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 March 31, 2023

OR

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

For the transition period from ___ to ___

Commission file number 001-40643

Outbrain Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-5391629**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

111 West 19th Street, New York, NY 10011
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(646) 867-0149**

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 $0.001 per share	OB	The Nasdaq Stock Market LLC

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

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 x No o

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 x

As of April 30, 2023, Outbrain Inc. had 51,152,134 shares of common stock outstanding.

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Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements may include, without limitation, statements generally relating to possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. You can generally identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "foresee," "potential" or "continue" or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions or are not statements of historical fact. We have based these forward-looking statements largely on our expectations and projections regarding future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors including, but not limited to:

- overall advertising demand and traffic generated by our media partners;
- factors that affect advertising demand and spending, such as the continuation or worsening of unfavorable economic or business conditions or downturns, instability or volatility in financial markets, and other events or factors outside of our control, such as U.S. and global recession concerns, geopolitical concerns, including the ongoing conflict between Russia and Ukraine, supply chain issues, inflationary pressures, labor market volatility, and the pace of recovery or any resurgences of the COVID-19 pandemic;
- risks and uncertainties related to the recent closure of Silicon Valley Bank ("SVB") and other bank disruptions;
- our ability to continue to innovate, and adoption by our advertisers and media partners of our expanding solutions;
- the success of our sales and marketing investments, which may require significant investments and may involve long sales cycles;
- our ability to grow our business and manage growth effectively;
- our ability to compete effectively against current and future competitors;
- the loss of one or more of our large media partners, and our ability to expand our advertiser and media partner relationships;
- our ability to maintain our revenues or profitability despite quarterly fluctuations in our results, whether due to seasonality, large cyclical events, or other causes;
- the risk that our research and development efforts may not meet the demands of a rapidly evolving technology market;
- any failure of our recommendation engine to accurately predict user engagement, any deterioration in the quality of our recommendations or failure to present interesting content to users or other factors which may cause us to experience a decline in user engagement or loss of media partners;
- limits on our ability to collect, use and disclose data to deliver advertisements;
- our ability to extend our reach into evolving digital media platforms;
- our ability to maintain and scale our technology platform;
- our ability to meet demands on our infrastructure and resources due to future growth or otherwise;
- outages or disruptions that impact us or our service providers, resulting from cyber incidents, or failures or loss of our infrastructure, which could adversely affect our business;
- significant fluctuations in currency exchange rates;
- political and regulatory risks in the various markets in which we operate;
- the challenges of compliance with differing and changing regulatory requirements; and
- the risks described in the section entitled "Risk Factors" and elsewhere in this Report.

Accordingly, you should not rely upon forward-looking statements as an indication of future performance. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or will occur, and actual results, events, or circumstances could differ materially from those projected in the forward-looking statements. The forward-looking statements made in this Report relate only to events as of the date on which the statements are made. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. We undertake no obligation and do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events or otherwise, except as required by law.

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Part I Financial Information

Item 1. Financial Statements

OUTBRAIN INC.
Condensed Consolidated Balance Sheets
(In thousands, except for number of shares and par value)

	March 31, 2023	December 31, 2022
	(Unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 73,214	$ 105,580
Short-term investments in marketable securities	178,529	166,905
Accounts receivable, net of allowances	181,482	181,258
Prepaid expenses and other current assets	47,562	46,761
Total current assets	480,787	500,504
Non-current assets:		
Long-term investments in marketable securities	65,951	78,761
Property, equipment and capitalized software, net	40,366	39,890
Operating lease right-of-use assets, net	11,381	11,065
Intangible assets, net	22,983	24,574
Goodwill	63,063	63,063
Deferred tax assets	35,637	35,735
Other assets	25,598	27,556
TOTAL ASSETS	$ 745,766	$ 781,148
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Accounts payable	$ 137,759	$ 147,653
Accrued compensation and benefits	16,185	19,662
Accrued and other current liabilities	114,813	126,092
Deferred revenue	6,456	6,698
Total current liabilities	275,213	300,105
Non-current liabilities:		
Long-term debt	236,000	236,000
Operating lease liabilities, non-current	8,890	8,445
Other liabilities	17,742	18,812
TOTAL LIABILITIES	$ 537,845	$ 563,362
Commitments and Contingencies (Note 11)		
STOCKHOLDERS' EQUITY:		
Common stock, par value of $0.001 per share − one billion shares authorized, 60,456,489 shares issued and 51,146,939 shares outstanding as of March 31, 2023; one billion shares authorized, 60,175,020 shares issued and 52,226,745 shares outstanding as of December 31, 2022.	60	60
Preferred stock, par value of $0.001 per share − 100,000,000 shares authorized, none issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Additional paid-in capital	458,726	455,831
Treasury stock, at cost − 9,309,550 shares as of March 31, 2023 and 7,948,275 shares as of December 31, 2022	(55,523)	(49,168)
Accumulated other comprehensive loss	(10,713)	(9,913)
Accumulated deficit	(184,629)	(179,024)
TOTAL STOCKHOLDERS' EQUITY	207,921	217,786
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 745,766	$ 781,148

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.
Condensed Consolidated Statements of Operations
(In thousands, except for share and per share data)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue	$ 231,774	$ 254,216
Cost of revenue:		
Traffic acquisition costs	179,576	190,696
Other cost of revenue	11,043	9,589
Total cost of revenue	190,619	200,285
Gross profit	41,155	53,931
Operating expenses:		
Research and development	9,311	10,428
Sales and marketing	25,748	27,395
General and administrative	15,406	16,034
Total operating expenses	50,465	53,857
(Loss) income from operations	(9,310)	74
Other income (expense), net:		
Interest expense	(1,867)	(1,871)
Interest income and other (expense) income, net	3,860	(1,081)
Total other income (expense), net	1,993	(2,952)
Loss before benefit from income taxes	(7,317)	(2,878)
Benefit from income taxes	(1,712)	(988)
Net loss	$ (5,605)	$ (1,890)
Weighted average shares outstanding:		
Basic	51,435,289	57,237,012
Diluted	51,435,289	57,237,012
Net loss per common share:		
Basic	$ (0.11)	$ (0.03)
Diluted	$ (0.11)	$ (0.03)

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Net loss	$ (5,605)	$ (1,890)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(1,220)	(741)
Unrealized gains on available-for-sale investments in debt securities (net of tax of $123 for the three months ended March 31, 2023)	420	—
Total other comprehensive loss	(800)	(741)
Comprehensive loss	$ (6,405)	$ (2,631)

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.

Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except for number of shares)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance – January 1, 2023	60,175,020	$ 60	$ 455,831	(7,948,275)	$ (49,168)	$ (9,913)	$ (179,024)	$ 217,786
Vesting of restricted stock units, net of shares withheld for taxes	281,469	—	—	(48,202)	(213)	—	—	(213)
Shares repurchased under the share repurchase program	—	—	—	(1,313,073)	(6,142)	—	—	(6,142)
Stock-based compensation	—	—	2,895	—	—	—	—	2,895
Other comprehensive loss	—	—	—	—	—	(800)	—	(800)
Net loss	—	—	—	—	—	—	(5,605)	(5,605)
Balance – March 31, 2023	60,456,489	$ 60	$ 458,726	(9,309,550)	$ (55,523)	$ (10,713)	$ (184,629)	$ 207,921

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance – January 1, 2022	58,015,075	$ 58	$ 434,945	(1,313,681)	$ (16,504)	$ (4,474)	$ (157,250)	$ 256,775
Exercise of employee stock options, warrants and restricted stock awards, net of shares withheld for taxes	411,855	1	2,273	(95,138)	(1,425)	—	—	849
Vesting of restricted stock units, net of shares withheld for taxes	211,713	—	—	(22,499)	(293)	—	—	(293)
Acquisition stock consideration	355,786	—	4,190	—	—	—	—	4,190
Stock-based compensation	—	—	2,810	—	—	—	—	2,810
Other comprehensive loss	—	—	—	—	—	(741)	—	(741)
Net loss	—	—	—	—	—	—	(1,890)	(1,890)
Balance – March 31, 2022	58,994,429	$ 59	$ 444,218	(1,431,318)	$ (18,222)	$ (5,215)	$ (159,140)	$ 261,700

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,605)	$ (1,890)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	1,704	2,404
Amortization of capitalized software development costs	2,641	2,295
Amortization of intangible assets	1,596	1,569
Amortization of discount on marketable securities	(1,241)	—
Stock-based compensation	2,611	2,733
Non-cash operating lease expense	1,146	1,168
Provision for credit losses	2,639	(249)
Deferred income taxes	(437)	(340)
Other	(1,054)	1,054
Changes in operating assets and liabilities:		
Accounts receivable	(1,478)	15,885
Prepaid expenses and other current assets	4,598	1,418
Accounts payable and other current liabilities	(28,017)	(31,121)
Operating lease liabilities	(1,138)	(1,097)
Deferred revenue	(317)	1,659
Other non-current assets and liabilities	1,874	1,871
Net cash used in operating activities	(20,478)	(2,641)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of a business, net of cash acquired	(285)	(34,524)
Purchases of property and equipment	(3,749)	(2,809)
Capitalized software development costs	(2,853)	(3,445)
Purchases of marketable securities	(32,762)	—
Proceeds from maturities of marketable securities	35,615	—
Other	(5)	14
Net cash used in investing activities	(4,039)	(40,764)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of common stock options and warrants	—	2,274
Treasury stock repurchases and share withholdings on vested awards	(6,355)	(1,718)
Principal payments on finance lease obligations	(509)	(1,014)
Payment of contingent consideration liability up to acquisition-date fair value	(547)	—
Net cash used in financing activities	(7,411)	(458)
Effect of exchange rate changes	(436)	(663)
Net decrease in cash, cash equivalents and restricted cash	(32,364)	(44,526)
Cash, cash equivalents and restricted cash — Beginning	105,765	455,592
Cash, cash equivalents and restricted cash — Ending	$ 73,401	$ 411,066
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	$ 73,214	$ 410,875
Restricted cash, included in other assets	$ 187	$ 191
Total cash, cash equivalents, and restricted cash	$ 73,401	$ 411,066

OUTBRAIN INC.
Condensed Consolidated Statements of Cash Flows (Continued)
(In thousands)

	Three Months Ended March 31,	
	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 2,313	$ 2,393
Cash paid for interest	$ 3,581	$ 3,606
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Stock consideration issued for acquisition of a business	$ —	$ 4,190
Purchases of property and equipment included in accounts payable	$ 820	$ 13
Operating lease right-of-use assets obtained in exchange for lease obligations	$ 1,339	$ 447
Acquisition consideration payable	$ 285	$ 11,483
Stock-based compensation capitalized for software development costs	$ 284	$ 77
Unpaid deferred financing costs in accounts payable and accrued expenses	$ —	$ 42

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization, Description of Business and Summary of Significant Accounting Policies

Organization and Description of Business

Outbrain Inc., together with its subsidiaries ("Outbrain," the "Company," "we," "our" or "us"), was incorporated in August 2006 in Delaware. The Company is headquartered in New York, New York with various wholly-owned subsidiaries, including in Israel, Europe and Asia. In connection with the Company's initial public offering ("IPO"), its common stock began trading on The Nasdaq Stock Market LLC ("Nasdaq") on July 23, 2021 under the "OB" ticker symbol.

Outbrain is a leading recommendation platform powering the open web. The Company's platform provides personalized recommendations that appear as links to content, advertisements and videos on media owners' online properties. The Company generates revenue from marketers through user engagements with promoted recommendations that it delivers across a variety of third-party media owners' online properties. The Company pays traffic acquisition costs to its media owner partners on whose digital properties the recommendations are shown. The Company's advertiser solutions are mainly priced using a performance-based model based on the actual number of engagements generated by users, which is highly dependent on its ability to generate trustworthy and interesting recommendations to individual users based on its proprietary algorithms. A portion of the Company's revenue is generated through advertisers participating in programmatic auctions wherein the pricing is determined by the auction results and not dependent on user engagement.

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and are unaudited. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 15, 2023 ("2022 Form 10-K").

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are based on historical information and on various other assumptions that the Company believes are reasonable under the circumstances. Estimates and assumptions made in the accompanying condensed consolidated financial statements include, but are not limited to, the allowance for credit losses, sales allowance, software development costs eligible for capitalization, valuation of deferred tax assets, the useful lives of property and equipment, the useful lives and fair value of intangible assets, valuation of goodwill, the fair value of stock-based awards, and the recognition and measurement of income tax uncertainties and other contingencies. Actual results could differ materially from these estimates.

Reclassifications

Certain reclassifications have been made to the prior periods' financial information in order to conform to the current period's presentation.

Cash and Cash Equivalents and Investments

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on hand and highly liquid investments in money market funds, U.S. government bonds and commercial paper. Most of our cash deposits are above the $250,000 Federal Deposit Insurance Corporation ("FDIC") limit and, therefore, not insured.

The Company's investments in debt securities are classified as available-for-sale and are recorded at fair value. The Company classifies its investments in debt securities as short-term or long-term, based on each security's maturity date. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive (loss) income ("OCI"), net of taxes.

OUTBRAIN INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Restricted Cash

Restricted cash represents security deposits for facility leases and is included in other assets in the accompanying condensed consolidated balance sheets.

Certain Risks and Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, restricted cash, and accounts receivable. The Company's cash and cash equivalents and restricted cash are generally invested in high-credit quality financial instruments with both banks and financial institutions to reduce the amount of exposure to any single financial institution.

The Company generally does not require collateral to secure accounts receivable. No single marketer accounted for 10% or more of the Company's total revenue for the three months ended March 31, 2023 or March 31, 2022, or 10% or more of its gross accounts receivable balance as of March 31, 2023 and 2022.

During the three months ended March 31, 2023, none of the Company's media owners accounted for 10% of its total traffic acquisition costs. During the three months ended March 31, 2022, one media owner accounted for 10% of the Company's total traffic acquisition costs.

Segment Information

The Company has one operating and reporting segment. The Company's chief operating decision maker is its Co-Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis.

New Accounting Pronouncements

Under the JOBS Act, the Company meets the definition of an emerging growth company and can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the Company is no longer an emerging growth company or until the Company affirmatively and irrevocably opts out of the extended transition period.

Recently Issued Accounting Pronouncements

The Company has considered all new accounting pronouncements and has concluded that based on the current information, there are no new pronouncements that are expected to have a material impact on its results of operations, financial condition, or cash flows.

See Note 1 to the Company's audited consolidated financial statements for the year ended December 31, 2022 in the Company's 2022 Form 10-K for a complete disclosure of the Company's significant accounting policies.

2. Revenue Recognition

The following table presents total revenue based on where the Company's marketers are physically located:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
USA	$ 72,216	$ 85,577
Europe, the Middle East, and Africa (EMEA)	133,754	139,675
Other	25,804	28,964
Total revenue	$ 231,774	$ 254,216

Contract Balances. There were no contract assets as of March 31, 2023 or December 31, 2022. Contract liabilities primarily relate to advance payments and consideration received from customers. As of March 31, 2023 and December 31, 2022, the Company's contract liabilities were recorded as deferred revenue in its condensed consolidated balance sheets.

