 2024 and a reduction of purchases of property and equipment related to our compute infrastructure build-out in 2023. Additionally, the cash used in investing activities during the nine months ended September 30, 2023 included an increase in purchases of marketable securities with the proceeds from our August 2023 issuance of convertible senior notes.

Net Cash (Used in) Provided by Financing Activities

	For the Nine Months Ended September 30,	
(in thousands)	2024	2023
Net convertible senior notes activity	$ —	$ 1,101,028
Activity related to stock-based compensation	(109,407)	(1,357)
Repurchases of common stock	(419,097)	(599,155)
Other, net	(10,291)	(360)
Net cash (used in) provided by financing activities	$ (538,795)	$ 500,156

The increase in cash used in financing activities during the nine months ended September 30, 2024, as compared to the same period in 2023, was due to the net proceeds received in 2023 from our convertible senior notes due 2029 that did not recur in 2024 and increased employee taxes paid in 2024 related to vesting of stock awards driven by the shift in our performance-based compensation program from cash-based to stock-based and an increase in stock price, partially offset by a reduction in repurchases of our common stock as part of our share repurchase program.

Our board of directors authorized a share repurchase program that is effective from January 2022 through December 2024. In May 2024, our board of directors authorized a new $2.0 billion share repurchase program, effective May 2024 through June 2027, which is in addition to amounts remaining under the January 2022 program. During the nine months ended September 30, 2024, we repurchased 4.2 million shares of common stock at a weighted average price of $99.72 per share for an aggregate of $419.1 million. As of September 30, 2024, $2.1 billion remained available for future share repurchases under the authorization programs. Our goals for the share repurchase programs are to offset the dilution created by our employee equity compensation programs over time and provide the flexibility to return capital to stockholders as business and market conditions warrant, while still preserving our ability to pursue other strategic opportunities. The timing and amount of any future share repurchases will be determined by our management based on its evaluation of market conditions and other factors.

Convertible Senior Notes

As of September 30, 2024, we had $3,565.0 million of convertible senior notes outstanding that are senior unsecured obligations and bear interest payable semi-annually in arrears. These notes mature between May 2025 and February 2029. The terms of the notes and hedge and warrant transactions are discussed more fully in Note 7 to the interim condensed consolidated financial statements.

Revolving Credit Facility

In November 2022, we entered into a $500.0 million, five-year revolving credit agreement ("2022 Credit Agreement"). The 2022 Credit Agreement allows us to borrow up to $500.0 million at various interest rates and contains customary representations and warranties, affirmative and negative covenants and events of default. As of September 30, 2024, we were in compliance with all covenants. There were no outstanding borrowings under the 2022 Credit Agreement as of September 30, 2024. The terms of the revolving credit agreements are discussed more fully in Note 7 to the interim condensed consolidated financial statements.

Operating Leases

We have entered into operating leases for real estate assets related to office space and co-location assets related to space or racks at co-location facilities and related equipment for our servers and other networking equipment. As of September 30, 2024, there have been no significant changes in our obligations under these operating lease arrangements from those reported on Form 10-K for the year ended December 31, 2023, other than normal period-to-period variations, particularly as we execute on our expansion plans for our compute solutions.

Purchase Commitments

We enter into long-term agreements with network and internet service providers for bandwidth, as well as execute purchase orders for the purchase of goods or services in the ordinary course of business, which may contain minimum commitments. These minimum commitments may vary from period to period depending on the timing and length of contract renewals with our vendors, and on our plans for network expansion, including our expansion plans related to our compute business.

Liquidity Outlook

Based on our present business plan, we expect our current cash, cash equivalents and marketable securities balances and our forecasted cash flows from operations to be sufficient to meet our foreseeable cash needs for at least the next 12 months. Our foreseeable cash needs, in addition to our recurring operating costs, include our expected capital expenditures, investments in information technology, potential strategic acquisitions, anticipated share repurchases, lease and purchase commitments, settlements of other liabilities and repayment of our $1,150.0 million convertible senior notes due in May 2025. We intend to repay these notes using a portion of the net proceeds from our $1,265.0 million convertible senior notes due in 2029.

Off-Balance Sheet Arrangements

We have entered into indemnification agreements with third parties, including vendors, customers, landlords, our officers and directors, stockholders of acquired companies, joint venture partners and third parties to which we license technology. Generally, these indemnification agreements require us to reimburse losses suffered by a third-party due to various events, such as lawsuits arising from patent or copyright infringement or our negligence. These indemnification obligations are considered off-balance sheet arrangements in accordance with the authoritative guidance for guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. See also Note 13 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2023 for further discussion of these indemnification agreements. The fair value of guarantees issued or modified during the nine months ended September 30, 2024 was determined to be immaterial.

As of September 30, 2024, we did not have any additional material off-balance sheet arrangements.

Significant Accounting Policies and Estimates

See Note 2 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2023. There have been no material changes to our significant accounting policies and estimates from those reported in our annual report on Form 10-K for the year ended December 31, 2023.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

Our portfolio of cash equivalents and short- and long-term investments is maintained in a variety of securities, including money market funds, time deposits, commercial paper, corporate bonds, U.S. government agency obligations and mutual funds. The majority of our investments are classified as available-for-sale securities and carried at fair market value with cumulative unrealized gains or losses recorded as a component of accumulated other comprehensive loss within stockholders' equity. A sharp rise in interest rates could have an adverse impact on the fair market value of certain securities in our portfolio. We do not currently hedge our interest rate exposure and do not enter into financial instruments for trading or speculative purposes. If market interest rates were to increase by 100 basis points, reflected uniformly across the yield curve regardless of the duration to maturity, from September 30, 2024 levels, the fair value of our available-for-sale portfolio would decline by approximately $10.9 million.

As of September 30, 2024, we had $3,565.0 million in aggregate principal amount of convertible senior notes outstanding that are senior unsecured obligations with fixed annual interest rates. The terms of the notes are discussed more fully in Note 7 to the interim condensed consolidated financial statements. Due to the fixed annual interest rate, these notes do not give rise to financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally, the fair value can be affected when the market price of our common stock fluctuates. We carry the notes at face value less an unamortized discount on our interim condensed consolidated balance sheet, and we present the fair value for required disclosure purposes only.

Our exposure to risk for changes in interest rates relates primarily to any borrowings under our 2022 Credit Agreement, which has a variable rate of interest. As of September 30, 2024, we had no outstanding borrowings under the 2022 Credit Agreement.

Foreign Currency Risk

Growth in our international operations will incrementally increase our exposure to foreign currency fluctuations as well as other risks typical of international operations that could impact our business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures and other regulations and restrictions. Due to the strengthening U.S. dollar, our revenue results have been negatively impacted. The strengthening U.S. dollar has the opposite effect on expenses that are denominated in foreign currencies, but only partially offsets the impact to our revenue. A hypothetical 10% strengthening or weakening in the value of the U.S. dollar relative to the foreign currencies in which our revenues and expenses are denominated would not result in a material impact to our interim condensed consolidated financial statements.

Transaction Exposure

Foreign exchange rate fluctuations may adversely impact our consolidated results of operations as exchange rate fluctuations on transactions denominated in currencies other than functional currencies result in gains and losses that are reflected in our interim condensed consolidated statements of income. We enter into short-term foreign currency forward contracts to offset foreign exchange gains and losses generated by the re-measurement of certain assets and liabilities recorded in non-functional currencies. Changes in the fair value of these derivatives, as well as re-measurement gains and losses, are recognized in our interim condensed consolidated statements of income within other expense, net. Foreign currency transaction gains and losses from these forward contracts were determined to be immaterial during the nine months ended September 30, 2024. We do not enter into derivative financial instruments for trading or speculative purposes.

Translation Exposure

To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency-denominated transactions will result in increased revenue and operating expenses. Conversely, our revenue and operating expenses will decrease when the U.S. dollar strengthens against foreign currencies.

Foreign exchange rate fluctuations may also adversely impact our consolidated financial condition as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our interim condensed consolidated balance sheet. These gains or losses are recorded as a component of accumulated other comprehensive loss within stockholders' equity.

Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited to certain customers to which we make substantial sales. Our customer base consists of a large number of geographically dispersed customers diversified across numerous industries. We believe that our accounts receivable credit risk exposure is limited. As of September 30, 2024 and December 31, 2023, no customer had an accounts receivable balance of 10% or more of our accounts receivable. We believe that at September 30, 2024, the concentration of credit risk related to accounts receivable was insignificant.

Item 4. *Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are party to various litigation matters, governmental proceedings, investigations, claims and disputes that we consider routine and incidental to our business. We do not currently expect the results of any of these matters to have a material effect on our business, results of operations, financial condition or cash flows.

Item 1A. *Risk Factors*

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Quarterly Report on Form 10-Q. 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 actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.

Financial and Operational Risks

Slowing revenue growth has in the past and may continue to negatively impact our profitability and stock price.

The overall revenue growth we have enjoyed in recent years may not continue in future periods and could decline, which could negatively impact our profitability and stock price. Our ability to generate revenue depends on the amount of services we deliver, continued growth in demand for our security, delivery and compute solutions and our ability to maintain the prices we charge for them.

Revenue we generate from our delivery solutions is impacted by pricing pressure due to competition and fluctuations in content traffic as a result of, among other factors, changes in the popularity of our customers' content including video delivery and gaming, and economic pressures on our customers that can cause them to take steps to optimize their platforms, including through "do-it-yourself", or DIY, initiatives. For example, revenue from our delivery solutions increased significantly in 2020 due in large part to greater consumption of online media and games during the onset of the COVID-19 pandemic and the associated stay-at-home orders. However, as these orders were lifted and more return-to-work policies were adopted, our revenue from delivery solutions declined. In addition, a large social media company has recently taken steps to lower costs and reduce reliance on U.S. providers, including a DIY component, which we believe is in part a reaction to certain geopolitical pressures, and which has reduced traffic on our network and negatively impacted revenue in the first nine months of 2024. Other customers have and may continue to reduce their traffic with us, negatively impacting revenue. We have continued to experience revenue declines in our delivery solutions and expect this trend to continue in the near future.

Our security solutions currently generate the largest portion of our revenue. Our ability to generate revenue in our security business depends on our ability to increase our industry recognition as a provider of security solutions, develop or acquire new solutions in a rapidly-changing environment where security threats are constantly evolving and ensure that our solutions operate effectively and are competitive with products offered by others. Further, security revenue for some products is impacted by traffic levels on our network and recently has, and may continue to be, negatively impacted by reduced traffic on our network, including the reduced traffic from a large social media company among other customers.

In addition, an increasing proportion of our revenue has been generated by our compute solutions. Our ability to generate revenue in our compute business is dependent on our ability to successfully continue building our compute infrastructure, attract a customer base that has traditionally partnered with more established companies in the compute industry, and develop effective, price competitive and attractive solutions.

If we are unable to increase revenues, our profitability and stock price could suffer. See the risk factor titled, "Global conditions have in the past and may in the future harm our industry, business and results of operations" below.

Global conditions have in the past and may in the future harm our industry, business and results of operations.

We operate globally and as a result, our business, revenues and profitability are impacted by global macroeconomic conditions. The success of our activities is affected by general economic and market conditions, including, among others, inflation, interest rates, tax rates, economic uncertainty, political instability, warfare, changes in laws, trade barriers, the actual or perceived failure or financial difficulties of financial institutions, reduced consumer confidence and spending and economic and trade sanctions. For example, approximately 1% of our 2021 revenue had been generated from traffic into Russia, Belarus and Ukraine, and we experienced a decline in revenue in 2022 and 2023 related to the war in Ukraine due to a decrease in traffic in these countries. Global economic and geopolitical conditions can impact our customers, causing them to take cost-savings measures that can include optimization and "do-it-yourself", or DIY, initiatives, which can impact our revenues. For example, a large social media company has recently taken steps to lower costs and reduce reliance on U.S. providers by optimizing its platform, including a DIY component, which has reduced traffic on our network and negatively impacted our revenue in the first nine months of 2024. In addition, due to changes in international tax laws, we expect our effective income tax rate will increase in 2024. The U.S. capital markets have experienced and may continue to experience extreme volatility and disruption in the recent past. Furthermore, inflation rates in the U.S. have been elevated compared to historical rates and have fluctuated. Such economic volatility has in the past and could in the future adversely affect our business, financial condition, results of operations and cash flows and future market disruptions could negatively impact us. For example, these unfavorable economic conditions could increase our operating costs, which could negatively impact our profitability. Geopolitical destabilization and warfare have impacted and could continue to impact global currency exchange rates, resources from our suppliers, and our ability to operate or grow our business. In addition, we have recently experienced rising energy costs in areas in which we operate, particularly in Europe.

