

As confidentially submitted to the Securities and Exchange Commission on May 28, 2021  
This draft registration statement has not been publicly filed with the Securities and Exchange Commission  
and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Outbrain Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**7370**  
(Primary Standard Industrial  
Classification Code Number)

**20-5391629**  
(I.R.S. Employer  
Identification No.)

**222 Broadway, 19th Floor  
New York, NY 10038  
(646) 859-8594**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Yaron Galai  
David Kostman  
Co-Chief Executive Officers  
Outbrain Inc.  
222 Broadway, 19th Floor  
New York, NY 10038  
(646) 859-8594**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Phyllis Korff, Esq.  
Anna Pinedo, Esq.  
Mayer Brown LLP  
1221 Avenue of the Americas  
New York, NY 10020  
Tel: (212) 506-2500  
Fax: (212) 262-1910**

**Copies to:  
Veronica Gonzalez, Esq.  
Outbrain Inc.  
222 Broadway, 19th Floor  
New York, NY 10038  
Tel: (646) 859-8594  
Fax (917) 210-2918**

**David Goldschmidt, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
One Manhattan West  
New York, NY 10001-8602  
Tel: (212) 735-3000  
Fax (212) 735-2000**

**Approximate date of commencement of proposed sale to the public: As soon as practicable after effectiveness of this registration statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

If an emerging growth company, indicate by check mark if the company has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price <sup>(1)(2)</sup>	Amount of Registration Fee
Common Stock, par value \$0.001 per share	\$	\$

(1) Includes shares granted pursuant to the underwriters' option to purchase additional shares.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

Subject to completion, dated \_\_\_\_\_, 2021

---

## Shares



## Common Stock

This is the initial public offering of shares of common stock to be sold in the offering.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_. We intend to apply to list our common stock on the Nasdaq Global Select Market, or the Nasdaq, subject to notice of official issuance, under the symbol "OB."

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements.

***Investing in our common stock involves substantial risks. See "Risk Factors" beginning on page 12 to read about factors you should consider before buying shares of stock.***

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete.**

**Any representation to the contrary is a criminal offense.**

---

	Per Share	Total
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions <sup>(1)</sup>	\$ _____	\$ _____
Proceeds to us (before expenses)	\$ _____	\$ _____

---

(1) See "Underwriting" for a description of compensation payable to the underwriters.

We have granted the underwriters a 30-day option to purchase up to an additional shares of common stock from us at the public offering price less the underwriting discount.

---

The underwriters expect to deliver the shares of common stock to purchasers on or about \_\_\_\_\_, 2021.

---

**Citigroup**

**Jefferies**

---

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

## Table of Contents

	<u>Page</u>
<a href="#">Founders' Letter</a>	<a href="#">ii</a>
<a href="#">Summary</a>	<a href="#">1</a>
<a href="#">The Offering</a>	<a href="#">8</a>
<a href="#">Summary Consolidated Financial and Other Data</a>	<a href="#">10</a>
<a href="#">Risk Factors</a>	<a href="#">12</a>
<a href="#">Special Note Regarding Forward-Looking Statements</a>	<a href="#">37</a>
<a href="#">Use of Proceeds</a>	<a href="#">38</a>
<a href="#">Dividend Policy</a>	<a href="#">39</a>
<a href="#">Capitalization</a>	<a href="#">40</a>
<a href="#">Dilution</a>	<a href="#">42</a>
<a href="#">Conversion of Series D, Series F and Series G Convertible Preferred Stock</a>	<a href="#">44</a>
<a href="#">Selected Consolidated Financial and Other Data</a>	<a href="#">45</a>
<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">48</a>
<a href="#">Business</a>	<a href="#">69</a>
<a href="#">Management</a>	<a href="#">86</a>
<a href="#">Executive Compensation</a>	<a href="#">93</a>
<a href="#">Certain Relationships and Related Party Transactions</a>	<a href="#">105</a>
<a href="#">Principal Stockholders</a>	<a href="#">107</a>
<a href="#">Description of Capital Stock</a>	<a href="#">110</a>
<a href="#">Shares Eligible for Future Sale</a>	<a href="#">115</a>
<a href="#">Certain U.S. Federal Income Tax Considerations</a>	<a href="#">117</a>
<a href="#">Underwriting</a>	<a href="#">121</a>
<a href="#">Legal Matters</a>	<a href="#">129</a>
<a href="#">Experts</a>	<a href="#">129</a>
<a href="#">Where You Can Find Additional Information</a>	<a href="#">130</a>
<a href="#">Index to Consolidated Financial Statements</a>	<a href="#">F-1</a>

---

Neither we nor the underwriters have authorized anyone to provide information different from that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. Neither we nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any information other than the information in this prospectus and any free writing prospectus prepared by us or on our behalf. Neither the delivery of this prospectus nor the sale of our common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or the solicitation of an offer to buy these shares of common stock in any circumstances under which such offer or solicitation is unlawful.

Through and including \_\_\_\_\_, 2021 (the 25<sup>th</sup> day after the date of this prospectus) all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealer's obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

# To Outbrain's Shareholders, Present and Future:

We founded Outbrain out of a deep passion for stories and great story-telling, as manifested in the newspapers, magazines and blogs that we love.

When we pioneered the business of recommendations for publishers, there were two areas we viewed as broken:

- 1. The content experience:** In the haystack of the Internet, it was nearly impossible to find a delightful "needle" of a story.
- 2. The advertising experience:** The main business model for publishers — advertising — seemed challenged in the long term because it so often delivered a bad user experience.

We founded Outbrain with a clear goal of fixing these two key problems, thereby helping users enjoy a better experience, while ensuring that publishing can remain sustainable and thrive.

Fast forward to today, and Outbrain is a global leader in monetization and user engagement for publishers and media owners. Over the past decade, in the 18 countries in which Outbrain operates, we have generated over \$3B+ in direct revenue for our media partners. Supporting some of the world's most prestigious news organizations, this number represents a tremendous amount of journalism and editorial resources that otherwise might not have existed. We are incredibly proud of Outbrain's profound contribution to sustaining journalism, local news and independent publishing.

Trying to explain how we achieved this, and how we plan to continue growing our business, is not trivial, as some of the key pillars of our strategy can at times seem counterintuitive. Therefore, we thought it is important to provide you, our shareholders, with a clear understanding, so that you have the context and insight into our thinking. We hope you join us on our journey.

## Our core, contrarian, thesis

At the core of Outbrain is a thesis that is contrarian to much of the broader market in which we operate – the digital advertising market. Since our core approach to making money is contrarian, it is sometimes misunderstood.

Online advertising has three constituents that participate in the value exchange: the publishers (or media owners) that create the content, the advertisers that pay to be featured alongside the content, and the people who consume the content and ads.

All three constituents are critically important for this value exchange, yet one constituent is oftentimes ignored - the consumers of content. Outbrain's approach is different, we focus on the consumer first. In fact, we refer to the consumer as 'Our Boss.'



This contrarian approach manifests itself in one particular way - how ads are typically priced and prioritized online. As a rule of thumb, most companies that facilitate online advertising will typically sort ads from those priced highest down to the cheapest, and show you, the consumer, the priciest ads they've been able to sell. Herein lies the conundrum of how such a vast industry with so much technology ends up serving so many ads that are so underwhelming to all of us.

At Outbrain, we know that 'Our Boss,' the consumer, is interested in many different things: She's interested in politics, and technology, in sports, and entertainment. We also know for a fact that there is one thing she is NOT interested in at all — the price of the ads served to her. We have yet to find a person who has consumed any form of media and said: *"That ad is so delightfully priced! I have to spend more time on this site!"*

More likely, if the content and advertising user experience is not great - the consumer is not likely to come back tomorrow.

This is why our core thesis is predicated on the long-term behavior patterns of the consumer. We like to think that we are 'long-term greedy,' as we don't optimize for the specific ad, but rather, for the long-term revenue stream that the user represents. As an illustrative example, we believe that across our industry, when most companies need to select between two ads, one priced at \$1.00 and the other at \$0.80, they will automatically choose to show the \$1.00 ad.

In contrast, at Outbrain we ask: "Between these two ads - which is more likely to result in the consumer engaging more with this publisher in the future?" If our predictive AI models indicate that the consumer's engagement is more likely to compound over time if we choose the \$0.80 ad - that is what we will choose to serve.

The price paid by our advertisers is determined by the advertisers, not by Outbrain. In most industries and most companies, pricing power is considered an important indicator of a business' strength. At Outbrain that is not necessarily true. The reason is that we always aim to first grow our revenues based on user engagements, and not through price. Again - if we can get 2 (or more) user engagements at \$0.80 each, or even \$0.50 each - we will much prefer that than getting 1 user engagement at \$1.00.

While our contrarian model requires patient discipline, we believe that in the long run it should reward our shareholders handsomely for several reasons:

**First - the compounding effect:** Prices of ads, like those of any other product, can fluctuate. They can go up or down based on supply-vs-demand, seasonality, competition, geography, etc. The price an advertiser was willing to pay during March of last year has little to do with the price the same advertiser will be willing to pay next December, right before Christmas.

In contrast, **user engagement compounds over time.** If a consumer ('Our Boss') clicked on a link, or visited a site, and had a good user experience - she is slightly more likely to come back tomorrow. And if she indeed comes back tomorrow and again has a good user experience - she's slightly more likely to engage again the day after. And so forth and so on, for many years to come.

So while the entire industry seems to be obsessed with grabbing the highest priced ad regardless of the long-term impact on users, Outbrain focuses on the gradual compounding effect of user engagement.

**Second - Return-On-Ad-Spend (ROAS):** When we choose to serve ads that are more engaging rather than pricier, that translates to lower prices that our advertisers have to pay. Again - in most industries this might be viewed as lack of pricing power. However, we see tremendous value in this, as it helps drive superior value, typically referred to as Return on Ad Spend (ROAS), for the advertisers that choose to spend on Outbrain.

In the long run, advertisers choose to spend more money on the platforms that deliver them the best ROAS. As at Outbrain we prefer to opt for the long-term compounding effects, rather than capture short-term pricing fluctuations - we prefer to charge advertisers less per user engagement, but collect from them more total spend for more user engagements over time.

To refer back to the pricing example above, our approach means that our pricing power should not be derived from pricing per se — when we select an \$0.80 ad vs a \$1.00 ad, we knowingly chose the lower priced one. Instead, our pricing power should be derived from the yield that we generate for our partners and for ourselves. In this example, if we were able to gain two user engagements, we yielded in the long-term \$1.60 while our competitors yielded only \$1.00. And we did that while at the same time delivering 20% better value and higher ROAS for our advertisers.

These tradeoffs, while counterintuitive, are ones we'll always attempt to make at Outbrain as we believe they will serve our business, and thus our shareholders, well in the long term.

**Lastly - the deep, typically exclusive, nature of our media owner partnerships:** Since the Outbrain model optimizes for the user's experience, it works best when Outbrain exclusively powers a media owner's entire feed of recommendations. Unlike many advertising technology companies that occasionally serve an ad in a variety of places, Outbrain's default model is to exclusively power 100% of our partner's recommendation feed, including all of the content, videos, ads, etc that are within it. These long-term, typically exclusive partnerships give us a tremendous amount of first party data, and provide us with predictability of the model into the future.

## **Beyond our business - Outbrain's culture & values**

As you consider investing in our business, it is important for us to ensure that you have a strong understanding of not just 'what' we do and 'why' we do it, but also 'how' we do things. To state the obvious – we believe that just like the 'what' and the 'why,' how we go about running our business is core to our ability to succeed in the long run:

- **Integrity is at our core** - In how we conduct ourselves with our employees, with our business partners, with our shareholders and in our communities - integrity is of paramount importance to us. We don't mean this just as lip service. Over the years, when confronted with specific choices that might have resulted in short term gains, but would have breached our integrity - we have always chosen the path of integrity. We will continue to conduct ourselves in this way in the future.
- **Trust is our fundamental currency** - In the spirit of this letter, we strongly believe that the most fundamental currency for media owners, and therefore for Outbrain, is consumers' trust in the stories and the ads that they are served. For example, Outbrain was the first company in this space to codify public advertising guidelines

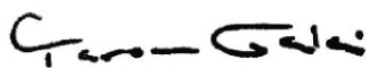
and ban fake news. We did that some five years before other competitors did, even as it had a significant negative impact to our revenue, as we believe that it serves our shareholders well in the long term.

- **We are risk-takers when it comes to innovation** - We like to manage our business conservatively and humbly, to ensure that Outbrain's business is sustainable for many years to come. But when it comes to product and technology, we are happy to be the risk-taking innovators. Simply put, we believe that in a dynamic industry such as ours, it's impossible to sustain a leadership position without being bold when it comes to innovation.

Historically, this approach has worked well for us, as Outbrain has pioneered many of the major product innovations in our space. But innovation and experimentation is only truly that, if it occasionally fails. We've had our fair share of innovations that have ultimately failed and which we have shut down. These failures will not discourage us, and we will continue making big bets on innovations that we believe could yield material returns for our shareholders in the long run.

- **We take our company culture seriously** - Since founding the company, we have led it based on the values and aspirations which we have attempted to summarize in our company's "Culture Manifesto." It is publicly available on our website, and we encourage you to take a look: [www.outbrain.com/about/cultural-manifesto](http://www.outbrain.com/about/cultural-manifesto).

We hope that laying out the driving philosophy behind how we run our business will help you understand our framework for making decisions. We hope to have you as a shareholder and to earn your trust today, and into the future, understanding that we plan to continue making decisions that are focused on maximizing the compounding returns for our shareholders in the long term.



**Yaron Galai & Ori Lahav**

Co-Founders of Outbrain Inc.



## Summary

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before deciding to invest in our common stock. You should read the entire prospectus carefully, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms “Outbrain,” “we,” “us,” “our” and “the company” in this prospectus refer to Outbrain Inc. and its consolidated subsidiaries.*

### **Our mission is to help digital media owners thrive by recommending content, products and services that their users love.**

Outbrain is a leading recommendation platform powering the open web. Founded in 2006, we pioneered the online content recommendation category. Today our platform enables over 7,000 online properties, including many of the world’s most prestigious publications, helping them engage their users and monetize their visits. Fueled by over 1 billion data events gathered each minute, our platform matches audiences with personalized content and ads, driving quality engagement while delivering efficient, sustainable monetization.

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 feeds, we provide media partners with a platform that encompasses data scale as well as prediction and recommendation capabilities, helping them deliver a personalized feed of recommendations tailored to their users, based on user interests, preferences, and context. We are a mobile-first company and our Smartfeed™ technology and recommendations are highly effective on mobile devices. We generated over 66% of our revenue on mobile platforms in 2020.

Since inception, we have been guided by the same core principles pertaining to our three constituents: media partners, users, and advertisers.

*Media Partners.* We are committed to the long-term success of our media partners. Consistent with this philosophy, we focus on developing trusted, transparent, typically exclusive, multi-year partnerships with media partners, both traditional and in new and rapidly evolving categories.

*Users.* We believe that by focusing on improving the user experience 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.

*Advertisers.* We strive to grow our advertising business by increasing overall user engagement, rather than price per engagement. Our emphasis on user engagement helps us improve advertisers’ return on ad spend (“ROAS”) thus unlocking more advertising spend and attracting additional advertisers. In turn this enables us to better match ads to users and further grow user engagement and overall monetization.

We have delivered over \$3 billion in direct revenue to our media partners, since inception. We partner with thousands of the world’s most trusted digital media owners for which we believe we are an important technology partner. Some key media partners with which we have longstanding relationships across our various regions include Asahi Shimbun, CNN, Der Spiegel, Le Monde, MSN, and Sky News and Sky Sports. The average tenure of our top 20 media partners, based on our 2020 revenue, is approximately seven years.

Through our relationships with media partners, we have become one of the largest online recommendation and advertising platforms on the open web. In 2020, we provided personalized content feeds and ads to approximately 1 billion monthly unique users, delivering on average over 10 billion recommendations per day, with over 20,000 advertisers using our platform. In the first quarter of 2021, our platform powered an average of over 100,000 ad campaigns per day.

Our platform is user engagement focused. A significant proportion of the engagement created by our recommendations is with the content of the media partner for which we are providing the platform, which we refer to as ‘organic recommendations.’ This provides the user with a personalized content experience, while

increasing time spent and engagement on the media partner's digital properties. We believe this is crucial to increasing long-term loyalty and retention of users for media partners, while increasing the depth and value of user visits in the short term. Powering a curated feed of both organic recommendations and targeted ads creates significant proprietary, first-party data that enables us to continuously refine our prediction capabilities, supporting our efforts to further increase engagement.

Advertisers use our platform to reach consumers efficiently through various ad formats across thousands of premium digital media properties around the world. Our platform provides access to a significant volume of exclusive ad inventory within the content feeds of these premium digital media properties. Advertisers primarily use our platform for performance driven campaigns, with measurable outcomes. Our ability to drive value and ROAS for advertisers, at scale, is highlighted in the growth of ad spend through our platform.

Data and algorithms are fundamental to everything we do. We process, on average, over 1 billion data events per minute, powering up to 100 million Click Through Rate ("CTR") predictions and over 100,000 recommendations per second. Our ability to collect and synthesize large data sets into our real-time decisioning engine powers our recommendations, our feed experiences and our ad targeting, helping us optimize user engagement and monetization. As our platform grows, we are able to leverage our data scale in order to enhance our algorithms, enabling us to improve the efficacy of our platform. This, in turn, drives additional user engagement and thus more monetization for our partners and ourselves, which helps us further grow our business and scale our data. We refer to this phenomenon as our data flywheel. During 2020, we grew overall engagement with recommendations on our platform by 24% on a year over year basis.

We are targeting a large, fragmented and growing market. Over four billion consumers access the Internet and, by 2022, the average person in the United States will spend more than eight hours a day consuming digital media, according to eMarketer. eMarketer also states that approximately \$378 billion was spent on global digital advertising in 2020. By 2024, this figure is expected to increase to \$646 billion. Given our ability to deliver high impact and measurable performance to our advertisers, with significant reach and unique inventory, we believe that we are well positioned to capture a significant share of this growing market.

We have a track record of consistently growing our business, and have achieved significant scale with \$767 million of revenue in 2020 and \$228 million of revenue for the quarter ended March 31, 2021. Our Revenue Ex-TAC was \$194 million in 2020, up from \$170 million in 2019 representing year over year growth of 14.1%. In the second half of 2020, our Revenue Ex-TAC grew by 28.8%, as compared to the same prior year period, highlighting the momentum in our business. Our Revenue Ex-TAC was \$60.4 million for the quarter ended March 31, 2021, up 49.1% from \$40.5 million from the quarter ended March 31, 2020. Our business is profitable and we are benefiting from strong operating leverage as we grow. Our net income was \$4.4 million in 2020, compared to a net loss of \$20.5 million in 2019. Our net income was \$10.7 million for the quarter ended March 31, 2021, up from a net loss of \$9.6 million in the prior year period. Our Adjusted EBITDA more than doubled to \$41.1 million in 2020, from \$19.3 million in 2019. In the three months ended March 31, 2021, our Adjusted EBITDA grew nearly tenfold to \$20.6 million, from \$2.2 million in the comparable prior year period. Adjusted EBITDA was 21.2% and 11.3% of Revenue Ex-TAC in 2020 and 2019, respectively. Adjusted EBITDA was 34.1% and 5.4 % of Revenue Ex-TAC for the quarter ended March 31, 2021 and 2020, respectively. See "Selected Consolidated Financial Data and Other Data" for information regarding how we define non-GAAP financial measures and the related reconciliations to GAAP measures.

### **Our Industry**

Advertising is the primary business model for digital media on the open web. In addition, advertising is also increasingly used as a key revenue driver for other Internet based businesses such as mobile gaming and eCommerce. As a result, digital advertising not only subsidizes media consumption for billions of consumers globally, but also finances the creation of journalism, news, and entertainment while lowering the costs of various products and services to consumers.

We believe that the following industry trends are relevant to our business.

***Proliferation of digital media, and digital advertising, particularly across mobile environments.*** Mobile ad spend is expected to increase at a faster pace than digital ad spend in total. According to eMarketer, global digital ad spend in 2021 is expected to grow to \$455 billion, reflecting a 20.4% year over year increase. Additionally, mobile ad spend is expected to grow to \$341 billion in 2021, a 23.5% year over year increase, with U.S. mobile ad spend reaching \$130 billion in the same year.

***Consumer habits and expectations are changing.*** Consumers have grown accustomed to consuming engaging content that is curated across multiple digital formats, including social, entertainment, gaming and audio. As a result, we believe that personalized and engaging digital content experiences, supported by non-intrusive ads, have become the expectation of media owners, rather than a consumer luxury.

***Trusted editorial content is becoming increasingly important.*** The massive scale of content creation and distribution across social media has made it difficult to curb the creation and proliferation of factually inaccurate news and misinformation, leading to a growing distrust of user-generated social media content. As a result, advertisers have become increasingly cognizant of where they spend ad dollars, seeking media environments that prioritize quality, transparency and brand safety.

***Performance and ROAS are becoming increasingly important to advertisers.*** As digital advertising continues to consume a larger share of advertiser budgets, the ability to target advertising based on specific user interests and context, in real-time, has become increasingly important to advertisers. According to a 2019 IAB report, approximately 63% of 2019 internet advertising revenues were priced on a performance basis.

***Data-driven decisioning delivers better experiences and outcomes.*** Advances in software and hardware along with the growing use of the Internet have made it possible to collect and rapidly process massive amounts of real-time data signals related to content, context and performance. As a result, advertisers are increasingly focused on data-driven decisioning, making these capabilities critical for media partners, as they seek to deliver quality experiences to their users while maintaining their relevance with advertisers.

### **The Challenge for Digital Media Owners**

As the pace of online content creation and consumption continues to accelerate, and competition for user attention intensifies, digital media owners must focus on their core strength: creating relevant, interesting, and high-quality content. However, their success also depends on sustainably attracting, engaging, retaining and monetizing audiences while competing with the major social and aggregation platforms, known as the ‘walled gardens.’ These platforms, driven by the nature of their services and their scale, have significant resources to invest in technology and have amassed large volumes of coveted user data. This enables them to deliver highly targeted and thus effective ads alongside user generated or third-party content, helping them achieve an outsized share of the advertising market.

As a result, we believe that digital media owners, whose properties are often referred to as the ‘open web,’ face challenges in the following key areas:

***User experience.*** In today’s dynamic, mobile-first environment, providing a high-quality user experience that addresses consumer habits and expectations is critical to attracting, engaging and retaining audiences. Keeping pace with these changes, as well as other emerging products and features, represents a significant challenge to many digital media owners who lack the scale and resources required to compete.

***Monetization.*** The fragmented ecosystem of digital advertising technology intermediaries, constantly evolving landscape of ad formats and the growing sophistication of advertisers seeking measurable ROAS makes it difficult for digital media owners to develop and maintain the technology required to optimize their monetization. In addition, digital media owners often lack access to a large and diverse advertiser base.

### **Our Solution**

We enable digital media owners to provide their users with an experience that is personalized and relevant to their interests while generating incremental revenue through highly engaging content recommendations and relevant advertisements. Our platform is informed by large, proprietary data sets. Our recommendation engine relies on advanced artificial intelligence technology and machine learning

algorithms. We leverage our scale, gained through a large number of partners and advertisers, in order to grow and enhance our data and our technology continuously.

By delivering relevant content recommendations that personalize the user experience, alongside targeted ads, our platform increases and monetizes user engagement. Our technology platform forms the underlying “operating system” of our media partners’ content feeds, helping them manage and grow their business.

#### **Our Offering for Media Partners**

We provide media partners with an ‘operating system’ that helps them manage and grow their businesses. Our platform and products provide the data, scale, and technology capabilities to personalize the content experience, grow audiences, maximize user engagement and monetize content. We empower media partners, enabling them to innovate their user experience by continuously introducing new features, capabilities and technologies that help optimize content delivery through personalized recommendations. We aggregate advertiser demand on behalf of media partners, providing them with critical monetization. Media partners benefit from the combined scale of technology, data and users, which we derive from the large volume of partners and advertisers that use our platform.

Our product suite for media partners, Outbrain Engage™, encompasses multiple key technologies, enabling media partners to:

- *Delight users through personalized feeds and data-driven recommendations*
- *Monetize content through customized, data-driven advertising*
- *Maximize user engagement*
- *Manage their business*

#### **Our Offering for Advertisers**

Our platform enables advertisers to have one-on-one interactions with consumers, at scale. We provide advertisers a powerful open web platform with significant reach and exclusive inventory, helping them connect with audiences on premium digital properties. Using Outbrain Amplify™, our product suite for advertisers, we enable them to focus their campaigns on the users most likely to engage with their ads. Advertisers log into our platform directly to create campaigns, load or automatically generate creative assets, and manage their advertising activity on the open web, all while optimizing spend toward engagement and ROAS.

Outbrain Amplify provides advertisers with:

- *Seamless and non-intrusive ads*
- *Ads optimized for engagement*
- *Results—optimize and pay for performance*
- *Quality*

#### **Our Personalized Feed Experience for Users—Smartfeed**

Smartfeed is our personalized feed solution that drives deeper discovery of content, products and services, longer sessions and better user engagement. Smartfeed powers the content feeds of thousands of the world’s most prestigious digital media owners, combining highly engaging multimedia formats, such as text and image, or video, with a diverse range of experiences and dynamic optimizations, continuously improving a personalized user experience.

#### **Our Strengths**

- *Mission-critical partner for digital media owners.* We provide digital media partners with mission-critical technology, an “operating system,” that increases user engagement and content monetization.



- **Unique, at-scale platform for advertisers.** Through our vast and predominantly exclusive relationships with media partners, we provide advertisers with access to approximately 1 billion unique monthly users.
- **Unique proprietary data and algorithms driving a virtuous cycle.** Our direct integrations across our partners' properties provide us with a large volume of proprietary first-party engagement data. Leveraging our data, we continuously optimize our algorithms to improve CTR and ROAS. By delivering better results to advertisers we are able to grow our business and our platform, which, in turn, helps us collect more data and further enhance our algorithms, driving better results for our partners, helping us further grow our platform and our business.
- **Well positioned for a privacy-centric world.** By integrating directly with our media partners' properties we generate proprietary first-party data and are able to collect and infer valuable user related data and insights. In addition, our ability to use unique contextual signals enables us to deliver strong user engagement and advertiser ROAS without the need to rely solely on user-based targeting, typically enabled through user tracking technologies that may not be available in the future.
- **History of successful innovation.** We pioneered our category and have been focused on innovation since our founding. To ensure seamless product innovation we operate as a continuous deployment engineering organization, releasing an average of approximately 250 code deployments daily.
- **Scaled, profitable and diversified business.** We have grown our business rapidly while achieving profitability, demonstrating the power of our technology, the strength of our partner and advertiser relationships and the inherent operating leverage of our model. Our business is well diversified.
- **Team and culture.** We rely on a global and diverse team of highly capable employees to collaborate, innovate, and execute our vision. 93% of our employees would "recommend Outbrain as a great place to work."

#### **Our Growth Strategies**

- **Continuously improve user engagement**
- **Grow our ad inventory**
- **Grow advertiser spend**
- **Drive adoption of high impact ad formats**
- **Acquisitions and strategic partnerships**

#### **Risk Factor Summary**

Investing in our common stock involves risks. You should consider carefully the risks described in "Risk Factors" beginning on page [12](#) before making a decision to invest in our common stock. If any of these risks actually occurs, our business, financial condition or results of operations would likely be materially adversely affected. In such cases, the trading price of our common stock would likely decline, and you may lose all or part of your investment. The following is a summary of some of the principal risks we face:

- Our revenue and results of operations are highly dependent on overall advertising demand and traffic generated by our media partners;
- A failure to grow or to manage growth effectively may cause the quality of our platform and solutions to suffer, and may adversely affect our business, results of operations, and financial condition;
- Continued growth in our business may place demands on our infrastructure and resources;
- Our research and development efforts may not meet the demands of a rapidly evolving technology market;
- Loss of media partners could have a significant impact on our revenue and results of operations;
- Our sales and marketing efforts may require significant investments and, in certain cases, involve long sales cycles;

- The failure of our recommendation engine to accurately predict user engagement may adversely affect our business, results of operations, and financial condition;
- If the quality of our recommendations deteriorates, or if we fail to present interesting content to our users, we may experience a decline in user engagement, which could result in the loss of media partners;
- The digital advertising industry is intensely competitive, and if we do not effectively compete against current and future competitors, our business, results of operations, and financial condition could be adversely affected;
- Limitations on our ability to collect, use, and disclose data to deliver advertisements;
- Failures or loss of the hardware, software and infrastructure on which we rely, or security breaches, could adversely affect our business; and
- Political and regulatory risks in the various markets in which we operate; the challenges of compliance with differing and changing regulatory requirements.

### **Industry Data**

This prospectus includes data, forecasts and information obtained from industry publications and surveys and other information available to us. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying assumptions relied upon therein. While we are not aware of any misstatements regarding the industry data presented herein, estimates and forecasts involve uncertainties and risks and are subject to change based on various factors, including those discussed under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors" in this prospectus.

### **Emerging Growth Company Status**

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act") enacted in April 2012. We intend to take advantage of certain exemptions under the JOBS Act from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. In addition, we have in this prospectus taken and intend to continue to take advantage of certain reduced reporting obligations, including disclosing only two years of audited consolidated financial statements and only two years of related management's discussion and analysis of financial condition and results of operations. We may take advantage of these exemptions until the earlier of the last day of the fiscal year following the fifth anniversary of the completion of this offering or the date we cease to be an "emerging growth company," which will be the earliest of (i) the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue; (ii) the date we qualify as a "large accelerated filer"; and (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities.

In addition, the JOBS Act provides that an "emerging growth company" can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

### **Corporate Information**

Outbrain Inc. was incorporated in Delaware in August 2006. Our principal executive offices are located at 222 Broadway, 19th Floor, New York, NY 10038, and our telephone number is (646) 859-8594. Our website

address is [www.outbrain.com](http://www.outbrain.com). Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. We have included our website address in this prospectus solely for informational purposes.

Throughout this prospectus, we refer to various trademarks, service marks and trade names that we use in our business. The “Outbrain” design logo is the property of Outbrain Inc. Outbrain® is our registered trademark in the United States. We have several other trademarks, service marks and pending applications relating to our products. In particular, although we have omitted the “®” and “™” trademark designations in this prospectus from each reference to all rights to such trademarks are nevertheless reserved. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

	<b>The Offering</b>
<b>Common stock offered by us</b>	shares
<b>Common stock to be outstanding after this offering</b>	shares
<b>Option to purchase additional shares of common stock from us</b>	shares
<b>Use of proceeds</b>	<p>We intend to use the net proceeds from this offering for working capital and general corporate purposes, including research and development expenditures focused on product development and sales and marketing expenditures aimed at growing our business.</p> <p>We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreement or understanding with respect to any such acquisition or investment at this time. See “Use of Proceeds.”</p>
<b>Proposed Nasdaq symbol</b>	OB
	<p>The number of shares of our common stock that will be outstanding after this offering is based on 76,533,149 shares of common stock outstanding as of March 31, 2021. The number of shares of common stock to be outstanding after this offering excludes (1) 8,636,999 shares of common stock issuable upon the exercise of stock options outstanding under our 2007 Plan (as defined below) with a weighted-average exercise price of \$3.84 per share; (2) 6,404,423 restricted stock units, or RSUs, outstanding with respect to our common stock under our 2007 Plan; (3) 5,764 stock appreciation rights, or SARs, outstanding with respect to our common stock under our 2007 Plan; (4) 190,245 restricted stock awards, or RSAs, outstanding with respect to our common stock under our 2007 Plan; and (5) 1,130,194 shares of common stock reserved for future issuances and grants under our 2007 Plan.</p> <p>Our LTIP (as defined in “Executive Compensation—Equity Compensation Plans—2021 Long-Term Incentive Plan”), provides for annual automatic increases in the number of shares reserved thereunder. Our LTIP also provides for increases to the number of shares that may be granted thereunder based on shares under our 2007 Omnibus Securities and Incentive Plan, as amended and restated, or our 2007 Plan, that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Equity Compensation Plans.”</p> <p>Unless otherwise indicated, all information in this prospectus:</p> <ul style="list-style-type: none"> <li>• gives effect to the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the effectiveness of our amended and restated bylaws, which will occur immediately prior to the closing of this offering;</li> <li>• gives effect to the conversion of all outstanding shares of convertible preferred stock into an aggregate of shares 47,009,166 shares of common stock, which will occur immediately prior to the closing of this offering;</li> <li>• gives effect to the issuance of 1,055,852 shares of common stock upon the exercise of warrants immediately prior to the closing of this offering and the receipt of \$3,079,876 by us from such exercise;</li> <li>• assumes an initial public offering price of \$            per share of common stock, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus; and</li> <li>• assumes no exercise by the underwriters of their option to purchase additional shares.</li> </ul> <p>In accordance with the antidilution provisions set forth in our amended and restated certificate of incorporation in effect prior to the closing of this offering, depending on the price of the shares sold in this offering, the shares of our Series D, Series F and Series G convertible preferred stock outstanding</p>

immediately prior to the closing of this offering may convert into a higher number of shares of common stock. A change in conversion ratio could also result in us recognizing a beneficial conversion charge on the closing of this offering. Under the provisions of our amended and restated certificate of incorporation, we will not know the conversion rate of our Series D, Series F and Series G convertible preferred stock until the public offering price is determined. See “Conversion of Series D, Series F and Series G Convertible Preferred Stock” for a discussion of the impact of different public offering prices on the conversion rates of such series of convertible preferred stock.

### Summary Consolidated Financial and Other Data

The following tables set forth our summary consolidated financial and other data. You should read the following summary consolidated financial and other data in conjunction with “Selected Consolidated Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes included elsewhere in this prospectus. Our financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

The following tables present selected consolidated statements of operations data for each of the years in the two-year period ended December 31, 2020, and for the three months ended March 31, 2021 and 2020. We derived the statements of operations data for the years ended December 31, 2020 and 2019 and the selected balance sheet data as of December 31, 2020 from the audited financial statements appearing elsewhere in this prospectus. We derived our selected consolidated statements of operations data for the three months ended March 31, 2021 and 2020 and our selected consolidated balance sheet data as of March 31, 2021 from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated financial statements on the same basis as the audited consolidated financial statements and have included all adjustments, consisting only of normal adjustments, which in our opinion are necessary to state fairly the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year or for any other period.

	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands, except per share data)			
<b>Statements of Operations Data:</b>				
Revenue	\$228,024	\$177,332	\$767,142	\$687,333
Cost of revenue:				
Traffic acquisition costs	167,613	136,806	572,802	517,000
Other cost of revenue	6,942	7,873	29,278	28,548
Gross profit	53,469	32,653	165,062	141,785
Operating expenses:	38,689	42,170	154,885	156,370
Income (loss) from operations	14,780	(9,517)	10,177	(14,585)
Interest expense	(170)	(165)	(832)	(601)
Interest income and other income (expense), net	(2,253)	1,241	(1,695)	152
Income (loss) before provision for income taxes	12,357	(8,441)	7,650	(15,034)
Provision for income taxes	1,611	1,129	3,293	5,480
Net income (loss)	<u>\$ 10,746</u>	<u>\$ (9,570)</u>	<u>\$ 4,357</u>	<u>\$ (20,514)</u>
Net income (loss) per share—basic	\$ 0.14	\$ (0.34)	\$ 0.06	\$ (0.79)
Net income (loss) per share—diluted	\$ 0.12	\$ (0.34)	\$ 0.05	\$ (0.79)

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>		
	(in thousands)			
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 95,042	\$ 93,641		
Total assets	341,965	356,486		
Total liabilities	245,533	273,855		
Convertible preferred stock	162,444	162,444		
Total stockholders' deficit	(66,012)	(79,813)		
	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
<b>Statement of Cash Flows Data:</b>				
Net cash provided by operating activities	\$ 5,406	\$14,336	\$52,986	\$16,740
Net cash used in investing activities	(2,787)	(2,121)	(9,423)	(7,589)
Net cash (used in) provided by financing activities	(807)	9,044	(4,228)	(3,659)
	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
<b>Non-GAAP Performance Metrics<sup>(1)</sup>:</b>				
Revenue Ex-TAC	\$60,411	\$40,526	\$194,340	\$170,333
Adjusted EBITDA	20,583	2,169	41,145	19,275
Adjusted EBITDA as % of Revenue Ex-TAC	34.1%	5.4%	21.2%	11.3%
<hr/>				
<sup>(1)</sup> For information on how we define and compute Revenue Ex-TAC and Adjusted EBITDA and for reconciliations to the corresponding GAAP measures, which are gross profit and net income, respectively, see "Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures."				



## Risk Factors

*This offering and an investment in our shares of common stock involve a high degree of risk. You should consider carefully the risks described below and all other information contained in this prospectus, before you decide to buy our shares of common stock. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our shares of common stock would likely decline and you might lose all or part of your investment.*

### Risks Related to Outbrain and Outbrain's Industry

***Our revenue and results of operations are highly dependent on overall advertising demand in the markets in which we operate. Factors that affect the amount of advertising spending, such as economic downturns and unexpected events, like the COVID-19 pandemic, can make it difficult to predict our revenue and could adversely affect our business, results of operations, and financial condition.***

Our business depends on the overall demand for advertising in the markets in which we operate and on the business trends of our current and prospective media partners and advertisers. Macroeconomic factors could cause advertisers to reduce their advertising budgets, including adverse economic conditions and general uncertainty about economic recovery or growth, particularly in North America, EMEA (Europe, Middle East and Africa), and Asia, where we conduct most of our business, as well as instability in political or market conditions generally. Reductions in overall advertising spending as a result of these factors or due to the occurrence of unanticipated events could make it difficult to predict our future performance. The occurrence of unforeseen events, like the pandemic, that affect advertising demand may have a disproportionate impact on our revenues and profitability in certain periods and could adversely affect our business, results of operations, and financial condition.

***We cannot predict the extent to which the ongoing and evolving COVID-19 pandemic, including the resulting global economic uncertainty, and measures taken in response to the pandemic, could adversely affect our business, results of operations, and financial condition.***

In March 2020, the World Health Organization (“WHO”) characterized the rapid spread of the COVID-19 disease as a pandemic. Since then, the COVID-19 pandemic has disrupted the global economy and put unprecedented strains on governments, health care systems, educational institutions, businesses, and individuals around the world, resulting in regional quarantines, labor shortages or stoppages, changes in consumer purchasing patterns, disruptions to the ability of service providers to deliver data on a timely basis, or at all, and overall economic instability. The impact on the global population and the duration of the COVID-19 pandemic is difficult to assess or predict. It is also difficult to predict the impact on the global economic market, which depends upon the actions of governments, businesses, and other enterprises in response to the pandemic and the effectiveness of those actions. The pandemic has already caused, and is likely to result in further, significant disruption of global financial markets and economic uncertainty. Although the advertising market and our business have generally recovered from the economic effects of the COVID-19 pandemic, it did initially impact our sales and operations adversely. We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers and agencies), as well as government recommendations.

In response to the COVID-19 pandemic, we required most employees to work remotely, suspended all non-essential travel worldwide for our employees, canceled or postponed company-sponsored events, and discouraged employee attendance at industry events and in-person work-related meetings. Although we continue to monitor the situation and will adjust our current policies over time, temporarily suspending travel and doing business remotely could negatively impact our marketing efforts, lengthen sales cycles, slow down our recruiting efforts, and/or create operational or other challenges as we adjust to a fully (or partially)-remote workforce, any of which could adversely affect our business, results of operations, and financial condition.

By contrast, as the economy recovers and pandemic concerns ease, certain media partners may experience a decline in traffic from the height of traffic during the work-from-home peak digital usage periods. As a result, by comparison to our 2020 results of operations, our results of operations in future periods may be unpredictable.

***In order to meet our growth objectives, we will need to continue to innovate, seek to have advertisers and media partners adopt our expanding solutions, and extend our reach into evolving digital media platforms. If we fail to grow, or fail to manage our growth effectively, the quality of our platform and solutions may suffer, and our business, results of operations, and financial condition may be adversely affected.***

Our growth plans depend upon our ability to innovate, attract advertisers and media partners to our solutions to buy and sell new inventory, and expand the use of our solutions by advertisers and media partners utilizing other digital media platforms and video. Our business model may not translate well into emerging forms of advertising due to market resistance or other factors, and we may not be able to innovate successfully enough to compete effectively.

The advertising technology market is dynamic, and our success depends upon our ability to develop innovative new technologies and solutions for the evolving needs of sellers of digital advertising, including websites, applications and other media partners, and buyers of digital advertising. We also need to grow significantly to develop the market reach and scale necessary to compete effectively with large competitors. This growth depends to a significant degree upon the quality of our strategic vision and planning. The advertising market is evolving rapidly, and if we make strategic errors, there is a significant risk that we will lose our competitive position and be unable to achieve our objectives. The growth we are pursuing may itself strain the organization, harming our ability to continue that growth, and to maintain the quality of our operations. If we are not able to innovate and grow successfully, the value of our company may be adversely affected.

***The continued growth in our business may place demands on our infrastructure and our operational, managerial, administrative, and financial resources.***

Our success will depend on our ability to manage growth effectively. Among other things, this will require us at various times to:

- strategically invest in the development and enhancement of our platform and data center infrastructure;
- manage multiple relationships with various media partners, advertisers, and other third parties;
- extend our operating, administrative, legal, financial, and accounting systems and controls;
- increase coordination among our engineering, product, operations, go-to-market and other support organizations; and
- recruit, hire, train, and retain personnel.

If we do not manage our growth well, the efficacy and performance of our platform may suffer, which may harm our reputation and reduce demand for our platform and solutions. Failure to manage our growth effectively may have an adverse effect on our business, results of operations, and financial condition.

***Our research and development efforts may not meet the demands of a rapidly evolving technology market resulting in a loss of customers, revenue, and/or market share.***

We expect to continue to dedicate significant financial and other resources to our research and development efforts in order to maintain or improve our competitive position. However, investing in research and development personnel, developing new solutions and enhancing existing solutions is expensive and time consuming. Our research and development activities may be directed at maintaining or increasing the performance of our recommendations, developing tools that improve productivity or efficiency, or introducing new solutions. However, there is no assurance that such activities will result in significant new marketable solutions, enhancements to our current solutions, design improvements, additional revenue or other expected benefits. Furthermore, there is no assurance that our efforts to promote new or enhanced solutions, like video solutions or new advertiser tools, will be successful. If we spend significant time and effort on research and development but are unable to generate an adequate return on our investment, our business, results of operations, and financial condition may be adversely affected.

***Loss of large media partners could have a significant impact on our revenue and results of operations.***

A significant portion of our recommendations are placed on web pages and mobile applications of a small number of our media partners. Certain partners may reduce or terminate their business with us at any time for any reason, including as a result of changes in their financial condition or other business circumstances, such as a change in strategy or model by which they monetize their properties. In 2020 and 2019, each of our two largest media partners accounted for approximately 10% of our revenues. If a large media partner reduces or terminates its relationship with us, or if several small or medium-sized media partners terminate their relationships with us, we may not have access to sufficient media partners to satisfy demand from advertisers resulting in lower revenues. In addition, losing key media partners may lead advertisers to seek alternate advertising solutions, which could slow our growth. A media partner may terminate its relationship with us and enter into a relationship with a competitor, and to the extent that becomes a long-term relationship, reestablishing our relationship with that media partner may prove difficult. As discussed below, establishing relationships with media partners may involve long sales cycles. As a result, the loss of a significant media partner relationship or of several small or medium-sized media partner relationships could have a material adverse impact on our business, results of operations and financial condition.

***Our sales and marketing efforts may require significant investments and, in certain cases, involve long sales cycles, and may not yield the results we seek.***

Our sales and marketing teams educate prospective media partners and advertisers about the use, technical capabilities, and benefits of our platform. Our sales cycle (with both media partners as well as with certain advertisers and agencies) can take significant time from initial contact to contract execution and implementation. We may not succeed in attracting new media partners despite our significant investment in business development, sales and marketing and it is complex to predict the extent of the revenue that will be generated with a media partner. We may not succeed in expanding relationships with existing media partners and advertisers, despite our significant investment in sales, account management, marketing, and research and development and it is difficult to predict when additional products will generate revenue through our platform, and the extent of that revenue. Programmatic partners tend to have a longer sales cycle with distinct technical and integration requirements, as well as a separate ongoing partner management process.

***Our revenue growth and future prospects will be adversely affected if we fail to expand our advertiser relationships.***

Our revenue growth depends on our success in expanding and deepening our relationships with existing advertisers. Our growth strategy is premised in part on increasing spend from existing advertisers. In order to do so, we must be able to demonstrate better results for our advertisers with increased user engagement and return on ad spend (“ROAS”), among other things. We do not have long-term commitments from our advertisers. We seek to increase the number of advertisers and to reach new advertisers. Attracting new advertisers and expanding existing relationships with our advertisers requires substantial effort and expense. In particular, large advertisers with well-established brands may require us to spend significant time educating them about our platform and solutions. It may be difficult and time consuming to identify, sell and market to potential advertisers who already allocate their budgets to large competitors and who expect to see a similar return on investment before diversifying or allocating a portion of their advertising budgets to us. As new advertisers spend in our network or as advertisers allocate greater budgets to our platform, our credit loss exposure may increase over time and may exceed reserves for such contingencies. As we expand the application of our solutions, we increasingly depend on media agencies to assist advertisers in planning and purchasing advertising for brand marketing objectives, such as preference shift and brand awareness. We typically experience slow payment cycles by advertising agencies, as is common in our industry, and in some instances, if the advertiser does not pay the agency, the agency is not liable to us, and we must seek payment solely from the advertiser. If we are unsuccessful in developing new advertiser and agency relationships and maintaining and expanding our existing relationships, our results of operations and prospects will be adversely affected.

***The failure of our recommendation engine to accurately predict user engagement may adversely affect our business, results of operations, and financial condition.***

The success of our recommendation engine depends on the ability of our proprietary algorithms to predict the likelihood users will engage with our recommendations and on the quality of our data assets. We

need to continuously deliver satisfactory results for users, media partners and advertisers in order to maintain revenue, which, in turn, depends in part on the optimal functioning of our platform and solutions. Therefore, a failure of our recommendation engine to accurately predict user engagement could negatively affect our results of operations and revenue.

***If the quality of our recommendations deteriorates, or if we fail to present interesting content to our users, we may experience a decline in user engagement, which could result in the loss of media partners.***

Our technology selects the recommendations that are displayed to users on the online properties of our media partners. Our success depends on our ability to make valuable recommendations, which, in turn, depends on the quality of recommendations in our index and our ability to predict engagement by an individual user within a specific context. We believe that one of our key competitive advantages is our recommendation technology. Subject to our advertiser guidelines, we offer our media partners a degree of flexibility with respect to the type of recommendation that they believe will appeal to their audience based on the editorial tone of their properties. If the quality of our recommendations suffers, whether due to our actions or decisions made by our media partners, or we are otherwise unable to provide users with valuable and relevant recommendations, user engagement may decline or perceptions of our recommendations may be adversely impacted. If we experience a decline in users or user engagement, for example, because users begin to ignore our platform or direct their attention to other elements on the online properties of our media partners, our media partners and advertisers may in turn not view our solutions as attractive, which could harm our business, results of operations, and financial condition.

***The content of advertisements could damage our reputation and brand, or harm our ability to expand our base of users, advertisers and media partners, and negatively impact our business, results of operations, and financial condition.***

Our reputation and brand may be negatively affected by ads that are deemed to be hostile, infringing, offensive or inappropriate by users and media partners. From time to time, we make changes in our advertiser guidelines that can result in the inclusion or exclusion of certain types of ads. We cannot predict with certainty the impact that such changes might have on user engagement or perceptions of our recommendations. We have adopted policies regarding unacceptable advertisements and retain authority to remove ads that violate these policies; however, advertisers could nonetheless provide such content and occasionally circumvent our policies. If any of those ads lead to hostile, infringing, offensive or inappropriate content, our reputation could suffer by association. The safeguards we have in place may not be sufficient to avoid harm to our reputation and brand. This could adversely affect existing relationships with media partners and advertisers, as well as our ability to expand our user and media partner base, and harm our business, results of operations, and financial condition.

***Conditions in Israel could materially and adversely affect our business.***

Many of our employees, including certain members of our management team, operate from our offices in Israel. In addition, a number of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations. In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip, Lebanon and Syria against civilian targets in various parts of Israel, including areas in which our employees are located, which negatively affected business conditions in Israel. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations, results of operations and financial condition.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of property damage and certain direct and indirect damages that are caused by terrorist attacks or acts of war, such coverage would likely be limited, may not be applicable to our business (either due to the geographic location of our offices or the type of business that we operate) and may not reinstate our loss of revenue or economic

losses more generally. Furthermore, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on the expansion of our business, financial condition and/or our results of operations. In addition, a campaign of boycotts, divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

Also, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, particularly if such call-ups include the call-up of members of our management. Such disruption could materially adversely affect our business, financial condition and results of operations.

***The digital advertising industry is intensely competitive, and if we do not effectively compete against current and future competitors, our business, results of operations, and financial condition could be adversely affected.***

The digital advertising ecosystem is competitive and complex. Some of our competitors have longer operating histories, greater name recognition, and greater financial, technical, sales, and marketing resources than we have. In addition, some competitors may have greater flexibility than we do to compete aggressively on the basis of their scale, price and other contract terms, or to compete with us by including in their product offerings services that we may not provide. The market is fragmented and we also face competition from many smaller companies, many of which may be willing to offer their services on prices or terms that are not profitable for us. Some competitors are able or willing to agree to contract terms that expose them to risks and in order to compete effectively we might need to accommodate similar risks that could be difficult to manage or insure against. Media partners are investing in capabilities that enable them to connect more effectively and directly with advertisers. Our business may suffer to the extent that media partners and advertisers sell and purchase advertising inventory directly from one another or through intermediaries other than us, reducing the amount of advertising spend on our platform. If we are unable to compete effectively for media partners' inventory and/or advertisers' advertising spend, we may experience less demand, which could adversely affect our business, results of operations, and financial condition.

There has also been rapid evolution and consolidation in digital advertising, and we expect these trends to continue, thereby increasing the capabilities and competitive positioning of larger companies, particularly those that are already dominant. There is a finite number of large media partners and advertisers in our target markets, and any consolidation of media partners or advertisers may give the resulting enterprises greater bargaining power or result in the loss of media partners and advertisers that use our platform, reducing our potential base of media partners and advertisers, each of which would potentially erode our revenue.

With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales and maintain our profitability. In addition, we and our media partners compete indirectly for user engagement with larger search and social media companies, such as Facebook, Inc., Google Inc., LinkedIn Corp. and Twitter Inc. We also broadly compete for advertiser budgets with other forms of traditional and online marketing, including keyword advertising, social media marketing and display advertising.

Loss of existing or future market share to new competitors and advertisers allocating finite budgets to competitors could substantially harm our business, results of operations, and financial condition.

***Our current business model depends on media partners maintaining open access digital properties, monetizing through advertising and attracting users to their digital properties, and could be impacted by continued pressure on the publishing industry.***

Our platform depends on users being able to consume content freely on media partners' properties. Some media partners, typically those that participate in both print and digital publishing, charge their users

a subscription fee for online access by implementing a paywall. Our business may be negatively impacted by media partners shifting from open access to paywalls because it may decrease our access to users and advertising inventory. If media partners shift their revenue models to a subscription-based service, they may decrease their reliance on other forms of revenue generation, including our recommendations and ads, which could negatively affect our business, results of operations, and financial condition.

***Our results of operations may fluctuate significantly from period to period and may not meet our expectations or those of securities analysts and investors.***

Our results of operations have fluctuated in the past, and future results of operations are likely to fluctuate as well. In addition, because our business continues to evolve, you should not place undue reliance on our historical results of operations in assessing our future prospects. Factors that can cause our results of operations to fluctuate include:

- changes in demand and competition for ad inventory sold on our platform;
- changes in our access to valuable ad inventory of media partners;
- the addition or loss of media partners on our platform, and costs associated with adding or attempting to retain them;
- seasonality of our business;
- changes in consumer usage of devices and channels to access media and digital content;
- changes in the structure of the buying and selling of digital ad inventory;
- changes in the pricing policies of media partners and competitors;
- changes in third-party service costs;
- changes and uncertainty in our legislative, regulatory, and industry environment, particularly in the areas of data protection and consumer privacy;
- introduction of new technologies or solutions;
- unilateral actions taken by demand side platforms, agencies, advertisers, media partners, and supply side platforms;
- changes in our capital expenditures as we acquire hardware, technologies, and other assets for our business; and
- changes to the cost of retaining and adding highly specialized personnel.

Any one or more of the factors above may result in significant fluctuations in our results of operations.

***Our profitability may be adversely impacted, or may fluctuate on a quarterly basis, due to guarantees that we have provided to some of our media partners.***

In order to secure favorable terms, such as exclusivity and longer-term agreements, we may offer media partners contracts with guaranteed minimum rates of payments. These guarantees require us to pay the media owner for the ad impressions we receive, regardless of whether the consumer engages with the ad or we are paid by the advertiser. If the level of user engagement on a media partner property or overall advertiser demand falls, the payments to our media partners with guaranteed minimum rates of payment may adversely impact our Revenue Ex-TAC and our margins. This includes the possibility of paying a media partner an amount in excess of the revenue that we generated from ads served on that media partner property. The revenue from ads served on a media partner property or overall advertiser demand could drop for reasons outside of our control. It is also possible that we will agree to a rate of payment that is more difficult to profitably recoup than we originally believed. In addition, many of our contracts that contain guarantee arrangements set a single rate of payment and do not account for seasonal revenue fluctuations. As a result, our gross profit margins may fluctuate with the seasonality of the business. Although we have secured limited exemptions in contracts with guarantees, due to these factors, these guarantees may adversely impact our traffic acquisition costs in absolute dollar terms and as a percentage of revenue, as well as overall profitability. The provision of guaranteed minimum rates to additional media partners or to existing media



partners upon contract renewal, or the provision of such guarantees in contracts that contemplate a large number of page views, such as some of the contracts we have entered into with large media partners, may increase the risk that our gross profit and/or margins may be adversely impacted for the reasons we describe above.

***Seasonal fluctuations in advertising activity and large cyclical events could have a material impact on our revenue, cash flow and operating results.***

Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our advertisers' spending. For example, advertisers tend to devote more of their advertising budgets to the fourth calendar quarter to coincide with user holiday spending. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand. Other large cyclical events that attract advertisers, such as elections, the Olympics and other sporting events, the Oscars, or other large entertainment events, also could cause our revenue to increase during certain periods and decrease in other periods.

***User growth and engagement depends upon effective interoperation with devices, platforms and standards set by third parties that we do not control.***

Our recommendations are currently accessed through desktops, laptops and mobile devices, and are adaptable across many digital environments, including web pages, mobile applications, email and video players. In the future, our recommendations may be accessed through other new devices and media platforms. As a result, we depend on the interoperability of our solutions with popular devices, platforms and standards that we do not control. For example, because many users access our platform through mobile devices, we depend on the interoperability of our solutions with mobile devices and operating systems such as Android and iOS. Any changes in, or restrictions imposed by, such devices, platforms or standards that impair the functionality of our current or proposed solutions or give preferential treatment to competitive products or services could adversely affect usage of our platform.

Some users also download free or paid "ad blocking" software on their computers or mobile devices, not only for privacy reasons, but also to counteract the adverse effect advertisements can have on the user experience, including increased load times, data consumption, and screen overcrowding. If more users adopt these measures, our business, results of operations, and financial condition could be adversely affected. Many applications and other devices allow users to avoid receiving advertisements by paying for subscriptions or other downloads. Prominent media technology companies, including Google, are also limiting what advertisements may be rendered through their browsers in the name of user experience and load times. Ad-blocking technologies could have an adverse effect on our business, results of operations, and financial condition if they reduce the volume or effectiveness and value of advertising.

Prominent technology companies also have announced intentions to discontinue the use of cookies, and to develop alternative methods and mechanisms for tracking users. The most commonly used Internet browsers allow users to modify their browser settings to block first-party cookies (placed directly by the media partner or website owner that the user intends to interact with) or third-party cookies, and some browsers block third-party cookies by default. For example, Apple already prohibits the use of third-party cookies and has announced its intention to move to "opt-in" privacy models with its new iOS releases requiring users to voluntarily choose (opt-in) to permit app developers to track them across applications and websites and therefore receive targeted ads. In January 2020, Google announced its intention to limit the use of third-party cookies potentially starting in 2022 in its Chrome web browser.

Mobile devices using Android and iOS operating systems limit the ability of cookies to track users while they are using applications other than their web browser on the device. As a consequence, fewer of our cookies or media partners' cookies may be set in browsers or be accessible in mobile devices, which adversely affects our business.

As companies replace cookies, it is possible that such companies may rely on proprietary algorithms or statistical methods to track users without cookies, or may utilize log-in credentials entered by users into other web properties owned by these companies, such as their email services, to track web usage, including usage across multiple devices. Alternatively, such companies may build different and potentially proprietary user



tracking methods into their widely-used web browsers. Although we believe we are well positioned to adapt and continue to provide key data insights to our media partners without cookies, this transition could be more disruptive, slower, or more expensive than we currently anticipate, and could materially affect the accuracy of our recommendations and ads and thus our ability to serve our advertisers, adversely affecting our business, results of operations, and financial condition.

***If we fail to detect and prevent click fraud or other invalid engagements with the advertisements we serve, we could lose the confidence of our advertisers, which would cause our business to suffer and negatively impact our financial results.***

Our success relies on delivering measurable business value to our advertisers. We are exposed to the risk of fraudulent and otherwise invalid engagements that advertisers may perceive as undesirable. A major source of invalid engagements is click fraud in which a user, automated script or computer program intentionally engages with ads for reasons other than accessing the underlying content. If we are unable to detect and prevent such fraudulent or malicious activity, or other invalid engagements or if we choose to manage traffic quality in a way that advertisers find unsatisfactory, the affected advertisers may experience or perceive a reduced return on their investment in our platform, which could lead to dissatisfaction with our solutions, refusals to pay, refund demands or withdrawal of future business. This could damage our brand and lead to a financial loss or to a loss of advertisers which would adversely affect our business, results of operations, and financial condition.

***Our business depends on our ability to maintain and scale our technology platform. Real or perceived errors or disruptions in our platform could adversely affect our operating results and growth prospects.***

We depend upon the sustained and uninterrupted operation of our platform to generate recommendations, serve ads, manage our content index, continually improve and analyze our data assets and optimize performance in real time. If our platform cannot scale to meet demand, or if there are errors, bugs, or other performance failures, including any related to our third-party service providers, in our execution of any of these functions on our platform, then our business may be harmed. Undetected bugs, defects, errors and other performance failures may occur, especially when we are implementing new solutions or features. Despite testing by us, errors in our platform may occur, which could result in negative publicity, damage to our brand and reputation, loss of or delay in market acceptance of our solutions, increased costs or loss of revenue, loss of competitive position or claims by advertisers or media partners for losses sustained by them. We also face risks of disruptions of service from third-party interference with our platform and cyber-attacks. For such occurrences, our platform is designed with degradation features that enable us to turn off our recommendations and ads without producing white space on the media partner's properties for the vast majority of our media partners. While we have robust systems in place to counter breaches and attacks, such as DoS (a technique used by hackers to take an Internet service offline by overloading its servers), we cannot guarantee that future attacks may not have dire consequences, including impacting what may be displayed on the properties of our media partners and advertisers. Disruptions to our platform and our servers could interrupt our ability to provide our solutions and materially affect our reputation, relationships with media partners and advertisers, business and results of operations. Moreover, alleviating problems resulting from errors or disruptions in our platform could require significant resources, which would adversely impact our financial position, and results of operations.

***Failures or loss of the hardware, software and infrastructure on which we rely, or security breaches, could adversely affect our business.***

We rely on owned and leased servers and other third-party hardware and infrastructure to support our operations. Our third-party data centers are co-located in three geographically separate locations managed by three different vendors in the United States. We do not control the operation of these facilities and such facilities could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. Further, our servers and data centers are vulnerable to damage or interruption from fires, natural disasters, terrorist attacks, power loss, telecommunications failures or similar catastrophic events. If a data center goes offline, an alternate data center would take over our serving and data storage needs, but our service may be slowed or degraded as a result until full data center operations are restored. We cannot assure you that future outages may not have material adverse consequences to our business. Moreover, if for

any reason our arrangement with one or more of the providers of the servers that we use is terminated, we could incur additional expenses in establishing new facilities and support.

***Our business depends on our ability to collect, use, and disclose data to deliver advertisements. Any limitation imposed on our collection, use or disclosure of this data could significantly diminish the value of our solution.***

We use “cookies,” or small text files placed on consumer devices when an Internet browser is used, as well as mobile device identifiers, to gather data that enables our platform to be more effective. We collect this data through various means, including code that media partners and advertisers implement on their pages, software development kits installed in mobile applications, our own cookies, and other tracking technologies. Our advertisers, directly or through third-party data providers, may choose to further target their campaigns within our platform using their data.

The data we collect improves our algorithms and helps us deliver relevant recommendations with greater user engagement. Our ability to collect and use data is critical to the value of our platform. Without cookies, mobile device IDs, and other tracking technology data, our recommendations would be informed by less information about user interests and advertisers may have less visibility into their return on ad spend. If our ability to use cookies, mobile device IDs or other tracking technologies is limited, we may be required to develop or obtain additional applications and technologies to compensate for the lack of cookies, mobile device IDs and other tracking technology data, which could be time consuming or costly to develop, less effective, and subject to additional regulation. There are many technical challenges relating to our ability to collect, aggregate and associate the data, and we cannot assure you that we will be able to do so effectively, which would adversely affect our business, results of operations, and financial condition.

***We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.***

Our future success depends upon contributions from our employees, in particular our senior management team. We do not maintain key person life insurance for any employee. From time to time, there may be changes in our senior management team, and such changes may be disruptive to our business.

Our growth strategy also depends on our ability to expand and retain our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Competition for highly skilled personnel in our industry is intense across all our locations, particularly in New York City, where our headquarters is located, and in Israel and Slovenia, where we conduct the majority of our research and development activities. We may need to invest significant amounts of cash and equity to attract and retain new employees and we may not realize returns on these investments. If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

***Our corporate culture has contributed to our success, and if we cannot maintain it as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.***

We believe our corporate culture has been a critical component of our success as we believe it fosters innovation, creativity, and teamwork across our business, helping to drive our success. We cannot ensure we can effectively maintain our corporate culture as we continue to grow. As we expand and change, in particular across multiple geographies, following acquisitions, or in a more remote environment, it may be difficult to preserve our corporate culture, which could reduce our ability to innovate, create, and operate effectively. In turn, the failure to preserve our culture could adversely affect our business, results of operations, and financial condition by negatively affecting our ability to attract, recruit, integrate and retain employees, continue to perform at current levels, and effectively execute our business strategy.

***If currency exchange rates fluctuate substantially in the future, our results of operations, which are reported in U.S. dollars, could be adversely affected.***

We are exposed to the effects of fluctuations in currency exchange rates. We incur operating expenses, including with respect to employee compensation, in local currencies at our offices outside of the United States and, most significantly, in Israel and the United Kingdom, and a significant percentage of our

international revenue is from advertisers who pay us in currencies other than the U.S. dollar. Fluctuations in the exchange rates between the U.S. dollar and those other currencies could result in the U.S. dollar equivalent of such expenses being higher and/or the U.S. dollar equivalent of such foreign-denominated revenue being lower than would be the case if exchange rates were stable. This could have a negative impact on our reported operating results. We evaluate periodically the various currencies to which we are exposed and take hedging measures to reduce the potential adverse impact from the appreciation or the depreciation of our non-U.S.-dollar-denominated operations, as appropriate. Any such strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures that we may implement to mitigate this risk may not fully eliminate our exposure to foreign exchange fluctuations.

***Our tax liabilities may be greater than anticipated.***

The U.S. and non-U.S. tax laws applicable to our business activities are subject to interpretation and are changing. We are subject to audit by the U.S. Internal Revenue Service (the “IRS”) and by taxing authorities of the state, local and foreign jurisdictions in which we operate. Our tax obligations are based in part on our corporate operating structure, including the manner in which we develop, value, use and hold our intellectual property, the jurisdictions in which we operate, how tax authorities assess revenue-based taxes such as sales and use taxes, the scope of our international operations, and the value we ascribe to our intercompany transactions. Taxing authorities may challenge, and have challenged, our tax positions and methodologies for valuing developed technology or intercompany arrangements, positions regarding the collection of sales and use taxes, and the jurisdictions in which we are subject to taxes, which could expose us to additional taxes. Any adverse outcomes of such challenges to our tax positions could result in additional taxes for prior periods, interest and penalties, as well as higher future taxes. In addition, our future tax expense could increase as a result of changes in tax laws, regulations or accounting principles, or as a result of earning income in jurisdictions that have higher tax rates. For example, the European Commission has proposed, and various jurisdictions have enacted or are considering enacting laws that impose separate taxes on specified digital services, which may increase our tax obligations in such jurisdictions. Digital services or other similar taxes could, among other things, increase our tax expense, create significant administrative burdens for us, discourage potential customers from subscribing to our platform due to the incremental cost of any such sales or other related taxes, or otherwise have a negative effect on our financial condition and results of operations. Moreover, the determination of our provision for income taxes and other tax liabilities requires significant estimates and judgment by management, and the tax treatment of certain transactions is uncertain. Given uncertainty with respect to the impact of the COVID-19 pandemic on our operations, the income tax benefit/expense we record may vary significantly in future periods. Any changes, ambiguity, or uncertainty in taxing jurisdictions’ administrative interpretations, decisions, policies and positions, including the position of taxing authorities with respect to revenue generated by reference to certain digital services, could also materially impact our income tax liabilities. Although we believe that our estimates and judgments are reasonable, the ultimate outcome of any particular issue may differ from the amounts previously recorded in our financial statements and any such occurrence could adversely affect our business, results of operations, and financial condition.

***Our credit facility subjects us to operating restrictions and financial covenants that impose risk of default and may restrict our business and financing activities.***

In 2013, we entered into a loan and security agreement with Silicon Valley Bank (“SVB”) that, as amended to date, provides a senior secured revolving credit facility in the aggregate principal amount of up to \$35 million. As of March 31, 2021, we had no borrowings outstanding under this loan and security agreement. Borrowings under this agreement are secured by substantially all of our assets, including all accounts receivable and proceeds from sales of our intellectual property, and are subject to a negative pledge on our intellectual property in favor of SVB. This credit facility is subject to certain financial and other covenants, as well as restrictions that limit our ability without prior written consent, among other things, to:

- dispose of or sell our assets;
- make material changes in our business, management or ownership (other than in connection with a public offering);
- consolidate or merge with other entities;

- incur additional indebtedness;
- create liens on our assets;
- pay dividends;
- make investments, other than permitted investments; and
- pay off or redeem subordinated indebtedness, unless permitted under the terms of the subordination.

These covenants may restrict our ability to finance our operations and to pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control. Our ability to renew our existing credit facility, which matures in November 2021, or to enter into a new credit facility to replace or supplement the existing facility may be limited due to various factors, including the status of our business, global credit market conditions, and perceptions of our business or industry by sources of financing. In addition, if credit is available, lenders may seek more restrictive covenants and higher interest rates that may reduce our borrowing capacity, increase our costs, and reduce our operating flexibility. If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all.

***We may engage in strategic transactions, which may not yield a positive financial outcome. Further, such activity may result in the company operating in businesses beyond its current core business with risk factors beyond those which are identified here.***

From time to time, we may evaluate potential mergers and acquisitions or investment opportunities. We have made a number of acquisitions in the past. Any transactions that we enter into could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments carry with them a number of risks, including the following:

- diversion of management time and focus from operating our business;
- implementation or remediation of controls, procedures and policies of the acquired company;
- integration of financial systems;
- coordination of product, engineering and selling and marketing functions;
- retention of employees from the acquired company;
- unforeseen liabilities;
- litigation or other claims arising in connection with the acquired company; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these or other risks encountered in connection with acquisitions could cause us to fail to realize the anticipated benefits of such acquisitions, resulting in unanticipated liabilities and harming our business, results of operations and financial condition.

#### **Risks Relating to Legal or Regulatory Matters**

***Our business is subject to political and regulatory risks in the various markets in which we operate; compliance with differing and changing regulatory requirements poses compliance challenges.***

Our business is subject to regulation, which is rapidly evolving, and the business and regulatory environment in each of the international markets in which we operate may differ. For example, regulations relating to our business, including our employees, our arrangements with media partners and advertisers, and

privacy related regulations affect how we conduct our business. The following are some of the political and regulatory risks and challenges we face across jurisdictions:

- greater difficulty in enforcing contracts;
- higher costs of doing business internationally, including costs incurred in establishing and maintaining office space and equipment for our international operations;
- risks associated with trade restrictions and foreign legal requirements, including any certification and localization of our platform that may be required in foreign countries;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- compliance with anti-bribery laws, including, without limitation, compliance with the U.S. Foreign Corrupt Practices Act and the UK Bribery Act;
- compliance with data collection and privacy law regimes of various countries;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- the uncertainty of protection for intellectual property rights in some countries;
- general economic and political conditions in these foreign markets, including political and economic instability in some countries;
- the potential for heightened regulation relating to content curation or discovery as a result of concerns relating to the spread of disinformation through technology platforms; and
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate.

***We are subject to laws and regulations related to data privacy, data protection, and information security, and consumer protection across different markets where we conduct our business, including in the United States and Europe. Such laws, regulations, and industry requirements are constantly evolving and changing and could potentially impact data collection and data usage for advertising and recommendations. Our actual or perceived failure to comply with such obligations could have an adverse effect on our business, results of operations, and financial condition.***

We receive, store, and process data about or related to users in addition to our media partners, advertisers, services providers and employees. Our handling of this data is subject to a variety of federal, state, and foreign laws and regulations and is subject to regulation by various government authorities. Our data handling also is subject to contractual obligations and may be deemed to be subject to industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. In the United States, various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data and issuing separate guidance in this area. If we fail to comply with any such laws or regulations, we may be subject to enforcement actions that may not only expose us to litigation, fines, and civil and/or criminal penalties, but also require us to change our business practices as well as have an adverse effect on our business, results of operations, and financial condition.

The regulatory framework for data privacy issues worldwide is evolving and is likely to remain uncertain for the foreseeable future. The occurrence of unanticipated events often rapidly drives the adoption of legislation or regulation affecting the use, collection, or other processing of data and manners in which we conduct our business. Restrictions could be placed upon the collection, management, aggregation, and use of information, which could result in a material increase in the cost of collecting or otherwise obtaining certain kinds of data and could limit the ways in which we may use or disclose information. In particular, interest-based advertising, or the use of data to draw inferences about a user's interests and deliver relevant

advertising to that user, and similar or related practices (sometimes referred to as interest-based advertising, behavioral advertising or personalized advertising), such as cross-device data collection and aggregation, steps taken to de-identify personal data, and to use and distribute the resulting data, including for purposes of personalization and the targeting of advertisements, have come under increasing scrutiny by legislative, regulatory, and self-regulatory bodies in the United States and abroad that focus on consumer protection or data privacy (and also by app platforms, as discussed above). Much of this scrutiny has focused on the use of cookies and other technologies to collect information about Internet users' online browsing activity on web browsers, mobile devices, and other devices, to associate such data with user or device identifiers or de-identified identities across devices and channels. Because we rely upon large volumes of such data collected primarily through cookies and similar technologies, it is possible that these efforts may have a substantial impact on our ability to collect and use data from Internet users, and it is essential that we monitor developments in this area domestically and globally, and engage in responsible privacy practices, including providing users with notice of the types of data we collect and how we use that data to provide our services.

In the United States, the U.S. Congress and state legislatures, along with federal regulatory authorities have recently increased their attention on matters concerning the collection and use of consumer data. In the United States, non-sensitive consumer data generally may be used under current rules and regulations, subject to certain restrictions, so long as the person does not affirmatively "opt-out" of the collection or use of such data. If an "opt-in" model or other more restrictive regulations were to be widely adopted in the United States, less data would be available, and could adversely affect our business.