3. Acquisition

On January 5, 2022, the Company acquired all of the outstanding shares of video intelligence AG ("vi"), a Swiss-based contextual video technology company for digital media owners, for an aggregate purchase price of approximately $54.2 million, which was paid in the form of cash and Outbrain common stock. The equity portion of the purchase price was comprised of 355,786 shares of the Company's common stock with a fair value of $4.2 million. The first installment of $37.3 million in cash and the equity portion were paid at closing, an additional $10.6 million was paid in the third quarter of 2022, and $1.2 million was paid in the first quarter of 2023. The consideration paid during the first quarter of 2023 included $0.9 million of contingent consideration, $0.5 million of which was recognized on the acquisition date, and $0.4 million recorded as a fair value adjustment in the Company's consolidated statement of operations for the year ended December 31, 2022, based on the market price of the Company's stock determined one year from closing. This acquisition expanded the Company's video product offerings to include in-stream high-quality video content, delivering a better user experience and more value to its advertisers.

This acquisition was accounted for as a business combination under the acquisition method of accounting and the results of operations of vi have been included in the Company's results of operations since January 5, 2022. The Company incurred transaction costs relating to the vi acquisition of $0.2 million, which were included in general and administrative expenses in the Company's condensed consolidated statement of operations for the three months ended March 31, 2022.

See Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2022 in the Company's 2022 Form 10-K for additional information relating to purchase price allocation and intangible assets recorded in connection with this transaction.

4. Investments in Marketable Securities

All of the Company's debt securities are classified as available-for-sale. The Company's cash equivalents and investments as of March 31, 2023 and December 31, 2022 consisted of the following:

		March 31, 2023						
(In thousands)	**Fair Value Level**	**Amortized cost (1)**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Cash Equivalents**	**Short-term investments**	**Long-term investments**
Money market funds	1	$ 31,566	$ —	$ —	$ 31,566	$ 31,566	$ —	$ —
U.S. Treasuries	2	23,825	—	(209)	23,616	—	19,759	3,857
U.S. government bonds	2	76,932	3	(620)	76,315	—	60,013	16,302
Commercial paper	2	43,700	—	(98)	43,602	—	43,602	—
U.S. Corporate bonds	2	101,519	49	(621)	100,947	—	55,155	45,792
Total cash equivalents and investments		$ 277,542	$ 52	$ (1,548)	$ 276,046	$ 31,566	$ 178,529	$ 65,951

OUTBRAIN INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

		December 31, 2022						
(In thousands)	Fair Value Level	Amortized cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash Equivalents	Short-term investments	Long-term investments
Money market funds	1	$ 39,198	$ —	$ —	$ 39,198	$ 39,198	$ —	$ —
U.S. Treasuries	2	31,721	—	(317)	31,404	—	23,701	7,703
U.S. government bonds	2	77,259	—	(899)	76,360	—	52,254	24,106
Commercial paper	2	43,126	3	(161)	42,968	—	42,968	—
U.S. Corporate bonds	2	95,599	29	(694)	94,934	—	47,982	46,952
Total cash equivalents and investments		$ 286,903	$ 32	$ (2,071)	$ 284,864	$ 39,198	$ 166,905	$ 78,761

[1] The amortized cost of debt securities excludes accrued interest of $1.1 million and $1.0 million, respectively, as of March 31, 2023 and December 31, 2022.

The total estimated fair value of debt securities in an unrealized loss position as of March 31, 2023 was $225.8 million, all of which has been in an unrealized loss position for less than twelve months. The aggregate amount of unrealized losses as of March 31, 2023 was $1.5 million. The total estimated fair value of debt securities in an unrealized gain position is $18.7 million. For marketable securities with unrealized loss positions, as of March 31, 2023, the Company did not intend to sell these securities and it was more likely than not that the Company will hold these securities until maturity or a recovery of the cost basis. No allowance for credit losses was recorded for these securities as of March 31, 2023 and December 31, 2022.

The following table shows the fair value of the Company’s available-for-sale securities by contractual maturity:

	March 31, 2023
	(In thousands)
Within 1 year	$ 210,095
After 1 year through 2 years	65,951
Total fair value	$ 276,046

5. Goodwill and Intangible Assets

The Company’s goodwill balance as of March 31, 2023 and December 31, 2022 was $63.1 million. The Company has not recorded any accumulated impairments of goodwill.

The gross carrying amount and accumulated amortization of the Company’s intangible assets are as follows:

	March 31, 2023			
	Weighted Average Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
		(In thousands)		
Developed technology	8.0 years	$ 18,411	$ (9,964)	$ 8,447
Customer relationships	5.0 years	5,915	(5,364)	551
Publisher relationships	8.0 years	18,859	(9,738)	9,121
Trade names	8.8 years	5,303	(1,307)	3,996
Content provider relationships	5.0 years	284	(70)	214
Other	15.8 years	894	(240)	654
Total intangible assets, net		$ 49,666	$ (26,683)	$ 22,983

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	December 31, 2022			
	Weighted Average Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	5.8 years	$ 18,411	$ (9,652)	$ 8,759
Customer relationships	4.1 years	5,856	(5,022)	834
Publisher relationships	6.3 years	18,738	(8,782)	9,956
Trade names	8.7 years	5,279	(1,143)	4,136
Content provider relationships	5.0 years	284	(56)	228
Other	15.8 years	888	(227)	661
Total intangible assets, net		$ 49,456	$ (24,882)	$ 24,574

No impairment charges were recorded for the Company’s intangible assets subject to amortization during the three months ended March 31, 2023 and 2022.

As of March 31, 2023, estimated amortization related to the Company’s identifiable acquisition-related intangible assets in future periods was as follows:

	Amount
	(In thousands)
Remainder of 2023	$ 2,600
2024	3,466
2025	3,466
2026	3,466
2027	3,116
Thereafter	6,869
Total	$ 22,983

6. Balance Sheet Components

Accounts Receivable and Allowance for Credit Losses

Accounts receivable, net of allowance for credit losses consists of the following:

	March 31, 2023	December 31, 2022
	(In thousands)	
Accounts receivable	$ 188,934	$ 186,770
Allowance for credit losses	(7,452)	(5,512)
Accounts receivable, net of allowance for credit losses	$ 181,482	$ 181,258

The allowance for credit losses consists of the following activity:

	Three Months Ended March 31, 2023	Year Ended December 31, 2022
	(In thousands)	
Allowance for credit losses, beginning balance	$ 5,512	$ 4,402
Provision for credit losses, net of recoveries	2,794	3,227
Write-offs	(854)	(2,117)
Allowance for credit losses, ending balance	$ 7,452	$ 5,512

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Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following:

	March 31, 2023	December 31, 2022
	(In thousands)	
Prepaid traffic acquisition costs	$ 25,702	$ 23,149
Prepaid taxes	10,507	15,280
Prepaid software licenses	3,675	2,465
Prepaid insurance	1,361	1,503
Other prepaid expenses and other current assets	6,317	4,364
Total prepaid expenses and other current assets	$ 47,562	$ 46,761

Property, Equipment and Capitalized Software, Net

Property, equipment and capitalized software, net consists of the following:

	March 31, 2023	December 31, 2022
	(In thousands)	
Computer and equipment	$ 61,106	$ 59,536
Capitalized software development costs	70,836	67,685
Software	3,124	3,113
Leasehold improvements	3,001	2,859
Furniture and fixtures	1,168	1,177
Property, equipment, and capitalized software, gross	139,235	134,370
Less: accumulated depreciation and amortization	(98,869)	(94,480)
Total property, equipment and capitalized software, net	$ 40,366	$ 39,890

Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following:

	March 31, 2023	December 31, 2022
	(In thousands)	
Accrued traffic acquisition costs	$ 70,003	$ 73,396
Accrued agency commissions	14,180	13,451
Accrued tax liabilities	9,974	15,013
Accrued professional fees	5,071	4,915
Operating lease obligations, current	3,113	3,236
Finance lease obligations, current	1,517	1,758
Interest payable	1,333	3,074
Other	9,622	11,249
Total accrued and other current liabilities	$ 114,813	$ 126,092

In addition to accrued traffic acquisition costs, accounts payable includes $129.2 million and $136.8 million of traffic acquisition costs as of March 31, 2023 and December 31, 2022, respectively.

7. Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company's financial instruments include restricted time deposits, severance pay fund deposits and foreign currency forward contracts. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the Company uses the fair value hierarchy described below to distinguish between observable and unobservable inputs:

Level I — Valuations based on quoted prices in active markets for identical assets and liabilities at the measurement date;

Level II — Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be principally corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level III — Valuations based on unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The following table sets forth the fair value of the Company's financial assets and liabilities measured on a recurring basis by level within the fair value hierarchy:

	March 31, 2023			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets:				
Cash equivalents and investments [1]	$ 31,566	$ 244,480	$ —	$ 276,046
Restricted time deposit [2]	—	187	—	187
Severance pay fund deposits [2]	—	5,066	—	5,066
Foreign currency forward contract [3]	—	610	—	610
Total financial assets	$ 31,566	$ 250,343	$ —	$ 281,909
Financial Liabilities:				
Foreign currency forward contract [4]	—	1,165	—	1,165
Total financial liabilities	$ —	$ 1,165	$ —	$ 1,165

	December 31, 2022			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets:				
Cash equivalents and investments [1]	$ 39,198	$ 245,666	$ —	$ 284,864
Restricted time deposit [2]	—	185	—	185
Severance pay fund deposits [2]	—	5,378	—	5,378
Foreign currency forward contract [3]	—	726	—	726
Total financial assets	$ 39,198	$ 251,955	$ —	$ 291,153
Financial Liabilities:				
Foreign currency forward contract [4]	—	1,463	—	1,463
Total financial liabilities	$ —	$ 1,463	$ —	$ 1,463

(1) Money market securities are valued using Level I of the fair value hierarchy, while the fair values of U.S. Treasuries, government bonds, commercial paper, corporate bonds and municipal bonds are considered Level II and are obtained from independent pricing services, which may use various methods, including quoted prices for identical or similar securities in active and inactive markets. See Note 4 for additional detail of the Company's fixed income securities by balance sheet location.

(2) Recorded within other assets.

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(3) Recorded within prepaid expenses and other current assets.

(4) Recorded within accrued and other current liabilities.

The Company records the fair values of the assets and liabilities relating to its undesignated foreign currency forward contracts on a gross basis in its condensed consolidated balance sheets, as they are not subject to master netting arrangements. There is no cash collateral required to be pledged by the Company or its counterparties. The Company enters into foreign currency forward exchange contracts to manage the effects of fluctuations in foreign currency exchange rates on its net cash flows from non-U.S. dollar denominated operations.

By entering into foreign currency forward contracts, the Company is exposed to a potential credit risk that the counterparty to its contracts will fail to meet its contractual obligations. If a counterparty fails to perform, the Company's maximum credit risk exposure would be the positive fair value of the foreign currency forward contracts, or any asset balance, which represents the amount the counterparty owes to the Company. In order to mitigate the counterparty risk, the Company performs an evaluation of its counterparty credit worthiness, and its forward contracts have a term of no more than 12 months. The Company had foreign currency forward contracts with Silicon Valley Bank ("SVB"), which was closed by the California regulators on March 10, 2023. On March 12, 2023, the Department of the Treasury, Federal Reserve and the FDIC approved actions enabling the FDIC to complete its resolution of SVB in a manner that fully protects all depositors and converted SVB to Silicon Valley Bridge Bank, N.A. On March 27, 2023, First-Citizens Bank & Trust Company ("First Citizens Bank") entered into an agreement with the FDIC to acquire the Silicon Valley Bridge Bank, N.A and the Company's existing foreign currency forward contracts were assumed by the First Citizens Bank. Therefore, the Company does not anticipate any nonperformance under its foreign currency forward contracts. During the three months ended March 31, 2023 and 2022, the Company recognized net losses of $0.1 million and $0.7 million, respectively, within interest income and other income (expense), net in its condensed consolidated statements of operations, related to mark-to-market adjustments on its undesignated foreign currency forward contracts.

The Company's 2.95% Convertible Senior Notes due 2026 ("Convertible Notes") are recorded within long-term debt in its condensed consolidated balance sheets at their carrying value, which may differ from their fair value. The fair value of Convertible Notes is estimated using external pricing data, including any available market data for other debt instruments with similar characteristics. The following table summarizes the carrying value and the estimated fair value of the Company's Convertible Notes, based on Level II measurements of the fair value hierarchy:

	March 31, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Convertible Notes	$ 236,000	$ 180,446	$ 236,000	$ 180,752

See Note 15 for information regarding partial redemption of the Convertible Notes in April 2023.

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8. Leases

The Company leases certain equipment and computers under finance lease arrangements, as well as office facilities and managed data center facilities under non-cancelable operating lease arrangements for its U.S. and international locations that expire on various dates through 2032.

The following table summarizes assets and liabilities related to the Company's operating and finance leases:

	Condensed Consolidated Balance Sheets Location	March 31, 2023	December 31, 2022
		(In thousands)	
Lease assets:			
Operating leases	Operating lease right-of-use assets, net	$ 11,381	$ 11,065
Finance leases	Property, equipment and capitalized software, net	1,394	1,858
Total lease assets		$ 12,775	$ 12,923
Lease liabilities:			
Current liabilities:			
Operating leases	Accrued and other current liabilities	$ 3,113	$ 3,236
Finance leases	Accrued and other current liabilities	1,517	1,758
Non-current liabilities:			
Operating leases	Operating lease liabilities, non-current	8,890	8,445
Finance leases	Other liabilities	6	254
Total lease liabilities		$ 13,526	$ 13,693

The following table presents the components of the Company's total lease expense:

	Condensed Consolidated Statements of Operations Location	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
		(In thousands)	
Operating lease cost			
Fixed lease costs	Cost of revenue and operating expenses	$ 1,146	$ 1,168
Variable lease costs	Operating Expenses	32	30
Short-term lease costs	Cost of revenue and operating expenses	139	140
Finance lease cost:			
Depreciation	Cost of revenue	464	943
Interest	Interest expense	34	88
Total lease cost		$ 1,815	$ 2,369

9. Long-Term Debt

Convertible Notes

On July 27, 2021, in connection with the closing of the Company's IPO and pursuant to the terms of the Note Purchase Agreement, the Company exchanged $200 million aggregate principal amount of the Notes due July 1, 2026 for $236.0 million aggregate principal amount of Convertible Notes, pursuant to an indenture, dated as of July 27, 2021 (the "Indenture"), between the Company and The Bank of New York Mellon, as trustee. The Convertible Notes will mature on July 27, 2026, unless earlier converted, redeemed, or repurchased.