Additionally, we have offices and employees located in regions that historically have and may again experience periods of political instability, warfare, changes in laws, trade barriers, and economic and trade sanctions. Adverse conditions in these countries have in the past and may in the future affect our operations, including disruptions to our workforce, supply chains, networks, financial systems and other critical infrastructure, which could adversely affect our business, results of operations, financial condition, and cash flows. For example, approximately six percent of our global employees are located in Tel Aviv, Israel and some of our employees have been mobilized as members of the Israeli military reserves. The ongoing war could cause harm to our employees or otherwise impair their ability to work for extended periods of time.

Failure to control expenses could reduce our profitability, which would negatively impact our stock price.

Maintaining or improving our profitability depends both on our ability to increase our revenue and limit our expenses. We base our decisions about expense levels and investments on estimates of our future revenue and future anticipated rates of growth and may incur varying levels of expense based on strategic initiatives, including acquisitions and the build out of our network to support our compute solutions. In addition, many of our expenses are fixed costs for a certain amount of time which may impact our ability to reduce costs in a timely manner or without incurring additional costs. If we are unable to increase revenue and limit expenses, our results of operations will suffer. We have in the past and may in the future take certain steps to reduce expenses, however, there are no assurances that we will be able to effectively reduce our expenses and such actions may negatively affect our ability to invest in our business for innovation, systems improvements and other initiatives.

If we do not develop or acquire new solutions that are attractive to our customers, our revenue and operating results could be adversely affected.

Innovation is important to our future success. In particular, as security and compute solutions have become, and are expected to continue to be, an important part of our business, we must be particularly adept at developing new security solutions that meet the constantly-changing threat landscape and compute and compute-to-edge solutions that meet the needs of professional users and enterprises looking to increase the utility of the internet for their business.

The process of developing new solutions and product enhancements is complex, lengthy and uncertain and has become increasingly complex due to the sophistication of our customers' needs. The development timetable is uncertain and we may commit significant resources to developing solutions for which a viable market may not ultimately develop. For example, with the acquisition of Linode, we are investing significant resources in our compute solutions and platform, working on expanding the capacity of these facilities, adding additional sites and developing increased compute features and functionality. Success in these efforts is not guaranteed and will largely depend on our ability to create products that are competitive in the enterprise market, source additional co-location facilities and manage an uncertain supply chain for server related hardware. In addition, we have also experienced, and may in the future experience, delays in developing and releasing new products and product enhancements. This could cause our expenses to grow more rapidly than our revenue.

Trying to innovate through acquisition can be costly and with uncertain prospects for success; we may find that attractive acquisition targets are too expensive for us to pursue which could cause us to pursue more time-consuming internal development.

Failure to develop, on a cost-effective basis, innovative or enhanced solutions that are attractive to customers and profitable to us could have a material detrimental effect on our business, results of operations, financial condition and cash flows.

If we are unable to compete effectively and adapt to changing market conditions, our business will be adversely affected.

We compete in markets that are intensely competitive and rapidly changing. Our current and potential competitors vary by size, product offerings and geographic region, and range from start-ups that offer solutions competing with a discrete part of our business to large technology or telecommunications companies that offer, or may be planning to introduce, products and services that are broadly competitive with what we do. The primary competitive factors in our market are differentiation of technology, global presence, quality of solutions, reliability, long-term product roadmap, customer service, technical expertise, security, ease-of-use, breadth of services offered, price and financial strength.

Many of our current and potential competitors have substantially greater financial, technical and marketing resources, larger customer bases, broader product portfolios, longer operating histories, greater brand recognition and more established relationships in the industry than we do. This is particularly true with respect to our compute solutions, as a small number of very large competitors have established themselves as leaders in the compute business. As a result, some competitors may be able to: develop superior products or services; leverage better name recognition, particularly in the security and compute markets; enter new markets more easily or better manage the impact of changes in general economic conditions, geopolitical conditions and industry pressures; gain greater market acceptance for their products and services; enter into long-term contracts with our potential customers; increase their points of presence and proximity to enterprise data centers and end users faster than us; expand their offerings more efficiently and more rapidly; bundle their products that are competitive with ours with other solutions they offer in a way that makes our offerings less appealing to, or more costly for, current and potential customers; more quickly adapt to new or emerging technologies and changes in customer requirements; take advantage of acquisition, investment and other opportunities more readily; offer lower prices than ours, including at levels that may not be profitable for us to match; spend more money on the promotion, marketing and sales of their products and services; offer higher salaries to talented professionals which may impact our ability to hire or retain engineering and other personnel; and implement shorter sales cycles with customers and prospects.

Smaller and more nimble competitors may be able to: attract customers by offering less sophisticated versions of products and services than we provide at lower prices than those we charge; develop new business models that are disruptive to us; and respond more quickly than we can to new or emerging technologies, changes in customer requirements and market and industry developments, resulting in superior offerings.

Ultimately, any type of increased competition could result in price and revenue reductions, loss of customers and loss of market share or inability to penetrate new markets, each of which could materially impact our business, profitability, financial condition, results of operations and cash flows.

We and other companies that compete in this industry and these markets experience continually shifting business relationships, reputations, commercial focuses and business priorities, all of which occur in reaction to industry and market forces and the emergence of new opportunities. These shifts have led or could lead to our customers or partners becoming our competitors; customers implementing multi-vendor policies and seeking out one or more of our competitors to provide content and application delivery or security protection services; network suppliers no longer seeking to work with us; and technology companies that previously did not appear to show interest in the markets we seek to address entering into those markets as our competitors. With this constantly changing environment, we may face operational difficulties in adjusting to the changes or our core strategies could become obsolete. Any of these or other developments could harm our business.

Defects or disruptions in our products and IT systems could require us to increase spending on upgrading systems, diminish demand for our solutions or subject us to substantial liability.

Our solutions are highly complex and are designed to be deployed in and across numerous large and complex networks that we do not control. From time to time, we have needed to correct errors and defects in the proprietary and open-source software that underlies our platform that have given rise to service incidents, outages and disruptions or otherwise impacted our operations. We could face the loss of customers from these incidents as they seek alternative or supplemental providers. We have also periodically experienced customer dissatisfaction with the quality of some of our delivery, security, compute and other services, which has led to a loss of business and could lead to a loss of customers in the future. Furthermore, most of our customer agreements contain service level commitments. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, or face contract termination with refunds of prepaid amounts, which could harm our business.

We may not have in place adequate quality assurance procedures to ensure that we detect errors in our hardware, software and open-source components we use in a timely manner, and we may have insufficient resources to efficiently address multiple service incidents happening simultaneously or in rapid succession. If we are unable to efficiently and cost-effectively fix errors or other problems that we identify and improve the quality of our solutions or systems, or if there are unidentified errors that allow persons to improperly access our services or systems, we could experience litigation, the need to issue credits to customers, loss of revenue and market share, damage to our reputation, diversion of management attention, increased expenses, reduced profitability and other negative consequences which could harm our business.

Defects in our security solutions or human error could lead to negative publicity, loss of business, damages payments to customers, diminishing customer appeal and other negative consequences which could harm our business. As our solutions are adopted by an increasing number of enterprises and governments, it is possible that the adversaries behind advanced malicious actions will specifically focus on finding ways to defeat our products and services. If they are successful, we could experience a serious impact on our reputation and financial condition as a provider of security solutions.

We are devoting significant resources to develop and deploy our own competing cloud computing offering. The rapid development and deployment of new compute infrastructure bears the risk of bugs and unforeseen failures that could affect our reputation and ability to execute our strategies. The risks of such bugs and unforeseen failures introduced to our compute infrastructure by our customers who control many aspects of their use of our compute services and experimental technologies could affect our reputation, ability to execute our strategies and our financial condition. It is also uncertain whether our strategies to develop and deploy our own competing cloud computing offering will attract the customers or generate the revenue required to be successful. These costs may reduce the gross and operating margins we have previously achieved. Failure to adequately and rapidly deploy additional points of presence, increased proximity to enterprise data centers and end users and develop competitive offerings could result in negative publicity, loss of business, diminishing customer appeal and other negative consequences which could harm our business.

Our business relies on our data systems, traffic measurement systems, billing systems, ordering processes and other operational and financial reporting and control systems. We also rely on third-party software for certain essential operational services and a failure or disruption in these services could materially and adversely affect our ability to manage our business effectively. All of these systems have become increasingly complex due to the complexity of our business, use of third-party software and services, acquisitions of new businesses with different systems, and increased regulation over controls and procedures. As a result, these systems have in the past and could in the future generate errors that impact traffic measurement or invoicing, revenue recognition and financial forecasting or other parts of our business. We will need to continue to upgrade and improve our data systems, traffic measurement systems, billing systems, ordering processes and other operational and financial systems, procedures and controls. These upgrades and improvements may be difficult and costly. If we are unable to adapt our systems and organization in a timely, efficient and cost-effective manner to accommodate changing circumstances, our business may be adversely affected.

Cybersecurity breaches and attacks on us, our contractors or our third-party vendors, as well as steps we need to take in an effort to prevent them, can lead to significant costs and disruptions that would harm our business, financial results and reputation.

We regularly face attempts to gain unauthorized access or deliver malicious software to Akamai Connected Cloud and our internal IT systems, with the goal of stealing proprietary information related to our business, products, employees and customers; disrupting our systems and services or those of our customers or others; or demanding ransom to return control of such systems and services. These attempts take a variety of forms, including Distributed Denial of Service (DDoS) attacks, infrastructure attacks, botnets, malicious file uploads, application abuse, credential abuse, social engineering, ransomware, bugs, viruses, worms and malicious software programs. Additionally, the use of artificial intelligence by bad actors has heightened the sophistication and effectiveness of these types of attacks. There have in the past and could in the future be attempts to infiltrate our systems through our supply chain and contractors. Malicious actors are known to attempt to fraudulently induce employees and suppliers to disclose sensitive information through illegal electronic spamming, phishing or other tactics. Other parties may attempt to gain unauthorized physical access to our facilities in order to infiltrate our internal-use information systems. Furthermore, nation state and hacktivist attacks against us or our customers have in the past and may in the future intensify during periods of heightened geopolitical tensions or armed conflict, such as the ongoing war in Ukraine and the Israel-Hamas War. We may not be able to anticipate the techniques used in such attacks, as they change frequently and may not be recognized until launched. While we have, from time to time, experienced threats to and breaches of our and our third-party vendors' data and systems, to date , to our knowledge, cyber threats and other attacks have not resulted in any material adverse effect to our business or operations, but such threats are constantly evolving, increasing the difficulty of detecting and successfully defending against them.

The complexities in managing the security profile of a distributed network with vast scale and geographic reach that evolves to incorporate new capabilities expose us to both known and unknown vulnerabilities. We have discovered vulnerabilities in software used in our technology, such as the vulnerability in Apache Log4j 2 referred to as “Log4Shell” identified in late 2021 that impacted a large portion of the internet ecosystem, and may have other undiscovered vulnerabilities. Vulnerabilities, resident in either software or configurations, have in the past and may in the future require significant operational efforts to mitigate and may persist for extended periods of time and the effects of any such vulnerability could be exacerbated. Similar security risks exist with respect to acquired companies, our business partners and the third-party vendors that we rely on for aspects of our information technology support services and administrative functions. As a result, we are subject to risks that the activities of our business partners and third-party vendors may adversely affect our business even if an attack or breach does not directly target our systems.

To protect our corporate and deployed networks, we aim to continuously engineer more secure solutions, enhance security and reliability features, improve the deployment of software updates to address security vulnerabilities, develop mitigation technologies that help to secure customers from attacks and maintain the digital security infrastructure that protects the integrity of our network and services. For example, our ongoing efforts to continually enhance the security and reliability of Akamai Connected Cloud, customer applications, and corporate systems comprise various initiatives and mitigation efforts, including but not limited to upgrading access and configuration controls; improving security instrumentation, monitoring, detection and prevention tools; enhancing software inventory and tracking and patching systems; upgrading encryption processes and protections; enhancing authorization methods in applications; enhancing data loss prevention and endpoint security management capabilities; upgrading vulnerability identification, assessment, and remediation processes and technologies; and enhancing the security of passwords and other credentials, as applicable and appropriate. Our efforts to engineer more secure solutions are frequently costly, with a negative impact on near-term profitability, and may be unsuccessful in preventing security incidents that may have an adverse effect on our business and reputation.

For example, with the acquisition of Linode, we continue to adapt procedures for mitigating risks that have in the past or may in the future materialize, including any harms that may arise from abuse of our compute products. If we fail to mitigate these harms or if there is a significant cybersecurity event using our compute products or our compute products are perceived to be less reliable than our competitors, it could result in loss of customers and reputational damage.

Any actual, alleged or perceived breach of network security in our systems or networks, or any other actual, alleged or perceived compromise of data security incident we, our customers or our third-party suppliers suffer, can result in damage to our reputation; negative publicity; loss of channel partners, customers and sales; loss of revenue; loss of competitive advantages; increased costs to remedy any problems and otherwise respond to any incident; regulatory investigations and enforcement actions and fines; costly litigation; and other liabilities.