California enacted legislation, the California Consumer Privacy Act, along with related regulations (together, the "CCPA"), which became effective in 2020. The CCPA creates individual privacy rights for California residents and increases the privacy and security obligations of businesses handling personal data. The CCPA is enforceable by the California Attorney General and there is also a private right of action relating to certain data security incidents. The CCPA generally requires covered businesses to, among other things, provide disclosures to California consumers and afford California consumers abilities to opt-out of the sharing of personal data between parties, a concept that is defined broadly, and although formal guidance has not been issued, behavioral advertising is believed to trigger such requirements under the CCPA by us, consumer advocacy groups and in some cases our larger competitors. We cannot yet fully predict the impact of the CCPA or subsequent guidance on our business or operations, but it may require us to further modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Decreased availability and increased costs of information could adversely affect our ability to meet our advertisers' requirements and could have an adverse effect on our business, results of operations, and financial condition.

Additionally, starting in January 2023, the California Privacy Rights Act ("CPRA"), which was voted into law in November 2020 and amends the CCPA, imposes additional data protection obligations on certain businesses doing business in California, including honoring additional consumer rights and limiting the use and processing of personal data including sensitive data. In addition, the CPRA explicitly requires businesses to provide consumers with the right to opt-out of sharing of personal data with third parties for behavioral advertising. Accordingly, the CPRA could have an adverse effect on our business, results of operations, and financial condition.

Further, in March, 2021, Virginia enacted the Consumer Data Protection Act ("CDPA"), which will also take effect on January 1, 2023. The CDPA, similar to the CCPA and CPRA, provides various individual privacy rights to Virginia residents concerning the processing of their personal data by businesses subject to the CDPA. The CDPA also imposes certain obligations on businesses, including the requirements to obtain opt-in consent to process sensitive data, to implement and maintain reasonable security requirements, and to conduct and document data protection impact assessments concerning the processing of personal data for purposes of behavioral advertising. Similar to the CPRA, businesses must provide consumers with the right to opt-out of the processing of their personal data for behavioral advertising. The effects of the CCPA, CPRA, and CDPA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation.

The CCPA has encouraged "copycat" laws in other states across the country, such as in Connecticut, Florida, New York, Oklahoma, and Washington. This legislation may add additional complexity, variation



in requirements, restrictions, and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. Such new privacy laws add additional complexity, requirements, restrictions, and potential legal risk, require additional investment in resources to compliance programs, and could impact trading strategies and availability of previously useful data.

In Europe, the General Data Protection Regulation (EU) 2016/679 (“GDPR”) took effect on May 25, 2018 and applies to products and services that we provide in Europe, as well as the processing of personal data of European Economic Area (“EEA”) citizens, wherever that processing occurs. The GDPR includes operational requirements for companies that receive or process personal data of residents of the EEA that are different than those that were in place in the EEA prior to the GDPR. Failure to comply with GDPR, or the UK GDPR in the United Kingdom, may result in significant penalties for non-compliance ranging from €10 million to €20 million or 2% to 4% of an enterprise’s global annual revenue, whichever is greater in the case of the GDPR or the greater of £17.5 million or 4% of the total worldwide turnover in the preceding financial year in the case of the United Kingdom. In addition to the foregoing, a breach of the GDPR or the UK GDPR could result in regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

There is an increasing focus on compliance requirements with respect to the digital advertising ecosystem, including criticism that the Internet Advertising Bureau (“IAB”) Transparency & Consent Framework (“TCF”) is inherently incompatible with GDPR given the high velocity personal data trading. The UK Information Commissioner’s Office has also recently announced it has restarted its investigation into the adtech industry which will look in particular at data management platforms and the role of data brokers. If the TCF is invalidated, we may not have another means of adequately requesting and obtaining consent, which could negatively affect our business, results of operations, and financial condition.

Further, in the European Union, current national laws that implement the ePrivacy Directive (2002/58/EC) will be replaced by an EU Regulation, known as the ePrivacy Regulation, which will significantly increase fines for non-compliance and impose burdensome requirements around placing cookies. While the text of the ePrivacy Regulation is still under development, a European court decision and regulators’ recent guidance in the Court of Justice of the European Union (“CJEU”) Fashion ID case are driving increased attention to cookies and tracking technologies. On April 7, 2021 the Austrian online privacy campaign group NYOB announced that it filed a complaint with the French information commissioner’s office (the “CNIL”), against the use of the Google Android Advertising Identifier code on the ground that users do not have the opportunity to delete the code and that this amounts to a violation of ePrivacy laws. As regulators start to enforce the strict approach (which has already begun to occur in Germany, where data protection authorities have initiated a probe on third-party cookies), this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs, and subject us to additional liabilities.

In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services. Though GDPR intended to harmonize the privacy and data protection laws across the EEA, member state interpretations of the law continue to vary making an already detailed regulatory framework increasingly complex to comply with. For example, as of October 1, 2020, CNIL clarified their interpretative position and began to enforce their guidelines around consent and cookies and consequently consent management platforms.

Any failure to achieve required data protection standards may result in lawsuits, regulatory fines, or other actions or liability, all of which may harm our results of operations. It is possible that CCPA, GDPR, UK GDPR and the ePrivacy Regulation in Europe and related standards may be interpreted and applied in manners that are, or are asserted to be, inconsistent with our data management practices or the technological features of our solutions. The risk is further exacerbated because of the evolving interpretation and application of privacy and data protection laws.



In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us or our advertisers. We are members of self-regulatory bodies that impose additional requirements related to the collection, use, and disclosure of consumer data. Under the requirements of these self-regulatory bodies, in addition to other compliance obligations, we are obligated to provide consumers with notice about our use of cookies and other technologies to collect consumer data and of our collection and use of consumer data for certain purposes, and to provide consumers with certain choices relating to the use of consumer data. Some of these self-regulatory bodies have the ability to discipline members or participants, which could result in fines, penalties, and/or public censure (which could in turn cause reputational harm). Additionally, some of these self-regulatory bodies might refer violations of their requirements to the Federal Trade Commission or other regulatory bodies. If we were to be found responsible for such a violation, it could adversely affect our reputation, as well as our business, results of operations, and financial condition.

***If media partners, advertisers, and data providers do not obtain necessary and requisite consents from consumers for us to process their personal data, we could be subject to fines and liability.***

Pursuant to GDPR, the UK GDPR and related ePrivacy laws, media partners and any downstream partners, are required to obtain unambiguous consent from EEA data subjects to process their personal data, which the industry has addressed through the release and widespread adoption of the IAB TCF in April 2018 and subsequent 2.0 update in August 2020. Because we do not have direct relationships with users, we rely on media partners, advertisers, and data providers, as applicable, to implement notice or choice mechanisms required under applicable laws, and transmit notification of the consent (or no consent) of the user to us. Where applicable, we may only use user data to deliver interest-based advertisements where we have consent. If media partners, advertisers, or data providers do not follow the process (and in any event as the legal requirements in this area continue to evolve and develop), we could be subject to fines and liability. We may not have adequate insurance or contractual indemnity arrangements to protect us against any such claims and losses.

***Recent rulings from the Court of Justice of the European Union invalidated the EU-U.S. Privacy Shield as a lawful means for transferring personal data from the EEA or the UK to the United States; this introduces increased uncertainty and may require us to change our EEA/UK data practices and/or rely on an alternative legally sufficient compliance measure.***

The GDPR and the UK GDPR, generally prohibit the transfer of personal data of EEA/UK subjects outside of the EEA/UK, unless a lawful data transfer solution has been implemented or a data transfer derogation applies. On July 16, 2020, in a case known as Schrems II, the CJEU ruled on the validity of two of the primary data transfer solutions. The first method, EU-U.S. Privacy Shield operated by the U.S. Department of Commerce (the “Privacy Shield”), was declared invalid as a legal mechanism to transfer data from EEA/UK to the United States. As a result, despite the fact that we had certified our compliance to the Privacy Shield, we may no longer rely on this mechanism as a lawful means to transfer EEA/UK data to us in the United States. While the United States and the European Union are in discussions regarding a replacement to the Privacy Shield, we cannot predict if it will happen or if it does, what impact it will have on our business and industry.

The second mechanism, Standard Contractual Clauses (“SCCs”), for EEA/UK data transfers was upheld as a valid legal mechanism for transnational data transfer. However, the ruling requires that European organizations seeking to rely on the SCCs to export data out of the EEA/UK ensure the data is protected to a standard that is “essentially equivalent” to that in the EEA/UK including, where necessary, by taking “supplementary measures” to protect the data. It remains unclear what “supplementary measures” must be taken to allow the lawful transfer of personal data to the United States, and it is possible that EEA/UK data protection authorities may determine that there are no supplementary measures that can legitimize EU-U.S. data transfers. For the time being, we rely on SCCs for EU-U.S. transfers of EEA/UK personal data and explore what “supplementary measures” can be implemented to protect EEA/UK personal data that is transferred to us in the United States. It remains unclear whether SCCs can cover our use of cookies and other tracking technologies placed directly on users’ browsers or devices through our media partners or advertisers’ websites. New SCCs are likely to come into effect in the course of 2021 and the existing SCCs

will need to be replaced by the new SCCs. It is possible that the new SCCs may require us to reassess the basis upon which we can transfer personal data out of the EEA/UK.

We may also need to restructure our data export practices as a result of Brexit. Under the EU-UK Trade and Cooperation Agreement signed on December 30, 2020, following the expiry of the transition period, the UK will continue to benefit from the free movement of data from the EEA until the earlier of (a) the European Commission reaching an adequacy decision with respect to the UK; or (b) a period of four months (which may be extended for a further two months) from the date the EU-UK Trade and Cooperation Agreement enters into force (the Specified Period). The European Commission has now published its draft adequacy decision, finding that the United Kingdom does ensure an adequate level of data protection. Before the decision is formally adopted, the European Data Protection Board will need to issue a non-binding opinion on the draft and each member state must approve the decision. There is currently uncertainty as to how long this process will take. In the interim, transfers of personal data from the EEA to the UK will not be considered transfers to a third country. Should approval not be obtained prior to the expiry of the Specified Period, organizations will be required to implement a valid data transfer mechanism for data transfers from the EEA to the UK.

In the event that use of the SCCs is subsequently invalidated as a solution for data transfers to the United States, or there are additional changes to the data protection regime in the EEA/UK resulting in any inability to transfer personal data from the EEA/UK to the United States in compliance with data protection laws, European media partners and advertisers may be more inclined to work with businesses that do not rely on such compliance mechanisms to ensure legal and regulatory compliance, such as EEA/UK-based companies or other competitors that do not need to transfer personal data to the United States in order to avoid the above-identified risks and legal issues. Such changes could cause us to incur penalties under GDPR or UK GDPR and could increase the cost and complexity of operating our business.

***If the security of the confidential information or personal data of our media partners and the users of our media partner properties stored in our systems is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.***

We believe that we take reasonable steps to protect the security, integrity and confidentiality of the information we collect and store, but there is no guarantee that inadvertent (*e.g.*, software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts. To reduce our vulnerability, we have a dedicated information security team responsible for improving and coordinating security across the company. We (i) conduct routine employee training sessions and onboarding security training, including phishing simulation, to increase awareness of phishing and other cyber threats; (ii) require multi-factor authentication access methods for all employees into our network; (iii) operate general monitoring and service protections that are subject to continuous enhancements to detect and mitigate various threats, including performing ongoing manual and automatic vulnerability assessment tests; (iv) manage an ongoing cyber risk-management framework to assess internal technological changes, as well as external systems and services as part of supply chain risk; and (v) maintain ISO 27001 security certification. However, since techniques used to obtain unauthorized access frequently evolve, we may be unable to anticipate these techniques or to implement adequate preventative measures. If our security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any of our users' data, our relationships with our users may be damaged, and we could incur liability. In addition, some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data, and our agreements with certain partners require us to notify them in the event of a security incident. These mandatory disclosures regarding a security breach sometimes lead to negative publicity and may cause our users, media partners or advertisers to lose confidence in the effectiveness of our data security measures. In the European Union/United Kingdom a data breach involving personal data will generally require notification of the national Information Commissioner's Office and, where the risk to individuals is high, notification of the affected individuals themselves. In the European Union/United Kingdom there is a possibility of significant fines being imposed in the event of a security breach. Any security breach, whether actual or perceived, may harm our reputation, and we could lose users

or fail to acquire new users, media partners or advertisers, all of whom may, in addition, have claims against us as a result of a security breach. Users also may be able to bring a class action against us.

***Any governmental investigations, legal proceedings, or claims against us could result in liability, harm our reputation and could be costly and time-consuming to defend.***

From time to time, we may be subject to litigation claims, whether arising in connection with employment or commercial matters, including certain terms in our commercial agreements. We also may be exposed to potential claims brought by third parties against us, our media partners or our advertisers. Such claims may allege, for example, that our advertisers' recommendations (including the destination page reached) infringe the intellectual property or other rights of third parties, is false, deceptive, misleading or offensive, or that our advertisers' products are defective or harmful.

In addition, we may be involved in regulatory issues and government investigations, including, but not limited to, actions relating to competition law. For example, on April 29, 2021, we were notified that the Antitrust Division of the U.S. Department of Justice is conducting a criminal investigation into the hiring activities in our industry that includes us. We are cooperating with the Antitrust Division. At this stage, we are unable to predict the outcome or the timing of the ultimate resolution of this matter.

Our reputation as a business with high standards of regulatory compliance depends in part on our media partners' and advertisers' adherence to laws and regulations of multiple jurisdictions concerning copyright, trademark and other intellectual property rights, unfair competition, privacy and data protection, and truth in-advertising, and their use of our platform in ways consistent with users' expectations. In general, we require our media partners and advertisers to comply with all applicable laws, including all applicable intellectual property, privacy and data protection regulations. We rely on contractual representations from media partners and advertisers that they will comply with all such applicable laws. We make reasonable efforts to enforce contractual notice requirements, but, due to the nature of our business, we are unable to audit fully our media partners' and advertisers' compliance with our recommended disclosures or with applicable laws and regulations. If our media partners or advertisers were to breach their contractual or other requirements in this regard, or a court or governmental agency were to determine that we, our media partners and/or our advertisers failed to comply with any applicable law, then we may be subject to potentially adverse publicity, damages and related possible investigation, litigation or other regulatory activity. In addition, any perception that we, our media partners and/or our advertisers fail to comply with current or future regulations and industry practices, may expose us to public criticism, collective redress actions, reputational harm or claims by regulators, which could disrupt our industry and/or operations and expose us to increased liability.

In some instances, we may be required to indemnify media partners against such claims with respect to our advertisers' campaigns. Therefore, we may require our advertisers to indemnify us for any damages from any such claim, although in certain cases we may not be so indemnified. We cannot assure prospective investors that our advertisers will have the ability to satisfy their indemnification obligations to us, in whole, in part or at all, and pursuing any claims for indemnification may be costly or unsuccessful. As a result, we may be required to satisfy indemnification obligations to media partners, or claims against us, with our own assets.

As a result of any of the above, we could become involved in litigation or governmental investigations, whether on our own, or involving or concerning our media partners or advertisers, including class action claims, and, as a result, may become subject to significant liability, including claims for damages and financial penalties. Claims may be expensive to defend, divert management's attention from our business operations, and affect the cost and availability of insurance, even if we ultimately prevail. If any of this occurs, it may have a material adverse effect on our reputation, business operations, financial position, competitive position and prospects.

***We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our intellectual property.***

Our intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, trade secrets, copyrights, patents and trademarks to protect our intellectual property

and know-how. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties, including our employees, consultants, service providers, media partners or advertisers, to copy our products and/or obtain and use information that we regard as proprietary to create solutions and services that compete with ours. We cannot assure you that the steps taken by us will prevent misappropriation of our trade secrets or technology or infringement of our intellectual property. In addition, the laws of some foreign countries where we operate do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States.

Our policy is to enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to our proprietary information and other intellectual property. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our solutions.

We may from time to time be subject to claims of prior use, opposition or similar proceedings with respect to applications for registrations of our intellectual property, including but not limited to our trademarks and patent applications. The process of seeking patent protection can be lengthy and expensive, and any of our pending or future patent or trademark applications, whether or not challenged, may not be issued with the scope of the claims we seek, if at all. We are unable to guarantee that patents or trademarks will issue from pending or future applications or that, if patents or trademarks issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. We rely on our brand and trademarks to identify our solutions to our media partners and advertisers and to differentiate our solutions from those of our competitors. If we are unable to adequately protect our trademarks, third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion to our users or confusion in the market, or dilute our brand names or trademarks, which could decrease the value of our brand.

From time to time, we may discover that third parties are infringing, misappropriating or otherwise violating our intellectual property rights. However, policing unauthorized use of our intellectual property and misappropriation of our technology is difficult and we may therefore not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop solutions with the same or similar functionality as our solutions. If competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if such competitors are able to develop solutions with the same or similar functionality as ours without infringing our intellectual property, our competitive position and results of operations could be harmed and our legal costs could increase.

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

We operate in an industry with extensive intellectual property litigation. There is a risk that our business, platform, and services may infringe or be alleged to infringe the trademarks, copyrights, patents, and other intellectual property rights of third parties, including patents held by our competitors or by non-practicing entities. We may also face allegations that our employees have misappropriated or divulged the intellectual property of their former employers or other third parties. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, the claims are time consuming, divert management attention and financial resources and are costly to evaluate and defend. Some of our competitors have substantially greater resources than we do and are able to sustain the cost of complex intellectual property litigation to a greater extent and for longer periods of time than we could. Results of these litigation matters are difficult to predict and may require us to stop offering some features, purchase licenses, which may not be available on favorable terms or at all, or modify our technology or our platform while we develop non-infringing substitutes, or incur significant settlement costs. Any of these events could adversely affect our business, results of operations, and financial condition.

***Our platform relies on third-party open source software components. Failure to comply with the terms of the underlying open source software licenses could expose us to liabilities, and the combination of open source software with code that we develop could compromise the proprietary nature of our platform.***

Our platform utilizes software licensed to us by third-party authors under “open source” licenses and we expect to continue to utilize open source software in the future. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. To the extent that our platform depends upon the successful operation of the open source software we use, any undetected errors or defects in this open source software could prevent the deployment or impair the functionality of our platform, delay new solutions introductions, result in a failure of our platform, and injure our reputation. For example, undetected errors or defects in open source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches. Furthermore, some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a specific manner, we could, under some open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with lower development effort and time and ultimately put us at a competitive disadvantage.

Although we monitor our use of open source software to avoid subjecting our platform to conditions we do not intend, we cannot assure you that our processes for controlling our use of open source software in our platform will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue operating using our solution on terms that are not economically feasible, to re-engineer our solution or the supporting computational infrastructure to discontinue use of code, or to make generally available, in source code form, portions of our proprietary code.

***We are required to comply with international advertising regulations in connection with the distribution of advertising, including potential regulation or oversight of native advertising disclosure standards. Failure to comply could negatively impact us, our media partners and/or our advertisers, which could have an adverse effect on our business, results of operations, and financial condition.***

We are subject to complex and changing advertising regulations in many jurisdictions in which we operate, including regulatory and self-regulatory requirements to comply with native advertising regulations in connection with the advertising we distribute for our advertisers. For example, in the United States, the Federal Trade Commission requires that all online advertising meet certain principles, including the clear and conspicuous disclosure of advertisements. If we, or our advertisers, make mistakes in implementing this varied and evolving guidance, or our commitments with respect to these principles, we could be subject to negative publicity, government investigation, government or private litigation, or investigation by self-regulatory bodies or other accountability groups. Any such action against us could be costly and time consuming and may require us to change our business practices, cause us to divert management’s attention and our resources and be damaging to our reputation and our business. Moreover, additional or different disclosures may lead to a reduction in user engagement, which could have an adverse effect on our business, results of operations, and financial condition.

#### **Risks Related to this Offering, the Securities Markets and Ownership of Our Common Stock**

***The trading price of the shares of our common stock is likely to be volatile, and purchasers of our common stock could incur substantial losses.***

Technology stocks historically have experienced high levels of volatility. The trading price of our common stock following this offering may fluctuate substantially. Following the completion of this offering, the market price of our common stock may be higher or lower than the price you pay in the offering, depending on many factors, some of which are beyond our control and may not be related to our results of operations. These fluctuations could cause you to incur substantial losses, including all of your investment in

our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- announcements of new solutions or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- changes in how advertisers perceive the benefits of our platform and future offerings;
- the public's reaction to our press releases, other public announcements, and filings with the U.S. Securities and Exchange Commission (the "SEC");
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our common stock;
- actual or anticipated changes or fluctuations in our results of operations;
- changes in actual or future expectations of investors or securities analysts;
- litigation involving us, our industry, or both;
- governmental or regulatory actions or audits;
- regulatory developments applicable to our business, including those related to privacy in the United States or globally;
- general economic conditions and trends;
- major catastrophic events in our domestic and foreign markets; and
- departures of key employees.

In addition, if the market for technology stocks, the stock of digital advertising companies or the stock market, in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations, or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in the digital advertising industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If litigation is instituted against us, we could incur substantial costs and divert management's attention and resources.

***There has been no prior public trading market for our common stock, and an active trading market for our common stock might not develop.***

Before this offering, there has been no public market for shares of our common stock. We cannot assure you that an active trading market for our shares will develop or that any market will be sustained. We cannot predict the prices at which our common stock will trade. The initial public offering price of our stock will be determined by negotiations between us and the underwriters, and may not bear any relationship to the price at which our common stock will trade after the completion of this offering or to any other established criteria of the value of our business.

In addition, the market price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. Accordingly, we cannot assure you of the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares of our common stock.

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

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these



analysts. If one or more of the analysts who cover us should downgrade our shares, change their opinion of our business prospects or publish inaccurate or unfavorable research about our business, our share price may decline. If one or more of these analysts who cover us ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***We will have broad discretion in the use of proceeds from this offering and may invest or spend the proceeds in ways with which you do not agree and in ways that may not yield a return.***

We intend to use the net proceeds from this offering for working capital and general corporate purposes, including research and development expenditures focused on product development and sales and marketing expenditures aimed at growing our business. We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreement or understanding with respect to any such acquisition or investment at this time. Consequently, our management will have broad discretion over the specific use of these net proceeds and may do so in a way with which our investors disagree. The failure by our management to apply and invest these funds effectively may not yield a favorable return to our investors and may adversely affect our business, results of operations, and financial condition. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. If we do not use the net proceeds that we receive in this offering effectively, our business, results of operations, and financial condition could be adversely affected.

***Substantial future sales of our common stock could cause the market price of our common stock to decline.***

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares. Immediately following completion of this offering, we will have \_\_\_\_\_ shares of common stock outstanding, based on the number of shares outstanding as of March 31, 2021. The remaining shares are currently restricted securities. Substantially all of these shares are also subject to lock-up agreements restricting their sale for 180 days after the date of this proxy statement/prospectus.

After this offering, the holders of an aggregate of 47,009,166 shares of our common stock will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We also intend to register shares of common stock that we may issue under our employee equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to existing market stand-off and/or lock-up agreements.

***Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.***

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

***Following the offering, a small number of significant beneficial owners of our common stock acting together will have a significant influence over matters requiring stockholder approval, which could delay or prevent a change of control.***

Following the offering, the largest beneficial owners of our common stock, Lightspeed Venture Partners (“Lightspeed”), Viola Ventures III, L.P. (“Viola Ventures”), entities affiliated with Gemini Israel Ventures (“Gemini Israel”), entities affiliated with Index Ventures (“Index Ventures”), Gruner + Jahr GmbH (“G+J”), and Yaron Galai each of which currently beneficially owns more than 5% of our outstanding

common stock, will beneficially own in the aggregate % of our outstanding common stock. As a result, these stockholders, if they act together, could exercise significant influence over our operations and business strategy since they will have sufficient voting power to control the outcome of matters requiring stockholder approval. These matters may include:

- the composition of our board of directors which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation or other business combination;
- raising future capital; and
- amending our certificate of incorporation which governs the rights attached to our common stock.

This concentration of ownership of our shares could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price.

Upon completion of this offering, our existing stockholders will continue to have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. As only some of our stockholders own Series D, Series F and Series G convertible preferred stock, changes in our valuation in connection with this offering will impact the conversion ratio of our Series D, Series F and Series G convertible preferred stock and thus the relative ownership of our common stock upon completion of this offering among our existing stockholders.

***Failure to design, implement and maintain effective internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.***

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal control over financial reporting. Following this offering, we will be required to disclose, on a quarterly basis, changes made in our internal control over financial reporting. We will also be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of the first complete fiscal year after this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. However, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse if it is not satisfied with the level at which our controls are documented, designed or operating.

In preparation for becoming a public company, we have undertaken and continue to undertake a range of actions to augment our internal control over financial reporting. These include implementing new internal controls and procedures and hiring additional accounting and financial reporting staff. We intend to continue to enhance our internal control over financial reporting following this offering. Any failure of our internal controls could result in a material misstatement in our financial statements. Furthermore, if we are unable to conclude that our internal control over financial reporting is effective at the time that we are required to make such assessment, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC.

***We are an emerging growth company subject to reduced disclosure requirements, and there is a risk that availing ourselves of such reduced disclosure requirements will make our common stock less attractive to investors.***

We are an emerging growth company, and for as long as we continue to be an emerging growth company, we intend to take advantage of exemptions from various reporting requirements such as, but not



limited to, not being required to obtain auditor attestation of our reporting on internal control over financial reporting, having reduced disclosure obligations about our executive compensation in this prospectus and in our periodic reports and proxy statements, and not being required to hold advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We will remain an emerging growth company until the earliest of: the end of the fiscal year in which the market value of the shares of our outstanding capital stock held by non-affiliates is \$700 million or more as of the end of the second quarter of that year, the end of the fiscal year in which we have total annual gross revenue of \$1.07 billion, the date on which we issue more than \$1.0 billion in nonconvertible debt in a three-year period, or five years from the date of our initial public offering.

***Our management team has limited experience managing a public company and we will incur significantly increased costs and devote substantial management time as a result of operating as a public company.***

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws, rules, and regulations that govern public companies. As a public company, we are subject to significant obligations relating to reporting, procedures and internal controls, and our management team may not successfully or efficiently manage such obligations. These obligations and scrutiny will require significant attention from our management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations, and financial condition. We expect that these requirements will increase our compliance costs. We will need to hire additional accounting, financial, and legal staff with appropriate public company experience and technical accounting knowledge and may need to establish an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of these costs.

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

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

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the Nasdaq and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.”

The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns, which could adversely affect our business, results of operations, and financial condition. We may need to hire more employees in the future

or engage outside consultants to comply with these requirements, which will increase our costs and expenses. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected. However, for as long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to "emerging growth companies" as described above. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company."

***We do not intend to pay dividends on our common stock, so any returns will be limited to the value of our common stock.***

We have never declared or paid cash dividends on our common stock. We currently anticipate that we will retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on a number of factors, including our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Our current credit facility imposes certain limitations on our ability to pay dividends and any new credit facility may contain certain similar restrictions. Until such time that we pay a dividend, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***We may need to raise additional funds to pursue our strategy, and we may be unable to raise capital when needed or on acceptable terms.***

From time to time, we may seek additional equity or debt financing to fund our growth, develop new solutions or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may change, or other circumstances may arise that have a material adverse effect on our cash flow and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business or to develop new business at the rate desired and our results of operations may suffer.

***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent an acquisition of us or a change in our management. These provisions include:

- authorizing "blank check" preferred stock, which could be issued by the board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock, which would increase the number of outstanding shares and could thwart a takeover attempt;
- a classified board of directors whose members can only be dismissed for cause;
- the prohibition on actions by written consent of our stockholders;
- the limitation on who may call a special meeting of stockholders;

- the establishment of advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon at stockholder meetings; and
- the requirement of at least 75% of the outstanding capital stock to amend any of the foregoing second through fifth provisions.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain greater value for stockholders by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer rejected by our board were considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

***Future events may impact our deferred tax asset position including deferred tax assets related to our utilization of net operating losses (“NOLs,” each a “NOL”) and U.S. deferred federal income taxes on undistributed earnings of international affiliates that are considered to be reinvested indefinitely.***

We evaluate our ability to utilize deferred tax assets and our need for valuation allowances based on available evidence. This process involves significant management judgment regarding assumptions that are subject to change from period to period based on changes in tax laws or variances between future projected operating performance and actual results. We are required to establish a valuation allowance for deferred tax assets if we determine, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be utilized. In making this determination, we evaluate all positive and negative evidence as of the end of each reporting period. Future adjustments (either increases or decreases), to a deferred tax asset valuation allowance are determined based upon changes in the expected realization of the net deferred tax assets. The utilization of our deferred tax assets ultimately depends on the existence of sufficient taxable income in either the carry-back or carry-forward periods under the applicable tax law. Due to significant estimates used to establish a valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that we will be required to record adjustments to a valuation allowance in future reporting periods. Changes to a valuation allowance or the amount of deferred taxes could have a materially adverse effect on our business, financial condition and results of operations. Further, while we have no current intention to do so in the foreseeable future, should we change our assertion regarding the permanent reinvestment of the undistributed earnings of certain of our foreign subsidiaries, a deferred tax liability may need to be established.

The ability to fully utilize our NOL and tax credit carryforwards to offset future taxable income may be limited. Under Sections 382 of the Internal Revenue Code of 1986, as amended (the “Code”), if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOL carryforwards to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by 5% or greater stockholders that exceeds 50% over a rolling three-year period. Similar rules may apply under state tax laws. We may experience ownership changes in the future as a result of future transactions in our stock. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards or other pre-change tax attributes to offset United States federal and state taxable income may be subject to limitations. Any such limitations on the ability to use our NOL carryforwards and other tax assets could adversely impact our business, financial condition, and operating results.

### Special Note Regarding Forward-Looking Statements

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate 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,” “potential” or “continue” or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions. We have based these forward-looking statements largely on our current 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 described in the section entitled “Risk Factors” and elsewhere in this prospectus. Accordingly, you should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those projected in the forward looking statements. Forward-looking statements contained in this prospectus include, but are not limited to, statements regarding:

- overall advertising demand and traffic generated by our media partners;
- factors that affect advertising spending, such as economic downturns and unexpected events;
- the effects of the ongoing and evolving COVID-19 pandemic, including the resulting global economic uncertainty, and measures taken in response to the pandemic;
- our ability to continue to innovate, and adoption by our advertisers and media partners of our expanding solutions;
- our ability to extend our reach into evolving digital media platforms;
- our ability to continue to grow our business;
- our research and development efforts;
- the loss of one or more of our large media partners, and our ability to expand our advertiser and media partner relationships;
- our future financial and operating results;
- our ability to compete effectively against current and future competitors;
- our ability to maintain our profitability despite quarterly fluctuations in our results, whether due to seasonality, large cyclical events, or other causes; and
- our ability to maintain and scale our technology platform.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not occur. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. 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 do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### Use of Proceeds

We estimate that the net proceeds from the sale of shares of our common stock will be approximately \$            million, based on the assumed initial public offering price of \$            per share, the midpoint of the estimated offering price range set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares from us is exercised in full, we estimate that we will receive additional net proceeds of approximately \$            million after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price per share would increase (decrease) the estimated net proceeds to us by approximately \$            million (or approximately \$            million if the underwriters exercise in full their option to purchase additional shares of common stock), assuming that the number of shares of common stock sold by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$            million, assuming that the assumed initial public offering price remains the same, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital, to increase our financial flexibility and visibility in the marketplace, to create a public market for our common stock and to facilitate our future access to the public equity markets. We intend to use the net proceeds from this offering for working capital and general corporate purposes, including research and development expenditures focused on product development and sales and marketing expenditures aimed at growing our business.

We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreement or understanding with respect to any such acquisition or investment at this time.

We will have broad discretion over the uses of the net proceeds in this offering, and, as of the date of this prospectus, we have not allocated the net proceeds to particular uses. Until we use the proceeds we receive from this offering for the above-mentioned purposes, we intend to invest the net proceeds in short-term, investment-grade interest-bearing securities such as money market funds, certificates of deposit, commercial paper, high grade and investment grade corporate debt securities, and obligations of the U.S. government and government agencies.

### **Dividend Policy**

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on a number of factors, including our earnings, capital requirements and overall financial condition. Our credit agreement for our revolving credit facility also contains restrictions on our ability to pay dividends.

### Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2021 on:

- an actual basis;
- a pro forma basis, giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 47,009,166 shares of our common stock, (ii) the issuance of shares of common stock that will vest and be issued to holders of RSUs in connection with this offering and (iii) an approximately \$                      million increase in accumulated deficit and increase to additional paid-in capital associated with stock-based compensation due to the satisfaction of the liquidity event vesting criteria of outstanding stock options, SARs, RSAs and RSUs in connection with this offering; and
- a pro forma as adjusted basis to give further effect to (i) the issuance and sale of the shares of our common stock offered by us in this offering and the application of the net proceeds therefrom at an assumed initial public offering price of \$                      per share, the midpoint of the estimated initial public offering price range reflected on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the issuance by us of shares of common stock upon the exercise of warrants immediately prior to the closing of this offering and the receipt of \$                      million by us from such exercise.

The information below is illustrative only, and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of the offering determined at the pricing of this offering. You should read this table in conjunction with the sections entitled “Selected Consolidated Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2021		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
Cash and cash equivalents	\$ 93,641	\$	\$
Convertible preferred stock, par value of \$0.001 per share, issuable in Series A, B, C, D, E, F, G and H; 47,203,157 shares authorized; 47,009,166 shares issued and outstanding; aggregate liquidation preference of \$200.4 million actual; no shares issued and outstanding, pro forma or pro forma as adjusted	162,444		
Common stock, par value of \$0.001 per share; 110,812,435 shares authorized; 29,169,963 shares issued and outstanding, actual; 110,812,435 shares authorized, shares issued and outstanding, pro forma;                      shares issued and outstanding, pro forma as adjusted	29		
Additional paid-in capital	92,693		
Accumulated other comprehensive loss	(4,290)		
Accumulated deficit	(168,245)		
Total stockholders’ deficit	(79,813)		
Total capitalization	\$ 82,631		

A \$1.00 increase (decrease) in the assumed initial public offering price of \$                      per share, would increase (decrease) the as adjusted amount of each of cash and cash equivalents, additional paid-in capital, total stockholders’ deficit and total capitalization by approximately \$                      million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.



Similarly, each increase (decrease) of 100,000 shares in the number of shares offered by us would increase (decrease) the as adjusted amount of each of cash and cash equivalents, additional paid-in capital, total stockholders' deficit and total capitalization by approximately \$            million, assuming that the initial public offering price of \$            per share remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares of our common stock from us were exercised in full, pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' deficit and total capitalization as of March 31, 2021 would be \$            million, \$            million, \$            million and \$            million, respectively.

The number of shares of our common stock issued and outstanding as of March 31, 2021 excludes (1) 9,101,393 shares of our common stock issuable upon the exercise of stock options outstanding under our equity incentive plan with a weighted-average exercise price of \$3.74 per share; (2) 6,663,669 RSUs outstanding with respect to our common stock under our equity incentive plan; (3) 5,764 SARs outstanding with respect to our common stock under our equity incentive plan; (4) 190,245 RSAs outstanding with respect to our common stock under our equity incentive plan; and (5) 805,359 shares of common stock reserved for future issuances and grants under our equity incentive plan.

The number of shares of our common stock that will be issued and outstanding as of March 31, 2021, pro forma and pro forma as adjusted excludes (1) 9,101,393 shares of our common stock issuable upon the exercise of stock options outstanding under our equity incentive plan with a weighted-average exercise price of \$3.74 per share; (2) 5,764 SARs outstanding with respect to our common stock under our equity incentive plan; and (3) 805,359 shares of common stock reserved for future issuances and grants under our equity incentive plan.

## Dilution

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Our pro forma net tangible book value as of March 31, 2021 was \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of common stock outstanding as of March 31, 2021, after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into shares of our common stock, which conversion will occur immediately prior to the closing of this offering and (ii) the net issuance of \_\_\_\_\_ shares of common stock upon the vesting of outstanding RSUs.

After giving effect to (i) the sale by us of shares of our common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range reflected on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, (ii) the conversion of all outstanding shares of convertible preferred stock into shares of common stock immediately prior to the closing of this offering, (iii) a \$ \_\_\_\_\_ million reduction in retained earnings (deficit) and increase in additional paid-in capital associated with stock-based compensation due to the satisfaction of vesting criteria of outstanding stock options, SARs, RSAs and RSUs, and (iv) the issuance by us of common stock upon the exercise of stock options immediately prior to the closing of this offering and the receipt of \$ \_\_\_\_\_ million by us from such exercise, our pro forma as adjusted net tangible book value as of March 31, 2021 would have been approximately \$ \_\_\_\_\_ million, or approximately \$ \_\_\_\_\_ per share. This amount represents an immediate increase in pro forma net tangible book value of \$ \_\_\_\_\_ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately \$ \_\_\_\_\_ per share to new investors purchasing shares of our common stock in this offering at the assumed initial public offering price. The following table illustrates this dilution:

Assumed initial public offering price per share	\$
Pro forma net tangible book value per share as of March 31, 2021	\$
Increase in pro forma net tangible book value per share attributable to new investors	_____
Pro forma as adjusted net tangible book value per share after this offering	_____
Dilution per share to new investors in this offering	\$ _____

Each \$1.00 increase (decrease) in the assumed initial public offering price of \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share to new investors by \$ \_\_\_\_\_, and would increase (decrease) dilution per share to new investors in this offering by \$ \_\_\_\_\_, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$ \_\_\_\_\_ per share and increase (decrease) the dilution to new investors by \$ \_\_\_\_\_ per share, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, the pro forma as adjusted net tangible book value per share of our common stock, as adjusted to give effect to this offering, would be \$ \_\_\_\_\_ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$ \_\_\_\_\_ per share.

The following table presents on a pro forma as adjusted basis as of March 31, 2021, after giving effect to the automatic conversion of all outstanding shares of convertible preferred stock into our common stock immediately prior to the closing of this offering, the differences between the existing stockholders and the new investors purchasing shares of our common stock in this offering with respect to the number of shares purchased from us, the total consideration paid or to be paid to us, which includes net proceeds received from

the issuance of our common stock, convertible preferred stock, cash received from the exercise of stock options and the average price per share paid or to be paid to us at the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average
	Number	Percent	Amount	Percent	Price Per Share
Existing stockholders		%	\$	%	\$
New investors					
<b>Total</b>		<b>100%</b>		<b>100%</b>	

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 shares in the number of shares offered by us would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million, assuming that the initial public offering price of \$ \_\_\_\_\_ per share remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock from us. If the underwriters' option to purchase additional shares of our common stock were exercised in full, our existing stockholders would own \_\_\_\_\_ % and our new investors would own \_\_\_\_\_ % of the total number of shares of our common stock outstanding upon completion of this offering.

The number of shares of our common stock issued and outstanding as of March 31, 2021 excludes (1) 9,101,393 shares of our common stock issuable upon the exercise of stock options outstanding under our equity incentive plan with a weighted-average exercise price of \$3.74 per share; (2) 6,663,669 RSUs outstanding with respect to our common stock under our equity incentive plan; (3) 5,764 SARs outstanding with respect to our common stock under our equity incentive plan; (4) 190,245 RSAs outstanding with respect to our common stock under our equity incentive plan; and (5) 805,359 shares of common stock reserved for future issuances and grants under our equity incentive plan.

### Conversion of Series D, Series F and Series G Convertible Preferred Stock

In connection with the closing of this offering, all of our outstanding shares of convertible preferred stock will convert into common stock. In accordance with the antidilution provisions set forth in our amended and restated certificate of incorporation in effect prior to the closing of this offering, the conversion ratio of our Series D, Series F and Series G shares of convertible preferred stock may be adjusted in connection with the closing of this offering. If the public offering price of our common stock is less than \$9.22 per share, the per share conversion rate of our Series D convertible preferred stock will be adjusted so that each share of Series D convertible preferred stock converts into 1.5 shares of common stock. If the public offering price of our common stock is less than \$13.42 per share, the per share conversion rate of our Series F convertible preferred stock will be adjusted so that each share of Series F convertible preferred stock converts into a number of shares of common stock equal to a fraction, the numerator of which is \$6.7075 and the denominator of which is 50% of the public offering price. If the public offering price of our common stock is less than \$8.83 per share, the per share conversion rate of our Series G convertible preferred stock will be adjusted so that each share of Series G convertible preferred stock converts into a number of shares of common stock equal to a fraction, the numerator of which is \$8.8243 and the denominator of which is the public offering price. Therefore, depending on the price of the shares sold in this offering, the holders of the Series D, Series F and Series G convertible preferred stock may receive more than one share of common stock for each share of Series D, Series F or Series G convertible preferred stock converted in connection with this offering. Under the provisions of our amended and restated certificate of incorporation, we will not know the conversion rate of our Series D, Series F and Series G convertible preferred stock until the public offering price is determined.

Assuming an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus an aggregate of \_\_\_\_\_ shares of common stock would be issued upon conversion of the Series D convertible preferred stock, an aggregate of \_\_\_\_\_ shares of common stock would be issued upon conversion of the Series F convertible preferred stock and an aggregate of \_\_\_\_\_ shares of common stock would be issued upon conversion of the Series G convertible preferred stock as further described in Note 9, "Convertible Preferred Stock", to our consolidated financial statements included elsewhere in this prospectus.

The following table sets forth the impact on the number of shares of common stock issuable upon conversion of the Series D, Series F and Series G convertible preferred stock in the event of an increase or decrease of \$1.00 per share in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus:

	Decrease in Number of Shares Issuable Upon \$1.00 Increase in Assumed Public Offering Price	Increase in Number of Shares Issuable Upon \$1.00 Decrease in Assumed Public Offering Price
Series D convertible preferred stock		
Series F convertible preferred stock		
Series G convertible preferred stock		

Upon completion of this offering, our existing stockholders will continue to have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. As only some of our stockholders own Series D, Series F and Series G convertible preferred stock, changes in our valuation in connection with this offering will impact the conversion ratio of our Series D, Series F and Series G convertible preferred stock and thus the relative ownership of our common stock upon completion of this offering among our existing stockholders.

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

### Selected Consolidated Financial and Other Data

The following tables set forth our selected consolidated financial and other data. You should read the following selected consolidated financial and other data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus. Our financial statements have been prepared in accordance with U.S. GAAP.

The following tables present selected consolidated statements of operations data for each of the years in the two-year period ended December 31, 2020, and for the three months ended March 31, 2021 and 2020. We derived the statements of operations data for the years ended December 31, 2020 and 2019 and the balance sheet data as of December 31, 2020 from the audited financial statements appearing elsewhere in this prospectus. We derived our selected consolidated statements of operations data for the three months ended March 31, 2021 and 2020 and the selected consolidated balance sheet data as of March 31, 2021 from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated financial statements on the same basis as the audited consolidated financial statements and have included all adjustments, consisting only of normal adjustments, which in our opinion are necessary to state fairly the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year or for any other period.

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020	2020	2019
	(in thousands, except per share data)			
<b>Statements of Operations Data:</b>				
Revenue	\$228,024	\$177,332	\$767,142	\$687,333
Cost of revenue:				
Traffic acquisition costs	167,613	136,806	572,802	517,000
Other cost of revenue	6,942	7,873	29,278	28,548
Gross profit	53,469	32,653	165,062	141,785
Operating expenses:	38,689	42,170	154,885	156,370
Income (loss) from operations	14,780	(9,517)	10,177	(14,585)
Interest expense	(170)	(165)	(832)	(601)
Interest income and other income (expense), net	(2,253)	1,241	(1,695)	152
Income (loss) before provision for income taxes	12,357	(8,441)	7,650	(15,034)
Provision for income taxes	1,611	1,129	3,293	5,480
Net income (loss)	<u>\$ 10,746</u>	<u>\$ (9,570)</u>	<u>\$ 4,357</u>	<u>\$ (20,514)</u>
Net income (loss) per share—basic	\$ 0.14	\$ (0.34)	\$ 0.06	\$ (0.79)
Net income (loss) per share—diluted	\$ 0.12	\$ (0.34)	\$ 0.05	\$ (0.79)

	March 31,	December 31,
	2021	2020
	(in thousands)	
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 95,042	\$ 93,641
Total assets	341,965	356,486
Total liabilities	245,533	273,855
Convertible preferred stock	162,444	162,444
Total stockholders’ deficit	(66,012)	(79,813)

	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
<b>Statement of Cash Flows Data:</b>				
Net cash provided by operating activities	\$ 5,406	\$14,336	\$52,986	\$16,740
Net cash used in investing activities	(2,787)	(2,121)	(9,423)	(7,589)
Net cash (used in) provided by financing activities	(807)	9,044	(4,228)	(3,659)

**Non-GAAP Financial Measures**

In addition to the above GAAP performance measures, we use the following supplemental non-GAAP financial measures to evaluate our business, measure our performance, identify trends and allocate our resources:

	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
Revenue Ex-TAC	\$60,411	\$40,526	\$194,340	\$170,333
Adjusted EBITDA	20,583	2,169	\$ 41,145	\$ 19,275
Adjusted EBITDA as % of Revenue Ex-TAC	34.1%	5.4%	21.2%	11.3%
Research and development as % of Revenue Ex-TAC	14.0%	17.2%	14.9%	15.5%
Sales and marketing as % of Revenue Ex-TAC	32.9%	50.1%	39.9%	46.3%
General and administrative as % of Revenue Ex-TAC	17.2%	36.7%	24.9%	30.0%

These non-GAAP financial measures are defined and reconciled to the corresponding GAAP measures below.

**Revenue Ex-TAC**

We define Revenue Ex-TAC as revenue less traffic acquisition costs, that is revenue reduced by amounts owed to media partners for their share of the revenue we generated on their properties or from guaranteed minimum rates of payment. Revenue Ex-TAC is impacted by the terms of our agreements with media partners. Revenue Ex-TAC is also impacted by user engagement and advertiser demand. Revenue Ex-TAC 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.

We present Revenue Ex-TAC as well as our operating expenses and Adjusted EBITDA as a percentage of Revenue Ex-TAC because we believe that they are meaningful measures of our operating performance for period-to-period comparisons of our core business and in understanding and evaluating our results of operations. Nevertheless, 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 Revenue Ex-TAC to gross profit, the most directly comparable U.S. GAAP measure, for the periods presented:

	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
Revenue	\$ 228,024	\$ 177,332	\$ 767,142	\$ 687,333
Traffic acquisition costs	(167,613)	(136,806)	(572,802)	(517,000)
Other cost of revenue	(6,942)	(7,873)	(29,278)	(28,548)
Gross profit	53,469	32,653	165,062	141,785
Other cost of revenue	6,942	7,873	29,278	28,548
Revenue Ex-TAC	<u>\$ 60,411</u>	<u>\$ 40,526</u>	<u>\$ 194,340</u>	<u>\$ 170,333</u>

**Adjusted EBITDA**

We define Adjusted EBITDA as net income (loss) before interest expense; interest income and other income (expense), net; provision 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 and a tax contingency. 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 board of directors. However, Adjusted EBITDA is a non-GAAP financial measure and how we calculate 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 or any measures of our financial performance that are calculated and reported in accordance with GAAP.

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

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020	2020	2019
	(in thousands)			
Net income (loss)	\$10,746	\$(9,570)	\$ 4,357	\$(20,514)
Interest income and other (income) expense, net	2,423	(1,076)	2,527	449
Provision for income taxes	1,611	1,129	3,293	5,480
Depreciation and amortization	4,527	4,649	18,509	16,744
Stock-based compensation	1,487	916	3,588	3,876
Merger and acquisition costs <sup>(1)</sup>	(211)	6,121	11,168	10,527
Tax contingency <sup>(2)</sup>	—	—	(2,297)	2,713
Adjusted EBITDA	\$20,583	\$ 2,169	\$ 41,145	\$ 19,275

<sup>(1)</sup> Primarily includes transaction-related costs in connection with our acquisition of Ligatus GmbH (“Ligatus”)™ in April 2019, as well as costs related to our terminated merger with Taboola.com Ltd. (“Taboola”).

<sup>(2)</sup> Reflects a reversal of a tax contingency recorded within operating expenses in 2019 and a corresponding charge to income tax expense in 2020, net of foreign exchange impact.



## **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 the audited annual consolidated financial statements and interim condensed consolidated financial statements, each accompanied by the related notes to the consolidated financial statements included elsewhere in this prospectus. 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 discussed below and elsewhere in this prospectus, particularly under the captions “Risk Factors” and “Special Note Regarding Forward-Looking Statements.”*

### **Overview**

Outbrain is a leading recommendation platform powering the open web. Founded in 2006, we pioneered the online content recommendation category. Fueled by over 1 billion data events gathered each minute, our platform matches audiences with personalized content and ads, driving quality engagement while delivering efficient, sustainable monetization. In 2020, we provided personalized content feeds and ads to approximately 1 billion monthly unique users, delivering on average over 10 billion recommendations per day, with over 20,000 advertisers using our platform. We are a mobile-first company and our Smartfeed technology and recommendations are highly effective on mobile devices. We generated over 66% of our revenue on mobile platforms in 2020.

Today our platform enables over 7,000 online properties, including many of the world’s most prestigious publications, helping them engage their users and monetize their visits. We have delivered over \$3 billion in direct revenue to our media partners since inception, and the average tenure of our top 20 media partners, based on our 2020 revenue, is approximately seven years.

Some of our key company milestones are:

- 2006 — Founded
- 2008 — Pioneered algorithmic-based content recommendations for media partners
- 2011 — First year with over 1 billion user engagements
- 2012 — Launched our self-serve advertising platform
- 2013 — First year with over \$100 million in revenue
- 2014 — First year with over 1,000 media partners on our platform
- 2014 — Launched our solution for mobile apps
- 2015 — First year with over 1 billion user engagements per month
- 2016 — Mobile platforms generate over 50% of total revenue
- 2017 — First year with over \$500 million in revenue
- 2017 — Launched Smartfeed, adopted by global partners such as CNN, Focus.de, HELLO!, and Le Parisien.
- 2017 — Expanded programmatic technology capabilities with the acquisition of Zemanta™
- 2018 — First profitable year on an Adjusted EBITDA basis
- 2018 — First year with over 3,000 media partners on our platform
- 2019 — Acquired Ligatus, a leading native advertising platform in Europe
- 2020 — Released our next generation feed optimization technology, driving significant engagement uplift
- 2020 — First year with over 4,000 media partners
- 2020 — Achieved record revenue and profitability

- 2021 — First quarter revenue grew 28.6%, Revenue Ex-TAC grew 49.1%, net income grew 212.3% and Adjusted EBITDA grew nearly tenfold on a year over year basis

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

- Our revenue increased 28.6%, totaling \$228.0 million for the three months ended March 31, 2021, compared to \$177.3 million for the three months ended March 31, 2020. Our revenue increased 11.6%, totaling \$767.1 million in 2020, compared to \$687.3 million in 2019. Revenue increased 20.7% for the six months ended December 31, 2020 on a year over year basis.
- Our gross profit was \$53.5 million and our gross margin was 23.4% for the three months ended March 31, 2021, compared to gross profit of \$32.7 million and gross margin of 18.4% for the comparable prior year period. Our gross profit was \$165.1 million in 2020, compared to \$141.8 million in 2019. Our gross margin was 21.5% and 20.6% in 2020 and 2019, respectively.
- Our Revenue Ex-TAC<sup>(1)</sup> increased 49.1% to \$60.4 million for the three months ended March 31, 2021, compared to \$40.5 million for the three months ended March 31, 2020. Our Revenue Ex-TAC<sup>(1)</sup> increased 14.1% to \$194.3 million in 2020 from \$170.3 million in 2019. Revenue Ex-TAC<sup>(1)</sup> increased 28.8% for the six months ended December 31, 2020 on a year over year basis.
- Our net income (loss) increased \$20.3 million to net income of \$10.7 million for the three months ended March 31, 2021, compared to a net loss of \$9.6 million for the three months ended March 31, 2020. Our net income increased \$24.9 million to \$4.4 million in 2020, compared to a net loss of \$20.5 million in 2019.
- Our Adjusted EBITDA<sup>(1)</sup> increased to \$20.6 million for the three months ended March 31, 2021, from \$2.2 million for the three months ended March 31, 2020. Adjusted EBITDA<sup>(1)</sup> was 34.1% and 5.4% of Revenue Ex-TAC<sup>(1)</sup> for the three months ended March 31, 2021 and 2020, respectively. Our Adjusted EBITDA<sup>(1)</sup> more than doubled to \$41.1 million in 2020, from \$19.3 million in 2019. Adjusted EBITDA<sup>(1)</sup> was 21.2% and 11.3% of Revenue Ex-TAC<sup>(1)</sup> in 2020 and 2019, respectively.

Growth for the second half of 2020 is being presented to better reflect current trends, as the COVID-19 pandemic had a negative impact on our results in the first half of 2020, particularly in the second quarter, but rebounded in the second half of 2020.

---

<sup>(1)</sup> Revenue Ex-TAC and Adjusted EBITDA are non-GAAP financial measures. See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for the definitions and limitations of these measures, and reconciliations to the most comparable GAAP financial measures. See “Quarterly Financial Data and Seasonality” below for quarterly reconciliations to the most comparable GAAP financial measures.

## **COVID-19**

In March 2020, the WHO declared the spread of COVID-19 as a global pandemic. The COVID-19 pandemic resulted in a global slowdown of economic activity causing a decrease in demand for a broad variety of goods and services, including those provided by certain advertisers using our platform. Many of our advertisers reduced their advertising spending, which had a negative impact on our revenue during the first half of 2020, as further described within “Results of Operations.” As the world quickly shifted to online activities and advertisers gradually shifted their spending toward digital advertising, our revenue trends improved meaningfully and returned to growth in the second half of 2020. Although we have seen a recovery in the advertising market and our business, the full impact of the COVID-19 pandemic remains uncertain.

## **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 2020 revenue, have been using our platform for an average of seven years, despite their typical contract length being two to three 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 in 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. It does not reflect any media partner relationships for which we did not generate revenue in the prior period. 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. Our media partner net revenue retention was 123% for the three months ended March 31, 2021 and 103% for the three months ended March 31, 2020. Our media partner net revenue retention was 104% for the year ended December 31, 2020, 95% for 2019 (104% excluding one media partner that we chose not to renew in 2019) and 108% for 2018. For the six months ended December 31, 2020, our media partner net revenue retention was 115%.

Our growth also depends on our ability to secure new partnerships with media partners. New media partners are defined as those relationships on which revenue was not generated in the prior period. Revenue generated on new media partners' properties contributed approximately 7% to revenue growth for the three months ended March 31, 2021 and approximately 10% for the three months ended March 31, 2020. Revenue generated on new media partners' properties contributed approximately 7% to revenue growth for the year ended December 31, 2020, 10% for 2019 and 7% for 2018. For the six months ended December 31, 2020, revenue growth attributable to new media partners was approximately 6%.

#### ***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. 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, 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 growth of Click Through Rate ("CTR") for ads on our platform. In the six months ended December 31, 2020, CTR for ads on our platform improved by 25% relative to the second half of 2019. We believe that we have a significant opportunity to further grow user engagement, and thus our business, as today CTR on our platform is less than 1% of recommendations served.

#### ***Advertiser Retention and Growth***

Our growth is partially driven by retaining and expanding the amount of spend by advertisers on our platform, as well as acquiring new advertisers. Improving our platform's functionality and features 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 return on ad spend (“ROAS”) and transparency on ad spend, and market these attributes to grow our advertiser base and share of wallet.

For the year ended December 31, 2020, over 20,000 unique advertisers were active on our platform. For advertiser campaigns that were launched and active on our platform in a recent 60-day period, over 90% of advertisers interacted directly with our platform to manage their campaigns. 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 continues to evolve, as well as 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, 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.

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 leadership 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. In addition, we continue to invest in media partner and advertiser focused tools, technology and products as well as privacy-centric solutions.

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 250 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.

#### ***Seasonality***

The global advertising industry experiences seasonal trends that affect most participants in the digital advertising ecosystem. Most notably, advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the holiday shopping season. We generally expect this seasonal trend to continue, though historical seasonality may not be predictive of future results given the potential for changes in advertising buying patterns. 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.

#### ***Industry Dynamics***

Our business depends on the overall demand for digital advertising and on the continuous success of our current and prospective media partners. We believe that the following are the key dynamics impacting our industry and our business:

- Digital advertising is a rapidly evolving and growing industry.

- The growth of digital advertising has outpaced the growth of the broader advertising industry.
- Digital advertising, given its highly targeted nature and measurability, has been more resilient to economic downturns compared to the advertising industry generally.
- Content consumption is increasingly shifting 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.

Given our focus on innovation, the depth and length of our media partner relationships and our scale, we believe that we are well positioned to address and benefit from many of these industry dynamics.

### **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 largely 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 significant part 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. 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 and, with respect to sales and marketing expenses, sales commissions. Personnel costs also include stock-based compensation, which are expected to show an increase upon completion of this offering as a result of certain vesting of RSAs and RSUs upon the satisfaction of a performance condition upon our initial public offering.

*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 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.

**Other Income (Expense), Net**

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

*Interest Expense.* Interest expense consists of interest expense on our revolving credit facility and capital leases. Interest expense may increase as we incur borrowings periodically under our revolving credit facility or if we enter into new debt facilities or capital leasing arrangements.

*Interest Income and Other Income (Expense), Net.* Interest and other income (expense), net primarily consists of interest earned on our cash and cash equivalents and money market funds, as well as 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. Foreign currency gains and losses may continue to fluctuate in the future due to changes in foreign currency exchange rates.

**Provision for Income Taxes**

Provision for income taxes consists of federal and state income taxes in the United States 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,		Year Ended December 31,	
	2021	2020	2020	2019
	(in thousands)			
<b>Consolidated Statements of Operations:</b>				
Revenue	\$228,024	\$177,332	\$767,142	\$687,333
Cost of revenue:				
Traffic acquisition costs	167,613	136,806	572,802	517,000
Other cost of revenue	6,942	7,873	29,278	28,548
Total cost of revenue	174,555	144,679	602,080	545,548
Gross profit	53,469	32,653	165,062	141,785
Operating expenses:				
Research and development	8,428	6,982	28,961	26,391
Sales and marketing	19,868	20,295	77,570	78,941
General and administrative	10,393	14,893	48,354	51,038
Total operating expenses	38,689	42,170	154,885	156,370
Income (loss) from operations	14,780	(9,517)	10,177	(14,585)
Other income (expense), net:				
Interest expense	(170)	(165)	(832)	(601)
Interest income and other income (expense), net	(2,253)	1,241	(1,695)	152
Total other expense, net	(2,423)	1,076	(2,527)	(449)
Income (loss) before provision for income taxes	12,357	(8,441)	7,650	(15,034)
Provision for income taxes	1,611	1,129	3,293	5,480
Net income (loss)	<u>\$ 10,746</u>	<u>\$ (9,570)</u>	<u>\$ 4,357</u>	<u>\$ (20,514)</u>
<b>Other Financial Data:</b>				
Research and development as % of revenue	3.7%	3.9%	3.8%	3.8%
Sales and marketing as % of revenue	8.7%	11.4%	10.1%	11.5%
General and administrative as % of revenue	4.6%	8.4%	6.3%	7.4%
<b>Non-GAAP Financial Data: <sup>(1)</sup></b>				
Revenue Ex-TAC	\$ 60,411	\$ 40,526	\$194,340	\$170,333
Research and development as % of Revenue Ex-TAC	14.0%	17.2%	14.9%	15.5%
Sales and marketing as % of Revenue Ex-TAC	32.9%	50.1%	39.9%	46.3%
General and administrative as % of Revenue Ex-TAC	17.2%	36.7%	24.9%	30.0%
Adjusted EBITDA	\$ 20,583	\$ 2,169	\$ 41,145	\$ 19,275
Adjusted EBITDA as % of Revenue Ex-TAC	34.1%	5.4%	21.2%	11.3%

<sup>(1)</sup> See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for definitions of, explanations of our management’s use of and limitations of the non-GAAP financial measures used in this prospectus. The reconciliations of Revenue Ex-TAC to gross profit and of Adjusted EBITDA to net income are also presented in the “Non-GAAP Reconciliations” section below.

### ***Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020 Revenue***

Revenue increased by \$50.7 million, or 28.6%, to \$228.0 million for the three months ended March 31, 2021 from \$177.3 million for the three months ended March 31, 2020. Revenue grew approximately 23%, or \$41 million, from net revenue retention on existing media partners primarily due to increased monetization from growth in CTR, and approximately 7%, or \$12 million, from new media partners. Revenue for the three months ended March 31, 2021 benefited from net favorable foreign currency effects of approximately \$7.0 million.

#### ***Cost of Revenue and Gross Profit***

Traffic acquisition costs increased \$30.8 million, or 22.5%, for the three months ended March 31, 2021 compared to the prior year period, including net unfavorable foreign currency effects of approximately \$4.6 million. Traffic acquisition costs grew less than revenue due to favorable revenue mix from higher margin media partners and improved performance on media owners with guarantee arrangements. As a percentage of revenue, traffic acquisition costs decreased to 73.5% for the three months ended March 31, 2021, from 77.1% in the three months ended March 31, 2020.

Other cost of revenue decreased \$0.9 million, or 11.8%, for the three months ended March 31, 2021 compared to the prior year period, which was primarily attributable to the favorable impact of cost savings initiatives and lower amortization expense. As a percentage of revenue, other cost of revenue decreased to 3.0% for the three months ended March 31, 2021, from 4.4% in the three months ended March 31, 2020.

Gross profit increased \$20.8 million, or 63.7%, to \$53.5 million for the three months ended March 31, 2021 compared to \$32.7 million for the three months ended March 31, 2020, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described.

#### ***Revenue Ex-TAC***

Our Revenue Ex-TAC increased 49.1% to \$60.4 million for the three months ended March 31, 2021, from \$40.5 million for the three months ended March 31, 2020, primarily driven by our revenue growth as well as favorable revenue mix from higher margin media partners and improved performance on media owners with guarantee arrangements. See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” and “Non-GAAP Reconciliations” for the related definition, limitations and reconciliations to our gross profit.

#### ***Operating Expenses***

Operating expenses decreased by \$3.5 million, or 8.3%, to \$38.7 million for the three months ended March 31, 2021 from \$42.2 million for the three months ended March 31, 2020, including net unfavorable foreign currency effects of approximately \$1.6 million. The decrease in operating expenses was primarily driven by \$6.1 million of terminated merger expenses for the three months ended March 31, 2020. Excluding these merger-related costs, operating expenses increased \$2.6 million primarily due to higher personnel-related costs of \$2.7 million and professional fees of \$1.2 million, offset in part by \$1.2 million of reduced expenses in connection with the COVID-19 pandemic, largely due to lower travel and entertainment expenses.

The components of operating expenses are discussed below:

- ***Research and development expenses***—increased \$1.4 million, primarily due to higher personnel costs to invest in the growth of our platform.
- ***Sales and marketing expenses***—decreased \$0.4 million, as reduced travel and entertainment and marketing expenses in connection with the COVID-19 pandemic were partially offset by increased commissions due to higher revenue.
- ***General and administrative expenses***—decreased \$4.5 million, primarily due to \$6.1 million of terminated merger expenses for the three months ended March 31, 2020. Excluding these merger-related costs, expenses increased \$1.6 million, largely due to increased professional fees of \$1.1 million and higher personnel costs of \$0.9 million.

Operating expenses as a percentage of revenue declined to 17.0% for the three months ended March 31, 2021, from 23.8% for the three months ended March 31, 2020, primarily driven by the absence of the prior year merger expenses and our operating leverage on higher revenue. We continue to expect our operating expenses on an absolute basis to increase this year due to increased sales and marketing expenses, increased expenses assuming a transition from a fully remote environment over the course of the year, and incremental costs related to becoming a public company.

***Total Other Income (Expense), Net***

Total other income (expense), net, was an expense of \$2.4 million for the three months ended March 31, 2021, compared to income of \$1.2 million for the three months ended March 31, 2020. This change was primarily due to higher foreign currency losses of \$2.4 million resulting from transactions denominated in currencies other than the functional currencies, including mark-to-market adjustments on undesignated foreign exchange forward contracts. In addition, total other income (expense), net in the three months ended March 31, 2020 included a \$1.1 million gain on sale of an asset.

***Provision for Income Taxes***

Provision for income taxes increased by \$0.5 million to \$1.6 million for the three months ended March 31, 2021 from \$1.1 million for the three months ended March 31, 2020, primarily attributable to the increase in our taxable income. Our effective tax rate was 13.0% for the three months ended March 31, 2021, compared to (13.4)% for the three months ended March 31, 2020 due to a loss from operations in the prior year period.

We expect our future effective tax rate to be affected by the geographic mix of earnings in countries with different statutory rates. Additionally, our future effective tax rate may be affected by changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

***Net Income (Loss)***

As a result of the foregoing, net income (loss) increased \$20.3 million, to net income of \$10.7 million for the three months ended March 31, 2021, from a net loss of \$9.6 million for the three months ended March 31, 2020.

***Adjusted EBITDA***

Our Adjusted EBITDA increased \$18.4 million to \$20.6 million for the three months ended March 31, 2021 from \$2.2 million for the three months ended March 31, 2020, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described. See “Definitions of Financial and Performance Measures” and “Non-GAAP Reconciliations” for the related definitions, limitations, and reconciliations to our net income.

***Year Ended December 31, 2020 Compared to Year Ended December 31, 2019***

***Revenue***

Revenue increased by \$79.8 million, or 11.6%, to \$767.1 million in 2020 from \$687.3 million in 2019. Approximately 7%, or \$52 million, of the increase in revenue was from new media partners and approximately 4%, or \$27 million, was from net revenue retention on existing media partners as we continue to expand business with them. The COVID-19 pandemic negatively impacted our revenue trends in the first half of 2020. Revenue for the year ended December 31, 2020 benefited from net favorable foreign currency effects of \$6.3 million.

***Cost of Revenue and Gross Profit***

Traffic acquisition costs increased \$55.8 million, or 10.8%, in 2020 compared to 2019 including net unfavorable foreign currency effects of \$5.3 million, and were generally commensurate with the increase in revenue. As a percentage of revenue, traffic acquisition costs decreased approximately 50 basis points to 74.7% in 2020, compared to 75.2% in 2019.

Other cost of revenue increased \$0.7 million, or 2.6%, in 2020 compared to 2019, which was primarily attributable to an increase in services that fluctuate with the growth of ad traffic, largely offset by the favorable impact of cost savings initiatives and efficiency projects. As a percentage of revenue, other cost of revenue decreased 40 basis points to 3.8% in 2020, compared to 4.2% in 2019.

Gross profit increased \$23.3 million, or 16.4%, to \$165.1 million in 2020 compared to \$141.8 million in 2019, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described.

#### ***Revenue Ex-TAC***

Our Revenue Ex-TAC increased 14.1% to \$194.3 million in 2020, from \$170.3 million in 2019, primarily due to revenue growth. Revenue Ex-TAC increased 28.8%, to \$114.1 million for the six months ended December 31, 2020, compared to \$88.6 million in the same period of the prior year. See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” and “Quarterly Financial Data and Seasonality” for the related definition, limitations and reconciliations of Revenue Ex-TAC to gross profit, the most comparable GAAP measure.

#### ***Operating Expenses***

Operating expenses decreased by \$1.5 million, or 0.9%, to \$154.9 million in 2020 from \$156.4 million in 2019. The decrease in operating expenses was mainly attributable to \$6.5 million of reduced expenses in connection with the COVID-19 pandemic, including travel and entertainment, facilities, and marketing event expenses, as well as a favorable change of \$4.2 million relating to a reversal of a tax-contingency recorded in 2019, as further discussed below. These declines were largely offset by an increase of approximately \$9.0 million in personnel-related costs.

The components of operating expenses are discussed below:

- ***Research and development expenses***—increased \$2.6 million, primarily due to higher personnel costs, to invest in the growth of our platform.
- ***Sales and marketing expenses***—decreased \$1.4 million, primarily reflecting a decrease of \$5.0 million due to reduced expenses in connection with the COVID-19 pandemic, partially offset by an increase of \$3.4 million in personnel costs primarily related to higher incentive-based compensation.
- ***General and administrative expenses***—decreased \$2.7 million, which included a favorable change of \$4.2 million relating to a reversal of a tax-contingency recorded in 2019 and a corresponding charge to income tax expense in 2020, as well as a \$3.0 million reduction in expenses in connection with the COVID-19 pandemic and other travel and entertainment expenses. These decreases were partially offset by increased personnel costs of \$3.6 million primarily attributable to increased incentive-based compensation costs and \$0.6 million of increased acquisition-related costs.

Operating expenses as a percentage of revenue declined by 2.6%, from 22.8% in 2019 to 20.2% in 2020. We expect our operating expenses on an absolute basis to increase over the next twelve months due to increased sales and marketing expenses, increased expenses assuming a transition from a fully remote environment over the course of the year, and incremental costs related to becoming a public company.

#### ***Total Other Expense, Net***

Total other expense, net, increased \$2.1 million, to \$2.5 million in 2020 from \$0.4 million in 2019, primarily due to higher foreign currency losses of \$3.5 million resulting from transactions denominated in currencies other than the functional currencies, partially offset by a \$1.1 million gain on sale of an asset.

#### ***Provision for Income Taxes***

Provision for income taxes decreased by \$2.2 million to \$3.3 million in 2020 from \$5.5 million in 2019. This decrease was primarily attributable to the valuation allowance against one of our foreign subsidiaries’ net operating losses, which was recorded in 2019 and released in 2020 due to the increase in taxable income, as

well as higher uncertain tax positions in 2019. Our effective tax rate was 43.0% in 2020, compared to (36.5)% in 2019 due to a loss from operations for that year. Our 2020 effective tax rate was unfavorably impacted by approximately 16.5 percentage points due to certain non-recurring prior year taxes in a foreign tax jurisdiction.

We expect our future effective tax rate to be affected by the geographic mix of earnings in countries with different statutory rates. Additionally, our future effective tax rate may be affected by changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

#### ***Net Income (Loss)***

As a result of the foregoing, net income (loss) increased \$24.9 million, to net income of \$4.4 million in 2020, from a net loss of \$20.5 million in 2019.

#### ***Adjusted EBITDA***

Our Adjusted EBITDA increased \$21.8 million, or 113%, to \$41.1 million in 2020 from \$19.3 million in 2019, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described. See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for the related definition, limitations and reconciliations of Adjusted EBITDA to our net income, the most comparable GAAP measure.

#### **2019 Transaction**

On April 1, 2019, we completed the acquisition of all the outstanding shares of Ligatus, a German-based native advertising company, pursuant to a share purchase agreement with Gruner + Jahr GmbH. The acquisition date fair value of the consideration transferred was approximately \$40.1 million, which consisted of 6,125,404 shares of our common stock. The acquisition was accounted for as a business combination and the results of operations of the acquired entity have been included in our results of operations as of the acquisition date.

As part of our growth strategy, we plan to continue to evaluate strategic acquisition or investment opportunities to add incremental growth with compounding benefits to our business, to further expand our offerings, add key technology and/or reach new markets.

#### **Non-GAAP Reconciliations**

The following tables are presented to reconcile certain supplemental non-GAAP financial measures that are used by our management to evaluate our business, measure our performance, identify trends and allocate our resources to the corresponding GAAP financial measures. The definitions and limitations of our non-GAAP financial measures are further described within “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures.”

#### ***Revenue Ex-TAC***

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

	<b>Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>(in thousands)</b>			
Revenue	\$ 228,024	\$ 177,332	\$ 767,142	\$ 687,333
Traffic acquisition costs	(167,613)	(136,806)	(572,802)	(517,000)
Other cost of revenue	(6,942)	(7,873)	(29,278)	(28,548)
Gross profit	53,469	32,653	165,062	141,785
Other cost of revenue	6,942	7,873	29,278	28,548
Revenue Ex-TAC	<u>\$ 60,411</u>	<u>\$ 40,526</u>	<u>\$ 194,340</u>	<u>\$ 170,333</u>

**Adjusted EBITDA**

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

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020	2020	2019
	(in thousands)			
Net income (loss)	\$10,746	\$(9,570)	\$ 4,357	\$(20,514)
Interest expense and other income (expense), net	2,423	(1,076)	2,527	449
Provision for income taxes	1,611	1,129	3,293	5,480
Depreciation and amortization	4,527	4,649	18,509	16,744
Stock-based compensation	1,487	916	3,588	3,876
Merger and acquisition costs <sup>(1)</sup>	(211)	6,121	11,168	10,527
Tax contingency <sup>(2)</sup>	—	—	(2,297)	2,713
Adjusted EBITDA	<u>\$20,583</u>	<u>\$ 2,169</u>	<u>\$41,145</u>	<u>\$ 19,275</u>

(1) Primarily includes transaction-related costs in connection with our acquisition of Ligatus GmbH (“Ligatus”)™ in April 2019, as well as costs related to our terminated merger with Taboola.com Ltd. (“Taboola”).