Interest on the Convertible Notes is payable semi-annually in arrears on January 27 and July 27 of each year, beginning on January 27, 2022, at a rate of 2.95% per year. The initial conversion rate for the Convertible Notes is 40 shares of the Company's common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of $25 per share of the Company's common stock), subject to adjustment.

The Company may not redeem the Convertible Notes prior to July 27, 2024. On or after July 27, 2024, the Company may redeem for cash all or any portion of the Convertible Notes, at its option, if the last reported sale price of the common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. In addition, calling any Convertible Note for redemption will constitute a “make-whole fundamental change” (as defined in the Indenture) with respect to that Convertible Note, in which case the conversion rate applicable to the conversion of that Convertible Note will be increased if it is converted by holders after it is called for redemption.

Holders may convert all or any portion of their Convertible Notes, in multiples of $1,000 principal amount, into shares of the Company’s common stock at any time until the second scheduled trading day immediately preceding the maturity date, at the conversion rate then in effect. The Company will settle conversions of the Convertible Notes by paying or delivering, as the case may be, cash, shares of common stock, or a combination thereof, at its election.

Upon the occurrence of a fundamental change (as defined in the Indenture), subject to certain conditions, holders of the Convertible Notes may require the Company to repurchase for cash all or any portion of their Convertible Notes in principal amounts of $1,000 or an integral multiple thereof, at a repurchase price of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. In addition, following certain corporate events that occur prior to the maturity date or if the Company delivers a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with such a corporate event or convert its Convertible Notes called for redemption during the related redemption period, as the case may be. The Indenture contains customary covenants and events of default.

The Company was not required to bifurcate the embedded conversion feature and the Convertible Notes were not issued with a substantial premium. As such, the Company accounted for the Convertible Notes as a liability under the no proceeds allocated model. The Company calculates earnings per share using the if-converted method.

See Note 15 for information regarding partial redemption of the Convertible Notes in April 2023.

Revolving Credit Facility

On November 2, 2021, the Company entered into the Second Amended and Restated Loan and Security Agreement with SVB (the “2021 Revolving Credit Facility”), which provides, subject to borrowing availability and certain other conditions, for revolving loans in an aggregate principal amount of up to $75.0 million (the “Facility”), with a $15.0 million sub-facility for letters of credit. The Company’s borrowing availability under the Facility is calculated by reference to a borrowing base which is determined by specified percentages of eligible accounts receivable. The Facility will terminate on the earlier of (i) November 2, 2026 or (ii) 120 days prior to the maturity date of the Company’s 2.95% Convertible Senior Notes due 2026, unless the Convertible Notes have been converted to common equity securities of the Company.

Outstanding loans under the Facility accrue interest, at the Company’s option, at a rate equal to either (a) a base rate minus an applicable margin ranging from 1.5% to 1.0% per annum or (b) LIBOR plus an applicable margin of 1.5% to 2.0% per annum, in each case based upon borrowing availability under the Facility. The undrawn portions of the commitments under the Facility are subject to a commitment fee at a rate ranging from 0.20% per annum to 0.30% per annum, based upon borrowing availability under the Facility.

The 2021 Revolving Credit Facility contains representations and warranties, including, without limitation, with respect to collateral; accounts receivable; financials; litigation, indictment and compliance with laws; disclosure and no material adverse effect, each of which is a condition to funding. Additionally, the 2021 Revolving Credit Facility includes events of default and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, without limitation, restrictions on liens, indebtedness, investments, fundamental changes, dispositions, restricted payments, and prepayment of the Convertible Notes and of junior indebtedness. The 2021 Revolving Credit Facility contains a financial covenant that requires, in the event that credit extensions under the Facility equal or exceed 85% of the available commitments under the Facility or upon the occurrence of an event of default, the Company to maintain a minimum consolidated monthly fixed charge coverage ratio of 1.00. The obligations of the Company, and the other subsidiary co-borrowers under the 2021 Revolving Credit Facility are secured by a first-priority lien on substantially all the assets of the Company and such other subsidiary co-borrowers.

As previously discussed in Note 7, On March 27, 2023, First Citizens Bank entered into an agreement with FDIC to acquire the Silicon Valley Bridge Bank, N.A, assuming all customer deposits and certain other liabilities of Silicon Valley Bridge Bank, N.A. As a result, the Company's 2021 Revolving Credit Facility remained in effect with First Citizens Bank. The Company was in compliance with all of the related financial covenants as of March 31, 2023 and December 31, 2022. As of March 31, 2023 and December 31, 2022, the Company had no borrowings outstanding under the 2021 Revolving Credit Facility and its available borrowing capacity was $64.8 million and $70.7 million, respectively, based on the defined borrowing formula. Other assets in the Company's condensed consolidated balance sheets as each of March 31, 2023 and December 31, 2022 included deferred financing costs of $0.4 million, which are being amortized over the term of the 2021 Revolving Credit Facility.

10. Income Taxes

The Company's interim (benefit) provision from income taxes is determined based on its annual estimated effective tax rate, applied to the actual year-to-date income, and adjusted for the tax effects of any discrete items. The Company's effective tax rates for the three months ended March 31, 2023 and 2022 were 23.4% and 34.3%, respectively. The Company's effective tax rate for the three months ended March 31, 2023 was higher than the United States federal statutory tax rate of 21%, primarily due to certain non-deductible stock-based compensation expenses partially offset by a deduction related to foreign-derived intangible income. The Company's effective tax rate for the three months ended March 31, 2022 was higher than the United States federal statutory tax rate of 21%, primarily due to the inclusion of foreign subsidiaries' income in the U.S., as well as due to certain non-deductible stock-based compensation expenses.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which among other things implements a 15% minimum tax on adjusted financial statement income of certain large corporations and a 1% excise tax on net stock repurchases. Based on the Company's current level of income and share repurchase program, this legislation is not expected to have a material impact on its consolidated financial statements.

In addition, a provision enacted as part of the 2017 Tax Cuts & Jobs Act requires companies to capitalize certain research and experimental expenditures for tax purposes in tax years beginning after December 31, 2021. As a result, the Company expects to utilize a substantial portion of its federal net operating loss carryforwards in 2023.

11. Commitments and Contingencies

Legal Proceedings and Other Matters

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, nor is it aware of any pending or threatened litigation that, in its opinion, would have a material adverse effect on its business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

On April 29, 2021, the Company was notified that the Antitrust Division of the U.S. Department of Justice is conducting a criminal investigation into the hiring practices in its industry that includes the Company. The Company is continuing to cooperate with the Antitrust Division. While there can be no assurance regarding the ultimate resolution of this matter, the Company does not believe that its conduct violated applicable law.

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12. Stockholders' Equity

Share Repurchases

On December 14, 2022, the Company's Board of Directors (the "Board") approved a new share repurchase program, authorizing the Company to repurchase up to $30 million of its common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended, or terminated at any time by the Company at its discretion without prior notice. During the three months ended March 31, 2023, the Company repurchased 1,313,073 shares with a fair value of $6.1 million, including commissions, under its share repurchase program. As of March 31, 2023, the remaining availability under the Company's $30 million share repurchase program was $23.9 million.

In addition, the Company may periodically withhold shares to satisfy employee tax withholding obligations arising in connection with the vesting of restricted stock units and exercise of options and warrants in accordance with the terms of the Company's equity incentive plans and the underlying award agreements. During the three months ended March 31, 2023 and 2022, the Company withheld 48,202 shares and 117,637 shares, respectively, with a fair value of $0.2 million and $1.7 million, respectively, to satisfy the minimum employee tax withholding obligations.

Accumulated Other Comprehensive Loss

The following table details the changes in accumulated other compressive (loss) income ("AOCI"), net of tax:

	Foreign currency translation loss	Unrealized (losses) gains on investments in marketable securities	Total accumulated other comprehensive loss
Balance–December 31, 2022	$ (8,344)	$ (1,569)	$ (9,913)
Other comprehensive (loss) income, net of tax	(1,220)	420	(800)
Balance–March 31, 2023	$ (9,564)	$ (1,149)	$ (10,713)

There were no amounts reclassified from AOCI to earnings during any of the periods presented.

13. Stock-based Compensation

Equity Incentive Plans

In July 2021, the Board and the Company's stockholders approved the 2021 Long-Term Incentive Plan (the "2021 LTIP"), which may be used to grant, among other award types, stock options and restricted stock units ("RSUs"). The number of shares of common stock reserved for future issuance under the 2021 Plan will also be increased pursuant to provisions for annual automatic evergreen increases. The Company's previous awards issued under its 2007 Omnibus Securities and Incentive Plan, as amended and restated on January 21, 2009 ("2007 Plan"), remain subject to the 2007 Plan. As of March 31, 2023, approximately 8,595,000 and 453,000 shares were available for grant under the 2021 LTIP and the 2007 Plan, respectively. The Company generally issues new shares for stock option exercises and vesting of restricted stock units.

The Company recognizes stock-based compensation expense for stock-based awards, including stock options, RSUs and stock appreciation rights ("SARs"), based on the estimated fair value of the awards. The Company estimates the fair value of its stock option awards on the grant date using the Black-Scholes option pricing model. The fair value of RSUs is the fair value of the Company's common stock on the date of grant. The Company accounts for forfeitures as they occur.

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The following table summarizes stock-based compensation expense recognized in the Company's condensed consolidated statements of operations for the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Research and development	$ 502	$ 537
Sales and marketing	1,026	1,173
General and administrative	1,083	1,023
Total stock-based compensation	$ 2,611	$ 2,733

As of March 31, 2023, the Company's remaining unrecognized stock-based compensation expense was $1.8 million for unvested stock options and $22.1 million for unvested RSUs.

There were no stock options granted during the three months ended March 31, 2023. The following table summarizes stock option activity for the period presented:

	Stock Options	
	Number of Shares	Weighted-Average Exercise Price
Outstanding — December 31, 2022	2,681,436	$ 9.08
Forfeited/expired	(70,359)	$ 9.97
Outstanding — March 31, 2023	2,611,077	$ 9.06
Exercisable — March 31, 2023	2,227,379	$ 8.71

As of March 31, 2023 and December 31, 2022, 3,390 SARs were outstanding, which are accounted for as liability awards.

The following table summarizes RSU activity for the three months ended March 31, 2023:

	RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding—December 31, 2022	2,785,510	$ 9.87
Granted	60,642	$ 4.77
Vested	(281,469)	$ 10.66
Forfeited	(129,161)	$ 8.72
Outstanding—March 31, 2023	2,435,522	$ 9.71

Stock-Based Awards Granted Outside of Equity Incentive Plans

Warrants

The Company issued equity classified warrants to purchase shares of common stock to certain third-party advisors, consultants, and financial institutions, which expire between 2024 and 2026. As of March 31, 2023 and December 31, 2022, 188,235 warrants were outstanding with a weighted average exercise price of $7.57.

Employee Stock Purchase Plan

In July 2021, the Board and the Company's stockholders approved a new 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective in connection with the closing of the Company's IPO. A total of approximately 2,352,000 shares of the Company's common stock have been reserved for issuance under the ESPP, which is subject to annual automatic evergreen increases. As of March 31, 2023, no shares have been purchased under the ESPP as it is not yet active.

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14. Net Loss Per Common Share

The following table presents the computation of the Company's basic and diluted net loss per share:

	Three Months Ended March 31,	
	2023	2022
	(Dollars in thousands)	
Numerator:		
Net loss	$ (5,605)	$ (1,890)
Denominator:		
Weighted-average shares - basic and diluted	51,435,289	57,237,012
Net loss per share:		
Basic	$ (0.11)	$ (0.03)
Diluted	$ (0.11)	$ (0.03)

The following weighted-average shares have been excluded from the calculation of diluted net loss per share attributable to common stockholders for each period presented because they are anti-dilutive:

	Three Months Ended March 31,	
	2023	2022
Convertible debt	9,440,000	9,440,000
Options to purchase common stock	2,611,077	3,251,289
Warrants	188,235	188,235
Restricted stock units	2,435,522	1,778,305
Total shares excluded from diluted net loss per share	14,674,834	14,657,829

15. Subsequent Events

On April 14, 2023, the Company repurchased $118.0 million aggregate principal amount of the Convertible Notes out of the initially issued principal balance of $236.0 million via a privately negotiated repurchase agreement with Baupost Group Securities, L.L.C., the sole holder of the Convertible Notes, for approximately $96.2 million in cash, including accrued interest, representing a discount of approximately 19% to the principal amount of the repurchased notes. As a result, the Company will record a pre-tax gain of approximately $22.6 million in its condensed consolidated statement of operations for the second quarter of 2023. In addition, the Company redeemed $80.3 million of its available-for-sale marketable securities to finance this transaction and realized a loss of $0.6 million, which will be recorded in its condensed consolidated statement of operations for the second quarter of 2023. Following the closing of the repurchase, the repurchased notes were cancelled by the Trustee, and $118.0 million principal amount of the Convertible Notes out of the initially issued principal balance of $236.0 million, remains outstanding and continues to be subject to the terms of the indenture dated as of July 27, 2021, pursuant to which they were issued.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Report") and our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission ("SEC") on March 15, 2023 ("2022 Form 10-K"). In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, and expectations, and involve risks and uncertainties. Factors that could cause or contribute to these differences include those incorporated by reference in Part II, Item 1A "Risk Factors" in this Report as such factors may be revised or supplemented in subsequent filings with the SEC, as well as those discussed below and elsewhere in this Report, including under the caption "Note About Forward-Looking Statements."

The purpose of this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is to provide the readers of our financial statements with narrative information from our management, which is necessary to understand our business, financial condition, and results of operations. The MD&A should be read in conjunction with our condensed consolidated financial statements and notes thereto. In addition to the condensed consolidated financial statements prepared in accordance with the generally accepted accounting principles in the United States ("GAAP"), we use certain non-GAAP financial measures throughout this discussion to provide investors with supplemental metrics used by our management for financial and operational decision making. These measures are supplemental and are not an alternative to our financial statements prepared in accordance with U.S. GAAP. See "Non-GAAP Reconciliations" in this Report for the definitions and limitations of these measures, and reconciliations to the most comparable GAAP financial measures.

Business Overview

Outbrain Inc. (together with our subsidiaries, "Outbrain," the "Company," "we," "our" or "us") was incorporated in August 2006 in Delaware. The Company is headquartered in New York, New York with various wholly-owned subsidiaries, including in Israel, Europe and Asia.

Outbrain is a leading recommendation platform for advertisers and digital media owners, reaching over a billion unique users around the world. Outbrain's technology provides personalization, engagement and monetization solutions to thousands of digital media properties, including many of the world's most prestigious publishers. For tens of thousands of advertisers around the world, Outbrain helps attract new customers and grow their businesses, driving measurable results and return on investment.