If we cannot maintain compatibility with our customers' IT infrastructure, including their chosen third-party applications, our business will be harmed.

Our products interoperate with our customers' IT infrastructures that often have different specifications, utilize diverse technology, and require compatibility with multiple communication protocols. Therefore, the functionality of our technology often needs to have, and maintain, compatibility with our customers' technology environment, including their chosen third-party technology. Aspects of our technology's compatibility with our customers' technology is dependent on our customers because our customers, and in particular those who implement third-party applications within their environments, may change features, restrict our access to, or alter their applications within their discretion and in a manner that causes incompatibilities or causes us significant costs to maintain compatibility. Such changes could functionally limit or prevent the compatibility of our products with our customers' IT infrastructure, which would negatively affect adoption of our products and harm our business. If we fail to update our products to achieve compatibility with new third-party applications that our customers use, we may not be able to offer the functionality that our customers need, which would harm our business.

We face risks associated with global operations that could harm our business.

A significant portion of our hiring, new customers and revenue growth in recent quarters has been attributable to our business outside the U.S. Our operations in international countries subject us to risks that may increase our costs, impact our financial results, disrupt our operations or make our operations less efficient and require significant management attention. These risks include: foreign exchange rate risks; uncertainty regarding liability for content or services, including uncertainty as a result of local laws and lack of legal precedent; loss of revenues if the U.S. or international governments impose limitations on doing business with significant current or potential customers; difficulty in staffing, training, developing and managing international operations as a result of distance, language, cultural differences, differences in employee/employer relationships or regulations; theft of intellectual property in high-risk countries where we operate; difficulties in enforcing contracts, collecting accounts and longer payment cycles in certain countries; difficulties in transferring funds from, or converting currencies in, certain countries; managing the costs and processes necessary to comply with export control, sanctions, such as the sanctions imposed in connection with the Russian invasion of Ukraine, anti-corruption, data protection, cybersecurity and competition laws and regulations or other regulatory or contractual limitations on our ability to sell or develop our products and services in certain international markets; macroeconomic developments and changes in the labor markets in which we operate; geopolitical developments, including any that impact our or our customers' ability to operate in or deliver content to a country; other circumstances outside of our control such as trade disputes, political unrest, warfare, military or armed conflict, such as the Russian invasion of Ukraine and the ongoing Israel-Hamas War, terrorist attacks, public health emergencies, energy crises and natural disasters that could disrupt our ability to provide services or limit customer purchases of them.

For example, approximately six percent of our global employees are located in Tel Aviv, Israel and have been and may continue to be impacted by the Israel-Hamas War. A number of our employees have been, and more may be, required to report for military duty which could impact our ability to operate and successfully complete ongoing initiatives particularly with respect to our security offerings and our efforts to move our internal applications from third-party clouds to Akamai Connected Cloud. In addition, further attacks by Hamas or other groups on Israel could further impact our workforce, our operations and our offices located in Tel Aviv. Furthermore, a widening of the conflict in the Middle East or further escalation could lead to broader geopolitical destabilization and macro-economic impacts.

In addition, we are subject to laws and regulations worldwide that differ among jurisdictions, affecting our operations in areas such as intellectual property ownership and infringement; tax; anti-corruption; internet and technology regulations; so-called "fair share" or internet content taxes; foreign exchange controls and cash repatriation; data privacy; cyber security; competition; consumer protection; and employment. Compliance with such requirements can be onerous and expensive and may otherwise impact our business operations negatively. Although we have policies, controls and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, customers or agents will not violate such laws or our policies. Violations of these laws and regulations can result in fines; additional costs related to governmental investigations; criminal sanctions against us, our officers or our employees; prohibitions on the conduct of our business; and damage to our reputation.

Our business strategy depends on the ability to source adequate transmission capacity, co-location facilities and the equipment we need to operate our network; failure to have access to those resources could lead to loss of revenue and service disruptions.

To operate and grow our network, we are dependent in part upon transmission capacity provided by third-party telecommunications network providers, the availability of co-location facilities to house our servers and equipment to support our operations. We may be unable to purchase the bandwidth and space we need from these providers due to limitations on their resources, increasing energy costs or other reasons outside of our control. In particular, following our acquisition of Linode, our efforts to increase the size and scale of our compute solutions have required and may continue to require procuring significant additional space in co-location facilities. Inability to access facilities where we would like to install servers, or perform maintenance on existing servers for any reason impedes our ability to expand or maintain capacity. As a result, there can be no assurance that we are adequately prepared for unexpected increases in capacity demands by our customers. Failure to put in place the capacity we require to operate our business effectively could result in a reduction in, or disruption of, service to our customers and ultimately a loss of those customers.

Akamai Connected Cloud relies on hardware equipment, including hundreds of thousands of servers deployed around the world. Disruptions in our supply chain have occurred in the past and could prevent us from purchasing needed equipment at attractive prices or at all. For example, we are experiencing an increase in certain server component costs that support our compute build out. In addition, from time to time, it has been, and may continue to be, more difficult to purchase equipment that is manufactured in areas that face disruptions to operations due to unrest, trade sanctions or other political activity, public health issues, safety issues, natural disasters or general economic conditions. Failure to have adequate equipment, including server equipment, could harm the quality of our services, which could lead to the loss of customers and revenue.

Acquisitions and other strategic transactions could result in operating difficulties, dilution, diversion of management attention and other harmful consequences that may adversely impact our business and results of operations.

We expect to continue to pursue acquisitions and other types of strategic relationships that involve technology sharing or close cooperation with other companies. Acquisitions and other complex transactions are accompanied by a number of risks, including the following: difficulty integrating technologies, operations and personnel while maintaining the quality standards; potential disruptions of our ongoing business and distraction of management attention; diversion of financial and business resources from core operations or other attractive investments; financial consequences, such as increased operating expenses, incurrence of material post-closing liabilities, incurrence of additional debt and other dilutive effects on our earnings, particularly in the current environment where we have seen relatively high valuations of, and valuation expectations for, many technology companies and increasing allocation of risk to acquirors; failure to realize synergies or other expected benefits; lawsuits resulting from an acquisition or disposition; the inability to retain the acquired company's key talent; exposure to cybersecurity risks and the cost associated with remediating those risks in connection with the acquisition of IT systems; increased accounting charges such as impairment of goodwill or intangible assets, amortization of intangible assets acquired and a reduction in the useful lives of intangible assets acquired; the need to use substantial portions of available cash or dilutive issuances of securities to finance large transactions; and potential unknown liabilities and regulatory requirements associated with an acquired business.

The data practices and technology systems of businesses that we have acquired, or may acquire, and our efforts to integrate our acquisitions with our existing technologies have in the past and may in the future pose risks, such as cybersecurity vulnerabilities or past cybersecurity or privacy incidents. Following an acquisition, we work to enhance the security and reliability of our systems. As such, there is a period of increased cybersecurity risk during the period between closing an acquisition and the completion of our security upgrades and integration. For example, as part of the integration of the Linode compute platform into Akamai Connected Cloud and the migration of certain applications and products from third party cloud providers onto Akamai Connected Cloud, we have been working to enhance the security and reliability of the integrated systems. While we continue to make progress on these efforts, the mitigation of a number of risks is ongoing and thus certain underlying vulnerabilities remain that, if exploited, could negatively impact Akamai Connected Cloud and our customers. Despite our efforts to enhance the security and reliability of our systems, our information technology systems and those of third parties with whom we do business or communicate may be damaged, disrupted, or shut down due to attacks by unauthorized access, malicious software, computer viruses, undetected intrusion, hardware failures, or other events. In addition, our disaster recovery plans may be ineffective or inadequate.

Any inability to integrate completed acquisitions or combinations in an efficient and timely manner could have an adverse impact on our results of operations.

If current and potential large customers shift to DIY internal solutions for content and application delivery or security protection, our business will be negatively impacted.

We are reliant on some of our larger customers to direct traffic to our network for a significant part of our revenues. At times, some of our customers have determined that it is better for them to employ a “do-it-yourself” or “DIY” strategy by putting in place equipment, software and other technology solutions for content and application delivery and security protection within their internal systems instead of using our solutions for some or all of their needs. As the amount of money a customer spends with us increases, the risk that they will seek alternative solutions such as DIY or a multi-vendor policy likewise increases. While the number of customers implementing a DIY strategy had been decreasing, current global economic and geopolitical conditions may cause customers to increase their focus on DIY solutions, which could negatively impact traffic on our network, and, as a result, our revenue. For example, a large social media customer has recently taken steps to lower costs and reduce reliance on U.S. providers by optimizing its platform, including using a DIY component, which has reduced traffic on our network and negatively impacted our revenue in the first nine months of 2024. If our customers increase their use of DIY solutions or if multiple additional large customers shift to this model, traffic on our network and our contracted revenue commitments could decrease more significantly, which could negatively impact our business, profitability, financial condition, results of operations and cash flows.

If we are unable to recruit and retain key employees and qualified sales, research and development, technical, marketing and support personnel, our ability to compete could be harmed.

Our future success depends upon the services of our executive officers and other key technology, sales, research and development, marketing and support personnel who have critical industry experience and relationships. Like other companies in our industry, we have experienced difficulty in hiring and retaining highly skilled employees with appropriate qualifications, and, if we fail to attract new personnel or fail to retain and motivate our current personnel or effectively train our current employees to support our business needs, our business and future growth prospects could suffer. For example, none of our officers or key employees is bound by an employment agreement for any specific term, and members of our senior management have left our company over the years for a variety of reasons. In addition, effective succession planning is important to our long-term success and our failure to ensure effective transfer of knowledge and smooth transitions involving our officers and other key personnel could hinder our strategic planning and execution.

In addition, our future success will depend upon our ability to attract, train and retain employees, particularly in our expected areas of growth such as security and cloud computing. Such efforts will require time, expense and attention by our employees as there is significant competition for talented individuals. This competition results in increased costs in the form of cash and stock-based compensation and can have a dilutive impact on our stock. In addition, our ability to hire and retain employees may be adversely affected by volatility in the price of our stock or our ability to obtain shareholder approval to offer additional stock to our employees, because a significant portion of our compensation is in the form of equity grants. In addition, we are retasking certain employees to work on our compute solutions which will require the use of our resources and if we are unable to successfully retrain our employees, our compute business may suffer. Furthermore, geopolitical events may impact our retention efforts. For example, the ongoing Israel-Hamas War has and could continue to impact our workforce in Tel Aviv, Israel as employees have been and may continue to be required to report for military service or have other competing priorities. The loss of the services of a significant number of our employees or any of our key employees or our inability to attract and retain new talent in a timely fashion may be disruptive to our operations and overall business.

Our failure to maintain our company culture and manage new risks as our business evolves and our work practices change could harm us.

We believe our culture has been a key contributor to our success to date. As a result of the diversification of our business, personnel growth, the deployment of our FlexBase program, acquisitions and international expansion in recent years, most of our employees are now based outside of our Cambridge, Massachusetts headquarters.

If we are unable to appropriately increase management depth, enhance succession planning and decentralize our decision-making at a pace commensurate with our actual or desired growth rates, we may not be able to achieve our financial or operational goals. It is also important to our continued success that we hire qualified personnel, properly train them and manage poorly-performing personnel, all while maintaining our corporate culture and spirit of innovation. If we are not successful in these efforts, our growth and operations could be adversely affected.

We rolled out our FlexBase program in May 2022, which allows the more than 95% of our workforce designated as flexible to choose to work from an Akamai office, their home office or a combination of both. This program could, among other things, negatively impact employee morale and productivity, inhibit our ability to effectively train new employees and impede our ability to support customers at the levels they expect. In addition, certain security systems in homes or other remote workplaces may be less secure than those used in our offices, which may subject us to increased security risks, including cybersecurity-related events, and expose us to risks of data or financial loss and associated disruptions to our business operations. Members of our workforce who access company data and systems remotely may not have access to technology that is as robust as that in our offices, which could cause the networks, information systems, applications and other tools available to those remote workers to be more limited or less reliable than in our offices. We may also be exposed to risks associated with the locations of remote workers, including compliance with local laws and regulations or exposure to compromised internet infrastructure. Further, if employees fail to inform us of changes in their work location, we may be exposed to additional risks without our knowledge. If we are unable to effectively maintain a hybrid workforce, manage the cybersecurity and other risks of remote work, and maintain our corporate culture and workforce morale, our business could be harmed or otherwise negatively impacted.

Our restructuring and reorganization activities may be disruptive to our operations and harm our business.