(2) Reflects a reversal of a tax contingency recorded within operating expenses in 2019 and a corresponding charge to income tax expense in 2020, net of foreign exchange impact.

**Quarterly Financial Data and Seasonality**

The following table sets forth selected unaudited quarterly financial data for the first quarter of 2021 and each of the quarters in 2020 and 2019. The information for each of these quarters has been prepared on a basis consistent with our audited annual consolidated financial statements appearing elsewhere in this prospectus and, in our opinion, includes all adjustments, consisting of normal adjustments necessary for the fair statement of the financial information contained in those statements. The following unaudited consolidated quarterly financial data should be read in conjunction with our annual consolidated financial statements and the related notes included elsewhere in this prospectus. Our quarterly results are subject to fluctuations due to seasonality and other factors. These quarterly results present our historical trends, which may or may not be indicative of the results of operations that may be achieved in future periods.

	Three Months Ended								
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	(in thousands)								
Revenue	\$228,024	\$245,438	\$186,510	\$157,862	\$177,332	\$189,609	\$168,122	\$173,522	\$156,080
Cost of revenue									
Traffic acquisition costs	167,613	179,990	137,866	118,140	136,806	142,978	126,143	130,118	117,761
Other cost of revenue	6,942	6,986	6,771	7,648	7,873	7,330	7,487	7,677	6,054
Total cost of revenue	174,555	186,976	144,637	125,788	144,679	150,308	133,630	137,795	123,815
Gross profit	53,469	58,462	41,873	32,074	32,653	39,301	34,492	35,727	32,265
Operating expenses:									
Research and development	8,428	8,209	6,867	6,903	6,982	6,743	6,432	6,757	6,459
Sales and marketing	19,868	21,983	17,476	17,816	20,295	20,649	19,708	21,025	17,559
General and administrative	10,393	12,496	13,909	7,056	14,893	14,806	15,581	12,020	8,631
Total operating expenses	38,689	42,688	38,252	31,775	42,170	42,198	41,721	39,802	32,649
Income (loss) from operations	14,780	15,774	3,621	299	(9,517)	(2,897)	(7,229)	(4,075)	(384)
Other income (expense), net:									
Interest expense	(170)	(205)	(196)	(266)	(165)	(166)	(167)	(145)	(123)
Interest income and other income (expense)	(2,253)	(1,373)	(878)	(685)	1,241	(337)	(106)	658	(63)
Total other income (expense), net	(2,423)	(1,578)	(1,074)	(951)	1,076	(503)	(273)	513	(186)
Income (loss) before provision for income taxes	12,357	14,196	2,547	(652)	(8,441)	(3,400)	(7,502)	(3,562)	(570)
Provision (benefit) for income taxes	1,611	187	6	1,971	1,129	2,335	2,791	(397)	751
Net income (loss)	<u>\$ 10,746</u>	<u>\$ 14,009</u>	<u>\$ 2,541</u>	<u>\$ (2,623)</u>	<u>\$ (9,570)</u>	<u>\$ (5,735)</u>	<u>\$ (10,293)</u>	<u>\$ (3,165)</u>	<u>\$ (1,321)</u>
<b>Non-GAAP Financial Data:</b> <sup>(1)</sup>									
Revenue Ex-TAC	\$ 60,411	\$ 65,448	\$ 48,644	\$ 39,722	\$ 40,526	\$ 46,632	\$ 41,979	\$ 43,403	\$ 38,319
Adjusted EBITDA	20,583	21,062	12,761	5,153	2,169	7,855	4,296	2,146	4,978
Adjusted EBITDA as % of Revenue Ex-TAC	34.1%	32.2%	26.2%	13.0%	5.4%	16.8%	10.2%	4.9%	13.0%
<b>Adjusted EBITDA Reconciliation:</b>									
Net income (loss)	\$ 10,746	\$ 14,009	\$ 2,541	\$ (2,623)	\$ (9,570)	\$ (5,735)	\$ (10,293)	\$ (3,165)	\$ (1,321)
Interest expense and other income (expense), net	2,423	1,578	1,074	951	(1,076)	503	273	(513)	186
Provision (benefit) for income taxes	1,611	187	6	1,971	1,129	2,335	2,791	(397)	751
Depreciation and amortization	4,527	4,456	4,623	4,781	4,649	4,316	4,725	4,420	3,283
Stock-based compensation	1,487	856	874	942	916	824	1,155	796	1,101
Merger and acquisition costs	(211)	(24)	3,643	1,428	6,121	3,342	5,202	1,005	978
Tax contingency	—	—	—	(2,297)	—	2,270	443	—	—
Adjusted EBITDA	<u>\$ 20,583</u>	<u>\$ 21,062</u>	<u>\$ 12,761</u>	<u>\$ 5,153</u>	<u>\$ 2,169</u>	<u>\$ 7,855</u>	<u>\$ 4,296</u>	<u>\$ 2,146</u>	<u>\$ 4,978</u>

(1) Revenue Ex-TAC and Adjusted EBITDA are non-GAAP financial measures. See “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for definitions of, and the explanations of our management’s use and limitations of, the non-GAAP financial measures used in this prospectus. Revenue Ex-TAC is calculated as gross profit plus other cost of revenue. We define Adjusted EBITDA as net income (loss) before interest expense; interest income and other income (expense), net; provision 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 and a tax contingency.

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 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.

### **Liquidity and Capital Resources**

Our principal sources of liquidity are our cash and cash equivalents, cash from our operations, and available capacity under our revolving credit facility. We have historically financed our operations primarily through private placements of our convertible preferred stock as well as through borrowings on our revolving credit facility.

As of March 31, 2021, we had \$95.0 million of cash and cash equivalents, of which \$35.4 million 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.

Our primary source of operating cash flows is cash receipts from advertisers. Our primary uses of operating cash are amounts due to media partners and vendors, as well as for personnel costs and other employee-related expenditures. 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 this quarter. We expect these trends to continue as we continue to grow our business.

Our cash flow from investing activities primarily consists of capital expenditures and capitalized software development costs. We anticipate that our capital expenditures will be approximately \$5 million to \$8 million in 2021, which will include expenditures related to servers and related equipment, as well as leasehold improvements; however, actual amounts may vary from these estimates.

We believe that cash generated from our operations and existing cash equivalents will be sufficient to meet our working capital requirement for the next twelve months and the foreseeable future. However, there are multiple factors that could impact our future liquidity, including our ability to collect payments from our advertisers, having to pay our media partners even if our advertisers decrease their payments due to economic conditions, the continued impacts of the COVID-19 pandemic or other factors.

#### ***Revolving Credit Facility***

We are party to a loan and security agreement (“Revolving Credit Facility”) with SVB that provides us an initial maximum borrowing capacity of up to \$35.0 million that we may use to borrow against our qualifying receivables based on a defined borrowing formula. The Revolving Credit Facility matures on November 2, 2021.

The Revolving Credit Facility contains customary conditions to borrowings, events of default and negative covenants, including covenants that restrict our ability to dispose of assets, merge with or acquire other entities, incur indebtedness, incur encumbrances, make distributions to holders of our capital stock, make investments or engage in transactions with our affiliates. We are also subject to financial covenants with respect to a monthly modified liquidity ratio and Adjusted EBITDA for trailing six-month periods. Our obligations under the Revolving Credit Facility are secured by a first priority security interest in substantially all of our assets with a negative pledge on our intellectual property. We were in compliance with all financial covenants under the Revolving Credit Facility as of March 31, 2021. As of March 31, 2021 and December 31, 2020, we had no borrowings outstanding under our Revolving Credit Facility. Our available borrowing capacity on March 31, 2021, was \$35.0 million based on the defined borrowing formula.

We are in the process of negotiating a new credit facility or a renewal of the existing revolving credit facility, which we intend to have in place prior to the expiration date of the Revolving Credit Facility. Our

ability to renew or replace the Revolving Credit Facility may be limited due to various factors, including the status of our business, global credit market conditions, and perceptions of our business or industry by sources of financing. In addition, if credit is available, lenders may seek more restrictive covenants and high interest rates that may reduce our borrowing capacity, increase our costs, and reduce our operating flexibility.

### **Cash Flows**

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

	<u>Three Months Ended March 31,</u>		<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
Net cash provided by operating activities	\$ 5,406	\$14,336	\$52,986	\$16,740
Net cash used in investing activities	(2,787)	(2,121)	(9,423)	(7,589)
Net cash (used in) provided by financing activities	(807)	9,044	(4,228)	(3,659)
Effect of exchange rate changes	(430)	(1,437)	4,750	64
Net increase in cash, cash equivalents and restricted cash	<u>\$ 1,382</u>	<u>\$19,822</u>	<u>\$44,085</u>	<u>\$ 5,556</u>

### **Operating Activities**

Net cash provided by operating activities decreased \$8.9 million, to \$5.4 million for the three months ended March 31, 2021 as compared to the same prior year period, mainly due to higher publisher payments in part based on timing, as well as higher payments associated with incentive compensation and merger related costs. These higher payments were partially offset by a \$25.0 million increase in net income after non-cash adjustments.

Net cash provided by operating activities increased \$36.3 million, to \$53.0 million in 2020 from \$16.7 million in 2019, primarily due to a \$21.2 million increase in net income after non-cash adjustments. Net cash provided by operating activities also reflected a \$14.9 million net increase related to favorable changes in working capital, primarily attributable to the growth in our business, particularly in the fourth quarter of 2020, and improved cash collections.

### **Investing Activities**

Cash used in investing activities increased \$0.7 million, to \$2.8 million for the three months ended March 31, 2021 from \$2.1 million in the same prior year period, primarily due to the absence of cash flow from disposal activities in the current year period.

Cash used in investing activities increased \$1.8 million, to \$9.4 million in 2020 from \$7.6 million in 2019, primarily due to lower cash flows related to our acquisition and disposal activities.

### **Financing Activities**

Cash used in financing activities was \$0.8 million for the quarter ended March 31, 2021, primarily comprised of principal payments on capital lease obligations. In the three months ended March 31, 2020, cash from financing activities was \$9.0 million, primarily due to \$10.0 million in borrowings under our revolving credit facility, partially offset by principal payments on capital lease obligations.

Cash used in financing activities increased by \$0.5 million, to \$4.2 million in 2020 from \$3.7 million in 2019 reflecting lower proceeds from exercises of stock options and warrants and increased principal payments on capital lease obligations.

**Contractual Obligations**

As of December 31, 2020, our contractual obligations are as follows:

	Payments Due by Period				
	Total	2021	2022-2023	2024-2025	2026
Operating lease obligations <sup>(1)</sup>	\$16,531	\$ 6,437	\$6,235	\$3,458	\$401
Capital lease obligations <sup>(2)</sup>	8,146	4,316	3,702	128	—
<b>Total<sup>(3)</sup></b>	<b>\$24,677</b>	<b>\$10,753</b>	<b>\$9,937</b>	<b>\$3,586</b>	<b>\$401</b>

- (1) Operating lease agreements relate to leases for certain office and data center facilities, as well as certain apartment facilities and motor vehicles.
- (2) Capital lease and other obligations relate to leases for certain servers and related equipment. For the year ended December 31, 2020, we made regular payments totaling \$4.8 million on our capital lease obligations.
- (3) We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, we have excluded \$1.2 million from the preceding table related to uncertain tax positions, including accrued interest and penalties as of December 31, 2020.

Obligations under contracts that we can cancel without a significant penalty and contracts that are variable based upon volume, such as contracts with media partners that guarantee a minimum rate of payment if the media partner reaches certain performance targets, are not included in the table above. See “Definitions of Financial and Performance Measures —Traffic Acquisition Costs.”

**Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these 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.

We believe that the following policies may involve a higher degree of judgment and complexity in their application than most of our accounting policies and represent the critical accounting policies used in the preparation of our financial statements. Readers are encouraged to consider this summary together with our audited consolidated financial statements and the related notes, including Note 2, for a more complete understanding of the critical accounting policies discussed below.

**Revenue Recognition**

We recognize revenue when we transfer control of promised services directly to our customers, in an amount that reflects the consideration to which we expect to be entitled to in exchange for those services. We recognize revenue pursuant to the five-step framework contained in ASC 606: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as we satisfy the performance obligations.

We generate revenue primarily from advertisers through user engagement with the ads that we place on media partners’ web pages and mobile applications. Our platform delivers ads to end-users that appear as links to articles, products and videos on media partners’ sites.

Our customers include brands, performance advertisers and other advertisers, which we collectively refer to as our advertisers, each of which contracts for use of our services primarily through insertion orders or through our self-service tools, allowing advertisers to establish budgets for their advertising campaigns. Advertising campaigns are primarily billed on a monthly basis. Our payment terms generally

range from 30 to 60 days. Because the amount billed is representative of the value of the service delivered to advertisers, we recognize revenue as we satisfy our performance obligations based on the users' clicks or ads displayed because the advertiser can direct the use of, and obtain substantially all of the remaining benefits from, the services simultaneously.

For advertising campaigns priced on a cost-per-click basis, we bill our advertisers and recognize revenue when a user clicks on an advertisement we deliver.

For campaigns priced on a cost-per-impression basis, we bill our advertisers and recognize revenue based on the number of times an advertisement is displayed to a user.

Variable consideration, including allowances, discounts, refunds, credits, incentives, or other price concessions is estimated and recorded at the time that related revenue is recognized. Advance payments from advertisers for future services represent contract liabilities and are recorded as deferred revenue in our consolidated balance sheets.

The determination of whether revenue should be reported on a gross or net basis involves significant judgment. In general, we act as a principal on behalf of our advertisers and revenue is recognized gross of any costs that we remit to the media partners. In these cases, we determined that we control the advertising inventory before it is transferred to our advertisers. Our control is evidenced by our ability to monetize the advertising inventory before it is transferred to our advertisers. For those revenue arrangements where we do not control the advertising inventory before it is transferred to our advertisers, we are the agent and recognize revenue on a net basis. We recognize revenue net of applicable sales taxes.

### ***Stock-based Compensation***

We recognize stock-based compensation for stock-based awards, including stock options, warrants, RSAs, RSUs and SARs. Determining the appropriate fair value of stock-based awards requires numerous assumptions, some of which are highly complex and subjective.

Stock option awards, RSAs, RSUs and SARs generally vest subject to the satisfaction of service requirements, or the satisfaction of both service requirements and achievement of certain performance conditions. For stock awards that vest subject to the satisfaction of service requirements, stock-based compensation is measured based on the fair value of the award on the date of grant and is recognized as stock-based compensation on a straight-line basis over the requisite service period. For stock awards that have a performance component, stock-based compensation is measured based on the fair value on the grant date and is recognized over the requisite service period as achievement of the performance objective becomes probable.

We estimate the fair value of our stock option awards on the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the use of judgments and assumptions, including fair value of our common stock, the option's expected term, the expected price volatility of the underlying stock, risk free interest rates and the expected dividend yield. The fair value of our RSAs and RSUs is the fair value of our common stock on the date of grant. The fair value of our RSAs and RSUs is estimated on the date of grant based on the fair value of our common stock. We account for forfeitures as they occur.

There were no stock options granted in 2019 or during the three months ended March 31, 2021 or March 31, 2020. In December 2020, we granted 1.8 million stock options to employees, the estimated grant-date fair value of which was calculated using the Black-Scholes option pricing model, based on the following assumptions:

	<b>Year Ended December 31, 2020</b>
Expected term (in years)	6.02
Risk-free interest rate	0.52%
Expected volatility	44%
Dividend rate	0%
Fair value of common stock	\$6.44

The Black-Scholes model assumptions are further described below:

- *Expected term.* The expected term represents the period that our stock-based awards are expected to be outstanding. For option grants that are considered to be “plain vanilla,” we determine the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards’ expected term.
- *Expected Volatility.* Since we do not have a trading history for our common stock, the expected volatility was derived from the average historical stock volatilities of several actively traded public companies within our industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock-based awards.
- *Dividend rate.* The expected dividend rate was assumed to be zero as we have not paid and do not anticipate paying any dividends in the foreseeable future.
- *Fair value of our common stock.* Because there is no public market for our common stock as we are a private company, our board of directors has determined the fair value of the common stock by considering a number of objective and subjective factors, including having valuations of our common stock performed by an unrelated valuation specialist, valuations of comparable peer companies, sales of our convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of our capital stock, and general and industry-specific economic outlook, as further described under “Valuation of Common Stock” below. The fair value of our common stock will be determined by our board of directors until such time as our common stock is listed on an established stock exchange and the shares begin trading.

If any of the assumptions used in the Black-Scholes option-pricing model change significantly, stock-based compensation for future awards may differ materially compared with the previously granted awards.

#### **Valuation of Common Stock**

In the absence of a public trading market for our common stock, the fair value of our common stock is determined by our board of directors, considering input from management and valuations provided from an independent third-party valuation specialist. We develop an estimate of the fair value of our common stock to determine an exercise price for each stock option award. Our board intended all options granted to have an exercise price per share not less than the fair value of our common stock underlying those options on the date of grant. We have determined the fair value of our common stock using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

The assumptions used in the valuation models were based on future expectations combined with management’s judgment, and consider a number of highly complex and subjective factors to determine the best estimate of the fair value of our common stock as of the date of each grant, including the following:

- our operating and financial performance;
- current business conditions and projections;
- the market price of actively traded comparable peer companies in similar lines of business;
- the rights and restrictions associated with each class of equity;
- the lack of liquidity of our common stock; and
- the likelihood of achieving potential liquidity events, such as an initial public offering

For our valuations, the fair value of our common stock was generally estimated using a combination of income and market approaches. The income approach estimates the aggregate enterprise value of our company based on the present value of future estimated cash flows that we expect to generate. These future

cash flows are discounted to their present values using a discount rate based on analysis of the weighted-average cost of capital for comparable public company industry peers and adjusted to reflect the risks inherent in our business cash flows.

We used the option pricing method, or OPM, to allocate the enterprise value determined under the income approach to each element of our capital structure, including our common stock. Under the OPM, ordinary and preferred shares are treated as call options, with an exercise price based on the liquidation preference of the preferred shares. The value of the call options is determined using the Black-Scholes option-pricing model. The OPM considers the capital structure of the company, the seniority of securities, future financing needs, the time to liquidation event.

We also used the market approach to estimate the aggregate enterprise value of our company by applying market multiples of key metrics from comparable public company industry peers, or guideline companies. We believe that using revenue and EBITDA multiples to estimate our aggregate enterprise value was appropriate given our focus on growing our business and because our comparable public company industry peers were in various stages of growth and investment. These multiples were adjusted based on the assessment of the strengths and weaknesses of our company relative to those comparable public company industry peers.

Under the market approach, we determined the value of our common stock by calculating the present value of our enterprise value from a future expected initial public offering date and allocating this value to our outstanding common shares at the valuation date, on a fully diluted-basis, assuming all our stock-based awards were exercised.

The marketable value of our common stock is estimated upon using a weighted average of various exit event scenarios, such as a strategic sale or an initial public offering, which requires significant assumptions.

In addition, under both approaches, a discount adjustment was applied to the valuations due to the lack of marketability of the ordinary share because stockholders of private companies do not have access to trading markets, compared to stockholders of public companies. The discount for marketability was determined using a put option model, which is based on using a put option as a proxy for a lack of marketability of security, estimated using the Black-Scholes option-pricing model. The significant assumptions involved were the same as described above.

The third-party valuations are performed at least once every twelve months, or more often if there is a material event that may affect our value. Accordingly, the dates of our valuations do not always coincide with the dates of our stock-based compensation grants. In such instances, we based the fair value on the most recent preceding valuation of shares of our common stock. For valuations after the completion of this offering, our shares will be publicly traded and the fair value of our awards will be based on the closing price of our common stock on the date of grant.

### ***Income Taxes***

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using an asset and liability approach, which requires recognition of deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we

can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any reserves that we believe are appropriate, as well as the related interest and penalties.

#### **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.

#### **Recently Issued Accounting Pronouncements**

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

#### **Quantitative and Qualitative Disclosure 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 primarily include interest rate and foreign exchange risks. We do not believe that we have any material exposure to inflationary risks.

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

Our consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. A substantial 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.

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 \$2.5 million favorable or unfavorable change to our operating income for three months ended March 31, 2021, a \$5.4 million favorable or unfavorable change to our operating loss for the year ended December 31, 2020, and a \$3.6 million favorable or unfavorable change to our operating loss for the year ended December 31, 2019.

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

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and our outstanding debt obligations. Our primary 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 total indebtedness, including capital lease obligations was \$7.1 million and \$7.4 million as of March 31, 2021 and December 31, 2020, respectively. Our exposure to interest rates relates to the change in the amounts of interest we must pay on our borrowings, which bear both a fixed and variable rate of interest. The effect of a hypothetical 100 basis point change in our interest rate would not have a material impact on our interest income or interest expense in our consolidated financial statements.

#### **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.

## Business

**Our mission is to help digital media owners thrive by recommending content, products and services that users love.**

Outbrain is a leading recommendation platform powering the open web. Founded in 2006, we pioneered the online content recommendation category. Today our platform enables over 7,000 online properties, including many of the world's most prestigious publications, helping them engage their users and monetize their visits. Fueled by over 1 billion data events gathered each minute, our platform matches audiences with personalized content and ads, driving quality engagement while delivering efficient, sustainable monetization.

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 feeds, we provide media partners with a platform that encompasses data scale as well as prediction and recommendation capabilities, helping them deliver a personalized feed of recommendations tailored to their users, based on user interests, preferences, and context. We are a mobile-first company and our Smartfeed technology and recommendations are highly effective on mobile devices. We generated over 66% of our revenue on mobile platforms in 2020.

Since inception, we have been guided by the same core principles pertaining to our three constituents: media partners, users, and advertisers.

*Media Partners.* We are committed to the long-term success of our media partners. Consistent with this philosophy, we focus on developing trusted, transparent, typically exclusive, multi-year partnerships with media partners, both traditional and in new and rapidly evolving categories.

*Users.* We believe that by focusing on improving the user experience 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.

*Advertisers.* We strive to grow our advertising business by increasing overall user engagement, rather than price per engagement. Our emphasis on user engagement helps us improve advertisers' return on ad spend ("ROAS") thus unlocking more advertising spend and attracting more advertisers. In turn this enables us to better match ads to users and further grows user engagement and overall monetization.

We have delivered over \$3 billion in direct revenue to our media partners, since inception. We partner with thousands of the world's most trusted digital media owners for which we believe we are an important technology partner. Some of our key media partners include Asahi Shimbun, CNN, Der Spiegel, Le Monde, MSN, Sky News and Sky Sports, and The Washington Post. The average tenure of our top 20 media partners, based on our 2020 revenue, is approximately seven years.

Through our relationships with media partners, we have become one of the largest online recommendation and advertising platforms on the open web. In 2020, we provided personalized content feeds and ads to approximately 1 billion monthly unique users, delivering on average over 10 billion recommendations per day, with over 20,000 advertisers using our platform. In the first quarter of 2021, our platform powered an average of over 100,000 ad campaigns per day.

Our platform is user engagement focused. A significant proportion of the engagement created by our recommendations is with the content of the media partner for which we are providing the platform, which we refer to as 'organic recommendations.' This provides the user with a personalized content experience, while increasing time spent and engagement on the media partner's digital properties. We believe this is crucial to increasing long-term loyalty and retention of users for media partners, while increasing the depth and value of user visits in the short term. Powering a curated feed of both organic recommendations and targeted ads creates significant proprietary, first-party data that enables us to continuously refine our prediction capabilities, supporting our efforts to further increase engagement.

Advertisers use our platform to reach consumers efficiently through various ad formats across thousands of premium digital media properties around the world. Our platform provides access to a significant volume of exclusive ad inventory within the content feeds of these premium digital media

properties. Advertisers primarily use our platform for performance driven campaigns, with measurable outcomes. Our ability to drive value and ROAS for advertisers, at scale, is highlighted in the growth of ad spend through our platform.

Data and algorithms are fundamental to everything we do. We process, on average, over 1 billion data events per minute, powering up to 100 million Click Through Rate (“CTR”) predictions and over 100,000 recommendations. Our ability to collect and synthesize large data sets into our real-time decisioning engine powers our recommendations, our feed experiences and our ad targeting, helping us optimize user engagement and monetization. As our platform grows, we are able to leverage our data scale in order to enhance our algorithms, enabling us to improve the efficacy of our platform. This, in turn, drives additional user engagement and thus more monetization for our partners and ourselves, which helps us further grow our business and scale our data. We refer to this phenomenon as our data flywheel. During 2020, we grew overall engagement with recommendations on our platform by 24% on a year over year basis. Engagements with recommendations include a user click on one of our recommendation links or a view of a video that we recommended. We believe engagements are an indicator of the value users find in our recommendations and the value we create for our media partners through increased monetization.

We are targeting a large, fragmented and growing market. Over four billion consumers access the Internet and, by 2022, the average person in the United States will spend more than eight hours a day consuming digital media, according to eMarketer. eMarketer also states that approximately \$378 billion was spent on global digital advertising in 2020. By 2024, this figure is expected to increase to \$646 billion. Given our ability to deliver high impact and measurable performance to our advertisers, significant reach and unique inventory, we believe that we are well positioned to capture a significant share of this growing market.

We have a track record of consistently growing our business, and have achieved significant scale with \$767 million of revenue in 2020 and \$228 million of revenue for the quarter ended March 31, 2021. Our Revenue Ex-TAC was \$194 million in 2020, up from \$170 million in 2019 representing year over year growth of 14.1%. In the second half of 2020, our Revenue Ex-TAC grew by 28.8%, as compared to the same prior year period, highlighting the momentum in our business. Our Revenue Ex-TAC was \$60.4 million for the quarter ended March 31, 2021, up 49.1% from \$40.5 million from the quarter ended March 31, 2020. Our business is profitable and we are benefiting from strong operating leverage as we grow. Our net income was \$4.4 million in 2020, compared to a net loss of \$20.5 million in 2019. Our net income was \$10.7 million for the quarter ended March 31, 2021, up from a net loss of \$9.6 million in the prior year period. Our Adjusted EBITDA more than doubled to \$41.1 million in 2020, from \$19.3 million in 2019. In the three months ended March 31, 2021, our Adjusted EBITDA grew nearly tenfold to \$20.6 million, from \$2.2 million in the comparable prior year period. Adjusted EBITDA was 21.2% and 11.3% of Revenue Ex-TAC in 2020 and 2019, respectively. Adjusted EBITDA was 34.1% and 5.4% of Revenue Ex-TAC for the quarter ended March 31, 2021 and 2020, respectively.

### **Our Industry**

Advertising is the primary business model for digital media on the open web. In addition, advertising is also increasingly used as a key revenue driver for other Internet based businesses, such as mobile gaming and eCommerce. As a result, digital advertising not only subsidizes media consumption for billions of consumers globally, but also finances the creation of journalism, news, and entertainment, while lowering the costs to consumers of various products and services.

We believe that the following industry trends are relevant to our business.

***Proliferation of digital media, and digital advertising, particularly across mobile environments.*** According to eMarketer, by 2022 the average person in the United States will spend more than eight hours a day consuming digital media. In addition, the average U.S. consumer’s mobile device use grew from 87 minutes per day in 2012 to 271 minutes per day in 2020, a 211% increase. In order to address this change in consumer usage patterns, most media providers have shifted their focus from traditional means of content delivery to digital ones, with new ‘digital-native’ providers increasingly gaining share of attention. Advertising spend follows time spent and engagement, and mobile ad spend is expected to increase at a faster pace than digital ad spend in total. According to eMarketer, by 2021 global digital ad spend will grow to \$455 billion,

a 20.4% year over year increase, and mobile ad spend will grow to \$341 billion, a 23.5% year over year increase, with U.S. mobile ad spend surpassing \$130 billion in the same year.

***Consumer habits and expectations are changing.*** Consumers have grown accustomed to consuming engaging content that is personalized and curated across multiple digital formats, including social, entertainment, gaming and audio. On mobile environments, consumers habitually scroll through apps, mobile browsers and news feeds, such as those found on social media, providing continuous opportunities to deliver personalized advertising experiences. As a result, we believe that personalized and engaging digital content experiences, supported by non-intrusive ads, have become the expectation of media owners, rather than a consumer luxury.

***Trusted editorial content is becoming increasingly important.*** The massive scale of content creation and distribution across social media has made it difficult to curb the creation and proliferation of factually inaccurate news and misinformation, leading to a growing distrust of user-generated social media content. In a Kantar Dimensions study published in May 2020, social media was ranked as the least trusted medium, with only 17% of consumers citing Facebook and Twitter as reputable sources of information. At the same time, advertisers are growing increasingly concerned about having their messages shown alongside unsavory user-generated content. According to the CMO Council, 72% of advertisers are concerned about brand integrity on social media. As a result, advertisers have become increasingly cognizant of where they spend ad dollars, seeking media environments that prioritize quality, transparency and brand safety.

***Performance and ROAS are becoming increasingly important to advertisers.*** As digital advertising continues to consume a larger share of advertiser budgets, the ability to target advertising based on specific user interests and context, in real-time, has become increasingly important to advertisers, as it contributes to more efficient campaigns and improved ROAS. This creates demand for solutions that can adjust in real-time while measuring and optimizing for specific price and performance thresholds. As tools for targeting and tracking become more sophisticated and effective, advertisers are increasingly relying on performance pricing models to drive more measurable ROAS, for example, paying for a click (cost-per-click), lead, acquisition, download, install, or sale, instead of paying to simply display an ad which may or may not create value. According to a 2019 IAB report, approximately 63% of 2019 internet advertising revenues were priced on a performance basis. Many advertisers, including the largest brands, leverage third-party software and predictive data-driven models to meet their performance goals. In parallel, increasingly user friendly and engagement-focused formats of digital advertising have evolved to better serve advertisers seeking performance and ROAS.

***Data-driven decisioning delivers better experiences and outcomes.*** Advances in software and hardware along with the growing use of the Internet have made it possible to collect and rapidly process massive amounts of real-time data signals related to content, context and performance. Leveraging data at scale, advertising technology providers can dynamically serve content or ads that integrate seamlessly into user environments to deliver tailored, impactful experiences. The decisioning intelligence developed by leading technology providers and large Internet platforms has made advertising more engaging for users and more effective for advertisers. As a result, advertisers are increasingly focused on data-driven decisioning, making these capabilities critical for media partners, as they seek to deliver quality experiences to their users while maintaining their relevance with advertisers.

### **The Challenge for Digital Media Owners**

As the pace of online content creation and consumption continues to accelerate, and competition for user attention intensifies, digital media owners must focus on their core strength: creating relevant, interesting, quality content. However, their success also depends on sustainably attracting, engaging, retaining and monetizing audiences while competing with the major social and aggregation platforms, known as the ‘walled gardens.’ These platforms, driven by the nature of their services and their scale, have significant resources to invest in technology and have amassed large volumes of coveted user data, enabling them to deliver highly targeted and thus effective ads alongside user generated or third-party content, helping them achieve an outsized share of the advertising market.

As a result, we believe that digital media owners, whose properties are often referred to as the ‘open web,’ face challenges in the following key areas:

**User experience.** In today’s dynamic, mobile-first environment, providing a high-quality user experience that addresses consumer habits and expectations is critical to attracting, engaging and retaining audiences. For example, over the past few years, consumers have grown accustomed to receiving personalized content recommendations, which are now common within the walled gardens. In addition, infinite scrolling feeds of content have also become popular, especially on mobile devices. Keeping pace with these changes, as well as other emerging products and features, represents a significant challenge to many digital media owners who lack the scale and resources required to compete.

**Monetization.** The fragmented ecosystem of digital advertising technology intermediaries, constantly evolving landscape of ad formats and the growing sophistication of advertisers seeking measurable ROAS makes it difficult for digital media owners to develop and maintain the technology required to optimize their monetization. In addition, digital media owners often lack access to a large and diverse advertiser base. As a result, they may not benefit from the variety of ads that are necessary in order to optimize consumer engagement and thus overall monetization.

## Our Solution

We enable digital media owners to provide their users with an experience that is personalized and relevant to their interests while generating incremental revenue through highly engaging content recommendations and relevant advertisements. Our platform is informed by large, proprietary data sets. Our recommendation engine relies on advanced artificial intelligence technology and machine learning algorithms. We leverage our scale, gained through a large number of partners and advertisers, in order to grow and enhance our data and our technology continuously.

By delivering relevant content recommendations that personalize the user experience, alongside targeted ads, our platform increases and monetizes user engagement. Our technology platform forms the underlying “operating system” of our media partners’ content feeds, helping them manage and grow their business.



## We focus on the long-term

- **Our goal is to delight the user.** We believe in the compounding value that is generated by increasing user engagement. As a result, we aim to delight users by recommending relevant content in order to deliver superior long-term monetization for our media partners and ourselves.

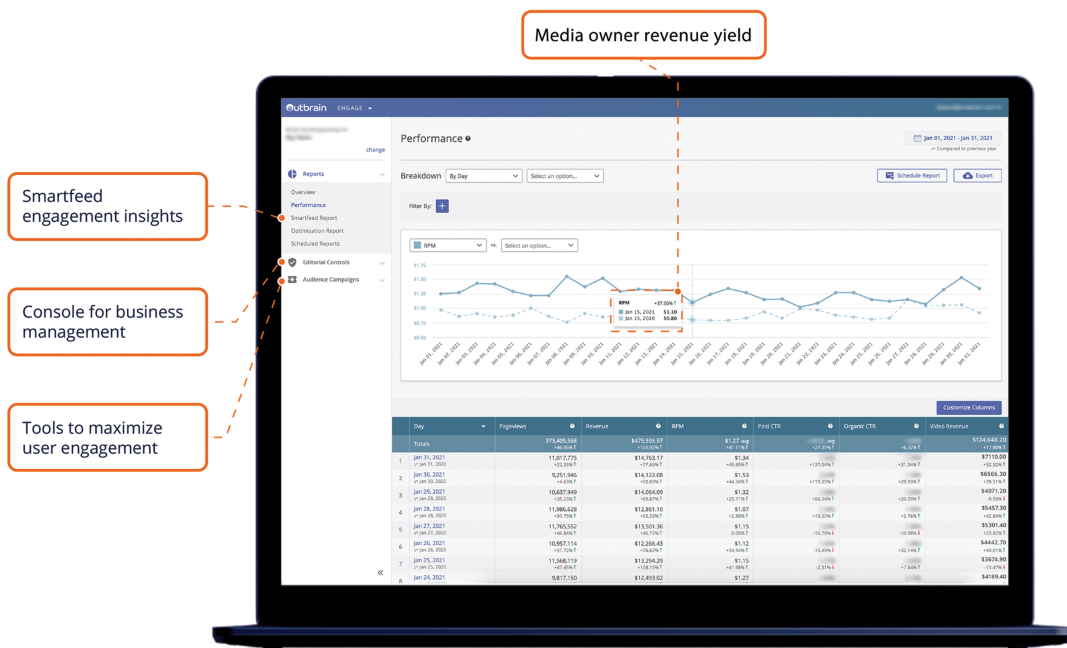
- **Quality is fundamental.** We partner with prestigious and trusted digital media owners around the world. Through our commitment to working with the most credible sources of digital media and content creators, we have created an ecosystem trusted by publishers, advertisers and users alike.
- **Deep integrations are key.** Our technology is deeply integrated with our partners' systems, enabling us to roll out new products and features at pace. As a result, our partners gain the flexibility to capitalize on new forms of content distribution and advertising, as well as shifting consumer preferences, empowering them to achieve their growth and monetization objectives.
- **Transparency builds trust and alignment.** By maintaining transparency on pricing, data collection and efficacy, we align our incentives with those of our partners and work to ensure their objectives are achieved, driving the long-term success of our business.

### Our Offering for Media Partners

We provide media partners with an 'operating system' that helps them manage and grow their businesses. Our platform and products provide the data, scale, and technology capabilities to personalize the content experience, grow audiences, maximize user engagement and monetize content. We empower media partners, enabling them to innovate their user experience by continuously introducing new features, capabilities and technologies that help optimize content delivery through personalized recommendations. We aggregate advertiser demand on behalf of media partners, providing them with critical monetization. Media partners benefit from the combined scale of technology, data and users, which we derive from the large volume of partners and advertisers that use our platform.

Our product suite for media partners, Outbrain Engage, encompasses multiple key technologies, enabling media partners to:

- **Delight users through personalized feeds and data-driven recommendations.** Our platform synthesizes billions of data points, including context, user interests and behaviors to provide customized recommendations to users. Our Smartfeed product is a powerful solution for media partners to personalize content recommendation for users. The modular format of the feed enables media partners to customize the order, layout, and composition of content based on consumers' context, interests and preferences.
- **Monetize content through customized, data-driven advertising.** We deliver critical revenue that media partners depend on to operate their business. Our platform and partner integrations supports a wide range of ad formats that leverage unique data insights in order to maximize revenue. Our algorithms balance revenue yields with overall user experience and can be harnessed to support additional revenue initiatives.
- **Maximize user engagement.** Our solution enables media partners to engage and retain their audience, helping them achieve multiple business outcomes such as time spent with their content, growth of digital subscriptions, app downloads, podcast engagement and more. In addition, our proprietary optimization engine is an always-on testing and optimization solution that continuously enhances page layouts for maximum engagement and value.
- **Manage their business.** Outbrain Engage provides media partners with a web-based dashboard enabling them to manage and control various aspects of our platform including the content, formats, sources, frequency and categories of ads delivered on their properties. In addition, we provide precise advertiser and creative classification and filtering tools while strictly enforcing rigorous ad and content quality requirements. We operate at great scale, with an average of approximately 100,000 new ads uploaded to our platform daily in the fourth quarter of 2020. We review all ads before they go live on Amplify, our product suite for advertisers, either through our automated processes or manually, ensuring compliance with our strict content guidelines (which are available publicly on our website). We reject, on average, over 20% of new ads submitted. Our extensive content review processes and automated monitoring tools provide a further layer of quality control for media partners.



**Our Offering for Advertisers**

Our platform enables advertisers to have one-on-one interactions with consumers, at scale. We provide advertisers a powerful open web platform with significant reach and exclusive inventory, helping them connect with audiences on premium digital properties. Using Outbrain Amplify, our product suite for advertisers, we enable them to focus their campaigns on the users most likely to engage with their ads. Advertisers log into our platform directly to create campaigns, load or automatically generate creative assets, and manage their advertising activity on the open web, all while optimizing spend toward engagement and ROAS.

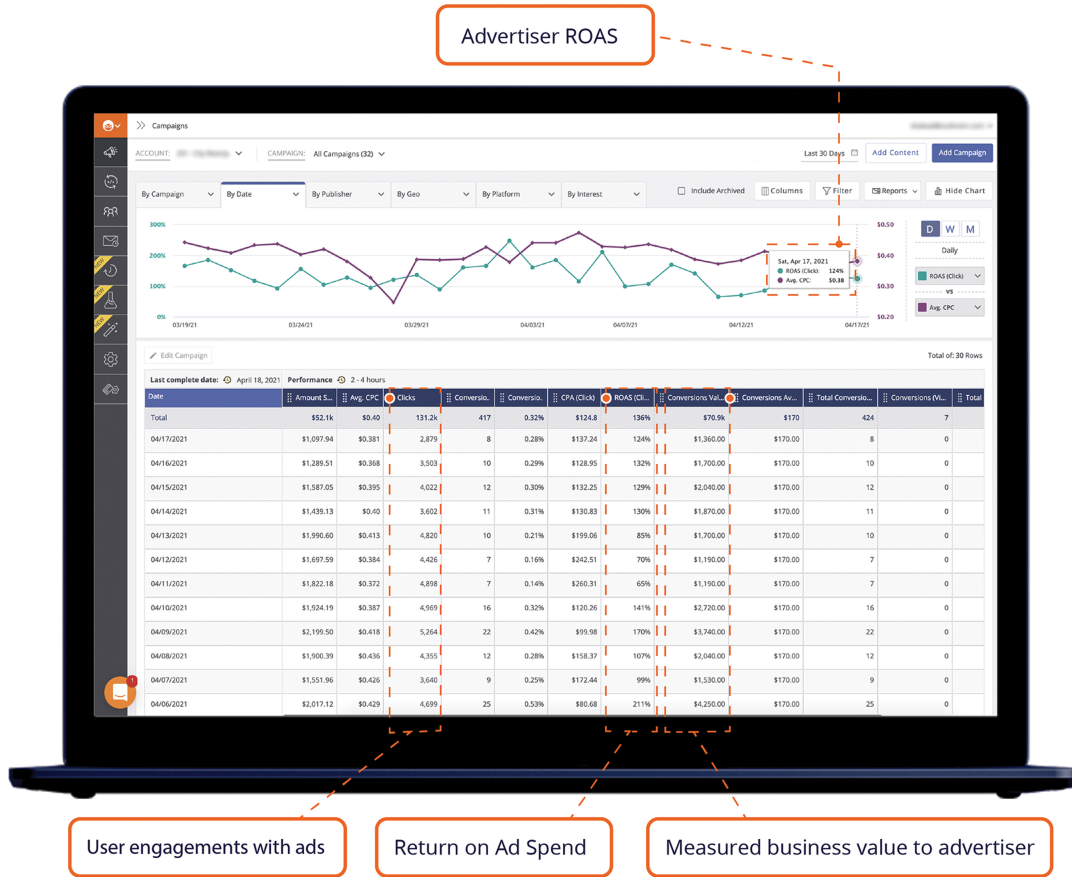
Outbrain Amplify provides advertisers with:

- **Seamless and non-intrusive ads.** We provide advertisers access to ad inventory that benefits from high user attention by delivering ads that are native to the user experience and are personalized based on our unique understanding of each user’s context and interests. We call our ads Smartads™ because they are component-based and dynamically match the look and feel of the content where they are placed. Our Smartads support a variety of formats, including text and image, video, interactive carousel, app install and other forms of direct response.
- **Ads optimized for engagement.** Our deep and direct integration across the digital properties of thousands of media partners provides us with a wealth of proprietary data pertaining to user engagement and content consumption patterns. This enables us to deliver ads based on our user interest graph, as well as other unique data-driven tools and technologies. We believe that our direct integrations and exclusive partnerships are a differentiator when compared to most other online advertising solutions. Unlike other solutions, which often connect an advertiser to an available ad opportunity in a non-exclusive manner, typically mediated by other third-party platforms and technologies, our platform benefits from direct visibility into users’ overall engagement.
- **Results—optimize and pay for performance.** Our platform enables advertisers to optimize to specific campaign goals, and buy on a Cost-per-Click basis, guaranteeing engagement and delivering other measurable business outcomes. We maintain transparent performance metrics, and advertisers are able to view progress, manage ongoing campaigns and maximize ROAS. Our autopilot feature enables advertisers to set their goals and key performance indicators and allows Amplify to automatically optimize bid prices and budget allocations to hit these goals. Advertisers



and their agencies wishing to transact through programmatic channels can use Zemanta, our programmatic platform, as well as other third-party programmatic platforms.

- **Quality.** We work with established media partners, employing rigorous selection criteria, onboarding standards, controls, processes, and ongoing monitoring. As a result, our platform provides predominantly exclusive access to engaged users in high quality content environments across many of the world’s most trusted media properties.

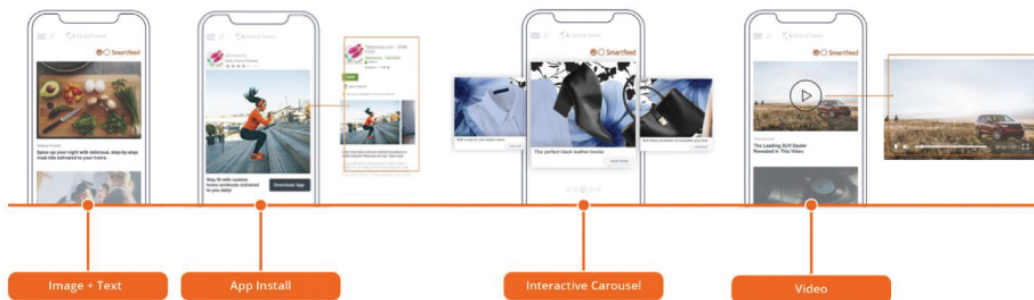


**Our Personalized Feed Experience for Users—Smartfeed**

Smartfeed is our personalized feed solution that drives deeper discovery of content, products and services, longer sessions and better user engagement. Smartfeed powers the content feeds of thousands of the world’s most prestigious digital media owners, combining highly engaging multimedia formats, such as text and image, or video, with a diverse range of experiences and dynamic optimizations, continuously improving a personalized user experience.



Our Smartfeed technology supports a wide variety of ad creative formats, including:



**Our Strengths**

- **Mission-critical partner for digital media owners.** We provide digital media partners with mission-critical technology, an “operating system,” that increases user engagement and content monetization. The capabilities and revenue we provide enable many of our partners to sustain their businesses and deliver quality journalism, in some cases as they continue a long-term transition away from historic reliance on offline ad revenue. We are a trusted partner for some of the world’s most prestigious publications, including The Asahi Shimbun, CNN, Der Spiegel, Le Monde, MSN, Sky News and Sky Sports, and The Washington Post. The average tenure of our top 20 media partners, based on 2020 revenue, is approximately seven years.
- **Unique, at-scale platform for advertisers.** Through our vast and predominantly exclusive relationships with media partners, we provide advertisers with access to approximately 1 billion

unique monthly users. The breadth of our audience reach enables advertisers to deliver at-scale campaigns and to optimize the performance of their advertising spend.

- **Unique proprietary data and algorithms driving a virtuous cycle.** Our direct integrations across our partners' properties provide us with a large volume of proprietary first-party engagement data, including context, user interest and behavioral signals. Leveraging our data, we continuously optimize our algorithms to improve CTR and ROAS. For the last six months ended December 31, 2020, CTR for ads on our platform improved by 25% relative to the second half of 2019. By delivering better results to advertisers we are able to grow our business and our platform, which, in turn, helps us collect more data and further enhance our algorithms, driving better results for our partners, helping us further grow our platform and our business.
- **Well positioned for a privacy-centric world.** By integrating directly with our media partners' properties we generate proprietary first-party data and are able to collect and infer valuable user related data and insights. In addition, our ability to use unique contextual signals enables us to deliver strong user engagement and advertiser ROAS without the need to rely solely on user-based targeting, typically enabled through user tracking technologies that may not be available in the future.
- **History of successful innovation.** We pioneered our category and have been focused on innovation since our founding. To ensure seamless product innovation we operate as a continuous deployment engineering organization, releasing an average of approximately 250 code deployments daily. We plan to continue investing in our platform and its features.
- **Scaled, profitable and diversified business.** We have grown our business rapidly while achieving profitability, demonstrating the power of our technology, the strength of our partner and advertiser relationships and the inherent operating leverage of our model. In 2020, we achieved \$767.1 million in revenue and \$194.3 million in Revenue Ex-TAC, reflecting year over year growth of 11.6% and 14.1%, respectively. In 2020, net income was \$4.4 million, compared to a net loss of \$20.5 million in 2019. Adjusted EBITDA more than doubled to \$41.1 million, or 21.2% of Revenue Ex-TAC, in 2020 from \$19.3 million, or 11.3% of Revenue Ex-TAC, in 2019. Our revenue and Revenue Ex-TAC was \$228.0 million and \$60.4 million, respectively, for the quarter ended March 31, 2021, up from \$177.3 million and \$40.5 million, respectively, for the quarter ended March 31, 2020. Our business is well diversified. In 2020 our top twenty digital media partners accounted for approximately 49% of our revenue, with the largest accounting for 11% of our revenue. During the same year, our top twenty advertisers accounted for approximately 25% of our revenue, with the largest accounting for approximately 3% of our revenue.
- **Team and culture.** Companies cannot effect the change they aspire to achieve without passionate, innovative employees. We rely on a global and diverse team of highly capable employees to collaborate, innovate, and execute our vision—to empower high quality journalism and content creation. Outbrain routinely conducts anonymous employee engagement surveys; according to the survey in early 2021 which had a 91% employee participation rate, 93% of our employees responded that they would “recommend Outbrain as a great place to work.”

### Our Growth Strategies

We believe that we are well positioned to capitalize on the continued growth of digital content consumption and digital advertising. We intend to continue investing in technology and innovation to improve our recommendation engine and product offering, support our efforts to grow relationships with existing and new media partners, and expand our advertiser footprint and share of wallet. We plan to pursue the following growth strategies:

- **Continuously improve user engagement.** Improving the quality of our recommendation engine has been an important driver of past growth and we expect it to remain a key driver of future growth. We believe that a great user experience drives engagement that compounds over time. Continued investment in our technology, artificial intelligence and machine learning capabilities drives a better user experience, resulting in better CTR predictions and, in turn, higher monetization yield and revenue. We believe that we can significantly grow our business solely by improving user engagement.

- **Grow our ad inventory**

We have an extensive history of growing ad inventory by expanding our media partnerships and forming new ones.

*Existing partners.* We have a strong track record of growth through the continuous expansion of existing media partnerships, as we launched products, features and formats that improved user engagement and retention, grew audiences, and improved monetization. We plan to continue innovating as we seek to grow our ad inventory by implementing optimizations, creating new ad formats, seeking additional ad placements, and pursuing opportunities to manage a larger proportion of our media partners' digital properties. In addition, we plan to expand our partnerships with software and hardware providers, enabling us to offer personalized content feeds for browsers and mobile operating systems.

*New partners.* We plan to pursue new partnerships with media owners as well as integrations with programmatic platforms that will expand our reach to additional user segments, helping us grow our business.

- **Grow advertiser spend.** We plan to grow spend from existing, as well as new advertisers by pursuing the following initiatives:
  - *Further invest in our advertiser product suite.* In the past, improvements to our advertiser solutions have been a meaningful driver of growth for our business. We plan to continue investing in Amplify and Zemanta in order to deliver better tools and technologies for advertisers on our platform.
  - *Continuously improve ROAS.* We aim to deliver better results for advertisers through improved CTR, as well as automation in pricing and conversion optimization, helping us grow existing and new advertisers' share of wallet.
  - *Grow brand spend.* We plan to expand our existing suite of solutions aimed at brand advertisers. We believe that we will be able to capture significant spend from new and existing advertisers by providing new capabilities, such as additional exclusive ad placements, new optimization solutions, and unique ad formats, amongst others.
  - *Grow the number of advertisers.* In addition to investments in our advertiser product and technology, we plan to invest in sales and marketing initiatives aimed at attracting new advertisers to our platform. We believe Zemanta will continue to gain adoption amongst leading agencies and brands, and that new programmatic demand partners will enable us to continue to expand our advertiser footprint.
  - *Drive adoption of high impact ad formats.* High impact ad formats such as video, content highlight reels, and interactive carousel represent a significant opportunity to improve monetization of existing inventory. We plan to expand our offerings and capabilities in order to drive continued adoption by advertisers of these formats, helping them reach more of their target audience and achieve their campaign goals, enabling us to grow our business.
  - *Acquisitions and strategic partnerships.* We have a track record of successfully executing a number of acquisitions and partnerships, helping us efficiently expand our offerings, grow our business and grow our talent. In 2017, we acquired Zemanta, providing us with advanced programmatic capabilities. In 2018, we acquired AdNgin, an advanced user interface optimization platform. We intend to continue pursuing partnership and acquisition opportunities that will enhance our technology or market presence and deliver more value to our partners and advertisers.

## Our Competition

The digital advertising industry is highly competitive and fragmented. We compete for advertising dollars and media owner partnerships with advertising technology platforms such as Criteo, Magnite, PubMatic, Taboola, The Trade Desk, Viant and Xandr (AT&T), as well as large consumer-facing digital

platforms with advertising technology capabilities, such as Amazon, Facebook, Google and Twitter. The key factors that enable us to compete effectively for inventory from digital media owners include:

- the ability to deliver competitive monetization and engagement on media partner properties;
- trust, transparency and long-term alignment; and
- differentiated feed technology.

The key factors that enable us to compete effectively for advertising dollars include:

- delivering high ROAS through our ability to identify and engage relevant users;
- massive audience reach;
- quality of inventory; and
- comprehensive range of inventory types, advertising formats and campaign tools.

### **Our Technology**

We have designed our platform to process real-time content and advertising transactions quickly and efficiently at a massive scale. Our platform delivers on average over 10 billion recommendations daily, in 20 languages, and in the fourth quarter of 2020 we powered an average of over 100,000 ad campaigns per day. We designed our platform using a microservices-based architecture, which enables the rapid deployment of new features with high availability, reliability, and redundancy.

Our platform consists of the following key technology components:

- **Infrastructure.** To support our business needs, we operate our own proprietary cloud infrastructure. Our global infrastructure includes over 7,000 servers, with storage capacity exceeding several petabytes. Our servers are located in three third-party data centers, on a co-location basis, in Secaucus, NJ, Sacramento, CA, and Chicago, IL. Each of our data centers is operated by a different vendor, in order to minimize the impact of any outage on our platform. While all three data centers actively serve recommendations to users, we are able to serve all of our traffic from two of the three data centers if needed. We utilize a global content delivery network (CDN), and dynamic acceleration, for additional performance optimization and redundancy.

Our infrastructure is designed such that we do not have any known single point of failure at any level. Within each data center, we have load-balanced servers on each layer of the system, so that a failure in one server or component will not impact performance or availability. Some of these clusters are dedicated to handling incoming traffic and delivering content, including web servers, caches and real-time database applications. Other clusters are devoted to the data analytics and algorithm modeling involved in creating content recommendations. The design also includes load balancers, firewalls and routers that connect the components and provide connections to the Internet. In particular, we use software specifically designed for processing large data sets to provide real-time data analysis, the results of which are then fed back to refresh and improve our recommendation algorithms.

We monitor our system using several tools, both internal and external, to gauge our uptime and performance. We also use multiple layered security controls to protect our recommendation engine and our data assets, including software-based access controls for our source code and production systems, segregated networks for different components of our production systems and centralized production systems management. We believe that the failure of any individual component will not affect the overall availability of our platform, having maintained an uptime of 99.9% from 2018-2020.

- **Data.** One of the key benefits of our platform is the management, analysis, and structuring of valuable user engagement and advertising data.
  - *Our data scale:* We gather over 1 billion data events per minute delivering over 10 billion recommendations per day. On average, we collect in excess of 50 terabytes of data per day

consisting of contextual signals, advertiser data, and user engagement data (typically clicks on recommendations). We leverage our data to improve our algorithms and prediction capabilities.

- **Our automated content index:** To operate our platform, we have created our automated content index, comprising over 2 billion content elements. Our technology automatically classifies and analyzes content at a rate of over 1,500,000 pages a day in 20 different languages. We index content through RSS feeds and JavaScript triggers to continuously identify new content and changes to existing content. Our automated index deconstructs content into base elements including titles, images and topics in order to recombine the elements into targeting data and formatted recommendations and ads.
- **Artificial Intelligence and Machine Learning.** Our proprietary artificial intelligence and machine learning capabilities enable us to harness the vast volume of data we collect in order to effectively match users to relevant content and ads based on our content index. Our algorithms make over 1,000 click predictions, on average, before selecting each recommendation to present to a user. In the second half of 2020, CTR for ads on our platform improved 25% on a year to year basis.

#### Our Data Flywheel



#### Sales and Marketing

We focus our sales and marketing efforts on supporting, advising, and training our partners and advertisers, helping them optimize their use of our platform. We employ in-market sales teams across our markets, helping us attract premium digital media owners and advertisers to our platform. In addition, we have developed and currently utilize online acquisition channels to attract new advertisers, who we are able to onboard and serve in an automated manner, using self-serve tools and technologies.

Our sales teams educate prospective media owners, partners, and advertisers on the use, technical capabilities, and benefits of our platform. Our dedicated teams work with potential customers through the entire sale cycle, from initial contact to contract execution and implementation. Throughout the process, our teams provide guidance as to how our platform can optimize the value of a media partner's audience or how an advertiser can reach relevant users. Additionally, following contract execution and implementation, our account management teams guide media partners on how additional platform deployment and optimizations can deliver incremental monetization. We engage advertisers and their agencies in order to educate them on how to increase reach and ROAS using our solutions.

Our marketing team is focused on delivering strategies that drive efficient new partner and advertiser acquisition, enhancing our position as key industry thought leaders, supporting our sales teams, and increasing awareness of our brand.



## Our Employees

Much of our success can be directly attributed to our global team of technology, business, and data science experts who work out of our 18 locations worldwide. Outbrain comprises a diverse, intelligent and driven group of individuals who are passionate and excited to be leading the way in which users discover things online.

Our culture and team are the most important asset in building and expanding our business. Our team identifies new problems to solve, builds solutions, optimizes and extends our infrastructure, and acquires and serves customers. We believe that strong and diverse teams deepen customer relationships, promote innovation, and increase productivity. Our Culture Manifesto, available publicly on the Outbrain website, is one of many important expressions of the values and principles that reflect how we behave, collectively and individually.

Our people strategy revolves around creating employee experiences. We strive to foster deep employee engagement built upon personal development and achievement that is supported by continuous feedback, learning, and team building. As we continue growing our team, and become more diverse culturally and geographically, we want to make sure we retain a shared mission among the people that become part of our company. In particular, there are certain characteristics that we seek out in our employees:

- **Intelligent and productive.** There are many great attributes companies can seek in the candidates they hire—academic degrees, deep industry expertise, hands-on work experience, etc. While these attributes are an important part of our screening process, we seek, above all else, a combination of smarts and a “get stuff done” attitude.
- **Collaborative.** We love hiring and nurturing professionals who are great at their craft. At the same time, we are cognizant that we are ultimately playing a team sport and we therefore look for people who strive to be amazing team players. A self-described “Superstar” or “Ninja” focused on personal status is not likely to fit our team, even if they might be very good at their profession.
- **Passionate.** People who have a passion for something typically have that spark in their eyes when they engage in the work they love. They bring their best self to work, possess the desire to improve and learn, and focus on opportunities rather than obstacles. Through their passion, they set the tone for the rest of the team and become excellent examples for everyone to follow.

We also strive to make Outbrain diverse at all levels of the company, and in all types of jobs. Our priority is to always hire and promote people based on qualifications and merit, and we believe that this approach does not conflict with the objectives of inclusion and empowerment. Our team consists of people from many different nationalities and cultures with different perspectives, opinions and ideas which we believe is undeniably powerful and ultimately drives shareholder value.

As of March 31, 2021, we had 863 employees and contractors, 54% of whom were male and 46% of whom were female. 41.4% of our workforce is located in Israel, 17.3% is located in the United States, and the remaining 41.3% is located in our other global offices.

## Intellectual Property

The protection of our technology and intellectual property is an important component of our success. We protect our intellectual property rights by relying on federal and state statutory and common law rights, foreign laws where applicable, and contractual restrictions. We seek to control access to our proprietary technology by entering into non-disclosure agreements with third parties and disclosure and invention assignment agreements with our employees and contractors.

We consider our trademarks, patents, copyrights, trade secrets, and other intellectual property rights to be, in the aggregate, material to our business. In addition to our intellectual property rights, we also consider the skills and ingenuity of our employees and the functionality and frequent enhancements to our solutions to be contributors to our success. We believe our platform would be difficult, time consuming, and costly to replicate. We protect our competitive technology position through innovation and by continually developing new intellectual property.



Outbrain has built an extensive intellectual property portfolio to date. This portfolio includes 17 granted U.S. utility patents, 34 granted U.S. design patents and nine European registered community designs.

### Regulatory Environment

We are subject to privacy laws and regulations governing the collection, use, and sharing of consumer data. Interest-based advertising, or the use of data to draw inferences about a consumer's interests and deliver relevant advertising to that consumer, has come under increasing scrutiny by legislative bodies, regulatory bodies, self-regulatory bodies, privacy advocates, and academics in the United States and abroad. In particular, much of this scrutiny has focused on the use of cookies and other tracking technologies that collect or aggregate information regarding consumers' online browsing and mobile app activity. Because both our company and our media partners and advertisers rely upon large volumes of such data collected primarily through cookies and other tracking technologies it is essential that we monitor legal requirements and other developments in this area, both domestically and globally, maintain a robust privacy and security compliance program, and engage in responsible privacy practices, including providing consumers with notice of the types of data we collect, how we collect it, with whom we share it, how we use that data to provide our solutions, and the applicable choices we offer consumers. We provide notice through our privacy policies and notices, which can be found on our website.

We typically collect IP addresses and device identifiers that are considered to be personal data or personal information under the privacy laws of some jurisdictions or otherwise may be the subject of current or future data privacy legislation or regulation. The definition of personally identifiable information, personal information, or personal data varies by jurisdiction and continues to evolve in ways that may require us to adapt our practices to comply with laws and regulations related to the collection, storage, use, and sharing of consumer data. As a result, our technology platform and business practices must be assessed regularly against a continuously evolving legal, regulatory, and technology landscape.

A growing set of privacy regulations have introduced complexity regarding the collection, use, and transmission of consumer data to the digital advertising ecosystem. We have implemented a number of technology innovations, process enhancements, and industry solutions in response to increased obligations, including adopting the advertising industry's technical and policy solutions that form compliance standards. Some of the specific measures we have taken include:

- **User Consent.** Working with our media partners to ensure appropriate consent is being obtained, recorded, and transmitted as applicable. Specifically, through the TCF and other frameworks, we can identify, receive and pass user consent parameters.
- **Increased Data Transparency.** Creating an infographic accessible to all consumers to provide insight into Outbrain's inferences about individual interests and preferences.
- **Data Minimization.** Establishing mechanisms to collect only the data that is needed and converting it to pseudonymized data wherever possible.
- **Data Retention.** Implementing data retention periods across our technology platform so that we delete, aggregate, or anonymize consumer data per best practices.
- **Partner Agreements.** Monitoring and updating our agreements with our partners, as applicable, to address privacy and regulatory compliance.

We may use various third-party service providers to help us market or advertise. We require that these third parties agree to comply with all applicable data privacy and security laws and regulations, keep all shared information confidential, and use the information only to perform their obligations. We do this by entering into agreements with all third parties who process personal data on our behalf.

There are also a number of specific laws and regulations governing the collection and use of certain types of consumer data relevant to our business. For example, the Children's Online Privacy Protection Act (COPPA) imposes restrictions on the collection and use of data provided by children under the age of 13 by child-directed websites or online services. We do not market to media partners that market to children, and contractually prohibit the use of our technology on websites targeting children.

Additionally, compliance with our privacy policy, privacy notices and our general consumer data privacy and security practices are subject to review by the Federal Trade Commission, which may bring enforcement actions to challenge allegedly unfair and deceptive trade practices, including the violation of privacy policies and misrepresentations or material omissions therein.

Certain State Attorneys General in the United States may also bring enforcement actions based on applicable state laws or federal laws that permit state-level enforcement. In California, for example, the Attorney General may bring enforcement actions for violations of the CCPA. We have registered as a data broker in California with the California Attorney General. When we receive an opt-out signal, we will not share the personal data that corresponds to such signal with our trusted partners. We are able to honor signals from the IAB CCPA Compliance Framework, which includes a technical specification to identify consumer signals to opt-out of the transfer of their data. These IAB frameworks are designed to facilitate compliance with the CCPA, although the California Attorney General's office has not yet approved such frameworks. The CCPA sets forth high potential liabilities for violations of the act where businesses may be fined up to \$2,500 for each violation and up to \$7,500 for each intentional violation.

Adding further complexity to the legal and regulatory landscape in the United States are the CPRA, which amends the CCPA, and the recently enacted CDPA. Both the CPRA and CDPA will take effect in January 2023. The CPRA will impose additional data protection obligations on companies subject to the CPRA, including providing additional consumer rights and limiting the use and processing of personal data including sensitive data. In addition, the CPRA explicitly requires businesses to provide consumers with the right to opt-out of the sharing of personal data with third parties for cross-context behavioral advertising. The CDPA, similar to the CCPA and CPRA, provides various consumer rights to Virginia residents concerning the processing of their personal data by businesses subject to the CDPA. The CDPA imposes additional obligations on businesses, including the requirements to obtain consent to process sensitive data, to implement and maintain reasonable security requirements, and to conduct and document data protection assessments concerning the processing of personal data for purposes of targeted advertising. Under the CDPA, similar to the CPRA, businesses must provide consumers with the right to opt-out of the processing of their personal data for targeted advertising. The Virginia Attorney General may bring an action and seek an injunction to restrain any violations, with civil penalties of up to \$7,500 for each violation. The industry faces an uncertain compliance burden as we and our partners work to become compliant with these laws.

Outside of the United States, our privacy and data practices are subject to regulation by data protection authorities and other regulators in the countries in which we do business. The use and transfer of personal data in member states of the European Union is currently governed under the GDPR, which grants additional data protection rights to consumers, such as deletion and portability, and generally prohibits the transfer of personal data of EU subjects outside of the EU, unless the party exporting the data from the EU implements a compliance mechanism designed to ensure that the receiving party will adequately protect such data. The GDPR sets out higher potential liabilities for certain data protection violations, which may result in fines up to the greater of €20 million or 4% of an enterprise's global annual revenue. Despite GDPR purportedly harmonizing data protection laws across the European Union, continuously evolving interpretation and enforcement by member states requires regular review of the legal and regulatory landscape.

We previously relied upon the EU-U.S. Privacy Shield framework (the "Privacy Shield framework") to transfer personal data of EU subjects to the United States. The Privacy Shield framework was declared invalid by the CJEU on July 16, 2020, and in the same judgement, while the CJEU upheld the adequacy of the standard contractual clauses, a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield framework, both of which were used by Outbrain, it made clear that reliance on the standard contractual clauses alone may not necessarily be sufficient in all circumstances and cast doubt on their future use. The use of standard contractual clauses for the transfer of personal data specifically to the United States remains under review by a number of European data protection supervisory authorities.

Furthermore, the EU is currently in discussions to replace the ePrivacy Directive (commonly called the "Cookie Directive") with the ePrivacy Regulation that governs the use of technologies that collect, access, and store consumer information and may create additional compliance burdens for us in Europe.

Other states in the United States have proposed consumer data privacy bills similar to the CCPA, CPRA, and CDPA. Further, other jurisdictions have proposed or enacted legislation that closely track the concepts, obligations, and consumer rights described in the GDPR, including Brazil’s General Data Protection Law and Singapore’s Personal Data Protection Act 2020. The laws that have passed are being enforced by local authorities. The enactment of new proposed laws is gaining momentum and adds additional complexity to our and our partners’ compliance programs.

Beyond laws and regulations, we are also members of self-regulatory bodies that impose additional requirements related to the collection, use, and disclosure of consumer data. We are members in good standing of the Network Advertising Initiative (“NAI”), an association dedicated to responsible data collection and its use for digital advertising. We adhere to the NAI Code of Conduct for Web and Mobile, along with the IAB Self-Regulatory Principles for Online Behavioral Advertising, and the IAB Europe OBA Framework. We are also JICWEBS DTSG Brand Safety Certified. We are members of, and adhere to, the Self-Regulatory Principles set forth by the Digital Advertising Alliance and the European Interactive Digital Advertising Alliance.

Under the requirements of these self-regulatory bodies, in addition to other compliance obligations, we provide consumers with notice via our privacy policies about our use of cookies and other tracking technologies to collect consumer data, our use of consumer data to deliver interest-based ads, and consumers’ opt-out choices. We also allow consumers to opt-out from the use of data we collect for purposes of interest-based advertising through mechanisms described in our privacy policies available on our website. Some of these self-regulatory bodies have the ability to review or sanction members or participants, which could result in penalties and cause reputational harm. Additionally, some of these bodies might refer violations of their requirements to the Federal Trade Commission or other regulators.

### **Security**

Being a trusted partner is a key value for us and, as such, cyber security is an ongoing commitment. Our dedicated cyber security team ensures that we follow industry best practices and standards including, but not limited to, ISO 27001, Cloud Security Alliance Star level 1, and PCI-DSS SAQ A-EP, SOC 2 data centers.

Our products are designed with security and privacy at the forefront. We maintain tight controls over the personal data we collect, retaining it in firewalled and secured databases with strictly limited and controlled access rights, to ensure it is secure while utilizing advanced monitoring over our environment. All traffic to and between our data centers is encrypted, along with all sensitive configurations, while our users and customers have their passwords hashed.

Secure advertising is a building block of user trust. In order to provide secure ads we integrated an advanced industry leading third-party technology to scan live ads looking for potential security violations either in the ads themselves or on the pages to which they directly link. Combined with internally developed capabilities and our content review process we are tackling both malicious ads and the bad actors behind them.

We constantly strive to understand what we have yet to discover by running an exhaustive security testing framework, including scanning all internal and external assets for vulnerabilities, utilizing multiple third-party security testing teams every year, and running a bug bounty program with more than 300 security researchers.

Providing a clean, non-fraudulent premium network for publishers, advertisers and consumers is a top priority at Outbrain. Our dedicated anti-fraud team monitors our platform to identify and investigate unusual web traffic patterns. We detect, block and prevent fraudulent web traffic by using both internal and external third-party Trustworthy Accountability Group (“TAG”) Anti-Fraud certified solutions. As a TAG-verified member since 2018 we are adopting the Media Rating Council Invalid Traffic Detection and Filtration Standards in our efforts and fraud detection technological ecosystem.

### **Facilities**

Prior to COVID-19, our corporate headquarters were located in New York, NY. Since March 2020, all headquarters personnel have been working remotely. We decided not to renew our headquarters lease, which expired in February 2021. We intend to move to a new headquarters in 2021.

Since 2007, we have maintained a presence in Netanya, Israel, which is overseen by one of our founders, where we occupy space consisting of approximately 44,000 square feet under a lease that expires in 2023. We use this facility primarily for technology and development, and, to a lesser extent, for general administration and sales and marketing. We maintain a regional office in London for general administration and sales and marketing. We also have sales offices in several locations, including Amsterdam, Brussels, Chicago, Cologne, Ljubljana, Madrid, Milan, Mumbai, Munich, Paris, San Francisco, Sao Paulo, Singapore, Sydney, and Tokyo.

We believe that our current facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate any expansion of our operations.

**Legal Proceedings**

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not a party to any legal proceeding that, if determined adversely to us, would have a material adverse effect on our business, operating results, financial condition, or cash flows. However, regardless of outcome, litigation can have adverse impacts on us such as defense and settlement costs, diversion of management resources, negative publicity, reputational harm, and other factors.

## Management

### Executive Officers and Directors

The following table sets forth the name, age and position of each of our executive officers and directors as of the date of this prospectus:

Name	Age	Position
<b>Executive officers</b>		
Yaron Galai	50	Co-Founder, Co-Chief Executive Officer and Chairman of the Board
David Kostman	56	Co-Chief Executive Officer and Director
Ori Lahav	50	Co-Founder, Chief Technology Officer and General Manager, Israel
Elise Garofalo	47	Chief Financial Officer
<b>Directors</b>		
Shlomo Dovrat <sup>(1)(2)(4)</sup>	61	Director
Jonathan (Yoni) Cheifetz <sup>(1)(2)(4)</sup>	61	Director
Dominique Vidal <sup>(2)(4)</sup>	56	Director
Arne Wolter <sup>(4)</sup>	46	Director
Jonathan Klahr <sup>(5)</sup>	48	Director
Ziv Kop	50	Director
Yoseph (Yossi) Sela <sup>(1)(4)</sup>	68	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and corporate governance committee.

(4) Independent director under the Nasdaq requirements.

(5) Mr. Klahr will resign as a member of our board of directors effective immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

### Executive Officers

*Yaron Galai* co-founded Outbrain Inc. in 2006 and has served as our Chief Executive Officer since inception in 2006 and then as Co-Chief Executive Officer since 2017. Mr. Galai was the co-founder of Quigo Technologies, Inc., a provider of performance based marketing solutions for advertisers and premium publishers, and served as its Chief Executive Officer from 2000 to 2003 and as its Senior Vice President from 2003 until it was acquired by AOL Time Warner in December 2007. Since February 2020, Mr. Galai has served as executive chairman of Listory Corp. and previously served on the board of HopStop.com, Inc., until its acquisition by Apple Inc. Mr. Galai studied industrial design at the Holon Institute of Technology in Holon, Israel. Mr. Galai is a Lieutenant Commander Officer (reserve) in the Israel Navy.

Mr. Galai was selected to serve as chairman of our board of directors board because of his extensive experience working with publishers and in the Internet advertising industry, and the unique perspective that he brings as our co-founder and co-Chief Executive Officer.