Over the past decade, consumers have become increasingly accustomed to seeing highly curated digital content and ads that align with their unique interests. Similar to the way in which social media and search have simplified discovery by synthesizing billions of consumer data points to offer personalized experiences, we provide digital media owners with a platform that encompasses data at scale as well as prediction and recommendation capabilities, helping them deliver both editorial content and paid advertising personalized to their users, based on context and each user's interests and preferences. Our platform is built for user engagement and, as a mobile-first company, is designed to be highly effective on mobile devices. Outbrain's technology is deployed on the mobile apps and websites of most of our media partners, generating 72% of our revenue in 2022.

Outbrain operates a two-sided marketplace, which means we usually have exclusive control over all aspects of the user experience, allowing us to quickly test and deploy new formats for our advertisers and media owners. Since inception, we have been guided by the same core principles pertaining to our three constituents: users, media partners, and advertisers.

Users. We believe that by focusing on improving the user experience and ad format innovation, we are able to cultivate user behavior patterns that compound engagement over time, delivering superior long-term monetization for ourselves and for our media partners, as well as better return on ad spend for our advertisers.

Media Partners. We are committed to the long-term success of our media partners. Consistent with this philosophy, we focus on establishing a true win-win partnership. We strive to develop trusted, transparent, multi-year contracts with media partners, which are typically exclusive with us. Our media partners include both traditional publishers and companies in new and rapidly evolving categories, such as mobile device manufacturers and web browsers.

Advertisers. We offer a unique advertising solution across the entire purchase funnel, serving tens of thousands of brands - from small businesses to large, Fortune 500 enterprise brands and the agencies that support them. Outbrain's value proposition to advertisers is to deliver measurable engagement that drives business outcomes - not limited to impressions, views, and reach.

Through our direct, usually exclusive code on page integrations with media partners, we have become one of the largest online advertising platforms on the open web. In 2022, we provided personalized ads to over a billion monthly unique users, delivering on average nearly 12 billion recommendations to content, services, and products per day, with over 30,000 advertisers directly using our platform.

The following is a summary of our performance for the periods presented:

- Our revenue was $231.8 million in the three months ended March 31, 2023, compared to $254.2 million in three months ended March 31, 2022. Revenue for the three months ended March 31, 2023 included net unfavorable foreign currency effects of approximately $5.8 million, and decreased $16.6 million, or 6.5% on a constant currency basis.

- Our gross profit was $41.2 million and our gross margin was 17.8% in for the three months ended March 31, 2023, compared to gross profit of $53.9 million and gross margin of 21.2% for the comparable period in 2022.

- Our Ex-TAC Gross Profit [(1)] was $52.2 million in the three months ended March 31, 2023, compared to $63.5 million in the three months ended March 31, 2022.

- Our net loss was $5.6 million, or (13.6)% of gross profit in the three months ended March 31, 2023, compared to net loss of $1.9 million, or (3.5)% of gross profit for the comparable period in 2022.

- Our Adjusted EBITDA[(1)] was $0.7 million for the three months ended March 31, 2023, compared to $11.6 million for the three months ended March 31, 2022. Adjusted EBITDA[(1)] was 1.3% and 18.3% of Ex-TAC Gross Profit[(1)] in three months ended March 31, 2023, and 2022, respectively.

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(1) Ex-TAC Gross Profit and Adjusted EBITDA are non-GAAP financial measures. See “Non-GAAP Reconciliations” in this Report for definitions and limitations of these measures, and reconciliations to the comparable GAAP financial measures.

Recent Developments

Partial Repurchase of Convertible Senior Notes

On April 14, 2023, we repurchased $118.0 million aggregate principal amount of our 2.95% Convertible Senior Notes due 2026 (“Convertible Notes”) out of the initially issued principal balance of $236.0 million via a privately negotiated repurchase agreement with Baupost Group Securities, L.L.C., the sole holder of the Convertible Notes, for approximately $96.2 million in cash, including accrued interest, representing a discount of approximately 19% to the principal amount of the repurchased notes. As a result, we will record a pre-tax gain of approximately $22.6 million in our condensed consolidated statement of operations for the second quarter of 2023. In addition, we redeemed $80.3 million of our available-for-sale marketable securities to finance this transaction and realized a loss of $0.6 million, which will be recorded in our condensed consolidated statement of operations for the second quarter of 2023. Following the closing of the repurchase, the repurchased notes were cancelled by the Trustee, and $118.0 million principal amount of the Convertible Notes out of the initially issued principal balance of $236.0 million, remain outstanding and continue to be subject to the terms of the indenture dated as of July 27, 2021, pursuant to which they were issued.

Impacts of SVB Closure

On March 10, 2023, we learned that Silicon Valley Bank (“SVB”) was closed by the California regulators and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver. On March 12, 2023, the Department of the Treasury, Federal Reserve and FDIC approved actions enabling the FDIC to complete its resolution of SVB in a manner that fully protects all depositors and converted SVB to Silicon Valley Bridge Bank, N.A. As a result, we regained full access to the funds held by SVB. On March 27, 2023, First-Citizens Bank & Trust Company (“First Citizens Bank”) entered into an agreement with FDIC to acquire Silicon Valley Bridge Bank, N.A., assuming all customer deposits and certain other liabilities of Silicon Valley Bridge Bank, N.A. While we have established an alternate operating account to which our customers can remit payments, our preexisting SVB accounts, now with First Citizens Bank, remain fully operational. In addition, our 2021 Revolving Credit Facility and our existing foreign currency forward contracts have remained in effect.

As a result of the closure of SVB, our cash flow from operations for the first quarter of 2023 was negatively impacted by the delays in timing of collecting payments from our customers through our operating accounts maintained at SVB. Although we have resumed normal course collections, our second quarter may be impacted as we resolve the March 2023 delays. While this event has and will impact the timing of our cash collections during the first half of 2023, we expect it to have limited to no impact for the full year.

Macroeconomic Environment

General worldwide economic conditions have recently experienced significant instability, as well as volatility and disruption in the financial markets, resulting from factors such as the effects of the Russia-Ukraine conflict, the COVID-19 pandemic, and general economic uncertainty. The current macroeconomic environment, with variables such as inflation, increased interest rates, bank disruptions, recessionary concerns, currency exchange rate fluctuations, global supply chain disruptions, and labor market volatility, has negatively impacted our advertisers. Accordingly, these conditions have adversely impacted our business and could, if they continue or worsen, adversely impact us in the future, including if our advertisers were to reduce or further reduce their advertising spending as a result of any of these factors. We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers, and agencies). These conditions make it difficult for us, our media partners, advertisers, and agencies to accurately forecast and plan future business activities and could cause a further reduction or delay in overall advertising demand and spending, which would negatively impact our business, financial condition, and results of operations.

Factors Affecting Our Business

Retention and Growth of Relationships with Media Partners

We rely on relationships with our media partners for a significant portion of our advertising inventory and for our ability to increase revenue through expanding their use of our platform. To further strengthen these relationships, we continuously invest in our technology and product functionality to drive user engagement and monetization by (i) improving our algorithms; (ii) effectively managing our supply and demand; and (iii) expanding the adoption of our enhanced products by media partners.

Our relationships with media partners are typically long-term, exclusive, and strategic in nature. Our top 20 media partners, based on our 2022 revenue, have been using our platform for an average of over seven years, despite their typical contract length being two to four years. Net revenue retention is an important indicator of media partner satisfaction, the value of our platform, as well as our ability to grow revenue from existing relationships.

We calculate media partner net revenue retention at the end of each quarter by starting with revenue generated on media partners' properties during the same period in the prior year, "Prior Period Retention Revenue." We then calculate the revenue generated on these same media partners' properties in the current period, "Current Period Retention Revenue." Current Period Retention Revenue reflects any expansions within the media partner relationships, such as any additional placements or properties on which we extend our recommendations, as well as contraction or attrition. Our media partner net revenue retention in a quarter equals the Current Period Retention Revenue divided by the Prior Period Retention Revenue. To calculate media partner net revenue retention for year-to-date and annual periods, we sum the quarterly Current Period Retention Revenue and divide it by the sum of the quarterly Prior Period Retention Revenue. These amounts exclude certain revenue adjustments and revenue recognized on a net basis. Our media partner net revenue retention was 80% for the three months ended March 31, 2023.

Our growth also depends on our ability to secure partnerships with new media partners. New media partners are defined as those relationships in which revenue was not generated in the prior period, except for limited instances where residual revenue was generated on a media partner's properties. In such instances, the residual revenue would be excluded from net revenue retention above. Revenue generated on new media partners' properties contributed approximately 11% to revenue growth for the three months ended March 31, 2023.

User Engagement with Relevant Media and Advertising Content

We believe that engagement is a key pillar of the overall value that our platform provides to users, media partners and advertisers. Our algorithms enable effective engagement of users by facilitating the discovery of content, products, and services that they find most interesting, as well as connecting them to personalized ads that are relevant to them. We believe that the user experience has a profound impact on long-term user behavior patterns and thus "compounds" over time improving our long-term monetization prospects. This principle guides our behavior, and, as a result, we do not focus on the price of ads, nor on maximizing such prices, as may be the case with some of our competitors. Given this view, we do not focus on cost-per-click or cost-per-impression as key performance indicators for the business. Consequently, we have a differentiated approach to monetization as we optimize our algorithms for the overall user experience rather than just for the price of each individual user engagement.

Growth in user engagement is driven by several factors, including enhancements to our recommendation engine, growth in the breadth and depth of our data assets, the increase in size and quality of our content and advertising index, user engagement, expansion on existing media partner properties where our recommendations can be served and the adoption of our platform by new media partners. As we grow user engagement, we are able to collect more data, enabling us to further enhance our algorithms, which in turn helps us make smarter recommendations and further grow user engagement, providing our platform and our business with a powerful growth flywheel. We measure the impact of this growth flywheel on our business by reviewing the growth of Click Through Rate ("CTR") for ads on our platform. CTR improvements increase the number of clicks on our platform. We believe that we have a significant opportunity to further grow user engagement, and thus our business, as today CTR for ads on our platform is less than 1% of recommendations served.

Advertiser Retention and Growth

We focus on serving ads that are most likely to deliver engagement, rather than on the price of the ads, which we believe leads to better return on ad spend ("ROAS") for advertisers. Our growth is partially driven by retaining and expanding the amount of spend by advertisers on our platform, as well as by acquiring new advertisers. Improving our platform with functionality and features that increase engagement and ROAS increases the attractiveness of our platform to existing and new advertisers, while also growing our share of their advertising budgets. We continuously invest in enhancing our technological capabilities to deliver better ROAS and transparency on ad spend, and market these attributes to grow our advertiser base and share of wallet.

Prices paid by advertisers on our platform fluctuate period to period for a variety of reasons, including supply and demand, competition, macroeconomic conditions, and seasonality. Movements in average prices do not necessarily correlate to our revenue or Ex-TAC Gross Profit trends. In order to grow our revenue and Ex-TAC Gross Profit and maximize value for our advertisers and media partners, our focus as a business is on driving user engagement and ROAS for advertisers, not on optimizing for price.

For the year ended December 31, 2022, over 30,000 unique advertisers were active on our platform. In addition, we continue to grow our programmatic partnerships, enabling us to grow our advertiser base efficiently.

Expansion Into New Environments, New Content Experiences and New Ad Formats

The accelerating pace of technological innovation and adoption, combined with continuously evolving user behavior and content consumption habits, presents multiple opportunities for growth. The emergence of new devices, platforms and environments in which users spend time consuming content is one area of expansion for us. Similarly, the formats in which content can or will be consumed continue to evolve, as do user-friendly and impactful ad formats that can be delivered in or alongside that content. Fundamentally, we plan to continue making our platform available for media partners on all types of devices and platforms, and all formats of media that carry their content.

Examples of new environments in which content consumption is expected to grow include connected TVs ("CTV"), screens for autonomous vehicles and public transport, pre-installed applications on new smartphones, smartphone native content feeds, push notifications and email newsletters. We are developing solutions that allow media partners, service providers and manufacturers to provide better curated, personalized and more engaging content feeds and recommendations in these environments. Through our acquisition of vi in the first quarter of 2022, we expanded our video product offerings to new formats and environments, including pre-roll high-impact video formats, delivering a better user experience and more value to our advertisers. We plan to continue to evaluate strategic acquisition or investment opportunities as part of our growth strategy in the future.

The development and deployment of new ad formats allow us to better serve users, media partners and, ultimately, advertisers who seek to target and engage users at scale; this continues to open and grow new types of advertiser demand, while ensuring relevance as the environments in which we operate diversify.

Investment in Our Technology and Infrastructure

Innovation is a core tenet of our Company and our industry. We plan to continue our investments in our people and our technology in order to retain and enhance our competitive position. For example, improvements to our algorithms help us deliver more relevant ads, driving higher user engagement, thereby improving ROAS for advertisers and increasing monetization for our media partners. Our Smartlogic product dynamically adjusts both the arrangement and the formats of content delivered to a user, depending on the user's preferences and our media partner's key performance indicators ("KPIs"), designed to provide a more personalized and engaging feed experience. We continue to invest in media partner and advertiser focused tools, technology, and products as well as privacy-centric solutions, with the launch of Keystone by Outbrain, which enables a more holistic management of overall revenue for media owners increasingly focused on revenue diversification.

We believe that our proprietary micro-services, API-based cloud infrastructure provides us with a strategic competitive advantage, as we are able to deploy code an average of 300 times per day and grow in a scalable and highly cost-effective manner. As we develop and deploy solutions for enhanced integration of our technologies in new environments, with new content and ad formats, we anticipate activity through our platform to grow. We anticipate that the investment in our technology, infrastructure and solutions will contribute to our long-term growth.

Industry Dynamics

Our business depends on the overall demand for digital advertising, on the continuous success of our current and prospective media partners, and on general market conditions. Digital advertising is a rapidly evolving and growing industry, with growth that has outpaced the growth of the broader advertising industry. Content consumption continues to shift online, requiring media owners to adapt in order to successfully attract, engage and monetize their users. Given the large and growing volume of content being generated online, content curation tools are increasingly becoming a necessity for users and media owners alike. Advertisers increasingly rely on digital advertising platforms that deliver highly targeted ads and measurable performance. Regulators across most developed markets are increasingly focused on enacting and enforcing user privacy rules as well as tighter oversight of the major “walled garden” platforms. Industry participants have recently been, and likely will continue to be, impacted by changes implemented by platform leaders, such as Apple’s change to its Identifier for Advertisers policy and Google’s evolving roadmap pertaining to the use of cookies within its Chrome web browser. See Item 1A, “Risk Factors” in our 2022 Form 10-K for additional information regarding changing industry dynamics with respect to industry participants and the regulatory environment. Given our focus on innovation, the depth and length of our media partner relationships and our scale, we believe that we are well positioned in the long-term to address and potentially benefit from many of these industry dynamics. Additionally, we believe that our strength in delivering engagement and clear outcomes for advertisers aligns well with the ongoing market shift towards increased accountability and expectations of ROAS from digital advertising spend generally.