Over the past several years, we have implemented internal restructurings and reorganizations designed to reduce the size and cost of our operations, improve operational efficiencies and reprioritize investments, enhance our ability to pursue market opportunities and accelerate our technology development initiatives. In February 2021, we announced a significant reorganization to create two new business groups linked to our security and edge delivery technologies as well as establishing a unified global sales force. During the first quarter of 2023, management committed to an action to restructure certain parts of the Company, including reducing headcount, to enable it to prioritize investments in the fastest growing areas of the business. In addition, during the third quarter of 2024, management committed to an action to restructure certain parts of the Company, including reducing headcount, with the primary intent of redeploying resources to support the Company's strategic investments. We may take similar steps in the future as we seek to realize operating synergies, optimize our operations to achieve our target operating model and profitability objectives, respond to market forces or better reflect changes in the strategic direction of our business. Disruptions in operations may occur as a result of taking these actions. Taking these actions may also result in significant expense for us, including with respect to workforce reductions, as well as decreased productivity due to employee distraction and unanticipated employee turnover. Substantial expense or business disruptions resulting from restructuring and reorganization activities could adversely affect our operating results.

We may have exposure to greater-than-anticipated tax liabilities.

Our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, or changes in tax laws, regulations or accounting principles, as well as certain discrete items such as equity-related compensation. The Organisation for

Economic Co-operation and Development ("OECD") and participating OECD member countries continue to work toward the enactment of a 15% global minimum corporate tax rate for large multinational enterprise groups, also known as "Pillar Two". Many of the participating countries have enacted legislation that became effective beginning in 2024, while other countries continue to work on defining the underlying rules and administrative procedures. Although the enacted and effective legislation in many countries is applicable to us beginning January 1, 2024, and increased our effective income tax rate, the increase did not have a material impact on our overall results of operations or cash flows. We will continue to monitor and evaluate the impacts of the developing legislation.

We have recorded certain tax reserves to address potential exposures involving our income tax and indirect tax positions. These potential tax liabilities result from the varying application of statutes, rules, regulations and interpretations by different jurisdictions. We are currently subject to tax audits in various jurisdictions. If the ultimate outcome of any tax audits are adverse to us, our reserves may not be adequate to cover our total actual liability, and we would need to take a financial charge. Although we believe our estimates, our reserves and the positions we have taken in all jurisdictions are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Fluctuations in foreign currency exchange rates affect our reported operating results in U.S. dollar terms.

Because we conduct a substantial portion of our business outside the United States, we face exposure to adverse movements in foreign currency exchange rates, which could have a material adverse impact on our financial results and cash flows. These exposures may change over time as business practices evolve and economic conditions change.

The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given period. This exposure is the result of selling in multiple currencies, headcount in foreign locations and operating in countries where the functional currency is the local currency. Revenue generated and expenses incurred by our international subsidiaries are often denominated in their local currencies, but many of our expenses related to our operations in foreign jurisdictions are denominated in U.S. dollars. As a result, our consolidated U.S. dollar financial statements are subject to fluctuations due to changes in exchange rates as the financial results of our international subsidiaries are translated from local currencies into U.S. dollars. For example, in 2023, the strength of the U.S. dollar had a negative impact on our revenue and a positive impact on our operating expenses. In addition, our financial results are subject to changes in exchange rates that impact the settlement of transactions in non-functional currencies.

In addition, we have recently experienced increased volatility in foreign currency exchange rates, due to a number of factors, including geopolitical and economic developments. We may not be able to effectively manage such volatility, and our financial results have in the past and could in the future be adversely impacted as a result of such volatility. In addition, such volatility, even when it increases our revenues or decreases our expenses, impacts our ability to accurately predict our future results and earnings.

Our sales to government clients subject us to risks, including early termination, audits, investigations, sanctions and penalties.

We have customer contracts with the U.S. government, as well as international, state and local governments and their respective agencies and we may in the future increase sales to government entities. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Such government entities often have the right to terminate these contracts at any time, without cause. There is increased pressure for governments and their agencies, both domestically and internationally, to reduce spending and demand and payment for our services may be impacted by public sector budgetary cycles and funding authorizations. These factors may combine to potentially limit the revenue we derive from government contracts in the future. Additionally, government contracts generally have requirements that are more complex than those found in commercial enterprise agreements and therefore are more costly to comply with. Such contracts are also subject to audits and investigations that could result in civil and criminal penalties and administrative sanctions, including contract termination, fee refunds, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

We utilize third-party technology in our business, and failures or vulnerabilities, and/or litigation, related to these technologies may adversely affect our business.

We utilize third-party technology software, services, and other technology to operate critical functions of our business, including the integration of certain of these technologies into our network, products and services. If these software, services, or other technology become unavailable, malfunction or contain vulnerabilities, our expenses could increase and our ability to operate our network, provide our products, and our results of operations could be impaired until equivalent software, technology, or services are purchased or developed or any identified vulnerabilities or malfunctioning are remedied. If we are unable to procure the necessary third-party technology we may need to acquire or develop alternative technology, or we may have to resort to utilizing alternative technology of lower quality. This could limit and delay our ability to offer new or competitive products and increase our costs of production. As a result, our business could be significantly harmed. In addition, the use of third-party technology may expose us to third-party claims of intellectual property infringement which could cause us to incur significant costs in defense or alternative sourcing.

We rely on certain "open-source" software, which may contain security flaws or other deficiencies, and the use of which could result in our having to distribute our proprietary software, including source code, to third parties on unfavorable terms, either of which could materially affect our business.

Certain of our offerings use software that is subject to open-source licenses. Open-source code is software that is freely accessible, usable and modifiable; however, certain open-source code is governed by license agreements, the terms of which could require users of such software to make any derivative works of the software available to others on unfavorable terms or at no cost. Because we use open-source code, we may be required to take remedial action in order to protect our proprietary software. Such action could include replacing certain source code used in our software, discontinuing certain of our products or taking other actions that could be expensive and divert resources away from our development efforts. In addition, the terms relating to disclosure of derivative works in many open-source licenses are unclear and have not been interpreted by U.S. courts. If a court interprets one or more such open-source licenses in a manner that is unfavorable to us, we could be required to make certain of our key software generally available at no cost. We could also be subject to similar conditions or restrictions should there be any changes in the licensing terms of the open-source software incorporated into our products. In either event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely or successful basis, any of which could adversely affect our business, operating results and financial condition. Furthermore, open-source software may have security flaws and other deficiencies that could make our solutions less reliable and damage our business.

Legal and Regulatory Risks

Evolving privacy regulations could negatively impact our profitability and business operations.

The nature and breadth of laws and regulations, or expanded interpretation of these laws and regulations, that relate to privacy on the internet and international data transfer restrictions may increase in the future. Accordingly, we are unable to assess the possible effect of compliance with future requirements or whether our compliance efforts will materially impact our business, results of operations or financial condition, as well as increase expenses or create other disadvantages to our business.

Privacy laws are rapidly proliferating, changing and evolving globally. Governments, private citizens and privacy advocates with class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. Numerous laws, such as the European Union's General Data Protection Regulation ("GDPR"), and the California Consumer Privacy Act of 2018 ("CCPA"), and industry self-regulatory codes have been enacted, and more laws are being considered that may affect how we use data generated from our network as well as our ability to reach current and prospective customers, understand how our solutions are being used and respond to customer requests allowed under the laws. Any perception that our business practices, our data collection activities or how our solutions operate represent an invasion of privacy or improper practice, whether or not consistent with current regulations and industry practices, may subject us to public criticism or boycotts, class action lawsuits, reputational harm, or actions by regulators, or claims by industry groups or other third parties, all of which could disrupt our business and expose us to liability.

Engineering efforts to build new capabilities to facilitate compliance with increasing international data transfer restrictions and new and changing privacy laws and related customer demands could require us to take on substantial expenses and divert engineering resources from other projects. We might experience reduced demand for our offerings if we are unable to engineer products that meet our legal duties or help our customers meet their obligations under the GDPR, the CCPA or other applicable data regulations, or if the changes we implement to comply with such laws and regulations make our offerings less attractive.

Our ability to leverage the data generated by our global networks is important to the value of many of the solutions we offer, our operational efficiency and future product development opportunities. Our ability to use data in this way may be constrained by regulatory developments. Compliance with applicable laws and regulations regarding personal data may require changes in services, business practices or internal systems that result in increased costs, lower revenue, reduced efficiency or greater difficulty in competing with other companies. Compliance with data regulations might limit our ability to innovate or offer certain features and functionality in some jurisdictions where we operate. Failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged non-compliant activity, as well as negative publicity and diversion of management time and effort.

Our security controls over personal data, our training of employees and third parties on privacy, data security and other ethical data use practices we follow may not prevent the improper disclosure or misuse of customer or end-user data we process. Improper disclosure or misuse of personal data could harm our reputation, lead to legal exposure to customers or end users, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Other regulatory developments could negatively impact our business.

U.S. and international laws and regulations that apply to the internet related to, among other things, content liability, security requirements, law enforcement access to information, critical infrastructure, net neutrality, so-called "fair share" or internet content taxes, international data transfer restrictions, sanctions, export controls and restrictions on social media or other content could pose risks to our revenues, intellectual property and customer relationships as well as increase expenses or create other disadvantages to our business. Section 230 of the U.S. Communications Decency Act, often referred to as Section 230, gives websites that host user-generated content broad protection from legal liability for content posted on their sites. Proposals to repeal or amend Section 230 could expose us to greater legal liability in the conduct of our business. Our Acceptable Use Policy prohibits customers from using our network to deliver illegal or inappropriate content; if customers violate that policy, we may nonetheless face reputational damage, enforcement actions or lawsuits related to their content. Regulations have been enacted or proposed in a number of countries that limit the delivery of certain types of content into those countries. Enactment and expansion of such laws and regulations would negatively impact our revenues. For example, restrictions were adopted in India in 2020 prohibiting access to identified Chinese applications which caused a reduction in revenue to us. In addition, in April 2024, the U.S. government passed legislation that may prohibit access to a Chinese application beginning as soon as the first quarter of 2025. Traffic in the U.S. from this application in 2023 constituted less than 1.5% of our revenue, however should the restrictions become effective, our revenue would be negatively impacted. In addition, due to geopolitical considerations or otherwise, the owner of this application could decide to limit even more of its business with U.S. providers like Akamai, including even in circumstances where the legislation is successfully challenged in court or does not take effect. Further, such laws and regulations could cause internet service providers, or others, to block our products in order to enforce content-blocking efforts. In addition, efforts to block a single product or domain name may end up blocking a number of other products or domain names in an overbroad manner that could affect our business. In addition to regulations related to content, enactment and expansion of laws related to the use of artificial intelligence and machine learning in our operations and increased regulation of cloud services providers also could increase costs of doing business, subject us to potential liability or regulatory risk and introduce other disadvantages to our business, including brand or reputational harm. Interpretations of laws or regulations that would subject us to regulatory enforcement actions, supervision or, in the alternative, require us to exit a line of business or a country, could lead to the loss of significant revenues and have a negative impact on the quality of our solutions. Engineering efforts to build new capabilities to facilitate compliance with law enforcement access requirements, content access restrictions or other regulations could require us to take on substantial expenses and divert engineering resources from other projects. These circumstances could harm our profitability.

We may need to defend against patent or copyright infringement claims, which would cause us to incur substantial costs or limit our ability to use certain technologies in the future.

As we expand our business and develop new technologies, products and services, we have become increasingly subject to intellectual property infringement and other claims and related litigation. We have also agreed to indemnify our customers and channel and strategic partners if our solutions infringe or misappropriate specified intellectual property rights. As a result, we have been and could again become involved in litigation or claims brought against customers or channel or strategic partners if our solutions or technology are the subject of such allegations. Any litigation or claims, whether or not valid, brought against us or pursuant to which we indemnify our customers or partners could result in substantial costs and diversion of resources and require us to do one or more of the following: cease selling, incorporating or using features, functionalities, products or services that incorporate the challenged intellectual property; pay substantial damages and incur significant litigation expenses; obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or redesign products or services. If we are forced to take any of these actions, our business may be seriously harmed.

Our business will be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

We rely on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions on disclosure to protect our intellectual property rights. These legal protections afford only limited protection, particularly in some regions outside the U.S. We have previously brought lawsuits against entities that we believed were infringing our intellectual property rights but have not always prevailed. Such lawsuits can be expensive and require a significant amount of attention from our management and technical personnel, and the outcomes are unpredictable. Monitoring unauthorized use of our solutions is difficult, and we cannot be certain that the steps we have taken or will take will prevent unauthorized use of our technology. Furthermore, we cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us. If we are unable to protect our proprietary rights from unauthorized use, the value of our intellectual property assets may be reduced. Although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Such licenses may also be non-exclusive, meaning our competition may also be able to access such technology.

Litigation may adversely impact our business.

From time to time, we are or may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, breach of contract, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. In addition, under our charter, we could be required to indemnify and advance expenses to our directors and officers in connection with their involvement in certain actions, suits, investigations and other proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable and may not be covered by insurance, there can be no assurance that the results of any litigation matters will not have an adverse impact on our business, results of operations, financial condition or cash flows.