*David Kostman* has served as a director of our company since July 2014 and as our Co-Chief Executive Officer since November 2017. Mr. Kostman also serves as the chairman of the board of NICE Ltd. (Nasdaq: NICE) since February 2013, and has served as a director of NICE Ltd. since 2001 (with the exception of the period between June 2007 and July 2008). Additionally, Mr. Kostman is currently a director of privately held companies ironSource Ltd. (“ironSource”) and TIVIT S.A. Mr. Kostman also is the Chairman of the Board of the American Friends of NATAL, Israel Trauma and Resiliency Center, a non-profit assisting individuals with traumatic events. Previously he served on the board of directors of Nasdaq-listed Retalix Ltd and of several other private companies. From 2006 until 2008, Mr. Kostman was a Managing Director in

the investment banking division of Lehman Brothers, where he worked from 1994 to 2000, heading the Global Internet Group. From April 2003 until July 2006, Mr. Kostman was Chief Operating Officer and then Chief Executive Officer of Delta Galil USA Inc., a subsidiary of publicly traded Delta Galil Industries Ltd. From 2000 until 2002, Mr. Kostman was President of the International Division and then Chief Operating Officer of Nasdaq-listed Verticalnet Inc. Mr. Kostman holds a BA in Law from Tel Aviv University and an MBA from INSEAD.

Mr. Kostman was selected to serve on our board of directors because of his extensive experience serving on the boards of public companies in the technology and Internet industries, and his knowledge and expertise in our industry and his role as co-Chief Executive Officer.

*Ori Lahav* co-founded Outbrain Inc. in 2006 and has served as our Chief Technology Officer since May 2017 and as the General Manager, Israel since 2006. He is a practical engineer from the Rupin Academic Center as well as a Lieutenant Commander Officer (reserve) in the Israel Navy. Prior to co-founding Outbrain Inc., Mr. Lahav led the R&D groups in Search and Classification at Shopping.com, which was acquired by eBay, Inc. Mr. Lahav also previously led the Video Streaming Server Group at technology company Vsoft Corporation.

*Elise Garofalo* has served as our Chief Financial Officer since April 2014. From February 2010 to April 2014, Ms. Garofalo served as Senior Vice President, Treasurer and Investor Relations at Revlon, Inc. Prior to that, Ms. Garofalo held various senior financial roles at Trinsum Group, Inc. and GrafTech International Ltd. (NYSE: GTI). Ms. Garofalo is a CPA and previously worked at KPMG LLP. Ms. Garofalo holds a BS in Accounting from the University of Connecticut School of Business and an MBA from Vanderbilt University.

### **Directors**

*Shlomo Dovrat* has served as a director of our company since 2009. Mr. Dovrat is a co-founder of the Viola Group, a technology investment group, and co-founder and General Partner of Viola Ventures, a venture capital firm, both of which were founded in 2000. Mr. Dovrat currently serves as a member of the board of directors of ironSource, ProteanTecs Ltd., Worthy, Inc., Cellwize Wireless Technologies Pte. Ltd. and other early stage technology companies. Mr. Dovrat served as Chairman of ECI Telecom Ltd from 2002 to 2007. Prior to founding Viola, Mr. Dovrat founded and served as Chief Executive Officer of Oshap Technologies Ltd and Tecnomatix Technologies, Ltd., Israeli technology companies that were traded on Nasdaq and subsequently sold in 1998 and 2005, respectively. Mr. Dovrat has been and continues to be active in various NGOs and serves as the Chairman of the Aaron Institute for Economic Policy and as chairman of “Pnima,” an Israeli social movement. Mr. Dovrat served as the Chairman of the Israel Democracy Institute from 2008 to 2012 and as the Chairman of the National Taskforce for the Advancement of Education in Israel from 2003 to 2005.

Mr. Dovrat was selected to serve on our board of directors because of his extensive financial and operational expertise, his extensive experience in the venture capital industry and his knowledge of high-growth technology companies, and because of his perspective as the representative of a significant stockholder.

*Jonathan (Yoni) Cheifetz* has served as a director of our company since 2008. Mr. Cheifetz has served as a Partner at Lightspeed, a venture capital firm, since June 2006, where he focuses on investment activity in Israel in areas of interest, including the Internet, media, mobile, communications, software, semiconductors and cleantech. Prior to joining Lightspeed, Mr. Cheifetz was a partner with Star Ventures from 2003 to 2006. Before joining Star Ventures, Mr. Cheifetz co-founded several privately held software companies. Mr. Cheifetz serves as a director of Alooma, Inc., At-Bay, Inc., BlueVine Inc., Cato Networks Ltd., Epsagon Ltd., FeeX Inc., Personetics Technologies Ltd., Scodix Ltd., SolarEdge Technologies Inc. (Nasdaq: SEDG), Teads SA, Theranica Bio-Electronics Ltd., Ultima Genomics, Inc, and El-Mul Technologies, Ltd.. Mr. Cheifetz holds a BS in Applied Mathematics and Computer Science from the Tel Aviv University and an M.Sc. in Computer Science and Applied Mathematics from the Weizmann Institute of Science.

Mr. Cheifetz was selected to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of high-growth technology companies, and because of his perspective as the representative of a significant stockholder.

*Dominique Vidal* has served as a director of our company since 2012. From September 2007 to July 2019, Mr. Vidal served as a Partner of Index Ventures (UK) LLP (formerly Index Venture Management LLP), a venture capital advisory firm which provides advice to Index Ventures. He retired in July 2019. Mr. Vidal serves on the board of directors of several private companies in the technology sector. Prior to joining Index Ventures (UK) LLP, Mr. Vidal was the Managing Director of Yahoo! Europe Ltd. from 2004 to 2007. Mr. Vidal holds a BS in Engineering from École Supérieure d'Electricité, or Supelec, in Gif-Sur—Yvette, France.

Mr. Vidal was selected to serve on our board because of his strong financial and operational expertise in the Internet sector generally and the Internet display and advertising industries specifically.

*Arne Wolter* has served as a director of our company since April 2019. Mr. Wolter was Chief Digital Officer at G+J from October 2015 until April 2021 and was in charge of G+J's digital business and further digital transformation. He served as Chief Executive Officer of Ligatus from September 2008 until May 2019. Mr. Wolter also served as Chairman of the Supervisory Board of trnd AG from July 2014 until June 2016. Mr. Wolter holds an MBA from the University of Rhode Island and a joint master's degree in civil engineering and business administration from Technische Universität Braunschweig, in Germany.

Mr. Wolter was selected to serve on our board of directors because of extensive experience with publishers.

*Jonathan Klahr* has served as a director of our company since February 2015. Mr. Klahr has served as a Managing Director at Susquehanna Growth Equity, LLC since August 2007, where he focuses on investments in the software, security, e-commerce and payments sectors. Mr. Klahr also serves as a director of Board Intelligence Ltd., CallApp Software Ltd., Cymulate Ltd., and nDevor Systems Ltd (d/b/a Phorest Salon Software). Mr. Klahr holds an MBA from the Hebrew University of Jerusalem and a BA in War Studies from Kings College, London.

Mr. Klahr was selected to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of high-growth technology companies, and because of his perspective as the representative of a significant stockholder.

*Ziv Kop* has served as a director of our company since 2006 and served as our Chief Operating Officer from 2014 to 2015. Since 2019 he has been a Managing Partner of O.G. Tech Partners, a growth-stage VC focusing on fast growing early growth investments, and from 2016 to 2018 he was a Partner at Innovation Endeavors / Marker, a multistage VC. Previously, from its inception in 2003 until June 2013, Mr. Kop was a Managing Partner at Glenrock Israel, a private equity firm, where he managed a portfolio of growth companies in the fields of advanced technologies and healthcare, and served on the board of a number of private and public companies. Prior to his role at Glenrock Israel, Mr. Kop served as Chief Executive Officer of POC Management Consulting, an Israeli consultancy in the field of strategic planning. Mr. Kop also currently serves as a director of Evogene Ltd. (NYSE: EVGN), Lendbuzz, Inc. and Elementor Ltd. and Mobilesson Ltd. (d/b/a Connecteam). Between 2017 and 2019, Mr. Kop served as a director of Dynamic Yield Ltd. and OwnBackup, Inc. Mr. Kop holds an LLB and a BA in business administration, each from Tel Aviv University, and is a graduate of INSEAD's Young Managers Program.

Mr. Kop was selected to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of high-growth technology companies, his experience with public companies and because of his perspective as the representative of a significant stockholder.

*Yoseph (Yossi) Sela* has served as a director of our company since 2013. Mr. Sela has been with Gemini Israel Ventures, a venture capital fund, since January 1993 and Managing Partner since 1999 and the Chairman of Bridges Israel, an impact investment fund, since March 2018. Mr. Sela currently serves on the board of directors of JFrog Ltd. (Nasdaq: FROG), along with several privately held companies. He holds a BS in Electrical Engineering from the Technion—Israel Institute of Technology, Israel and an MBA from Tel Aviv University, Israel.

Mr. Sela was selected to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of high-growth technology companies, and because of his perspective as the representative of a significant stockholder.



**Board Composition**

Our business affairs are managed under the direction of our board of directors. The number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and bylaws that will become effective upon the closing of this offering.

Upon the closing of this offering, our board of directors will consist of seven directors, five of whom will qualify as “independent” under the Nasdaq listing standards. Immediately prior to this offering, our board of directors will be divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the year 2022 for the Class I directors, 2023 for the Class II directors and 2024 for the Class III directors.

- Our Class I directors will be \_\_\_\_\_ and \_\_\_\_\_
- Our Class II directors will be \_\_\_\_\_ and \_\_\_\_\_
- Our Class III directors will be \_\_\_\_\_ and \_\_\_\_\_

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control. See “Description of Capital Stock—Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws” for a discussion of other anti-takeover provisions found in our certificate of incorporation.

Our amended and restated certificate of incorporation and bylaws will provide that the number of our directors shall be fixed from time to time by a resolution of our board of directors.

Each of our executive officers serves at the discretion of our board of directors and holds office until his or her successor is duly appointed and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

**Director Independence**

Under the rules of the Nasdaq, independent directors must comprise a majority of a listed company’s board of directors. In addition, the rules of the Nasdaq require that, subject to specified exceptions, each member of a listed company’s audit, compensation and nominating and corporate governance committees must be independent. Under the rules of the Nasdaq, a director is independent only if our board of directors makes an affirmative determination that the director has no material relationship with the company. Although the Nasdaq permits certain phase-ins with respect to board and committee independence requirements following the completion of an initial public offering for compliance with these independence requirements, we will comply with all of them immediately following the listing of our common stock in connection with this offering.

Prior to this offering, our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that Shlomo Dovrat, Jonathan (Yoni) Cheifetz, Dominique Vidal, Arne Wolter, and Yoseph (Yossi) Sela do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the Nasdaq listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled “Certain Relationships and Related Party Transactions.”

**Board Committees**

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Upon the closing of this offering, our board of directors will have an audit

committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by the board of directors.

#### ***Audit Committee***

Our audit committee oversees our accounting and financial reporting process and the audit of our financial statements and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our audit committee is responsible for, among other things:

- appointing, compensating and overseeing the work of our independent auditors, including resolving disagreements between management and the independent registered public accounting firm regarding financial reporting;
- approving engagements of the independent registered public accounting firm to render any audit or permissible non-audit services;
- reviewing the qualifications and independence of the independent registered public accounting firm;
- reviewing our financial statements and related disclosures and reviewing our critical accounting policies and practices;
- reviewing the adequacy and effectiveness of our internal control over financial reporting;
- establishing procedures for the receipt, retention and treatment of accounting and auditing related complaints and concerns;
- preparing the audit committee report required by the SEC rules to be included in our annual proxy statement; and
- reviewing and discussing with management and the independent registered public accounting firm the results of our annual audit, our quarterly financial statements and our publicly filed reports.

Upon the closing of this offering, our audit committee shall consist of Shlomo Dovrat, and , with serving as the committee's chairperson. Each member of the committee is "independent" as defined under the Nasdaq listing standards and Rule 10A-3(b)(1) of the Exchange Act. Each member of the audit committee will meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq. In addition, our board of directors has determined that is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. Our audit committee operates under a written charter that satisfies the applicable standards of the SEC and the Nasdaq.

#### ***Compensation Committee***

Our compensation committee oversees our compensation policies, plans and programs. Our compensation committee charter provides that our compensation committee has responsibility for, among other things:

- reviewing and recommending policies, plans and programs relating to the compensation and benefits of our directors, officers and employees;
- reviewing and recommending compensation and the corporate goals and objectives relevant to the compensation of our Co-Chief Executive Officers;
- reviewing and approving compensation and corporate goals and objectives relevant to compensation for executive officers other than our Chief Executive Officer;
- evaluating the performance of our Chief Executive Officer and other executive officers in light of established goals and objectives; and
- administering our equity compensations plans for our employees and directors.

Upon the closing of this offering, our compensation committee shall consist of Shlomo Dovrat, and , with Shlomo Dovrat serving as the committee's chairperson. Our board of

directors has considered the independence and other characteristics of each member of our compensation committee. Compensation committee members must satisfy the Nasdaq independence requirements and additional independence criteria set forth under Rule 10C-1 of the Exchange Act, or Rule 10C-1. In order to be considered independent for purposes of Rule 10C-1, our board of directors must consider whether the director has accepted, other than in his or her capacity as a member of the board, consulting, advisory or other fees from us or whether he or she is an affiliated person of us. Each of the members of our compensation committee qualifies as an independent director pursuant to the Nasdaq rules and Rule 10C-1. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3, and an outside director, as defined pursuant to Section 162(m) of the Code, or Section 162(m).

#### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee oversees and assists our board of directors in reviewing and recommending corporate governance policies and nominees for election to our board of directors and its committees. Our nominating and corporate governance committee charter provides that our nominating and corporate governance committee has responsibility for, among other things:

- evaluating and making recommendations regarding the organization and governance of our board of directors and its committees;
- assessing the performance of board members and making recommendations regarding committee and chair assignments and the composition and size of our board of directors and its committees;
- recommending desired qualifications for board and committee membership and conducting searches for potential members of our board of directors;
- reviewing and making recommendations with regard to our corporate governance guidelines and compliance with laws and regulations;
- reviewing succession planning for our executive officers and evaluating potential successors; and
- reviewing and approving conflicts of interest of our directors and corporate officers.

Upon the closing of this offering, our nominating and corporate governance committee shall consist of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, with \_\_\_\_\_ serving as the committee’s chairperson. Our board of directors has determined that each member of the committee is “independent” as defined under the Nasdaq listing standards.

Our board of directors may from time to time establish other committees.

#### **Corporate Governance Guidelines and Code of Business Conduct and Ethics**

We have adopted corporate governance guidelines and a code of business conduct and ethics that is applicable to all of our employees, officers and directors, including our chief executive and senior financial officers. The corporate governance guidelines and code of business conduct and ethics will be available on our website. We expect that any amendment to the guidelines or code, or any waivers of their requirements, will be disclosed on our website. The inclusion of our website in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

#### **Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

#### **Director Compensation**

Historically, we have not compensated our directors for their board service.

In 2021, in connection with this offering, we will implement a compensation structure for our non-employee directors that will include a mix of cash retainer fees and equity awards including:

- upon commencement of service on the board, a restricted share unit award under our equity incentive plan at a value of \$250,000, vesting over a period of three years on a quarterly basis;
- an annual restricted share unit award of \$175,000, which will vest over a period of three years on a quarterly basis;
- an annual \$40,000 cash retainer, with an additional \$80,000 cash retainer payable to the board chairman;
- an annual, additional \$10,000 cash retainer payable to audit committee members, with an additional \$10,000 cash retainer payable to the audit committee chairman;
- an annual, additional \$7,500 cash retainer payable to compensation committee members, with an additional \$7,500 cash retainer payable to the compensation committee chairman; and
- an annual, additional \$3,000 cash retainer payable to nominating and corporate governance committee members, with an additional \$3,500 cash retainer payable to the nominating and corporate governance committee chairman.

## Executive Compensation

We are providing compensation disclosure that satisfies the requirements applicable to emerging growth companies, as defined in the JOBS Act.

### Summary Compensation Table

As an emerging growth company, we have opted to comply with the executive compensation rules applicable to “smaller reporting companies,” as such term is defined under the Securities Act, which require compensation disclosure for our principal executive officer and our next two most highly-compensated executive officers other than our principal executive officer (collectively, the “named executive officers”). The table below sets forth the annual compensation awarded or paid to our named executive officers for the years ended December 31, 2020 and 2019.

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Option Awards <sup>(3)</sup>	Non-Equity Incentive Plan Compensation <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total
<b>Yaron Galai</b>	2020	\$400,000	\$515,775	\$644,000	\$ 678,000	\$ 0	\$4,275	\$2,242,050
<i>Co-Chief Executive Officer</i>	2019	\$400,000	\$255,000	\$ 0	\$ 0	\$ 0	\$4,200	\$ 659,200
<b>David Kostman</b>	2020	\$400,000	\$515,775	\$966,000	\$1,017,000	\$2,058,500	\$ 0	\$4,957,275
<i>Co-Chief Executive Officer</i>	2019	\$400,000	\$255,000	\$ 0	\$ 0	\$1,069,850	\$ 0	\$1,724,850
<b>Elise Garofalo</b>	2020	\$400,000	\$951,350	\$483,000	\$ 576,300	\$ 0	\$4,275	\$2,414,925
<i>Chief Financial Officer</i>	2019	\$400,000	\$500,000	\$ 0	\$ 0	\$ 0	\$4,200	\$ 904,200

- (1) The amounts listed in the Bonus column represent the amount of the annual bonus earned for the year listed for each of the named executive officers. Additionally, Ms. Garofalo earned and was paid retention and special bonuses in 2019 and 2020 with respect to a potential transaction that did not materialize and in consideration of modifications to Ms. Garofalo’s 2014 employment agreement, including to eliminate certain required severance benefits. Such amounts are also included in the amounts listed in the Bonus column for Ms. Garofalo.
- (2) These amounts represent the aggregate grant date fair value for restricted stock unit (“RSU”) awards granted in 2020 as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”). The vesting terms of the RSUs are described below in “Equity Compensation.”
- (3) These amounts represent the aggregate grant date fair value for option awards granted in 2020 as computed in accordance with ASC 718. A discussion of our methodology for determining grant date fair value may be found in Note 10 to our audited consolidated financial statements for the year ended December 31, 2020. Excluding the exercise price per the award agreement, the assumptions used in determining grant date fair value are as follows: risk free interest rate: 0.52%; expected dividend yield: 0%; expected term: 6.021 years; common stock fair value: \$6.44; and expected volatility: 44.16%. The vesting terms of the options are described below in “Equity Compensation.”
- (4) Mr. Kostman’s 2017 employment agreement included a conditional long-term cash incentive plan from 2017 through the end of 2021. This incentive plan was terminated as of December 31, 2020, and amounts earned and accrued from 2017 through 2020 were subsequently paid in full. The amounts in the table indicate the portion of the overall amount that was earned under this long-term cash incentive plan for 2019 and 2020.
- (5) All other compensation includes the amount contributed to our tax qualified plan (401k) as a matching contribution available to all U.S. employees.

### Narrative Disclosure to the Summary Compensation Table

#### Employment Agreements

We intend to enter into new employment agreements with each of our named executive officers prior to the effectiveness of the registration statement, as described below. These new employment agreements replace existing employment agreements.

*Yaron Galai and David Kostman*

The employment agreements for Mr. Galai and Mr. Kostman, our Co-Chief Executive Officers, will have annual base salaries of \$400,000. Pursuant to the terms of the employment agreement, Mr. Galai and Mr. Kostman will be entitled to a target annual bonus equal to 80% of their base salary.

Subject to the signing of a release and compliance with the terms of the employment agreements, in the event of a termination of the executive's employment without cause or for good reason, the executive will be entitled to (i) "Severance Pay" equal to \_\_\_\_\_ of his annual base salary, (ii) a "Pro-Rata Bonus for Year of Termination" equal to the target annual bonus multiplied by a fraction, the numerator of which equals the number of days during the calendar year prior to the termination date and the denominator of which equals 365 (paid on the 60-day anniversary of the termination date), and (iii) a "Health Care Continuation" lump sum cash payment equal to the applicable percentage of the monthly COBRA coverage in connection with his termination multiplied by 12 (with the applicable percentage equal to the percentage of the executive's health care premium costs covered by us as of the termination date) (paid on the 60-day anniversary of the termination date); and in the event of a termination of the executive's employment without cause or for good reason during the period beginning three months prior to a change in control and ending 24-months after a change in control, the executive will be entitled to (i) "Severance Pay" equal to the sum of his (a) \_\_\_\_\_ of his base salary plus (b) an amount equal to the target annual bonus, (ii) a "Pro-Rata Bonus for Year of Termination" as defined above, (iii) a "Health Care Continuation" multiplied by 18 months, and (iv) full vesting of his equity awards.

Additionally, the executive agrees to provide six months of notice prior to a termination without good reason, and the Company agrees to provide six months of notice prior to a termination without cause. Following a termination without good reason, subject to the signing of a release and compliance with the terms of the employment agreements (including the restricted covenants), the executive will be entitled to exercise any stock options that became vested prior to such termination until the earlier to occur of the end of the \_\_\_\_\_-month restricted period for the restricted covenants described below or the end of the term of the option.

Finally, in the event of a termination due to death or disability, in addition to receiving any accrued benefits as of the date of such termination, the executive shall be entitled to a payment equal to the "Pro-Rata Bonus for the Year of Termination".

Under the terms of the employment agreements, the executive will be subject to an ongoing confidentiality obligation, a \_\_\_\_\_-month non-competition covenant, a \_\_\_\_\_-month non-solicitation of our employees covenant (including former employees or consultants within the \_\_\_\_\_-month period prior to the executive's termination date), and a \_\_\_\_\_-month non-solicitation of our customers covenant (including prospective customers within the \_\_\_\_\_-month period prior to the executive's termination date).

*Elise Garofalo*

The employment agreement for Ms. Garofalo, our Chief Financial Officer, will have an annual base salary of \$400,000. Pursuant to the terms of her employment agreement, Ms. Garofalo will be entitled to a target annual bonus equal to 60% of her base salary. Ms. Garofalo will be entitled to 12 months' subsidized COBRA premiums for health insurance upon her resignation or termination (other than for cause).

Additionally, in order to provide strong retention incentives to Ms. Garofalo, the Company agreed to provide the following benefits to Ms. Garofalo. In the event that she remains employed through the earlier to occur of a change in control or public offer, she shall be entitled to a lump-sum transaction bonus equal to a minimum of \$250,000. In the event that she remains employed through the earliest to occur of the 12-month anniversary of a public offering, the 6-month anniversary of a change in control and June 30, 2022 (or if she is terminated without cause prior to such date), then, to the extent not previously satisfied, she shall be deemed to have satisfied the service-based vesting requirements with respect to 75% of her equity awards granted in 2020. She also shall be entitled to a pro-rata bonus payment for the year in which she incurs a termination for any reason (other than cause). Finally, Ms. Garofalo will be entitled to exercise any stock options that were granted prior to the date of her agreement and that became vested prior to such termination until the earlier to occur of the end of the 36-month period following such termination or the end of the term of the option.

Ms. Garofalo’s employment agreement prohibits competition and solicitation of our employees, suppliers, vendors and customers during her employment and for 12 months thereafter. The agreement also provides for confidentiality of our information and assignment of inventions and intellectual property rights.

#### ***Bonus and Non-Equity Incentive Plan Compensation***

In 2019 and 2020, our Co-Chief Executive Officers and Chief Financial Officer were eligible to earn a target annual cash bonus of 75% and 50% of their base salary, respectively. In 2019, for our Chief Executive Officers, 70% of such bonuses was tied to financial metrics including Revenue, Revenue Ex-TAC and Adjusted EBITDA, with the other 30% based on achievement of qualitative objectives set by the compensation committee. In 2019, our Chief Financial Officer’s bonus was 70% tied to the CEO performance and other financial metrics and 30% was tied to personal metrics. In 2020, our Co-Chief Executive Officers and Chief Financial Officer bonuses were 85% tied to financial metrics and 15% tied to personal qualitative metrics.

For 2021, our Co-Chief Executive Officers and Chief Financial Officer are eligible to earn a target annual cash bonus of 80% and 60% of their base salary, respectively, which will continue to be substantially tied to financial metrics.

#### ***Equity Compensation***

We have made equity grants to the named executive officers pursuant to the 2007 Plan. The 2007 Plan is described in greater detail below in “Equity Compensation Plans.”

We have granted equity awards to certain employees, including the named executive officers, to recognize performance, to align equity participants with the interests of our stockholders and to retain top talent.

The named executive officers have historically been granted two types of equity awards, stock options and RSUs. The stock options entitle the named executive officer to purchase our shares after vesting at a price equal to the fair market value of a share on the date of grant. The options vest generally in installments over a four-year period following the date of grant. The specific amounts of options held by the named executive officers and any specific vesting terms are described below in “Outstanding Equity Awards at Fiscal Year-End.”

The RSUs entitle the named executive officer to one share for each RSU after vesting conditions have been satisfied. The vesting conditions for the RSUs require both that the employee satisfy service-based vesting over a four-year period following the date of grant and the occurrence of an event, either a change in control or the end of a lock-up period following an initial public offering within a certain period of time following vesting and any termination for such RSUs to become vested (or such earlier date as determined by the compensation committee). In the event that the named executive officer voluntarily resigns prior to satisfying the service-based vesting requirements, any RSUs that have not become vested will be forfeited. The service-based vesting of the RSUs are not accelerated on the IPO and will continue to vest to the extent not previously satisfied prior to the IPO over such four-year period following the date of grant. The specific amounts of the RSUs held by the named executive officers and any specific vesting terms are described below in “Outstanding Equity Awards at Fiscal Year-End.”

In December 2020, the Board granted various key personnel, including the named executive officers, RSUs subject to vesting as described above to align long-term incentives with our stockholders and to provide a strong incentive for the long-term retention of such key employees. In addition, senior executives, including named executive officers, received grants of stock options with an exercise price equal to the fair market value of a share on the date of grant subject to vesting as described above to incentivize such senior executives to create growth in the value of our company over a period of years while such options remain subject to vesting. The amount of such grants for the named executive officers are listed below in “Outstanding Equity Awards at Fiscal Year-End.”

No equity grants have been made to the named executive officers in 2019 or in 2021.



### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning unexercised options outstanding as of December 31, 2020, for each named executive officer.

Name	Grant Date	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options un-exercisable	Equity incentive plan awards: number of securities underlying unexercised unearned options	Option exercise price	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested <sup>(1)</sup>	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested <sup>(2)</sup>
Yaron Galai	07/25/2011	500,000	—	—	\$0.58	7/25/2021	—	—	—	\$ —
	09/30/2014	—	—	—	\$ —	—	—	78,125 <sup>(3)</sup>	\$ 503,125	
	06/07/2017	—	—	—	\$ —	—	—	9,375 <sup>(4)</sup>	\$ 60,375	
	12/24/2020	—	250,000 <sup>(5)</sup>	—	\$6.44	12/24/2030	—	—	—	\$ —
	12/24/2020	—	—	—	\$ —	—	—	100,000 <sup>(6)</sup>	\$ 644,000	
David Kostman	11/13/2017	—	—	—	\$ —	—	—	1,000,000 <sup>(7)</sup>	\$ 6,440,000	
	12/24/2020	—	375,000 <sup>(5)</sup>	—	\$6.44	12/24/2030	—	—	\$ —	
	12/24/2020	—	—	—	\$ —	—	—	150,000 <sup>(6)</sup>	\$ 966,000	
Elise Garofalo	09/30/2014	300,000 <sup>(8)</sup>	50,000	—	\$4.50	9/30/2024	—	—	—	\$ —
	09/30/2014	—	—	—	\$ —	—	—	67,709 <sup>(9)</sup>	\$ 436,046	
	06/07/2017	—	—	—	\$ —	—	—	300,000 <sup>(10)</sup>	\$ 1,932,000	
	06/07/2017	—	—	—	\$ —	—	—	8,334 <sup>(11)</sup>	\$ 53,671	
	06/05/2018	—	—	—	\$ —	—	—	165,000 <sup>(12)</sup>	\$ 1,062,600	
	12/24/2020	—	212,500 <sup>(13)</sup>	—	\$6.44	12/24/2030	—	—	—	\$ —
12/24/2020	—	—	—	\$ —	—	—	75,000 <sup>(14)</sup>	\$ 483,000		

- (1) The RSUs listed in this table will become vested as described above in “Equity Compensation” unless otherwise noted in the footnotes to this table.
- (2) Fair market value of our common stock on December 31, 2020 is \$6.44, which is the value used to determine the value of such awards listed in the table.
- (3) Represents 78,125 RSUs that remain unvested of the 250,000 originally granted on September 30, 2014. Such RSUs have fully satisfied their service-based vesting condition.
- (4) Represents 9,375 RSUs granted on June 7, 2017, all of which remain unvested. The service-based vesting condition has been satisfied with respect to 87.5% of the RSUs as of December 31, 2020 and, subject to continued employment through the applicable date, with 6.25% satisfying such service-based condition quarterly thereafter.
- (5) Represents an option to purchase shares of our common stock granted on December 24, 2020. The options listed in this table will become vested as described above in “Equity Compensation” unless otherwise noted.
- (6) Represents RSUs granted on December 24, 2020 all of which remain unvested. For the RSUs granted on December 24, 2020, in addition to an initial public offering and a change in control, a business combination with a special purpose acquisition company also constitutes a corporate event that will trigger vesting of RSUs for which the service-based vesting conditions have been satisfied.
- (7) Represents 1,000,000 RSUs granted on November 13, 2017, all of which remain unvested. The service-based vesting condition has been satisfied with respect to 75% of the RSUs as of December 31, 2020 and, subject to continued employment through the applicable date, with 6.25% satisfying such service-based condition quarterly thereafter. This grant was made to Mr. Kostman on the start of his employment with us.

- (8) Represents an option to purchase 350,000 shares of our common stock granted on September 30, 2014. 300,000 shares underlying this option have vested. 50,000 shares underlying this option vest, subject to continued service, on the date of consummation of an initial public offering.
- (9) Represents 67,709 RSUs that remain unvested of the 250,000 originally granted on September 30, 2014. Such RSUs have fully satisfied their service-based vesting condition.
- (10) Represents 300,000 RSUs granted on June 7, 2017. Such RSUs have fully satisfied their service-based vesting condition.
- (11) Represents 8,334 RSUs granted on June 7, 2017, all of which remain unvested. The service-based vesting condition has been satisfied with respect to 87.5% of the RSUs as of December 31, 2020 and, subject to continued employment through the applicable date, with 6.25% satisfying such service-based condition quarterly thereafter.
- (12) Represents 165,000 RSU granted on June 5, 2018, all of which remain unvested. The service-based vesting condition has been satisfied with respect to 68.75% of the RSUs as of December 31, 2020, and, subject to continued employment through the applicable date, with 6.25% satisfying such service-based condition quarterly thereafter.
- (13) Represents 212,500 options granted on December 24, 2020, all of which remain unvested. As described above, if Ms. Garofalo remains employed through June 30, 2022, at the latest, she shall become vested in 75% of such options on June 30, 2022, and she shall continue to vest in the remaining 25% pursuant to the original vesting schedule.
- (14) Represents 75,000 RSUs granted on December 24, 2020, all of which remain unvested. As described above, if Ms. Garofalo remains employed through June 30, 2022, at the latest, she shall be deemed to have satisfied 75% of the service-based vesting requirements on June 30, 2022, and she shall continue to vest in the remaining 25% pursuant to the original vesting schedule. For the RSUs granted on December 24, 2020, in addition to an initial public offering and a change in control, a business combination with a special purpose acquisition company also constitutes a corporate event that will trigger vesting of RSUs for which the service-based vesting conditions have been satisfied.

## Equity Compensation Plans

### *2007 Plan*

Our 2007 Omnibus Securities and Incentive Plan, as amended and restated (our “2007 Plan”) became effective October 24, 2007 and was approved by our stockholders and amended and restated on January 21, 2009. Our 2007 Plan allows for the grant of distribution equivalent rights, incentive stock options, or ISOs, non-qualified stock options, performance share awards, performance unit awards, restricted stock awards, stock appreciation rights, or SARs, tandem stock appreciation rights, or tandem SARs, and unrestricted stock awards to our employees, officers, directors and consultants of ours and our affiliates.

*Authorized Shares.* The maximum aggregate number of shares of our common stock that may be issued pursuant to awards under the 2007 Plan is 25,578,296 shares, however the maximum number of shares that may be subject to option or SAR awards granted to any one employee in any one calendar year is 500,000. As of March 31, 2021, 1,130,194 shares remained available for future issuance under the 2007 Plan. To the extent that any award under the 2007 Plan lapses, expires, is canceled, is terminated unexercised or ceases to be exercisable for any reason, or the rights of the award-holder terminate, the shares underlying such award will be available for new grants under the 2007 Plan. As of March 31, 2021, (i) options to purchase 8,636,999 shares of our common stock remained outstanding under our 2007 Plan at a weighted-average exercise price of approximately \$3.84 per share, (ii) RSUs covering 6,404,423 shares of our common stock remained outstanding under our 2007 Plan at a weighted-average grant-date fair value of approximately \$5.49 per share, (iii) RSAs covering 190,245 shares of our common stock remained outstanding under our 2007 Plan at a weighted-average exercise price of approximately \$2.22 per share, and (iv) SARs covering 5,764 shares of our common stock remained outstanding under our 2007 Plan at a weighted-average grant date fair value of approximately \$4.50 per share.

*Plan Administration.* The compensation committee currently administers our 2007 Plan. Subject to the provisions of our 2007 Plan, the compensation committee has the sole authority, in its discretion, to

make all determinations under the 2007 Plan, including determining which employees, directors or consultants will receive an award, the time or times when an award will be made, what type of award will be granted, the terms and conditions of an award, the restrictions applicable to a RSA, and the number of shares of common stock that may be issued under an award.

*Eligibility.* The 2007 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “Ordinance” and “102 Awards,” respectively), and Section 3(i) of the Ordinance and for awards granted to our and our affiliates’ United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, in compliance with Sections 422 and 409A of the Code..

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

*Options.* Stock options may be granted under our 2007 Plan. The exercise price per share of all options is determined by the compensation committee and may not be less than the fair market value per share of our common stock on the date of grant. The compensation committee determines the methods of payment of the exercise price of an option, which are set forth in the option agreement. After a holder’s termination of service, the holder generally may exercise his or her options, to the extent exercisable as of such date of termination, for 90 days after termination. If termination is due to death or disability, the option generally will remain exercisable, to the extent exercisable as of such date of termination, until the one-year anniversary of such termination. If termination is for cause, then an option automatically expires upon termination.

*Restricted Stock.* Restricted stock may be granted under our 2007 Plan. Restricted stock awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted stock will vest, and the restrictions on such shares will lapse, in accordance with terms and conditions established by the compensation committee. Generally, upon a holder’s termination for any reason, any portion of a restricted stock award that is still subject to restrictions will be forfeited.

*Unrestricted Stock.* Shares of common stock that are not subject to restrictions may be awarded or sold at a discount under our 2007 Plan.

*Performance Unit Awards.* Performance unit awards may be granted under our 2007 Plan. Performance units give the holder the right to obtain a cash payment equal to the dollar value assigned to such unit if the holder satisfies the performance goals and objectives determined by the compensation committee.

*Performance Share Awards.* Performance shares may be granted under our 2007 Plan. Performance shares entitle the holder to an award of common stock if the holder satisfies the performance goals and objectives determined by the compensation committee. The holder of performance shares has no rights as a stockholder until the holder receives the shares of common stock.

*Distribution Equivalent Rights.* Distribution equivalent rights may be granted under our 2007 Plan. A distribution equivalent right entitles the holder to receive amounts equal to distributions that would have been made on a specified number of shares of common stock if the holder has actually held those shares. The compensation committee establishes the terms and conditions, if any, including whether the holder is to receive credits currently in cash, is to have such credits reinvested in additional shares of common stock or is to be entitled to choose among such alternatives. Distribution equivalent rights awards may be settled in cash or in shares of common stock.

*SARs.* Ordinary SARs and tandem SARs may be granted under our 2007 Plan. Ordinary and tandem SARs entitle the holder to receive a payment in cash, shares of common stock or a combination of both, as determined by the compensation committee. The compensation committee may also grant ordinary or tandem SARs that provide the holder with the option to settle in cash or equity. Ordinary SARs follow

the terms and conditions established by the compensation committee, including the base value, exercise period and any other requirements. Tandem SARs are granted at the same time as the related option, the exercise of which results in termination of the otherwise entitlement to purchase some or all of the shares of common stock under the related option. Tandem SARs must expire before or on the same date as the related option and the base value cannot be less than the exercise price of the related option, nor can the value of the payment exceed the difference between the exercise price of the related option and the fair market value of shares of common stock at the time of exercise.

*Transferability or Assignability of Awards; Lock-Up.* Our 2007 Plan generally does not allow for the transfer or assignment of awards, other than by will or descent. Each award agreement provides for a lock-up covenant by the holder, pursuant to which the holder agrees not to offer, sell, pledge or otherwise dispose of, any of our common stock received pursuant to such award, to be effective for a period not to exceed one year, upon our request or the request of our principal underwriters in connection with an underwritten public offering of our common stock. However, awards other than ISOs may be transferred by gift to a family member. Generally only the holder of an award may exercise such an award during his or her lifetime.

*Adjustments; Recapitalization.* In the event of a stock dividend or certain changes in our capitalization, the price per share of and the number and class of shares subject to outstanding options and other awards, as well as the aggregate number of shares available for issuance pursuant to awards under the 2007 Plan, will be proportionately and correspondingly adjusted.

*Merger/Sale.* Our 2007 Plan provides that, in the event of a merger or sale, as defined under our 2007 Plan, each outstanding award may be assumed or substituted for an equivalent award by a successor corporation or its affiliate. In the event that awards are not assumed or substituted, then the compensation committee may (but is not obligated to) (1) provide the holders the right to exercise their outstanding and vested awards, including the cancellation of all unexercised awards upon the closing of the merger or sale or provide for another arrangement as the compensation committee may decide and/or (2) provide for the cancellation of each outstanding award in exchange for a cash payment to the holder.

*Amendment and Termination.* Our board in its discretion may terminate the 2007 Plan at any time with respect to shares for which awards have not yet been granted. However, no termination of the 2007 Plan will materially impair the rights under outstanding awards without the holder's consent. Our board may amend our 2007 Plan from time to time, but no change in any outstanding award may be made which will materially impair the rights under outstanding awards without the holder's consent.

#### **2021 Long-Term Incentive Plan**

In connection with this offering, we will adopt the 2021 Long-Term Incentive Plan ("LTIP") and will reserve \_\_\_\_\_ shares of common stock for issuance pursuant to the LTIP. The LTIP is intended to promote the long-term financial interest of our company and its subsidiaries, including the growth in value of our company's equity and enhancement of long-term stockholder return. The LTIP provides for the grant of non-qualified and incentive stock options, full value awards, and cash incentive awards. The 2020 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, and Section 3(i) of the Ordinance.

*Plan Administration.* The LTIP will be administered by the compensation committee. The compensation committee selects the participants, the time or times of receipt of awards, the types of awards to be granted and the applicable terms, conditions, performance targets, restrictions and other provisions of such awards, to cancel or suspend awards and to accelerate the exercisability or vesting of any award under circumstances designated by it. The compensation committee may delegate all or any portion of its responsibilities or powers under the LTIP to persons selected by it. If the compensation committee does not exist or for any other reason determined by the board of directors, and to the extent not prohibited by applicable law or the applicable rules of any stock exchange, the board of directors may take any action under the LTIP that would otherwise be the responsibility of the compensation committee.

The LTIP contains an "evergreen" provision, which allows for an automatic annual increase in the number of shares of common stock available under the LTIP on the first day of each fiscal year, in an

amount equal to 5% of the then-outstanding shares of common stock (the “Annual Increase”); provided, that the compensation committee may take action prior to such annual increase to lower the amount of such increase.

If an award of common stock is settled in cash, the total number of shares with respect to which such payment is made shall not be considered to have been delivered. However, (i) if shares covered by an award are used to satisfy the applicable tax withholding obligation, the number of shares held back by the company to satisfy such withholding obligation shall be considered to have been delivered; (ii) if the exercise price of any option granted under the LTIP is satisfied by tendering shares of common stock to us (including shares of common stock that would otherwise be distributable upon the exercise of the option), the number of shares of common stock tendered to satisfy such exercise price shall be considered to have been delivered; and (iii) if we repurchase shares of common stock with proceeds received from the exercise of an option issued under the LTIP, the total number of shares repurchased shall be deemed delivered.

The following additional limits apply to awards under the LTIP:

- the maximum number of shares of common stock that may be delivered to participants with respect to incentive stock options shall be \_\_\_\_\_ shares of common stock; provided that the limitation provides for an automatic annual increase in the number of shares of common stock available for grant as incentive stock options on the first day of each fiscal year, in an amount equal to 5% of the total outstanding shares of common stock on the effective date of the LTIP.

The shares of common stock with respect to which awards may be made under the LTIP shall be:

- shares currently authorized but unissued;
- to the extent permitted by applicable law, currently held or acquired by the company as treasury shares, including shares purchased in the open market or in private transactions; or
- shares purchased in the open market by a direct or indirect wholly-owned subsidiary of the company, and we may contribute to the subsidiary an amount sufficient to accomplish the purchase of the shares to be so acquired.

At the discretion of the compensation committee, an award under the LTIP may be settled in cash, shares of common stock, the granting of replacement awards, or a combination thereof; provided, however, that if a cash incentive award is settled in shares of common stock, it must satisfy the minimum vesting requirements related to full value awards.

The compensation committee may use shares of common stock available under the LTIP as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of our company or a subsidiary, including the plans and arrangements of our company or a subsidiary assumed in business combinations.

In the event of a corporate transaction involving the company (including, without limitation, any share dividend, share split, extraordinary cash dividend, recapitalization, reorganization, merger, amalgamation, consolidation, share exchange, split-up, spin-off, sale of assets or subsidiaries, combination or exchange of shares), the compensation committee shall adjust outstanding awards to preserve the benefits or potential benefits of the awards. Action by the compensation committee may include:

- adjustment of the number and kind of shares which may be delivered under the LTIP;
- adjustment of the number and kind of shares subject to outstanding awards;
- adjustment of the exercise price of outstanding options; and
- any other adjustments that the compensation committee determines to be equitable, which may include, without limitation:
  - replacement of awards with other awards which the compensation committee determines have comparable value and which are based on stock of a company resulting from the transaction; and

- cancellation of the award in return for cash payment of the current value of the award, determined as though the award is fully vested at the time of payment, provided that in the case of an option, the amount of such payment will be the excess of value of the shares of common stock subject to the option at the time of the transaction over the exercise price.

Except as otherwise provided by the compensation committee, awards under the LTIP are not transferable except as designated by the participant by will or by the laws of descent and distribution.

*Eligibility.* All employees and directors of, and consultants and other persons providing services to, the Company or any of its subsidiaries (or any parent or other related company, as determined by the compensation committee) are eligible to become participants in the LTIP, except that non-employees may not be granted incentive stock options.

*Options.* The compensation committee may grant an incentive stock option or non-qualified stock option to purchase shares of common stock at an exercise price determined by the compensation committee. Each option shall be designated as an incentive stock option or non-qualified stock option when granted. An incentive stock option is a stock option intended to satisfy additional requirements required by federal tax rules in the United States as specified in the LTIP (and any incentive stock option granted that does not satisfy such requirements shall be treated as a non-qualified stock option).

Except as described below, the exercise price for an option shall not be less than the fair market value of a share of common stock at the time the option is granted; provided that the exercise price of an incentive stock option granted to any employee who owns more than 10% of the voting power of all classes of stock in our company or a subsidiary shall not be less than 110% of the fair market value of a share of common stock at the time of grant. The exercise price of an option may not be decreased after the date of grant nor may an option be surrendered to the company as consideration for the grant of a replacement option with a lower exercise price, except as approved by our board or as adjusted for corporate transactions described above.

No option shall be surrendered to the company in consideration for a cash payment or grant of any other award if at the time of such surrender the exercise price of such option is greater than the then-current fair market value of a share of common stock, except as approved by our stockholders. In addition, the compensation committee may grant options with an exercise price less than the fair market value of the shares of common stock at the time of grant in replacement for awards under other plans assumed in connection with business combinations if the compensation committee determines that doing so is appropriate to preserve the benefit of the awards being replaced. No dividend equivalents may be granted under the LTIP with respect to any option.

The option shall be exercisable in accordance with the terms established by the compensation committee.

The full purchase price of each share of common stock purchased upon the exercise of any option shall be paid at the time of exercise of an option. Except as otherwise determined by the compensation committee, the purchase price of an option shall be payable in cash, by promissory note, or by shares of common stock (valued at fair market value as of the day of exercise), including shares of stock otherwise distributable on the exercise of the option, or a combination thereof. If the shares remain publicly traded, the compensation committee may permit a participant to pay the exercise price by irrevocably authorizing a third party to sell shares of common stock (or a sufficient portion of the shares of common stock) acquired upon exercise of the option and remit to the company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise. The compensation committee, in its discretion, may impose such conditions, restrictions and contingencies on shares of common stock acquired pursuant to the exercise of an option as the compensation committee determines to be desirable. In no event will an option expire more than ten years after the grant date; provided that an incentive stock option granted to any employee who owns more than 10% of the voting power of all classes of stock in the company or a subsidiary shall not be more than five years.

*Full Value Awards.* The following types of “full value awards” may be granted, as determined by the compensation committee:

- the compensation committee may grant awards in return for previously performed services or in return for the participant surrendering other compensation that may be due;
- the compensation committee may grant awards that are contingent on the achievement of performance or other objectives during a specified period; and
- the compensation committee may grant awards subject to a risk of forfeiture or other restrictions that lapse upon the achievement of one or more goals relating to completion of service by the participant, achievement of performance or other objectives.

Any such awards shall be subject to such conditions, restrictions and contingencies as the compensation committee determines.

Dividends or dividend equivalents settled in cash or shares of common stock may be granted to a participant in relation to a full value award with payments made either currently or credited to an account. No dividend or dividend equivalents granted in relation to a full value award that is subject to vesting shall be settled prior to the date such full value award (or applicable portion thereof) becomes vested and is settled.

*Change in Control.* A change in control shall have such effect on an award as is provided in the applicable award agreement, or, to the extent not prohibited by the LTIP or the applicable award agreement, as provided by the compensation committee. In the event of a change in control, the compensation committee may cancel any outstanding awards in return for cash payment of the current value of the award, determined with the award fully vested at the time of payment, provided that in the case of an option, the amount of such payment will be the excess of value of the shares of common stock subject to the option at the time of the transaction over the exercise price (and the option will be cancelled with no payment if the value of the shares at the time of the transaction are equal to or less than the exercise price). For the purposes of the LTIP, a “change in control” is generally deemed to occur when:

- any person becomes the beneficial owner of 50% or more of the company’s voting stock;
- the consummation of a reorganization, merger, consolidation, acquisition, share exchange or other corporate transaction involving our company where, immediately after the transaction, the company stockholders immediately prior to the combination hold, directly or indirectly, 50% or less of the voting stock of the combined company;
- the consummation of any plan of liquidation or dissolution providing for the distribution of all or substantially all of the assets of the company and its subsidiaries or the consummation of a sale of substantially all of the assets of the company and its subsidiaries; or
- at any time during any period of two consecutive years, individuals who at the beginning of such period were members of the Board of Directors, who we refer to as incumbent directors, cease for any reason to constitute at least a majority thereof (unless the election, or the nomination for election by the company’s stockholders, of each new director was approved by a vote of at least two-thirds of the incumbent directors).

*Amendment and Termination.* The Board of Directors may amend or terminate the LTIP at any time, and the Board of Directors or the compensation committee may amend any award granted under the LTIP, but no amendment or termination may adversely affect the rights of any participant without the participant’s written consent. The Board of Directors may not amend the provision of the LTIP related to re-pricing without approval of stockholders or make any material amendments to the LTIP without stockholder approval. The LTIP will remain in effect as long as any awards under the LTIP remain outstanding, but no new awards may be granted after the tenth anniversary of the date on which the stockholders approve the LTIP.

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

We expect to adopt a new 2021 Employee Share Purchase Plan (the “ESPP”) effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. We believe that allowing our employees to participate in our ESPP will provide them with a further incentive towards promoting our success and accomplishing our corporate goals.



*Authorized Shares.* A total of \_\_\_\_\_ of our shares of common stock will be available for sale under our ESPP.

*ESPP Administration.* We expect that the compensation committee will administer our ESPP and will have full and exclusive discretionary authority to construe, interpret and apply the terms of the ESPP, delegate ministerial duties to any of our employees, designate separate offerings under the ESPP, designate our subsidiaries and affiliates as participating in the ESPP, determine eligibility, adjudicate all disputed claims filed under the ESPP and establish procedures that it deems necessary for the administration of the ESPP, including, but not limited to, adopting such procedures and sub-plans as are necessary or appropriate to permit participation in the ESPP by employees who are foreign nationals or employed outside the United States. The administrator's findings, decisions and determinations are final and binding on all participants to the full extent permitted by law.

*Eligibility.* Generally, all of our employees will be eligible to participate if they are customarily employed by us, or any participating subsidiary or affiliate, except that the following persons may be excluded from an offering period in the ESPP as determined by the administrator:

- An employee who has been employed less than two years.
- An employee whose customary employment is 20 hours or less per week.
- An employee whose customary employment is for not more than five months in any calendar year.
- An employee who is a citizen or resident of a foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1) (A) of the Code)) with respect to whom either one or both of the following apply: (i) the grant of an option under the ESPP or an offering to a citizen or resident of the foreign jurisdiction is prohibited under the laws of such jurisdiction; or (ii) compliance with the laws of the foreign jurisdiction would cause the ESPP or offering to violate the requirements of Section 423 of the Code.

For offerings intended to qualify under Section 423 of the Code, an employee who owns, or who would own upon the exercise of any rights extended under the ESPP and the exercise of any other option held by the employee (whether qualified or non-qualified), shares possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any parent or subsidiary shall not be eligible.

*Offering Periods.* For offerings intended to qualify under Section 423 of the Code, our ESPP will provide for offering periods, not to exceed 27 months each, during which we will grant options to purchase our shares of common stock to our employees. The timing of the offering periods will be selected by the administrator. The terms and conditions applicable to each offering period will be set forth in an offering document adopted by the administrator for the particular offering period. The provisions of offerings during separate offering periods under the ESPP need not be identical. Our ESPP will include a component that allows us to make offerings intended to qualify under Section 423 of the Code, and a component that allows us to make offerings that are not intended to qualify under Section 423 of the Code.

*Contributions.* Our ESPP will permit participants to purchase our shares of common stock through contributions (in the form of payroll deductions, or otherwise, to the extent permitted by the administrator). The percentage of compensation designated by an eligible employee as payroll deductions for participation in an offering may not be less than 1% and may not be more than the maximum percentage specified by the administrator in the applicable offering document (up to 20%).

*Exercise of Purchase Right.* Amounts contributed and accumulated by the participant will be used to purchase our shares of common stock at the end of each offering. For offerings intended to qualify under Section 423 of the Code, a participant may purchase a maximum \$25,000 of our shares of common stock during any calendar year and the purchase price of the shares will be 85% of the lower of the fair market value of our shares of common stock on (i) the first trading day of the offering period or (ii) the last trading day of the offering period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase our shares of common stock. Participation ends automatically upon termination of employment with us.

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

*Merger or Corporate Transaction.* In the event of a merger or other corporate transaction in which the shareholders of the Company receive any shares of stock or other securities or property, or the Company shall distribute securities of another corporation to its shareholders, then, subject to the requirements of Section 423, there shall be substituted for the shares subject to outstanding rights to purchase shares under the ESPP an appropriate number of shares of each class of stock or amount of other securities or property which were distributed to the shareholders of the Company in respect of such shares.

*Other Countries.* The Committee may adopt, amend and terminate one or more sub-plans to the ESPP to permit employees in a country other than the United States to participate in the ESPP on the terms described in the applicable sub-plan, in compliance with that country's securities, tax and other laws (including, but not limited to, a sub-plan complying with the requirements of Schedule 2 (share incentive plans) or Schedule 3 (SAYE option plans) to the Income Tax Earnings and Pensions Act 2003 of the United Kingdom); provided, however, that such sub-plans shall be a separate offering from any offering intended to comply with the requirements of Section 423 and in no event shall the provisions of such sub-plans cause the Plan to fail to satisfy the requirements of Section 423. In the event that employees in a country other than the United States participate in an offering that is intended to comply with the requirements of Section 423, the terms of the offering may be changed for such employees by the Committee if, in order to comply with the laws of a foreign jurisdiction, the terms for such employees are less favorable than the terms of the offering to employees resident in the United States.

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

### Certain Relationships and Related Party Transactions

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements, discussed in the sections titled “Management” and “Executive Compensation” and the registration rights described in the section titled “Description of Capital Stock—Registration Rights,” the following is a description of each transaction since January 1, 2018 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

### Indemnification Agreements

We will enter into indemnification agreements with each of our directors and officers. The indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws in effect upon the completion of this offering will require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

### Family Relationships

Our Co-Founder and Co-Chief Executive Officer, Yaron Galai, is the brother of Eytan Galai, who serves as Chief Revenue Officer. Eytan Galai has reported directly to co-Chief Executive Officer Mr. David Kostman since October 2017 and has received customary compensation for his role, all as approved by the compensation committee. Aside from this relationship, we are not aware of any other familial relationships between our directors, officers and employees.

### Other

In March 2020, we sold the assets underlying our Listory division for \$1,117,000, representing the amount we had invested in the division at the time of sale, to Listory Inc. Our Co-Founder and Co-Chief Executive Officer, Yaron Galai, owns approximately 20% of the stock of Listory Inc. and has served as its executive chairman since February 2020.

We are also party to a transition services agreement with Listory Inc., pursuant to which we have incurred expenses totaling \$266,090 in the year ended December 31, 2020 and \$86,449 in the three months ended March 31, 2021. The transition services agreement is terminable at any time by either party.

On April 1, 2019, we completed the acquisition of all the outstanding shares of Ligatus, a German-based native advertising company, pursuant to a share purchase agreement with Gruner + Jahr GmbH. The acquisition date fair value of the consideration transferred was approximately \$40.1 million, which consisted of 6,125,404 shares of our common stock.

### Policies and Procedures for Related Person Transactions

We intend to adopt a written related person transactions policy that our executive officers, directors, nominees for election as a director, 5% stockholders, and any members of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a transaction with us without the prior consent of our audit committee, or other independent members of our board of directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, 5% stockholder or any of their immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee will consider all facts and information that is available and deemed relevant by the audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person’s interest in the transaction.

Although we have not previously had a written policy for the review and approval of transactions with related persons in place, our board of directors has historically reviewed and approved any transaction where a director or officer had a financial interest, including all of the transactions described above. Prior to approving such a transaction, all material facts with respect to a director's or officer's relationship or interest in the agreement or transaction were disclosed to our board of directors. Our board of directors took this information into account when evaluating the transaction and when determining whether such transaction was fair to us and in the best interest of all of our stockholders.

### Principal Stockholders

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of March 31, 2021, both prior to and as adjusted to reflect the sale of our common stock offered by us in this offering for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group; and
- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. Shares of common stock issuable upon the exercise of stock options that are immediately exercisable or exercisable within 60 days after March 31, 2021 are deemed to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the ownership and percentage ownership of that person and the ownership and percentage ownership of all executive officers and directors as a group. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Except as otherwise indicated, all of the shares reflected in the table are shares of common stock and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. The information is not necessarily indicative of beneficial ownership for any other purpose.

Percentage ownership calculations for beneficial ownership prior to this offering are based on 76,533,149 shares outstanding as of March 31, 2021, assuming the conversion of all of our outstanding preferred stock. Percentage ownership calculations for beneficial ownership after this offering are based on shares outstanding after this offering, assuming no exercise of the underwriters' option to purchase additional shares and no purchase of shares in the offering by any existing stockholders. Except as otherwise indicated in the table below, addresses of named beneficial owners are care of Outbrain Inc., 222 Broadway, 19th Floor, New York, NY 10038.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering	
	Number	%	Number	%
<b>5% Stockholders:</b>				
LSVP VII Trust <sup>(1)</sup>	10,657,992	13.9%		
Viola Ventures, III L.P. <sup>(2)</sup>	10,746,015	14.0%		
Entities affiliated with Gemini Israel Ventures <sup>(3)</sup>	8,314,716	10.9%		
Entities affiliated with Index Ventures <sup>(4)</sup>	4,158,824	5.4%		
Gruner + Jahr GmbH <sup>(5)</sup>	6,125,404	8.0%		
<b>Named Executive Officers and Directors:</b>				
Yaron Galai <sup>(6)</sup>	5,993,985	7.8%		
David Kostman <sup>(7)</sup>	90,235	*		
Elise Garofalo <sup>(8)</sup>	426,974	*		
Ori Lahav <sup>(9)</sup>	1,469,059	1.9%		
Ziv Kop <sup>(10)</sup>	350,000	*		
Jonathan (Yoni) Cheifetz <sup>(1)</sup>	10,657,992	13.9%		
Shlomo Dovrat <sup>(2)</sup>	10,746,015	14.0%		
Yossi Sela <sup>(3)</sup>	8,314,716	10.9%		
Dominique Vidal <sup>(4)</sup>	4,158,824	5.4%		
Jonathan Klahr <sup>(11)</sup>	1,903,821	2.5%		
Arne Wolter <sup>(5)</sup>	6,125,404	8.0%		
All executive officers and directors as a group (11 persons)	<u>50,237,025</u>	<u>65.6%</u>		

---

\* Less than 1%.

- (1) Consists of 10,657,992 shares held by LSVP VII Trust, or Lightspeed Ventures. Lightspeed General Partner VII, L.P., or Lightspeed GP, is the general partner of Lightspeed Ventures and Lightspeed Ultimate General Partner VII, Ltd., or Lightspeed UGP, is the general partner of Lightspeed GP. Barry Eggers, Ravi Mhatre, Peter Nieh, and Christopher Schaepe, as the managing directors of Lightspeed UGP, share voting and dispositive power with respect to the shares held by Lightspeed Ventures. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. Jonathan (Yoni) Cheifetz, a member of our board of directors, is a Partner of Lightspeed Ventures. Mr. Cheifetz disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The business address of each of the Lightspeed entities is 2200 Sand Hill Road, Menlo Park, California 94025.
- (2) Consists of 10,746,015 shares held by Viola Ventures III, L.P., or Viola Ventures. Viola [3] Ltd., or Viola, is the general partner of Viola Ventures (together with Viola, the “Viola Entities”) and possesses sole voting and dispositive power over these shares. Shlomo Dovrat, a member of our board of directors, Harel Beit-On, Avi Zeevi, Ori Bendori and Rina Shainski, as directors of Viola, share voting and dispositive power with respect to the shares held by Viola Ventures. Each individual disclaims beneficial ownership of these securities except to the extent of his or her pecuniary interest therein. The business address of each of the Viola Entities is 16 Abba Eban Avenue, Herzeliya 46725 Israel.
- (3) Consists of (i) 6,583,750 shares held by Gemini Israel IV L.P., or Gemini LP, (ii) 1,606,030 shares held by Gemini Israel IV (Annex Fund) L.P., or Gemini LP Annex, (iii) 58,433 shares held by Gemini Partners Investors IV L.P., or Gemini Partners, and (iv) 66,503 shares held by Gemini Partners Investors IV (Annex Fund) L.P., or Gemini Partners Annex (together with Gemini LP, Gemini LP Annex and Gemini Partners, the “Gemini Entities”). Gemini Israel Funds Ltd., or Gemini Israel, is the general partner and/or controlling partner of each of the Gemini Entities. Yossi Sela, a member of our board of directors, is managing partner and a shareholder of Gemini Israel. The board of directors of Gemini Israel has sole investment control with respect to these entities and is comprised of Mr. Yossi Sela and Mr. Menashe Ezra. These individuals share voting power over the shares held by the Gemini Entities and may be deemed to be the beneficial owners of the securities held thereby. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. The business address of each of the Gemini Entities is Gemini Israel Funds, 1 Abba Eban Ave., Herzliya Pituach 4672519 Israel.
- (4) Consists of (i) 4,047,054 shares held by Index Ventures Growth II (Jersey) L.P., or Index Jersey, (ii) 59,783 shares held by Index Ventures Growth II Parallel Entrepreneur Fund (Jersey) L.P., or Index PEF, (iii) 43,866 shares held by Yucca (Jersey) S.L.P., or Yucca, and (iv) 8,121 shares held by Yucca Partners L.P. (Jersey Branch), or Yucca Partners, (together with Index Jersey, Index PEF and Yucca, the “Index Entities”). Index Venture Associates II Limited, or Index Associates, is the general partner of the Index Entities and directs the voting and dispositive control of shares held by the Index Entities. The members of the board of directors of Index Associates, Bernard Dallé, David Hall, Nigel Greenwood, Ian Henderson and Sinéad Meehan, share voting and dispositive power over the shares held by Index Associates. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. Dominique Vidal, a member of our board of directors, is a Partner of Index Venture Management LLP. Index Venture Management LLP advises Index Jersey and Index PEF but does not have voting, investment or dispositive power with respect to the shares held by these entities. Mr. Vidal disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The principal address of Index Associates and each of the Index Entities is Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands.
- (5) Consists of 6,125,404 shares held by Gruner + Jahr GmbH pursuant to the acquisition of Ligatus on April 1, 2019. The shares of Gruner +Jahr GmbH are held by Bertelsmann SE & Co. KGaA a privately held Kommanditgesellschaft auf Aktien (KGaA; a partnership limited by shares), and 80.9 percent of the capital shares in Bertelsmann SE & Co. KGaA are held indirectly by foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung), and 19.1 percent are held indirectly by the Mohn family. All voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann

Management SE (general partner) are controlled by Bertelsmann Verwaltungsgesellschaft (BVG). BVG controls 100 percent of the voting rights in the annual general meeting of Bertelsmann SE & Co. KGaA, which it exercises for these purposes, as well as 100 percent of the voting rights in the annual general meeting of Bertelsmann Management SE. Elisabeth Mohn has voting control of Bertelsmann Verwaltungsgesellschaft mbH (a veto right) and therefore exercises voting and dispositive power with respect to such shares. The business address of Bertelsmann is Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany.

- (6) Consists of 5,467,943 shares and outstanding options to purchase 526,042 shares that are exercisable within 60 days of March 31, 2021. Does not include 187,000 unvested RSUs.
- (7) Consists of 51,172 shares and outstanding options to purchase 39,063 shares that are exercisable within 60 days of March 31, 2021. Does not include 1,150,000 unvested RSUs.
- (8) Consists of 104,839 shares and outstanding options to purchase 322,135 shares that are exercisable within 60 days of March 31, 2021. Does not include 616,043 unvested RSUs.
- (9) Consists of 956,038 shares and outstanding options to purchase 513,021 shares that are exercisable within 60 days of March 31, 2021.
- (10) Held for the benefit of Ziv Kop under the 2004 IBI Capital Trust. IBI Capital Trust offers supervising trustee services in accordance with relevant income tax regulations in Israel. The Chairman of Outbrain's Board of Directors has discretionary voting power over these shares, which arrangement will terminate upon the consummation of the offering. The business address of IBI Capital Trust is Migdal Shalom, 9 Ahad Ha'am St. Floor 26, Tel Aviv, Israel.
- (11) Consists of 1,903,821 shares held by Susquehanna Growth Equity Fund IV, LLLP, or SGE. Susquehanna Growth Equity, LLC, or SGE LLC, is the investment manager of SGE and has discretionary voting and dispositive power over these shares. Amir Goldman and Arthur Dantchik, in their positions as members of the investment committee of SGE LLC, may also be deemed to have investment discretion over the shares held by SGE. The business address of SGE is One Commercial Center, 251 Little Falls Drive, Wilmington, DE 19801, and the business address of SGE LLC is 401 City Ave., Bala Cynwyd, PA 19004.



## **Description of Capital Stock**

*The following descriptions are summaries of the material terms of our amended and restated certificate of incorporation and amended and restated bylaws, which will be effective upon the closing of this offering. These descriptions are qualified in their entirety by reference to the amended and restated certificate of incorporation and amended and restated bylaws, copies of which will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part, and applicable law. The descriptions of the common stock and preferred stock give effect to changes to our capital structure that will be in effect upon the closing of this offering. We refer in this section to our amended and restated certificate of incorporation as our certificate of incorporation, and we refer to our amended and restated bylaws as our bylaws.*

### **General**

Upon completion of this offering, our authorized capital stock will consist of        shares of common stock, par value \$0.001 per share, and        shares of preferred stock, par value \$0.001 per share, all of which shares of preferred stock will be undesignated.

As of March 31, 2021, 76,533,149 shares of our common stock were outstanding on an as-converted basis and held by approximately 553 stockholders of record. This amount assumes the conversion of all outstanding shares of our preferred stock into common stock, which will occur immediately prior to the closing of this offering.

### **Common Stock**

#### ***Dividend Rights***

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. We have never declared or paid cash dividends on any of our capital stock and currently do not anticipate paying any cash dividends after the offering or in the foreseeable future.

#### ***Voting Rights***

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors.

#### ***Liquidation***

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

#### ***Rights and Preferences***

Holders of our common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

The shares to be issued by us in this offering will be, when issued and paid for, validly issued, fully paid and non-assessable.

### **Preferred Stock**

Our board of directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue from time to time up to        shares of preferred stock, in one or more series, each series

to have such rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences as our board of directors determines. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Following completion of this offering, we will have no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock.

#### **Warrants**

As of March 31, 2021, we had outstanding warrants to purchase up to 1,055,852 shares of our common stock, on an as-converted basis, with a weighted-average exercise price of \$2.92 per share.

#### **Options**

As of March 31, 2021, we had outstanding options to purchase 8,636,999 shares of our common stock under our equity incentive plans at a weighted-average exercise price of \$3.84 per share, 6,403,242 shares of which were exercisable.

#### **RSUs**

As of March 31, 2021, we had outstanding RSUs under our equity incentive plans with respect to 6,404,423 shares of our common stock.

#### **RSAs**

As of March 31, 2021, we have outstanding RSAs under our equity incentive plans with respect to 190,245 shares of our common stock.

#### **SARs**

As of March 31, 2021, we have outstanding SARs under our equity incentive plans with respect to 5,764 shares of our common stock.

#### **Registration Rights**

Our investors' rights agreement entitles our stockholders to certain registration rights following the closing of this offering. In accordance with this agreement, and subject to conditions listed below, the following entities that each beneficially own more than 5% of our outstanding stock or are our directors or executive officers are among those entitled to registration rights under the agreement: Lightspeed, Viola Ventures, entities affiliated with Gemini Israel, entities affiliated with Index Ventures, G+J, and our Co-Founder and Co-Chief Executive Officer, Yaron Galai, and our Co-Founder and General Manager, Israel, Ori Lahav.

*Form S-1 Demand Rights.* Beginning six months following the closing of this offering and until the fifth anniversary thereafter, upon the written request of the holders of more than 35% of the common stock issued upon conversion of the convertible preferred stock and held by our former preferred stockholders, we are required to file a registration statement in respect of the common stock held by our former preferred stockholders. Following a request to effect such a registration, we are required to give written notice of the request to the other holders of registrable securities and offer them an opportunity to include their stock in the registration statement. We are not required to effect more than two registrations on Form S-1 and we are only required to do so if the minimum aggregate offering price stated in any such demand is at least \$5.0 million.

*Form S-3 Demand Rights.* Upon the written request of any former preferred stockholder holding common stock issued upon conversion of the convertible preferred stock, we are required to file a registration statement on Form S-3 in respect of the common stock held by our former preferred stockholders. Following a request to effect such a registration, we are required to give written notice of the request to the other holders of registrable securities and offer them an opportunity to include their stock in the registration statement. We are not required to effect a registration on Form S-3 if we have already effected a registration on Form S-3 within the nine month period preceding the date of such request and are only required to do

so if the aggregate price to the public, net of any underwriters' discounts or commissions, from any such registration is estimated to be at least \$1.0 million.

*Piggyback registration rights.* Following this offering, stockholders holding registrable securities will also have the right to request that we include their registrable securities in any registration statement filed by us in the future for the purposes of a public offering for cash, subject to specified exceptions. Holders of registrable securities continue to have the right to include any registrable securities in subsequent piggyback registration statements regardless of whether the holder has opted out of such past registration statements.

*Cutback.* In the event that the managing underwriter advises us in writing that marketing factors require a limitation on the number of shares that can be included in a registered offering, the shares will be included in the registration statement in an agreed order of preference among the holders of registration rights. We have first preference but the aggregate amount of registrable securities registered for our stockholders may not be reduced below 25% of the aggregate amount of securities included in the offering.

*Termination.* With respect to any of our holders of registrable securities that hold less than 1% of our outstanding equity securities, registration rights terminate when the shares held by such stockholder can be sold within a three-month period under Rule 144.

*Expenses.* We will pay all expenses in carrying out the foregoing registrations other than any underwriting discounts and commissions.

#### **Forum Selection Clause**

Unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock of the corporation will be deemed to have notice of and consented to the forum selection clause.

The exclusive forum provision does not apply to suits brought to enforce any duty or liability created by the Securities Act or the Exchange Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act and Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act.

#### **Anti-Takeover Effects of our Certificate of Incorporation and Bylaws and Delaware Law**

Our certificate of incorporation and bylaws include a number of provisions that may have the effect of delaying, deferring or preventing another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

*Board Composition and Filling Vacancies.* Our certificate of incorporation provides for the division of our board of directors into three classes serving staggered three-year terms, with one class being elected each year. Our certificate of incorporation also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of directors. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum, unless otherwise determined by our board to be filled by stockholders. The classification of directors, together with the limitations on removal of directors and treatment of vacancies, has the effect of making it more difficult for stockholders to change the composition of our board of directors.

*Undesignated Preferred Stock.* Our certificate of incorporation provides for authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

*No Written Consent of Stockholders.* Our certificate of incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting. This limit may lengthen the amount of time required to take stockholder actions and would prevent the amendment of our bylaws or removal of directors by our stockholders without holding a meeting of stockholders.

*Meetings of Stockholders.* Our certificate of incorporation and bylaws provide that only the chairperson of our board, the lead independent director, if any, the chief executive officer, the president or a majority of the total authorized number of directors may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our bylaws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

*Advance Notice Requirements.* Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 75 days nor more than 105 days prior to the first anniversary date of the annual meeting for the preceding year. Our bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting.

*Amendment to Certificate of Incorporation and Bylaws.* Any amendment of our certificate of incorporation must first be approved by a majority of our board of directors, and if required by law or our certificate of incorporation, 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 our bylaws, board composition, director liability and the amendment of our certificate of incorporation must be approved by not less than 75% of the outstanding shares entitled to vote on the amendment voting together as a single class. Our bylaws may be amended by the affirmative vote of a majority of the directors then in office, subject to any limitations set forth in the bylaws, and may also be amended by the affirmative vote of at least 75% of the outstanding shares entitled to vote on the amendment, or, if our board of directors recommends that the stockholders approve the amendment, by the affirmative vote of the majority of the outstanding shares entitled to vote on the amendment, in each case voting together as a single class.

### **Section 203 of the Delaware General Corporation Law**

Upon completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner.

Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances, but not the outstanding voting stock owned by the interested stockholder; or
- at or after the time the stockholder became interested, the business combination was approved by our board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance of transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

#### **Market Listing**

We intend to apply to have our common stock authorized for listing on the Nasdaq under the symbol “OB.”

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company. The transfer agent and registrar’s address is 6201 15th Avenue, 3rd Floor, Brooklyn, NY 11219.

### Shares Eligible for Future Sale

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Although we intend to apply to have our common stock approved for listing on the Nasdaq, we cannot assure you that there will be an active public market for our common stock.

Upon completion of this offering and based upon 76,533,149 shares outstanding as of March 31, 2021, on an as-converted basis, we will have outstanding an aggregate of        shares of common stock, assuming no exercise of the underwriters' option to purchase additional shares and no exercise of outstanding stock options or warrants. Of these shares, the shares sold in this offering by us will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased in this offering by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to certain limitations and restrictions described below. The remaining        shares of common stock held by existing stockholders will be restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for exemption under Rules 144 or 701 under the Securities Act, which rules are summarized below, or another exemption.