Seasonality

The global advertising industry experiences seasonal trends that affect most participants in the digital advertising ecosystem. Our revenue generally fluctuates from quarter to quarter as a result of a variety of factors, including seasonality, as many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing, as well as the timing of advertising budget cycles. Historically, the fourth quarter of the year has reflected the highest levels of advertiser spending, and the first quarter generally has reflected the lowest level of advertiser spending. In addition, expenditures by advertisers tend to be cyclical and discretionary in nature, reflecting changes in brand advertising strategy, budgeting constraints, and buying patterns and a variety of other factors, many of which are outside of our control. The quarterly rate of increase in our traffic acquisition costs is generally commensurate with the quarterly rate of increase in our revenue. However, traffic acquisition costs have, at times, grown at a faster or slower rate than revenue, primarily due to the mix of the revenue generated or contracted terms with media partners. We generally expect these seasonal trends to continue, though historical seasonality may not be predictive of future results given the potential for changes in advertising buying patterns and macroeconomic conditions. These trends will affect our operating results and we expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole.

Definitions of Financial and Performance Measures

Revenue

We generate revenue from advertisers through ads that we deliver across a variety of media partner properties. We charge advertisers for clicks on and, to a lesser extent, impressions of their ads, depending on how they choose to contract with us. We recognize revenue in the period in which the click or impression occurs.

The amount of revenue that we generate depends on the level of demand from advertisers to promote their content to users across our media partners’ properties. We generate higher revenue at times of high demand, which is also impacted by seasonal factors. For any given marketing campaign, the advertiser has the ability to adjust its price in real time and set a maximum daily spend. This allows advertisers to adjust the estimated ad spend attributable to the particular campaign. Due to the measurable performance that our advertisers achieve with us, a portion of our advertisers spend with us on an unlimited basis, as long as their ROAS objectives are met.

Our agreements with advertisers provide them with considerable flexibility to modify their overall budget, price (cost-per-click or cost-per-impression), and the ads they wish to deliver on our platform.

Traffic Acquisition Costs

We define traffic acquisition costs ("TAC") as amounts owed to media partners for their share of the revenue we generated on their properties. We incur traffic acquisition costs in the period in which the revenue is recognized. Traffic acquisition costs are based on the media partners' revenue share or, in some circumstances, based on a guaranteed minimum rate of payment from us in exchange for guaranteed placement of our ads on specified portions of the media partner's digital properties. These guaranteed rates are typically provided per thousand qualified page views, whereas our minimum monthly payment to the media partner may fluctuate based on how many qualified page views the media partner generates, subject to a maximum guarantee. As such, traffic acquisition costs may not correlate with fluctuations in revenue, and our rates may remain fixed even with a decrease in revenue. Traffic acquisition costs also include amounts payable to programmatic supply partners.

Other Cost of Revenue

Other cost of revenue consists of costs related to the management of our data centers, hosting fees, data connectivity costs and depreciation and amortization. Other cost of revenue also includes the amortization of capitalized software that is developed or obtained for internal use associated with our revenue-generating technologies.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing and general and administrative expenses. The largest component of our operating expenses is personnel costs. Personnel costs consist of wages, benefits, bonuses, stock-based compensation and, with respect to sales and marketing expenses, sales commissions.

Research and Development. Research and development expenses are related to the development and enhancement of our platform and consist primarily of personnel and the related overhead costs, amortization of capitalized software for non-revenue generating infrastructure and facilities costs.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel and the related overhead costs for personnel engaged in marketing, advertising, client services, and promotional activities. These expenses also include advertising and promotional spend on media, conferences, and other events to market our services, and facilities costs.

General and Administrative. General and administrative expenses consist primarily of personnel and the related overhead costs, professional fees, facilities costs, insurance, and certain taxes other than income taxes. General and administrative personnel costs include, among others, our executive, finance, human resources, information technology and legal functions. Our professional service fees consist primarily of accounting, audit, tax, legal, information technology and other consulting costs, including our implementation of and compliance with the Sarbanes-Oxley Act requirements.

Other Income (Expense), Net

Other income (expense), net is comprised of interest income, interest expense and other income (expense), net.

Interest Expense. Interest expense consists of interest expense on the Convertible Notes, our revolving credit facility and capital leases. Interest expense may increase if we incur any borrowings under our revolving credit facility or if we enter into new debt facilities or capital leasing arrangements.

Interest Income and Other (Expense) Income, net. Interest income and other (expense) income, net primarily consists of interest earned on our cash, cash equivalents and investments in marketable securities, discount amortization on our investments in marketable securities, and foreign currency exchange gains and losses. Foreign currency exchange gains and losses, both realized and unrealized, relate to transactions and monetary asset and liability balances denominated in currencies other than the functional currencies, including mark-to-market adjustments on undesignated foreign exchange forward contracts. Foreign currency gains and losses may continue to fluctuate in the future due to changes in foreign currency exchange rates.

Benefit from Income Taxes

Benefit from income taxes consists of federal and state income taxes in the United States ("U.S.") and income taxes in certain foreign jurisdictions, as well as deferred income taxes and changes in valuation allowance, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Realization of our deferred tax assets depends on the generation of future taxable income. In considering the need for a valuation allowance, we consider our historical and future projected taxable income, as well as other objectively verifiable evidence, including our realization of tax attributes, assessment of tax credits and utilization of net operating loss carryforwards.

Results of Operations

We have one operating segment, which is also our reportable segment. The following tables set forth our results of operations for the periods presented:

	Three months ended March 31,	
	2023	2022
	(In thousands)	
Condensed Consolidated Statements of Operations:		
Revenue	$ 231,774	$ 254,216
Cost of revenue:		
Traffic acquisition costs	179,576	190,696
Other cost of revenue	11,043	9,589
Total cost of revenue	190,619	200,285
Gross profit	41,155	53,931
Operating expenses:		
Research and development	9,311	10,428
Sales and marketing	25,748	27,395
General and administrative	15,406	16,034
Total operating expenses	50,465	53,857
(Loss) income from operations	(9,310)	74
Other income (expense), net:		
Interest expense	(1,867)	(1,871)
Interest income and other (expense) income, net	3,860	(1,081)
Total other income (expense), net	1,993	(2,952)
Loss before benefit from income taxes	(7,317)	(2,878)
Benefit from income taxes	(1,712)	(988)
Net loss	$ (5,605)	$ (1,890)
Other Financial Data:		
Research and development as % of revenue	4.0 %	4.1%
Sales and marketing as % of revenue	11.1 %	10.8%
General and administrative as % of revenue	6.6 %	6.3%
Ex-TAC Gross Profit	$ 52,198	$ 63,520
Adjusted EBITDA	$ 695	$ 11,608

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(1) Ex-TAC Gross Profit and Adjusted EBITDA are non-GAAP financial measures. See “Non-GAAP Reconciliations” in this Report for the definitions and limitations of these measures, and reconciliations to the most comparable GAAP financial measures.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Revenue

Revenue decreased $22.4 million, or 8.8%, to $231.8 million for the three months ended March 31, 2023 from $254.2 million for the three months ended March 31, 2022. Revenue for the three months ended March 31, 2023 included net unfavorable foreign currency effects of approximately $5.8 million, and decreased $16.6 million, or 6.5%, on a constant currency basis, compared to the prior year period. Our reported revenue decreased approximately $51.6 million due to net revenue retention of 80% on existing media partners, as we have experienced lower yields mainly due to weaker demand on our platform, reflecting the current macroeconomic conditions and the related impact on advertising spend, as well as due to unfavorable foreign currency effects. This decrease was partially offset by growth of approximately 11%, or $28.5 million, from new media partners.

See "Non-GAAP Reconciliations" for information regarding the constant currency measures provided in this discussion and below to supplement our reported results.

Cost of Revenue and Gross Profit

Traffic acquisition costs decreased $11.1 million, or 5.8%, to $179.6 million for the three months ended March 31, 2023, compared to $190.7 million in the prior year period. Traffic acquisition costs included net favorable foreign currency effects of approximately $5.4 million, and decreased $5.7 million, or 3.0%, on a constant currency basis, compared to the prior year period. The decrease in traffic acquisition costs was lower than the decrease in our revenue due to an unfavorable revenue mix and lower performance from certain deals. As a percentage of revenue, traffic acquisition costs increased to 77.5% for the three months ended March 31, 2023, from 75.0% for the three months ended March 31, 2022.

Other cost of revenue increased $1.4 million, or 15.2%, to $11.0 million for the three months ended March 31, 2023, compared to $9.6 million in the prior year period, primarily due to higher hosting fees due to continued platform improvements, including increased data processing capacity, increased internal use software amortization expense and higher network security related costs, offset in part by lower depreciation expense on server equipment. As a percentage of revenue, other cost of revenue increased 100 basis points to 4.8% for the three months ended March 31, 2023 from 3.8% for the three months ended March 31, 2022.

Gross profit decreased $12.7 million, or 23.7%, to $41.2 million for the three months ended March 31, 2023, compared to $53.9 million for the three months ended March 31, 2022, which was attributable to the decrease in revenue exceeding the decrease in the cost of revenue, as previously described. Gross profit for the three months ended March 31, 2023 included net unfavorable foreign currency effects of approximately $0.4 million, and decreased $12.3 million, or 23.0%, on a constant currency basis, compared to the prior year period.

Ex-TAC Gross Profit

Our Ex-TAC Gross Profit decreased $11.3 million, or 17.8%, to $52.2 million for the three months ended March 31, 2023, from $63.5 million for the three months ended March 31, 2022. Ex-TAC Gross Profit for the three months ended March 31, 2023 included net unfavorable foreign currency effects of approximately $0.4 million, and decreased $10.9 million, or 17.2%, on a constant currency basis, compared to the prior year period. The decrease in Ex-TAC Gross Profit was primarily driven by lower revenue, as well as unfavorable revenue mix and lower performance from certain deals. See “Non-GAAP Reconciliations” for the related definition and reconciliations to our gross profit.

Operating Expenses

Operating expenses decreased $3.4 million, or 6.3%, to $50.5 million for the three months ended March 31, 2023, from $53.9 million for the three months ended March 31, 2022. Operating expenses for the three months ended March 31, 2023 included net favorable foreign currency effects of approximately $3.2 million, and decreased $0.2 million, or 0.3%, on a constant currency basis, compared to the prior year period. The reported decrease in operating expenses was primarily attributable to lower personnel-related costs of $3.7 million, mainly driven by lower headcount due to our cost reduction initiatives, and lower professional costs of $1.9 million, largely attributable to a $1.1 million decrease in regulatory matter costs. These decreases were partially offset by an increase in the provision for credit losses of $2.9 million during the three months ended March 31, 2023, due to a net benefit in the prior period and the impact of unfavorable timing of collections, which we expect to largely reverse in subsequent quarters.

The components of operating expenses are discussed below:

- ***Research and development expenses*** — decreased $1.1 million, primarily due to lower personnel-related costs.
- ***Sales and marketing expenses*** — decreased $1.7 million, primarily due to lower personnel-related costs of $2.2 million and lower marketing costs, partially offset by $0.8 million of severance and related costs recorded during the three months ended March 31, 2023.
- ***General and administrative expenses*** — decreased $0.6 million, primarily driven by lower professional fees of $1.8 million (including a year-over-year decrease in regulatory matter costs of $1.1 million), lower personnel related costs of $0.9 million, and a decrease in other corporate expenses of $0.8 million. These decreases were partially offset an increase in the provision for credit losses of $2.9 million, as discussed above.

Operating expenses as a percentage of revenue increased 60 basis points to 21.8% for the three months ended March 31, 2023 from 21.2% for the three months ended March 31, 2022, reflecting a lower rate of decrease in total operating expenses than in revenues.

Total Other Income (Expense), Net

Total other income (expense), net, increased $5.0 million to income of $2.0 million for the three months ended March 31, 2023, compared to an expense of $3.0 million for the three months ended March 31, 2022, primarily due to $2.4 million of income recorded during the three months ended March 31, 2023 in connection with our investment program initiated in July 2022. In addition, net foreign currency gains increased $2.2 million, relating to transactions denominated in currencies other than functional currencies.

Benefit from Income Taxes

Benefit from income taxes was $1.7 million for the three months ended March 31, 2023, compared to $1.0 million for the three months ended March 31, 2022, primarily due to a greater pre-tax loss for the three months ended March 31, 2023. Our effective tax rate declined to 23.4% in the three months ended March 31, 2023, compared to 34.3% in three months ended March 31, 2022, primarily attributable to a deduction related to foreign-derived intangible income during the three months ended March 31, 2023.

A provision enacted as part of the 2017 Tax Cuts & Jobs Act requires companies to capitalize certain research and experimental expenditures for tax purposes in tax years beginning after December 31, 2021. As a result, we expect to utilize a substantial portion of our federal net operating loss carryforwards in 2023, which will result in higher cash taxes and a lower effective tax rate due to a deduction related to foreign-derived intangible income.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which among other things implements a 15% minimum tax on adjusted financial statement income of certain large corporations and a 1% excise tax on net stock repurchases. Based on our current level of income and share repurchase program, this legislation is not expected to have a material impact on our consolidated financial statements.

Our future effective tax rate may be affected by the geographic mix of earnings in countries with different statutory rates. Additionally, our future effective tax rate may be affected by our ongoing assessment of the need for a valuation allowance on our deferred tax assets or liabilities, or changes in tax laws, regulations, or accounting principles, tax planning initiatives, as well as certain discrete items.

Net Loss

As a result of the foregoing, we recorded net loss of $5.6 million for the three months ended March 31, 2023, as compared to net loss of $1.9 million for the three months ended March 31, 2022.

Adjusted EBITDA

Our Adjusted EBITDA decreased $10.9 million to $0.7 million for the three months ended March 31, 2023 from $11.6 million for the three months ended March 31, 2022, due to lower Ex-TAC Gross Profit and higher other costs of revenue, partially offset by lower operating expenses, as previously described. Our Adjusted EBITDA for the three months ended March 31, 2023 included net favorable foreign currency effects of approximately $2.6 million. See “Non-GAAP Reconciliations” for the related definitions of Adjusted EBITDA and reconciliations to our net income.

Non-GAAP Reconciliations

Because we are a global company, the comparability of our operating results is affected by foreign exchange fluctuations. We calculate certain constant currency measures and foreign currency impacts by translating the current year's reported amounts into comparable amounts using the prior year's exchange rates. All constant currency financial information being presented is non-GAAP and should be used as a supplement to our reported operating results. We believe that this information is helpful to our management and investors to assess our operating performance on a comparable basis. However, these measures are not intended to replace amounts presented in accordance with U.S. GAAP and may be different from similar measures calculated by other companies.