Global climate change, other disruptions and related natural resource conservation regulations could adversely impact our business.

The long-term effects of climate change on the global economy and our industry in particular remain unknown. For example, changes in weather where we operate may increase the costs of powering and cooling computer hardware we use to develop software and provide cloud-based services. In addition, catastrophic natural disasters, such as an earthquake, fire, flood or other act of God, and any similar disruption, as well as any derivative disruption, such as those to services provided through localized physical infrastructure, including utility or telecommunication outages, or any to the continuity of our, our partners', suppliers' and our customers' workforce, could have a material adverse impact on our business and operating results. In addition, pandemics or other public health crises, as well as any derivative disruptions such as those experienced during the COVID-19 pandemic, in places where we operate may adversely affect our results of operations. Our global operations are dependent on our network infrastructure, technology systems and website, including the supply of servers from our third-party partners, as well as our intellectual property and personnel and any disruption to these dependencies may negatively impact our ability to respond to customers, provide services and maintain local and global business continuity. Furthermore, some of our products and business functions are hosted or carried out by third parties that may be vulnerable to these same types of disruptions, the response to or resolution of which may be beyond our control. Any disruption to our business could cause us to incur significant costs to repair damages to our facilities, equipment, infrastructure and business relationships.

In addition, in response to concerns about global climate change, governments may adopt new regulations affecting the use of fossil fuels or requiring the use of alternative fuel sources which could adversely impact our business. Our deployed network of servers consumes significant energy resources, including those generated by the burning of fossil fuels. While we have invested in projects to support renewable energy development, our customers, investors and other stakeholders may require us to take more steps to demonstrate that we are taking ecologically responsible measures in operating our business. The costs and any expenses we may incur to make our network more energy-efficient and comply with any new regulations could make us less profitable in future periods. Failure to comply with applicable laws and regulations or other requirements imposed on us could lead to fines, lost revenue and damage to our reputation.

Investment-Related Risks

Our stock price has been, and may continue to be, volatile, and your investment could lose value.

The market price of our common stock has historically been volatile. Trading prices for our common stock may continue to fluctuate in response to a number of events and factors, including the following: quarterly variations in operating results; announcements by our customers related to their businesses that could be viewed as impacting their usage of our solutions; market speculation about whether we are a takeover target or considering a strategic transaction; announcements by us regarding acquisitions; announcements by competitors; activism by any single large stockholder or combination of stockholders or rumors about such activity; changes in financial estimates and recommendations by securities analysts; failure to meet the expectations of securities analysts; purchases or sales of our stock by our officers and directors; general economic conditions and other macroeconomic factors, such as inflationary pressures, foreign currency exchange rate fluctuations, energy prices, reduced consumer spending, elevated interest rates, recessionary economic cycles, protracted economic slowdowns and overall market volatility; repurchases of shares of our common stock; the issuance of additional shares or securities convertible into, or exchangeable or exercisable for, shares of our common stock, including under our equity compensation plans; entry into, or termination of, relationships with material customers and partners; and performance by other companies in our industry.

Furthermore, our revenue, particularly that portion attributable to usage of our solutions beyond customer commitments, can be difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. This concern is particularly acute with respect to our media and commerce customers. In the future, our customer contracting models may change to move away from a committed revenue structure to a “pay-as-you-go” approach, which could make it easier for customers to reduce the amount of business they do with us or leave altogether. Changes in billing models and committed revenue requirements could, therefore, create challenges with our forecasting processes. Because a significant portion of our cost structure is largely fixed in the short-term, revenue shortfalls tend to have a disproportionately negative impact on our profitability. If we announce revenue or profitability results that do not meet or exceed our guidance or make changes in our guidance with respect to future operating results, our stock price may decrease significantly as a result.

Any of these events, as well as other circumstances discussed in these Risk Factors, may cause the price of our common stock to fall. In addition, the stock market in general, and the market prices of stock of publicly-traded technology companies in particular, have experienced significant volatility that often has been unrelated to the operating performance of affected companies. These broad stock market fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

Any failure to meet our debt obligations or obtain financing would damage our business.

As of the date of this report, we had total principal amount of $1,150.0 million of convertible senior notes outstanding due in 2025, total principal amount of $1,150.0 million of convertible senior notes outstanding due in 2027 and total principal amount of $1,265 million of convertible senior notes outstanding due in 2029. We also entered into a credit facility in November 2022 that provides for an initial $500.0 million revolving credit facility, and under specified circumstances, the credit facility can be increased to up to $1 billion in aggregate principal amount. As of September 30, 2024, there were no outstanding borrowings under the credit facility. Our ability to repay any amounts we borrow under our credit facility, refinance the notes, make cash payments in connection with conversions of the notes or repurchase the notes in the event of a fundamental change (as defined in the applicable indenture governing the notes) will depend on market conditions and our future performance, which is subject to economic, financial, competitive and other factors beyond our control. We also may not use the cash we have raised through future borrowing under the credit facility or the issuance of the convertible senior notes in an optimally productive and profitable manner. If we are unable to remain profitable or if we use more cash than we generate in the future, our level of indebtedness at such time could adversely affect our operations by increasing our vulnerability to adverse changes in general economic and industry conditions and by limiting or prohibiting our ability to obtain additional financing for additional capital expenditures, acquisitions and general corporate and other purposes. If we do not have sufficient cash upon conversion of the notes or to repurchase the notes following a fundamental change, we would be in default under the terms of the notes, which could seriously harm our business. Although the terms of our credit facility include certain financial ratios that potentially limit our future indebtedness, the terms of the notes do not. If we incur significantly more debt, this could intensify the risks described above. In addition, if we are unable to obtain financing to fund additional capital expenditures, acquisitions, and general corporate and other purposes on reasonable terms, or at all, then our business, operations and financial condition may be harmed.

Because we currently do not intend to pay dividends, stockholders will benefit from an investment in our common stock only if it appreciates in value.

We currently intend to retain our future earnings, if any, for use in the operation of our business and do not expect to pay any cash dividends in the foreseeable future on our common stock. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares, and our stock price has been, and may continue to be, volatile, and your investment could lose value. See the risk factor titled “Our stock price has been, and may continue to be, volatile, and your investment could lose value” above.

Provisions of our charter, by-laws and Delaware law may have anti-takeover effects that could prevent a change in control even if the change in control would be beneficial to our stockholders.

Provisions of our charter, by-laws and Delaware law could make it more difficult for a third party to control or acquire us, even if doing so would be beneficial to our stockholders. These provisions include: our board of directors having the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director; stockholders needing to provide advance notice, additional disclosures and representations and warranties to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting; and the ability of our board of directors to issue, without stockholder approval, shares of undesignated preferred stock.

Further, as a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on Delaware law to prevent or delay an acquisition of us.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. As previously disclosed in our Form 10-K for the year ended December 31, 2022, we identified a material weakness in the Company’s internal control over financial reporting as of December 31, 2022 related to income taxes. Although this material weakness has been remediated, there can be no assurance that we will not identify additional material weaknesses in internal controls in the future or that the measures we may take to remediate any such future control deficiencies will be effective.

We need to continue to enhance and maintain our processes and systems and adapt them to changes as our business evolves and we rearrange management responsibilities and reorganize our business. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive and time-consuming and requires significant management attention. Furthermore, as our business changes, including by expanding our operations in different markets, increasing reliance on channel partners and completing acquisitions, our internal controls may become more complex and we may be required to expend significantly more resources to ensure our internal controls remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify additional material weaknesses, the disclosure of that fact, even if quickly remediated, could reduce the market's confidence in our financial statements and harm our stock price.

We cannot be certain that our internal control measures will provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results, may result in a restatement of our financial statements for prior periods, cause us to fail to meet our reporting obligations, and could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in the periodic reports we will file with the Securities and Exchange Commission.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(c) Issuer Purchases of Equity Securities

The following is a summary of our repurchases of our common stock in the third quarter of 2024 (in thousands, except share and per share data):

Period [(1)]	(a) Total Number of Shares Purchased [(2)]	(b) Average Price Paid per Share [(3)]	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(4)]	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs [(4)]
July 1, 2024 – July 31, 2024	460,086	$ 94.24	460,086	$ 2,241,326
August 1, 2024 – August 31, 2024	407,458	98.83	407,458	2,201,057
September 1, 2024 – September 30, 2024	837,116	98.21	837,116	2,118,848
Total	1,704,660	$ 97.29	1,704,660	

(1) Information is based on settlement dates of repurchase transactions.
(2) Consists of shares of our common stock, par value $0.01 per share.
(3) Includes commissions paid, but excludes any estimated excise taxes payable on share repurchases.
(4) Effective January 2022, our board of directors authorized a $1.8 billion share repurchase program through December 2024. Effective May 2024, our board of directors authorized a new $2.0 billion share repurchase program through June 2027, which is in addition to amounts remaining under the January 2022 program.

Item 5. *Other Information*

(c) Director and Officer Trading Arrangements

The following table describes, for the quarterly period covered by this report, each trading arrangement for the sale or purchase of Company securities adopted, terminated or for which the amount, pricing or timing provisions were modified by our directors and officers that is either (1) a contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a “Rule 10b5-1 trading arrangement”) or (2) a “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K):

Name (Title)	Action Taken (Date of Action)	Type of Trading Arrangement	Nature of Trading Arrangement	Duration of Trading Arrangement	Aggregate Number of Securities to be Purchased or Sold
Edward McGowan (Chief Financial Officer)	Adoption (09/09/2024)	Rule 10b5-1 trading arrangement	Sales	Until June 10, 2025, or such earlier date upon which all transactions are completed or expire without execution	Up to 44,339 shares of common stock [(1)]

(1) The Rule 10b5-1 trading arrangement provides for the sale of a percentage of shares to be received upon future vesting of certain outstanding equity awards, net of any shares withheld by us to satisfy applicable taxes. The number of shares to be withheld, and thus the exact number of shares to be sold pursuant to Mr. McGowan's Rule 10b5-1 trading arrangement, can only be determined upon the occurrence of future vesting events. For purposes of this disclosure, we have reported the maximum aggregate number of shares to be sold without subtracting any shares to be withheld upon future vesting events.

Item 6. *Exhibits*

Exhibit 10.1#*	Akamai Technologies, Inc. Non-Employee Director Compensation Plan
Exhibit 10.2#*	Akamai Technologies, Inc. Amended and Restated U.S. Non-Qualified Deferred Compensation Plan
Exhibit 31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101.INS)

\# Indicates a management contract or compensatory plan or arrangement
* Submitted electronically herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and 2023, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023 and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

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.

Akamai Technologies, Inc.

November 8, 2024	By: /s/ Edward McGowan
	Edward McGowan
	Executive Vice President, Chief Financial Officer and Treasurer
	(Principal Financial Officer)

Exhibit 10.1

AKAMAI TECHNOLOGIES, INC.

NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

MAY 2024

Annual Director Compensation

- Akamai offers non-employee directors a standard level of compensation plus supplemental compensation for serving in the following positions: Audit Committee Chair, Talent, Leadership & Compensation (TL&C) Committee Chair, Finance Committee Chair, Environmental, Social and Governance (ESG) Committee Chair, and Chairman of the Board.

- **Continuing Directors -** Directors who remain on the Board of Directors (Board) upon the adjournment of the annual meeting of stockholders (Continuing Directors) are eligible to receive the following compensation:

	Compensation for Continuing Directors	**Cash[1]**	**Equity (DSUs)[2]**
Chairman of Board	$450,000	$100,000	$350,000
Audit Committee Chair, TL&C Chair, Finance Committee Chair and ESG Committee Chair	$385,000	$80,000	$305,000
Standard Outside Director Retainer	$350,000	$75,000	$275,000
Employee Director	No Additional Compensation	N/A	N/A

[1] Directors receive the applicable cash payment for services rendered during the previous year on the date of the annual meeting of stockholders. If a director has served on the Board for less than six months prior to the meeting date, the director is not entitled to any applicable cash payment but the Board, in its discretion, may consider a pro-rata cash payment for a partial year of prior service.

[2] Directors also receive a grant of deferred stock units (DSUs) upon the approval of the full Board or the TL&C Committee on or about the date of the annual meeting for services to be rendered during the upcoming year. The value of the DSUs is calculated using the closing price on the date the grant is approved. Vesting is tied to continued service after the annual meeting; grants vest 100% on the first anniversary of the grant date. See the section titled “Policy on Departing Directors” for information on the impact on vesting when a director leaves the Board.

- **Non-Continuing Directors** - A director who was serving on the Board immediately prior to the annual meeting of stockholders but who will not be a Continuing Director following such meeting will be eligible for the cash compensation reflected above but no new equity compensation.