As a result of the lock-up agreements described below and the provisions of Rule 144 and Rule 701 under the Securities Act, the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

Date of Availability of Sale	Approximate Number of Shares Eligible for Sale
On the date of this prospectus	
Between 90 and 180 days from the date of this prospectus	
At various times after 180 days from the date of this prospectus (subject, in some cases, to volume limitations)	

### Equity Compensation Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of our common stock issuable or reserved for issuance under our equity incentive plans. This amounted to        shares as of March 31, 2021. The first such registration statement is expected to be filed soon after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or the lock-up restrictions described below.

### Lock-Up Agreements

We, our officers, directors and holders of substantially all of our common stock and securities convertible into, or exercisable for, common stock, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Citigroup Global Markets Inc. This consent may be given at any time. There are no agreements among Citigroup Global Markets Inc., us and any of our security holders or affiliates releasing them from these lock-up agreements prior to the expiration of the 180-day period.

### Rule 144

In general, under Rule 144, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is not our affiliate and has not been our affiliate at any time during the preceding three months and who is not a party to a lock-up agreement as described above will be entitled to sell any shares of our common stock that such person has beneficially owned for at least

six months, including the holding period of any prior owner other than one of our affiliates, without regard to volume limitations. Sales of our common stock by any such person would be subject to the availability of current public information about us if the shares to be sold were beneficially owned by such person for less than one year.

In addition, under Rule 144, a person may sell shares of our common stock acquired from us immediately upon the closing of this offering, without regard to volume limitations or the availability of public information about us, if:

- the person is not our affiliate and has not been our affiliate at any time during the preceding three months; and
- the person has beneficially owned the shares to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates.

Beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, will be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately        shares immediately after this offering; and
- the average weekly trading volume in our common stock on the Nasdaq during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

#### **Rule 701**

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the holding period, public information, volume limitation or notice filing provisions of Rule 144. The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, as amended, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus.

#### **Registration Rights**

Upon completion of this offering, the holders of 47,009,166 shares of our common stock have certain rights with respect to the registration of such shares under the Securities Act. A demand for registration may not be effected until 180 days after the completion of this offering unless waived by us. Upon the effectiveness of a registration statement covering these shares, the shares would become freely tradable. See “Description of Capital Stock—Registration Rights.”



### Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to holders (as defined below) with respect to the purchase, ownership and disposition of our common stock but does not purport to be a complete analysis of all potential tax effects. The following summary is based on current provisions of the Code, U.S. Department of the Treasury (“Treasury”) regulations and judicial and administrative authority, all of which are subject to change and differing interpretations, possibly with retroactive effect. State, local, estate and foreign tax consequences are not summarized, nor are tax consequences to special classes of investors including, but not limited to, tax-exempt organizations, insurance companies, banks or other financial institutions, dealers in securities or currencies, regulated investment companies, real estate investment trusts, U.S. holders (as defined below) whose functional currency is not the U.S. dollar, persons liable for the alternative minimum tax, certain former citizens and former long-term residents of the United States, certain persons that are “controlled foreign corporations,” or “passive foreign investment companies”, persons that will hold the common stock as a part of a broader transaction, or partnerships (as described below), traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, accrual method taxpayers that file applicable financial statements (as described in section 451(b) of the Code) and persons that will hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction” or other risk reduction transaction, all of whom may be subject to tax rules that differ materially from those summarized below. Tax consequences may vary depending upon the particular status of an investor. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position regarding the tax consequences of the purchase, ownership and disposition of our common stock.

The summary is limited to holders who will hold our common stock as “capital assets” (generally, property held for investment) and who purchase our common stock in the initial offering. Each potential investor should consult with its own tax advisor as to the U.S. federal, state, local, foreign and any other tax consequences of the purchase, ownership and disposition of our common stock.

For purposes of this discussion a “U.S. holder” means a beneficial owner of our common stock that is, for U.S. federal income tax purposes:

- (1) an individual who is a citizen or resident of the United States;
- (2) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state thereof or the District of Columbia;
- (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- (4) a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

A “non-U.S.” holder means a beneficial owner of our common stock that is neither a U.S. holder nor a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is for U.S. federal income tax purposes, an individual, corporation, estate or trust.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are treated as a partner in such an entity holding our common stock, you should consult your own tax advisor as to the particular U.S. federal income tax consequences applicable to you.

**This summary is for general information only and is not intended to constitute a complete description of all tax consequences for holders relating to the purchase, ownership and disposition of our common stock. You should consult your tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our common stock, as well as the consequences to you arising under the**

**U.S. federal estate or gift tax laws or under the laws of any state, local or non-U.S. taxing jurisdiction or under any applicable income tax treaty, in light of your particular circumstances.**

**U.S. Holders**

*Dividends.* Distributions with respect to our common stock will be taxable as dividend income when paid to the extent of our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent that the amount of a distribution with respect to our common stock exceeds our current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in such common stock, and thereafter as capital gain.

Distributions constituting dividend income received by an individual U.S. holder in respect of our common stock will generally represent "qualified dividend income" that is taxable at the preferential rates applicable to long-term capital gains, provided that certain holding period requirements are met and certain other conditions are satisfied.

*Sale, Exchange, or Certain Other Taxable Dispositions of Our Common Stock.* A U.S. holder will generally recognize capital gain or loss on a sale or exchange of our common stock equal to the difference between the amount realized upon the sale or exchange and such U.S. holder's adjusted tax basis in the common stock sold or exchanged. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for the common stock sold or exchanged is more than one year. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses is subject to limitations.

*Information Reporting and Backup Withholding.* Certain U.S. holders may be subject to backup withholding with respect to the payment of dividends on our common stock and to certain payments of proceeds on the sale, exchange or other dispositions of our common stock unless such U.S. holders provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. holder is allowable as a credit against such holder's U.S. federal income tax, which may entitle the U.S. holder to a refund, provided that the U.S. holder provides the required information to the IRS in a timely manner. Moreover, certain penalties may be imposed by the IRS on a U.S. holder who is required to furnish information but does not do so in the proper manner.

Information returns will generally be filed with the IRS in connection with the payment of dividends on our common stock to U.S. holders and certain payments of proceeds to U.S. holders on the sale, exchange or other dispositions of our common stock, unless the U.S. holder is an exempt recipient, such as a corporation.

*Medicare Tax.* A U.S. holder that is an individual, an estate or a trust may be subject to a 3.8% Medicare tax on the lesser of (1) the U.S. holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold. A holder's net investment income will generally include its dividend income and its net gains from the disposition of our common stock, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate, or trust, you are urged to consult your tax advisor regarding the applicability of the Medicare tax to your income and gains in respect of your investment in our common stock.

**Non-U.S. Holders**

*Distributions.* Distributions with respect to our common stock will be treated as dividends to the extent paid from our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce a non-U.S. holder's basis in our common

stock (determined on a share by share basis), but not below zero, and then will be treated as gain from the sale of stock subject to the rules discussed below under “—Dispositions.” Generally, distributions treated as dividends paid to a non-U.S. holder with respect to our common stock will be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable income tax treaty.

Subject to the discussions below under “Information Reporting and Backup Withholding” and “FATCA,” dividends that are effectively connected with a non-U.S. holder’s conduct of a trade or business within the United States (and, if a tax treaty applies, are attributable to a U.S. permanent establishment of such non-U.S. holder) are generally subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person, as defined under the Code, and are exempt from the 30% withholding tax (assuming compliance with certain certification requirements). Any such effectively connected dividends received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30% (or lower applicable treaty rate). A non-U.S. holder who claims the benefit of an applicable tax treaty generally will be required to satisfy applicable certification and other requirements. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under a relevant tax treaty. A non-U.S. holder can generally meet the relevant certification requirement by providing a properly executed IRS Form W-8BEN (if the holder is claiming the benefits of an income tax treaty) or IRS Form W-8ECI (if the dividends are effectively connected with a trade or business in the United States) or suitable substitute form to the applicable withholding agent prior to the payment of dividends. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld under these rules by timely filing an appropriate claim for refund with the IRS. Special certification and other requirements apply to certain non-United States holders that are pass-through entities rather than corporations or individuals.

*Dispositions.* Subject to the discussions below concerning “Information Reporting and Backup Withholding” and “FATCA,” a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax with respect to gain realized on the sale, exchange or other disposition of our common stock unless (i) the gain is effectively connected with such non-U.S. holder’s conduct of a trade or business within the United States (and, if a tax treaty applies, is attributable to a U.S. permanent establishment of such non-U.S. holder), (ii) in the case of a non-U.S. holder that is a non-resident alien individual, such non-U.S. holder is present in the United States for 183 or more days in the taxable year of disposition, and certain other conditions are met or (iii) our stock constitutes a U.S. real property interest by reason of our status as a “United States real property holding corporation” for U.S. federal income tax purposes.

In the case described above in (i), the gain on the disposition of our common stock will be recognized in an amount equal to the difference between the amount of cash and the fair market value of any other property received for the common stock and the non-U.S. holder’s basis in the common stock. Such gain or loss will generally be subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person, as defined under the Code. In the case of a non-U.S. holder that is a foreign corporation, such gain may also be subject to an additional branch profits tax at a rate of 30% (or a lower applicable treaty rate). In the case described above in (ii), the non-U.S. holder generally will be subject to a flat tax at a rate of 30% (or lower applicable treaty rate) on any capital gain recognized on the disposition of our common stock, which may be offset by certain U.S. source capital losses.

We believe we are not and do not anticipate becoming a “United States real property holding corporation” for U.S. federal income tax purposes. If, however, we are or become a “United States real property holding corporation,” so long as our common stock is regularly traded on an established securities market, only a non-United States holder who actually or constructively holds or held (at any time during the shorter of the five-year period ending on the date of disposition or the non-United States holder’s holding period) more than 5% of our common stock generally will be subject to United States federal income tax on the disposition of our common stock as a result of our being a United States real property holding corporation. You should consult your own advisor about the consequences that could result if we are, or become, a “United States real property holding corporation.”

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

*Information Reporting and Backup Withholding.* Payment of dividends, and the tax withheld with respect thereto, is subject to information reporting requirements. These information reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Under the provisions of an applicable income tax treaty or agreement, copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides. U.S. backup withholding will generally apply on payment of dividends to non-U.S. holders unless such non-U.S. holders furnish to the payor an IRS Form W-8BEN (or other applicable form), or otherwise establish an exemption and the payor does not have actual knowledge or reason to know that the holder is a United States person, as defined under the Code, that is not an exempt recipient.

Payment of the proceeds of a sale of our common stock within the United States or conducted through certain U.S.-related financial intermediaries is subject to information reporting and, depending on the circumstances, backup withholding, unless the non-U.S. holder, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. holder on IRS Form W-8BEN-E or W-8BEN (or other applicable form), or otherwise establishes an exemption and the payor does not have actual knowledge or reason to know the holder is a United States person, as defined under the Code, that is not an exempt recipient.

Any amount withheld under the backup withholding rules from a payment to a non-U.S. holder is allowable as a credit against such non-U.S. holder's U.S. federal income tax, which may entitle the non-U.S. holder to a refund, provided that the non-U.S. holder timely provides the required information to the IRS. Certain penalties may be imposed by the IRS on a non-U.S. holder who is required to furnish information but does not do so in the proper manner. Non-U.S. holders should consult their own tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding.

#### **Foreign Account Tax Compliance Act**

Withholding taxes may be imposed under the Foreign Account Tax Compliance Act and related IRS guidance concerning foreign account tax compliance rules ("FATCA") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Withholding at a rate of 30% will generally be required on dividends in respect of, or gross proceeds from the sale or other disposition of, our common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain United States persons or by certain non-U.S. entities that are wholly or partially owned by United States persons and to withhold on certain payments. An intergovernmental agreement between the United States and an applicable foreign country, or future United States Treasury regulations, may modify these requirements. Accordingly, the entity through which our common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our common stock held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we will in turn provide to the Secretary of the Treasury. We will not pay any additional amounts to holders in respect of any amounts withheld.

Pursuant to recently proposed regulations, the Treasury Department intends to eliminate FATCA requirements to withhold on gross proceeds from the sale or other disposition of certain financial instruments (which would include our stock). The Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalization.

**Prospective investors are encouraged to consult their own tax advisors regarding the potential imposition of withholding tax under FATCA on their investment in our common stock.**

### Underwriting

We and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Citigroup Global Markets Inc. and Jefferies LLC are the representatives of the underwriters.

Underwriters	Number of Shares
Citigroup Global Markets Inc.	
Jefferies LLC	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional        shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	No Exercise	Full Exercise
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$        per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and the holders of substantially all of our common stock and securities convertible into or exchangeable for shares of common stock, have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus subject to customary exceptions. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common stock on the Nasdaq under the symbol "OB." In order to meet one of the requirements for listing the common stock on the Nasdaq, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover

positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A “covered short position” is a short position that is not greater than the amount of additional shares for which the underwriters’ option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. “Naked” short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the Nasdaq, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ , which includes an amount not to exceed \$ that we have agreed to reimburse the underwriters for certain FINRA-related expenses incurred by them in connection with the Offering.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### **Notice to Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (the “EEA”) (each, a “Relevant State”), no securities have been offered or will be offered to the public in that Relevant State in connection

with this offering prior to the publication of a prospectus in relation to our securities which has been approved by the competent authority in that Relevant State or, where appropriate, approved by the competent authority in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State of our securities may be made at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Representative for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of our securities shall require us or any underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to our securities in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and our securities to be offered so as to enable an investor to decide to purchase our securities, the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

This selling restriction is in addition to any other selling restrictions set out below.

#### **Notice to Investors in the United Kingdom**

No securities have been offered or will be offered to the public in the United Kingdom in connection with this offering prior to the publication of a prospectus in relation to our securities which either (i) has been approved by the Financial Conduct Authority or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that an offer to the public in the United Kingdom of our securities may be made at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Representative for any such offer; or
- (c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”),

provided that no such offer of our securities shall require us or any underwriters to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to our securities in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and our securities to be offered so as to enable an investor to decide to purchase our securities, the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

This selling restriction is in addition to any other selling restrictions set out below.

The underwriters severally represent, warrant and agree as follows:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning



of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and

- (b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

#### **Notice to Residents of the State of Israel**

This prospectus does not constitute a prospectus under the Israeli Securities Law, 5728-1968, as amended (the “Israel Securities Law”), and has not been filed with or approved by the Israel Securities Authority. In the State of Israel, this prospectus is being distributed only to, and is directed only at, and any offer of the securities offered hereby is directed only at, (i) a limited number of persons in accordance with the Israeli Securities Law and (ii) investors listed in the first addendum (the “Addendum”), to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of NIS 50 million and “qualified individuals”, each as defined in the Addendum (as it may be amended from time to time), collectively referred to as “qualified investors” (in each case purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors will be required to submit a written confirmation that they fall within the scope of the Addendum, are aware of the meaning of the same and agree to it.

#### **Notice to Residents of Japan**

Our shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “EIEA”). The underwriters will not offer or sell any of our shares directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the EIEA of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, “Japanese person” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

#### **Notice to Residents of Hong Kong**

The underwriters and each of their affiliates have not (1) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, our shares other than (A) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made under that Ordinance or (B) (Winding Up and Miscellaneous Provisions) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance or (2) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to our shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

#### **Notice to Residents of Singapore**

This prospectus or any other offering material relating to our shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the shares will be offered in Singapore pursuant to exemptions under Section 274 and Section 275 of the Securities and Futures Act,

Chapter 289 of Singapore (the “Securities and Futures Act”). Accordingly our shares may not be offered or sold, or be the subject of an invitation for subscription or purchase, nor may this prospectus or any other offering material relating to our shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, (b) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

#### **Notice to Residents of Germany**

Each person who is in possession of this prospectus is aware that no German sales prospectus (Verkaufsprospekt) within the meaning of the Securities Sales Prospectus Act (Wertpapier-Verkaufsprospektgesetz, the “Act”) of the Federal Republic of Germany has been or will be published with respect to our shares. In particular, the underwriters have represented that they have not engaged and have agreed that they will not engage in a public offering (öffentliches Angebot) within the meaning of the Act with respect to any of our shares otherwise than in accordance with the Act and all other applicable legal and regulatory requirements.

#### **Notice to Residents of France**

The shares are being issued and sold outside the Republic of France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any shares to the public in the Republic of France, and that it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France this prospectus or any other offering material relating to the shares, and that such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (investisseurs qualifiés) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98-880 dated October 1, 1998.

#### **Notice to Residents of the Netherlands**

Our shares may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”); provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our shares is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our shares, and this prospectus or any other offering material relating to our shares may not be considered an offer or the prospect of an offer to sell or exchange our shares.

#### **Notice to Prospective Investors in the Cayman Islands**

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for our securities.

#### **Notice to Canadian Residents**

##### ***Resale Restrictions***

The distribution of shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory

exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

#### ***Representations of Canadian Purchasers***

By purchasing shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the shares without the benefit of a prospectus qualified under those securities laws as it is an “accredited investor” as defined under National Instrument 45-106-Prospectus Exemptions;
- the purchaser is a “permitted client” as defined in National Instrument 31-103-Registration Requirements, Exemptions and Ongoing Registrant Obligations;
- where required by law, the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under Resale Restrictions.

#### ***Conflicts of Interest***

Canadian purchasers are hereby notified that Citigroup Global Markets Inc. and Jefferies LLC are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105-Underwriting Conflicts from having to provide certain conflict of interest disclosure in this document.

#### ***Statutory Rights of Action***

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the prospectus (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

#### ***Enforcement of Legal Rights***

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

#### ***Taxation and Eligibility for Investment***

Canadian purchasers of shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in the shares in their particular circumstances and about the eligibility of the shares for investment by the purchaser under relevant Canadian legislation.

#### ***Notice to persons in the onshore United Arab Emirates (UAE)***

In accordance with the 2017 Promotion and Introduction Regulations (as amended) of the UAE Securities and Commodities Authority (SCA), our shares may only be promoted and offered in the UAE (excluding the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM)) without the prior approval of SCA where the promotion is directed to: (i) the UAE federal government and local governments, governmental institutions and authorities; (ii) companies fully owned by any of the aforementioned; (iii) international bodies and organizations; (iv) entities licensed by the SCA or equivalent regulatory authority; (v) a corporate person who meets, at the date of its last financial statements, at least two of the following requirements: (1) total assets of AED (75) million; (2) net annual revenues of AED (150) million; and (3) has net owner equity or paid-up capital of AED (7) million; or (vi) following a ‘reverse’

(i.e. unsolicited) enquiry by an investor. Further, this document does not constitute a public offer of our shares in the UAE (excluding the DIFC and the ADGM) and is not intended to be a public offer. The SCA has not verified this document or other documents in connection with our shares and the SCA may not be held liable for the accuracy or completeness of the information in this document. Our shares may be illiquid or subject to restrictions on their resale. Prospective investors should conduct their own due diligence on our shares. If you do not understand the contents of this document you should consult an authorized financial advisor.

#### **Notice to persons in the Abu Dhabi Global Market (ADGM) in the UAE**

This offer document is an ‘Exempt Offer’, in accordance with the ‘Market Rules’ of the ADGM Financial Services Regulatory Authority. This ‘Exempt Offer’ document is intended for distribution only to persons of a type specified in the Market Rules. It must not be delivered to, or relied on by, any other person. The ADGM Financial Services Regulatory Authority has no responsibility for reviewing or verifying any documents in connection with ‘Exempt Offers’. The ADGM Financial Services Regulatory Authority has not approved this ‘Exempt Offer’ document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares to which this Exempt Offer relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the securities. If you do not understand the contents of this ‘Exempt Offer’ document you should consult an authorized financial advisor. For the purposes of the financial-promotion restriction in the Financial Services and Markets Regulation of the ADGM, this offer document constitutes an ‘Exempt Communication’ or is not otherwise subject to that restriction. Where applicable, it is intended for distribution only to persons of a type specified in the relevant ‘Exempt Communication’. It must not be delivered to, or relied on by, any other person.

#### **Notice to persons in the Dubai International Financial Centre (DIFC) in the UAE**

This document relates to an ‘Exempt Offer’, in accordance with the Markets Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in the Market Rules. It must not be delivered to, or relied on, by any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with ‘Exempt Offers’. The DFSA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. Our shares may be illiquid and/or subject to restrictions on their re-sale. Prospective purchasers of our shares should conduct their own due diligence on them. If you do not understand the contents of this document you should consult an authorized financial adviser. For the purposes of the financial-promotion restriction in the Regulatory Law 2004 (as amended) of the DIFC, this offer document constitutes an ‘exempt Financial Promotion’ or is not otherwise subject to that restriction. Where applicable, it is intended for distribution only to persons of a type specified in the relevant ‘Exempt Communication’. It must not be delivered to, or relied on by, any other person.

#### **Notice to Prospective Investors in Australia**

No prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”) in relation to the offering. This document does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (Cth) (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), to “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

In addition, the securities must not be offered for sale in Australia in the period of 12 months after their respective date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act.

Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring the securities must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

**Legal Matters**

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Mayer Brown LLP, New York, New York. Skadden, Arps, Slate, Meagher & Flom LLP is representing the underwriters in this offering.

**Experts**

The consolidated financial statements of Outbrain Inc. as of December 31, 2020 and 2019, and for each of the years in the two-year period ended December 31, 2020 have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

**Where You Can Find Additional Information**

We filed a registration statement on Form S-1 with the SEC with respect to the registration of the common stock offered for sale with this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information about us, the common stock we are offering by this prospectus and related matters, you should review the registration statement, including the exhibits filed as a part of the registration statement.

Statements made in this prospectus concerning the contents of any contract, agreement or other document are not complete descriptions of all terms of these documents. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed for a complete description of its terms. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit. You should read this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus forms a part completely.

As a result of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act, as amended, and, in accordance with such requirements, will file periodic reports, proxy statements, and other information with the SEC.

Our filings with the SEC, including the registration statement of which this prospectus forms a part, periodic reports, proxy statements, and other information will be available for inspection at the website of the SEC. The address of the website is <http://www.sec.gov>. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent registered accounting firm.



**OUTBRAIN INC.**  
**INDEX TO FINANCIAL STATEMENTS**

**Unaudited condensed consolidated financial statements as of March 31, 2021 and for the three months ended March 31, 2020**

	<u>Page</u>
<a href="#">Condensed Consolidated Balance Sheets</a>	<a href="#">F-2</a>
<a href="#">Condensed Consolidated Statements of Operations</a>	<a href="#">F-3</a>
<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss)</a>	<a href="#">F-4</a>
<a href="#">Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit</a>	<a href="#">F-5</a>
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	<a href="#">F-6</a>
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">F-7</a>

**Audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019**

<a href="#">Independent Auditors' Report</a>	<a href="#">F-18</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">F-19</a>
<a href="#">Consolidated Statements of Operations</a>	<a href="#">F-20</a>
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a>	<a href="#">F-21</a>
<a href="#">Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit</a>	<a href="#">F-22</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">F-23</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-24</a>

## OUTBRAIN INC.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 95,042	\$ 93,641
Accounts receivable, net of allowances	150,739	165,449
Prepaid expenses and other current assets	19,093	18,326
Total current assets	264,874	277,416
Property, equipment and capitalized software, net	24,071	24,756
Intangible assets, net	9,064	9,812
Goodwill	32,881	32,881
Other assets	11,075	11,621
<b>TOTAL ASSETS</b>	<b>\$ 341,965</b>	<b>\$ 356,486</b>
<b>LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 116,733	\$ 118,491
Accrued compensation and benefits	16,841	23,000
Accrued and other current liabilities	90,065	109,747
Deferred revenue	5,945	5,512
Total current liabilities	229,584	256,750
Other liabilities	15,949	17,105
<b>TOTAL LIABILITIES</b>	<b>\$ 245,533</b>	<b>\$ 273,855</b>
Commitments and Contingencies (Note 8)		
Convertible preferred stock, par value of \$0.001 per share, Series A, B, C, D, E, F, G and H — aggregate of 47,203,157 shares authorized as of March 31, 2021 and December 31, 2020; and aggregate of 47,009,166 shares issued and outstanding as of March 31, 2021 and December 31, 2020	162,444	162,444
<b>STOCKHOLDERS' DEFICIT:</b>		
Common stock, par value of \$0.001 per share — 110,812,435 shares authorized as of March 31, 2021 and December 31, 2020; 29,523,983 and 29,169,963 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	30	29
Additional paid-in capital	94,527	92,693
Accumulated other comprehensive loss	(3,070)	(4,290)
Accumulated deficit	(157,499)	(168,245)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(66,012)</b>	<b>(79,813)</b>
<b>TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 341,965</b>	<b>\$ 356,486</b>

*See Accompanying Notes to Consolidated Financial Statements.*

**OUTBRAIN INC.**  
**Condensed Consolidated Statements of Operations**  
*(In thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	
Revenue	\$228,024	\$177,332
Cost of revenue:		
Traffic acquisition costs	167,613	136,806
Other cost of revenue	6,942	7,873
Total cost of revenue	<u>174,555</u>	<u>144,679</u>
Gross profit	53,469	32,653
Operating expenses:		
Research and development	8,428	6,982
Sales and marketing	19,868	20,295
General and administrative	10,393	14,893
Total operating expenses	<u>38,689</u>	<u>42,170</u>
Income (loss) from operations	14,780	(9,517)
Other income (expense), net:		
Interest expense	(170)	(165)
Interest income and other income (expense), net	(2,253)	1,241
Total other income (expense), net	<u>(2,423)</u>	<u>1,076</u>
Income (loss) before provision for income taxes	12,357	(8,441)
Provision for income taxes	1,611	1,129
Net income (loss)	<u>\$ 10,746</u>	<u>\$ (9,570)</u>
Net income (loss) per common share:		
Basic	\$ 0.14	\$ (0.34)
Diluted	\$ 0.12	\$ (0.34)
Pro forma net income (loss) per common share:		
Basic	\$ —	
Diluted	\$ —	

*See Accompanying Notes to Consolidated Financial Statements.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Unaudited)</i>	
Net income (loss)	\$10,746	\$ (9,570)
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,220	(1,837)
Comprehensive income (loss)	<b>\$11,966</b>	<b>\$(11,407)</b>

*See Accompanying Notes to Consolidated Financial Statements.*

## OUTBRAIN INC.

**Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit**  
*(In thousands, except for number of shares)*  
*(Unaudited)*

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance—December 31, 2020	47,009,166	\$162,444	29,169,963	\$29	\$92,693	\$ (4,290)	\$(168,245)	\$(79,813)
Issuance of common stock upon exercise of employee stock option	—	—	175,349	—	296	—	—	296
Issuance of common stock upon vesting of restricted stock units	—	—	178,671	1	(1)	—	—	—
Stock-based compensation	—	—	—	—	1,539	—	—	1,539
Other comprehensive loss	—	—	—	—	—	1,220	—	1,220
Net profit	—	—	—	—	—	—	10,746	10,746
Balance—March 31, 2021	47,009,166	\$162,444	29,523,983	\$30	\$94,527	\$ (3,070)	\$(157,499)	\$(66,012)
	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance—December 31, 2019	47,009,166	\$162,444	28,193,335	\$28	\$88,435	\$ (5,523)	\$(172,602)	\$(89,662)
Issuance of common stock upon exercise of employee stock option	—	—	99,002	—	323	—	—	323
Issuance of common stock upon vesting of restricted stock units	—	—	126,039	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(1,837)	—	(1,837)
Stock-based compensation	—	—	—	—	830	—	—	830
Net loss	—	—	—	—	—	—	(9,570)	(9,570)
Other	—	—	—	—	—	—	(8)	(8)
Balance—March 31, 2020	47,009,166	\$162,444	28,418,376	\$28	\$89,588	\$ (7,360)	\$(182,180)	\$(99,924)

*See Accompanying Notes to Consolidated Financial Statements.*

## OUTBRAIN INC.

**Condensed Consolidated Statements of Cash Flows**  
(In thousands)

	Three Months Ended	
	March 31, 2021	March 31, 2020
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 10,746	\$ (9,570)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,604	1,652
Amortization of capitalized software development costs	1,997	1,790
Amortization of intangible assets	926	1,207
Loss (gain) on sale of assets	9	(1,114)
Stock-based compensation	1,487	916
Provision for doubtful accounts	653	336
Deferred income taxes	(385)	(307)
Other	2,392	(638)
Changes in operating assets and liabilities:		
Accounts receivable	13,916	13,845
Prepaid expenses and other current assets	(1,495)	(2,432)
Other assets	197	(1,470)
Accounts payable	(1,791)	626
Accrued and other current liabilities	(25,400)	9,587
Deferred revenue	440	(271)
Other	110	179
Net cash provided by operating activities	<u>5,406</u>	<u>14,336</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(239)	(1,010)
Capitalized software development costs	(2,529)	(2,201)
Proceeds from sale of assets	—	1,117
Other	(19)	(27)
Net cash used in investing activities	<u>(2,787)</u>	<u>(2,121)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of common stock options and warrants	299	209
Principal payments on capital obligation arrangements	(1,106)	(1,165)
Borrowings on revolving credit facility	—	10,000
Net cash (used in) provided by financing activities	<u>(807)</u>	<u>9,044</u>
Effect of exchange rate changes	(430)	(1,437)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,382	19,822
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	94,067	49,982
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	<u>\$ 95,499</u>	<u>\$ 69,804</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS</b>		
Cash and cash equivalents	\$ 95,042	\$ 69,424
Restricted cash, included in other assets	407	380
Total cash, cash equivalents, and restricted cash	<u>95,499</u>	<u>\$ 69,804</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for income taxes, net of refunds	<u>\$ 53</u>	<u>\$ 846</u>
Cash paid for interest	<u>\$ 162</u>	<u>\$ 152</u>
Stock-based compensation capitalized for software development costs	<u>\$ 52</u>	<u>\$ 50</u>
Purchases of property and equipment included in accounts payable	<u>\$ 2</u>	<u>\$ 59</u>
Property and equipment financed under capital obligation arrangements	<u>\$ 842</u>	<u>\$ 634</u>

See Accompanying Notes to Consolidated Financial Statements.

**OUTBRAIN INC.****Notes to Condensed Consolidated Financial Statements  
(Unaudited)****1. Organization, Description of Business, Basis of Presentation, Use of Estimates and Recently Issued Accounting Pronouncements****Organization and Description of Business**

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 and has wholly-owned subsidiaries in Israel, Europe, Asia, Brazil and Australia.

Outbrain is a leading recommendation platform powering the open web. Our platform provides personalized recommendations that appear as links to content, advertisements and videos on media owner’s online properties. We generate revenue from marketers through user engagements with ads that we deliver across a variety of third-party media owner’s properties. We pay traffic acquisition costs to our media owner partners on whose digital properties the recommendations are shown. Our advertiser solutions are mainly priced using a performance-based model based on the actual number of engagements generated by users. The actual number of engagements generated by users is highly dependent on our ability to generate trustworthy and interesting recommendations to individual users based on our proprietary algorithms. A small portion of our 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 (“US GAAP”) for interim financial information and are unaudited. Certain information and disclosures normally included in condensed consolidated financial statements prepared in accordance with US 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 for the year ended December 31, 2020.

**Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and judgments on historical information and on various other assumptions that we believe 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 doubtful accounts, 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 and goodwill, the fair value of stock-based awards, the recognition and measurement of income tax uncertainties and other contingencies. Actual results could differ materially from these estimates.

**Certain Risks and Concentrations**

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. Our 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.

We generally do not require collateral to secure accounts receivable. No single marketer accounted for 10% or more of our total revenue for the three months ended March 31, 2021 or March 31, 2020 or 10% or more of our gross accounts receivable balance as of March 31, 2021 or December 31, 2020.



## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)**1. Organization, Description of Business, Basis of Presentation, Use of Estimates and Recently Issued Accounting Pronouncements (continued)**

For the three months ended March 31, 2021, two media owners individually accounted for approximately 12% and 10% of our total traffic acquisition costs. For the three months ended March 31, 2020, two media owners each individually accounted for 13% of our total traffic acquisition costs.

**Segment Information**

Our chief operating decision maker is our Co-Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. Accordingly, we have a single operating and reportable segment.

**Recently Issued Accounting Pronouncements***Recently issued accounting pronouncements not yet adopted*

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months, regardless of their classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). In June 2020 the FASB issued ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, the amendments in this update defer the effective date of ASU 2016-02 for private companies to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, early application continues to be permitted. The Company plans to adopt this standard on January 1, 2022, as required. The Company is in the process of analyzing its lease portfolio and assessing the impacts of adoption on its consolidated financial statements. The Company expects its assets and liabilities to increase in connection with the recording of right-of-use assets and lease liabilities upon adoption of this standard.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires consideration of forward-looking information to calculate credit loss estimates. These changes will result in an earlier recognition of credit losses. The Company's financial assets held at amortized cost include accounts receivable. The amendments in ASU 2020-05 deferred the effective date for Topic 326 to fiscal years beginning after December 15, 2022. The Company plans to adopt this standard on the earlier of January 1, 2023 or on losing its emerging growth company status. The Company does not expect the adoption of this standard will have a material impact on the consolidated financial statements or related disclosures.

See Note 1 to the Company's audited consolidated financial statements for the year ended December 31, 2020 for a complete disclosure of the Company's significant accounting policies.

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)**2. Revenue Recognition**

The following table presents total revenue based on where our marketers are physically located:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
USA	\$ 78,087	\$ 65,550
Europe, the Middle East and Africa (EMEA)	126,545	90,477
Other	23,392	21,305
Total revenue	<u>\$228,024</u>	<u>\$177,332</u>

Contract Balances

There were no contract assets as of March 31, 2021 or December 31, 2020. Contract liabilities primarily relate to upfront payments and consideration received from customers. As of March 31, 2021 and December 31, 2020, the Company's contract liabilities were recorded as deferred revenue in the condensed consolidated balance sheets.

**3. Fair Value Measurements**

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

	March 31, 2021			
	Level I	Level II	Level III	Total
	(In thousands)			
<b>Financial Assets:</b>				
Restricted time deposit <sup>(1)</sup>	\$ —	\$ 406	\$ —	\$ 406
Severance pay fund deposits <sup>(1)</sup>	—	5,035	—	5,035
Total financial assets	<u>\$ —</u>	<u>\$5,441</u>	<u>\$ —</u>	<u>\$5,441</u>
<b>Financial Liabilities:</b>				
Foreign currency forward contract <sup>(2)</sup>	\$ —	\$ 780	\$ —	\$ 780
Total financial liabilities	<u>\$ —</u>	<u>\$ 780</u>	<u>\$ —</u>	<u>\$ 780</u>
	December 31, 2020			
	Level I	Level II	Level III	Total
	(In thousands)			
<b>Financial Assets:</b>				
Restricted time deposit <sup>(1)</sup>	\$ —	\$ 426	\$ —	\$ 426
Severance pay fund deposits <sup>(1)</sup>	—	5,379	—	5,379
Foreign currency forward contract <sup>(3)</sup>	—	553	—	553
Total financial assets	<u>\$ —</u>	<u>\$6,358</u>	<u>\$ —</u>	<u>\$6,358</u>

(1) Recorded within other assets

(2) Recorded within accrued and other current liabilities

(3) Recorded within prepaid expenses and other current assets

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 3. Fair Value Measurements (continued)

During the three months ended March 31, 2021 and March 31, 2020, we recognized losses related to mark-to-market adjustments for undesignated foreign currency forward contracts of \$1.3 million and \$0.2 million, respectively, within interest income and other income (expense) in the condensed consolidated statements of operations.

## 4. Balance Sheet Components

## Accounts Receivable, Net

Accounts receivable, net consists of the following:

	March 31, 2021	December 31, 2020
	(In thousands)	
Accounts receivable	\$154,958	\$169,623
Allowance for doubtful accounts	(4,219)	(4,174)
Accounts receivable, net	<u>\$150,739</u>	<u>\$165,449</u>

## Allowance for Doubtful Accounts

The allowance for doubtful accounts consists of the following activity:

	March 31, 2021	December 31, 2020
	(In thousands)	
Allowance for doubtful accounts, beginning balance	\$4,174	\$ 3,281
Provision for doubtful accounts, net of recoveries	675	2,668
Write-offs	(630)	(1,775)
Allowance for doubtful accounts, ending balance	<u>\$4,219</u>	<u>\$ 4,174</u>

## Property, Equipment and Capitalized Software, Net

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

	March 31, 2021	December 31, 2020
	(In thousands)	
Computer equipment	\$ 34,280	\$ 41,735
Capitalized software development costs	46,309	43,728
Software	3,205	3,444
Leasehold improvements	1,697	2,805
Furniture and fixtures	528	908
Property, equipment and capitalized software, gross	86,019	92,620
Less: accumulated depreciation and amortization	(61,948)	(67,864)
Total property, equipment and capitalized software, net	<u>\$ 24,071</u>	<u>\$ 24,756</u>

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 4. Balance Sheet Components (continued)

## Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following:

	March 31, 2021	December 31, 2020
	(In thousands)	
Accrued traffic acquisition costs	\$60,407	\$ 77,195
Accrued tax liabilities	8,101	9,622
Accrued agency commissions	9,395	8,755
Capital lease obligations, current	3,903	3,853
Other	8,259	10,322
Total accrued and other current liabilities	<u>\$90,065</u>	<u>\$109,747</u>

In addition to our accrued traffic acquisition cost, accounts payable includes \$110.4 million and \$111.7 million of traffic acquisition costs as of March 31, 2021 and December 31, 2020, respectively.

## 5. Goodwill and Intangible Assets

The Company's goodwill balance was \$32.9 million at March 31, 2021 and December 31, 2020 and the Company has not recorded any accumulated impairments of goodwill.

The gross carrying amount and accumulated amortization of our intangible assets are as follows:

	As of March 31, 2021			
	Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	36-48 months	\$ 8,425	\$ (8,425)	\$ —
Customer relationships	48 months	5,493	(3,174)	2,319
Publisher relationships	48 months	8,703	(4,002)	4,701
Trade names	8 years	1,724	(396)	1,328
Other	14 years	848	(132)	716
Total intangible assets, net		<u>\$25,193</u>	<u>\$(16,129)</u>	<u>\$9,064</u>
	As of December 31, 2020			
	Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	36-48 months	\$ 8,425	\$ (8,388)	\$ 37
Customer relationships	48 months	5,694	(3,166)	2,528
Publisher relationships	48 months	9,111	(3,986)	5,125
Trade names	8 years	1,805	(395)	1,410
Other	14 years	830	(118)	712
Total intangible assets, net		<u>\$25,865</u>	<u>\$(16,053)</u>	<u>\$9,812</u>

No impairment charges were recorded during the three months ended March 31, 2021 and March 31, 2020.

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 5. Goodwill and Intangible Assets (continued)

As of March 31, 2021, estimated amortization related to our identifiable acquisition-related intangible assets in future periods was as follows:

As of March 31, 2021	Amount (In thousands)
2021	\$2,637
2022	3,516
2023	1,601
2024	267
2025	267
Thereafter	776
Total	\$9,064

## 6. Long Term Debt

*Revolving Credit Facility*

The Company is party to a loan and security agreement (“Revolving Credit Facility”) with Silicon Valley Bank (“SVB”) that provides us an initial maximum borrowing capacity of up to \$35.0 million that we may use to borrow against our qualifying receivables based on a defined borrowing formula. The Revolving Credit Facility was amended in November 2018 which extended the maturity date from October 2019 to November 2, 2021. The Revolving Credit Facility was further amended in March 2020 which revised certain financial covenants.

The Revolving Credit Facility contains customary conditions to borrowings, events of default and negative covenants, including covenants that restrict the Company’s ability to dispose of assets, merge with or acquire other entities, incur indebtedness, incur encumbrances, make distributions to holders of its capital stock, make investments or engage in transactions with our affiliates. The Company is also subject to financial covenants with respect to a monthly modified liquidity ratio and Adjusted EBITDA for trailing six-month periods.

Our obligations under the Revolving Credit Facility are secured by a first priority security interest in substantially all of the assets of the Company with a negative pledge on our intellectual property. The Company was in compliance with all financial covenants under its Revolving Credit Facility as of March 31, 2021.

As of March 31, 2021 and December 31, 2020, we had no borrowings outstanding under our Revolving Credit Facility and our available borrowing capacity was \$35.0 million based on the defined borrowing formula.

## 7. Income Taxes

The Company’s effective tax rates for the three months ended March 31, 2021 and March 31, 2020 were 13.0% and (13.4)%, respectively. The Company’s effective tax rate differed from the United States federal statutory tax rate of 21% primarily due to the full valuation allowance recorded against the U.S. deferred tax assets for the three months ended March 31, 2021, and our deferred tax assets in the U.S. and in one of our foreign subsidiaries for the three months ended March 31, 2020, respectively.

We recognize accrued interest and penalties related to unrecognized tax benefits in our income tax provision. The balance in our unrecognized tax benefits at March 31, 2021 and December 31, 2020 was \$1.3 million and \$1.2 million, respectively. While it is often difficult to predict the outcome of any particular

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)**7. Income Taxes (continued)**

uncertain tax position, it is reasonably possible that our unrecognized tax benefits will decrease approximately \$0.4 million during the next twelve months. We expect that the amount of unrecognized tax benefits will continue to change in the future as a result of ongoing operations, the outcomes of audits, and the expiration of the statutes of limitations. These changes are not expected to have a significant impact on our results of operations or financial condition.

**8. Commitments and Contingencies**

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

**9. Stock-based Compensation**

We issue equity awards under our Omnibus Securities and Incentive Plan adopted in September 2007, as amended in January 2009 (the "Plan"). The plan is administered by the Company's board of directors or designated person(s) and provides for grants of options, and restricted awards. As of March 31, 2021, approximately 1,341,091 shares were available for grant.

We recognize stock-based compensation for stock-based awards, including stock-options, restricted stock awards ("RSAs"), restricted stock units ("RSUs" and stock appreciation rights ("SARs") based on the estimated fair value of the awards. We estimated the fair value of our stock option awards on the grant date using the Black-Scholes option pricing model. The fair value of our RSUs and RSUs is the fair value of our common stock on the date of grant.

In our accompanying condensed consolidated statements of operations, we recognized stock-based compensation for our employees and non-employees as follows:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	(in thousands)	
Research and development	\$ 247	\$178
Sales and marketing	555	475
General and administrative	<u>685</u>	<u>263</u>
Total stock-based compensation	<u>\$1,487</u>	<u>\$916</u>

During the three months ended March 31, 2021 and March 31, 2020, we have not recorded any stock-based compensation related to our stock option awards, RSAs, RSUs and SARs that vest upon the satisfaction of a performance condition because the performance condition is not probable of occurring until a qualifying liquidity event (qualified IPO or change of control) has occurred. If a qualifying liquidity event had occurred on March 31, 2021, we would have recorded \$11.4 million in additional stock-based compensation related to our stock options, RSAs, RSUs and SARs that vest upon the satisfaction of a performance condition.

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 9. Stock-based Compensation (continued)

The following table summarizes stock option, RSA and RSU activity under the Plan and related information:

	Number of Shares	Options Outstanding	RSAs and RSUs Unvested and Outstanding	
		Weighted- Average Exercise Price	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding – December 31, 2020	9,308,317	\$3.74	6,861,895	\$5.50
Options exercised	(221,134)	2.55	—	—
RSUs vested	—	—	(178,671)	5.73
Cancellations	(446,587)	2.39	(278,801)	5.58
Outstanding – March 31, 2021	<u>8,640,596</u>	\$3.84	<u>6,404,423</u>	\$5.49
Exercisable – March 31, 2021	<u>6,412,714</u>	\$3.16		

*Stock Options*

There were no stock options granted during the three months ended March 31, 2021. As of March 31, 2021, total unrecognized stock-based compensation related to unvested stock options was \$4.8 million, which is expected to be recognized over a weighted-average period of 3.7 years. Certain stock options vest only upon IPO or other performance conditions.

*Restricted Stock Awards*

As of March 31, 2021, the total unrecognized stock-based compensation related to unvested RSAs is \$0.3 million. Certain RSAs issued during 2012 and 2013 relate to common stock issued in exchange for loans in the amount of the exercise price of the awards. The awards were also subject to a performance condition that is not probable until an IPO occurs. Because the notes were considered to be in-substance nonrecourse notes receivable, the awards are treated as a stock options for accounting purposes.

*Restricted Stock Units*

For those RSUs subject to occurrence of a performance condition because the performance condition is not probable until an IPO or certain merger and acquisition events have occurred, we have not recorded any stock-based compensation to date. As of March 31, 2021, the unrecognized stock-based compensation related to unvested RSUs not subject to performance conditions is \$10.0 million.

*Stock Appreciation Rights (SARs)*

The Plan provides for the award of Stock Appreciation Rights that are granted in connection with a related option to certain employees. The fair value of each SAR award is estimated using a similar method described for stock options. The fair value of each vested SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value. Because these SARs vest upon an IPO and the satisfaction of other performance conditions and these performance conditions are not probable to occur until an IPO has occurred, we have not recorded any stock-based compensation for the three-month periods ended March 31, 2021 and 2020 or recorded a liability related to these SAR grants as of March 31, 2021 or December 31, 2020. As of March 31, 2021 and December 31, 2020, 5,764 SAR awards were outstanding with a weighted average grant date fair value of \$2.31.



## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 9. Stock-based Compensation (continued)

## 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 with exercise prices ranging from \$0.001 to \$4.87 per share. The exercise period of the warrants is until the earlier of the closing of an IPO, the closing of a deemed liquidation event or the end of the warrant terms. As of March 31, 2021 and December 31, 2020, the Company had 1,055,852 warrants outstanding with a weighted exercise price of \$2.92.

## 10. Income (Loss) Per Share

We apply the two-class method to calculate basic and diluted income (loss) per share attributable to common stockholders as shares of our convertible preferred stock are participating securities due to their participation rights. The two-class method is an earnings allocation method under which earnings per share is calculated for common stock considering a participating security's rights to undistributed earnings as if all such earnings had been distributed during the period. Our participating securities are not included in the computation of loss per share attributable to common stockholders in periods of net loss because the convertible preferred stockholders have no contractual obligation to participate in losses.

	Three Months Ended March 31,	
	2021	2020
	(In thousands, except share and per share data)	
Numerator:		
Basic and diluted:		
Net income (loss)	\$ 10,746	\$ (9,570)
Less: undistributed earnings allocated to participating securities	(6,631)	—
Net income (loss) attributable to common stockholders	\$ 4,115	\$ (9,570)
Denominator:		
Basic weighted-average shares used in computing income (loss) attributable to common stockholders	29,276,271	28,288,107
Weighted average dilutive share equivalents: Stock options, Warrants, RSAs and RSUs	4,821,013	—
Diluted weighted-average shares used in computing income (loss) attributable to common stockholders	34,097,284	28,288,107
Net income (loss) per share attributable to common stockholders:		
Basic	\$ 0.14	\$ (0.34)
Diluted	\$ 0.12	\$ (0.34)

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 10. Income (Loss) Per Share (continued)

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

	Three Months Ended March 31,	
	2021	2020
Convertible preferred stock	47,009,166	47,009,166
Options to purchase common stock	1,785,781	3,605,688
Warrants	—	577,610
Restricted stock units	58,846	460,713
Total shares excluded from diluted income (loss) per share	<u>48,853,793</u>	<u>51,653,177</u>

## Unaudited Pro Forma Basic and Diluted Net Loss Per Share

Pro forma basic and diluted net loss per share attributable to common stockholders was computed to give effect to the automatic conversion of all series of convertible preferred stock using the if-converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later. In addition, the pro forma share amounts give effect to our stock options, RSAs, RSUs and SARs that have satisfied the service condition as of March 31, 2021. These awards will vest and settle upon the satisfaction of a qualified liquidity event. Also, pro-forma share amounts assume that warrants are exercised upon an IPO. Stock-based compensation associated with these awards is excluded from this pro forma presentation. If the qualifying event has occurred as of March 31, 2021, we would have recorded \$11.4 million of stock-based compensation expense relating to such awards, resulting in a reduction in net income of approximately \$10.7 million.

## OUTBRAIN INC.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## 10. Income (Loss) Per Share (continued)

The following table sets forth the computation of our unaudited pro forma basic and diluted net loss per share attributable to common stockholders:

	Three Months Ended March 31, 2021
	(In thousands, except share and per share data)
<b>Numerator:</b>	
Net income attributable to common stockholders used in computing pro forma net loss per share attributable to common stockholders, basic and diluted	\$ 10,746
<b>Denominator—basic:</b>	
Weighted-average shares used in computing income (loss), basic	29,276,271
Weighted-average pro-forma adjustment to reflect conversion of convertible preferred into common stock in accordance with the terms of the outstanding convertible preferred stock	
Weighted-average pro-forma adjustment to reflect assumed vesting of RSUs upon consummation of our expected initial public offering	
Weighted average pro-forma adjustment to reflect assumed exercise of Warrants due to acceleration of expiration of the warrants	
Weighted-average shares used in computing pro forma net income per share, basic	<u>                    </u>
<b>Denominator—diluted:</b>	
Pro forma weighted average shares, basic	
Weighted average dilutive share equivalents:	
Stock options, RSAs and RSUs	
Weighted-average shares used in computing pro forma net income (loss) per share, diluted	<u>                    </u>
Pro forma net income (loss) per share, basic	<u>                    </u>
Pro forma net income (loss) per share, diluted	<u>                    </u>

## 11. Subsequent Events

We evaluated subsequent events through May 28, 2021, the date these condensed consolidated financial statements were issued.

On April 21, 2021, the Company announced that it had confidentially submitted a draft registration statement on Form S-1 with the Securities and Exchange Commission (SEC) relating to the proposed initial public offering of its common stock. The number of shares to be offered and the price range for the proposed offering have not yet been determined. The initial public offering is expected to take place after the SEC completes its review process, subject to market and other conditions.

On April 29, 2021, we were notified that the Antitrust Division of the U.S. Department of Justice is conducting a criminal investigation into the hiring in our industry that includes us. We are cooperating with the Antitrust Division. At this stage, we are unable to predict the outcome or the timing of the ultimate resolution of this matter.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Outbrain, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Outbrain, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

New York, New York  
March 25, 2021

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

## OUTBRAIN INC.

## Consolidated Balance Sheets

*(In thousands, except for number of shares and par value)*

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 93,641	\$ 49,593
Accounts receivable, net of allowances	165,449	141,746
Prepaid expenses and other current assets	18,326	13,306
Total current assets	277,416	204,645
Property, equipment and capitalized software, net	24,756	24,532
Intangible assets, net	9,812	13,302
Goodwill	32,881	32,881
Other assets	11,621	7,164
<b>TOTAL ASSETS</b>	<b>\$ 356,486</b>	<b>\$ 282,524</b>
<b>LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 118,491	\$ 85,619
Accrued compensation and benefits	23,000	14,909
Accrued and other current liabilities	109,747	87,090
Deferred revenue	5,512	3,213
Total current liabilities	256,750	190,831
Other liabilities	17,105	18,911
<b>TOTAL LIABILITIES</b>	<b>\$ 273,855</b>	<b>\$ 209,742</b>
Commitments and Contingencies (Note 7)		
Convertible preferred stock, par value of \$0.001 per share, Series A, B, C, D, E, F, G and H—aggregate of 47,203,157 shares authorized as of December 31, 2020 and 2019; aggregate of 47,009,166 shares issued and outstanding as of December 31, 2020 and 2019, respectively; and aggregate liquidation preference of \$200.4 million as of December 31, 2020 and 2019	162,444	162,444
<b>STOCKHOLDERS' DEFICIT:</b>		
Common stock, par value of \$0.001 per share—110,812,435 shares authorized as of December 31, 2020 and 2019; 29,169,963 and 28,193,335 shares issued and outstanding as of December 31, 2020 and 2019	29	28
Additional paid-in capital	92,693	88,435
Accumulated other comprehensive loss	(4,290)	(5,523)
Accumulated deficit	(168,245)	(172,602)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(79,813)</b>	<b>(89,662)</b>
<b>TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 356,486</b>	<b>\$ 282,524</b>

See Accompanying Notes to Consolidated Financial Statements.

**OUTBRAIN INC.**  
**Consolidated Statements of Operations**  
*(In thousands)*

	<u>2020</u>	<u>2019</u>
Revenue	\$767,142	\$687,333
Cost of revenue:		
Traffic acquisition costs	572,802	517,000
Other cost of revenue	29,278	28,548
Total cost of revenue	<u>602,080</u>	<u>545,548</u>
Gross profit	165,062	141,785
Operating expenses:		
Research and development	28,961	26,391
Sales and marketing	77,570	78,941
General and administrative	48,354	51,038
Total operating expenses	<u>154,885</u>	<u>156,370</u>
Income (loss) from operations	10,177	(14,585)
Other income (expense), net:		
Interest expense	(832)	(601)
Interest income and other income (expense), net	<u>(1,695)</u>	<u>152</u>
Total other income (expense), net	<u>(2,527)</u>	<u>(449)</u>
Income (loss) before provision for income taxes	7,650	(15,034)
Provision for income taxes	3,293	5,480
Net income (loss)	<u>\$ 4,357</u>	<u>\$ (20,514)</u>
Net income (loss) per common share:		
Basic	\$ 0.06	\$ (0.79)
Diluted	\$ 0.05	\$ (0.79)
Pro forma net income (loss) per common share:		
Basic	\$ —	
Diluted	\$ —	

See Accompanying Notes to Consolidated Financial Statements.

## OUTBRAIN INC.

**Consolidated Statements of Comprehensive Income (Loss)**  
*(In thousands)*

	<u>2020</u>	<u>2019</u>
Net income (loss)	\$4,357	\$(20,514)
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,233	(16)
Comprehensive income (loss)	<u>\$5,590</u>	<u>\$(20,530)</u>

See Accompanying Notes to Consolidated Financial Statements.



## OUTBRAIN INC.

**Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit**  
*(In thousands, except for number of shares)*

	Convertible Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance—January 1, 2019	46,966,186	\$162,164	21,174,300	\$20	\$ 45,048	\$ (5,507)	\$(152,088)	\$(112,527)
Issuance of Series H convertible preferred stock for a business combination	35,048	228	—	—	—	—	—	—
Issuance of Series H convertible preferred stock for an asset acquisition	7,932	52	—	—	—	—	—	—
Issuance of common stock upon exercise of employee stock option	—	—	430,009	1	942	—	—	943
Issuance of common stock upon vesting of restricted stock units	—	—	463,622	1	—	—	—	1
Issuance of common stock upon acquisition	—	—	6,125,404	6	38,327	—	—	38,333
Stock-based compensation	—	—	—	—	4,118	—	—	4,118
Other comprehensive loss	—	—	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	—	—	(20,514)	(20,514)
Balance—December 31, 2019	47,009,166	\$162,444	28,193,335	\$28	\$ 88,435	\$ (5,523)	\$(172,602)	\$( 89,662)
Issuance of common stock upon exercise of employee stock option	—	—	472,880	0	393	—	—	393
Issuance of common stock upon vesting of restricted stock units	—	—	503,748	1	—	—	—	1
Stock-based compensation	—	—	—	—	3,865	—	—	3,865
Other comprehensive loss	—	—	—	—	—	1,233	—	1,233
Net income	—	—	—	—	—	—	4,357	4,357
Balance—December 31, 2020	<u>47,009,166</u>	<u>\$162,444</u>	<u>29,169,963</u>	<u>\$29</u>	<u>\$ 92,693</u>	<u>\$ (4,290)</u>	<u>\$(168,245)</u>	<u>\$( 79,813)</u>

See Accompanying Notes to Consolidated Financial Statements.

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

	For year-ended December 31, 2020	For year-ended December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 4,357	\$(20,514)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	6,638	6,248
Amortization of capitalized software development costs	7,545	6,461
Amortization of intangible assets	4,326	4,035
Amortization of deferred traffic acquisition costs	—	38
Non-cash interest	43	51
Loss on disposal of property and equipment	—	(25)
Gain on sale of asset	(1,095)	—
Stock-based compensation	3,588	3,876
Provision for doubtful accounts	2,621	3,189
Deferred income taxes	(2,256)	(141)
Other	(1,414)	(22)
Changes in operating assets and liabilities:		
Accounts receivable	(24,124)	4,797
Prepaid expenses and other current assets	(3,729)	1,038
Other assets	(1,821)	(146)
Accounts payable	31,429	(25,366)
Accrued and other current liabilities	24,109	32,291
Deferred revenue	2,159	1,045
Other	610	(115)
Net cash provided by operating activities	<u>52,986</u>	<u>16,740</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,511)	(2,452)
Capitalized software development costs	(8,990)	(7,935)
Proceeds from sale of assets	1,117	—
Acquisition of business	—	2,920
Other	(39)	(122)
Net cash used in investing activities	<u>(9,423)</u>	<u>(7,589)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of common stock options and warrants	545	882
Principal payments on capital lease obligations	(4,773)	(4,541)
Net cash used in financing activities	<u>(4,228)</u>	<u>(3,659)</u>
Effect of exchange rate changes	4,750	64
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	44,085	5,556
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of period	49,982	44,426
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of period	<u>\$ 94,067</u>	<u>\$ 49,982</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS</b>		
Cash and cash equivalents	\$ 93,641	\$ 49,593
Restricted cash, included in other assets	426	389
Total cash, cash equivalents, and restricted cash	<u>\$ 94,067</u>	<u>\$ 49,982</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for income taxes, net of refunds	<u>\$ 2,639</u>	<u>\$ 5,489</u>
Cash paid for interest	<u>\$ 760</u>	<u>\$ 548</u>
Stock-based compensation capitalized for software development costs	<u>\$ 212</u>	<u>\$ 242</u>
Purchases of property and equipment included in accounts payable	<u>\$ 135</u>	<u>\$ 142</u>
Property and equipment financed under capital obligation arrangements	<u>\$ 4,834</u>	<u>\$ 6,769</u>
Series H convertible preferred stock issued for acquisition of a business	<u>\$ —</u>	<u>\$ 228</u>
Series H convertible preferred stock issued for asset acquisition	<u>\$ —</u>	<u>\$ 52</u>
Common stock issued for acquisition of a business	<u>\$ —</u>	<u>\$ 40,060</u>

See Accompanying Notes to Consolidated Financial Statements.

**OUTBRAIN INC.****Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies****Organization and Description of Business**

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 and has wholly-owned subsidiaries in Israel, Europe, Asia, Brazil and Australia.

Outbrain is a leading recommendation platform powering the open web. Our platform provides personalized recommendations that appear as links to content, advertisements and videos on media owner’s online properties. We generate revenue from marketers through user engagements with promoted recommendations that we deliver across a variety of third-party media owner’s properties. We pay traffic acquisition costs to our media owner partners on whose digital properties the recommendations are shown. Our advertiser solutions are mainly priced using a performance-based model based on the actual number of engagements generated by users. The actual number of engagements generated by users is highly dependent on our ability to generate trustworthy and interesting recommendations to individual users based on our proprietary algorithms. A small portion of our 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 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The accompanying consolidated financial statements include the accounts of Outbrain Inc. and our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation. Certain reclassifications have been made to amounts reported for the prior years to achieve consistent presentation with the current year.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. Estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the allowance for doubtful accounts, 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 and goodwill, the fair value of stock-based awards, the recognition and measurement of income tax uncertainties and other contingencies. Actual results may differ from those estimates and assumptions.

**Cash and Cash Equivalents**

We consider 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.

**Restricted Cash**

Restricted cash represents security deposits for facility leases as well as time deposits with financial institutions. Restricted cash is included in other assets in the accompanying consolidated balance sheets.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)****Fair Value Measurement**

We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Our financial instruments include restricted time deposits, severance pay fund deposits and foreign currency forward contract assets. We determine the fair value of our 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 following fair value hierarchy distinguishes between observable and unobservable inputs, in which Level I provides the most reliable measure of fair value, whereas Level III, if applicable, generally would require significant management judgment:

*Level I*—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

*Level II*—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

*Level III*—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.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at invoiced amounts, net of allowances for doubtful accounts, if applicable, and are unsecured and do not bear interest. Accounts receivable also include earned and billable amounts not yet invoiced as of the end of the reporting period.

The allowance for doubtful accounts is based on the best estimate of the amount of probable credit losses in existing accounts receivable. We evaluate the collectability of our accounts receivable based on known collection risks and historical experience. In circumstances where we are aware of a customer's inability to meet its financial obligations to us (e.g., bankruptcy filings or substantial downgrading of credit ratings), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we record reserves for bad debts based on the length of time the receivables are past due and our historical experience of collections and write-offs. If circumstances change, such as higher-than-expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations, our estimate of amounts collectible could be reduced by a material amount.

**Certain Risks and Concentrations**

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. Our 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.

We generally do not require collateral to secure accounts receivable. No single marketer accounted for 10% or more of our total revenue for the years ended 2020 and 2019 or 10% or more of our gross accounts receivable balance as of December 31, 2020 and 2019.

For the year ended December 31, 2020, two media owners individually accounted for 12% and 11% of our total traffic acquisition costs. For the year ended December 31, 2019, two media owners individually accounted for 14% and 11% of our total traffic acquisition costs.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)****Property, equipment and capitalized software, net**

Property and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation on property and equipment, excluding leasehold improvements, is three years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining lease term. Amortization on leasehold improvements ranges from one to nine years.

We capitalize qualifying development costs associated with software that is developed or obtained for internal use, provided that management with the relevant authority authorizes and commits to the funding of the project, it is probable the project will be completed and the software will be used to perform the function intended. Capitalized costs, including costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized on a straight-line basis over the estimated useful life, which approximates three years. Costs related to preliminary project activities and post-implementation operation activities, including training and maintenance, are expensed as incurred.

**Intangible assets, net**

Intangible assets primarily consist of developed technology and customer and media owner relationships resulting from acquisitions. Intangible assets are carried at cost, less accumulated amortization, unless a determination has been made that their value has been impaired. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense in the accompanying consolidated statements of operations is included as a component of other cost of revenue for developed technology assets and sales and marketing expense for customer and media owner relationships and tradenames.

**Impairment of Long-Lived Assets**

Long-lived assets consist of our property, equipment, capitalized software development costs and other assets, including identifiable intangible assets with finite lives. Our long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than we had originally estimated. Recoverability of these assets is first assessed by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate over their remaining lives. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. If the useful life is shorter than originally estimated, we amortize the remaining carrying value over the new shorter useful life.

**Goodwill**

Goodwill represents the excess of the purchase price of an acquired entity over the fair value of intangible assets acquired and liabilities assumed. Goodwill is not amortized but instead evaluated for impairment. We perform our annual impairment test of goodwill during the fourth quarter of each fiscal year or whenever events or circumstances change that would indicate that goodwill may not be recoverable. In conducting our impairment test, we can opt to perform a qualitative assessment to test goodwill for impairment or we can directly perform the two-step impairment test described below. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not (a likelihood of more than 50%) to be less than its carrying amount, the two-step impairment test will be performed. In the first step, we compare the fair value of our reporting unit to its carrying amount. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)**

second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. In the second step, if the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. Based on our qualitative assessment performed during the fourth quarter of fiscal years 2020 and 2019, we concluded that it was more-likely-than-not that the estimated fair value of Company's single reporting unit exceeded its carrying value. Accordingly, we did not recognize any goodwill impairment charges for the years ended December 31, 2020 and 2019.

**Revenue Recognition**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) to supersede nearly all current revenue recognition guidance under US GAAP. The core principle of Topic 606 is to recognize revenues when goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 provides a five-step model to achieve this core principle and, in doing so, it is possible that more judgment and estimates may be required within the revenue recognition process than required under previous US GAAP, including identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The Company adopted the new standard effective with our December 31, 2019 annual financial statements using the modified retrospective approach. The adoption did not have a material impact on our consolidated financial statements.

We recognize revenues when we transfer control of promised services directly to our customers, in an amount that reflects the consideration to which we expect to be entitled to in exchange for those services. The Company recognizes revenue pursuant to the five-step framework contained in ASC 606: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as the Company satisfies the performance obligations.

We generate revenue primarily from marketers through user engagement with personalized display advertisements that we place on third-party media owners web pages and mobile applications. Our platform delivers personalized recommendations to end-users that appear as links to articles and videos on media owners' sites.

Our customers include brands, performance marketers and other advertisers, which we collectively refer to as our marketers, each of whom contract for use of our services primarily through insertion orders or through our online process, allowing marketers to establish budgets for their advertising campaigns. Advertising campaigns are billed on a monthly basis. Our payment terms generally range from 30 to 60 days.

For advertising campaigns priced on a cost-per-click basis, we bill our marketers and recognize revenue when a user clicks on an advertisement we deliver.

For campaigns priced on a cost-per-impression basis, we bill our marketers and recognize revenue based on the number of times an advertisement is displayed to a user.

Variable consideration, including allowances, discounts, refunds, credits, incentives, or other price concessions, is estimated and recorded at the time that related revenue is recognized. Advance payments from marketers for future services represent contract liabilities and are recorded as deferred revenue in our consolidated balance sheets.

The determination of whether revenue should be reported on a gross or a net basis involves significant judgement. In general, we act as a principal on behalf of our marketers and revenue is recognized gross of

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)**

any distribution costs that we remit to the media owners. In these cases, we control the advertising inventory before it is transferred to our marketers. Our control is evidenced by our ability to monetize and direct the use of the advertising inventory before it is transferred to our marketers. For those revenue arrangements where we do not control the advertising inventory before it is transferred to our marketers, we are the agent and recognize revenue on a net basis. We recognize revenue net of applicable sales taxes.

**Cost of Revenue**

*Traffic Acquisition Costs.* Traffic acquisition costs consist of amounts we owe to media owners when users engage with promoted recommendations on media owners' properties. We incur costs with media owners in the period in which the click-throughs occur or in some circumstances based on a guaranteed minimum rate of payment from us in exchange for guaranteed placement of our promoted recommendations on specified portions of the media owners online properties. These guaranteed rates are typically provided per thousand qualified page views, whereby our minimum monthly payment to the media owner may fluctuate based on how many qualified page views the media owner generates, subject to a maximum guarantee. Traffic acquisition costs also include amounts payable to programmatic supply partners.

In some instances, we may make upfront payments to media owners in connection with long-term contracts. We capitalize these advance payments under these agreements if select capitalization criteria have been met. The capitalization criteria include the existence of future economic benefits to us, the existence of legally enforceable recoverability language (e.g., early termination clauses), management's ability and intent to enforce the recoverability language and the ability to generate future earnings from the agreement in excess of amounts deferred. Capitalized amounts are amortized as traffic acquisition costs over the shorter of the period of contractual recoverability or the corresponding period of economic benefit. Amounts not yet paid are accrued systematically based on our estimate of user engagement.

*Other Cost of Revenue.* Cost of revenue also includes costs related to the management of our data centers, hosting fees, data connectivity costs and depreciation and amortization. Cost of revenue also includes the amortization of capitalized software that is developed or obtained for internal use associated with our revenue-generating technologies. Additionally, other cost of revenue includes amortization of intangible assets related to developed technology acquired by us and used in our revenue-generating efforts.

**Research and Development**

We incur research and development expenses primarily relating to the development and enhancement of our content discovery platform. These expenses consist primarily of personnel and the related overhead costs and amortization of capitalized software for non-revenue generating infrastructure. Research and development expenses are expensed as incurred, except for internal-use software development costs that qualify for capitalization.

**Advertising and Promotional Costs**

Advertising and promotional costs are included in sales and marketing expenses as incurred in the accompanying consolidated statements of operations. Advertising and promotional costs were \$9.3 million and \$11.0 million for the years ended December 31, 2020 and 2019, respectively.

**Segment Information**

Our chief operating decision maker is our Co-Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. We have one business activity and there are no segment managers who are held accountable for operations, operating results beyond revenues or gross profit, or plans for levels or components below the consolidated level. Accordingly, we have a single operating and reportable segment.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)****Stock-based Compensation**

We recognize stock-based compensation for stock-based awards, including stock options, restricted stock awards (“RSAs”), restricted stock units (“RSUs”) and stock appreciation rights (“SARs”) based on the estimated fair value of the awards. We estimate the fair value of our stock option awards on the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the use of judgments and assumptions, including the option’s expected term and the price volatility of the underlying stock. The fair value of our RSAs and RSUs is the fair value of our common stock on the date of grant. We account for forfeitures as they occur.

Stock option awards, RSAs, RSUs and SARs generally vest subject to the satisfaction of service requirements, the satisfaction of both service requirements and achievement of certain performance conditions, or the satisfaction of service requirements and achievement of certain performance and market conditions. For stock awards that vest subject to the satisfaction of service requirements, stock-based compensation is measured based on the fair value of the award on the date of grant and is recognized as stock-based compensation on a straight-line basis over the requisite service period. For stock awards that have a performance component, stock-based compensation is measured based on the fair value on the grant date and is recognized over the requisite service period as achievement of the performance objective becomes probable.

For common stock options or warrants issued to non-employees, including consultants, we record stock-based compensation based on the fair value of the options or warrants calculated using the Black-Scholes option pricing model. We calculate the fair value of each stock-based award to non-employees on each measurement date based on the fair value of our common stock. The fair value of each stock-based award granted to non-employees is remeasured as the options or warrants vest, and the resulting change in fair value is recognized in the consolidated statements of operations during the period the related services are rendered.

**Foreign Currency**

We transact business in various foreign currencies. In general, the functional currency of our foreign subsidiaries is the currency of the local country. Consequently, revenues and expenses of operations outside the United States are generally translated into U.S. dollars using weighted-average exchange rates, while assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date with the resulting translation adjustments recorded as a component of accumulated other comprehensive loss within the statements of convertible preferred stock and stockholders’ deficit. Foreign currency transaction gains and losses resulting from transactions denominated in a currency other than the functional currency are recognized in the consolidated statements of operations. The net foreign exchange transaction gains (losses) included in interest income and other income (expense), net in the accompanying consolidated statements of operations were (\$3.1) million and \$0.3 million for the years ended December 31, 2020 and 2019, respectively.

**Derivative Financial Instruments**

We are exposed to certain risks relating to our ongoing business operations, including but not limited to, fluctuations in foreign currency exchange rates. We may enter into foreign currency forward exchange contracts to manage our foreign currency exchange risk by reducing the effects of fluctuations in foreign currency exchange rates on our net cash flows. For derivative financial instruments in which hedge accounting is not elected or applicable, we recognize gains and losses resulting from a change in fair value for these derivatives on the consolidated statement of operations in other income (expense) in the period in which the change occurs. We classify cash flows from these contracts as operating activities on the consolidated statements of cash flows.



## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)**

The notional amount of our outstanding derivative instruments was \$8.8 million and \$11.5 million as of December 31, 2020 and 2019, respectively. We did not designate these foreign currency forward contracts as a hedge. The fair value of our derivatives are included in other current assets or accrued and other current liabilities in our consolidated balance sheets. We measure the fair value of our outstanding or unsettled derivatives using Level II fair value inputs, as we use a pricing model that takes into account contractual terms as well as the current foreign currency exchange rate in active markets.

**Severance Pay Asset and Liability**

We record a severance pay asset and liability on our consolidated balance sheets related to our employees located in Israel. Our liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary for the employees multiplied by the number of years of employment, as of the respective balance sheet date. Employees are entitled to one-month salary for each year of employment or a portion thereof. Our liability at each respective balance sheet date for all of our Israeli employees is fully accrued in other liabilities in the accompanying consolidated balance sheets. We fund this obligation through monthly deposits to the employee's pension and management insurance policies. The carrying value of these policies is recorded as a severance fund asset in other assets in the accompanying consolidated balance sheets.

The deposited funds may be withdrawn only upon the fulfillment of our obligation pursuant to Israeli severance pay law. The carrying value of our deposited funds is based on the cash surrender value of these policies and includes profits accumulated through the respective balance sheet date.

**Income Taxes**

We account for income taxes using an asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. We regularly assess the likelihood that our deferred income tax assets will be realized. To the extent that we believe any amounts are not more likely than not to be realized, we record a valuation allowance to reduce the deferred income tax assets. Our deferred tax assets of \$2.8 million and \$1.2 million as of December 31, 2020 and 2019, respectively, are included within other assets in the consolidated balance sheet while deferred tax liabilities of \$3.4 million and \$3.9 million as of December 31, 2020 and 2019, respectively, are included within other liabilities in the consolidated balance sheet. We regularly assess the need for the valuation allowance on our deferred tax assets, and to the extent that we determine that an adjustment is needed, such adjustment will be recorded in the period that the determination is made.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We recognize penalties related to income tax matters as income tax expense.