We present Ex-TAC Gross Profit, Adjusted EBITDA, Adjusted EBITDA as a percentage of Ex-TAC Gross Profit, and Free Cash Flow because they are key profitability measures used by our management and the Board to understand and evaluate our operating performance and trends, develop short-term and long-term operational plans, and make strategic decisions regarding the allocation of capital. Accordingly, we believe that these measures provide information to investors and the market in understanding and evaluating our operating results in the same manner as our management and the Board.

These non-GAAP financial measures are defined and reconciled to the corresponding U.S. GAAP measures below. These non-GAAP financial measures are subject to significant limitations, including those identified below. In addition, other companies in our industry may define these measures differently, which may reduce their usefulness as comparative measures. As a result, this information should be considered as supplemental in nature and is not meant as a substitute for revenue, gross profit, net income (loss) or net cash provided by (used in) operating activities presented in accordance with U.S. GAAP.

Ex-TAC Gross Profit

Ex-TAC Gross Profit is a non-GAAP financial measure. Gross profit is the most comparable GAAP measure. In calculating Ex-TAC Gross Profit, we add back other cost of revenue to gross profit. Ex-TAC Gross Profit may fluctuate in the future due to various factors, including, but not limited to, seasonality and changes in the number of media partners and advertisers, advertiser demand or user engagements.

There are limitations on the use of Ex-TAC Gross Profit in that traffic acquisition cost is a significant component of our total cost of revenue but not the only component and, by definition, Ex-TAC Gross Profit presented for any period will be higher than gross profit for that period. A potential limitation of this non-GAAP financial measure is that other companies, including companies in our industry which have a similar business, may define Ex-TAC Gross Profit differently, which may make comparisons difficult. As a result, this information should be considered as supplemental in nature and is not meant as a substitute for revenue or gross profit presented in accordance with U.S. GAAP.

The following table presents the reconciliation of Ex-TAC Gross Profit to gross profit, the most directly comparable U.S. GAAP measure, for the periods presented:

	Three months ended March 31,	
	2023	**2022**
	(In thousands)	
Revenue	$ 231,774	$ 254,216
Traffic acquisition costs	(179,576)	(190,696)
Other cost of revenue	(11,043)	(9,589)
Gross profit	41,155	53,931
Other cost of revenue	11,043	9,589
Ex-TAC Gross Profit	$ 52,198	$ 63,520

Adjusted EBITDA

We define Adjusted EBITDA as net (loss) income before interest expense; interest income and other (expense) income, net; provision (benefit) for income taxes; depreciation and amortization; stock-based compensation, and other income or expenses that we do not consider indicative of our core operating performance, including, but not limited to merger and acquisition costs, certain public company implementation related costs, regulatory matter costs, and severance costs related to our cost saving initiatives. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates operating performance comparisons from period to period.

We believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and the Board. However, our calculation of Adjusted EBITDA is not necessarily comparable to non-GAAP information of other companies. Adjusted EBITDA should be considered as a supplemental measure and should not be considered in isolation or as a substitute for any measures of our financial performance that are calculated and reported in accordance with U.S. GAAP.

The following table presents the reconciliation of Adjusted EBITDA to net loss, the most directly comparable U.S. GAAP measure, for the periods presented:

	Three months ended March 31,	
	2023	2022
	(In thousands)	
Net loss	$ (5,605)	$ (1,890)
Interest expense	1,867	1,871
Interest income and other (expense) income, net	(3,860)	1,081
Benefit for income taxes	(1,712)	(988)
Depreciation and amortization	5,941	6,268
Stock-based compensation	2,611	2,733
Regulatory matter costs	610	1,719
Merger and acquisition costs, public company implementation costs [(1)]	—	814
Severance costs	843	—
Adjusted EBITDA	$ 695	$ 11,608
Net Loss as % of Gross Profit	(13.6)%	(3.5)%
Adjusted EBITDA as % of Ex-TAC Gross Profit	1.3 %	18.3 %

(1) Primarily includes costs related to our acquisition of vi in January 2022 and public company implementation costs.

Free Cash Flow

Free cash flow is defined as cash flow provided by (used in) operating activities, less capital expenditures and capitalized software development costs. Free cash flow is a supplementary measure used by our management and the Board to evaluate our ability to generate cash and we believe it allows for a more complete analysis of our available cash flows. Free cash flow should be considered as a supplemental measure and should not be considered in isolation or as a substitute for any measures of our financial performance that are calculated and reported in accordance with U.S. GAAP.

The following table presents the reconciliation of free cash flow to net cash used in operating activities.

	Three months ended March 31,	
	2023	2022
	(In thousands)	
Net cash used in operating activities	$ (20,478)	$ (2,641)
Purchases of property and equipment	(3,749)	(2,809)
Capitalized software development costs	(2,853)	(3,445)
Free cash flow	$ (27,080)	$ (8,895)

LIQUIDITY AND CAPITAL RESOURCES

We regularly evaluate the cash requirements for our operations, commitments, development activities and capital expenditures and manage our liquidity risk in a manner consistent with our corporate priorities. Our current investment program is focused on achieving maximum returns within our investment policy parameters, while preserving capital and maintaining sufficient liquidity.

We believe that our cash and cash equivalents and investments will be sufficient to fund our anticipated operating expenses, capital expenditures, interest payments on our long-term debt, and planned share repurchases for at least the next 12 months and the foreseeable future. However, there are multiple factors that could impact our future liquidity, including our business performance, our ability to collect payments from our advertisers, having to pay our media partners even if our advertisers default on their payments, or other factors described under Item 1A “Risk Factors” included in this Report.

Sources of Liquidity

Our primary sources of liquidity are our cash and cash equivalents, investments in marketable securities, the available capacity under our revolving credit facility, and cash receipts from our advertisers.

While our collections during the three months ended March 31, 2023 have been negatively impacted by the closure of SVB, as discussed in the “Recent Developments” section above, we have historically experienced higher cash collections during our first quarter due to seasonally strong fourth quarter sales, and, as a result, our working capital needs typically decrease during the first quarter. We generally expect these trends to continue in future periods.

As of March 31, 2023, our available liquidity was follows:

	March 31, 2023 (In thousands)
Cash and cash equivalents [1]	$ 73,214
Short-term investments	178,529
Long-term investments	65,951
Revolving Credit Facility [2]	64,784
Total	$ 382,478

[1] As of March 31, 2023, approximately $31.0 million of our cash and cash equivalents was held outside of the United States by our non-U.S. subsidiaries. We currently do not have any plans to repatriate our earnings from our foreign subsidiaries. We intend to continue to reinvest our earnings from foreign operations for the foreseeable future, and do not anticipate that we will need funds generated from foreign operations to fund our domestic operations.

[2] As discussed above in “Recent Developments,” we had a revolving credit facility (“2021 Revolving Credit Facility”) with SVB, which has been closed by the regulators. On March 27, 2023, First Citizens Bank entered into an agreement with FDIC to acquire Silicon Valley Bridge Bank, N.A., assuming all customer deposits and certain other liabilities of Silicon Valley Bridge Bank, N.A. As a result, our 2021 Revolving Credit Facility remained in effect with First Citizens Bank. The 2021 Revolving Credit Facility provides, subject to borrowing availability and certain other conditions, for revolving loans in an aggregate principal amount of up to $75.0 million (the “Facility”), with a $15.0 million sub-facility for letters of credit. Our borrowing availability under the Facility is calculated by reference to a borrowing base which is determined by specified percentages of eligible accounts receivable, based on the defined borrowing formula. The Facility will terminate on the earlier of (i) November 2, 2026 or (ii) 120 days prior to the maturity date of the Convertible Senior Notes, unless the Convertible Notes have been converted to our common equity securities.

The 2021 Revolving Credit Facility contains representations and warranties, including, without limitation, with respect to collateral; accounts receivable; financials; litigation, indictment and compliance with laws; disclosure and no material adverse effect, each of which is a condition to funding. Additionally, the 2021 Revolving Credit Facility includes events of default and customary affirmative and negative covenants applicable to us and our subsidiaries, including, without limitation, restrictions on liens, indebtedness, investments, fundamental changes, dispositions, restricted payments, and prepayment of the Convertible Notes and of junior indebtedness. The 2021 Revolving Credit Facility contains a financial covenant that requires, in the event that credit extensions under the Facility equal or exceed 85% of the lesser of the available commitments under the Facility or upon the occurrence of an event of defaults, our Company to maintain a minimum consolidated monthly fixed charge coverage ratio of 1.00. We were in compliance with all of the financial covenants under the 2021 Revolving Credit Facility as of March 31, 2023 and December 31, 2022. See Note 9 to the accompanying condensed consolidated financial statements for information relating to our 2021 Revolving Credit Facility.

Material Cash Requirements

Our primary uses of liquidity are payments to our publishers, our operating expenses, capital expenditures, our long-term debt and the related interest payments, and repurchases under our $30 million share repurchase program. We may also use our available cash to make acquisitions or investments in complementary companies or technologies.

We primarily use our operating cash for payments due to media partners and vendors, as well as for personnel costs, and other employee-related expenditures. Our contracts with media partners are generally variable based on volume or guarantee a minimum rate of payment if the media partner reaches certain performance targets. See “Definitions of Financial and Performance Measures —Traffic Acquisition Costs.”

Long-term debt

As of March 31, 2023 and December 31, 2022, we had $236.0 million principal amount of Convertible Notes, which mature on July 27, 2026, unless earlier converted, redeemed, or repurchased. Interest on the Convertible Notes is payable semi-annually in arrears on January 27 and July 27 of each year, at a rate of 2.95% per year.

As discussed above in “Recent Developments,” on April 14, 2023, we repurchased $118.0 million aggregate principal amount of Convertible Notes out of the initially issued principal balance of $236.0 million, for approximately $96.2 million in cash, including accrued interest, representing a 19% discount to par value. The remaining $118 million principal amount of the Convertible Notes remains outstanding and continues to be subject to the terms of the indenture dated as of July 27, 2021 pursuant to which they were issued.

See Notes 9 and 15 to the accompanying condensed consolidated financial statements for additional information relating to our Convertible Notes.

Other Contractual Cash Obligations

As a result of the partial repurchase of our Convertible Notes in April 2023, our remaining commitment relating to long-term debt has been reduced to $118 million, representing the remaining principal amount of the Convertible Notes due in 2026. Subsequent to the repurchase, our related interest obligations have been reduced to approximately $3.5 million per year through 2026.

See “Contractual Cash Obligations” disclosure within “Liquidity and Capital Resources” section of our 2022 Form 10-K for detailed disclosures of our other material cash obligations as of December 31, 2022.

Share Repurchases

On December 14, 2022, our Board approved a new stock repurchase program, authorizing us to repurchase up to $30 million of our common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended, or terminated at any time at our discretion without prior notice. During the three months ended March 31, 2023, we repurchased 1,313,073 shares with a fair value of $6.1 million, including commissions, under our share repurchase program. As of March 31, 2023, the remaining availability under our $30 million share repurchase program was $23.9 million.

In addition, we periodically withhold shares to satisfy employee tax withholding obligations arising in connection with the vesting of restricted stock units and exercise of options and warrants in accordance with the terms of our equity incentive plans and the underlying award agreements. During the three months ended March 31, 2023 and 2022, we withheld 48,202 shares and 117,637 shares, respectively, with a fair value of $0.2 million and $1.7 million, respectively, to satisfy the minimum employee tax withholding obligations.

Capital Expenditures

Our cash flow used in investing activities primarily consists of capital expenditures and capitalized software development costs. We spent $3.7 million in capital expenditures during the three months ended March 31, 2023, and currently anticipate that our capital expenditures for 2023 will be between $11 million and $14 million, primarily relating to expenditures for servers and related equipment, leasehold improvements, and other equipment. However, actual amounts may vary from these estimates.

Cash Flows

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

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Net cash used in operating activities	$ (20,478)	$ (2,641)
Net cash used in investing activities	(4,039)	(40,764)
Net cash used in financing activities	(7,411)	(458)
Effect of exchange rate changes	(436)	(663)
Net decrease in cash, cash equivalents and restricted cash	$ (32,364)	$ (44,526)

Operating Activities

Net cash related to operating activities decreased $17.9 million, to cash used in operating activities of $20.5 million for the three months ended March 31, 2023, as compared to cash used in operating activities of $2.6 million for the three months ended March 31, 2022. Net cash related to our working capital declined $13.1 million, primarily due to the unfavorable change in accounts receivable, which was largely attributable to the delays in collections of customer payments as we transitioned to alternative bank accounts due to the sudden closure of SVB in March 2023. In addition, net income after non-cash adjustments declined $4.7 million during the three months ended March 31, 2023, compared to the same prior year period.

Our free cash flow for the three months ended March 31, 2023 was use of cash of $27.1 million, as compared to use of cash of $8.9 million for the three months ended March 31, 2022, reflecting lower operating cash flow in the three months ended March 31, 2023. Free cash flow is a supplemental non-GAAP financial measure. See “Non-GAAP Reconciliations” for the related definition and a reconciliation to net cash provided by operating activities.

Investing Activities

Net cash related to investing activities increased $36.8 million, to cash used in investing activities of $4.0 million in the three months ended March 31, 2023 from cash used in investing activities $40.8 million in the three months ended March 31, 2022. This increase was primarily due to the higher use of cash of $34.2 million in prior year for consideration paid, net of cash acquired for our acquisition of vi, and net proceeds of $2.9 million during the three months ended March 31, 2023 from maturities of marketable securities under our investment program initiated in July 2022 (net of purchases).

Financing Activities

Net cash related to financing activities decreased $6.9 million to cash used in financing activities of $7.4 million in the three months ended March 31, 2023, from cash used in financing activities of $0.5 million in the three months ended March 31, 2022. This decrease in cash was primarily attributable to higher treasury share repurchases of $4.6 million in the three months ended March 31, 2022, reflecting $6.1 million of repurchases under our $30 million share repurchase program initiated in December 2022, offset in part by a $1.5 million reduction in shares withheld to satisfy employee tax withholding obligations on vested stock-based compensation awards. The decrease in cash from financing activities was also attributable to a $2.3 million decline in proceeds from exercises of stock options and warrants.

Critical Accounting Policies and Estimates

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

There have been no material changes to our critical accounting policies and estimates as compared to those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2022 Form 10-K.

Recently Issued Accounting Pronouncements

See Note 1 to the accompanying condensed consolidated financial statements for recently issued accounting standards, which may have an impact on our financial statements upon adoption.

JOBS Act Transition Period

We are an emerging growth company as defined in the JOBS Act. The JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards, delaying the adoption of some accounting standards until they would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that have adopted new or revised accounting pronouncements as of public company effective dates.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both in the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include foreign exchange, interest rate, inflation, and credit risks.