Policy on Departing Directors

Under the terms of the Company's Policy on Non-Employee Director Compensation Payable Upon a non-employee director's departure from the Board, such director, if he or she has completed one year of Board service, will receive:

- A cash payment equal to the pro-rated annual cash retainer payable to such director under Akamai's non-employee director compensation plan; and

- Acceleration of 100% of the unvested DSUs and RSUs held by such director at the time of departure.

In addition, if a director has completed two years of Board service at the time of departure, 100% of the unvested RSUs initially granted to such director upon joining the Board will accelerate at the time of departure.

Exhibit 10.2

Akamai Technologies, Inc.

U.S. Non-Qualified Deferred Compensation Plan

(Amended and Restated As Of January 1, 2024)

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Akamai Technologies, Inc.

U.S. Non-Qualified Deferred Compensation Plan

(Amended and Restated As Of January 1, 2024)

FOREWORD

This Akamai Technologies, Inc. U.S. Non-Qualified Deferred Compensation Plan (Amended and Restated As Of January 1, 2024) (the "Plan") was originally effective as of January 1, 2015 (the "Original Effective Date") and was subsequently amended and is now further Amended and Restated, effective as of January 1, 2024. The Plan has been adopted for the benefit of certain of the Company's United States employees. This Plan document incorporates all amendments since the Original Effective Date through the Effective Date.

The Plan is intended to be an unfunded plan of deferred compensation primarily for the benefit of a select group of management or highly compensated employees.

The purpose of the Plan is to permit those employees of the Company who are part of a select group of U.S. management or highly compensated employees to defer, pursuant to the provisions of the Plan, a portion of the salaries, bonuses, restricted stock units and other remuneration otherwise payable to them, in accordance with its terms.

ARTICLE I
Definitions

Section 1.1 "**Account**" or "**Accounts**" means the bookkeeping account or accounts established under the Plan, if any, on behalf of a Participant and includes earnings credited thereon or losses charged thereto.

Section 1.2 "**Annual Open Enrollment Period**" means such annual period as the Committee determines in its discretion which ends no later than December 31 of any given year, during which a Participant may make or change deferral and/or distribution elections under this Plan, in accordance with its terms, for the next following Plan Year.

Section 1.3 "**Base Salary**" means the base salary paid to Participants each Plan Year and as is reflected in a Participant's W-2 Form, except that those elements of compensation that are listed on Exhibit I (attached hereto and incorporated herein) are not included as part of compensation in "Base Salary." To avoid doubt, the limitation on compensation set forth under Code Section 401(a)(17) shall not apply with respect to Base Salary in this Plan.

Section 1.4 "**Beneficiary**" or "**Beneficiaries**" means the beneficiary or beneficiaries who, pursuant to the provisions of this Plan, is or are to receive the amount, if any, payable under this Plan upon the death of a Participant. Participants may designate a Beneficiary or Beneficiaries on a form or in a manner established by the Company.

Section 1.5 "**Board**" means the Board of Directors of the Company.

Section 1.6 “**Bonus**” means the annual bonus payable under a Company incentive plan in which a Participant participates such as the Annual Corporate Performance Bonus Program and the Executive Bonus Plan or such other similar annual performance bonus program. To avoid doubt, the term “Bonus” as used in this Plan will not include any payment made under the Incentive Compensation Plan, or any one-time, non-recurring bonus payment including without limitation any sign-on bonus, referral bonus, on-call bonus, spot awards, SPIFFs and “One-Time Payments” (each as defined in the Incentive Compensation Plan) or other one-time bonus payments or any payments listed as excluded on Exhibit I.

Section 1.7 “**Bonus RSU**” means a Bonus paid to a Participant in the form of an RSU. Section 1.8 “**Change in**

Control” of the Company has the meaning as set forth in the

Akamai Technologies, Inc. 2013 Stock Incentive Plan or any successor plan; provided that, at all times a Change in Control shall be determined in a manner consistent with the requirements of Section 409A of the Code.

Section 1.9 “**Code**” means the Internal Revenue Code of 1986, as amended, or any successor statute.

Section 1.10 “**Committee**” means the Akamai Technologies U.S. Retirement Plan Administrative Committee, which is responsible for administering the Plan or such other committee to which the Board may delegate such duties. The Committee may delegate pursuant to a written authorization (including, by way of illustration, through a Committee meeting minute entry, memorandum, or other written delegation document) any or all of its responsibilities involving ongoing day-to-day administration or ministerial acts, as set forth in this Plan to one or more individuals. In any case where this Plan refers to the Committee, such reference is deemed to be a reference to any delegate of the Committee appointed for such purpose.

Section 1.11 “**Company**” means Akamai Technologies, Inc. (including its wholly owned direct and indirect subsidiaries), and any successor to such corporation by merger, purchase or otherwise.

Section 1.12 “**Company Matching Credits**” means the amounts credited to a Participant’s Company Matching Credit Account, if any, pursuant to Section 3.3.

Section 1.13 “**Company Matching Credit Account**” means the bookkeeping account established under Section 3.3, if any, on behalf of a Participant and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.

Section 1.14 “**Corporate Performance RSU**” or “**Corp PRSU**” means the RSUs granted to a Participant that are subject to a three (3) year performance-based cliff-vesting, measured using achievement of revenue and earnings-per share targets over three annual performance periods, all as set forth in any award, notice or agreement provided to the Participant by the Company.

Section 1.15 “**Deferral Election**” means the Participant’s election to participate in this Plan and defer amounts eligible for deferral in accordance with the Plan terms. Except as the context otherwise requires, references herein to Deferral Elections include any subsequent modifications of a prior Deferral Election.

Section 1.16 "**Deferred Bonus RSU**" means the amount of a Participant's Bonus RSU that such Participant has elected to defer until a later year pursuant to an election under Section 3.4.

Section 1.17 "**Deferred Bonus RSU Account**" means the bookkeeping account established under Section 3.4 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.

Section 1.18 "**Deferred Bonus RSU Election**" means the election by a Participant under Section 3.4 to defer a portion of a Bonus RSU until a later year.

Section 1.19 "**Deferred Cash Bonus**" means the amount of a Participant's cash Bonus that such Participant has elected to defer until a later year pursuant to an election under Section 3.2.

Section 1.20 "**Deferred Cash Bonus Account**" means the bookkeeping account established under Section 3.2 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.

Section 1.21 "**Deferred Cash Bonus Election**" means the election by a Participant under Section 3.2 to defer a portion of a Bonus payment until a later year.

Section 1.22 "**Deferred RSU**" means the election by a Participant under Section 3.4 to defer until a later year receipt of a portion of his or her vested Bonus RSU, Corp PRSU, Market Performance PRSUs and/or Time-Vested RSUs's.

Section 1.23 "**Deferred RSU Account**" means the bookkeeping account established under Section 3.4 on behalf of a Participant, which indicates the number of vested Bonus RSU, Corp PRSU, Market Performance PRSUs and/or Time-Vested RSUs's that such Participant has elected to defer receipt of until a later year pursuant to an election under Section 3.4.

Section 1.24 "**Deferred RSU Election**" means the election by a Participant under Section 3.4 to defer until a later year the receipt of a portion of his or her vested Bonus RSU, Corp PRSU, Market Performance PRSUs and/or Time-Vested RSUs.

Section 1.25 "**Deferred Salary**" means the amount of a Participant's Base Salary that such Participant has elected to defer until a later year pursuant to an election under Section 3.1.

Section 1.26 "**Deferred Salary Account**" means the bookkeeping account established under Section 3.1 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.

Section 1.27 "**Deferred Salary Election**" means the election by a Participant under Section 3.1 to defer until a later year a portion of his or her Base Salary.

Section 1.28 "**Disability**" means a Participant's total disability as defined below and determined in a manner consistent with Code Section 409A and the regulations thereunder:

(i) The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(ii) The Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

A Participant will be deemed to have suffered a Disability if determined to be totally disabled by the Social Security Administration. A Participant who meets the definitional requirements for disability will be referred to as "Disabled" herein.

Section 1.29 "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

Section 1.30 "**401(k) Plan**" means the Akamai Technologies, Inc. 401(k) Plan as it may be from time-to-time amended.

Section 1.31 "**Incentive Compensation Plan**" means the Akamai Worldwide Sales Incentive Compensation Plan or such similar plan sponsored by the Company.

Section 1.32 "**Investment Election**" means the Participant's election to have deferred amounts credited with hypothetical earnings credits (or losses) that track the investment performance of the Investment Options in accordance with Article IV.

Section 1.33 "**Investment Options**" means those hypothetical targeted investment options designated by the Committee as measurements of the rate of return to be credited to (or charged against) amounts deferred to Participants' Accounts.

Section 1.34 "**Market Performance RSU**" or "**Market Performance PRSU**" means the RSUs granted to a Participant that are subject to a three (3) year cliff-vesting performance- based schedule, measured using relative shareholder return measured over the performance period, all as set forth in any award, notice or agreement provided to the Participant by the Company.

Section 1.35 "**Participant**" means a United States common law employee of the Company who meets the eligibility and participation requirements set forth in Article II.

Section 1.36 "**Plan**" means this Akamai Technologies, Inc. U.S. Non-Qualified Deferred Compensation Plan.

Section 1.37 "**Plan Year**" means the calendar year.

Section 1.38 "**RSU**" means an equity award granted to a Participant by the Company denominated in "units", including Bonus RSUs, Corp PRSU, Market Performance PRSUs and/or Time-Vested RSUs's. The "units" are intended to be settled in shares of Company stock after the units are vested and become distributable, as applicable, in accordance with the terms of this Plan and the award, notice or agreement provided to the Participant by the Company. Unless otherwise noted, the common stock of the Company ultimately distributed to the Participant under this Plan shall be equal to the fair market value of such stock as of the closing of the market on which such stock is traded on the date of distribution to the Participant.

Section 1.39 "**Separation from Service**" means a termination of employment or other separation from service from the Company as described in Code Section 409A and the regulations thereunder.

Section 1.40 "**Spouse**" means the individual to whom a Participant is legally married under applicable state law and as further determined in accordance with Revenue Ruling 2013- 17.

Section 1.41. "**Time-Vested RSUs**" means the RSUs granted to a Participant that are subject to a three (3) year vesting period and otherwise subject to such terms as may be set forth in any award, notice or agreement provided to the Participant by the Company.

Section 1.42 "**Unforeseeable Emergency**" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's Spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant; provided that, at all times an Unforeseeable Emergency shall be determined in a manner consistent with the requirements of Section 409A of the Code.

ARTICLE II
Eligibility and Participation

Section 2.1 Eligibility.

(a) Only United States common law employees identified as Participants by the Committee shall be eligible to participate in this Plan.

(b) An employee who, at any time, ceases to meet the eligibility requirements determined in the sole discretion of the Committee shall thereafter cease to be a Participant eligible to continue making deferrals under the Plan, effective as of the first day of the next Plan Year, unless the Committee, solely in its discretion, determines that deferrals should be discontinued on an earlier date, in a manner consistent with the requirements of Code Section 409A and the regulations and other guidance issued thereunder to avoid adverse tax consequences to affected Participants.. In such case, the individual may remain a Participant in the Plan with respect to amounts already allocated prior to the date such individual ceased to be an active Participant.

Section 2.2 Participation.

(a) General Rule. An eligible employee shall become an active Participant in the Plan at such time as he or she makes a timely Deferral Election pursuant to Subsections (b) and (c) herein.

(b) Deferral Election. The Committee shall provide Participants with the appropriate election forms with which to make a Deferral Election. Participants shall make Deferral Elections in the manner set forth in Section 2.2(c) and within the time periods set forth in Article III. All Deferral Elections hereunder (including any modifications of prior Deferral Elections otherwise permitted under the Plan) may be made in accordance with written, electronic or telephonic procedures prescribed by the Committee.

(c) Contents of Deferral Election. A Participant's Deferral Election must be made in the manner designated by the Committee and must be accompanied by:

(i) any election to defer Base Salary and/or Bonus and/or RSUs;

(ii) a single designation as to the time and form of distribution for each Plan Year's Deferral Election (i.e., with respect to Base Salary, Bonus and RSUs) and Company Matching Credits; provided that, if no specific election is made with respect to any amount credited under this Plan, the Participant will be deemed to have elected to receive such Plan Year allocations upon Separation from Service in the form of a lump sum distribution; and

(iii) such additional information as the Committee deems necessary or appropriate.

(d) The participation of any Participant may be suspended or terminated by the Committee at any time, but no such suspension or termination shall operate to reduce any benefits accrued by the Participant under the Plan prior to the date of suspension or termination and, further, any such suspension or termination may only be done in a manner consistent with the requirements of Code Section 409A and the regulations and other guidance issued thereunder to avoid adverse tax consequences to affected Participants.

ARTICLE III
Deferral Elections and Deferral Periods

Section 3.1 Deferred Salary Election.