**COVID-19 Impacts**

In March 2020, the World Health Organization declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a global slowdown of economic activity causing a decrease in demand for a broad variety of goods and services, including those provided by certain advertisers using our platform. Many of our advertiser partners reduced their advertising spending, which had a negative impact on our results during the first half of 2020. As customers gradually shifted their spending towards digital advertising, our revenue trends improved meaningfully and returned to growth during the third and fourth

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****1. Organization, Description of Business and Summary of Significant Accounting Policies (continued)**

quarters of 2020. Although we have seen a recovery in the advertising market and our business in the recent months, the full impact of the COVID-19 pandemic on the global economy and the extent to which the pandemic may impact our business, financial condition, and results of operations in the future remains uncertain.

**Recently Issued Accounting Pronouncements****Recently issued accounting pronouncements not yet adopted**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). In June 2020 the FASB issued ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, the amendments in this update defer the effective date of ASU 2016-02 for private companies to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, early application continues to be permitted. Although adoption is not required until January 1, 2022, the Company is still evaluating the adoption date and will adopt on the earlier of January 1, 2022 or on losing Emerging Growth Company status. The Company continues to assess all impacts of adoption and expects lease liabilities and right-of-use assets to increase as a result of the adoption.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires consideration of forward-looking information to calculate credit loss estimates. These changes will result in an earlier recognition of credit losses. The amendment is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company's financial assets held at amortized cost include accounts receivable. The amendments in ASU 2020-05 also defer the effective date for Topic 326 which is required to be implemented for fiscal years beginning after December 15, 2022. The Company is still evaluating the adoption date and will adopt on the earlier of January 1, 2023 or on losing Emerging Growth Company status. The Company does not expect the adoption of this standard will have a material impact on the consolidated financial statements or related disclosures.

## OUTBRAIN INC.

Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019**2. Fair Value Measurements**

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

	December 31, 2020			
	Level I	Level II	Level III	Total
	(In thousands)			
<b>Financial Assets:</b>				
Restricted time deposit	\$ —	\$ 426	\$ —	\$ 426
Severance pay fund deposits	—	5,379	—	5,379
Foreign currency forward contract	—	553	—	553
<b>Total financial assets</b>	<b>\$ —</b>	<b>\$ 6,358</b>	<b>\$ —</b>	<b>\$ 6,358</b>
	December 31, 2019			
	Level I	Level II	Level III	Total
	(In thousands)			
<b>Financial Assets:</b>				
Restricted time deposit	\$ —	\$ 389	\$ —	\$ 389
Severance pay fund deposits	—	4,542	—	4,542
Foreign currency forward contract	—	117	—	117
<b>Total financial assets</b>	<b>\$ —</b>	<b>\$ 5,048</b>	<b>\$ —</b>	<b>\$ 5,048</b>

**3. Balance Sheet Components****Accounts Receivable, Net**

Accounts receivable, net consists of the following:

	December 31,	
	2020	2019
	(In thousands)	
Accounts receivable	\$ 169,623	\$ 145,027
Allowance for doubtful accounts	(4,174)	(3,281)
<b>Accounts receivable, net</b>	<b>\$ 165,449</b>	<b>\$ 141,746</b>

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts consists of the following activity:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Allowance for doubtful accounts, beginning balance	\$ 3,281	\$ 2,049
Provision for doubtful accounts	2,668	3,373
Recoveries	—	3
Write-offs	(1,775)	(2,144)
<b>Allowance for doubtful accounts, ending balance</b>	<b>\$ 4,174</b>	<b>\$ 3,281</b>

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**3. Balance Sheet Components (continued)****Property, Equipment and Capitalized Software, Net**

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

	December 31,	
	2020	2019
	(In thousands)	
Computer and equipment	\$ 41,735	\$ 37,122
Capitalized software development costs	43,728	34,525
Software	3,444	4,259
Leasehold improvements	2,805	3,122
Furniture and fixtures	908	1,028
Property, equipment and capitalized software, gross	92,620	80,056
Less: accumulated depreciation and amortization	(67,864)	(55,524)
Total property, equipment and capitalized software, net	<u>\$ 24,756</u>	<u>\$ 24,532</u>

We capitalized software development costs, including stock-based compensation, of \$9.2 million and \$8.2 million for the years ended December 31, 2020 and 2019, respectively. Accumulated amortization for our capitalized software development costs was \$29.8 million and \$22.2 million as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, total computer equipment financed and software licensed under capital leases was \$7.4 million and \$7.0 million, net of accumulated amortization of \$17.2 million and \$13.5 million. Amortization expense related to total computer equipment financed and software licensed under capital leases was \$3.7 million and \$4.5 million for the years ended December 31, 2020 and 2019.

**Accrued and Other Current Liabilities**

Accrued and other current liabilities consist of the following:

	December 31,	
	2020	2019
	(In thousands)	
Accrued traffic acquisition costs	\$ 77,195	\$61,003
Accrued tax liabilities	9,622	5,451
Accrued agency commissions	8,755	7,277
Capital obligations, current	3,853	3,804
Other accrued expenses	10,322	9,555
Total accrued and other current liabilities	<u>\$109,747</u>	<u>\$87,090</u>

In addition to our accrued traffic acquisition cost, accounts payable includes \$111.7 million and \$78.2 million of traffic acquisition costs as of December 31, 2020 and 2019, respectively.

**4. Acquisition**

On April 1, 2019, we completed the acquisition of all of the outstanding shares of Ligatus GmbH ("Ligatus"), a German-based native advertising company, pursuant to a share purchase agreement between the Company and the sellers, Gruner + Jahr GmbH.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**4. Acquisition (continued)**

The acquisition date fair value of the consideration transferred was approximately \$40.1 million, which consisted of 6,125,404 shares of Outbrain common stock valued at \$6.54 per share.

The acquisition was accounted for as a business combination and the results of operations of the acquired entity have been included in the Company's results of operations as of the acquisition date. The purpose of the acquisition was to expand our native offering to advertisers and strengthen our relationships with our media owners. The Company expensed all transaction costs in the period in which they were incurred. The Company allocated the purchase price to identifiable assets acquired based on their estimated fair values. The fair value of the consideration transferred and the assets acquired and liabilities assumed was determined by the Company and in doing so management engaged a third-party valuation specialist to assist with the measurement of the fair value of identifiable intangible assets. The estimated fair value of the identifiable assets acquired and liabilities assumed was based on management's best estimates. The fair values of the publisher relationships were determined using the multi-period excess earnings income approach and the customer relationships were determined using the cost approach. The fair value of trade names was determined using the relief-from-royalty method. The excess of the purchase price over the aggregate fair value of the identifiable assets acquired was recorded as goodwill and is primarily attributable to expected synergies the Company expects from future growth and potential monetization opportunities. The goodwill is deductible for tax purposes.

The table below presents the fair values allocated to Ligatus' assets and liabilities as of the acquisition date.

Cash and cash equivalents	\$ 2,920
Accounts receivable	17,394
Prepaid expenses and other current assets	3,916
Publisher relationships—intangible asset	8,345
Customer relationships—intangible asset	4,115
Tradenames	1,653
Property and equipment and other assets	563
Accounts payable	(6,223)
Accrued and other liabilities	(4,052)
Deferred revenue	(189)
Deferred tax liability	(4,581)
Net assets acquired	23,861
Goodwill	16,199
Total	<u>\$40,060</u>

Identifiable intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The Company estimated the useful lives of the acquired relationships to be four (4) years, and trade names to be eight (8) years. Amortization expense in the accompanying consolidated statements of operations is included as a component of sales and marketing expense for the acquired intangible assets.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**5. Goodwill and Intangible Assets**

The changes in the carrying value of goodwill are as follows:

	Year Ended December 31,	
	2020	2019
(In thousands)		
Goodwill, opening balance	\$32,881	\$16,682
Acquisition	—	16,199
Goodwill, closing balance	<u>\$32,881</u>	<u>\$32,881</u>

The Company has not recorded any accumulated impairments of goodwill.

The gross carrying amount and accumulated amortization of our intangible assets are as follows:

	December 31, 2020			
	Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	36-48 months	\$ 8,425	\$ (8,388)	\$ 37
Customer relationships	48 months	5,694	(3,166)	2,528
Publisher relationships	48 months	9,111	(3,986)	5,125
Trade names	8 years	1,805	(395)	1,410
Other	14 years	830	(118)	712
Total intangible assets, net		<u>\$25,865</u>	<u>\$(16,053)</u>	<u>\$9,812</u>

	December 31, 2019			
	Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	36-48 months	\$ 8,425	\$ (7,434)	\$ 991
Customer relationships	48 months	5,304	(1,970)	3,334
Publisher relationships	48 months	8,321	(1,560)	6,761
Trade names	8 years	1,648	(155)	1,493
Other	14 years	790	(67)	723
Total intangible assets, net		<u>\$24,488</u>	<u>\$(11,186)</u>	<u>\$13,302</u>

No impairment charges were recorded during the years ended December 31, 2020 and 2019.

As of December 31, 2020, estimated amortization related to our identifiable acquisition-related intangible assets in future periods was as follows:

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**5. Goodwill and Intangible Assets (continued)**

Year Ending December 31,	Amount
	(In thousands)
2021	\$3,390
2022	3,353
2023	1,687
2024	247
2025	247
Thereafter	888
Total	<u>\$9,812</u>

**6. Long Term Debt****Revolving Credit Facility**

The Company is party to a loan and security agreement (“Revolving Credit Facility”) with Silicon Valley Bank (“SVB”) that provides us an initial maximum borrowing capacity of up to \$35.0 million that we may use to borrow against our qualifying receivables based on a defined borrowing formula. The Revolving Credit Facility was amended in November 2018 which extended the maturity date from October 2019 to November 2, 2021.

The Revolving Credit Facility contains customary conditions to borrowings, events of default and negative covenants, including covenants that restrict the Company’s ability to dispose of assets, merge with or acquire other entities, incur indebtedness, incur encumbrances, make distributions to holders of its capital stock, make investments or engage in transactions with our affiliates. The Company is also subject to financial covenants with respect to a monthly modified liquidity ratio and Adjusted EBITDA for trailing six-month periods.

Our obligations under the Revolving Credit Facility are secured by a first priority security interest in substantially all of the assets of the Company with a negative pledge on our intellectual property. The Company was in compliance with all of its financial covenants under its Revolving Credit Facility as of December 31, 2020.

As of December 31, 2020 and December 31, 2019, we had no borrowings outstanding under our Revolving Credit Facility and our available borrowing capacity was \$35.0 million based on the defined borrowing formula.

**7. Commitments and Contingencies****Legal Proceedings**

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

**Lease and Other Commitments**

We lease certain office and data center facilities under non-cancelable operating lease arrangements for our U.S. and international locations that expire on various dates through 2024. In addition, we have entered

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**7. Commitments and Contingencies (continued)**

into agreements to lease apartment facilities and motor vehicles. These arrangements require us to pay certain operating expenses, such as taxes, repairs and insurance and contain renewal and escalation clauses. We recognize rent expense under these arrangements on a straight-line basis over the term of the lease.

In addition, we leased certain equipment and computers under capital lease arrangements that expired at various dates through 2024.

As of December 31, 2020, the aggregate future non-cancelable minimum lease payments consist of the following:

Year Ending December 31:	Operating Leases	Capital Leases
(In thousands)		
2021	\$ 6,437	\$ 4,316
2022	3,807	2,645
2023	2,428	1,057
2024	1,811	129
2025	1,646	—
Thereafter	401	—
Total minimum payments required	<u>\$ 16,530</u>	<u>\$ 8,147</u>

Rent expense for all operating leases amounted to \$4.7 million and \$5.1 million for the years ended December 31, 2020 and 2019, respectively.

**8. Common Stock Reserved for Issuance**

We reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	December 31,	
	2020	2019
Conversion of outstanding Series A convertible preferred stock	7,065,907	7,065,907
Conversion of outstanding Series B convertible preferred stock	14,565,760	14,565,760
Conversion of outstanding Series C convertible preferred stock	6,477,447	6,477,447
Conversion of outstanding Series D convertible preferred stock	5,735,026	5,735,026
Conversion of outstanding Series E convertible preferred stock	1,080,197	1,080,197
Conversion of outstanding Series F convertible preferred stock	5,318,040	5,318,040
Conversion of outstanding Series G convertible preferred stock	5,532,213	5,532,213
Conversion of outstanding Series H convertible preferred stock	1,234,576	1,234,576
Outstanding stock options	9,308,317	8,376,092
Outstanding common stock warrants	1,055,852	1,070,852
Outstanding RSAs	190,245	190,245
Outstanding RSUs	6,663,669	4,379,033
SAR awards	5,764	7,371
Shares reserved for future option grants	664,124	4,911,016
Total common stock reserved for issuance	<u>64,897,137</u>	<u>65,943,775</u>



## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**9. Convertible Preferred Stock**

The following tables summarizes our authorized, issued and outstanding convertible preferred stock:

Convertible Preferred Stock:	December 31, 2020 and 2019				
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Liquidation Price Per Share	Aggregate Liquidation Preference
	(In thousands, except share data)				
Series A	7,065,907	7,065,907	\$ 5,053	\$0.72260	\$ 5,106
Series B	14,565,760	14,565,760	11,717	0.82385	12,000
Series C	6,477,447	6,477,447	12,330	1.69820	11,000
Series D	5,735,026	5,735,026	35,035	6.14070	35,217
Series E	1,080,197	1,080,197	6,054	5.55450	6,000
Series F	5,343,425	5,318,040	35,606	13.4150	71,342
Series G	5,666,172	5,532,213	48,612	8.8243	48,818
Series H	1,269,223	1,234,576	8,037	8.8243	10,894
Total convertible preferred stock	<u>47,203,157</u>	<u>47,009,166</u>	<u>\$162,444</u>		<u>\$200,377</u>

No convertible preferred stock was issued in 2020. In 2019, we issued a combined 42,980 shares of Series H convertible preferred stock in connection with a 2018 asset acquisition and a 2017 acquisition of a business.

We recorded the convertible preferred stock at fair value on the dates of issuance, net of issuance costs. We classify our convertible preferred stock outside of stockholders' deficit because, in the event of certain "liquidation events" that are not solely within our control (including merger, acquisition, or sale of all or substantially all of our assets), the shares would become redeemable at the option of the holders. We did not adjust the carrying values of the convertible preferred stock to the deemed liquidation values of such shares since a liquidation event was not probable at any of the balance sheet dates. Subsequent adjustments to increase or decrease the carrying values to the ultimate liquidation values will be made if and when it becomes probable that such a liquidation event will occur.

The holders of our convertible preferred stock have various rights, preferences, and privileges as follows:

*Conversion Rights*

Each share of Series A, B, C, D, E, F, G and H convertible preferred stock is convertible at the option of the holder into the number of shares of common stock determined by dividing the original issue price by the applicable conversion price. The original issue price per share and initial conversion price per share is \$0.7226 for Series A, \$0.82385 for Series B, \$1.6982 for Series C, \$6.1407 for Series D, \$5.5545 for Series E, \$6.7075 for Series F and \$8.8243 for Series G and Series H. At each reporting date, each share of Series A, B, C, D, E, F, G and H convertible preferred stock was convertible on a one-for-one basis into common stock at the respective conversion ratios. The conversion price for each share of convertible preferred stock is adjusted for certain recapitalizations, splits, combinations, common stock dividends, or similar events.

*Conversion Rights In the Event of a Qualified Initial Public Offering*

Each share of convertible preferred stock shall automatically be converted into shares of common stock at the then-effective conversion price upon the consummation of the Company's sale of its common stock in a bona fide, firm commitment underwriting pursuant to a registration statement under the Securities

## OUTBRAIN INC.

Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019**9. Convertible Preferred Stock (continued)**

Act of 1933, as amended, yielding at least \$30.0 million net to the Company (adjusted to reflect subsequent stock dividends, stock splits, or recapitalizations).

*Conversion Price Adjustments*

The conversion price per share of the Series A, B, C, D, F, G and H convertible preferred stock will be reduced if we issue any additional stock without consideration or for consideration per share less than the Series A, B, C, D, F, G and H convertible preferred stock conversion price in effect for that series.

*Conversion Price Ratchet Adjustments in the Event of a Qualified Initial Public Offering*

In the event of an initial public offering ("IPO"), if the IPO price per share is less than \$9.21105 per share (or 1.5 times the Series D original issuance price), the conversion price of the Series D convertible preferred stock will automatically adjust to be the lower of (i) the conversion price then in effect for the Series D or (ii) two-thirds (2/3) of the original conversion price of \$6.1407 per share.

If the IPO price per share is less than \$13.415 per share (or 2.0 times the Series F original issuance price), the conversion price of the Series F convertible preferred stock will automatically adjust to be the lower of the (i) the conversion price then in effect for the Series F convertible preferred stock or (ii) the Series F convertible preferred stock original issuance price of \$6.7075 multiplied by a fraction, the denominator of which is the Series F convertible preferred stock preference of \$13.415 per share and the numerator of which is the IPO price.

If the IPO price per share is less than \$8.8243 per share (or the Series G original issuance price) the conversion price of the Series G convertible preferred stock will automatically be adjusted to the IPO price concurrently with the closing of the IPO.

If the conversion ratio of the Series D, F and G convertible preferred stock is adjusted based on the ratchet provisions above, we may need to recognize a beneficial conversion charge in an amount that equals the difference between the adjusted conversion price and the price of the Series D, F and G convertible preferred stock on issuance.

*Voting Rights*

Each share of convertible preferred stock has a number of votes equal to the number of shares of common stock into which it is convertible. The holders of the Series A, B, C, D, F and G convertible preferred stock, voting together as a single class, have the right to elect six directors. The holders of the Series E and H convertible preferred stock and the common stock, voting together as a single class, have the right to elect the two remaining directors.

*Liquidation Rights*

In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, the Series A, B, C, D, E, F, G and H convertible preferred stockholders are entitled to receive their respective per share liquidation preference, adjusted for any stock splits, recapitalizations, stock dividends or the like, plus all declared but unpaid dividends. Following distribution of the liquidation preferences to the Series A, B, C, D, E, F, G and H convertible preferred stockholders, the remaining assets of the Company available for distribution to stockholders shall be distributed among the holders of the common stock and to the holders of the Series A, B, C, D and G convertible preferred stock, based on the number of shares of common stock held by each on an as-if converted basis, subject to certain limitations.

Any acquisition of the Company by means of merger or other form of corporate reorganization in which the outstanding shares of the corporation are exchanged for securities or other consideration issued,

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**9. Convertible Preferred Stock (continued)**

or caused to be issued, by the acquiring corporation or its subsidiary (other than a reincorporation transaction), a sale of all or substantially all of the assets of the Company, or in the event that the Company transfers or grants a perpetual exclusive license of all or substantially all of the Company's intellectual property, shall be treated as a liquidation, dissolution, or winding-up of the corporation and shall entitle the holders of convertible preferred stock and common stock to receive at the closing in cash, securities, or other property amounts as specified in above.

*Dividend Rights*

The Series A, B, C, D, F and G convertible preferred stockholders are entitled to receive dividends at a rate equal to their initial issuance price per share, as adjusted for any stock splits, recapitalizations, stock dividends or the like. Such dividends are noncumulative and payable out of funds legally available if declared by our board of directors. After the payment of these dividends, any additional dividends declared by our board of directors out of funds legally available shall be shared equally among all outstanding shares on an as-converted basis. No dividends have been declared to date.

*Redemption Rights*

Our convertible preferred stock does not contain any fixed or determinable redemption features.

**10. Stock-based Compensation****Equity Incentive Plans**

In September 2007 and as amended in January 2009, we adopted the Omnibus Securities and Incentive Plan (the "Plan"). The Plan is administered by our board of directors or designated person(s). Under the Plan, the plan administrator is allowed to determine various terms and conditions of our option and restricted stock grants, including option expiration dates (generally ten years from the date of grant), vesting terms (generally over a four-year period) and payment terms.

The Plan provides for stock option grants at an exercise price as determined by the plan administrator, but in the case of incentive stock options, not less than 100% of the fair market value of the common stock subject to the option on the date of grant and 110% for owners of 10% or more of our common stock. The Plan also provides for restricted stock grants. The purchase price of restricted stock under these awards is determined by the plan administrator. We also established a Sub-Plan of the Plan in the United Kingdom under which we were permitted to make grants of options to employees subject to tax in the United Kingdom.

In our accompanying consolidated statements of operations, we recognized stock-based compensation for our employees and non-employees as follows:

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	(in thousands)	
Research and development	\$ 810	\$ 672
Sales and marketing	2,071	2,067
General and administrative	707	1,137
Total stock-based compensation	<u>\$3,588</u>	<u>\$3,876</u>

As of December 31, 2020 and 2019, we have not recorded any stock-based compensation related to our stock option awards, RSAs, RSUs and SARs that vest upon the satisfaction of a performance condition because the performance condition is not probable of occurring until a qualifying liquidity event (qualified

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**10. Stock-based Compensation (continued)**

IPO or change of control) has occurred. If a qualifying liquidity event had occurred on December 31, 2020, we would have recorded \$9.9 million in additional stock-based compensation related to our stock options, RSAs, RSUs and SARs that vest upon the satisfaction of a performance condition.

**Determination of Fair Value**

The estimated grant-date fair value of all our stock options and warrants was calculated using the Black-Scholes option pricing model, based on the following assumptions:

	Year Ended December 31,	
	2020	2019
Expected term (in years)	6.02	
Risk-free interest rate	0.52%	
Expected volatility	44%	N/A
Dividend rate	0%	

We determined the assumptions for the option pricing model as discussed below. Each of these inputs is subjective and generally requires significant judgment to determine. No stock options or warrants were granted in 2019.

*Expected Term*—The expected term represents the period that our stock-based awards are expected to be outstanding. For option grants that are considered to be “plain vanilla,” we determine the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards. For other option grants, we consider several factors in estimating the expected term including the expected lives used by a peer group of companies within our industry that we consider to be comparable to our business, the historical option exercise behavior of our employees and post-vesting employment termination behavior taking into account the contractual life of the award. The expected term for options or warrants issued to non-employees is the contractual term.

*Risk-Free Interest Rate*—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards’ expected term.

*Expected Volatility*—Since we do not have a trading history of our common stock, the expected volatility was derived from the average historical stock volatilities of several unrelated public companies within our industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock-based awards.

*Dividend Rate*—The expected dividend is zero as we have not paid and do not anticipate paying any dividends in the foreseeable future.

*Fair Value of Common Stock*—Because there is no public market for our common stock as we are a private company, our board of directors has determined the fair value of the common stock by considering a number of objective and subjective factors, including having valuations of our common stock performed by an unrelated valuation specialist, valuations of comparable peer companies, sales of our convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of our capital stock, and general and industry-specific economic outlook. The fair value of our common stock will be determined by our board of directors until such time as our common stock is listed on an established stock exchange.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**10. Stock-based Compensation (continued)**

The following table summarizes stock option, RSA and RSU activity under the Plan and related information:

	Options Outstanding					RSAs and RSUs Unvested and Outstanding	
	Shares Available for Grant	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of Outstanding Options (In thousands)	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding—January 1, 2019	4,107,289	10,462,399	\$3.23	4.92	\$25,338	4,175,954	\$4.44
Awards authorized	—						
Options granted	—						
RSUs granted	(1,081,075)					1,081,075	\$6.53
RSUs vested	—					(463,622)	\$5.05
RSUs cancelled	224,129					(224,129)	
SARs cancelled	4,375		\$4.57				
Options exercised	—	(430,009)	\$2.27				
Options cancelled	<u>1,656,298</u>	<u>(1,656,298)</u>	<u>\$4.39</u>				
Outstanding—December 31, 2019	4,911,016	8,376,092	\$2.99	4.22	\$29,034	4,569,278	\$4.87
Awards authorized	—						
Options granted	(1,803,750)	1,803,750	\$2.71				
RSUs granted	(2,961,670)					2,961,670	\$6.44
RSUs vested	—					(503,748)	\$5.36
RSUs cancelled	165,305					(165,305)	
SARs cancelled	1,607						
Options exercised	—	(520,089)	\$1.15				
Options cancelled	<u>351,616</u>	<u>(351,616)</u>	<u>\$3.97</u>				
Outstanding December 31, 2020	<u>664,124</u>	<u>9,308,317</u>	<u>\$3.74</u>		<u>\$25,495</u>	<u>6,861,895</u>	<u>\$5.50</u>
Exercisable—December 31, 2020		<u>6,700,057</u>	\$2.99	3.10	\$23,802		

*Stock Options*

The weighted-average grant date fair value of options granted for the years ended December 31, 2020 and 2019 was \$2.71 and nil per share, respectively. The aggregate intrinsic value of options exercised was \$3.4 million and \$2.8 million for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, total unrecognized stock-based compensation related to unvested stock options was \$5.3 million. These costs are expected to be recognized over a weighted-average period of 3.81 years as of December 31, 2020. Certain stock options vest only upon IPO or other performance conditions.

*Restricted Stock Awards*

As of December 31, 2020, the total unrecognized stock-based compensation related to unvested RSAs is \$0.3 million.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019****10. Stock-based Compensation (continued)**

Certain RSAs issued during 2012 and 2013 relate to common stock issued in exchange for loans in the amount of the exercise price of the awards. The awards were also subject to a performance condition that is not probable until an IPO occurs. Because the notes were considered to be in-substance nonrecourse notes receivable, the awards are treated as a stock options for accounting purposes.

*Restricted Stock Units*

For those RSUs subject to occurrence of a performance condition, because the performance condition is not probable until an IPO or certain merger and acquisition events have occurred, we have not recorded any stock-based compensation to date. As of December 31, 2020, the unrecognized stock-based compensation related to unvested RSUs not subject to performance conditions is \$11.6 million.

*Stock Appreciation Rights (SARs)*

The Plan provides for the award of Stock Appreciation Rights that are granted in connection with a related option to certain employees. In 2014, we granted SAR awards to certain employees which vest subject to the occurrence of performance conditions and may be settled at the option of the employee, by exercise into shares, or cash settled for the difference between the market price on the date of exercise and the exercise price. As a result, these SARs, subject to consideration of performance conditions, will be recorded in our consolidated statements of financial position as a liability until the date of settlement.

The fair value of each SAR award is estimated using a similar method described for stock options. The fair value of each vested SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value. Because these SARs vest upon an IPO and the satisfaction of other performance conditions and because these performance conditions are not probable to occur until an IPO has occurred, we have not recorded any stock-based compensation for the years ended December 31, 2020 and 2019 or recorded a liability related to these SAR grants as of December 31, 2020.

We granted 31,963 SAR awards with a weighted average exercise price of \$4.57 and a contractual term of 10 years. As of December 31, 2020, 5,764 SAR awards were outstanding with a weighted average grant date fair value of \$2.31, a weighted average remaining contractual term of 3.7 years and an aggregate intrinsic value of \$0. As of December 31, 2019, 7,371 SAR awards were outstanding with a weighted average grant date fair value of \$2.31, a weighted average remaining contractual term of 4.8 years and an aggregate intrinsic value of \$0.

**Stock-Based Awards Granted Outside of Equity Incentive Plans***Warrants*

From 2007 to 2016, we issued warrants to purchase shares of common stock to certain third-party advisors, consultants and financial institutions with exercise prices ranging from \$0.001 to \$4.87 per share. The exercise period of the warrants is until the earlier of the closing of an IPO, the closing of a deemed liquidation event or the end of the warrant term. These warrants vest immediately.

## OUTBRAIN INC.

Notes to Consolidated Financial Statements  
As of and For Years Ending December 31, 2020 and 2019**10. Stock-based Compensation (continued)**

The following table summarizes warrant activity outside of the Plan and related information:

	Warrants Outstanding			Aggregate Intrinsic Value of Outstanding Warrants
	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	
	(In thousands)			
Outstanding—January 1, 2019	1,370,852	\$3.92	4.11	\$3,035
Warrants granted	—	—		
Warrants expired	(300,000)	\$6.63		
Warrants exercised	—	—		
Outstanding—December 31, 2019	1,070,852	\$3.16	3.66	\$3,916
Warrants granted	—	—		
Warrants expired	(15,000)	\$0.33		
Warrants exercised	—	—		
Outstanding—December 31, 2020	<u>1,055,852</u>	\$2.92		
Exercisable—December 31, 2020	<u>1,055,852</u>	\$2.92	3.89	\$1,858

**11. Income (Loss) Per Share**

We apply the two-class method to calculate basic and diluted income (loss) per share attributable to common stockholders as shares of our convertible preferred stock are participating securities due to their participation rights. The two-class method is an earnings allocation method under which earnings per share is calculated for common stock considering a participating security's rights to undistributed earnings as if all such earnings had been distributed during the period. Our participating securities are not included in the computation of loss per share attributable to common stockholders in periods of net loss because the convertible preferred stockholders have no contractual obligation to participate in losses.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**11. Income (Loss) Per Share (continued)**

	Year Ended December 31,	
	2020	2019
(In thousands, except share and per share data)		
Numerator:		
Basic and diluted:		
Net income (loss)	\$ 4,357	\$ (20,514)
Less: undistributed earnings allocated to participating securities	(2,688)	—
Net income (loss) attributable to common stockholders	<u>\$ 1,669</u>	<u>\$ (20,514)</u>
Denominator:		
Weighted-average shares used in computing income (loss) attributable to common stockholders, basic	28,587,502	25,967,720
Weighted-average shares used in computing income (loss) attributable to common stockholders, diluted	34,317,563	25,967,720
Net income (loss) per share attributable to common stockholders:		
Basic	<u>\$ 0.06</u>	<u>\$ (0.79)</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (0.79)</u>

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

	Year Ended December 31,	
	2020	2019
Convertible preferred stock	47,009,166	47,009,166
Options to purchase common stock	3,174,828	4,372,927
Warrants	505,409	722,656
Restricted stock units	397,430	689,206
Total shares excluded from diluted income (loss) per share	<u>51,086,833</u>	<u>52,793,955</u>

**Unaudited Pro Forma Basic and Diluted Net Loss Per Share**

Pro forma basic and diluted net loss per share attributable to common stockholders was computed to give effect to the automatic conversion of all series of convertible preferred stock using the if-converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later. In addition, the pro forma share amounts give effect to our stock options, RSAs, RSUs and SARs that have satisfied the service condition as of December 31, 2020. These awards will vest and settle upon the satisfaction of a qualified liquidity event. Also, pro-forma share amounts assume that warrants are exercised upon an IPO. Stock-based compensation associated with these awards is excluded from this pro forma presentation. If the qualifying event has occurred as of December 31, 2020, we would have recorded \$9.9 million of stock-based compensation expense relating to such awards, resulting in a reduction in net income of approximately \$9.4 million.



## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**11. Income (Loss) Per Share (continued)**

The following table sets forth the computation of our unaudited pro forma basic and diluted net loss per share attributable to common stockholders:

	Year Ended December 31, 2020 <small>(In thousands, except share and per share data)</small>
<b>Numerator:</b>	
Net income attributable to common stockholders used in computing pro forma net loss per share attributable to common stockholders, basic and diluted	\$ 4,357
<b>Denominator—basic:</b>	
Weighted-average shares used in computing income (loss), basic	28,587,502
Weighted-average pro-forma adjustment to reflect conversion of convertible preferred into common stock in accordance with the terms of the outstanding convertible preferred stock	
Weighted-average pro-forma adjustment to reflect assumed vesting of RSUs upon consummation of our expected initial public offering	
Weighted average pro-forma adjustment to reflect assumed exercise of Warrants due to acceleration of expiration of the warrants	
Weighted-average shares used in computing pro forma net income per share, basic	_____
<b>Denominator—diluted:</b>	
Pro forma weighted average shares, basic	
Weighted average dilutive share equivalents:	
Stock options, RSAs and RSUs	
Weighted-average shares used in computing pro forma net income (loss) per share, diluted	_____
Pro forma net income (loss) per share, basic	_____
Pro forma net income (loss) per share, diluted	_____

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**12. Income Taxes**

The components of income (loss) from continuing operations before income taxes and the income tax expense (benefit) are as follows:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
United States	\$ (8,213)	\$(13,028)
Foreign	15,863	(2,006)
Income (Loss) before provision for income taxes	<u>\$ 7,650</u>	<u>\$(15,034)</u>
	Year Ended December 31,	
	2020	2019
	(In thousands)	
Current provisions for income taxes:		
Federal	\$ —	\$ (43)
State	81	12
Foreign	5,468	5,652
Total current	<u>5,549</u>	<u>5,621</u>
Deferred tax benefit:		
Federal	226	170
State	46	40
Foreign	<u>(2,528)</u>	<u>(351)</u>
Total deferred tax benefit	<u>(2,256)</u>	<u>(141)</u>
Provision for income taxes	<u>\$ 3,293</u>	<u>\$5,480</u>

The reconciliation of the statutory federal income tax and our effective income tax is as follows:

	Year Ended December 31,	
	2020	2019
Tax at statutory federal rate	21.0%	21.0%
State tax—net of federal benefit	(3.9)%	1.8%
Foreign withholding taxes	25.4%	—
Foreign rate differential	(9.6)%	(0.9)%
Stock compensation and other permanent items	10.0%	(16.5)%
Tax rate change	(3.4)%	—
Uncertain tax positions	(11.2)%	(13.7)%
Change in valuation allowance	(32.0)%	(34.7)%
GILTI Inclusion—US	59.4%	—
Foreign tax credit carryforwards	(5.9)%	—
Capital loss carryforwards	(19.9)%	—
Return to provision adjustments	11.8%	8.0%
Other	<u>1.3%</u>	<u>(1.5)%</u>
Effective tax rate	<u>43.0%</u>	<u>(36.5)%</u>

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**12. Income Taxes (continued)**

Deferred taxes are the result of temporary differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities at December 31, 2020 and 2019 were comprised of the following:

	December 31,	
	2020	2019
	(In thousands)	
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 31,930	\$ 39,762
Foreign tax credit carryforwards	479	—
Capital loss carryforwards	4,036	—
Stock-based compensation	861	771
Accruals, reserves, and other	6,409	4,455
Allowance for doubtful accounts	1,003	787
Gross deferred tax assets	44,718	45,775
Valuation allowance	(41,201)	(43,608)
Total deferred tax assets	3,517	2,167
<b>Deferred tax liabilities:</b>		
Intangible assets and capitalized software	(4,139)	(4,863)
Total deferred tax liabilities	(4,139)	(4,863)
Net deferred tax liability	<u>\$ (622)</u>	<u>\$ (2,696)</u>

Recognition of deferred tax assets is appropriate when realization of these assets is more likely than not. Based upon the weight of available evidence, which includes our historical operating performance and the recorded cumulative net losses in prior fiscal periods, we recorded a valuation allowance of \$41.2 million and \$43.6 million against the U.S. deferred tax assets as of December 31, 2020 and against the U.S. and U.K. deferred tax assets as of December 31, 2019, respectively. The net valuation allowance decreased by \$2.4 million and increased by \$5.2 million for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, we had U.S. federal net operating loss carryforwards of \$105.8 million and \$129.1 million, respectively. The federal net operating loss carryforwards will expire at various amounts beginning in the year ending December 31, 2031, if not utilized. As of December 31, 2020 and 2019, we had state net operating loss carryforwards of \$126.3 million and \$128.8 million, respectively. State net operating losses will expire at various amounts beginning in the year ending December 31, 2024, if not utilized.

Utilization of the net operating losses may be subject to an annual limitation provided for in the Code under Section 382 and similar state codes. As of December 31, 2020, \$8.2 million of federal net operating losses are currently limited from use under such provisions and any annual limitation could result in the expiration of net operating loss carryforwards before utilization.

While we have recognized the U.S. federal tax impact on a portion of the undistributed earnings of our foreign subsidiaries under the Tax Cuts and Jobs Act, enacted in 2017 ("Tax Act"), our policy with respect to foreign earnings remains unchanged and we consider them to be indefinitely reinvested. Upon distribution of those earnings in the form of a dividend or otherwise, the Company could be subject to taxes, including withholding taxes payable to various foreign countries, for which a deferred tax liability is not currently recognized.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**12. Income Taxes (continued)**

In January 2018, the FASB issued FASB Staff Question and Answer Topic 740, No. 5: Accounting for Global Intangible Low-Taxed Income (“GILTI”), which provides guidance on accounting for the GILTI provisions of the Tax Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance allows accounting for tax on GILTI to be treated as a deferred tax item or as a component of current period income tax expense in the year incurred, subject to an accounting policy election. The Company has elected to account for tax on GILTI as a component of current period income tax expense in the year incurred.

**Unrecognized Tax Benefits**

The activity related to the gross amount of unrecognized tax benefits is as follows:

	Year Ended December 31	
	2020	2019
	(In thousands)	
Beginning balance	\$ 2,087	\$ 33
Decreases based on tax positions related to prior year	(1,243)	(33)
Additions based on tax positions related to prior year	67	1,793
Additions based on tax positions related to current year	321	294
Ending balance	<u>\$ 1,232</u>	<u>\$ 2,087</u>

If recognized, our gross unrecognized tax benefits would not have a material impact on our effective tax rate for the year ended December 31, 2020. While it is often difficult to predict the outcome of any particular uncertain tax position, we believe it is reasonably possible that our unrecognized tax benefits will increase approximately \$0.2 million during the next twelve months. We further expect that the amount of unrecognized tax benefits will continue to change in the future as a result of ongoing operations, the outcomes of audits, and the expiration of the statute of limitations. This change is not expected to have a significant impact on our results of operations or financial condition.

We recognize accrued interest and penalties related to unrecognized tax benefits in our income tax (benefit) provision. For the years ended December 31, 2020 and 2019, we recognized \$(0.1) million and \$0.4 million accrued interest and penalties, respectively, which are reflected in the table above.

We are subject to taxation in the United States, various states, and several foreign jurisdictions. We establish reserves for open tax years for uncertain tax positions that may be subject to challenge by various taxing authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest and penalties as deemed appropriate. United States and foreign jurisdictions have statute of limitations generally ranging from 3 to 5 years. However, the statute of limitations does not begin for years that a net operating loss carryforward was generated until the loss is applied against taxable income. In that scenario, the taxing authority can only make adjustments in the original loss year to the extent of the net operating loss. Open audit years in the United States are 2013 through 2019 and in the U.K. are 2017 through 2019. We are currently under audit in Israel for 2018 and 2019.

## OUTBRAIN INC.

**Notes to Consolidated Financial Statements**  
**As of and For Years Ending December 31, 2020 and 2019**

**13. Segment Information**

The following table represents total revenue based on where our marketers are physically located:

	December 31,	
	2020	2019
	(In thousands)	
USA	\$288,789	\$258,377
Europe, the Middle East and Africa (EMEA)	398,923	347,696
Other	79,430	81,260
Total revenue	<u>\$767,142</u>	<u>\$687,333</u>

Our property, equipment and capitalized software, net by geographic location are summarized as follows:

	December 31,	
	2020	2019
	(In thousands)	
USA	\$22,069	\$20,475
EMEA	2,264	2,918
Other	423	1,139
Total property, equipment and capitalized software, net	<u>\$24,756</u>	<u>\$24,532</u>

**14. Subsequent Events**

We evaluated subsequent events through March 25, 2021, the date these consolidated financial statements were issued.

*Subsequent Events (Unaudited)*

On April 21, 2021, the Company announced that it had confidentially submitted a draft registration statement on Form S-1 with the SEC relating to the proposed initial public offering of its common stock. The number of shares to be offered and the price range for the proposed offering have not yet been determined. The initial public offering is expected to take place after the SEC completes its review process, subject to market and other conditions.

On April 29, 2021, we were notified that the Antitrust Division of the U.S. Department of Justice is conducting a criminal investigation into the hiring in our industry that includes us. We are cooperating with the Antitrust Division. At this stage, we are unable to predict the outcome or the timing of the ultimate resolution of this matter.

**Shares**



**Common Stock**

**Citigroup**

**Jefferies**

---

---

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

	Amount to be Paid
Registration fee	\$
FINRA filing fee	*
Listing fees	*
Transfer agent's fees	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Miscellaneous	*
<b>Total</b>	<b>\$</b>

\* To be completed by amendment.

Each of the amounts set forth above, other than the Registration fee and the FINRA filing fee, is an estimate.

**Item 14. Indemnification of Directors and Officers.**

The Registrant is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law, or the DGCL, provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to the Registrant. The DGCL provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise. The Registrant's amended and restated certificate of incorporation provides for indemnification by the Registrant of members of its board of directors, members of committees of its board of directors and of other committees of the Registrant, and its executive officers, and allows the Registrant to provide indemnification for its other officers and its agents and employees, and those serving another corporation, partnership, joint venture, trust or other enterprise at the request of the Registrant, in each case to the maximum extent permitted by the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions or (iv) for any transaction from which the director derived an improper personal benefit. The Registrant's amended and restated certificate of incorporation provides for such limitation of liability.

The Registrant will enter into separate indemnification agreements with each of its directors which are in addition to the Registrant's indemnification obligations under its amended and restated certificate of incorporation. These indemnification agreements may require the Registrant, among other things, to indemnify its directors against expenses and liabilities that may arise by reason of their status as directors, subject to certain exceptions. These indemnification agreements may also require the Registrant to advance any expenses incurred by its directors as a result of any proceeding against them as to which they could be indemnified and to obtain and maintain directors' and officers' insurance.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against losses arising from claims made by reason of breach of duty or other wrongful act and (b) to the Registrant with respect to payments, which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The proposed form of underwriting agreement will be filed as Exhibit 1.1 to this Registration Statement and it will provide for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

**Item 15. *Recent Sales of Unregistered Securities.***

Since January 1, 2018, the Registrant has sold the following securities without registration under the Securities Act of 1933, as amended, or the Securities Act:

1. In April 2018, we issued and sold an aggregate of 14,732 shares of Series H convertible preferred stock as consideration for the acquisition of Monetization Advanced Technologies Ltd., which we purchased in a cash and stock transaction. In April 2019 and December 2019, we released 3,400 and 4,532 shares of Series H convertible preferred stock, respectively, to Monetization Advanced Technologies Ltd. from escrow in connection with the acquisition. The deemed purchase price was \$8.82 per share of Series H convertible preferred stock.
2. In April 2019, we issued and sold an aggregate of 6,125,404 shares of common stock in connection with the acquisition of Ligatus. The deemed purchase price per share was \$6.54 per share of common stock.
3. From January 1, 2018 through March 31, 2021, we granted to our officers, employees, and consultants an aggregate of 8,925,969 options and RSUs to purchase or be settled in shares of our common stock with per share exercise prices ranging from \$0 to \$6.44 under our 2007 Plan. These grants represent 2,368,750 options to purchase common stock with exercise prices ranging from \$4.64 to \$6.44 and 6,557,219 RSUs.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions.

**Item 16. *Exhibits and Financial Statement Schedules.***

- (a) The Exhibit Index is hereby incorporated herein by reference.
- (b) All schedules have been omitted because they are not required, are not applicable or the information is otherwise set forth in the Consolidated Financial Statements and related notes thereto.

**Item 17. *Undertakings.***

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this Registration Statement, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.



The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York on this day of \_\_\_\_\_, 2021.

**OUTBRAIN INC.**

By: \_\_\_\_\_

Name: Yaron Galai

Title: *Co-Chief Executive Officer***POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS** that each person whose signature appears below hereby constitutes and appoints Yaron Galai, David Kostman or Elise Garofalo, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power to act separately and full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or his or her or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on \_\_\_\_\_, 2021 in the capacities indicated:

Signatures	Title
Yaron Galai	Co-Founder and Co-Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
David Kostman	Co-Chief Executive Officer and Director
Elise Garofalo	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Jonathan (Yoni) Cheifetz	Director
Shlomo Dovrat	Director
Arne Wolter	Director
Yoseph (Yossi) Sela	Director
Dominique Vidal	Director
Jonathan Klahr	Director
Ziv Kop	Director

## EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1**	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.
3.2**	Bylaws of the Registrant, as currently in effect.
3.3*	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect upon the completion of this offering.
3.4*	Form of Amended and Restated Bylaws to be in effect upon completion of this offering.
4.1*	Specimen stock certificate
4.2**	Amended and Restated Investors' Rights Agreement by and among the Registrant and the other parties thereto dated April 1, 2019.
4.3**	Amended and Restated Stockholders' Agreement by and among the Registrant and the other parties thereto dated December 24, 2020.
4.4**	Warrant to purchase shares of common stock issued to Silicon Valley Bank dated November 20, 2014.
4.5**	Warrant to purchase shares of common stock issued to WestRiver Mezzanine Loans, LLC dated November 20, 2014.
4.6**	Warrant to purchase shares of common stock issued to WestRiver Mezzanine Loans, LLC dated September 29, 2016.
4.7**	Warrant to purchase shares of common stock issued to American Friends of Tmura dated July 25, 2011.
4.8**	Warrant to purchase shares of common stock issued to Ouriel Ohyaon dated January 8, 2007.
5.1*	Opinion of Mayer Brown LLP.
10.1*	Form of Indemnification Agreement between the Registrant and its directors and officers.
10.2**	Amended and Restated Loan and Security Agreement dated September 15, 2014 by and between Silicon Valley Bank and the Registrant.
10.3†**	2007 Omnibus Securities and Incentive Plan, as amended and restated, foreign addenda, and forms of award agreements
10.4†*	2021 Long-Term Incentive Plan, and forms of award agreements
10.5**	Sixth Amendment to Amended and Restated Loan and Security Agreement dated March 27, 2020 by and between Silicon Valley Bank and the Registrant.
10.6**	Fifth Amendment to Amended and Restated Loan and Security Agreement dated November 2, 2018 by and between Silicon Valley Bank and the Registrant.
10.7**	Fourth Amendment to Amended and Restated Loan and Security Agreement dated October 6, 2016 by and between Silicon Valley Bank and the Registrant.
10.8**	Third Amendment to Amended and Restated Loan and Security Agreement dated August 25, 2016 by and between Silicon Valley Bank and the Registrant.
10.9**	Second Amendment to Amended and Restated Loan and Security Agreement dated January 27, 2016 by and between Silicon Valley Bank and the Registrant.
10.10**	First Amendment to Amended and Restated Loan and Security Agreement dated November 20, 2014 by and between Silicon Valley Bank and the Registrant.
10.11†*	Amended and Restated Employment Agreement, dated _____, by and between Elise Garfalo and the Registrant.
10.12†*	Employment Agreement, dated _____, by and between Yaron Galai and the Registrant.
10.13†*	Employment Agreement, dated _____, by and between David Kostman and the Registrant.
10.14†*	Form of 2021 Employee Stock Purchase Plan

<u>Exhibit No.</u>	<u>Description</u>
10.15	English Translation of Unprotected Lease Agreement dated January 17, 2017 by and between Cash and Carry Food Services Ltd. and Outbrain Israel Ltd.
21.1**	List of subsidiaries of the Registrant.
23.1*	Consent of KPMG LLP, independent registered public accountants.
23.2*	Consent of Mayer Brown LLP (included in Exhibit 5.1).
24.1*	Power of attorney (included in signature page to Registration Statement).

---

† Compensatory plan or agreement.

\* To be filed by amendment.

\*\* Previously filed.

**“Y Center” Commercial Center**

**Unprotected Lease Agreement**

Entered into as of the 17<sup>th</sup> day of January 2017

**By and between**            **Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part;**

**And**                            **Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Tel: 077-2706661; Fax: 077-2706629  
Email: olahav@outbrain.com  
(Hereinafter, the "**Lessee**")

**Of the second part;**

**WHEREAS**, the Lessee wishes to lease the Leased Premises, as defined below, from the Lessor under an unprotected lease; and

**WHEREAS**, the Lessor agrees to lease the Leased Premises, as defined below, to the Lessee under an unprotected lease, all for such purpose and on such as terms set forth herein; and

**WHEREAS**, the parties wish to define and set forth in writing their rights and obligations in connection with the Leased Premises and the use thereof, all as specified hereinbelow;

**NOW, THEREFORE, the parties stipulate and agree as follows:**

1. **PREAMBLE**

- 1.1. The preamble and appendices hereto constitute an integral part hereof.
- 1.2. The headings of the sections are for reference and convenience only and are not to be construed in interpreting the Agreement or for any other purpose.
- 1.3. In case of conflict and/or inconsistency between the provisions of this Agreement and the provisions of any of the appendices hereto, the provisions of this Agreement shall prevail and the appendices shall be interpreted in accordance with the provisions of the Agreement.

## 2. **DEFINITIONS**

The following terms shall have the meaning as set forth below:

<b>“Management Fees”</b>	Any payment the Lessee is required to pay to the Management Company in accordance with the Management Agreement.
<b>“Rent”</b>	As set forth in Section 8 below.
The <b>“Architect”</b> or <b>“Engineer”</b>	The party to be appointed or appointed from time to time by the Lessor as the architect and/or engineer for the Project or part thereof.
<b>“Agreement”</b>	This lease agreement and all the appendices hereto, including the management agreement and all its appendices.
<b>“Parking Lots”</b>	Covered and/or open parking areas located on the Property.
<b>“Index”</b>	The consumer price index including fruits and vegetables published by the Central Bureau of Statistics and Economic Research, or any official index that replaces it.
<b>“Base Index”</b>	As set forth in <u>Appendix A</u> .
<b>“Known Index”</b>	The last index known at the time of any actual payment, but no less than the Base Index.
<b>“Leased Premises”</b>	<p>A unit in the Project as detailed in <u>Appendix A</u> and as marked on the plan in <u>Appendix B</u>, including a storage room and parking spaces (to the extent the Leased Premises includes a storage room and/or parking spaces).</p> <p>A "storage room" shall be considered an area designated for storage adjacent and/or forming part of the Leased Premises, including an area designated as a protected space that has been approved for temporary use for storage purposes.</p> <p>If the Leased Premises contain parking spaces - the provisions of <u>Appendix I</u> hereto shall apply to the relationship between the parties.</p> <p>If the Leased Premises contain a storage room - the provisions of <u>Appendix J</u> hereto shall apply to the relationship between the parties.</p> <p>The provisions of Appendices I and J, insofar as they apply to the parties' relationship, are in addition to, and do not replace, the provisions of this Agreement.</p>

<b>“Property”</b>	The property known as Block 7961, Parcel 74, in the (south) Netanya industrial area.
<b>“Municipality”</b>	Netanya Municipality.
<b>“Management Agreement”</b>	An agreement for the maintenance, management and operation of the Project by the management company, attached hereto as <b>Appendix C</b> .
<b>“Project”</b>	Anything built on the Property known as "Y Center" (formerly "Yachin Alexandra Center") and/or a name that will be chosen in its place.
<b>"Linkage Differentials"</b>	The amount obtained by multiplying the relevant amount by the difference between the Known Index and the Base Index, divided by the Base Index.
<b>"Urban Master Plan"</b>	Any urban building plan applying to the Property, and any plan modifying or it or any of its provisions insofar as it pertains to the Property.
<b>“Bylaws”</b>	The bylaws governing the Project’s activity procedures in the Project, attached hereto as <b>Appendix D</b> , including any modification and/or amendment made from time to time by the Lessor and/or the Management Company at their sole discretion.
<b>“Management Company”</b>	The corporation or person who is (or will be) appointed by the Lessor, including the Lessor itself, for the purpose of managing, operating and maintaining the Project, all as specified in Section 14 of this Agreement.
<b>"Delivery Date"</b>	The date on which possession of the Leased Premises is delivered to the Lessee and the lease term commences, as specified in <b>Appendix A</b> .
<b>"Lease Purpose"</b>	As defined in <b>Appendix A</b> and Section 7 of this Agreement.
<b>“Lessor’s Representative”</b>	The party so appointed by the Lessor from time to time as the Lessor’s representative/s.
<b>“Leased Premises Renovation Work”</b>	The work listed in <b>Appendix E</b> hereto, as well as additional work the Lessee wishes to perform on the Leased Premises, as specified in Section 11 below.
<b>"Quarter"</b>	Periods of three months each, commencing January 1, April 1, July 1 and October 1 of each calendar year.
<b>“Lessees”</b>	Including holders, or authorized persons.

<b>“Leased Premises Area”</b>	The estimated area of the Leased Premises is noted in <b>Appendix A</b> . The final area of the Leased Premises shall be determined in accordance with Section 3 below.
<b>“Public Areas”</b>	All areas within the bounds of the Property designated for use by visitors to the Project and/or its tenants, including parking lots, gardens, roofs, passageways, entrances and exits, sidewalks, service areas and rooms, technical areas such as electrical rooms, air conditioning and systems, loading, unloading and storage areas, elevators, stairs, stairwells, escalators, garbage rooms, garbage compactors, management company offices and protected spaces, all with the exception of those areas designated by the Lessor for lease and/or are actually leased.
<b>“Lease Term”</b>	The period commencing on the Delivery Date and ending on the date specified in <b>Appendix A</b> , including the Additional Lease Terms, as applicable.
<b>"Additional Lease Term" or "Additional Lease Terms"</b>	As defined in <b>Appendix A</b> . It is clarified that any additional lease term shall commence immediately after the conclusion of the preceding lease term, provided that under no circumstances shall the lease terms contemplated hereunder exceed twenty-four years and eleven months.

**3. LESSEE’S REPRESENTATIONS**

The Lessee hereby represents and warrants as follows:

- 3.1. It has seen and inspected the Leased Premises and its environs and has examined the Lessor’s plan, attached hereto as **Appendix B**, as well as the location of the Leased Premises within the Project; the possibility of obtaining the necessary licenses to operate its business on the Leased Premises. The Lessor has provided it with all relevant information regarding the Project and the Leased Premises, and the Lessee has examined all of the above in relation to its needs and purposes and agrees to lease the Leased Premises in as-is condition, all subject to the correctness of the Lessor’s representations and warranties, including the Lessor’s declaration of its intention to regularize the planning status of the Project in accordance with applicable law; as well as its undertaking to act to regularize the proprietary status and permitted uses of the Project, including in relation to the Lessor’s relationship with the Israel Land Authority.
- 3.2. It has examined the Leased Premises and has found it to be commensurate with the area provided in **Appendix A**. The parties confirm that the Leased Premises Area is final and waive any claims against each other in connection therewith. For the avoidance of doubt, it is agreed that even if it is discovered (if at all) that the Leased Premises Area is not commensurate with the area specified in this Agreement, the parties’ obligations under this Agreement shall remain in effect and will not be adjusted/ modified.



**4. THE CONTRACTUAL ENGAGEMENT**

- 4.1. Subject to the fulfillment of the Lessee's obligations hereunder, the Lessor hereby undertakes to lease to the Lessee and the Lessee hereby undertakes to lease from the Lessor the Leased Premises, under an unprotected lease and solely for the Lease Purpose, on the terms set forth in this Agreement.
- 4.2. A violation of this section shall be deemed to be a fundamental breach of this Agreement.

**5. NON-APPLICABILITY OF TENANT PROTECTION LAW**

- 5.1. It is explicitly agreed that the provisions of the Tenant Protection Law (Consolidated Version), 1972, and/or any other current or future tenant protection law and/or regulation and/or order replacing it and/or promulgated thereunder (hereinafter collectively in this section, the "**Law**") will not apply with respect to the Leased Premises and/or this Agreement, and no law granting the Lessee the status of a protected tenant or the right to refrain from vacating the Leased Premises in such circumstances and/or at such times as the Lessee is so required by this Agreement and/or applicable law shall apply to the Leased Premises.
- 5.2. The parties explicitly declare and confirm that the construction of the Leased Premises was completed after August 20, 1968, and that this lease is made on the explicit condition that the Law does not apply to the lease.
- 5.3. The Lessee declares that it has not paid the Lessor in connection herewith any key money and/or other consideration that may be considered key money, and the Lessee and anyone on its behalf, including any of its individuals and/or shareholders and/or rights holders therein will not be protected tenants in the Leased Premises under applicable law, and it is precluded from raising any claims and/or disputes asserting its status as a protected tenant and/or any claim that it has rights beyond and/or in addition to the rights explicitly granted thereto under this Agreement.
- 5.4. The Lessee explicitly declares that no investments made by it in the Leased Premises, if at all, will be regarded as key money. The Lessee hereby irrevocably declares and agrees that it will be precluded from asserting that such investments constitute key money or an alternative to key money and/or payment under Section 82 of the Law and/or any payment that grants and/or may grant it any rights in the Leased Premises in addition to those explicitly granted hereunder. In addition, the Lessee shall be precluded from demanding full and/or partial participation or reimbursement from the Lessor in connection with the aforementioned investments and/or from making any claim that is inconsistent with what is stated hereinabove. Notwithstanding the foregoing, nothing in this subsection shall derogate from the Lessor's undertakings to participate in payment for repairs and/or renovation work, as set forth in the renovation agreement between the parties.
- 5.5. The parties explicitly declare that the parties did not intend to enter into a protected tenancy agreement in accordance with the law, and that this representation is a precondition for receiving the Lessor's consent to contract with the Lessee in accordance with and under this agreement.

## 6. **LEASE TERM**

- 6.1. The Lessee may not shorten the Lease Term or terminate the Lease Agreement prior to the end of the Lease Term.
- 6.2. At the conclusion of the Lease Term, the Lease Term shall be automatically extended for the Additional Lease Term, as it may be (three years or one year), as set forth in **Appendix A**, all unless the Lessee provides the Lessor with at least 120 days' written notice prior to the end of the Lease Term of its desire not to extend the Lease Term for the Additional Lease Term (hereinafter, "**Notice of Non-Exercise**"). If no such Notice of Non-Exercise is given, the Lessee shall be deemed to have exercised the Additional Lease Term.

**The Lessee shall provide the Lessor with the following documents/approvals as a condition for the Additional Lease Term to become effective:**

- 6.2.1. Quarterly post-dated checks and/or a valid bank debit order ("standing order") for the payment of the Base Rent and advanced payments of the management fees for the Additional Lease Term in the amount the Base Rent and advance payments of the management fees were determined to be during the Additional Lease Term, as stated hereinbelow, plus linkage differentials and VAT;
- 6.2.2. Completion of the cash deposit amount as stated in Section 20.1.1 below;
- 6.2.3. Certificate of insurance in accordance with this Agreement, including for the relevant Additional Lease Term.

The foregoing shall be **no later than thirty days prior to the end of the Lease Term**. In the event the Lessee fails to provide any of the foregoing by no later than 30 days before the end of the Lease Term, this shall be deemed a fundamental breach of the Agreement. For the avoidance of doubt, the foregoing will not preclude the Lessee from exercising its right to extend the Lease Term for an Additional Lease Term, except if it fails to remedy the breach and does not produce the documents required, as stated above, within 7 days of receiving written notice from the Lessor.

- 6.3. Without derogating from the Lessee's rights and remedies under this Agreement and applicable law, the Lessor may provide the Lessee written notice 30 days prior to the end of the Lease Term of the cancellation of the Additional Lease Term as set forth in **Appendix A**, if the following condition is met:
- 6.3.1. The Lessee breaches any of its fundamental undertakings toward the Lessor and fails to remedy them within 7 days of receiving written notice;
- 6.4. To the extent the Lease Term is so extended, all the provisions of this Agreement shall also apply to the relevant Additional Lease Term.
- 6.5. Notwithstanding the provisions of Section 6.4, in each of the Additional Lease Terms the Base Rent shall be increased as follows: The Base Rent in the first quarter of the relevant Additional Lease Term shall be equal to that in the last quarter of the preceding Lease Term (including linkage differentials) plus the percentage provided in **Appendix A**.

- 6.6. Notwithstanding anything stated in this Agreement and/or its appendices, the Lessor may early terminate the Lease Agreement upon 6 (six) months' prior written notice if a lawful final and peremptory demand is issued by an authority which effectively precludes the use of the Leased Premises in accordance with the Lease Purpose. In such case, the Lessee will not have any claim and/or demand against the Lessor for the shortening of the Lease Term with the exception of the Lessee's right to "eviction compensation" as defined below.

"Eviction compensation" - to the extent that the Lessor is required to shorten the Lease Term in the circumstances described in this subsection above, and after the Lessor has taken every measure to prevent the Lessee from being evicted from the Leased Premises, the Lessee shall be entitled to compensation for its investments in the Leased Premises as follows: The "renovation as a basis for the Lessor's participation"; i.e. the amount of approved invoices up to a total of NIS 8 million, divided by the number of lease months in the Lease Term (including the Additional Lease Term, if exercised) and multiplied by the number of lease months that have not been utilized (including the number of months in the Additional Lease Term, if exercised) due to the Lessor's notice of the shortened Lease Term in the circumstances referred to in this subsection above.

The eviction compensation shall be paid to the Lessee on the actual date of vacating the Leased Premises and payment thereof will constitute full and final compensation for the damages incurred by the Lessee due to the Lessor's notice of the shortened Lease Term, and the Lessee will not have any claim and/or demand pertaining to damage incurred by it as a result.

## **7. PURPOSE OF LEASE**

- 7.1. The Lessee hereby leases the Leased Premises solely for the Lease Purpose as specified in **Appendix A**. The Lessee undertakes not to use and not to permit the use of the Leased Premises or any part thereof for any purpose other than those under the terms of this Agreement.
- 7.2. Without derogating from the generality of the foregoing, the Lessee declares and acknowledges its awareness that operating the Leased Premises in a manner that modifies or deviates from the Lease Purpose, apart from constituting a fundamental breach of this Agreement, may also result in a breach of other lease agreements between the Lessor and other tenants in the Project. Therefore, the Lessor may, without prejudice to its right to any other remedy and/or relief, seek a (provisional and permanent) injunction enjoining the operation of all or part of the Leased Premises in deviation from the Lease Purpose.
- 7.3. The Lessee declares that it has not been granted any exclusivity in connection with the Leased Premises and the business to be conducted thereon.

## **8. RENT**

As of the Delivery Date and for the entire Lease Term, the Lessee shall pay the Lessor rent consisting of Base Rent plus linkage differentials as specified in this Section below.

The Rent shall be paid by authorization to debit the Lessee's account in the form required by the Lessor, directly to the Lessor's account whose details are specified in **Appendix A** and/or to any other account as the Lessor may instruct the Lessee in writing;

or

By furnishing the Lessor with quarterly checks post-dated to the first day of each quarter of the Lease Term, for the Base Rent amount.

The Lessee shall pay the Lessor linkage differentials at the beginning of each quarter in accordance with the increases in the index.

It is clarified that the Lessor may, by prior arrangement with the Lessee, modify the payment method from time to time, according to its needs.

It is hereby clarified that the aforementioned authorization and/or checks shall only be considered payment hereunder upon the actual payment in accordance with such authorization/checks.

- 8.1. The Lessee shall pay the Base Rent in the quarterly amount set forth in Appendix A.
- 8.2. Linkage differentials shall be added to the Base Rent. The linkage differentials shall be considered for all intents and purposes as part of the Base Rent.
- 8.3. The Base Rent shall be paid in advance for each quarter of the Lease Term, on the first day of each quarter.

At the beginning of the Lease Term, the Lessee shall pay Base Rent for the first quarter of the Lease Term.

If the Lease Term commences in the middle of the quarter, the rent shall be paid for the first quarter as stated above, according to a calendar quarter. For example: if the Lease Term commences on March 1, 2017, the Lessee shall pay, at the beginning of the Lease Term, the Base Rent for the months of March and April only.

At the beginning of each Additional Lease Term, the Base Rent shall be increased as stated in Section 6.5 above.

## **9. ADDITIONAL PAYMENTS**

- 9.1. During the entire Lease Term, the Lessee shall, in addition to all the payments applicable to it hereunder, bear payments applying and/or to apply under applicable law to a lessee or holder of leased properties, as distinct from those applicable to the owner, including property taxes, municipal taxes, electricity payments, water, licenses of any kind relating to the Leased Premises and/or the operation and/or possession thereof and so forth.

If such a periodic payment is imposed for an entire year, of which only part is within the Lease Term, the Lessee shall pay its prorated share of such payment, provided that the Lessee is required to make the above payment under applicable law. Such payments shall be made by the Lessee on the date of lawful payment thereof to the authorities.

- 9.2. Without derogating from the generality of the foregoing, the Lessee shall bear the following payments:
- 9.2.1. All payments for the supply of water, electricity (including a proportionate share for electricity to the air conditioning facilities - chillers), telephone, property tax, business tax, signage fee, and any other expense related to the use and operation of the Leased Premises.
- To the extent that any of the above payments are based on an invoice relating to the entire Project and/or part thereof and/or a number of leased properties in the Project, the Lessee shall pay its share of the invoice pro rata to its share in the Project and/or the relevant part of the Project, as determined by the Lessor and/or Management Company.
- 9.2.2. All payments due for the maintenance and management of the Project as specified in this Agreement and the Management Agreement.
- 9.3. The Lessee shall bear all payments imposed on it hereunder from the commencement of the Lease Term until the end of the Lease Term.
- 9.4. It is hereby stipulated and agreed that the Lessor and/or anyone on its behalf may, at their sole discretion, collect the property tax payments in respect of the public areas, including the public parking areas, directly from the Lessee and/or instruct the Lessee to pay property taxes for the public areas directly to the municipality as though the Lessee held shared possession of the public areas and/or instruct the Lessee to include the relevant prorated portion of the public areas in the notice to the municipality as stated in Section 9.5 below, and the Lessee shall sign any document required for the purpose of fulfilling its obligation and shall pay the property taxes as required on a pro rata basis, in the amount to be determined by and/or on behalf of the Lessor. It is clarified that the payment for the property tax, as stated above, does not and will under no circumstances constitute payment on account of the rent and/or the management fees, provided that the charge is made equally and uniformly for types of leased properties (such as commercial/office space) and based on the Lessee's prorated share in the public areas. The Lessee shall have the right to check the charges imposed thereon and to appeal them in any legal manner it so chooses, including submitting an objection to the general director of property tax at the municipality. To the extent it is rejected by him, the Lessee may appeal his decision and the Lessor shall have no claim, demand and/or dispute against the Lessee in connection therewith.
- 9.5. The Lessee undertakes to provide the municipality and other relevant bodies with written notice of the lease of the Leased Premises. Shortly after the commencement of the Lease, the Lessee undertakes to transfer in its name the water, telephone, electricity and municipality bills (to the extent requested by the Lessor), as well as any other bill relating to a payment payable by the Lessee. At the end of the Lease Term, the Lessee shall act together with the Lessor to transfer the bills again in the Lessor's name (or in the name of the party so instructed by the Lessor).
- 9.6. The Lessee undertakes to present the Lessor with all the receipts and/or confirmation of the payments specified in this Section above, subject to a written demand from the Lessor.

- 9.7. The Lessee undertakes not to apply to the local authority for a discount on property tax payments applicable to the Leased Premises during the Lease Term, pursuant to Regulation 13 (Discount on Property Tax for Empty Property) of the State Economy Arrangements (Arnona Discount), 5753-1993 (or any other law or regulation that replace it) without the Lessor's explicit prior written consent. In the event the Lessee applies to the local authority for a discount on such property tax payments in contravention of the foregoing, and is granted such a discount, the Lessor may, without prejudice to any other relief granted to it under this Agreement or applicable law, receive from the Lessee the discount amount plus linkage differentials and interest, upon its first demand and including after the end of the Lease Term,.
- 9.8. The Lessor may pay for the Lessee any of the payments applicable to the Lessee, with the exception of property tax charges, after demanding that the Lessee make such payment and the Lessee has failed to do so within 14 days of the Lessor's written demand. In the event the Lessor bears such payment, the Lessee shall be required to reimburse the Lessor for any such amount within 7 days of the Lessor's first demand, plus annual interest of Prime + 6% together with linkage differentials. The linkage differentials and/or interest shall be calculated from the date of payment by the Lessor until their actual full reimbursement.

9.9. **Electricity**

- 9.9.1. The Lessee acknowledges its awareness that the Lessor owns the rights vis-à-vis the Israel Electric Corporation and any other party in all matters relating to the infrastructure providing electricity to the Project and the Leased Premises and that the rights are the sole property of the Lessor. The right granted to the Lessee hereunder is a temporary right of use for the Lease Term, as part of the services provided to the Lessee hereunder and subject to any other term and provision of this Agreement, including, in particular, the provisions of **Appendix K** hereto concerning electricity supply and maintenance provisions.

**Payment for electrical services**

- 9.9.2. Without derogating from the provisions of Section 9.2.1 above, the Lessee acknowledges its awareness that the charge for the direct electricity consumption in the Leased Premises shall be based on a reading of a meter to be installed by the Lessor and at the Lessee's expense. The type of meter shall be determined by the Lessor at its sole discretion. The Lessee shall also be charged a fixed monthly fee for the electricity supply services. The rate that the Lessee shall pay for electricity to the Leased Premises on the basis of the meter reading as well as the fixed charge shall be a LV TOU tariff as such tariff is determined from time to time by the Public Utility Authority - Electricity.

It is clarified that with respect to the central AC electricity consumption (electricity to the chillers), the Lessee shall be charged on the basis of its relative share in the Leased Premises in relation to the entire area of occupied leased properties connected to the central AC system.

- 9.9.3. The Lessor may at any time, at its discretion, modify the method of charging for the central AC system (electricity to the chillers), including by installing power meters, provided that it gives the Lessee prior notice of its intention to do so. The Lessee undertakes to pay the Lessor, for the duration of the Lease Term, the aforementioned payments for the supply of electricity services and electricity consumption within 3 days of receiving a written demand, including an invoice.

- 9.9.4. The Lessee is aware that a delay in payment of the electricity bill causes the Lessor damage since the Lessor cannot avoid paying the bill for electricity that is supplied to the entire complex in a centralized manner.
- 9.9.5. A delay in the payment of the electricity bill shall be charged annual arrears interest at the rate of Prime + 8% from the intended payment date until actual payment.
- 9.9.6. Termination of electrical services

**Without derogating from the provisions of Section 24 below (Remedies and Relief) and any other provision of this Agreement, the parties stipulate and agree that in the event the Lessee fails to make the payments due for electricity consumption, the Lessor may disconnect the power supply to the Leased Premises, provided that it gives seven days' notice prior to disconnecting the electricity, and provided that the Lessor has foreclosed on the deposit in full and the Lessee has not provided the Lessor with an alternate deposit within seven days of the Lessor's demand. In the event of such a power disconnection, all costs, damages and losses incurred with respect to such power disconnection shall be the sole responsibility of the Lessee.**

9.10. Water Supply

- 9.10.1. The Lessee acknowledges its awareness that the charge for water consumption shall be based on a reading of a meter to be installed by the Lessor on each floor of the Leased Premises and at the Lessee's expense. The type of meter shall be determined by the Lessor at its sole discretion. The rate payable by the Lessee for water consumption in the Leased Premises on the basis of the reading of the floor meter shall be the rate quoted by the local authority's water corporation, and in accordance with the reading of the meter on each floor.
- 9.10.2. Disconnection of water supply

**Without derogating from the provisions of Section 24 (Remedies and Relief) and any other provision of this Agreement, the parties stipulate and agree that in the event the Lessee fails to make the payments due from it to the Lessor hereunder, including, without limitation, for water consumption, the Lessor may disconnect the water supply to the Leased Premises subject to seven days' notice prior to disconnecting the water, and provided that the Lessor has foreclosed on the deposit in full and the Lessee has not provided the Lessor with an alternate deposit within seven days of the Lessor's demand. In the event of such a water disconnection, all costs, damages and losses incurred with respect to such disconnection shall be the sole responsibility of the Lessee.**

## **10. DELIVERY OF POSSESSION OF LEASED PREMISES**

- 10.1. The Lessee hereby undertakes to appear on the Leased Premises on the Delivery Date and to receive possession of the Leased Premises. It is agreed that the Lessee shall be considered for all intents and purposes as having appeared at the Leased Premises on the Delivery Date and shall be considered as of such time to be bound by all the undertakings and obligations under this Agreement, including the obligation to pay the rent.
- 10.2. The Lessee undertakes to perform the following actions prior to delivery of possession (and on the dates specified):
  - 10.2.1. To provide the Lessor with the insurance certifications as set forth in Section 19 below.
  - 10.2.2. To provide the Lessor, upon execution of this Agreement, with the collateral as defined in Section 20 below.
  - 10.2.3. To pay the Lessor rent, all as set forth in Section 8.3 above.
  - 10.2.4. To provide the Lessor, upon execution of this Agreement, with checks for payment of the rent and/or account debit authorization as stated in Section 8 above.
- 10.3. In the event the Lessee fails to meet any of the above conditions in a full and timely manner, it shall not be given possession of the Leased Premises and the Delivery Date shall be postponed to the date on which such actions are completed, all without derogating from any remedy and/or relief and/or right available to the Lessor and/or the Management Company and without derogating from the Lessee's undertakings in connection with the commencement of the Lease Term. The Lessee shall examine the Leased Premises upon delivery. The Lessee declares that the delivery of the keys to the Leased Premises thereto on such date constitutes confirmation that it has seen all areas and details of the Leased Premises and has found them suitable for its needs. In addition, the Lessee shall sign a form on such date confirming delivery of possession of the Leased Premises.