Foreign Currency Risk

Our consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The majority of our revenue and cost of revenue are denominated in U.S. Dollars, with the remainder in other currencies. Our operating expenses are generally denominated in the currencies in which our operations are located. A majority of our operating expenses are denominated in U.S. Dollars, with the remainder denominated primarily in New Israeli Shekels and to a lesser extent British pound sterling and Euros. We evaluate periodically the various currencies to which we are exposed and, from time to time, may enter into foreign currency forward exchange contracts to manage our foreign currency risk and reduce the potential adverse impact from the appreciation or the depreciation of our non-U.S. dollar-denominated operations, as appropriate.

During the three months ended March 31, 2023, the U.S. Dollar strengthened against most of the currencies of the countries in which we operate, which had an impact on our operating results, as further described in Item 2, “Results of Operations.” The effect of a hypothetical 10% increase or decrease in our weighted-average exchange rates on our revenue, cost of revenue and operating expenses denominated in foreign currencies would result in a $1.9 million unfavorable or favorable change to our operating loss for the three months ended March 31, 2023.

Interest Rate Risk

Our exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of the interest rates in the United States. Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents, investments, and any future borrowings under our 2021 Revolving Credit Facility. There have been no amounts outstanding under our 2021 Revolving Credit Facility since we amended and restated our loan agreement in November 2021. Long-term debt recorded on our condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022 was $236.0 million and bears a fixed rate of interest.

As of March 31, 2023, our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents of $73.2 million and our investments in marketable securities of $244.5 million, which consist of U.S. Treasuries, U.S. government bonds, commercial paper, U.S. corporate bonds and municipal bonds, with maturities from three months to two years from the date of purchase. The primary objectives of our investment program are focused on achieving maximum returns within our investment policy parameters, while preserving capital and maintaining sufficient liquidity. We plan to actively monitor our exposure to the fair value of our investment portfolio in accordance with our policies and procedures, which include monitoring market conditions, to minimize investment risk.

A 100-basis point change in interest rates as of March 31, 2023 would change the fair value of our investment portfolio by approximately $1.6 million. Since our debt investments are classified as available-for-sale, the unrealized gains and losses related to fluctuations in market volatility and interest rates are reflected within accumulated other comprehensive income (loss) within stockholders’ equity in our condensed consolidated balance sheets.

Inflation Risk

Our business is subject to risk associated with inflation. We continue to monitor the impact of inflation to minimize its effects. If our costs, including wages, were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs which could negatively impact our business, financial condition, and results of operations. Inflation throughout the broader economy has and could lead to reduced ad spend and indirectly harm our business, financial condition, and results of operations. See Item 1A, “Risk Factors” in our 2022 Form 10-K.

Credit Risk

Financial instruments that subject us to concentration of credit risk are cash and cash equivalents, investments, and receivables. As part of our ongoing procedures, we monitor the credit levels and the financial condition of our customers in order to minimize our credit risk. We do not factor our accounts receivables, nor do we maintain credit insurance to manage the risk of credit loss. We are also exposed to a risk that the counterparty to our foreign currency forward exchange contracts will fail to meet its contractual obligations. In order to mitigate this risk, we perform an evaluation of our counterparty credit risk, and our forward contracts have a term of no more than 12 months.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our co-Chief Executive Officers (“co-CEOs”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act), as of March 31, 2023. Based on such evaluation, our co-CEOs and CFO have concluded that as of March 31, 2023, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the three months ended March 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our co-CEOs and CFO, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected.

Part II Other Information

Item 1. Legal Proceedings

Information with respect to this item may be found in Note 11 in the accompanying notes to the condensed consolidated financial statements included in Part I, Item 1 "Financial Statements" of this Report, under "Legal Proceedings and Other Matters," which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to our risk factors as previously disclosed in Item 1A of Part I of the Company's 2022 Form 10-K, which are incorporated herein by reference.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

On July 27, 2021, we sold 8,000,000 shares of our common stock in connection with our IPO, at a public offering price of $20.00 per share for an aggregate offering price of $160.0 million. The proceeds from the sale were $145.1 million, after deducting underwriting discounts and commissions and offering expenses payable by us. The offer and sale of all of the shares in our IPO were registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to a registration statement on Form S-1 (File No. 333-257525), which was declared effective by the SEC on July 22, 2021.

A portion of the net proceeds from our IPO has been used for working capital and general corporate purposes. In addition, the net proceeds from our IPO were used to fund the purchase price to acquire video intelligence AG.

There has been no material change in the planned use of proceeds from our IPO as described in our Prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.

(c) Purchases of Equity Securities by the Issuer

On December 14, 2022, our Board approved a share repurchase program authorizing us to repurchase up to $30 million of our common stock, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The repurchase program may be commenced, suspended, or terminated at any time at our discretion without prior notice.

In addition, we may from time to time withhold shares in connection with tax obligations related to vesting of restricted stock units in accordance with the terms of our equity incentive plans and the underlying award agreements. The below table sets forth the repurchases of our common stock for the three months ended March 31, 2023:

Period	(a) Total number of shares (or units) purchased [1]	(b) Average price paid per share (or unit) [2]	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (in thousands)
January 2023	639,008	$4.31	613,992	$27,366
February 2023	466,982	$5.12	464,384	$25,002
March 2023	255,285	$4.74	234,697	$23,897
TOTAL	**1,361,275**	**$4.67**	**1,313,073**	

[1] Total number of shares purchased includes shares repurchased under our $30 million share repurchase program, as well as shares withheld to satisfy employee tax withholding obligations arising in connection with the vesting and settlement of restricted stock units under our 2007 Omnibus Securities and Incentive Plan and our 2021 Long-Term Incentive Plan.

[2] The average price paid per share under the share repurchase program includes commissions, which do not reduce the remaining authorized amount under the repurchase programs.

Item 5. Other Information.

None.

EXHIBIT INDEX

Exhibit No.	Description
3.1*	Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on July 27, 2021, as corrected by the Certificate of Correction of the Company filed with the Secretary of State of the State of Delaware on August 25, 2021.
10.1*	Note Repurchase Agreement, dated as of April 13, 2023, between the Company and Baupost.
31.1*	Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of Principal Financial Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*ν	Certification of the Principal Executive Officers and Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

ν This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

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 on May 9, 2023.

OUTBRAIN INC.

By: /s/ David Kostman
Name: David Kostman
Title: *Co-Chief Executive Officer*

By: /s/ Jason Kiviat
Name: Jason Kiviat
Title: *Chief Financial Officer (Principal Financial Officer)*

Exhibit 3.1

TWELFTH AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

OUTBRAIN INC.

a Delaware corporation

The following Twelfth Amended and Restated Certificate of Incorporation of Outbrain Inc. (the "**Corporation**") (i) amends and restates the provisions of the Certificate of Incorporation of the Corporation originally filed with the Secretary of State of the State of Delaware on August 11, 2006, (ii) supersedes the original Certificate of Incorporation and all subsequent amendments and restatements thereto through the date hereof in their entirety, and (iii) was approved pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware.

ARTICLE I

The name of the corporation is Outbrain Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is located at 251 Little Falls Drive, in the City of Wilmington, in the County of New Castle, in the State of Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

A. **Classes of Stock.** The total number of shares of all classes of capital stock, which the Corporation shall have authority to issue is 1,100,000,000,000 shares, of which 1,000,000,000 shares, par value of $0.001 each shall be Common Stock (the "**Common Stock**"), and 100,000,000 shares, par value $0.001 each shall be Preferred Stock (the "**Preferred Stock**").

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix the number of shares of any series of Preferred Stock and to determine the designation of any such shares. The Board of Directors also is authorized to determine or alter the rights (including but not limited to voting rights), preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, and within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series outstanding) the number of shares of such series subsequent to the issue of shares of that series by filing a certificate pursuant to the applicable laws of the State of Delaware.

B. **Common Stock.**

1. **Relative Rights of Preferred Stock and Common Stock.** All preferences, voting powers, and relative, participating, optional or other special rights and privileges, and qualifications, limitations, or restrictions of the Common Stock are made expressly subject to, and subordinate to, those that may be fixed with respect to any shares of the Preferred Stock.

2. **Voting Rights.** Except as otherwise required by law or this Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held by such holder of record on the books of the Corporation for the election of directors and on all matters submitted by the Board of Directors to a vote of stockholders of the Corporation.

3. **Dividends.** Subject to the preferential rights of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock.

4. **Dissolution, Liquidation or Winding Up.** In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of the Preferred Stock, holders of Common Stock shall be entitled, unless otherwise provided by law or this Restated Certificate of Incorporation, to receive all of the remaining assets of the Corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by each of them respectively.

ARTICLE V

A. **Board Size.** The number of directors that constitutes the entire Board shall be fixed by, or in the manner provided in, the Amended and Restated Bylaws of the Corporation. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified or until their earlier death, resignation or removal; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law

B. **Board Structure.** From and after the Effective Time, the directors shall be divided into three (3) classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The Board may assign members of the Board already in office to such classes at the time such classification becomes effective.

The term of office of the initial Class I directors shall expire at the annual meeting of the stockholders in 2022, the term of office of the initial Class II directors shall expire at the annual meeting of the stockholders in 2023, and the term of office of the initial Class III directors shall expire at the annual meeting of the stockholders in 2024. At each annual meeting of stockholders, commencing with the first regularly scheduled annual meeting of stockholders in 2022, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office for a three-year term and until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Notwithstanding the foregoing provisions of this Article V, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. If the number of directors is thereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

C. **__Removal; Vacancies__.** Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, for so long as the Board of Directors is divided into classes pursuant to Article V Section A, any director may be removed from office by stockholders of the Corporation only for cause by the vote of holders of seventy-five percent (75%) or more of the shares entitled to vote at an election of directors. Vacancies occurring on the Board for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board, although less than a quorum, unless otherwise determined by the Board to be filled by a vote of stockholders. A person elected to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be duly elected and qualified.

ARTICLE VI

Special meetings of the stockholders of the Corporation, unless otherwise prescribed by applicable law or by this certificate, may be called only by the chairperson of the board, the lead independent director, if any, the Chief Executive Officer (or any Co-Chief Executive Officer), the president or a majority of the total authorized number of directors of the Corporation. Subject to the rights of any series of Preferred Stock then outstanding, no action shall be taken by the stockholders of the Corporation except at a duly called annual or special meeting of stockholders and no action shall be taken by the stockholders of the Corporation by written consent in lieu of a meeting.

ARTICLE VII

Election of directors need not be by written ballot unless the Bylaws so provide.

ARTICLE VIII

The Board of Directors is empowered expressly to adopt, amend or repeal the Certificate of Incorporation; provided, however, that any adoption, amendment or repeal of the Certificate of Incorporation shall first require the approval of a majority of the Board of Directors, and, if required by law, must thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment and, if applicable, by a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, the amendment of the Bylaws, board composition, director liability and the amendment of the Certificate of Incorporation must be approved by not less than seventy-five percent (75%) of the outstanding shares entitled to vote on the amendment voting together as a single class.

The Board of Directors is empowered expressly to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the directors then in office, subject to any limitations set forth in the Bylaws. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, or, if the Board of Directors recommend that the stockholders approve the amendment, then the affirmative vote of the majority of the voting power of all the then outstanding shares entitled to vote generally in the election of directors, voting together as a single class, shall be required for such adoption, amendment or repeal by the stockholders of any provision(s) of the Bylaws of the Corporation.

ARTICLE IX

One third (1/3) of the shares entitled to be cast on any matter by a voting group, or in case of the Board, the number of directors shall constitute a quorum of that voting group, or the Board, for action on that matter.

ARTICLE X

No contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other Corporation, firm, association or other entity in which one or more of the directors are directors or officers, or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his or her votes are counted for such purpose, if:

A. The material facts of such relationship or interest are disclosed or known to the Board of Directors, or a duly empowered committee thereof, which in good faith authorizes, approves or ratifies the contract or transaction by a majority vote or written consent sufficient for such purpose without counting the vote or votes of such interested director or directors, even though the disinterested directors comprise less than a quorum; or

B. The material facts of such relationship or interest are disclosed or known to the stockholders entitled to vote and they in good faith by majority vote of a quorum of the stockholders or written consent authorize, approve or ratify such contract or transaction; or

C. The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board of Directors, a committee thereof, or the stockholders.

A director of the Corporation may transact business, borrow, lend, or otherwise deal or contract with the Corporation to the full extent and subject only to the limitations and provisions of the applicable laws of the State of Delaware and the laws of the United States.

Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.

ARTICLE XI

A. **No Personal Liability.** The liability of a director of the Corporation for monetary damages shall be eliminated to the fullest extent under applicable law.

B. **Indemnification.** To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which applicable law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise in excess of the indemnification and advancement otherwise permitted by such applicable law. If applicable law is amended after approval by the stockholders of this Article XI to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director to the Corporation shall be eliminated or limited to the fullest extent permitted by applicable law as so amended.

Any repeal or modification of this Article shall only be prospective and shall not affect the rights or protections or increase the liability of any director under this Article in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

ARTICLE XII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom shall be the sole and exclusive forum for the following state, statutory and common law claims or causes of action: (A) any derivative claim or cause of action brought on behalf of the Corporation; (B) any claim or cause of action for breach of a fiduciary duty owed by any current or former director, officer or other employee of the Corporation, to the Corporation, or the Corporation’s stockholders; (C) any claim or cause of action against the Corporation or any current or former director, officer or other employee of the Corporation, arising out of or pursuant to any provision of the Delaware General Corporation Law, this restated certificate of incorporation or the Bylaws of the Corporation (each as may be amended from time to time); (D) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of this restated certificate of incorporation or the Bylaws of the Corporation (as each may be amended from time to time, including any right, obligation or remedy thereunder); (E) any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; and (F) any claim or cause of action against the Corporation or any current or former director, officer, or other employee of the Corporation, governed by the internal-affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants. This section shall not apply to claims or causes of action brought to enforce any duty or liability created by the Securities Act of 1933, as amended (the “**Securities Act**”), or the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction.

Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by the Corporation, its officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional or entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

Any person or entity holding, owning or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to the provisions of this certificate of incorporation.

ARTICLE XIII

Notwithstanding any other provision of this Restated Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal Article XII, or Articles V, VI, VIII, X and XI, hereof.

FIFTH. This Restated Certificate of Incorporation duly was adopted by the Board of Directors of this Corporation.

SIXTH: This Restated Certificate of Incorporation duly was adopted by the stockholders in accordance with sections 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Outbrain Inc. has caused this certificate to be signed by its Chief Executive Officer, and its Secretary, David Kostman, this ___ day of July 2021.

OUTBRAIN INC.

By: David Kostman
Co-Chief Executive Officer

Attest: ______________________________
Secretary

STATE OF DELAWARE
CERTIFICATE OF CORRECTION
TO TWELFTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

OF

OUTBRAIN INC.

Outbrain Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

1.) The name of the corporation is Outbrain Inc. (the "Corporation").

2,) That the Twelfth Amended and Restated Certificate of Incorporation was filed on behalf of the Corporation with the Office of the Delaware Secretary of State on July 27, 2021, and that said Certificate requires correction as permitted by the terms and provisions of Section 103 of the General Corporation Law of the State of Delaware.