(a) Each Participant may make a Deferred Salary Election with respect to Base Salary otherwise to be paid in the next following Plan Year. A Participant may elect to defer from 1% to 50% of the Participant's Base Salary (in increments of 1%). Notwithstanding the foregoing, any Deferred Salary Election must be made (or if not made will be construed) in a manner that will ensure that the Participant is paid a sufficient amount of Base Salary that will allow adequate amounts available for (i) satisfaction of all required withholdings, including without limitation applicable tax withholdings, (ii) any deferral (pre- and post-tax) under the 401(k) Plan, and (iii) any amounts to be deferred by the Participant in order to participate in any other benefit programs maintained by the Company.

(b) A Deferred Salary Election with respect to Base Salary for a particular calendar year must be made during the Annual Open Enrollment Period and shall be effective as of the next January 1. Once a Deferred Salary Election is made, it shall be irrevocable after the final deadline established by the Committee for making the election. Such Deferred Salary shall be credited to the Participant's Deferred Salary Account on the first business day following (or as soon as reasonably practicable thereafter) after the payroll period from which it has been deducted.

Section 3.2 Deferred Cash Bonus Election.

(a) Each Participant may elect to make a Deferred Cash Bonus Election with respect to any Bonus that would be paid for the Plan Year following the year of the Participant's Deferred Cash Bonus Election. A Participant may elect to defer from 1% to 100% of the Participant's Bonus (in increments of 1%). Notwithstanding the foregoing, any Deferred Cash Bonus Election must be made (or if not made will be construed) in a manner that will ensure that the Participant is paid a sufficient amount that will allow adequate amounts available for (i) satisfaction of all required withholdings, including without limitation applicable tax withholdings,
(ii) any deferral (pre- and post-tax) under the 401(k) Plan, and (iii) any amounts to be deferred by the Participant in order to participate in any other benefit programs maintained by the Company, if applicable.

(b) A Deferred Cash Bonus Election with respect to a Bonus for a particular Plan Year must be made during the Annual Open Enrollment Period preceding the Plan Year in which the performance giving rise to the Bonus payment occurs. Once a Deferred Cash Bonus Election is made, it shall be irrevocable after the final deadline established by the Committee for making the election. Such deferral shall be credited to the Participant's Deferred Cash Bonus Account on the first business day (or as soon as practicable thereafter) following the date the Bonus is paid.

Section 3.3 Company Matching Credits.

(a) Subject to all of the requirements of this Section 3.3, if a Participant has made a Deferred Salary Election in accordance with Section 3.1 or a Deferred Cash Bonus Election in accordance with Section 3.2, and the Participant has not received for that Plan Year the maximum available matching contribution available under the 401(k) Plan for that Plan Year solely as a result of a reduction in his/her Compensation (as defined in the 401(k) Plan) below the maximum limit established at Section 401(a)(17) of the Code because of deferrals made to this Plan, then the Company shall allocate a Company Matching Credit to the Plan for that Plan Year in an amount equal to the difference between the maximum matching contribution that would have been available (but for the reduction described above) for the Plan Year reduced by the actual amount of matching contribution for that Plan Year made to the 401(k) Plan on that Participant's behalf. To be eligible for a Company Matching Credit under this Plan a Participant must have (i) made a deferral to the 401(k) Plan up to the limit established at Code Section 402(g), (ii) contributed the maximum amount of catch-up contribution to the 401(k) Plan. available under Code Section 414(v)(2)(B)(i) for such Plan Year (if applicable) and (iii) been employed by the Company as of the last day of the Plan Year.

(b) Company Matching Credits under Section 3.3(a) shall be credited to the Participant's Company Matching Credit Account as soon as practicable as determined by the Committee on an annual basis.

Section 3.4. Deferred RSU Credits.

(a) Each Participant may elect to make a Deferred RSU Election with respect to any Bonus delivered as RSU's, Bonus RSU's, Corp PRSUs, Market Performance PRSUs and/or Time-Vested RSUs's that may be granted to the Participant in the Plan Year following the year of the Participant's Deferred RSU Election. A Participant may elect to defer from 5% to 85% of any Deferred RSUs (in increments of 1%).

(b) A Deferred RSU Election with respect to RSUs granted in a particular Plan Year must be made during the Annual Open Enrollment Period preceding the Plan Year in which the grant of the RSU occurs. Once a Deferred RSU Election is made, it shall be irrevocable after the final deadline established by the Committee for making the election. Such deferral shall be credited to the Participant's Deferred RSU Account on the first business day (or as soon as practicable thereafter) following the date the RSU award subject to the election is vested.

(c) The following is provided for illustrative purposes of the provisions of this Section 3.4 only:

Time-Vested RSUs

A Participant granted **100,000** Time-Vested RSUs for an award granted on March 1, 2024 who timely elects to defer 50% of the 2024 award shall have the following occur with respect to the Time-Vested RSUs:

Vesting Date	RSUs Vested	RSUs Distributed in Stock Immediately	RSUs Distributed as Stock on Later Date as Per Election
March 1, 2025	33,333.33	16,666.66	16,666.66
March 1, 2026	33,333.33	16,666.66	16,666.66
March 1, 2027	33,333.33	16,666.66	16,666.66

CORP PRSUs

A Participant granted **100,000** CORP PRSUs in March 2024 who timely elects to defer 50% of the award shall have the following occur with respect to the Corp PRSUs (assuming all performance metrics are achieved):

Vesting Date	CORP PRSUs Vested	Distributed as Company Stock Immediately	Distributed as Company Stock on Later Date as Per Election
March 2027	100,000	50,000	50,000

(d) The following shall apply to Deferred RSUs:

(i) Bonus RSU's, Corp PRSU, Market Performance PRSUs and/or Time-Vested RSUs's deferred under this Section 3.4 will be credited in the form of stock units to the Deferred RSU Account, a bookkeeping account established for the Participant's benefit, as of the date the RSU vests. Such stock units are notional shares that are distributable in the form of shares of Company common stock upon the distribution date. The number of stock units so credited will equal the number of vested RSUs that are deferred pursuant to the election above.

(ii) If the Company declares a cash dividend on its common stock while the Participant has RSUs outstanding in his or her Deferred RSU Account, then, on the payment date of the dividend, the Participant's RSU Account will be credited with dividend equivalents equal to the amount of the cash dividend per share of Company common stock multiplied by the number of RSU units credited to the Deferred RSU Account through the record date. The dividend equivalents will be credited to a bookkeeping account under the Plan in the Participant's name, which will accrue interest at the prime rate, compounded monthly and will become distributable as and when the RSUs are distributed in accordance with the terms of this Plan.

(iii)Tax law in effect as of the Effective Date provides that RSUs deferred under this Plan will be taxable in the year distributed. However, certain employment taxes and withholding may be due on the date the RSUs vest. If the Company determines that the Company is required to withhold for any taxes, including, but not limited to, income or employment taxes, prior to the date of deferred payout, the Company may take such steps as are necessary to satisfy the withholding requirement, including without limitation liquidating any vested RSUs not subject to an election under this Plan or withholding from other compensation due to the Participant, including, but not limited to, salary or other compensation.

(iv)Notwithstanding anything to the contrary contained herein, no shares of Company common stock will be issued unless the stock is then registered under applicable federal securities law or, if such stock is not then so registered, the Company has determined that such distribution would be exempt from the registration requirements of federal securities law.

ARTICLE IV
Participants' Accounts

Section 4.1 Crediting of Employee Deferrals, Company Matching Credits and Deferred RSUs.

Deferrals to this Plan that are made under Article III shall be credited to the Participant's Accounts in accordance with such rules established by the Committee from time to time.

Section 4.2 Investment Elections.

A Participant may generally direct the Committee with respect to the Participant's intentions for investments of any amounts credited under the Plan, in accordance with rules and investment selections determined by the Committee. Participants' Investment Elections with respect to amounts credited hereunder shall be made pursuant to the written, telephonic or electronic methods prescribed by the Committee and subject to such rules on Investment Elections and Investment Options as established by the Committee from time to time. Investment Elections shall not apply to RSU Accounts.

Section 4.3 Hypothetical Earnings.

Except as otherwise provided herein, additional hypothetical bookkeeping amounts shall be credited to (or deducted from) a Participant's Accounts to reflect the earnings (or losses) that would have been experienced had the deferred amounts been invested in the investment options identified by the Participant in Section 4.2. The foregoing shall not apply to RSU Accounts.

Section 4.4 Vesting.

At all times a Participant shall be fully vested in all of his or her Accounts

Section 4.5 Account Statements.

Account statements will be posted online for participants on a quarterly basis or on such regularly scheduled as the Committee deems appropriate. Paper copies will be available upon request.

ARTICLE V
Distributions

Section 5.1 Timing of Distributions. The following are valid

distribution events:

(a) Separation from Service;

(b) An In-Service Withdrawal;

(c) A Change in Control;

(d) Disability;

(e) Death; or

(f) Unforeseeable Emergency.

Section 5.2 Form of and Other Rules For Distributions.

(a) General Rules. A Participant must designate the timing and form of distributions for all amounts allocated to his or her Accounts for each Plan Year, in accordance with Section 2.2(b). Participants who fail to specify a time of distribution will in all cases have his or her Accounts distributed under Section 5.2(b) in the form of a lump sum distribution.

(b) Distributions on Separation from Service. A Participant may elect to receive a distribution on Separation from Service in the form of a single lump sum payment or in installments over a period of not less than two (2) nor more than ten (10) years.

(i) All payments of cash or distributions of RSUs on a Separation from Service shall be made or, with respect to installment payments shall commence, as soon as administratively practicable coincident with or next following the date that is six (6) months from the date of the Separation from Service. Ongoing installment payments or distributions, if elected, shall then be made on each anniversary (or nearest business day practicable) of the date the first payment is made for the installment period. The following examples are provided for illustrative purposes only: Employee A has elected to have his entire Account balance distributed in the form of a lump sum payment (or with respect to Deferred RSUs, in the form of a single distribution) on his or her Separation from Service. He or she Separates from Services on June 30, 2024. His or her lump sum payment, or his or her Company stock, will be distributed to him or her, net of all taxes and withholdings, on January 2, 2025.

(ii) Notwithstanding anything contained herein or on any Participant's election form, Participants who have elected to receive payment on their Separation from Service with Account balances of less than $100,000 on the date of their Separation from Service (with respect to RSUs, this amount is based on the fair market value of the Company stock on the business date coincident with or next following the date of the Separation from Service) shall have their Account balance distributed to them in the form of a lump sum distribution (of cash and/or stock) as soon as administratively practicable coincident with or next following the date that is six (6) months from the date of the Separation from Service; to avoid doubt, the requirements of this subsection (b)(ii) shall only apply with respect to amounts a Participant has elected to receive on a Separation from Service in accordance with this Section 5(b) and shall not apply to payments being made in accordance with any other section of this Plan, including without limitation Section 5(c).

(c) In-Service Withdrawal. A Participant may elect to receive (or commence to receive) a distribution during a specified month and year while actively employed by the Company (an "in-service withdrawal"). In-service withdrawal amounts will be distributed on the first business day (or nearest business day practicable) of the month and year selected by the Participant. The date of the in-service withdrawal may not be a date that is earlier than the second Plan Year following the Plan Year with respect to which such amount was allocated to a Participant's Account. To avoid doubt and for illustrative purposes only, an amount allocated under this Plan for the 2024 Plan Year may first be eligible for in-service withdrawal in 2026. In- service withdrawals may be distributed in the form of a single lump sum or in installment payments of cash and/or stock of from two (2) to five (5) years, with installment payments or distributions commencing with the first business day (or nearest business day practicable) of the month and year selected and then continuing annually for the elected period on the anniversary (or nearest business day practicable) of the initial installment payment.

(d) Distributions on a Change in Control. Notwithstanding any election by a Participant to the contrary, amounts allocated to a Participant's Account shall be distributed in the form of single lump sum payment and/or stock distribution upon the occurrence of a Change in Control; provided that, the foregoing shall not apply to any Deferred Cash Bonus, Deferred Salary or Deferred RSU amounts then currently being distributed to a Participant in installment payments or distributions, which shall continue to be distributed in accordance with their originally elected schedule. Lump sum payments or distributions upon a Change in Control shall be made on or as soon as administratively practicable following the closing date of the transaction that constitutes the Change in Control.

(e) Distribution on Death.

(f) Notwithstanding any election by the Participant to the contrary, if a Participant dies before the distribution of the Participant's Accounts, unless the Participant had commenced receiving installment payments, as soon as practicable following the end of the calendar quarter in which the date of death occurs, amounts credited to the Participant's Accounts shall be paid in a single lump sum payment to the Participant's Beneficiary (or Beneficiaries). In the absence of any Beneficiary designation, payment shall be made to the personal representative, executor or administrator of the Participant's estate. Beneficiary designations may be changed by a Participant at any time without the consent of the Participant's Spouse or any prior Beneficiary. If the Participant dies after having commenced to receive installment payments of his or her Deferred Cash Bonus, Deferred Salary or Deferred RSU amounts, the Participant's Account shall be distributed to the Participant's Beneficiary, Beneficiaries or estate (as the case may be, in accordance with the above), as said payments or distributions become due under the scheduled distribution option elected by the Participant.