## **11. RENOVATION WORK ON LEASED PREMISES**

- 11.1. The Lessee may perform work on the Leased Premises as of the Delivery Date and subject to the Lessor's prior approval of the renovation plans and the list of planners as stated in **Appendix E**.
- 11.2. The Lessee shall commence the execution of the Lessee's work in accordance with and subject to all the provisions below:
  - 11.2.1. The Leased Premises shall be delivered to the Lessee in as-is condition, unless otherwise agreed between the parties in advance and in writing in **Appendix A**;
  - 11.2.2. The Lessee confirms that even if it does not commence the Lessee's work on the aforementioned date, all the obligations applying to it under this Agreement shall apply as of such time, including the obligation to pay management fees and the other payments imposed on it hereunder, as well as payment of rent as of the Delivery Date.



11.2.3. Furnishing of insurance certificates for the Lease Term and for the purpose of performing the Lessee's work, as set forth in the insurance appendix.

- 11.3. Should the Lessee fail to comply with any of the above conditions in full, it shall not receive possession of the Leased Premises for the purpose of executing the Lessee's work, without it being considered a default by the Lessor. The foregoing is without derogating from any remedy and/or relief and/or right available to the Lessor and/or the Management Company hereunder and/or under the Management Agreement and/or applicable law, and without derogating from the Lessee's obligations in connection with the commencement of the Lease Term.
- 11.4. As of the Delivery Date, the Lessee shall be solely responsible towards the Lessor and any third party for any damage caused to the Leased Premises, the Project, other leased properties in the Project, the Lessor, the Management Company and/or any third party, as a direct result of the performance of the Lessee's work, provided that the Lessee has been given a reasonable opportunity to defend against any demand, dispute and/or claim and subject to its liability as defined in Section 18.3 below. Without derogating from the Lessee's aforementioned undertaking, the Lessee shall insure its liability as stated in the insurance appendix.
- 11.5. The Lessee shall make the Leased Premises ready for opening for business and shall carry out, at its own expense and responsibility, all the work and installations it is required to perform as specified in Appendix E; as well as any work and/or assembly and/or any other installation as shall be required for the purpose of opening the Lessee's business on the Leased Premises.

For the avoidance of doubt, during the period between the Delivery Date and the opening of the Lessee's business, all provisions of this Agreement relating to the Lease Term shall apply unless explicitly provided otherwise, including the provisions regarding the Lessee's liability and the safety and other provisions.

- 11.6. The Lessee undertakes to complete the execution of all of the Lessee's work no later than the date specified in **Appendix A**.
- 11.7. The Lessee shall perform all the renovation work on the Leased Premises in accordance with the Lease Purpose as defined herein, to a high standard.
- 11.8. The Lessee shall be solely responsible for obtaining and maintaining the licenses and/or permits required by applicable law to perform the renovation work on the Leased Premises and subject to the performance of the work, as stated in Section 9 of the renovation agreement. Subject to the foregoing, the Lessor, for its part, undertakes to sign any document whose signature is required in order to obtain permits and/or licenses required by law to perform the Lessee's work, as stated, and to cooperate fully with the Lessee for such purpose. Any delay in the performance of the Lessor's undertakings under this Section shall accordingly defer the Lessee's obligations under this Agreement as they related to and/or arise from the receipt of such permits and/or licenses.

11.9. For the avoidance of doubt, it is clarified that whenever this Agreement requires or grants the Lessor the right to approve or check specifications, plans, materials, works, regulations, systems, operations and so forth, the Lessor's approval or lack thereof does not impose any obligation or liability thereon or exempt the Lessee from any liability or obligation, whether towards the Lessor or in general, and all subject to the provisions of applicable law.

11.10. In the event the Lessee carries out renovation work on the Leased Premises during the Lease Term, the provisions of this Section 11 and those of **Appendix E** of the Agreement shall apply, *mutatis mutandis*, and insofar as they are relevant.

In such case, it is agreed that in Section 11 above and **Appendix E** of the Agreement only, the following terms shall have the meaning as set forth below:

"Renovation Work" - The renovation works;

"Delivery Date" - The date of commencement of the work;

"Opening of Lessee's Business" - Opening of the part of the Leased Premises that was closed down due to the Renovation Work for businesses.

11.11. The Lessee shall provide the Lessor, within 30 days of the date of completion of the work on the Leased Premises, as-made plans for work performed, updated for actual execution. The Lessee shall also provide the Lessor with copies of certificates verifying the integrity of systems it installed in the Leased Premises, including the approval of an air conditioning consultant and the approval of a fire consultant. To the extent that a material discrepancy is discovered between the work actually performed and the plans approved by the Lessor, the Lessor may require the Lessee to make modifications to the work. It is clarified in this respect that such right shall be available to the Lessor within 30 days of the time such as-made plans were so submitted to it.

## **12. PERFORMANCE OF WORK BY LESSOR**

12.1. The Lessor may, in its sole discretion, make any modification and/or addition to the Project and/or its plans, both prior to and after the commencement of the Lease Term, including but without derogating from the generality of the foregoing, the addition or reduction of space, the addition of levels or wings, transforming public areas into areas exclusively used by various users and vice versa, changing openings and passageways and changing the use of parts of the Project that are not within the Leased Premises, provided that the Lessee's rights under this Agreement shall not be prejudiced and provided that material changes to the Building are made subject to a lawful building permit, to the extent required.

12.2. The Lessee shall not be entitled to claim or demand any consideration and/or compensation for such modification or addition and it undertakes not to interfere or object to them for any reason, provided that the Lessee's rights under this Agreement shall not be harmed. In addition, the Lessor shall act to minimize noise in order to enable the Lessee to conduct its business on the Leased Premises in accordance with the Lease Purpose.

- 12.3. The Lessor may, without any need for the Lessee's consent, transfer through the Project and/or the Leased Premises and install, alone or through a party on its behalf or through any other authority or body, all types of piping and/or systems and/or cables, whether or not they serve the Lessee and/or the Leased Premises and/or the Project, and the Lessee undertakes to allow the Lessor or anyone on its behalf entry into the Leased Premises for the purpose of performing such work, provided that the work is performed in such a manner as to minimize the disruption to the Lessee's business as much as possible. Upon completion of the work on the Leased Premises, the Lessor shall restore the Leased Premises to its original condition and shall repair at its own responsibility and expense any damage caused to the Leased Premises during the performance of such work on the Leased Premises and/or its surroundings.
- 12.4. The Lessee is aware that the Lessor may construct additional buildings on the Property for various uses, and it agrees that the Lessor may, at any stage, initiate and make changes in the Urban Master Plan and the plans for the Property, at its sole discretion or at the request of the authorities. The Lessee shall not have any claim with respect thereto and undertakes that it will not oppose any such change, provided that it shall not infringe on the Lessee's rights under this Agreement.
- 12.5. Subject to the foregoing, the Lessee waives any dispute and/or claim with respect to any noise, nuisance, disturbance, etc. that is caused to it as a result of the performance of the works as stated in Sections 12.1 to 12.3 above.
- 12.6. The Tenant is aware that to the extent the work is performed as stated in Sections 12.1 to 12.4 above, and regardless of such work, there may be changes in the access routes to the Project and/or the Leased Premises and/or parking lots and exits therefrom, and the Lessee waives any claim and/or demand towards the Lessor and/or anyone on its behalf in this regard, provided that the Lessor shall make alternate and convenient access routes to the Leased Premises available.

### **13. ACTIVITY ON THE LEASED PREMISES AND THE PROJECT**

- 13.1. The Lessee undertakes to ensure the cleanliness of the Leased Premises and its surroundings and to conduct its business exclusively within the Leased Premises. It further undertakes not to place objects, movables and debris outside the Leased Premises.
- 13.2. The Lessee shall bear any fine or penalty imposed in connection with the conduct of the business and/or the use of the Leased Premises by the Lessee and/or its employees and/or agents and/or customers, whether imposed on the Lessor or Management Company or on the Lessee; if imposed on the Lessor and/or the Management Company, the Lessee undertakes to indemnify them immediately upon demand, provided that it has been given an adequate opportunity to defend against any demand.

### **14. PROJECT MANAGEMENT**

- 14.1. The Lessor may cause a corporation to be appointed or established from time to time to manage the Project as the management company for the purposes of this Agreement, and it may manage it itself.

- 14.2. Upon execution of this Agreement, the Lessee undertakes to sign the Management Agreement with the Management Company as well as the Management Company's bylaws, attached hereto as **Appendices C and D**, respectively. For the avoidance of doubt, a breach by the Lessee of the Management Agreement and/or the bylaws shall also constitute a breach of this Agreement.
- 14.3. The Lessee acknowledges its awareness that the Lessor may perform any action under this Agreement through the Management Company, including the collection of rent and any other payment, as well as instruct the Management Company to be the Lessor's representative in connection with any matter under this Agreement.
- 14.4. The Lessor reserves the right to bring about the establishment of the Management Company at any time in the future and to re-assume its powers, and so forth, and/or to replace it with another management company at the Lessor's discretion.
- 14.5. The Lessee may not, either on its own or jointly with others, establish a building maintenance committee [*va'ad bayit*] and/or any other body that will replace and/or participate in and/or take any part in the Project management activity.

**15. PARKING LOTS**

- 15.1. It is clarified that the parking lots are owned by the Lessor or it has the exclusive right to use them, and that the Lessor has the right to use the parking lot areas at its absolute and exclusive discretion, including allocating and/or designating certain areas in any manner, granting various rights, including easements in all or part of the parking lots for the benefit of the party so determined by the Lessor and for any period of time it so determines, and collecting separate payment from parties to whom such areas have been allocated. The Lessor shall further be entitled to enlarge the parking lots and/or add to and/or modify them, at its sole discretion and subject to applicable law. The Lessee shall not have any claim and/or dispute and/or demand with respect to the foregoing, provided that if an area of the parking lot is allocated for the exclusive use of a specific tenant, such area shall be deducted from the public parking area in connection with the property tax charge.
- 15.2. The Lessor acknowledges its awareness that its mere status of a tenant does not *per se* grant it and/or its visitors and/or any party on its behalf the right to use the parking lots.
- 15.3. The Lessor may, in its absolute discretion, decide from time to time to operate the parking lots or any part thereof as paid or free parking lots, alone or by means of the Management Company and/or through others, including leasing or renting them out to subcontractors for operation. It is agreed that the Lessor and/or the Management Company and/or the entity to operate the parking lots may determine procedures for use, operation, parking, entry and exit and operating hours of the parking lots, and may revise any of these from time to time. The collection of a fee for parking from visitors to the Project shall not derogate from the Lessee's obligation to bear its prorated share of the property tax payments for the public parking lot.

The Lessee undertakes to implement, from time to time, any such determination and all the arrangements and procedures to be determined in this respect by the Lessor and/or the Management Company and/or the entity to operate the parking lots. The above provision constitutes a direct undertaking towards the Lessor and/or the Management Company /or any other entity that is to operate the parking lots from time to time, as the case may be.

## **16. ADDITIONS AND MODIFICATIONS TO LEASED PREMISES**

- 16.1. The Lessee undertakes not to make any modification to the interior and/or exterior of the Leased Premises or add any addition or demolish any part of the Leased Premises and/or any of its facilities for any reason (including the demand of a competent authority), without the Lessor's prior written consent. The Lessor may refuse such request on reasonable grounds only, which shall be provided in writing and furnished to the Lessee within 21 days of the date such request is sent by the Lessee.
- 16.2. In any case where the Lessor authorizes the Lessee to make modifications and/or additions and/or demolitions to the Leased Premises, as aforementioned, such work shall be performed at the Lessee's expense and responsibility only, and the provisions of Section 11 above shall apply, *mutatis mutandis*, including, without limitation, the Lessee's undertaking to furnish to the Lessor, prior to the performance of work under this Section and as a condition for the performance thereof, a certificate of insurance for the renovation work in the form attached hereto as **Appendix F(1)**.
- 16.3. Notwithstanding the foregoing, it is hereby clarified that interior work that does not involve a modification to the structure and/or façade and/or a material modification to infrastructure and do not require a permit such as (without limitation): installation of partitions and interior partitions, carpentry, shelving, furniture placement etc. will not be considered modifications and the Lessor's consent will not be required. Such work shall not be considered part of the work contemplated under the renovation agreement and shall be performed by and at the expense of the Lessee and at its full responsibility. It is clarified that the foregoing does not derogate from the provisions of the renovation agreement and the Lessor's participation in accordance therewith.
- 16.4. It is clarified that the Lessor's aforementioned approval does not derogate from the Lessee's responsibility to obtain all the permits and approvals required by applicable law to make such modifications and/or additions and/or demolitions, before the Lessee commences the execution thereof. Subject to the execution of the work as stated above, the Lessor, for its part, undertakes to assist the Lessee in everything necessary to comply with the requirements of the competent authorities, including signing any document and/or approval required for such purpose, provided that the foregoing shall not impose any obligations and/or payments on the Lessor apart from those applying to owners by law, subject to the Lessor's prior approval of the work in accordance with this Agreement and/or the appendices hereto and/or it that it shall not prejudice any of the Lessor's rights, and provided that no liability or undertaking towards the authorities is imposed on the Lessor in connection with compliance with the demands of the authorities, unless such responsibility or obligation is to be assumed by the owner under applicable law, subject to the Lessor's prior approval of the work in accordance with this Agreement and/or its appendices.

## **17. LICENSES AND PERMITS**

- 17.1. The Lessee declares that it is familiar with the conditions required in order to obtain any license and/or approval and/or permit required for the purpose of conducting its business on the Leased Premises, subject to the Lessor's representations and warranties in this respect.

- 17.2. The Lessee shall be solely responsible, at its own expense, for obtaining all the licenses and/or permits and/or approvals required by applicable law to conduct its business on the Leased Premises in accordance with the Lease Purpose, on the dates prescribed by law, and for renewing them annually and/or as necessary and keeping them valid for the entire Lease Term. The Lessee undertakes to conduct its business in accordance with the terms of any such license, permit and approval. The Lessor, for its part, undertakes to assist the Lessee in anything that is necessary to ensure compliance with the requirements of the competent authorities, as undertaken in Section 16.4 above.
- 17.3. The Lessee shall be solely responsible for any offenses and/or violations of law committed within and/or in connection with the Leased Premises and/or in connection with the operation of the Lessee's business on the Leased Premises, and it has the right to defend against any such claim.
- 17.4. Nothing herein shall be construed as the Lessor's permission for the Lessee to use the Leased Premises and/or conduct its business thereon without obtaining a license and/or permit and/or approval or in deviation therefrom.
- 17.5. Subject to the fulfillment of the Lessor's undertakings under Section 17.2 above, the failure to obtain any license required by the Lessee to operate its business on the Leased Premises shall not release the Lessee from any of its undertakings hereunder.

## **18. LIABILITY AND INDEMNIFICATION**

- 18.1. The Lessor and/or the Management Company and/or anyone on their behalf shall in no way be liable for any damage and/or harm caused to the Lessee and/or its business and/or property, including, without derogating from the generality of the foregoing, damage or harm caused as a result of the entry by the Lessor and/or Management Company or anyone acting on their behalf into the Leased Premises for any of the purposes specified in this Agreement (including the Management Agreement), unless damage and/or harm is caused to the Lessee and/or its business and/or property as a result of a malicious act by the Lessor and/or the Management Company.

The Lessee hereby waives any such claim, dispute against the Lessor and/or the Management Company.

- 18.2. For the avoidance of doubt and without derogating from the provisions of Section 18.1 above, it is clarified that neither the Lessor nor the Management Company or anyone on their behalf shall bear responsibility and/or liability for bodily injury and/or property loss and/or damage of any kind to the Lessee and/or anyone on its behalf, including, without derogating from the generality of the foregoing, employees, agents, contractors, visitors and any other person located within the Leased Premises or another area possessed by the Lessee, unless such liability is imposed on the Lessor or the Management Company by law or if bodily injuries and/or loss and/or damage is caused to the property of the Lessee and/or anyone on its behalf as a result of a malicious act by the Lessor and/or the Management Company.
- 18.3. The Lessee shall be liable by law for any loss and/or damage caused to the Leased Premises and/or the Project and/or their contents and/or to any person and/or corporation, including its employees and/or the Lessor and/or the Management Company and/or the visitors to the Project resulting from the management of its business on the Leased Premises and/or the possession and/or use of the Leased Premises and/or the renovation and/or from any other action by and/or on behalf of the Lessee.

- 18.4. The Lessee undertakes to compensate and/or indemnify the Lessor and/or the Management Company for any customary damage and/or expense they may be required to pay or have paid in connection with any damage for which the Lessee is liable under applicable law and/or provisions of this Agreement, provided that the Lessee has been given a reasonable opportunity to defend itself and, in the case of a settlement, that the Lessee's prior written consent has been given.

Provided that it has been given a reasonable opportunity to defend, the Lessee undertakes to compensate and/or indemnify the Lessor and/or the Management Company for any damage or expense actually incurred by them as a result of a civil or criminal claim filed against them, and due to the need to defend against such claim, to the extent such claim derives from the Lessee's direct responsibility under applicable law and/or the Lessee's non-compliance with this Agreement or breach of such obligations, including any claim for damage.

## **19. INSURANCE**

- 19.1. Subject to the provisions of the Agreement regarding authorization to perform work on the Leased Premises and to the extent any work is performed on the Leased Premises by or on behalf of the Lessee, at any time during the Lease Term, the Lessee shall be required to furnish the Lessor with the certificate of insurance for the Lessee's works attached hereto and forming an integral part hereof, which is marked **Appendix F(1)** (hereinafter respectively, "**Certificate of Insurance of Lessee's Work**" and "**Lessee's Work Insurance**"), signed by an insurer that is a duly licensed and reputable insurance company. The furnishing of the Certificate of Insurance of Lessee's Work is a precondition for performing any work on the Leased Premises, and the Lessor and Management Company shall have the right (but not the obligation) to prevent the Lessee from performing work on the Leased Premises if the Certificate of Insurance of Lessee's Work is not furnished prior to the commencement of the work, as stated.
- 19.2. Without derogating from the Lessee's responsibility under this Agreement and/or law, the Lessee undertakes to take out and maintain for the duration of this Agreement the insurances specified in the insurance certificate attached hereto and forming an integral part hereof, marked **Appendix F(2)** (hereinafter respectively, "**Certificate of Lessee's Permanent Insurance**" and "**Lessee's Permanent Insurances**") with a lawfully licensed and reputable insurance company. It is clarified that the provisions of Section 19.9 below shall apply to this section.
- 19.3. The Lessee undertakes, without the need for any demand from the Lessor and no later than the Delivery Date or prior to the date of bringing any property on to the Leased Premises (other than property included in the work insured under Section 19.1 above) - whichever comes first - to furnish the Lessor with the Certificate of Lessee's Permanent Insurance, signed by an insurer that is a lawfully licensed and reputable insurance company. The Lessee acknowledges its awareness that the furnishing of the Certificate of Lessee's Permanent Insurance is a precondition for receiving possession of the Leased Premises or bringing any property on to the Leased Premises (other than assets included in the work insured under Section 19.1 above), and the Lessor and Management Company shall have the right (but not the obligation) to prevent the Lessee from opening its business to the public and/or bringing property [on to the Leased Premise] in the event the certificate is not furnished prior to the date specified above.

- 19.4. The Lessee has the right not to take out consequential loss insurance and/or property insurance, in whole or in part, as specified in Sections (1) and (4) of the Certificate of Lessee's Permanent Insurance. However, the exemption specified in Section 19.7 below shall apply as if the insurance had been taken out in full.
- 19.5. If the Lessee believes that it is necessary to procure additional or supplementary insurance to the Lessee's Work Insurance or the Lessee's Permanent Insurances, the Lessee undertakes to take out and maintain such additional or supplementary insurance. Any such additional or supplementary property insurance shall include a waiver of subrogation in favor of the Lessor, the Management Company and anyone on their behalf, and towards other tenants and right holders in the Project (hereinafter, "**Other Rightholders**") whose property insurance or property clause of the contract works insurance taken out by them includes a waiver of subrogation towards the Lessee, provided that such exemption shall not apply in favor of a party who causes damage with malicious intent.
- 19.6. The Lessee undertakes to update the insurance amounts with respect to the insurances taken out under Sections (1) and (4) of the Certificate of Lessee's Permanent Insurances, from time to time and/or at the request of the Lessor, so as to represent, at all times, the full value of the subject of the insurance covered thereunder.
- 19.7. The Lessee releases the Lessor, the Management Company and parties on their behalf, as well as the Other Rightholders whose lease agreements or any other agreement granting such Other Rightholders rights in the Project include an equivalent exemption releasing the Lessee from liability for damage with respect to which the Lessee has an indemnity right under the insurance policies the Lessee is to take out in accordance with Section (1) of the Certificate of Lessee's Work Insurance, Sections (1) and (4) of the Certificate of Lessee's Permanent Insurance and other property insurances as stated in Section 19.5 above (or with respect to which the Lessee would have had a right to indemnity if not for the deductibles specified in the policies). However, such exemption from liability shall not apply in favor of a person who caused damage with malicious intent.
- 19.8. At the end of the term of the Lessee's permanent insurances, the Lessee undertakes to deposit with the Lessor or Management Company the Certificate of Lessee's Permanent Insurances pertaining to the extension of such insurance for an additional period. The Lessee undertakes to re-submit the Certificate of Lessee's Permanent Insurances on the specified dates, every insurance period and as long as this Agreement is in effect.
- 19.9. Whenever the Lessee's insurer notifies the Lessor and/or the Management Company that any of the Lessee's Permanent Insurances is about to be canceled and/or adversely modified, the Lessee undertakes to re-purchase the same insurance and furnish the Lessor with a new insurance certificate no later than the date of cancellation or adverse modification of such insurance.
- 19.10. For the avoidance of doubt, it is clarified that the failure to furnish the insurance certificates in a timely manner shall not affect the Lessee's undertakings under this Agreement, including, without derogating from the generality of the foregoing, any payment obligation applying to the Lessee. The Lessee undertakes to fulfill all of its undertakings under the Agreement including if it is precluded from performing work and/or receiving possession of the Leased Premises and/or bringing property into the Leased Premises and/or opening its business in the Leased Premises due to the failure to furnish the certificates in a timely manner.



- 19.11. The Lessor and/or Management Company may (but are not required to) inspect the insurance certificates furnished by the Lessee, and the Lessee undertakes to make any change or amendment required in order to render such certificates compatible with the Lessee's undertakings as provided in this Agreement. The Lessee declares that the Lessor's and/or Management Company's right to inspect the insurance certificates and to order the amendment thereof, as stated above, does not impose on the Lessor or the Management Company and/or anyone acting on their behalf any obligation and/or responsibility whatsoever with regard to such insurance certificates, and the nature, scope and validity of the insurances made in accordance with such certificates or the lack thereof, and the right of inspection does not derogate from any liability imposed on the Lessee under this Agreement and/or law.
- 19.12. The Lessee undertakes to comply with the terms of the insurance policies taken out thereby, pay the premiums in a full and timely manner and ensure that the Lessee's Permanent Insurances are renewed from time to time as necessary and are in effect for the entire Lease Term.
- 19.13. The Lessee undertakes to comply with the reasonable safety procedures/directives published (if at all) from time to time by the Lessor or the Management Company.
- 19.14. For the avoidance of doubt, it is hereby clarified that the limits of liability prescribed by the Insurance Certificates constitute a minimum requirement imposed on the Lessee, and do not derogate from any of the Lessee's undertakings under this Agreement and/or applicable law, nor do they release the Lessee from its full liability under this Agreement and/or law. The Lessee shall not have any claim or demand against the Lessor and/or the Management Company and/or anyone acting on their behalf with respect to such limits of liability.

## **20. GUARANTEES AND COLLATERAL**

- 20.1. To ensure the fulfillment of all the Lessee's obligations under this Agreement and the Agreement, the Lessee shall provide collateral as follows (hereinafter collectively, the "**Collateral**").

20.1.1. Cash deposit in the amount of NIS 670,802 plus VAT.

Upon the exercise of the Additional Lease Term, the cash deposit will not be updated and shall remain a total of NIS 670,802 **plus VAT** as stated above.

When furnishing the deposit, the Lessee shall receive from the Lessor a receipt and an invoice for the deposit. The deposit shall be refunded after the end of the Lease Term, linked to the index and subject to compliance with all the terms of the Agreement. For the avoidance of doubt, it is clarified that the aforementioned deposit does not constitute payment with respect to 3 months' rent.

In the event the deposit and/or any part thereof is realized, after the Lessor sends 7 days' prior written notice to the Lessee, the Lessee shall be required to complete the amount upon within 7 days of such foreclosure.

- 20.2. After the end of the Lease Term and it having been proved that the Lessee has fulfilled all its undertakings hereunder, including its undertakings in connection with vacating the Leased Premises and its undertakings under the Management Agreement, the deposit shall be returned to the Lessee.
- 20.3. It is clarified that the furnishing and/or foreclosure of the deposit does not constitute a waiver and/or violation of the Lessee's undertakings hereunder and of any right of the Lessor and/or the Management Company under this Agreement and/or law.
- 20.4. It is clarified that the Lessor and/or the Management Company may assign and/or transfer and/or encumber the collateral or any part thereof, subject to a third party being liable to the Lessee for all the Lessor's undertakings hereunder.
- 20.5. The Lessor shall be entitled to instruct the Lessee, at any time, to provide separate collateral to secure the Lessee undertakings under the Lease Agreement and separate collateral to secure the Lessee's undertakings under the Management Agreement in lieu of the existing collateral, provided that the aggregate amount of the collateral required shall not exceed the aggregate amount of the existing collateral.

## **21. TRANSFER OF RIGHTS AND LIENS**

- 21.1. The Lessee undertakes not to transfer and/or assign its rights hereunder, in whole or in part, to another or others in any manner; not to transfer the Leased Premises or any part thereof to another party; not to transfer possession or use of the Leased Premises or any part thereof to another party for or without consideration; and not to encumber or mortgage any of its rights hereunder, without the Lessor's prior written consent and in accordance with the terms to be determined by the Lessor at its sole discretion.
- 21.2. Without derogating from the provisions of this Section 21 above, it is agreed that in the event the Lessee transfers and/or assigns rights in the Leased Premises or any part thereof in any manner not approved by the Lessor in advance and in writing, the Lessor shall not be bound by such undertaking. A change in control of the Lessee shall not be deemed to be a transfer of rights in this respect.
- 21.3. The Lessor and/or the Management Company may transfer and/or assign all or part of their rights and obligations hereunder, for any purpose at their sole discretion, provided that the Lessee's rights under this Agreement shall not be infringed.
- 21.4. The Lessee undertakes to cooperate with and sign any document requested by the Lessor and/or the Management Company for approval and/or execution as stated in this Section, and may not make such consent conditional. The Lessee hereby explicitly agrees to assume and abide by all the provisions of this Agreement towards any other party that will replace the Lessor and/or the Management Company, if at all, provided that the Lessee's rights under this Agreement shall not be infringed.

- 21.5. The Lessor and/or Management Company may, at any time and in their sole discretion, encumber and/or pledge their rights and obligations hereunder and/or the Property and/or the Project and/or any part thereof in favor of a financing entity, and may replace such lien and/or pledge with another lien and/or pledge, provided that the Lessee's rights hereunder shall not be infringed, and the Lessee consents to the foregoing and waives any claim and/or demand in connection therewith.

By signing this Agreement, the Lessee gives its irrevocable consent to register the aforementioned lien and/or pledge and it may not object to it. Without derogating from the generality of the foregoing, the Lessee undertakes to sign any document it is so instructed by the Lessor in connection with the provisions of this Section 21.5, provided that its rights under this Section shall not be infringed.

- 21.6. A breach of any of the provisions of this Section shall be deemed to be a fundamental breach of the Agreement.

## **22. VACATING OF LEASED PREMISES**

- 22.1. Subject to the provisions of this Agreement, at the end of the Lease Term or the Additional Lease Term, if any, or upon the rescission or termination of this Agreement for any reason, whichever comes first and as applicable (hereinafter, the "**Vacating Date**"), all the Lessee's rights in the Leased Premises shall expire, and the Lessee undertakes to vacate the Leased Premises and deliver possession thereof to the Lessor in clean and orderly condition, free of any person and object not belonging to the Lessor, subject to the provisions of Section 22 below.
- 22.2. The Leased Premises shall be delivered to the Lessor after renovation in accordance with the plans presented to the Lessor prior to the renovation. To the extent it was subsequently renovated in accordance with this Agreement, in the condition it was in after such renovation.
- 22.3. Without derogating from the Lessee's obligation to return the Leased Premises to the Lessor free of any person and object that do not belong to the Lessor as stated in Section 22.1 above, movables which do not belong to the Lessor hereunder and which remain in the Leased Premises after it is vacated by the Lessee (including vacating in the manner stated in Section 22.7.2 below), shall become the Lessor's property upon vacating.
- 22.4. The Lessee shall not be entitled, during or after the Lease Term, to any refund and/or payment from the Lessor and/or Management Company with respect to any facility and addition stated in Section 22.2 above and/or movables as stated in Section 22.3 above, and the Lessee shall be considered to have finally and irrevocably waived any claim and/or demand and/or right of ownership in relation to any such facility, addition and object.

- 22.5. Two weeks prior to the Lessee's delivery of the Leased Premises to the Lessor, the Lessor shall conduct an inspection of the Leased Premises by means of its representatives, in the presence of the Lessee's Representative. The Lessor shall prepare a list of repairs that the Lessee is required to perform under this Agreement, including repairs of damage and malfunctions relating to the process of restoring the Leased Premises to its condition after renovation, and excluding damage and wear and tear resulting from normal and reasonable use of the Leased Premises. The absence of the Lessee's Representative will not detract from the validity of the inspection; but will not derogate from the Lessee's right to raise claims regarding what is stated in the inspection documents.

To the extent the aforementioned repairs are not performed by the Lessee within 14 days of receiving the inspection report, the Lessor may repair the Leased Premises at the Lessee's expense, and the provisions of Section 23.2 below shall apply. The length of time that will be required to carry out the repairs, as determined by an engineer on behalf of the Lessor, shall be deemed to be the period in which the Lessee was late in vacating the Leased Premises for all intents and purposes.

- 22.6. It is clarified that the Lessor may, at any time, negotiate with third parties in connection with the Leased Premises regarding the period following the Lease Term or after the Additional Lease Term, to the extent it is exercised.

- 22.7. In the event the Leased Premises are not vacated and returned to the Lessor's possession on the Vacating Date in the manner specified in Section 22.1 above, the following provisions shall apply:

22.7.1. The Lessee shall pay the Lessor liquidated damages in an amount equal to the rent for the last lease month, divided by 10 and together with linkage differentials, for each day between the Vacating Date and the actual vacating date, without derogating from its obligation to make all other payments applying to it under this Agreement with respect to such term. Nothing in the foregoing shall derogate from the Lessor's right to any other remedy and/or higher compensation, including compensation which the Lessor may be required to pay an alternate lessee and it shall not infringe on any right of the Lessor, including its right to exercise the collateral and/or release the Lessee from its obligation to vacate the Leased Premises.

22.7.2. Subject to receipt of a peremptory eviction order and after the Lessee has been given a reasonable opportunity to defend against any claim, the Lessor may, without derogating from its right to any other remedy, perform the following actions at any time it so determines, without prior notice to the Lessee:

22.7.2.1. Enter the Leased Premises alone and/or by means of others, and vacate the Leased Premises of any movables that may be in it and store them wherever it deems appropriate, at the Lessee's expense.

22.7.2.2. Replace the locks to the Leased Premises and/or deny the Lessee and/or anyone on its behalf access to the Leased Premises and/or the Project, including parking lots, in any way it so determines, alone and/or by means of others, for the purposing of vacating the Leased Premises and reassuming possession in accordance with the Agreement.

The Lessor and/or anyone on its behalf may employ reasonable force, if necessary, in order to carry out the aforementioned actions.

22.7.3. The Lessee waives any demand and/or claim in connection with the performance of the actions enumerated in this Section 22.7.2 above, including in connection with any damage that may be caused as a result of vacating the Leased Premises and/or removing the movables from the Leased Premises and/or the storage thereof. For the avoidance of doubt, the Lessee declares that payment and/or receipt of proper usage fees and/or payments in accordance with Section 22.4.1 above, shall not create a lease relationship between the parties with respect to the period following the Vacating Date.

22.8. On or shortly after the Vacating Date, and subject to actual vacation of the Leased Premises in accordance with Section 22.1 above, a final settlement shall be made between the Lessor and the Lessee.

### **23. DELAYS**

23.1. In the event the Lessee is late in paying any amount it is required to pay the Lessor and/or the Management Company hereunder, the Lessee shall pay the Lessor and/or the Management Company, as the case may be, annual interest at Prime + 6% (hereinafter, "**Arrears Interest**"), from the scheduled date of payment until actual payment, plus VAT. Notwithstanding the foregoing, in the event of a one-time delay that does not exceed 7 days in 12 calendar months, Arrears Interest shall only be paid after 7 days of delay.

23.2. Whenever the Lessee is obliged under this Agreement to perform any action or make a payment, and the Lessee fails to perform such action or make such payment by the date specified in this Agreement and/or applicable law, and - in the absence of such a date - the date specified therefor in a written demand by the Lessor – the Lessor and/or Management Company and/or a party on their behalf may, but are not obligated to, perform the action or make payment in lieu of the Lessee. In such case, the Lessee shall be required to pay the Lessor and/or the Management Company, immediately upon their first demand, all the amounts and damages incurred by the Lessor and/or management company in the performance of such action or payment, plus 10% of such amounts with respect to general expenses and together with Arrears Interest, as defined above, on any amount in arrears, plus linkage differentials, as of the date on which the Lessor and/or Management Company incurred such expense until the actual date of full repayment by the Lessee. In the event a third party was paid interest and/or an arrears penalty due to the Lessee's delay in payment, such interest and/or penalty shall be deemed part of the principal amount of the debt for which the Lessor is required to reimburse the Lessor and/or Management Company, as the case may be.

23.3. In the event the Lessee is late in paying any amount it is required to pay to the Lessor and/or the Management Company in accordance with this Agreement, any amount paid by the Lessee shall be applied in the following order: towards payment of the expenses and/or attorney's fees; interest; linkage differentials; the principal amount.

23.4. The Lessee is aware that any amount paid to the Lessor shall be applied towards paying the Lessee's debts, if any, in accordance with the following order of preference: the amount shall first be applied towards the collateral, to the extent no collateral was deposited as required and/or it was cancelled and/or the collateral or any part thereof was foreclosed and/or to the extent required to adjust the collateral amount; followed by payment of the rent debt (for the main Leased Premises, the storage room and the parking space, if any); followed by payment of the management fee debt and the Lessee's charges in respect of additional services provided by the Management Company and its share in payments related to the maintenance of the public areas; followed by debts for water consumption and finally for electricity consumption. For each of the foregoing, the payment shall first be applied to the earliest charges.

**No notice by the Lessee that a certain payment has been made with respect to a certain charge shall have any validity.**

23.5. No payment of interest and/or compensation under this Section shall derogate from the right of the Lessor and/or Management Company to any other relief provided for in this Agreement or law.

#### **24. RELIEF AND REMEDIES**

24.1. It is agreed between the parties that a breach of Sections 4,6,7,8,9,13,16,18,19,20,21,22 of this Agreement and/or a breach of any of the sub-sections of these Sections shall be deemed a fundamental breach of this Agreement. A breach of any of the provisions of this Agreement which is not remedied within 14 days of the Lessee's receipt of a written demand shall also be considered a fundamental breach.

24.2. In the event any of the parties breaches a provision of this Agreement, the non-defaulting party shall be entitled to all the remedies provided for in the Contracts Law (Remedies for Breach of Contract), 5731-1970, without derogating from the provisions of this Agreement and/or applicable law.

24.3. Subject to the provisions of Section 11.4 of the renovation agreement, the Lessee may not set off amounts it owes the Lessor and/or the Management Company against amounts due to it, if at all, from the Management Company and/or the Lessor.

24.4. Without derogating from any other remedy and in addition to any right available to the Lessor under this Agreement and applicable law, the Lessor may terminate the Agreement in any of the following cases:

24.4.1. The Lessee fundamentally breaches this Agreement or a provision hereof, subject to 7 days' written notice as stated herein.

24.4.2. The Lessee commits a non-fundamental breach of this Agreement or a provision hereof and fails to remedy such breach within 14 days of being demanded to do so.

24.4.3. The Lessee repeatedly breaches this Agreement or a provision hereof, regardless of whether such repeated breach is a fundamental breach.

24.4.4. A motion is filed with a competent court, with respect to the Lessee, for an order under Section 350 of the Companies Law, 5759-1999, for a creditor arrangement and/or stay of proceedings, or a motion is filed for the liquidation of the Lessee, to declare it bankrupt, to appoint a trustee, liquidator, temporary liquidator, preliminary liquidator, receiver of a substantial part of its assets, to stay proceedings with respect thereto or to impose an attachment on a substantial part of the Lessee's assets and an order is issued pursuant to the motion or the motion is not vacated or set aside within 90 days of being filed with the court. The foregoing shall apply, *mutatis mutandis*, with respect to any of the individuals or guarantors of the Lessee; however, the Lessee may provide an alternate guarantor whose identity shall be agreed upon by the Lessor within 30 days of the occurrence of such event.

- 24.4.5. The deposit is foreclosed upon in circumstances in which the Lessee, for reasons dependent on it, failed to complete the foreclosed amount within 7 days of the demand.
- 24.5. In the event the Lessee has breached this Agreement in a manner that grants the Lessor the right to terminate the Agreement, then, without derogating from any remedy or right available to the Lessor under this Agreement and/or applicable law and without derogating from the Lessee's obligation to fulfill all its undertakings hereunder, subject to the issuance of a peremptory eviction order and after the Lessee has been given a reasonable opportunity to defend against any claim, the following provisions shall also apply:
- 24.5.1. The Lessor may enter the Leased Premises, alone and/or by means of others, vacate the Leased Premises of any movables that may be in it and store them wherever it deems appropriate. The Lessor shall not be liable for any damage and/or loss and/or deficiency whatsoever that may be incurred and/or is incurred by the Lessee as a result of such actions, unless such damage was caused with malicious intent. The Lessee shall bear all the expenses of the Lessor that are incurred as a result of the aforementioned eviction actions, including fees for storing the contents of the Leased Premises and/or appropriate fees for use of the Lessor's storage room for storage purposes.
- 24.5.2. The Lessor may, alone and/or by means of others, replace the locks to the Leased Premises or deny the Lessee and/or anyone on its behalf access to the Leased Premises and/or the Project, including the parking lots, and/or take action in any manner it deems appropriate to vacate the Leased Premises and reassume possession thereof in accordance with the Agreement.
- 24.5.3. The Lessor may immediately stop supplying the Lessee and/or the Leased Premises and/or instruct the Management Company to stop supplying the Lessee and/or the Leased Premises with electricity, water, communications, air conditioning or any other services at its sole discretion, without prior notice to the Lessee.
- 24.5.4. For the purpose of carrying out the actions specified in Sections 24.5.1 through 24.5.3 above, the Lessor and/or anyone on its behalf may use reasonable force if necessary. The Lessee waives any demand and/or claim in connection with the performance of the actions enumerated in the Sections above, including in connection with any damage whatsoever caused as a result of vacating the Leased Premises and/or the removal of movables from the Leased Premises and/or the storage thereof.

24.5.5. With respect to a breach by the Lessee of the Lease Agreement, which grants the Lessor the right to terminate the Agreement, the Lessee shall pay the Lessor and the Management Company liquidated damages equal to the rent and managements fees payable by the Lessee under this Agreement for the month preceding the breach, multiplied by 2, without the need to prove damage and without prejudice to the right of the Lessor and the Management Company to any other remedy and/or higher compensation and/or without infringing on any right of the Lessor and the Management Company, including their right to foreclose on the collateral.

For the avoidance of doubt, the Lessee declares that payments under Section 24.5.4 above shall not constitute proper usage fees and/or create a lease relationship between the parties with respect to any period after the vacation of the Leased Premises.

24.6. A discount and/or benefit and/or grant and/or exemption from payment of rent and/or management fees for a certain time period ("grace period"), shall be contingent on the full and timely implementation of all the Lessee's undertakings hereunder as well as on the performance of improvements to the Leased Premises in accordance with plans presented to the Lessor. In the event the Lessee breaches such undertakings and/or fails to fulfill them in a full and timely manner, any such benefit and/or grant and/or exemption shall be void, without derogating from all other relief and remedies available to the Lessor by law and/or this Agreement, provided that the Lessee is given 14 days' prior written notice and fails to remedy such breach on the aforementioned date.

24.7. The parties represent and warrant that a breach of the Agreement by a party due to *force majeure* shall not serve as a ground for termination of this Agreement, in whole or in part, and shall not serve as a ground for any claim against the other party. "Force Majeure" in this Agreement includes fire, natural disaster, strike, security emergency, stop work instructions and/or orders by the authorities, judicial decisions and/or any other reason beyond the influence and control of the Lessor and/or Management Company. Subject to the foregoing, the Lessee undertakes to pay the rent and other payments hereunder regardless of whether it is able to use the Leased Premises.

## **25. GENERAL PROVISIONS**

25.1. This Agreement (including the appendices hereto) constitutes and reflects the entire relationship, rights and obligations between the Lessor and/or the Management Company and the Lessee. Upon the execution of this Agreement, which constitutes the entire agreement between the parties, any oral or written contract and/or memorandum and/or agreement and/or statement and/or representation and/or promise and/or publication and/or previous drafts of this agreement given or made by the Lessor and/or the Management Company and/or anyone on their behalf shall be null and void, and the Lessor and/or Management Company shall not be liable for any of the foregoing.

25.2. No modification and/or waiver and/or deviation from the provisions of this Agreement shall be valid unless made explicitly and in writing and duly signed by the parties to the Agreement.

25.3. The failure of a party to exercise a right granted to it under this Agreement in particular case should not be considered a waiver of such right in that case and/or in a similar or dissimilar case and no conclusions should be drawn therefrom regarding a waiver of any right of such party.



- 25.4. The Lessee may not condition the performance of any undertaking under this Agreement and/or the Management Agreement on the performance of any undertaking of the Lessor and/or the Management Company.
- 25.5. By signing this Agreement, the Lessee gives its consent, despite not being obligated to do so, for its details to be included in a database of tenants managed by the Lessor and/or the Management Company and/or one of the subsidiaries and/or affiliates of the Lessor and/or the individuals of the Lessor, in accordance with the Privacy Protection Law, 5741-1981, for the purpose of managing the Project and all matters related thereto including mailing information and content to the Lessee, and providing the information to the Management Company and/or partners in the Project and/or suppliers who require the data for the purpose of work on the Project, the management of the Project and all matters related thereto.
- 25.6. It is hereby agreed by the parties that the competent court in Tel Aviv-Jaffa shall have exclusive jurisdiction in all matters relating to and/or arising from this Agreement, including the implementation and termination hereof, and it shall be governed solely by the laws of the State of Israel.
- 25.7. It is hereby agreed between the parties that the provisions of the Lease and Lending Law, 5731-1971, shall not apply to this Agreement with the exception of the provisions of the law which may not be made contingent.
- 25.8. The Lessee may not at any time register a caveat note by virtue of its rights under this Agreement and/or register its rights hereunder with the Israel Land Registry.
- 25.9. It is clarified that this Agreement and the negotiations conducted with respect hereto do not bind the Lessor as long as the Lessor's authorized signatories have not signed the Agreement.

## **26. ADDRESSES AND NOTICES**

- 26.1. The parties' addresses for purposes of this Agreement, including for service of court process, are as designated in this Agreement, unless one party notifies the other in writing of a change thereto. After the commencement of the Lease Term and until the actual vacation of the Leased Premises, the Lessee shall have an additional address, which the address of the Leased Premises.
- 26.2. Notices delivered by hand shall be deemed to have been received on the date of actual delivery; notices sent by registered mail shall be deemed to have been received within 72 hours of being posted for delivery.
- 26.3. E-mail and/or fax notices with telephone confirmation and/or e-mail and/or other confirmation of receipt shall be deemed to have been received on the date of telephone and/or e-mail and/or other confirmation of receipt.

**IN WITNESS WHEREOF the parties hereto have affixed their signatures  
at the time and place specified above:**

(-)  
*Cash and Carry Food Services  
Ltd.*

\_\_\_\_\_  
**Lessor**

(-)  
*Ori Lahav; Ziv Kop  
Outbrain Israel Ltd.  
Company No. 513871301*

\_\_\_\_\_  
**Lessee**

By Messrs. *Shai Reicher and Danny Akrov*

By Messrs. \_\_\_\_\_

**If the Lessee is a corporation:**

I, the undersigned, Adv. Nir Cohen, License No. 48999, hereby certify that the Lessee is an active and existent company and that it has adopted all the resolutions necessary to enter into this agreement under its incorporation documents, and the above signatures are the signatures of *Ziv Kop and Ori Lahav*, who are authorized to bind the Lessee by their signature.

(-) Nir Cohen, Adv. License No. 48999

## **Appendix A**

Special Terms Appendix (attached separately)

## Appendix A

### Special Terms Appendix

Entered into in Netanya as of the 17<sup>th</sup> of January 2017

**By and between**      **Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part:**

**And**                      **Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Tel: 077-2706661; Fax: 077-2706629  
Email: olahav@outbrain.com  
(Hereinafter, the "**Lessee**")

**Of the second part:**

#### **GENERAL**

The terms, definitions and all provisions of this Appendix shall be deemed an integral part of the main agreement, and are intended to complete and add to, and not detract from, the main agreement. However, in the event of a contradiction between the provisions of the main agreement and those of this Appendix, the provisions of this Appendix shall prevail. Terms not explicitly defined in this Appendix shall have the meaning ascribed to them in the main agreement.

It is agreed that the Lessee's signature on this Appendix shall, for all intents and purposes, be deemed the Lessee's signature on the main agreement and the remaining appendices. By signing this Appendix, the Lessee declares and affirms that it has read all the provisions of the main agreement and the appendices and agrees thereto, and it hereby waives any demand and/or argument in connection therewith.

## **Sections of Agreement**

### Section 2

#### **“Base Rent”**

- A total of NIS 53 per gross square meter of the Building space, and a total of NIS 219,406 per month for the Building space; [according to the following calculation: 1,253 square meters X 3 floors + 27 square meters in the lobby + 156.6 square meters of lobby space (60% of the lobby space less the room in the lobby) X 105% (gross expense loading) – 4,139.73 square meters X NIS 53 per square meter – NIS 219,406 per month not including VAT].

If renovation work is performed on the Leased Premises, the Base Rent for the Building space shall be as set forth in the Renovation Agreement.

- A total of NIS 670 per month for Storage Room A, as defined below. The management fees and electricity payments for Storage Room A are included in the aforementioned amount.
- A total of NIS 670 per month for Storage Room B, as defined below. The management fees and electricity payments for Storage Room B are included in the aforementioned amount.

The above amounts (including as provided in the Renovation Agreement) shall be linked to the base index and lawful VAT shall be added thereon.

#### **“Parking Fees” –**

During the Lease Term and the Additional Lease Term, to the extent it exists, the Lessee shall be entitled to lease from the Lessor parking spaces on level -2 in the Building, in accordance with the following:

- a. For the first 120 parking spaces, the Lessee shall pay parking fees in the amount of NIS 250 per month per parking space;
- b. For 120 additional parking spaces (for parking spaces 121 to 240), the Lessee shall pay parking fees in the amount of NIS 275 per month per parking space;
- c. For 120 additional parking spaces (for parking spaces 241 to 360), the Lessee shall pay parking fees in the amount of NIS 300 per month per parking space;

For each additional parking space beyond 360 parking spaces, the Lessee shall pay parking fees at the rate that is customary at the time for the Project for office building lessees, less a 15% discount.

- d. The Lessee undertakes, in any event, to lease from the Lessor at least 200 parking spaces at any given time.

- e. The lease of additional parking spaces (beyond 200 parking spaces) shall be on an as-available basis and at the rates detailed in this Section above.

The aforementioned amounts shall be linked to the base index and lawful VAT shall be added thereon (hereinafter, "**Parking Area**").

On weekends (Friday and Saturday) and Jewish holidays (holiday eves, but not including the *Chol Hamoed* intermediate festival days), the Lessor and/or the management company shall be entitled to permit all visitors to the Project to park in the Parking Area, in which case employees of the Lessee may park their cars for no fee in the level -2 parking lot of the Building, without any predefined parking space.

"**Base Index**" – the index for the month of November 2016 which was published on December 15, 2016.

"**Leased Premises**" – Levels 1, 2 and 5 of Building A in the Project (hereinabove and hereinafter, the "**Building**"), a room on the lobby level of the Building, 60% of the lobby space in the Building and two storage rooms on level -2 of the Building, all as marked in pink on the plans attached as **Appendix B** to the main agreement.

"**Delivery Date**" – the estimated date of delivery of possession and commencement of the Lease Term is March 1, 2017.

"**Purpose of Lease**" – the conduct of the Lessee's hi-tech business, *inter alia*, in the field of content recommendation or any other field in which the Lessee may elect to engage, only. Storage Room A shall serve as a storeroom for items and equipment only. Storage Room B shall serve as a music room.

"**Leased Premises Area**" – the final Leased Premises area includes the following areas:

- Level 1 of the Building measuring an area of 1,253 square meters.
- Level 2 of the Building measuring an area of 1,253 square meters.
- Level 5 of the Building measuring an area of 1,253 square meters.
- A room measuring 27 square meters on the lobby level of the Building.

- A part of the lobby measuring 156.6 square meters, which was made available to the Lessee (hereinabove and hereinafter collectively, the “**Building**”).
- A storage room on level -2 of the Building, measuring an area of 19 square meters (hereinabove and hereinafter, “**Storage Room A**”).
- A storage room on level -2, measuring an area of 13 square meters (hereinabove and hereinafter, “**Storage Room B**”).

5% shall be added to such final area with respect to the Lessee’s share of the public areas, which shall also be included in and deemed part of the Leased Premises Area, including for the purpose of calculating payment of the rent and management fees provided in the Agreement (the aforementioned final area together with the additional 5% shall be hereinabove and hereinafter collectively referred to as, the “**Leased Premises Area**”).

The Parking Area made available to the Lessee and/or a party on behalf of the Lessee does not constitute part of the Leased Premises and the Lessee shall have authorization [to use] such parking area only.

“**Lease Term**” – a period of 3 (three) years commencing March 1, 2017 and ending February 28, 2020.

“**Additional Lease Term**” – a period of 3 (three) years commencing immediately after the end of the Lease Term and ending February 28, 2023.

It is clarified that the lease terms are subject to the provisions of the Renovation Agreement, as defined below, to the extent exercised.

“**Number of additional terms granted to the Lessee**” – 1 (one).

In any event, the entire Lease Term under this Agreement shall not exceed 6 (six) years.

Notwithstanding the foregoing, in the event the Lessee renovates the Leased Premises as aforementioned and as set forth in the Renovation Agreement, the lease terms shall be for a period of 5 years commencing on March 1, 2017 and ending February 28, 2022, and the Additional Lease Term shall be for a period commencing March 1, 2022 and ending February 28, 2023.

Section 6.5	<p><b>The rent during the Additional Lease Term</b> shall be the rate in effect in the last month of the preceding lease term (including linkage differentials) plus 5%.</p> <p>For the avoidance of doubt, in the event the Lessee renovates the Leased Premises as set forth and as detailed in the Renovation Agreement, and the Lease Term and Additional Lease Term are revised as set forth above, the rent addition during the Additional Lease Term shall apply as of the end of the fifth year of the Lease Term only.</p>
Section 8	<p><b>The Lessor's account</b> shall be as provided by the Lessor as necessary.</p>
Section 10.4	<p><b>The date of vacating of current lessee</b> – February 28, 2017.</p>
Section 20.1.1	<p>The Lessee undertakes to furnish to the Lessor, as of the commencement of the Lease Term, a <b>cash deposit</b> in the amount of NIS 670,802 plus lawful VAT, to secure its undertakings under this Agreement.</p> <p>For the avoidance of doubt, it is clarified that the aforementioned cash deposit amount will not be updated upon the exercise of the Additional Lease Term, and it shall remain a total of NIS 670,802 plus VAT, as set forth above.</p>
Section 6.1 of the management agreement	<p><b>Management fees amount</b> –</p> <ul style="list-style-type: none"> <li>- A total of NIS 52,219 per month for the Leased Premises area; [according to the following calculation: 1,253 square meters X 3 floors + 27 square meters for a room in the lobby + 156.6 square meters of lobby space (60% of the lobby space less the room in the lobby) X 105% = 4,139.73 square meters X NIS 12.614 per square meter – NIS 52,219 per month, plus VAT]</li> </ul> <p>The aforementioned amount shall be linked to the Base Index and lawful VAT shall be added thereon.</p> <p><b>The management fees during the Additional Lease Term</b> shall be the same rate as was in effect in the last month of the preceding lease term (including index differentials).</p>
Section 6.3.1 of the management agreement:	<p><b>The management company's account</b> is as shall be provided to the Lessor as necessary.</p>



Section 3 of Appendix D:	The words: "Subject to the provisions of the Lease Agreement" shall be added at the beginning of the section.
Section 2.1 of Appendix E:	The words: "On reasonable grounds only" shall be added at the end of the section.
Section 2.6 of Appendix E:	The words "Shall conform to guidelines" shall replace "shall be new and of superior quality and conform to guidelines."  The words "prior to installation" shall be deleted.  The words "electricity consulting" shall replace "the appropriate authorities."
Section 2.8 of Appendix E:	The words "made by it and/or on its behalf" shall follow the words "defect and/or deficiency discovered in the work."
Section 2.10 of Appendix E:	Repealed.
Section 3 of Appendix E:	Repealed.
Section 4.1 of Appendix E:	The words "fire permit, as necessary" shall replace "fire permit."
Section 4.2 of Appendix E:	The words: "Subject to the provisions of Section 9 of the Renovation Agreement (in relation to the type of work that is prohibited) the Lessor, for its part, undertakes to assist the Lessee in all that is necessary for the purpose of complying with the requirements of the competent authorities, including signing any document and/or approval required for such purpose, provided that it does not impose any obligations and/or payments on the Lessor and/or infringe on any rights of the Lessor, and provided that the Lessor shall not be bound by any responsibility or obligation towards the authorities in connection with compliance with the authorities' requirements."
Section 5.1 of Appendix E:	The words "exterior signs" shall replace "interior and exterior signs."

Section 5.2 of Appendix E:	The words "together with the plans for the renovation work on the Leased Premises" shall be replaced with: "and in any case prior to their installation."
Section 7.1 of Appendix E:	The following words shall be deleted: "The type of materials shall be determined in accordance with the Lessor's instructions. The final floor of the Leased Premises shall be on the level determined by the Lessor's architect."
Section 7.3 of Appendix E:	The words: "the Lessee shall install" shall be replaced with: "The Lessee may install."  The words: "Approval of the Lessor's structural engineer" shall be replaced with: "Approval of a structural engineer or the Israel Standards Institute."
Section 8.3 of Appendix E:	The words: "And according to the amount specified in the demand" shall be followed by the words: "and upon presentation of proof of payment."
Section 9.2 of Appendix E:	The words: "The Lessee shall submit for the Lessor's approval lighting plans which conform to the lighting intensity determined by and/or on behalf of the Lessor."
Section 10.3 of Appendix E:	The words: "Provided that the Lessor has done all that is necessary to immediately remedy the aforementioned malfunction" shall be added at the end of the section.
Section 11.1 of Appendix E:	The electricity supply to the Leased Premises will be at the same lighting and power output as currently provided to the Leased Premises.
Section 11.2 of Appendix E:	Repealed.
Section 11.4 of Appendix E:	Shall be deleted and replaced with the words: "Upon completion of the renovation work, the Lessee shall ensure that the systems within the Leased Premises are connected to the central control and monitoring system of the Project."
Section 11.5 of Appendix E:	The words: "By the Lessee in accordance with the Lessor's instructions and at the Lessee's expense" shall be replaced with: "At the Lessee's expense."

Section 12.1 of Appendix E:	The following words shall be deleted: "The connection to the central AC system shall be done through suppliers of the Lessor for the central AC system. The cost of the Lessor's consultants and suppliers shall be borne by the Lessee."
Section 12.2 of Appendix E:	The words: "The Lessor hereby authorizes re-use of the F&C units" shall be added at the end of the section.
Section 12.5 of Appendix E:	The words: "The AC system shall be fit for use by the date of opening the Leased Premises to the public" shall be deleted.
Section 12.6 of Appendix E:	Repealed.
Section 12.7 of Appendix E:	Shall be deleted and replaced with the words: "The Lessor shall operate one central AC unit 24 hours a day (24/7).".
Section 12.9 of Appendix E:	Shall be deleted and replaced with: "The Lessee shall make the appropriate preparations in the AC system to be installed in the Leased Premises (including the installation of temperature sensors) up to the boundaries of the Leased Premises, and shall connect it to the central control system at the end of the renovation, at its expense."
Section 13.3 of Appendix E:	Shall be deleted and replaced with: "The passageways and their location shall remain the same as on the date of execution hereof."
Section 15.1 of Appendix E:	The following words shall be deleted: "and through the Lessor's supplier who installed the central control system."  The following words shall be deleted: "Unless the Lessor decides to perform the [fire] sprinkler installation work on the Leased Premises on its own. In this case, the Lessee shall pay the Lessor the costs of installing such [fire] sprinklers in accordance with bills to be submitted to it by the Lessor."
Section 17.4 of Appendix E:	The following words shall be deleted: "After opening the Leased Premises to the public."
Appendix G:	Cancelled.
Appendix H:	Cancelled.
Section E of Appendix J:	The words "the Lessor may" shall be replaced with "each party may."  The words "by prior notice" shall be followed by "and in writing to the other party."

Section F of Appendix J:	Cancelled
Section 3.1.2 of Appendix K	The provisions of this section shall be replaced with the following: "The Lessee may file a demand and/or claim against the Israel Electric Corporation for non-supply and/or interruptions in electricity supply. The Lessee's aforementioned right does not detract from its obligation to pay the electricity bill in a full and timely manner. The Lessee undertakes to indemnify the Lessor for any expense and damage incurred by it as a result of a claim for non-supply and/or disrupted supply of electricity that is filed against the Electric Corporation by an authorized party on behalf of the Lessee."
Section 4.3 of Appendix K:	The words "and may refuse or consent to the request, subject to its professional discretion regarding the technical feasibility of such an expansion, and taking into account the needs of the Project at the time of the request and/or its future needs" shall be replaced with: "And may withhold consent to the Lessee's request on reasonable grounds only, which shall be presented to the Lessee in writing within 14 days of such request."
Section 4.5 of Appendix K:	The words "within 7 days of the Lessor's demand" shall be replaced with: "Within 14 days of receiving the Lessor's demand."
Section 5.2 of Appendix K:	The words: "The engineer may demand" shall be followed by the words: "in writing."  The words "within 10 days" shall be replaced with: "within 16 days."
Section 5.3 of Appendix K:	The following language shall be added at the end: "Provided that it has been given a reasonable opportunity to defend against any demand, dispute and/or claim."
Section 6.1 of Appendix K:	The following shall be added at the beginning of the section: "Upon prior coordination."  The words "at any reasonable time" shall be deleted.  The words "electricity services to the Leased Premises" shall be followed by: "provided that the aforementioned actions shall be carried out while minimizing the disruption to the Lessee as much as possible."

Section 6.2 of Appendix K: The words "provided that the length of time of the power disruption to the Leased Premises is reasonable, given the type of work in the Leased Premises" shall be replaced with: "provided that it is done, as far as possible, after normal work hours on the Leased Premises."

The words "the Lessor shall, as far as possible, coordinate the power supply disruptions from the sources referred to above with the Lessee" shall be replaced with: "To the extent possible, the Lessor shall notify the Lessee 14 days in advance of the power disruptions from the sources referred to above."

Section 7.1 of Appendix K: The following language shall be added at the end of the section: "Provided that such device, accessory and/or other equipment are permanent fixtures."

Section 8.1.1 of Appendix K: The words "the Lessor shall make an effort" shall be replaced with: "The Lessor shall make every effort."

Section 9 of Appendix K: The words "shall be within the Leased Area" shall be followed by: "within components installed by the Lessee."

The words "exclusively by means of professionals so instructed by the Lessor and/or by means of qualified professionals who have been approved by the Lessor in advance and in writing" shall be replaced with: "Exclusively by means of qualified and experienced professionals."

### **Special Terms**

With the exception of the provisions below, no changes shall be made to the main agreement and its appendices (including Appendix A):

1. Notwithstanding any provision in the Lease Agreement and/or the appendices thereto, the rent and management fees shall be quarterly payments. The Lessee shall pay the Lessor rent and management fees plus VAT for each quarter in advance, on the first day of each calendar quarter. If the payment day is not a business day (Saturday, a holiday and so forth), the payment shall be postponed to the first subsequent business day.
2. Notwithstanding the provisions of the Agreement and/or its annexes, it is hereby clarified that the Lessor shall install separate water meters for each floor to measure water consumption in the Leased Premises Area.

3. The Lessor shall enable the Lessee to perform renovation work on the Leased Premises Area at its own expense, to suit its needs, against the Lessor's participation in the Lessee's expenses for such purpose, in such manner and on such terms as detailed in the agreement executed between the parties, a copy of which is attached hereto as **Appendix L** (hereinafter, the "**Renovation Agreement**"), and subject to the provisions of Section 11 and Appendix E of the Lease Agreement.

4. **RIGHT OF FIRST REFUSAL**

4.1. In the event the Lessor's lease with Cypress Semiconductors Ltd. (hereinafter, "**Cypress**") is terminated during the Lessee's Lease Term and/or the Additional Lease Term for any reason whatsoever and/or in the event the Lessor's lease with Cypress is terminated with respect to only a portion of Cypress's space, the Lessee shall have the right to lease, in addition to the Leased Premises Area, Cypress's space which has been vacated **completely** (hereinafter, the "**Additional Space**") under the terms of the Lease Agreement executed between the Lessor and the Lessee (hereinafter, "**Right of First Refusal**"), and the following provisions shall apply in this respect:

4.1.1. Proximate to the date on which the Lessor becomes aware of the anticipated vacating of the Additional Space, as defined above, the Lessor shall send the Lessee a notice specifying the anticipated vacating date of the Additional Space.

4.1.2. Within 45 days of the Lessor's notice of the anticipated vacating of the Additional Space, the Lessee shall advise the Lessor in writing whether or not it is interested in exercising the Right of First Refusal with respect to the Additional Space.

4.1.3. Should the Lessee so notify the Lessor in writing and within 45 days that it is interested in exercising its Right of First Refusal, the Additional Space shall be added to the Leased Premises Area pursuant to the Lease Agreement, for all intents and purposes, for a lease term commencing as of the date Cypress vacates the Additional Space and ending at the conclusion of the lease term provided in the Lease Agreement.

4.1.4. It is explicitly clarified, and the Lessee agrees in advance, that if the Right of First Refusal is exercised, the Lessee shall receive the Additional Space in its then-current condition, and the Lessee shall not have any argument and/or claim against the Lessor in connection with the condition of the Additional Space, as aforementioned, with the exception of a latent defect and/or any defect or deficiency which the Lessor was to have repaired under applicable law and the Lease Agreement.

4.2. In the event Outbrain exercises the Right of First Refusal:

4.2.1. An amount of NIS 53 per gross square meter of the Additional Space shall be added to the monthly rent. During the Additional Lease Term, the rent for the Additional Space shall be the same rate in effect in the last month of the preceding lease term (including linkage differentials) plus 5%.

4.2.2. An amount of NIS 12.614 per gross square meter of the Additional Space shall be added to the monthly management fees. During the Additional Lease Term, the management fees for the Additional Space shall be the same rate in effect in the last month of the preceding lease term (including linkage differentials).

The aforementioned amounts shall be linked to the Base Index and lawful VAT shall be added thereon.

4.2.3. The provisions of the Renovation Agreement shall not apply to the Additional Space, with the exception of the provisions pertaining to the Lease Term and the rent during the Additional Lease Term.

5. ALTERNATE LESSEE

Notwithstanding any other provision in the Lease Agreement, and provided that the majority of the Lessee's Work is completed in accordance with the Renovation Agreement, as defined above, the Lessee may shorten the Lease Term, provided that the following cumulative conditions are satisfied:

- a. The Lessee provides the Lessor with written notice at least 3 (three) months in advance of its desire to shorten the Lease Term.
- b. The Lessee finds an alternate lessee to lease the Leased Premises for the Purpose of the Lease under this Agreement.
- c. The Lessor provides prior written approval of the alternate lease and the identity of the alternate lessee.
- d. When transferring the rights to the alternate lessee, the Lessee has no obligation to the Lessor which has become due.

- e. The Lessee shall sign a lease termination agreement in the form that is customary for the Lessor, and the alternate lessee shall enter into a lease agreement (including all appendices) with the Lessor, **on the same terms as this Agreement, for the lease term remaining** for the Lessee, and shall furnish the Lessor with all the securities required under this Agreement.
- f. The Lessor shall be entitled to demand additional reasonable securities/guarantees from the alternate lessee, in good faith and at its discretion.
- g. The Lessor shall not incur any expenses from the lease to the alternate lessee and/or from its contractual engagement therewith, with the exception of expenses pertaining to negotiations and the drafting of an agreement to be executed with the alternate lessee.
- h. The provisions of this Section (which grant a right to transfer the lease) shall not apply to the alternate lessee. In addition, it shall not have any right to early terminate and/or shorten the lease term, unless agreed otherwise with the alternate lessee.

6. **SUBLEASE**

Notwithstanding any other provision of the Lease Agreement, the Lessee may lease part of the Leased Premises Area to a sublessee, provided that the following conditions are satisfied:

- a. The sublease shall be limited to 5 sublessees only.
- b. The Lessor approves the sublease and the identity of the sublessee in advance and in writing.
- c. The sublessee leases the subleased area for the Purpose of the Lease under this Agreement, and the sublessee's payments to the Lessee in connection with the sublease shall not exceed the rent hereunder.
- d. The Lease Agreement and all the Lessee's undertakings thereunder, including the undertaking to bear all the rent and management fees and any other payment provided in the Lease Agreement with respect to the entire Leased Premises, shall continue to apply including after the Lessor's approval is given for the sublease.
- e. All the terms of the Lease Agreement, except if explicitly amended in this Appendix, shall apply to the Lessee and the sublessee for the entire duration of the lease term/s.
- f. The Lessee and the sublessee shall sign an undertaking in the form attached hereto as **Appendix M**.



- g. The Lessee and the sublessee shall be jointly and severally responsible for the fulfillment of all the sublessee's undertakings as provided in Appendix M. It is clarified that any breach of the sublessee's undertakings in Appendix M shall grant the Lessor all the remedies and/or rights available to it against the Lessee under this Agreement and/or law. Without derogating from the foregoing, it is clarified that in the event of any such breach, the Lessor may claim relief from the Lessee and/or the sublessee, at its discretion.

(-)

*Cash and Carry Food Services Ltd.*

**Lessor**

By Messrs. Shai Reicher and Danny Akrov

(-)

*Outbrain Israel Ltd. Company No. 51-387130-1*

**Lessee**

By Messrs. \_\_\_\_\_

**If the Lessee is a corporation:**

I, the undersigned, Adv. Nir Cohen, License No. 48999, hereby certify that the Lessee is an active and existent company and that it has adopted all the resolutions necessary to enter into this agreement under its incorporation documents, and the above signatures are the signatures of *Ziv Kop and Ori Lahav*, who are authorized to bind the Lessee by their signature.

(-) Nir Cohen, Adv. License No. 48999

**Appendix B1**

[drawing]

**Appendix B2**

[drawing]

**Appendix B3**

[drawing]

**Appendix C**

Agreement for the maintenance, management and operation of the Project

Payment for the services is as described under the Special Terms Appendix - Section 6.1 of the management agreement

**Appendix D**

The bylaws governing the Project's activity procedures in the Project

**Appendix E**

Terms for performing renovation in the Leased Premises

**Appendix F1**

Insurance Approval – Lessee Work



**Appendix F2**

Insurance Approval – Lessee Permanent Policies

Appendix G

**Form of Bank Guarantee**

**Appendix H**

Personal Guarantee

**Appendix I**

Terms for parking spaces

**Appendix J**

Terms for storage room

**Appendix K**

Electricity Supply and Maintenance Provisions

**Appendix L**

Form of Sub Lessor Undertaking

**Renovation Agreement**

**Entered into in Netanya as of January 17, 2017**

**By and between**            **Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part;**

**And**                            **Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Tel: 077-2706661; Fax: 077-2706629  
(Hereinafter, the "**Lessee**")

**Of the second part;**

**WHEREAS**, on January 17, 2017, the Lessor and Lessee entered into a lease agreement on the terms set forth therein (hereinafter respectively, the "**Lease Agreement**" or "**Agreement**"), under which the Lessee would lease from the Lessor areas in the building named A on 6 Arieh Regev Street in Netanya (hereinafter respectively, the "**Leased Premises**" and the "**Building**"), which comprises part of a project called "Y Center" (hereinafter, the "**Project**") for the period commencing March 1, 2017; and

**WHEREAS**, the Lessee is interested in reaching an understanding with the Lessor whereby the Lessor would participate in the Lessee's expenses in the event it performs renovation work on the Leased Premises area to suit its needs; and the Lessor agreed to such renovations and to participate in the expenses entailed in the renovation work in such manner and on such terms as set forth hereinbelow;

**NOW, THEREFORE, the parties stipulate and agree as follows:**

**PREAMBLE AND APPENDICES**

1. The preamble hereto constitutes an integral part hereof and is as equally binding as the remaining provisions hereof, and the parties confirm the correctness of the statements herein.
2. The headings of the sections are for reference and convenience only and are not to be construed in interpreting this Agreement.



3. All the terms appearing in this Agreement shall have the meaning ascribed to them in the Lease Agreement, unless explicitly stated otherwise.

**PERFORMANCE OF WORK**

4. The Lessee shall be entitled to perform work on the area of the Leased Premises and/or any portion thereof, alone and/or by means of a party on its behalf, with the aim of improving the Leased Premises to adapt it to its needs (hereinafter, the “**Work**”). The Work shall be performed by the Lessee, under its responsibility and at its expense.
5. The Work shall be performed in accordance with the provisions of Section 11 of the Lease Agreement and Appendix E of the Lease Agreement, and pursuant to this Agreement.
6. The Work shall be performed in such manner as shall ensure, to the extent possible, that no unreasonable disruption is caused under the circumstances of the matter – and in view of the fact that reference is made to renovation and construction work – to the activity of tenants and visitors within the Building and the Project. The Work shall further be performed in coordination, to the extent possible, with the tenants of the Building with respect to work which may pose a substantial disruption, and with the Lessor in connection with the date of commencement of the Work and work hours, in compliance with the instructions of the Lessor and/or the management company and subject to any provision of the Agreement.
7. The Lessee shall be solely responsible for complying with all the requirements of the law and/or regulations and/or requirements of competent authorities in connection with the Work and the performance thereof, and shall be responsible for obtaining the authorization required by law and/or this Agreement to perform the Work, to the extent required.
8. Subject to the provisions of Section 9, the Lessor undertakes to assist the Lessee as necessary for the purpose of complying with the requirements of the competent authorities, including signing any document and/or approval so required, provided that doing so will not impose any obligations and/or payments on the Lessor and/or affect any of the Lessor’s rights, and provided that the Lessor shall have no responsibility or obligation towards the authorities in connection with the fulfillment of the authorities’ requirements, as aforementioned. Any delay in the performance of the Lessor’s undertakings under this section shall accordingly postpone the Lessee’s undertakings under this Agreement which pertain to and/or arise from the receipt of permits and/or licenses, as aforementioned. Subject to the provisions of this Section above, the Lessor shall sign all the approvals and/or documents required of it for the Work approved by it in accordance with this Agreement, within 14 days of the Lessee’s request.

Subject to the provisions of Section 9 below, notwithstanding the provisions of this Agreement and the Lease Agreement, should the Lessee fail to obtain any license and/or permit required to perform the Work or in order to operate the Leased Premises in accordance with the purpose of the lease, for reasons beyond the Lessee's control, the Lessee shall be entitled to terminate this Agreement and the Lease Agreement by appropriate written notice two months in advance, and the foregoing shall not be deemed a breach of the Agreement by the Lessee and it shall not be liable to any payment as a result.