3.) The inaccuracy or defect of said Certificate to be corrected is as follows:

The total number of shares of all classes of capital stock, which the Corporation shall have authority to issue is inaccurately set forth being "1,100,000,000,000."

4.) Article IV of the Twelfth Amended and Restated Certificate of Incorporation of the Corporation is hereby corrected such that the first paragraph shall read in its entirety as follows:

A. **Classes of Stock.** The total number of shares of all classes of capital stock, which the Corporation shall have authority to issue is 1,100,000,000 shares, of which 1,000,000,000 shares, par value of $0.01 each shall be Common Stock (the "Common Stock"), and 100,000,000 shares, par value of $0.01 each shall be Preferred Stock (the "Preferred Stock").

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of the 25th day of August, 2021.

By: /s/ Veronica Gonzalez
Name: Veronica Gonzalez
Title: General Counsel and Secretary

Exhibit 10.1

Execution Version

NOTE REPURCHASE AGREEMENT

This Note Repurchase Agreement (this "Agreement") is made as of April 13, 2023 by and between Outbrain Inc. ("Outbrain" or "Buyer") and Baupost Group Securities, L.L.C. ("Seller"). Buyer and Seller are collectively referred to herein as the "Parties" and each individually, a "Party."

RECITALS

WHEREAS, Buyer has issued and outstanding $236,000,000 aggregate principal amount of 2.95% Convertible Senior Notes due 2026, with CUSIP No. 69002R AB9 and ISIN No. US69002RAB96 (the "Notes") that were issued under the Indenture, dated as of July 27, 2021 (the "Indenture"), between Buyer, as issuer (the "Issuer") and The Bank of New York Mellon, as trustee (the "Trustee");

WHEREAS, Seller is the legal owner of all of the Notes in the principal amount of $236,000,000. Seller desires to sell a portion of such Notes, with a principal amount of $118,000,000 of Notes (such portion, as referenced herein subject to sale, the "Seller's Notes");

WHEREAS, Seller has provided Buyer with an offer to sell the Seller's Notes and subject to the terms and conditions of this Agreement, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of such Seller's Notes at the purchase price set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements of the Parties contained herein, the Parties agree as follows:

1. Purchase and Sale of the Seller's Notes.

(a) *Agreement to Purchase and Sell; Purchase Price.* Subject to the terms and conditions set forth herein, Seller hereby agrees to sell and Buyer hereby agrees to purchase from Seller, all of the Seller's Notes at a purchase price equal to $0.815 per $1.000 principal amount of Seller's Notes purchased, subject to adjustment as described in Section 1(b) below (the "Purchase Price"). For the avoidance of doubt, as long as the Closing (as defined below) occurs on or before April 14, 2023, the Purchase Price above already includes any accrued and unpaid interest on the Seller's Notes purchased, to but not including, the Closing Date (as defined below).

(b) *Closing Date.* The purchase and sale of the Seller's Notes pursuant to this Agreement (the "Closing") shall occur at 10:00 a.m., New York City time on April 14, 2023, or such other date as shall be mutually agreed by the Parties prior to the Termination Date (the "Closing Date"), provided that if the Closing occurs later than April 14, 2023, then the Purchase Price shall instead be equal to $0.810 per $1.000 principal amount of Seller's Notes purchased, plus any accrued and unpaid interest on the Seller's Notes purchased, to but not including, the Closing Date.

(c) *Delivery of the Seller's Notes.* On the Closing Date and subject to the satisfaction of the conditions set forth herein, Seller shall deliver the Seller's Notes to Buyer (or, at the Buyer's direction, to an account established by the Buyer or Issuer with the Trustee) through the Deposit/Withdrawal at Custodian (DWAC) program of the Depository Trust Company ("DTC").

(d) *Payment of the Purchase Price.* On the Closing Date and subject to the satisfaction of the conditions set forth herein, payment by the Buyer of the Purchase Price for the Seller's Notes shall be made or caused to be made by the Buyer, via wire transfer of immediately available funds to the Seller’s bank or brokerage account in accordance with the Seller’s wire instructions set forth on Schedule I.

(e) *Expenses*. Each Party will be responsible for its own out-of-pocket expenses and fees actually incurred or accrued by it in connection with the preparation, execution and performance of this Agreement and the transactions contemplated by this Agreement, including all fees and expenses of its counsel and other representatives.

2. Representations, Warranties and Agreements of Seller. Seller hereby represents and warrants to, and agrees with, Buyer as of the date hereof and as of the Closing (as if such representations, warranties and agreements were made at Closing) as follows:

(a) Seller has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Seller of this Agreement has received all requisite corporate, partnership or other organizational approvals, as the case may be, and no other action or proceeding on Seller’s part is necessary to authorize the execution and delivery of this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby.

(b) Seller has duly executed and delivered this Agreement.

(c) This Agreement constitutes a legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws in effect which affect the enforcement of creditors’ rights generally and by equitable limitations on the availability of specific remedies whether in law or in equity.

(d) As of the date hereof, Seller has good and marketable title to, and is the sole legal and beneficial owner of, and on the Closing Date until delivery thereof to Buyer, Seller will continue to have good and marketable title to, and be the sole legal and beneficial owner of, the Seller’s Notes in the principal amount set forth above, free and clear of all liabilities, claims, liens, options, proxies, charges, participations and encumbrances of any kind or character whatsoever, arising out of any act of Seller or otherwise.

(e) Seller has not used any broker or finder in connection with the transactions contemplated hereby and Buyer will not have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage or finder’s fee or other commission of any Person retained by Seller in connection with the transactions contemplated by this Agreement.

(f) Seller has made its own independent assessment concerning the relevant tax, legal, economic and other considerations relevant to its sale of the Seller’s Notes. Seller has made its own investment decision based upon its own judgment and upon any advice from any advisors as it has deemed necessary or desirable in connection with its decision to sell the Seller’s Notes and not upon any view expressed by Buyer or any of Buyer’s advisors, agents or representatives.

(g) The Purchase Price has been negotiated between Seller and Buyer on an arm’s length basis, and Seller has not been subjected to any form of pressure, coercion or intimidation, for it to sell the Seller’s Notes to Buyer.

(h) Seller is a “Qualified Institutional Buyer” as defined under Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”). Seller is a sophisticated, experienced and well-informed institutional investor and has knowledge and experience in financial and business matters as to be capable of evaluating the merits, risks and advisability of the transactions contemplated by this Agreement. Seller understands the merits and economic risks associated with the sale of the Seller's Notes under this Agreement and is entering into this Agreement with a full understanding of the terms under this Agreement and such merits and economics risk.

(i) Seller acknowledges and understands that Buyer possess material nonpublic information regarding the Buyer not known to Seller that may impact the value of the Notes or the Seller's Notes, which information includes, but is not limited to, (x) the Buyer's financial results for the fiscal quarter ended March 31, 2023, (y) trends, predictions and forecasts of the Buyer's future financial results and prospects, and (z) possible acquisitions, dispositions, financings and other transactions (collectively, the "Confidential Information"), and that the Buyer is unable to and will not, disclose the Confidential Information to Seller, consistent with the federal securities laws. Seller understands, based on its financial sophistication and experience, the disadvantage to which Seller is subject due to the disparity of information between Seller and Buyer. Notwithstanding such disparity, Seller desires and deems it appropriate to consummate the transactions contemplated by this Agreement.

(j) Seller agrees that none of Buyer, its affiliates, principals, officers, directors, stockholders, partners, employees and agents shall have any liability to Seller, its affiliates, principals, officers, directors, stockholders, partners, employees or agents whatsoever due to or in connection with Buyer's use or non-disclosure of the Confidential Information in connection with the transaction, and Seller hereby irrevocably waives any claim that it might have based on the failure of the Buyer to disclose the Confidential Information.

(k) Seller acknowledges that Buyer is relying on Seller's representations, warranties, acknowledgments and agreements in this Agreement as a condition to proceeding with the transactions contemplated by this Agreement.

3. Representations, Warranties and Agreements of Buyer. Buyer hereby represents and warrants to, and agrees with, Seller as of the date hereof and as of the Closing (as if such representations, warranties and agreements were made at Closing) as follows:

(a) Buyer has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement have received all requisite company approvals and no other action or proceeding on Buyer's part, or any other party, are necessary to authorize this Agreement and the transactions contemplated hereby.

(b) Buyer has duly and validly executed and delivered this Agreement.

(c) This Agreement constitutes a legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies whether in law or in equity.

(d) Buyer has not used any broker or finder in connection with the transactions contemplated hereby and Seller will not have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage or finder's fee or other commission of any Person retained by Buyer in connection with the transactions contemplated by this Agreement.

(e) The execution, delivery and performance, as applicable, by the Buyer of its obligations under this Agreement, and the consummation of the transactions contemplated hereby, will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of Buyer or its subsidiaries, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, license, lease or other agreement or instrument to which Buyer or any of its subsidiaries is a party or by which Buyer or any of its subsidiaries is bound or to which any of the property or assets of Buyer or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the certificate of incorporation, charter, by-laws or similar organizational documents of Buyer or (iii) result in any violation of any statute or any judgment, order, decree, rule or regulation of any court or arbitrator or U.S. federal, state, local or non-U.S. governmental agency or regulatory authority having jurisdiction over the properties or assets of Buyer or any of its subsidiaries or any of their properties or assets, except, with respect to clauses (i) and (iii), conflicts, breaches, violations, impositions or defaults that would not reasonably be expected to have a material adverse effect on the ability of Buyer to perform its obligations under this Agreement. The execution, delivery and performance by the Buyer of this Agreement and the consummation of the transactions contemplated hereby will not require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency.

4. *Further Assurances*. After the date hereof, each Party agrees to proceed diligently and in good faith to take, or cause to be taken, all commercially reasonable actions necessary, proper or advisable or as may be reasonably requested by another Party hereto from time to time in order to fully effect and accomplish the transactions contemplated in this Agreement and the intent of this Agreement.

5. *Governing Law*. This Agreement is governed by and construed in accordance with the laws of the State of New York applicable to contracts made between residents of that state, entered into and to be wholly performed within that state, without reference to any conflict of laws principles that would permit or require the application of the laws of any other jurisdiction.

6. *No Waiver/Remaining Notes.* A Party’s failure or delay in exercising any rights hereunder does not operate as a waiver thereof, nor does a Party’s partial exercise preclude any other or further exercise of any such rights.

7. *Assignment.* This Agreement is binding upon each of the Parties and their respective, successors and assigns, provided that no Party may assign any of its rights or obligations hereunder to any third party without the prior written consent of Buyer, in the case of an assignment by Seller, and Seller, with respect to an assignment by Buyer. Any attempted assignment by a Party without such consent is null and void.

8. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which taken together constitutes one agreement. This Agreement is effective when it has been executed and delivered by all Parties.

9. *No Third Party Beneficiaries*. No provision of this Agreement is intended or shall be construed to confer upon or give any person or entity, other than the Parties hereto and their respective assigns, any rights or remedies under this Agreement.

10. *Amendment.* No modifications or amendments to this Agreement are binding on the Parties unless and until such modifications or amendments are executed in writing by an authorized representative of each Party.

11. *Venue; Waiver of Jury Trial*. Each Party hereby submits to the exclusive jurisdiction of the U.S. federal and New York state courts in the Borough of Manhattan in The City of New York in any proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. Each Party hereby waives any objection which it may now or

hereafter have to the laying of venue of any such proceeding in such courts. Each Party hereby waives any right to trial by jury in any proceeding arising out of or relating to this Agreement.

12. *Survival of Representations and Warranties*. All representations and warranties under this Agreement made by each Party shall survive, and not be waived by, the performance or termination of this Agreement.

13. *Entire Agreement*. This Agreement supersedes all prior negotiations, understandings and agreements among the Parties relating to the subject matter hereof and constitutes the entire understanding and agreement among the Parties with respect to the same.

14. *Termination*. Notwithstanding any other provision hereof to the contrary, if the Closing has not occurred by April 21, 2023 (the "Termination Date"), then, unless otherwise mutually agreed to by the parties to this Agreement, the nonbreaching party shall have the option to terminate this Agreement with respect to the breaching party at the close of business on such date by delivering a written notice to that effect to the other party to this Agreement. To the extent this Agreement is terminated pursuant to this Section 14, the Buyer shall promptly return any Seller's Notes to the Seller, and the Seller shall promptly return to the Buyer the Purchase Price received by the Seller from the Buyer corresponding to such Seller's Notes.

15. *Conditions to Closing*. The obligations of the Seller to deliver the Seller's Notes, and of the Buyer to deliver the Purchase Price, are subject to the satisfaction at or prior to the Closing of the condition precedent (i) that the representations and warranties of the Seller on the one hand, and of the Buyer on the other, contained in Sections 2 and 3, respectively, shall be true and correct as of the Closing in all material respects with the same effect as though such representations and warranties had been made as of the Closing and (ii) the Seller on the one hand, and the Buyer on the other, shall have performed and complied with all the agreements and satisfied all the conditions on their part to be performed or satisfied pursuant to this Agreement at or prior to the Closing Date, in each case, in all material respects.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

BUYER:

OUTBRAIN INC.

By: /s/ David Kostman
Name: David Kostman
Title: Co-Chief Executive Officer

SELLER:

BAUPOST GROUP SECURITIES, L.L.C.

By: /s/ Michael M. Sperling
Name: Michael M. Sperling
Title: Partner

[Signature Page to Note Repurchase Agreement]

SCHEDULE I

WIRE TRANSFER INSTRUCTIONS

Baupost Group Securities, L.L.C.

Bank Name: State Street Bank and Trust Company Boston
Bank Address: 225 Franklin Street
Boston MA 02110
Bank ABA: 011000028

Account Name: Baupost Group Securities
Account Number: 0432-5361
Reference: H6Y8

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Kostman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outbrain 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 officers 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 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 officers 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: May 9, 2023

By: /s/ David Kostman
Name: David Kostman
Title: Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yaron Galai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outbrain 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 officers 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 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 officers 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: May 9, 2023

By: /s/ Yaron Galai
Name: Yaron Galai
Title: Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.3

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jason Kiviat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outbrain 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 officers 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 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 officers 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: May 9, 2023

By: /s/ Jason Kiviat
Name: Jason Kiviat
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, David Kostman and Yaron Galai, Co-Chief Executive Officers (Principal Executive Officers) of Outbrain Inc. (the "Company"), and Jason Kiviat, Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the "Report") of the Company 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: May 9, 2023

By: /s/ David Kostman
Name: David Kostman
Title: Co-Chief Executive Officer
(Principal Executive Officer)

By: /s/ Yaron Galai
Name: Yaron Galai
Title: Co-Chief Executive Officer
(Principal Executive Officer)

By: /s/ Jason Kiviat
Name: Jason Kiviat
Title: Chief Financial Officer
(Principal Financial Officer)