(g) Distribution on Disability.

Notwithstanding any election by the Participant to the contrary, if a Participant is determined to be Disabled before the distribution of the Participant's Accounts, unless the Participant had commenced receiving installment payments, as soon as practicable following the end of the calendar quarter in which the Disability is determined, amounts credited to the Participant's Accounts shall be paid in a single lump sum payment to the Participant. If the Participant becomes Disabled after having commenced to receive installment payments of Deferred Cash Bonus, Deferred Salary or Deferred RSUs, the Participant's Account shall be distributed to the Participant as said payments become due under the scheduled distribution option elected by the Participant.

(h) Distribution on Unforeseeable Emergency. At any time prior to the time an amount is otherwise payable hereunder, an active Participant may request a distribution of all or a portion of any vested amounts credited to the Participant's Accounts on account of the Participant's Unforeseeable Emergency, subject to the following requirements:

(i) Such distribution shall be made, in the sole discretion of the Committee, if the Participant has incurred an Unforeseeable Emergency. The Committee

shall consider any requests for payment under this section in accordance with the standards of interpretation described in Code Section 409A and the regulations and other guidance thereunder. If an Unforeseeable Emergency request is received and approved, a Participant's deferral elections for the Plan Year in which the request has been made will be suspended but only to the extent permitted under Code Section 409A.

(ii) Whether a Participant is faced with an Unforeseeable Emergency will be determined based on the relevant facts and circumstances of each case and be based on the information supplied by the Participant, in writing, pursuant to the procedure prescribed by the Committee. In addition to and without limiting the foregoing, distributions under this subsection shall not be allowed for purposes of sending a child to college or the Participant's desire to purchase a home or other residence. In all events, distributions made on account of an unforeseeable emergency are limited to the extent reasonably needed to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution).

(iii) Notwithstanding the foregoing, distribution on account of an Unforeseeable Emergency under this subsection may not be made to the extent that such emergency is or may be relieved:

(A) through reimbursement or compensation by insurance or otherwise,

(B) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(C) by cessation of deferrals under the Plan.

(iv) All distributions under this subsection shall be made in cash as soon as practicable after the Committee has approved the distribution and that the requirements of this subsection have been met.

(i) <u>Change in Form or Timing of Distribution</u>.

In any case where a Participant wishes to change a form of distribution from what was previously in effect with respect to any amounts credited to a Participant's Account:

(j) The election will not take effect until at least twelve months after the date on which the election is made and will not be recognized with respect to payments that would otherwise have commenced during such twelve-month period;

(ii) The payment with respect to which such election is made (or the first payment, in the case of installment payments) shall be deferred for a period of not less than five years from the date such payment or distribution would otherwise have been made; and

(iii) Any election may not be made less than twelve months prior to the

date on which such payments or distributions would otherwise have commenced.

ARTICLE VI
General Provisions

Section 6.1 Unsecured Promise to Pay.

The Company shall make no provision for the funding of any amounts payable hereunder that (i) would cause the Plan to be a funded plan for purposes of Section 404(a)(5) of the Code, or Title I of ERISA, or (ii) would cause the Plan to be other than an "unfunded and unsecured promise to pay money or other property in the future" under Treasury Regulations § 1.83-3(e); and the Company shall have no obligation to make any arrangement for the accumulation of funds to pay any amounts under this Plan. Subject to the restrictions of the preceding sentence and in Section 6.2, the Company, in its sole discretion, may establish one or more grantor trusts described in Treasury Regulations § 1.677(a)-1(d) to accumulate funds to pay amounts under this Plan, provided that the assets of such trust(s) shall be required to be used to satisfy the claims of the Company's general creditors in the event of the Company's bankruptcy or insolvency.

Section 6.2 Plan Unfunded.

In the event that the Company shall decide to establish an advance accrual reserve on its books against the future expense of payments hereunder, such reserve shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a part of the general assets of the Company, subject to claims of the Company's (or such subsidiary's) creditors. A person entitled to any amount under this Plan shall be a general unsecured creditor of the Company with respect to such amount. Furthermore, a person entitled to a payment or distribution with respect to any amounts credited to Participant Accounts shall have a claim upon the Company only to the extent of the vested balance(s) credited to such Accounts.

Section 6.3 Expenses.

All commissions, fees and expenses that may be incurred in operating the Plan and any related trust(s) established in accordance with the Plan will be paid by the Company.

Section 6.4 Non-Assignability.

Participants, their legal representatives and their Beneficiaries shall have no right to anticipate, alienate, sell, assign, transfer, pledge or encumber their interests in the Plan, nor shall such interests be subject to attachment, garnishment, levy or execution by or on behalf of creditors of the Participants or of their Beneficiaries.

Section 6.5 Employment/Participation Rights.

(a) Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

(b) Nothing in the Plan shall be construed to be evidence of any agreement or understanding, express or implied, that the Company will continue to employ a Participant in any particular position or at any particular rate of remuneration.

(c) No employee shall have a right to be selected as a Participant, or, having been so selected, to be continued as a Participant.

(d) Nothing in this Plan shall affect the right of a recipient to participate in and receive benefits under and in accordance with any pension, profit-sharing, deferred compensation or other benefit plan or program of the Company.

Section 6.6 Severability.

If any particular provision of the Plan shall be found to be illegal or unenforceable for any reason, the illegality or lack of enforceability of such provision shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal or unenforceable provision had not been included.

Section 6.7 No Individual Liability.

It is declared to be the express purpose and intention of the Plan that no liability whatsoever shall attach to or be incurred by the shareholders, officers, or directors of the Company (or any affiliate) or any representative appointed hereunder by the Company (or any affiliate), under or by reason of any of the terms or conditions of the Plan.

Section 6.8 Tax and Other Withholding.

The Company shall have the right to deduct from any deferral or contribution to or payment made under the Plan any amount required by federal, state, local, or foreign law to be withheld with respect to such payment. The Company shall also have the right to withhold from other current salary or wages any amount required by federal, state, local, or foreign law to be withheld with respect to compensation deferred under the Plan at any time prior to payment of such deferred compensation, or if such other current salary or wages are insufficient to satisfy such withholding requirement, to require the Participant to pay the Company such amount required to be withheld to the extent such requirement cannot be satisfied through withholding on other current salary or wages. Additionally, should deferrals under this Plan cause there to be insufficient current salary or wages for purposes of withholding taxes or other amounts required by federal, state, local, or foreign law to be withheld from current salary or wages, the Company shall require the Participant to pay the Company such amount required to be withheld to the extent such requirement cannot be satisfied through withholding on other current salary or wages. Amounts deferred under the Plan will be taken into account for purposes of any withholding obligation under the Federal Insurance Contributions Act and Federal Unemployment Tax Act at the later of the Plan Year during which the services are performed or the Plan Year during which the rights to the amounts are no longer subject to a substantial risk of forfeiture, as required by Section 3121(v) and 3306(r) of the Code and the regulations promulgated thereunder.

Section 6.9 Applicable Law.

This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts except to the extent governed by applicable federal law.

Section 6.10 Incompetency.

Any person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the Committee receives written notice, in a form and manner acceptable to it, that such person is incompetent or a minor, and that a guardian, conservator, or other person legally vested with the care of his estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to properly care for his or her affairs, or is a minor, then any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the Spouse, a child, a parent, or a brother or sister, or to any person deemed by the Committee to have incurred expense for the care of such person otherwise entitled to payment. If a guardian or conservator of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, payments shall be made to such guardian or conservator provided that proper proof of appointment is furnished in a form and manner suitable to the Committee. Any payment made under the provisions of this Section shall be a complete discharge of liability therefor under the Plan.

Section 6.11 Notice of Address.

Any payment made to a Participant or a designated Beneficiary at the last known post office address of the distributee on file with the Committee, shall constitute a complete acquittance and discharge of any obligations of the Company under this Plan, unless the Committee shall have received prior written notice of any change in the condition or status of the distributee. Neither the Committee, the Company nor any director, officer, or employee of the Company shall have any duty or obligation to search for or ascertain the whereabouts of a Participant or a designated Beneficiary.

ARTICLE VII
Administration

Section 7.1 Committee.

The Plan shall be administered by the Committee. The Committee shall have the exclusive right to interpret the Plan (including questions of construction and interpretation) and the decisions, actions and records of the Committee shall be conclusive and binding upon the Company and all persons having or claiming to have any right or interest in or under the Plan. The Committee may delegate to such officers, employees or departments of the Company (and/or a committee thereof), or to service-providers or other persons, such authority, duties, and responsibilities of the Committee as it, in its sole discretion, considers necessary or appropriate for the proper and efficient operation of the Plan, including, without limitation, (i) interpretation of the Plan, (ii) approval and payment of claims, and (iii) establishment of procedures for administration of the Plan.

Section 7.2 Claims Procedure.

Any person dissatisfied with the Committee's determination of a claim for benefits (or claim for eligibility for participation) hereunder must file a written request for reconsideration with the Committee. This request must include a written explanation setting forth the specific reasons for such reconsideration. The Committee shall review its determination promptly and render a written decision with respect to the claim, setting forth the specific reasons for such denial written in a manner calculated to be understood by the claimant. Such claimant shall be given a reasonable time within which to comment, in writing, to the Committee with respect to such explanation. The Committee shall review its determination promptly and render a written decision with respect to the claim. The Committee shall have the fullest discretion available under law to make all determinations and such determinations of the Committee shall be conclusive, binding, and final upon all claimants under this Plan.

Section 7.3 Plan to Comply With Code Section 409A.

Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A and any provision that would conflict with such requirements shall not be valid or enforceable. Any distribution required to be made "as soon as reasonably" practicable shall be made in all cases by the end of the Plan Year in which such distribution is to be made and in no event shall any Participant have any discretion or control as to the timing of such payment.

ARTICLE VIII
Amendment, Termination and Effective Date

Section 8.1 Amendment of the Plan.

Subject to Section 8.3, the Plan may be wholly or partially amended or otherwise modified at any time by written action of the Board. Notwithstanding the foregoing, the Board hereby grants to the Committee the authority to approve and adopt amendments to the Plan, provided that such amendments will not materially increase the Company's costs related to providing benefits under the Plan or materially affect the benefits of participants in the Plan.

Section 8.2 Termination of the Plan.

Subject to the provisions of Section 8.3, the Plan may be terminated at any time by written action of the Board.

Section 8.3 No Impairment of Benefits.

Notwithstanding the provisions of Sections 8.1 and 8.2, no amendment to or termination of the Plan shall reduce the amount credited to any Participant's Accounts hereunder.

Section 8.4 Effective Date.

This Amended and Restated Plan as set forth herein is effective as of January 1, 2024.

Exhibit I

In accordance with Sections 1.3 or 1.6 of this Plan, the following are not included in the definition of Base Salary or Bonus for purposes of this Plan and any deferral election shall not be applicable to them:

1. Amounts deferred under this Plan, the 401(k) Plan or any other amounts deferred to any employee benefit or fringe benefit plan and not included in the income of the employee;

2. Income related to equity grants and stock proceeds;

3. Sales Incentive Compensation, including “Incentive Compensation”, “Bonuses”, “Guaranteed Incentive”, “Recoverable Guaranteed Incentive”, “SPIFFs”, and “One-Time Payments” each as defined in the Incentive Compensation Plan;

4. One-time, non-recurring bonus payments including without limitation any sign-on bonus, referral bonus, on-call bonus, spot awards, patent awards, transition bonus, or event bonus;

5. Overtime or Holiday Pay;

6. Shift Differentials;

7. Income coded as Paid Leave;

8. Imputed income or other income related to taxable fringe benefits;

9. Allowances;

10. Severance, Separation Pay, and Pay in Lieu of Notice;

11. Any other income that cannot be reasonably considered “Base Pay” or “Bonus” as determined by the Committee, in its sole discretion.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, F. Thomson Leighton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akamai Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2024

/s/ F. Thomson Leighton

F. Thomson Leighton, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Edward McGowan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akamai Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ Edward McGowan

Edward McGowan, Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Akamai Technologies, Inc. (the "Company") for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, F. Thomson Leighton, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

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

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

Date: November 8, 2024

/s/ F. Thomson Leighton

F. Thomson Leighton, Chief Executive Officer

EXHIBIT 32.2

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

In connection with the quarterly report on Form 10-Q of Akamai Technologies, Inc. (the “Company”) for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Edward McGowan, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

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

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

Date: November 8, 2024

/s/ Edward McGowan

Edward McGowan, Executive Vice President, Chief Financial Officer and Treasurer