9. For the avoidance of doubt, it is clarified that the Lessee may not, in the framework of the Work, perform work which would affect the structure of the Building and/or any portion thereof and/or the facades and/or envelope of the Building and/or any of the Building's foundations and/or the Project, and it may not perform work requiring a building permit by law.

#### **10. LIABILITY AND INSURANCE**

10.1. The Lessee shall be solely responsible for any damage that is caused to the Lessor and/or Cypress Semiconductors Ltd. and/or the Lessee and/or a third party in connection with the performance of the Work, to the extent caused, and the Lessee undertakes to indemnify the Lessor for any damage and/or claim and/or expense, to the expense incurred, in connection with the Work, provided that it gives the Lessee a reasonable opportunity to defend against any argument, demand and/or claim.

10.2. Without derogating from the Lessee's undertakings and responsibility under this Agreement and/or law, the liability and insurance provisions applying to the parties shall be in accordance with the provisions of Sections 18 and 19 of the Lease Agreement and the insurance appendix appended hereto as Appendix F.

#### **LESSOR'S PARTICIPATION IN THE COST OF WORK**

11. The Lessor shall participate in the costs of the renovation. The Lessor's participation in the renovation costs shall be subject to full compliance with the following terms:

11.1. The renovation shall be made to the office space of the Leased Premises and/or a portion thereof, by floor division as described in this Agreement.

11.2. The lease term provided in the Agreement shall be extended until February 28, 2022 (hereinafter, "**Extended Lease Term**"), on the terms provided in the Agreement with respect to the first lease term, including without any increase in rent, and the additional lease term granted to the Lessee shall be for one year (in lieu of three), exercisable in the manner and on the terms provided in the Agreement. The Lessee's commitment to an Extended Lease Term of five years commencing March 1, 2017, constitutes a material condition to the Lessor's consent to participate in the cost of the Work under this Agreement. The Lessee's undertaking to extend the lease term shall apply with respect to the Leased Premises in their entirety, including if the renovation work is made with respect to only part of the Leased Premises.

- 11.3. The Lessor's participation in the cost of the renovation shall not impose on the Lessor any additional responsibility beyond that provided in the Lease Agreement in connection with the performance and/or quality of the Work and/or the responsibility for the maintenance of any of the fixtures installed in the framework of the Work, other than as set forth in the letter of understanding dated January 9, 2017, attached hereto as Appendix A.
- 11.4. Should the Lessor not participate in the renovation costs in circumstances in which the Lessee is entitled thereto under this Agreement, the Lessee may deduct and set off the renovation expenses from the rent to which the Lessor shall be entitled in connection with the Leased Premises, by way of set-off from the rent in the manner provided in this Agreement.
- 11.5. The Lessor's participation in the renovation costs shall apply exclusively to Work which encompasses fixed installations and under no circumstances shall it include expenses, to the extent incurred by the Lessee, in connection with furniture, communication systems, security systems and/or any addition or change which is not permanently affixed to the Building.
- 11.6. The date of entitlement to a reduction in rent shall apply on the date on which the renovation work on an entire floor is completed, as follows:
  - 11.6.1. Upon completion of the Work on the floor, the Lessee shall send the Lessor a written notice of completion of the renovation work on the relevant floor (hereinafter, "**Lessee's Notice**"). The notice shall include copies of invoices issued by the performing contractor for work performed on the floor and approved as provided in Section 13 below. A description of the Work with respect to which the invoice was issued shall be included with each invoice (hereinafter, "**Contractor's Document**").
  - 11.6.2. Within 7 days of receiving the Lessee's notice, the Lessor shall examine by means of its representatives whether the Work detailed in the Contractor's Document was indeed completed on the floor with respect to which the notice was issued. Should the Lessor fail to examine the Work on the floor within 7 days, it shall be deemed to have approved the Work on the floor and its participation in the expenses pertaining to such floor. Should the Lessor conduct an examination and find that the Work was not performed in accordance with the Contractor's Document, it shall advise the Lessee of its demand to complete the Work (hereinafter, "**Completion Demand**"), without delaying the Lessor's participation in the Lessee's expenses for such floor, as set forth above (unless reference is made to a material inconsistency regarding which the Lessor provides written notice – hereinafter, "**Notice of Material Defect**").

To the extent the material defect is repaired, the Lessor shall participate in the Lessee's expenses in renovating the relevant floor in the month following the repair of the defect, by retroactive payment as of the date of the Lessee's notice of completion of the Work.

- 11.6.3. The rent shall be reduced as of the date of completion of the Lessor's examination, as set forth in Section 11.6.2 and/or on the date of repair of the material defect, insofar as any exists, whichever is later, for the period commencing as of the date of the Lessee's notice of completion of work on the floor (hereinafter, the "**Effective Date**").
- 11.6.4. It is clarified that on the Effective Date, the difference between the rent paid by the Lessee to the Lessor as of the commencement of the lease and up to the Effective Date and the reduced rent for such period, as set forth in Section 16 below, shall be paid to the Lessee's account whose details shall be provided to the Lessor, linked to the index as of the date of each payment to the Lessor and up to the date of payment thereof to the Lessee.

#### **METHOD OF CALCULATING LESSOR'S PARTICIPATION IN COST OF WORK**

12. The Lessee shall furnish the Lessor with invoices to prove the cost borne by the Lessee in connection with the Work performed on the floor, in accordance with the Contractor's Document.
13. The invoices shall be signed by the Lessee and such signature shall be deemed official confirmation by the Lessee that the amount stipulated in the invoice has been/will actually be paid to the contractor and that the Work specified in the Contractor's Document which is the subject of the invoice has been performed (hereinafter, "**Approved Invoices**").
14. For the avoidance of doubt, it is clarified that it is sufficient that the Lessee furnishes the Lessor with the invoices signed by the Lessee, as aforementioned, in order to require the Lessor to reimburse the Lessee for the expenses of the renovation to the floor, as undertaken by the Lessor, including if the payment to the contractor making the renovations to the Leased Premises on its behalf is spread into installments, and the Lessor may not consequently delay reimbursement of the expenses to the Lessee for the renovation of the floor.
15. The amount of the Approved Invoices, up to an aggregate of NIS Two Million Five Hundred Thousand (or less), shall constitute the "**renovation amount for the floor as a basis for Lessor's participation.**" It is clarified that in any case, the renovation amount for the floor as a basis for the Lessor's participation, for the entire Leased Premises, shall not exceed NIS Seven Million Five Hundred Thousand, including if the cost of the renovation exceeds NIS Seven Million Five Hundred Thousand in actuality.

16. Subject to the issuance of the Lessee's notice of completion of the renovation on the floor, as defined above, the rent to be borne by the Lessee shall be calculated as follows:

16.1. To the extent **the renovation amount for the floor as a basis for the Lessor's participation** totals NIS Two Million Five Hundred Thousand or more (pre-VAT), for each floor, the base rent per gross square meter of the Leased Premises shall be reduced by the amount of NIS 3.67 and shall be linked to the index as of the date of execution of this Agreement. A reduction for each renovated floor shall be cumulative to the reduction of rent for the preceding floor that had been renovated, such that the additional reduction shall be made to the previously reduced rent.

16.2. To the extent the **renovation amount for the floor as a basis for the Lessor's participation** totals less than NIS Two Million Five Hundred Thousand (pre-tax) , the base rent per gross square meter of the Leased Premises shall be reduced pro rata to the investment, in accordance with the following provisions:

The renovation amount for the floor as a basis for the Lessor's participation, divided by 2,500,000 and multiplied by 3.67 (index-linked).

16.3. To illustrate:

To the extent the **renovation amount as a basis for the Lessor's participation for the first renovated floor** is NIS One Million, the quarterly reduced rent per square meter shall be calculated as follows:

NIS 53 (base rent without renovation)

Less

NIS 3.67 (the basic maximum discount on rent per square meter per month, for a floor renovation) multiplied by NIS One Million (the actual **renovation amount per floor as a basis for the Lessor's participation**) divided by NIS Two Million Five Hundred Thousand.

In other words, the discount shall amount to NIS 1.468 per gross square meter of the Leased Premises per month, and the rent, as aforementioned, shall total NIS 51.532/square meter per month per quarter, and NIS 154.596/square meter per quarter.

To the extent the **renovation amount as a basis for the Lessor's participation for the second renovated floor** is NIS One Million, the quarterly reduced rent per square meter shall be calculated as follows:

NIS 51.532 (reduced rent after the renovation of the first floor for NIS One Million)

Less NIS 1.468/square meter of Leased Premises (gross) per month.

The rent in the aforementioned case shall amount to NIS 50.064/square meter per month per quarter, and a total of NIS 150.192/square meter per quarter.

The aforementioned amounts are before index-linkage and VAT.

- 16.4. It is clarified that the reduced rent per gross square meter of the Leased Premises so calculated shall be final, including if the Lessee actually performed additional work after providing notice of completion of the work on the level. In any event, the rent per square meter (gross) of the Leased Premises shall not be less than NIS 42/square meter per month (linked to the index and with the addition of VAT).

## **17. RENOVATION DATES**

- 17.1. The date of eligibility for a rent reduction shall apply with respect to an entire floor only, on the date on which the renovation work on such floor is completed.
- 17.2. For the period ending June 30, 2018, the Lessee shall be entitled to exercise its right to the Lessor's participation in the renovation costs for three floors. In the event not all three floors are renovated until June 30, 2018, as of July 1, 2018 and until March 31, 2019, the Lessee shall be entitled to exercise its right to the Lessor's participation in renovation costs for one additional floor only, which is added to the floor or floors already renovated.
- 17.3. It is clarified in this respect that the aforementioned renovation completion dates are a condition to the Lessor's participation in the renovation costs for such floors and are final. Upon expiration of such dates, the Lessee shall lose its entitlement to the Lessor's participation in the renovation costs with respect to such floors, and the Lessor shall not participate in such expenses including if actually expended.

## **18. SCOPE OF RENOVATION**

- 18.1. The parties agree that the renovation work shall be performed to at least two office floors of the Leased Premises.
- 18.2. To the extent two floors are not renovated by March 31, 2019, i.e. the Lessee has not issued a notice of completion of renovations on the second floor by March 31, 2019, and the Lessor's participation with respect to a single renovated floor has been provided by such date, the parties shall perform the following actions:
- 18.2.1. The Lessee shall return to the Lessor the aggregate amounts which were deducted from the rent in accordance with this Agreement, together with index linkage as of the reduction date and up to the date of payment to the Lessor plus VAT, within 45 days, i.e. up to and no later than May 15, 2019, against presentation of a lawful invoice.
- 18.2.2. The Extended Lease Term shall be cancelled (notwithstanding the provisions of Section 11.2 above) such that the definition of the lease term shall revert to the original definition (i.e. it shall end on February 28, 2020) and the additional lease term granted to the Lessee shall be 3 years.
- 18.3. Upon performance of the foregoing, no party shall have any claim and/or argument against the other party in connection with the non-performance of the renovation work.

## **19. TOTAL INVESTMENT IN RENOVATION**

- 19.1. In the event the amount of the Approved Invoices for the three floors totals NIS 7.5 million (or more), the rent shall be reduced to NIS 42 (linked to the index) per gross square meter of the Leased Premises (provided that the amount of the Approved Invoices exceeds NIS 2 million per floor).
- 19.2. It is further agreed that should the amount of the Approved Invoices for the first two renovated floors exceed NIS 5 million (provided that the amount of the Approved Invoices exceeds NIS 2 million per floor), the rent shall be reduced to NIS 45.66 (linked to the index) per gross square meter of the Leased Premises area, and in this respect the provisions of Section 11.6.4 shall apply, *mutatis mutandis*.

## **GENERAL**

20. The parties' addresses for purposes of this Agreement are as designated in the preamble hereto.

21. This Agreement constitutes the entire agreement between the parties with respect to the Work and the Lessor's participation in the cost of the Work by way of a rent reduction, and no verbal or written promise, representation, undertaking and so forth not mentioned herein shall be of any force and effect.

**IN WITNESS WHEREOF, the parties hereto affix their signature:**

(-)

*Cash and Carry Food Services Ltd.*

**Lessor**

(-)

*Outbrain Israel Ltd.*

**Lessee**



**“Yachin Center” Commercial Center**

**Schedule A to Unprotected Lease Agreement**

Entered into in Netanya as of the \_\_\_\_\_ of March 2020

**By and between**

**Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part:**

**And**

**Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Email: olahav@outbrain.com  
(Hereinafter, the "**Lessee**")

**Of the second part:**

**WHEREAS**, the Lessee has leased the Leased Premises, as defined in the original agreement, from the Lessor under the terms of the Lease Agreement and Renovation Agreement dated January 17, 2017 (the "**Original Agreement**" and the "**Original Premises**," respectively); and whereas the parties have since executed agreements modifying the terms of the Original Agreement; and whereas the Lease Term under the Original Agreement ends on February 28, 2020; and whereas the Lessee wishes to lease the Original Premises and additional space from the Lessor for an additional term as specified in this Schedule to the Agreement and on the commercial terms specified hereinbelow, which shall apply to the parties as of March 1, 2020; and

**WHEREAS**, the Lessor agrees to lease the Original Premises and additional space to the Lessee under an unprotected lease on the terms thereof; and

**WHEREAS**, the parties wish to define and set forth in writing their rights and obligations in connection with the Original Premises and additional space and the use thereof for an additional Lease Term, all as specified in this Schedule to the Original Agreement;

**NOW, THEREFORE, the parties stipulate and agree as follows:**

1. The preamble and appendices hereto constitute an integral part hereof.
2. The headings of the sections are for reference and convenience only and are not to be construed in interpreting this Schedule and/or the Original Agreement or for any other purpose.
3. Appendix A (Special Terms Appendix) hereto shall replace Appendix A to the Original Agreement, which shall be void.

4. In case of conflict and/or inconsistency between the provisions of this Schedule and/or any of the appendices hereto and any of the provisions of the Original Agreement and/or its appendices, the provisions of this Schedule shall apply and prevail.
5. The provisions of the Original Agreement and/or the provisions of any of the appendices to the Original Agreement that have not been explicitly amended within Appendix A to this Schedule shall apply to the parties in their original form, *mutatis mutandis* (i.e. references to Appendix A and/or Appendix B to the Original Agreement shall be construed as referring to Appendix A and/or Appendix B hereto, which shall replace them).
6. By signing this Schedule, the Lessee confirms that it has no dispute and/or claim and/or demand against the Lessor in connection with the Lease Term ending on the date of execution of this Schedule.

IN WITNESS WHEREOF, the parties hereto affix their signature at the time and place set forth above:

(-)

**Lessor**

By Messrs. Dani Akrov and Shai Reicher

I, the undersigned, Ortal Ben Altabe, Atty., hereby certify that the Lessee is an existing and active corporation and that it has passed all the resolutions necessary to enter into this Agreement in accordance with its incorporation documents. The above signatures are the signatures of Dani Akrov and Shai Reicher, who are authorized to bind the Lessee by their signature.

(-)

*Ortal Davra (Ben Altabe), Atty.  
License No. 19424  
4 Arieah Regev St., Netanya, Israel*

**Lessee**

By Messr. \_\_\_\_\_

I, the undersigned, \_\_\_\_\_, Atty., hereby certify that the Lessee is an existing and active corporation and that it has passed all the resolutions necessary to enter into this Agreement in accordance with its incorporation documents. The above signatures are the signatures of \_\_\_\_\_, who are authorized to bind the Lessee by their signature.

\_\_\_\_\_

## Appendix A

Special Terms Appendix to Schedule A to Lease Agreement dated January 17, 2017

Entered into in Netanya as of the \_\_\_\_\_ day of March 2020

**By and between**

**Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part;**

**And**

**Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Tel: 077-2706661; Fax: 077-2706629  
Email: olahav@outbrain.com  
(Hereinafter, the "**Lessee**")

**Of the second part;**

### **GENERAL**

The terms, definitions and provisions of this Appendix shall be deemed an integral part of the main agreement, and are intended to complete and add to, and not detract from, the main agreement. However, in the event of a contradiction between the provisions of the main agreement and those of this Appendix, the provisions of this Appendix shall prevail. Terms not explicitly defined in this Appendix shall have the meaning ascribed to them in the main agreement.

It is agreed that the Lessee's signature on this Appendix shall, for all intents and purposes, be deemed the Lessee's signature on the main agreement and the remaining appendices. By signing this Appendix, the Lessee declares and affirms that it has read all the provisions of the main agreement and the appendices and agrees thereto, and it hereby waives any demand and/or argument in connection therewith.

It is further agreed that as of the date of execution of this Schedule and as a basic and fundamental condition to the parties' execution of the Schedule to the Agreement, the Lessee and Lessor shall have no dispute, demand and/or claim against each other and/or any party on their behalf.

## **Sections of Agreement**

Definitions In Section 2 of the Original Agreement, the definitions shall be modified as follows:

**“Agreement”:** The lease agreement dated January 17, 2017, as amended herein.

**“Leased Premises”** The provisions of the Agreement relating to the "Leased Premises" shall apply to any part of the Leased Premises during the relevant lease term in relation to that part of the Leased Premises as it may be at any given moment.

**“Land”** Part of the land known as Block 7961, Parcel 74, in the (south) Netanya industrial area measuring an area of approximately 24 dunams (out of approximately 33 dunams of the parcel).

The following definitions shall also be added:

**“Original Agreement”** The lease agreement and renovation agreement dated January 17, 2017, and the appendices thereto, including the management agreement inclusive of appendices.

**“Schedule to Agreement” or “this Schedule”** This Schedule to the Original Agreement.

**“Appendix A”/“Appendix B”** Wherever reference is made in the Original Agreement to “Appendix A” and/or “Appendix B” it shall mean Appendix A and/or Appendix B hereto. For the avoidance of doubt, the provisions of Appendix A to the Original Agreement shall be void and replaced with the provisions of Appendix A hereto.

**“Original Base Index”** The November 2016 index published on December 15, 2016.

**“Renovation Costs”** Renovation costs shall only be considered costs incurred by the Lessee, directly, with respect to permanent fixtures (such as flooring; lighting; walls, etc.) and **will not** include expenses, to the extent incurred by the Lessee, related to furniture, communication systems, security systems, insurance and consultants and/or any additions or alterations that are not permanently affixed to the Building and/or that are intended for dismantling and which the Lessee intends to dismantle at the end of the Lease Term, insofar as possible under the terms of the Original Agreement.

**“Management Agreement”** Agreement for the maintenance, management and operation of the Project by the management company, attached as **Appendix C** to the Original Agreement.

"**Base Index**" - the December 2019 index to be published on January 15, 2020.

**"Original Premises"** -

Levels 1, 2 and 5 of Building A in the Project (hereinafter, the "Building"), a room on the lobby level of the Building, 60% of the lobby space in the Building and two storage rooms on level -2 of the Building, all as marked in pink on the plans attached as **Appendix B1** hereto.

**"Addition A to the Original Premises"** -

Levels 3 and 4 of Building A in the Project and 40% of the lobby space in the Building (i.e. together with the Original Premises it will comprise the entire lobby space in the Building) as marked on the sample floor plan drawing **Appendix B2** of the Schedule to the Agreement. The space included in this definition is leased, as of the date of execution of the Schedule, Agreement to Cypress Semiconductors Ltd. ("Cypress"). According to the agreement between Cypress and the Lessor, the lease term ends on February 28, 2023.

An area of approximately 500 sq. meters\* that forms part of **Addition A to the Original Premises**, located on Level 4, shall hereinafter be referred to as "**Area A1**" as approximately marked on the plan in **Appendix B2**.

\* An accurate measurement of Area A1 shall be taken by a certified surveyor on behalf of the Lessor and at its full expense a reasonable time prior to delivery of possession of Area A1 to the Lessee, and only after the Lessee installs partition walls to divide the area between the Lessee and Cypress. Until such time as the walls are installed and the measurements are taken, the rent shall be paid by the Lessee in accordance with the space to be agreed upon between Cypress and the Lessee. To the extent necessary, the rent and management fees shall be adjusted retroactively in accordance with the measurement results. Nothing in the foregoing shall derogate from the Lessee's obligation to obtain the Lessor's prior approval for the partition work it wishes to perform pursuant to the Lease Agreement, in relation to the Lessee's work.

**"Addition B to Original Premises"** -

Level 5 of Building B of the Project as marked on the plan in **Appendix B3** hereto, which is leased, as of the date of execution hereof, to Henkel Soad Ltd. ("**Henkel**"). According to the agreement between Henkel and the Lessor, the lease term ends on April 30, 2021.

**"Delivery Date"** –

**In relation to the Original Premises** - possession thereof has been delivered to the Lessee. The effective date of the lease term for purposes of applying this Schedule to the Original Premises is March 1, 2020.

**In relation to Addition A to the Original Premises** - the date of delivery of possession and the effective date of the lease term is March 1, 2023, subject to the exercise of the option given to the Lessee to lease **Addition A to the Original Premises**.

Notwithstanding the foregoing, it is agreed that if and to the extent that Cypress and the Lessor agree on a date for early vacation of Area A1, i.e. prior to March 1, 2023, the Lessor shall give the Lessee proper prior written notice thereof, giving the Lessee a non-binding option to lease Area A1 at such earlier date (hereinafter, the "**Area A1 Early Option**").

The Lessee is aware in this regard that Cypress has the right to sublet space within Area A, including Area A1, and that Cypress may elect to rent out its space (for the period up to March 1, 2023) to any third party that is not the Lessee. In the event that the Lessee and Cypress notify the Lessor in writing that they have reached agreements regarding the lease of Area A1, as aforementioned, the terms of the Original Premises shall apply to Area 1A with respect to the rent, lease term and rent discounts as set forth hereinbelow, including with respect to the loading rate of common areas (with the exception of the fact that the renovation of Area A1 will not be deemed a floor renovation).

In relation to Addition B to the Original Premises - the estimated date of delivery to the Lessee and effective date of the lease term is May 1, 2021, subject to the exercise of the Lessee's option to lease Addition B to the Original Premises.

Notwithstanding the foregoing, in relation to Addition A to the Leased Premises and Addition B to the Leased Premises, the Lessor may postpone the delivery date only in circumstances where Henkel or Cypress violate their obligations to vacate the Leased Premises on the date on which the relevant lease term has ended under the agreement between them and the Lessor. In this respect, the Lessor declares that subject to exercise of the Lessee's option up to the effective date specified in this Agreement, the termination date of Henkel's or Cypress's lease term has not and will not be changed by the Lessor. In such circumstances and subject to the Lessee's exercise of the option to lease each space, the Lessor shall take all necessary steps, including diligently and resolutely employing all legal means available to it to vacate Henkel or Cypress from the space they lease, as soon as possible.

Should the Lessee fail to vacate the entire space held by Cypress or Henkel within 90 days of the relevant date of delivery of each space, as applicable (Addition A to the Original Premises and Addition B to the Original Premises, respectively) (hereinafter, "**Vacation Period**") the Lessee may revoke the option exercise notice(s) issued by it with respect to such space. The Lessee shall waive any relief and/or remedy and/or claim available to it in the aforementioned circumstances, solely provided that the Lessor shall have initiated an eviction process against Cypress and/or Henkel by instituting legal proceedings during the Vacation Period. The Lessee shall not be entitled to any additional relief as a result.

"**Lease Purpose**"- the conduct of the Lessee's hi-tech business, *inter alia* in the field of content recommendation or any other field in which the Lessee may elect to engage, only. Storage Room A shall serve a storeroom for items and equipment only. Storage Room B shall serve as a music room or for any other use for the benefit of the Lessee's employees and/or anyone on its behalf.

**"Original Premises"** - includes the following areas:

1. Level 1 of Building A measuring an area of 1,253 sq. meters.
2. Level 2 of Building A measuring an area of 1,253 sq. meters.
3. Level 5 of Building A measuring an area of 1,253 sq. meters.
4. A room measuring 27 sq. meters on the lobby level of Building A.
5. A part of the lobby in Building A measuring 156.6 sq. meters, which was made available to the Lessee (and constituting 60% of the lobby space).
6. A storage room on level -2 of the Building, measuring an area of 19 sq. meters (hereinabove and hereinafter, "**Storage Room A**").
7. A storage room on level -2 measuring an area of 13 sq. meters (hereinabove and hereinafter, "**Storage Room B**").

5% shall be added to the area of the Original Premises, as stated above, with respect to the Lessee's share of the public areas, which shall also be included in and deemed part of the Leased Premises Area, including for the purpose of calculating payment of the rent and management fees provided in the Agreement (the aforementioned final area together with the additional 5% to the Original Premises space shall be hereinabove and hereinafter collectively referred to as, the "**Original Leased Area**").

**"Addition A to the Original Premises Area"** – the area of Addition A to the Leased Premises includes the following areas:

1. Level 3 of Building A measuring an area of 1,253 sq. meters.
2. Level 4 of Building A measuring an area of 1,253 sq. meters.
3. A part of the lobby in Building A measuring 104.4 sq. meters, which was made available to the Lessee (and constitutes 40% of the lobby space).

To the extent that the Lessee has leased Area A1 in accordance with the provisions of this Schedule above, the area of additional Area A shall be as stated above less Area A1, as determined by a measurement to be taken prior to delivery of possession thereof to the Lessee.

The Lessee may exercise the option to lease Addition A to the Original Leased Area in full only, for a lease term that shall commence on March 1, 2023.

10% shall be added to the area of Addition A to the Original Lease Area, as it may be, with respect to the Lessee's share of the public areas, which shall also be included in and deemed part of the Leased Area, for the purpose of calculating payment of the rent and management fees provided in the Agreement (the aforementioned final area together with the aforementioned addition shall be hereinabove and hereinafter collectively be referred to as, "**Addition A to Original Premises**").

**"Addition B to Leased Premises"** – The area of Addition B to the Leased Area constitutes Level 5 of Building B, measuring an area of 1,219 sq. meters.

10% shall be added to the area of Addition B to the Leased Area and/or any part thereof to be leased as stated, with respect to the Lessee's share of the public areas, which shall also be included in and deemed part of the Leased Area, for the purpose of calculating payment of the rent and management fees provided in the Agreement (the aforementioned final area together with the aforementioned additions shall hereinabove and hereinafter be collectively referred to as "**Area of Addition B to Leased Area**").



**"Lease Term for Original Leased Area"** - a period of 3 (three) years commencing March 1, 2020 and ending February 28, 2023.

**"Lease Term for Area A1"** - shall commence on the date of delivery of Area A1 to the Lessee as agreed between the Lessee and Cypress, and ending on the date of termination of the lease for the Original Leased Area; i.e. February 28, 2023.

**"Lease Term for Addition A to Original Leased Area"** - a period of 3 (three) years commencing March 1, 2023 and ending February 28, 2026.

**"Lease Term for Addition B to Original Leased Area"** - a period of 3 (three) years commencing May 1, 2021 and ending April 30, 2024.

**"Additional Lease Term"** - in relation to each part of the Leased Premises as defined above, as specified below:

**"Lease Terms for Original Leased Area (whether or not including Area A1)"**

Two lease terms of 3 (three) years each, commencing immediately after the end of the preceding lease term (the first term commences March 1, 2023 and ends February 28, 2026; the second commences March 1, 2026 and ends February 28, 2029).

**"Lease Term for Addition A to Original Leased Area"**

A single period of 3 (three) years commencing immediately after the end of the lease term (commencing March 1, 2026 and ending February 28, 2029).

**"Lease Terms for Addition B to Original Leased Area"**

The first two lease terms of 3 (three) years commencing immediately after the end of the preceding lease term (commencing May 1, 2024 and ending April 30, 2027); the second is for one year and ten months (commencing May 1, 2027 and ending February 28, 2029).

Notwithstanding the foregoing and subject to the Lessee's exercise of an option for an additional lease term of the Original Leased Area, the Lessee may, to the extent it has leased Addition B to the Original Leased Area (currently occupied by Henkel), shorten the additional lease term in relation to Addition B to the Original Leased Area to the date on which the additional lease term for the Original Leased Areas ends; i.e. February 28, 2026 (instead of April 30, 2027), subject to nine months' prior notice to the Lessor (no later than June 1, 2025). In the event that no timely notice is given, the lease term shall end at the scheduled time (April 30, 2027).

In relation to all parts of the Leased Premises (as they may be at the time of exercising the option) – an additional lease term may be exercised in relation to the Leased Area whose lease term has ended in its entirety (for example, if the lease term for Addition B to the Leased Area has ended, an additional lease term may be exercised for the entire area of Addition B to the Leased Area; if the lease term has ended for the Original Leased Area, the additional lease term shall be exercised in relation to the entire area thereto. To the extent it included Area A1, the exercise notice shall also apply with respect to Area A1 and the Lessee may not extend the lease term in relation to the Original Leased Area without Area A1).

"**Number of Additional Lease Terms Granted to Lessee**" in relation to each part of the Leased Premises:

For the Original Leased Area (with or without Area A1) - 2.

"For Addition A to the Original Leased Area" - 1.

"For Addition B to the Original Leased Area" - 2.

In any event, the entire lease term under this Agreement for each part of the Leased Premises shall not exceed 9 (nine) years, except as provided otherwise by agreement between the parties and, *inter alia*, in relation to Addition B to the Original Leased Area.

Section 6.1. The words "in relation to each part of the Leased Premises " shall be added at the beginning of the section.

Section 6.2 The words "in relation to each part of the Leased Premises" shall be added at the beginning of the section;

The words "120 days" shall **be replaced** by "270 days (9 months)."

Section 6.5 The rent during the additional lease term, in relation to each part of the Leased Premises, shall be the rate in effect in the last month of the preceding lease term in relation to such leased part (including linkage differentials and discounts, to the extent the Lessee was entitled to a discount under this Schedule), plus 5%.

Section 6.6. Shall be replaced by the following language:

"Notwithstanding anything to the contrary in this Agreement and/or the appendices hereto, either party may early terminate the Lease Agreement upon six months' prior written notice to the other party if a peremptory and final demand of an authority is lawfully issued, which effectively precludes the use of the Leased Premises for the Lease Purpose, provided that each party shall notify the other party of such demand. In such case, no party shall have any claim and/or demand against the other due to the shortening of the lease term, with the exception of the Lessee's right to "eviction compensation" as defined below. The termination of the lease shall be made with respect to all parts of the Leased Premises as in effect at the time of the notice.

"Eviction compensation" – in the event the lease term is shortened in the circumstances described in this subsection above, and after the Lessor has taken every measure to prevent the Lessee from being evicted from the Leased Premises, the Lessee shall be entitled to compensation for its investment in any part of the Leased Premises, as defined in this Schedule, in accordance with the following calculation:

The amount of its investment in the relevant part of the Leased Premises in accordance with "Approved Invoices," as defined below;

divided by:

The number of lease months in the lease term for the part of the Leased Premises in which the investment was made (including the lease term under the Original Agreement and including an additional lease term, to the extent exercised with respect to that part of the Leased Premises);

and multiplied by:

The number of unutilized lease months pertaining to such part of the Leased Premises (including the number of months in the additional lease term or the maximum lease term possible at the time, to the extent exercised).

The aggregate "eviction compensation" for all parts of the Leased Premises shall be paid to the Lessee on the actual vacation date and shall constitute full and final compensation for the damage incurred by the Lessee due to the shortening of the lease term, and the Lessee shall not have any claim and/or demand related to other and/or additional damages incurred by it as a result.

The amount of the Approved Invoices for all parts of the Leased Premises together shall not exceed an aggregate of NIS 8 million plus VAT (including if the actual investment exceeds such amount). Notwithstanding anything in this Agreement, such amount is final and shall not bear linkage differentials.

Only invoices paid by the Lessee in relation to the performance of work constituting permanent fixtures (such as flooring, cladding, paint, plumbing etc.) shall be accepted as "Approved Invoices" for purposes of the liquidated damages. In any case, they will not include expenses, to the extent incurred by the Lessee, for furniture, communication systems, security systems, architects and consultants, insurance and/or any expense in relation to additions or modifications not permanently affixed to the Leased Premises.

To avoid disputes between the parties, upon approval of future renovation plans by the Lessor and prior to the performance of the work, it shall be agreed with the Lessee in writing which work included in the renovation plan shall be included in the costs to be taken into account in calculating the liquidated damages.

The invoices shall be signed by the Lessee, and its signature shall be deemed to be official confirmation by the Lessee that the amount specified in the invoices has actually been paid and that the work subject of the invoices has been performed.

Invoices presented to the Lessor for the purpose of receiving a discount on the rent, as stated in this Agreement, in relation to each part of the Leased Premises, shall also be used to determine the liquidated damages. The first invoices submitted shall be taken into account first in calculating the compensation.

For the purpose of calculating the eviction compensation, the invoice amount as it appeared on the actual invoice shall serve as the basis for the calculation and will not bear interest and/or linkage differentials.”

Section 8 The **Lessor’s account** shall be as provided by the Lessor as necessary.

Section 8.1 "**Base Rent**" - in relation to each part of the Leased Premises and for the first lease term in relation to each part of the Leased Premises shall be as specified in Section 1 of the Special Terms set forth at the end of this Schedule.

Section 10 Section 10 of the original Lease Agreement shall be replaced by the following:

**“10. Delivery of Possession of Addition to Leased Area**

- 10.1. The Lessee hereby undertakes to appear at the Addition to the Leased Area on the relevant delivery date to receive possession thereof, to the extent the Lessor has made the addition to the Leased Area available to the Lessee. It is agreed that the Lessee shall be considered for all intents and purposes to have appeared at the Addition to the Leased Area on the relevant date of delivery of possession, and as of such date all the obligations and undertakings under this Agreement shall apply to the Lessee, including the obligation to pay rent for the Addition to the Leased Area.
- 10.2. The Lessee undertakes to perform the following actions prior to delivery of possession (and on the dates specified):
  - 10.2.1. To provide the Lessor with the insurance certificates as specified in Section 19 below, updated to include the relevant area of the Addition to the Leased Premises.
  - 10.2.2. To provide the Lessor with the collateral as defined in Section 20 below and/or to update the collateral already in the Lessor’s possession with respect to the Addition to the relevant Leased Area.
  - 10.2.3. To pay the Lessor rent with respect to the Addition to the Leased Premises, all as stated in Section 8.3 above.
  - 10.2.4. To issue to the Lessor, upon execution of the Agreement, checks for payment of the additional rent for the relevant Addition to the Leased Area and/or authorization to debit an account as stated in Section 8 above.
- 10.3 Should the Lessee fail to meet any of the above conditions in a full and timely manner, it shall not be given possession of the Addition to the Leased Area and the delivery date for such space will be postponed to the date such actions are completed, all without derogating from any remedy and/or relief and/or right available to the Lessor and/or the management company and **without derogating from the Lessee’s undertakings in connection with the commencement of the lease term**. The Addition to the Leased Area shall be delivered to the Lessee on the delivery date in as-is condition, and the Lessor assumes no undertakings with respect to the condition thereof. This is provided that such area shall be delivered to the Lessee in a good state of repair and free of any person or object, with all infrastructure intact, including electricity, water and so forth; and with entrance and exit doors to the Addition, elevators, restrooms, etc. in a good state of repair so as to enable the Lessee to make immediate use of the Addition in accordance with the Lease Purpose, as defined in this Schedule. It is agreed in this regard that the as-is condition of the Leased Premises shall be established as of the date of execution of this Agreement, subject to reasonable wear and tear and changes reasonably resulting from the vacation of the Leased Premises (such as the removal of permanent fixtures requiring drywall repair and paint). To the extent that this is not the case, the Lessor shall bring the Leased Premises to such condition on its own and at its expense.

Upon delivery of possession, the Lessee shall sign a confirmation of receipt of possession of the Addition to the Leased Premises.

Section 20.1.1. Section 20.1.1 of Original Agreement shall be replaced by the following language:

"The Lessee shall furnish the Lessor with a cash deposit in the amount equal to the rent and management fees for the Leased Premises with respect to 3 months' rent plus VAT.

The deposit amount shall be adjusted with respect to each of the Leased Areas upon the exercise of an additional lease term pertaining to any part of the Leased Premises and/or in the event the Original Leased Area is increased in accordance with this Schedule, and shall be furnished by the Lessee 30 days prior to the commencement of the additional lease term and/or 30 days prior to the commencement of the lease of the Addition to the Leased Area.

Without derogating from the foregoing, the deposit amount furnished to the Lessor in accordance with the original agreement (in the amount of NIS 670,802 plus VAT) as well as any addition to such deposit shall be used to secure the Lessee's undertakings hereunder for the lease term pertaining to all parts of the Leased Premises.

The granting of discounts on the rent, insofar as the Lessor is entitled to such in accordance with the provisions of Sections 1.1.2, 1.1.3 and 1.2.2 of this Schedule, shall not constitute grounds for adjusting the deposit amount to be furnished to the Lessor.

Upon furnishing the deposit amount, the Lessee shall receive a receipt and invoice from the Lessor for the deposit amount. Subject to compliance with all the terms of the Agreement, the deposit shall be returned to the Lessee after the end of the lease term for the relevant Leased Premises, linked to the index known at the date of deposit for the relevant [part of the] Leased Premises.

For the avoidance of doubt, it is clarified that the furnishing of the deposit does not constitute payment of rent and/or management fees.

In the event the deposit and/or any part thereof is realized, following seven days' written notice from the Lessor to the Lessee, the Lessee shall be required to complete the amount foreclosed within 7 days of such foreclosure."

Section 24.3 The words "subject to the provisions of Section 11.4 of the Renovation Agreement" shall be deleted.

Section 25.1 Shall be repealed and replaced by:

"The original agreement (including all appendices with the exception of Appendices A and B thereto, which have been cancelled, and with the exception of the renovation agreements that have been cancelled) and Schedule A to the Agreement (including appendices) constitute and comprise the entire relationship and rights and obligations of the Lessor and/or the management company and the Lessee. The execution of Schedule A to the Agreement, which together with the original agreement constitutes the entire agreement between the parties, cancels any contract and/or memorandum and/or agreement and/or statement and/or representation and/or promise and/or publication and/or previous drafts of Schedule A hereto which were given, orally or in writing, by the Lessor and/or the management company and/or on their behalf, and neither the Lessor and/or the management company shall be held liable for any of these."

Renovation Agreement The renovation agreement dated January 17, 2017; "Agreements Regarding Investments" dated January 11, 2018 (the date January 11, 2017 was accidentally written); as well as "Agreements Regarding Renovation Dates" dated March 25, 2018, which were signed by the parties and whose implementation date has passed – **shall be rescinded** - and the provisions thereof will no longer bind the parties.

System maintenance agreements "Agreements Regarding System Maintenance" signed by the parties on January 9, 2017 shall continue to apply between the parties in relation to the Original Premises and/or Addition A (including A1) to the Original Premises. Management services shall be provided with respect to Addition B to the Leased Area as customary for other leased premises in the Building, and in any case no more than the services agreed in relation to the space in Building A.

Section 6.1 of the Management Agreement:

**Management Fees -**

A total of NIS 13 per month for each square meter of the Original Leased Area, including any additions thereto [a total of NIS 53,817 for the Original Leased Area (excluding storage rooms); a total of NIS 37,329 for Addition A, to the extent it is leased in its entirety; a total of [NIS] 17,432 for Addition B].

The aforementioned amount shall be linked to the Base Index and lawful VAT shall be added thereon.

**The management fees during the additional lease term** (in relation to each part of the Leased Premises) shall be the same rate as was in effect in the last month of the preceding lease term (including linkage differentials) plus 5%.

Section 6.3.1 of the management agreement:

**The management company's account** shall be as provided by the Lessor as necessary.

Section 3 of Appendix D:

The following words shall be added to the beginning of the section: "Subject to the provisions of the Lease Agreement."

An additional paragraph shall be added as follows: "Notwithstanding the foregoing, to the extent the Lessee exercises the option to lease Area A of the Addition to the Original Premises in accordance with the provisions of this Schedule, the Lessee shall be given the option to install a sign(s) on the roof or facade of the Project bearing the Lessee's company logo, as it so determines, and the Lessor may only withhold consent on reasonable and justified grounds that shall be provided in writing. The sign shall be installed in accordance with the provisions of the agreement regarding work and installation of signs; the Lessor's instructions for affixing the sign to the Building under engineer supervision and approval; and the Lessor's prior approval of the sign simulation, including with respect to the size and location of the sign.

It is clarified to the Lessee in this regard that no crane may be brought on to the open parking lot of the complex and that the installation of the sign, to the extent it faces the front of Giborei Israel Street, will be carried out using a crane from Arieh Regev Street.

Section 2.6 of Appendix E:

The word "more" shall be deleted.

Section 2.8 of Appendix E:

The words "defect and/or deficiency that is discovered in the work" will be followed by "that are performed by it and/or a party on its behalf."

Section 2.10 of  
Appendix E:

Shall be cancelled and replaced by: "Renovations made in Area A1, to the extent it is leased by the Lessee prior to the termination of the Cypress Agreement, shall be performed in cooperation with Cypress while employing reasonable measures under the circumstances to minimize nuisance and disruption to Cypress' operations.

Section 3.1 of  
Appendix E:

The following language shall be added at the end of the section: "Provided that the delay in completing the work is not due to a reason solely in the Lessor's control."

A time schedule for completion of the renovation work on the Leased Premises shall be determined in coordination with the Lessee and Lessor. The Lessee undertakes to complete the renovation work on the Leased Premises by the date scheduled for completion, such that the Leased Premises is fully ready for its purpose as of such date.

Section 3.3 of  
Appendix E:

The words "7 days" shall be replaced by "30 days."

Section 4.2 of  
Appendix E:

The following language shall be added at the end of the section: "~~Subject to Section 9 of the Renovation Agreement (in relation to the type of work that is prohibited)~~\* [to the fact] that no work will be carried out that affects the Building structure and/or facades and/or envelope and/or infrastructure and/or the Project and/or any other work that requires a building permit by law (prohibited works), the Lessor undertakes to assist the Lessee with anything necessary for complying with the requirements of the competent authorities, including signing any document and/or approval required for such purpose, provided that it does not impose any obligations and/or payments on the Lessor and/or prejudices any rights of the Lessor, and provided that the Lessor shall not have any responsibility or obligation towards the authorities in connection with compliance with the authorities' requirements."

**\* Since the Renovation Agreement was canceled, its provision was inserted herein.**

Section 7.3 of  
Appendix E:

The words, "the Lessee may install" shall replace the words, "the Lessee shall install."

Section 10.3 of  
Appendix E:

The following language shall be added at the end of the section: "Provided that the Lessor has done all that is necessary to immediately repair the aforementioned malfunction."

Section 11.1 of  
Appendix E:

The electricity supply to the Leased Premises will be at the same lighting and power output as currently provided to the Leased Premises.



- Appendix H: Canceled.
- Section E of Appendix J: The words "the Lessor may" shall be replaced with "each party may." The words "by prior notice" shall be followed by "and in writing to the other party."
- Section F of Appendix J: Canceled and replaced with the provisions of Appendix N below.
- Section 3.1.2 of Appendix K: The provisions of this section shall be replaced with the following: "The Lessee may file a demand and/or claim against the Israel Electric Corporation for non-supply and/or interruptions in electricity supply. The Lessee's aforementioned right does not detract from its obligation to pay the electricity bill in a full and timely manner. The Lessee undertakes to indemnify the Lessor for any expense and damage incurred by it as a result of a claim for non-supply and/or disrupted supply of electricity that is filed against the Electric Corporation by an authorized party on behalf of the Lessee."
- Section 4.3 of Appendix K: The words "and may refuse or consent to the request, subject to its professional discretion regarding the technical feasibility of such an expansion, and taking into account the needs of the Project at the time of the request and/or its future needs" shall be replaced with: "And may withhold consent to the Lessee's request on reasonable grounds only, which shall be presented to the Lessee in writing within 14 days of such request."
- Section 4.5 of Appendix K: The words "within 7 days of the Lessor's demand" shall be replaced with: "Within 14 days of receiving the Lessor's demand."
- Section 5.2 of Appendix K: The words: "The engineer may demand" shall be followed by the words: "in writing."  
The words "within 10 days" shall be replaced with: "within 16 days."
- Section 5.3 of Appendix K: The following language shall be added at the end: "Provided that it has been given a reasonable opportunity to defend against any demand, dispute and/or claim."
- Section 6.1 of Appendix K: The following shall be added at the beginning of the section: "Upon prior coordination."

The words "at any reasonable time" shall be deleted.

The words "electricity to the Leased Premises" shall be followed by: "provided that the aforementioned actions shall be carried out while minimizing the disruption to the Lessee as much as possible."

Section 6.2 of  
Appendix K:

The words "provided that the length of time of the power disruption to the Leased Premises is reasonable, given the type of work in the Leased Premises" shall be replaced with: "provided that it is done, as far as possible, after normal work hours on the Leased Premises."

The words "the Lessor shall, as far as possible, coordinate the power supply disruptions from the sources referred to above with the Lessee" shall be replaced with: "To the extent possible, the Lessor shall notify the Lessee 14 days in advance of the power disruptions from the sources referred to above."

Section 7.1 of  
Appendix K:

The following language shall be added at the end of the section: "Provided that such device, accessory and/or other equipment are permanent fixtures."

Section 8.1.1 of  
Appendix K:

The words "the Lessor shall make an effort" shall be replaced with: "The Lessor shall make every effort."

Section 9 of  
Appendix K:

The words "shall be within the Leased Area" shall be followed by: "within components installed by the Lessee."

The words "exclusively by means of professionals so instructed by the Lessor and/or by means of qualified professionals who have been approved by the Lessor in advance and in writing" shall be replaced with: "Exclusively by means of qualified and experienced professionals."

### **Special Terms**

Except as provided below, no modifications shall be made to the main agreement and the appendices thereto:

#### **1. "Base Rent" -**

##### **The Base Rent for the Original Premises (without storerooms) and Area A1 (if leased until March 1, 2023) (as defined above):**

- 1.1.1. A total of NIS 53 per gross square meter of the Building space, linked to the original base index, and a total of NIS 219,406 per month (and NIS 658,217 per quarter), linked to the original base index, for the original leased area (without storage rooms);  
[For the original space according to the following calculation: 1,253 square meters X 3 floors + 27 square meters in the lobby + 156.6 square meters of lobby space (60% of the lobby space less the room in the lobby) X 1.05 (gross expense loading of 5%) = 4,139.73 square meters X NIS 53 per square meter = NIS 219,406 per month plus linkage to the original base index plus statutory VAT].

1.1.2. **Discount for past renovation of Original Premises**

To the extent that the Lessee presents the Lessor with invoices in the amount of NIS 3.5 million (at least, not including VAT) in respect of renovation costs, as defined above, incurred by the Lessee prior to signing Schedule A to the Original Agreement with respect to the Original Premises and **subject** to the approval of the Lessor's representative that the work was indeed performed on the Original Premises, the base rent for the Original Leased Premises shall be reduced by NIS 21,270 per month (NIS 63,810 per quarter) for the Original Premises.

[A total of NIS 5.138 per month per square meter multiplied by 4,139.73 (the Original Leased Area)] (hereinafter, the "**Discount for the Base Leased Premises for Past Renovation**"). The discount amount shall be linked to the base index.

A **condition** for the Lessee's eligibility to the Discount for the Base Leased Premises for Past Renovation is that an additional lease term has been exercised with respect to the Original Premises and/or an additional level of the Original Premises has been renovated (at least one level at a total cost of no less than NIS 2.5 million plus VAT) (hereinafter, the "**Condition**").

To the extent that the Lessee is given a past renovation discount for the Original Premises and the Condition is not met, the Lessee shall pay the Lessor, on June 1, 2022,\* the amounts of the Discount for the Base Leased Premises for Past Renovation, as defined above, for which the Lessee was actually credited, linked to the index as of the date on which they would have been payable to the Lessor if not for the discount until the date of actual payment to the Lessor.

[\* The Lessee may provide notice that it does not intend to exercise the additional lease term for the Original Premises until June 1, 2022; a "qualifying" renovation to an additional level of the Original Premises is possible until March 2, 2022.]

To the extent that the Lessee has leased Area A1 on the terms set forth above, the discount will also apply to Area A1.

1.1.3. **Discount on future renovation of Original Premises**

The Lessee may, during the course of the lease term, renovate the additional levels (2 levels) of the Original Premises which, as of the date of execution of this Schedule, have not yet been renovated. To the extent that an additional level(s) of the Original Premises is renovated in an amount that is not less than NIS 2.5 million (per level) and **subject to the renovation being completed no later than** February 28, 2022 and confirmation by the Lessor's representative that the renovation was actually performed, the Lessee shall be entitled to an additional discount on the rent for the Original Premises, with respect to each level that is renovated (i.e. if two levels are renovated, the Lessee shall be entitled to a discount for each level), in the amount of NIS 15,193 per month (NIS 45,578 per quarter) for the Original Premises, linked to the index known on the Eligibility Date, as defined below.

[A total of NIS 3.67 per month per square meter of the Original Premises multiplied by 4,139.73 (the area of the Original Premises)] (hereinafter, the "**Future Renovation Discount Per Level**").

Renovations on the lobby of the Leased Premises and/or A1 areas, to the extent performed, shall not be included within the aforementioned NIS 2.5 million. Nevertheless, to the extent that the Lessee has leased Area A1 on the terms stated above, the discount shall also apply to Area A1.

- 1.1.4. Notwithstanding the foregoing, any discount pertaining to the Original Premises shall be given for the period beginning on the first of the month following the date of presentation of the invoices and/or the month following the date of completion of the relevant renovation work, whichever is later ("**Eligibility Date**"). Such discount shall apply as long as the Original Premises are leased (i.e. including during the option period, to the extent it is exercised and subject to an increase in the rent during such period, which shall be calculated on the basis of the rent amount after the discount).
- 1.1.5. The discount amounts are linked to the index known at on the Eligibility Date (and not to the base index).
- 1.1.6. Notwithstanding the foregoing, the monthly rent for the Original Premises after discount/s shall under no circumstances be less than a total of NIS 173,869 per month, linked to the original base index [reflecting a total of 42 NIS/sq.m. for the basic Leased Premises, linked to the original base index]. To the extent that Area A1 has been leased, such restriction shall also apply to Area A1.

1.2. **The base rent for Addition A or B to the Leased Area (as defined below/above):**

- 1.2.1. A total of NIS 50 per gross sq.m. of the area of the Addition to the Original Leased Premises, linked to the base index.

[A total of NIS 143,572 per month with respect to Addition A to the Leased Area 2,871.44 sq.m. – insofar as it is leased in its entirety and in accordance with the quarter, a total of NIS 430,716 - linked to the base index; a total of NIS 67,045 per month with respect to Addition B to the Original Premises, insofar as it is leased in its entirety and in accordance with the quarter, a total of NIS 201,135 - linked to the base index];

- 1.2.2. **Discount for renovation on Addition A or B to Leased Area**

The Lessee may, during the lease term, renovate levels(s) of Addition A to the Original Premises and/or Addition B to the Original Premises, to the extent they are leased. To the extent that such a renovation is performed, the Lessee shall be entitled to a discount on the rent for the addition to the Leased Premises on which the renovation was carried out (Addition A or B, respectively) of NIS 3 per sq.m. of the addition to the Leased Premises; i.e.:

A maximum of NIS 8,614 per month (NIS 25,843 per quarter) for Addition A to the Leased Premises (insofar as it is fully leased) and a maximum of NIS 4,023 per month (NIS 12,068 per quarter) for Addition B to the Leased Premises).

(Hereinafter, the "**Discount for Renovation on Addition A or B**").

The discount amounts are linked to the index known on the Eligibility Date (and not to the base index).

Any discount on an addition to the Original Premises shall be given for the period commencing on the first of the month following the date of presentation of the invoices and/or the month following the date of completion of the relevant renovation work, whichever is later ("**Eligibility Date**"), and shall apply as long as the relevant addition to the Original Premises is leased (i.e. including during the option period, to the extent exercised, and subject to an increase in the rent during such period, which will be calculated on the basis of the rent after the discount).

The additional Area A to the Original Premises shall only be discounted once (including if both levels of the addition are renovated). Area A1, to the extent it is not leased by March 1, 2023, shall be deemed part of Addition A to the Leased Premises as well.

1.3. **Base rent for Storage Rooms (as defined above):**

1.3.1. A total of NIS 670 per month for Storage Room A, as defined above. The management fees and electricity payments for Storage Room A are included in the aforementioned amount.

1.3.2. A total of NIS 670 per month for Storage Room B, as defined below. The management fees and electricity payment for Storage Room B are included in the aforementioned amount.

The above amounts shall be linked to the original base index and lawful VAT shall be added thereon.

The Lessor's representative's position regarding the renovation invoices that were presented shall be given within 14 days of presentation of the invoices.

2. **Parking**

2.1. During the Lease Term and the Additional Lease Term, to the extent exercised, the Lessee shall be entitled to lease from the Lessor parking spaces on level -2 in the Building, in accordance with the parking spaces and against payment of the parking fees specified hereinbelow (hereinafter, the "**Parking Area**"):

2.2. The Parking Area made available to the Lessee and/or a party on behalf of the Lessee shall not form part of the Leased Premises and the Lessee shall be authorized to use it only.

2.3. **Parking fees**

2.3.1. For the first 120 parking spaces, the Lessee shall pay parking fees in the amount of NIS 250 per month per parking space;

- 2.3.2. For 120 additional parking spaces (for parking spaces 121 to 240), the Lessee shall pay parking fees in the amount of NIS 275 per month per parking space;
- 2.3.3. For 120 additional parking spaces (for parking spaces 241 to 360), the Lessee shall pay parking fees in the amount of NIS 300 per month per parking space;
- 2.3.4. For each additional parking space beyond 360 parking spaces, the Lessee shall pay parking fees at the rate that is customary at the time for the Project for office building lessees, less a 15% discount.

The aforementioned amounts shall be linked to the original base index and lawful VAT shall be added thereon.

- 2.4. The parking fees shall be paid once per quarter in advance together with the rent. The Lessee undertakes, in any event, to lease from the Lessor at least 200 parking spaces at any given time.
- 2.5. Use of the parking areas is in accordance with Appendix I of the Original Agreement.
- 2.6. The lease of additional parking spaces (beyond 200 parking spaces) shall be on an as-available basis and at the rates detailed in this Section above.
- 2.7. On weekends (Friday and Saturday) and Jewish holidays (holiday eves, but not including the Chol Hamoed intermediate festival days), the Lessor and/or the management company shall be entitled to permit all visitors to the Project to park in the Parking Area, in which case employees of the Lessee may park their cars for no fee in the level -2 parking lot of the Building, without any predefined parking space.

### **3. Options for Additions to the Original Premises**

- 3.1. The Lessee is hereby granted options to lease, in addition to the Original Premises, Addition A to the Original Premises and/or Addition B to the Original Premises, as defined above, on the terms of the lease specified above and in the original lease agreement (hereinafter, "**Option for Addition to Original Premises**"), and the following provisions shall apply in this regard:

- 3.1.1. Exercise of Addition A to the Original Premises - the Lessee may exercise the Option for Addition to the main Leased Premises in relation to Area A by giving written notice to the Lessor of its desire to exercise the option in relation to the relevant space, no later than June 1, 2022 (hereinafter, the "**Notice of Exercise of Area A**").

Exercise of Addition B to the Original Premises - the Lessee may exercise the Option for Addition to Original Premises in relation to Area B by written notice to the Lessor of its desire to exercise the option in relation to Area B, no later than August 1, 2020 (hereinafter, the "**Notice of Exercise of Area B**").

To the extent a Notice of Exercise of Addition A or Addition B has been given, the area with respect to which the exercise notice was given shall be added to the Leased Premises in accordance with the terms of the Original Agreement and this Schedule for all intents and purposes, for a lease term commencing on the vacating date of the relevant addition by Cypress and/or Henkel, respectively, and ending with the termination of the lease term provided in this Schedule. The monthly rent and management fees owed by the Lessee from the commencement of the lease in relation to such area shall be adjusted, as shall the collateral amounts in the Lessor's possession, up to 30 days prior to delivery of possession of the relevant area to the Lessee. The Lessor hereby undertakes to take all necessary action to ensure that Cypress and/or Henkel and/or any other party in possession of such areas vacates them in accordance with the dates provided herein, in a manner that will enable implementation of all the provisions of this Schedule.

The Lessor may offer the Lessee to accelerate the date of lease of the additions and/or any one of them. Such offer shall not bind the Lessee and shall be subject to its consent, and the Lessee may refuse on any grounds whatsoever.

- 3.1.2. If Area A1 of the Leased Premises is leased to the Lessor prior to March 1, 2023, in consultation with Cypress and in accordance with the provisions of this Schedule, the Option for Addition A to the Original Premises granted to the Lessee shall apply, upon the termination of Cypress's lease, to the remainder of Area A, accordingly.
  - 3.1.3. It is explicitly clarified, and the Lessee agrees in advance, that if the option is exercised, the Lessee shall receive the additional space in its then-current condition as agreed above.
4. Use of the floor protected spaces included in the Leased Premises (an example floor plan with the floor protected space marked is attached hereto as Appendix D) is in accordance with the provisions of Appendix N, which shall be in addition to the provisions of the Original Agreement and binding on the parties. Upon execution of this Schedule, the Lessee shall sign a letter addressed to the Home Front Command.
  5. Notwithstanding the provisions of the Lease Agreement and/or the appendices thereto, the rent, management fees and parking fees shall be paid on a quarterly basis. The rent, management fees and parking fees for each quarter in relation to each part of the Leased Premises shall be paid by the Lessee to the Lessor in advance, plus VAT, on the first day of each calendar quarter; i.e. on the first of each month of January (for the months January to March of each lease year in the first lease term); April (for the months April to June in each lease year in the first lease term); July (for the months July to September in each lease year in the first lease term); and October (for the months of October to December in each lease year in the first lease term).

If a lease term has commenced and/or ended for a partial quarter, the first and last payment shall be paid in advance for the partial quarter (for example, if the lease term begins on February 1, rent up to March 1 shall be paid in advance; if a lease term ends on May 15, the last payment for April and half of May of such year shall be paid).

If the payment day is not a business day (Saturday, a holiday and so forth), the payment shall be postponed to the first subsequent business day.

6. Alternate Lessee

The Lessee may shorten the lease term, provided that the following cumulative conditions are satisfied:

- 6.1. The Lessee provides the Lessor with written notice at least 3 (three) months in advance of its desire to shorten the lease term.  
The Lessee finds an alternate lessee to lease the Leased Premises in its entirety for the Lease Purpose under this Agreement.
- 6.2. The Lessor provides prior written approval of the alternate lease and the identity of the alternate lessee.
- 6.3. When transferring the rights to the alternate lessee, the Lessee has no obligation to the Lessor which has become due.
- 6.4. The Lessee shall sign a lease termination agreement in the form that is customary for the Lessor, and the alternate lessee shall enter into a lease agreement (including all appendices) with the Lessor, **on the same terms as this Agreement, for the lease term remaining** for the Lessee, and shall furnish the Lessor with all the securities required under this Agreement.
- 6.5. The Lessor shall be entitled to demand additional reasonable securities/guarantees from the alternate lessee, in good faith and at its discretion.
- 6.6. The Lessor shall not incur any expenses from the lease to the alternate lessee and/or from its contractual engagement therewith, with the exception of expenses pertaining to negotiations and the drafting of an agreement to be executed with the alternate lessee.
- 6.7. The provisions of this Section (which grant a right to transfer the lease) shall not apply to the alternate lessee. In addition, it shall not have any right to early terminate and/or shorten the lease term, unless agreed otherwise with the alternate lessee.

7. Sublease

Notwithstanding any other provision of the Lease Agreement, the Lessee may lease part of the Leased Premises and part of the parking spaces in its possession to a sublessee, provided that all the following conditions are satisfied:

- 7.1. The sublease shall be limited to 6 sublessees only.
- 7.2. The Lessor approves the sublease and the identity of the sublessee in advance and in writing.
- 7.3. The sublessee leases the subleased area for the Lease Purpose under this Agreement, and the sublessee's payments to the Lessee in connection with the sublease shall not exceed the rent hereunder.
- 7.4. The Lease Agreement and all the Lessee's undertakings thereunder, including the undertaking to bear all the rent and management payments and any other payment provided in the Lease Agreement, shall continue to apply with respect to the entire Leased Premises including after the Lessor's approval of the sublease is given.



- 7.5. All the terms of the Lease Agreement, except if explicitly amended in this Appendix, shall apply to the Lessee and the sublessee for the entire duration of the lease term/s.
- 7.6. The Lessee and the sublessee shall sign an undertaking in the form attached to the Original Agreement as **Appendix M**.
- 7.7. The Lessee and the sublessee shall be jointly and severally responsible for the fulfillment of all the sublessee's undertakings as provided in Appendix M. It is clarified that any breach of the sublessee's undertakings in Appendix M shall grant the Lessor all the remedies and/or rights available to it against the Lessee under this Agreement and/or law. Without derogating from the foregoing, it is clarified that in the event of any such breach, the Lessor may claim relief from the Lessee and/or the sublessee, at its discretion.
- 7.8. With regard to subleases in relation to parking spaces, such right shall be limited to only 50 parking spaces, and the Lessor may notify the Lessee that instead of approving subleases of the parking spaces, the Lessee will be released from its obligation to rent them and possession thereof shall be returned to the Lessor (against a corresponding reduction of the parking fees payable by the Lessee).

(-)

---

**Lessor**

By Messrs. \_\_\_\_\_

(-)

*Outbrain Ltd.*  
*Company No. 513871301*

---

**Lessee**

By Messrs. \_\_\_\_\_

**If the Lessee is a corporation:**

I, the undersigned, \_\_\_\_\_, Adv., hereby certify that the Lessee is an active and existent company and that it has adopted all the resolutions necessary to enter into this agreement under its incorporation documents, and the above signatures are the signatures of \_\_\_\_\_, who are authorized to bind the Lessee by their signature.

\_\_\_\_\_

**Appendix N**

**In this appendix, "Leased Premises" means - the Leased Premises and/or part of the Leased Premises which is a protected space.**

**The Lessee undertakes to the Lessor as follows:**

1. The Leased Premises will not be used as a restroom, kitchen, bathroom or storage room.
2. The equipment to be brought into the Leased Premises shall occupy up to 20% of the area of the shelter. The equipment will not be permanently affixed and shall be removable within 4 hours of the time a state of emergency is declared.
3. No flammable, toxic and dangerous substances will be stored in the Leased Premises.
4. No physical change will be made to the Leased Premises.
5. The Lessee is aware that the Home Front Command may order that the Leased Premises may not be used for the Lease Purpose. In such instance, the lease (in relation to the Leased Premises) shall be terminated immediately upon demand by the Home Front Command, without it being considered a breach of the lease by any of the parties.
6. It is forbidden to damage the Leased Premises or the protective components therein (walls, protected door, escape openings, etc.) for the purpose of rendering it fit for dual purposes.
7. The Lessee shall not block the escape openings and/or ladders installed in the Leased Premises.
8. The Lessee shall make the Leased Premises available for use by the general public in times of emergency and will leave them open and accessible as long as the state of emergency continues.
9. The Lessee shall sign an **undertaking for dual-purpose use of the Leased Premises** in the form below, and it give its consent to the Lessor to transmit such undertaking to any competent authority that requires it.

---

**Undertaking for Dual-Purpose Use of Shelter**

Date: \_\_\_\_\_

Attention: \_\_\_\_\_

Engineer \_\_\_\_\_

\_\_\_\_\_ District Engineer for the Home Front Command

\_\_\_\_\_ Local Authority Engineer

**Re: Request for dual-purpose use of shelter – undertaking**

1. I request permission to use the shelter or protected space at 4 Arieh Regev Street, 4th floor, for the purpose of \_\_\_\_\_.
2. For the purpose of your approval for dual-use use of the shelter, I undertake that:
  - a. The shelter will not be used as a toilet, kitchen, bathroom, storage room, etc.
  - b. Equipment occupying more than 20% of the area will not be stored in the shelter. The equipment will not be permanently affixed and is removable within four hours of "standby" status being declared.
  - c. No flammable, toxic and dangerous substances will be stored in the shelter.
  - d. No change will be made to the shelter without the approval of a competent authority – hereinafter, the District Engineer.

3. I am aware that the competent authority or local authority may cancel a directive pertaining to the use and maintenance of shelters. This permit is at any time and I will be required to restore the shelter to its original condition within 30 days of the revocation of this permit.

Sincerely,

Name: \_\_\_\_\_

*Company No.: Outbrain Israel Ltd.  
Company No. 513871301*

**Appendix B1**

[drawing]

**Appendix B2**

[drawing]

**Appendix B3**

[drawing]

**B2**

[drawing]

**B3**

[drawing]



## Schedule B to Unprotected Lease Agreement

Entered into as of May 11, 2020

**By and between**      **Cash and Carry Food Services Ltd.**  
**Private Company No. 51-167745-2**  
Located at 4 Arieh Regev St., POB 8147, Netanya  
Tel: 03-6085777; Fax: 03-6085711  
(Hereinafter, the "**Lessor**")

**Of the first part:**

**And**                      **Outbrain Israel Ltd.**  
**Private Company No. 51-387130-1**  
Located at 6 Arieh Regev St., POB 8385, Netanya  
Email:  
(Hereinafter, the "**Lessee**")

**Of the second part:**

**WHEREAS**, the Lessee has leased premises in Netanya, as described in the original agreement, from the Lessor under the terms of a lease agreement and renovation agreement dated January 17, 2017 (the "**Original Agreement**"), which also includes the right to use parking spaces; and whereas the parties have since executed agreements modifying the terms of the Original Agreement, with the last modification being signed in March 2020 (hereinafter collectively, the "**Agreement**"); and

**WHEREAS**, Emergency Regulations (Limits on the Number of Workers in the Workplace for Reducing the Spread of the Novel Coronavirus), 2020, have been enacted, limiting the number of workers in the workplace at the same time in light of the corona pandemic, which regulations have been updated from time to time (hereinafter, the "**Regulations**"); and

**WHEREAS**, on April 19, 2020, Amendment No. 4 to the Regulations came into force which allowed employers, inter alia in the office field, to allow workers in the workplace at the same time beyond the maximum number of employees allowed in the Regulations if the employer meets the requirements specified in the Amendment ("**Purple Badge**"); and

**WHEREAS**, the Lessee has requested the Lessor to agree, in view of the restrictions provided in the Regulations, to reduce the charge for the parking spaces made available for its use as well as the management fees and rent it is required to pay under the Agreement; and

**WHEREAS**, the Lessor has, beyond what is necessary, determined to accede to some of the Lessee's requests - and these exclusively - subject to the conditions set forth in this Schedule to the Agreement; and

**WHEREAS**, the parties wish to set forth their agreements in writing and on the terms set forth in this Schedule to the Agreement, as follows below;

### **NOW, THEREFORE, the parties stipulate and agree as follows:**

1. The preamble hereto constitutes an integral part hereof, and this Schedule to the Agreement constitutes an integral part of the Agreement. However, in the event of a contradiction between the Lease Agreement and this Schedule, the provisions of this Schedule shall prevail.

2. The provisions of this Schedule are intended to amend and modify the Agreement exclusively with respect to the provisions explicitly amended herein. Amended provisions shall prevail over the provisions of the Agreement, notwithstanding the provisions thereof. All other provisions of the Agreement (and the appendices thereto) shall remain in effect.

### 3. **PERIOD OF RELAXATION**

3.1. The relaxation in the Lessee's charges under the Agreement as set forth hereinbelow, with respect to the management fees, shall be effective retroactively with respect to the March and April 2020 invoices.

3.2. The relaxation in the Lessee's charges under the Agreement, as set forth hereinbelow, with respect to the parking fees, shall be in effect retroactively with respect to the April 2020 invoice as well as for May and June 2020.

3.3. In future circumstances in which future amendments of the Regulations take effect and/or similar and/or other legislative provisions are enacted which limit the number of workers in workplaces of the type operated by the Lessee to 30% or less of the work force at the same time due to a pandemic (hereinafter, "**Future Provisions**"); and provided that the Future Provisions, as defined above, shall apply for 7 days or more in a calendar month which are not statutory Jewish holidays and/or days of rest, the Lessee shall be entitled to an additional period of relaxation (for both the management fee and the parking fee, and this relaxation only) as of the effective date of the Future Provisions and until they are repealed/modified, such as will enable more than 30% of the work force to work at the same time, including in circumstances in which it is recommended to work from home as far as possible (hereinafter, the "**Additional Period of Relaxation**").

3.4. During any time that is not a Period of Relaxation and/or Additional Period of Relaxation, the relaxations as specified in Section 4 hereinbelow shall be canceled, and the Lessee shall be charged in full in accordance with the Agreement. At the same time, the parking spaces in use by it at the time of execution of this Schedule shall be available to it.

### 4. **RELAXATIONS**

4.1. During the Period of Relaxation only, the Lessee shall be entitled to the following relaxations in its charges under the Agreement:

#### 4.1.1. Relaxation in Management Fees

The management fees payable in March 2020 shall amount to 75% of the management fees under the Agreement (50% of the management fee for half of March 2020) and the management fees for April 2020 shall be 50% of the management fees under the Agreement.

4.1.2. Relaxation in Parking Fees

4.1.2.1. In April 2020, the Lessee will not be charged for all the parking spaces available to it in the parking system records (hereinafter, "**Parking Spaces**").

4.1.2.2. In May 2020 the Lessee will not be charged for 50% of the Parking Spaces.

4.1.2.3. In June 2020 the Lessee will not be charged for 25% of the Parking Spaces.

4.1.2.4. [The charge for] the Parking Spaces shall be credited in accordance with the agreed tariffs, starting from the lower tariff (in accordance with the number of parking spaces in each tariff).

4.2. With respect to the Additional Period of Relaxation only (if at all):

4.2.1. Management fees – shall amount to 50% of the management fees under the Agreement for the Additional Period of Relaxation.

4.2.2. Parking fees - the Lessee may provide notice that it is relinquishing (all or part of) the Parking Spaces available to it and these shall be removed from the list of the Lessee's subscriptions in the parking system records; the Lessee will not be charged therefor and they will not be used. The credit for the Parking Spaces shall be based on the agreed tariffs, starting from the lower tariff (in accordance with the number of parking spaces in each tariff).

The Lessee's written notice (including via email) regarding the parking subscriptions it wishes to cancel during the Additional Period of Relaxation (hereinafter, the "**Notice**") shall be given within 2 business days of the effective date of the Future Provisions. The Lessee may update such Notice **once a month** (and no later than the 21<sup>st</sup> day of each month) during the Additional Period of Relaxation for the subsequent calendar month.

In the event the Notice is not issued and/or not issued in a timely manner, the Lessee shall be charged for the full Parking Spaces pursuant to the Agreement.

5. CONDITIONS FOR LESSEE'S RIGHT TO RELAXATION

The conditions for the Lessor's consent to grant relaxation during the Period of Relaxation and/or the Additional Period of Relaxation are as follows:

5.1. The Lessee pays its entire debt for the rent and management fees (less the relaxation) for the months of March, April and May 2020 within 3 business days of the execution of this Agreement.

5.2. The Lessee deposits the amounts to complete the collateral as required under the Agreement within 7 days of the execution of this Schedule.

5.3. The Lessee complies with all of its obligations under the Agreement, including advance quarterly payment of the rent, management fees and parking fees. To the extent that there is a change in the charges pursuant to this Schedule, an appropriate credit shall be made.

- 5.4. The Lessee provides notice, by June 1, 2020, whether it will exercise the option with respect to Addition B to the Original Leased Premises, as defined in the Special Terms Appendix to Schedule A of the Lease Agreement signed in March 2020.
- 5.5. The Lessee has no additional request and/or claim and/or demand with respect to relaxation in its charges under the Lease Agreement due to a pandemic, whether in relation to the period up to the date of conclusion of this Agreement or to a future period.
- 5.6. Non-compliance with any of the conditions set forth in this Section shall result in the retroactive revocation of the Lessee's right to relaxation.
6. Except as explicitly agreed upon in this Schedule, there shall be no further modifications and the provisions of the Lease Agreement shall apply in full to the relationship between the parties.

**IN WITNESS WHEREOF the parties hereto have affixed their signatures at the time and place specified above:**

(-)

\_\_\_\_\_  
**Lessor**

By Messrs. \_\_\_\_\_

I, the undersigned, \_\_\_\_\_ Adv., hereby certify that the Lessee [translator's note: should be Lessor] is an active and existent company and that it has adopted all the resolutions necessary to enter into this agreement under its incorporation documents, and the above signatures are the signatures of \_\_\_\_\_, who are authorized to bind the Lessee [translator's note: should be Lessor] by their signature.

\_\_\_\_\_

(-)

*Ori Lahav*

\_\_\_\_\_  
**Lessee**

By Messrs. *Ori Lahav*

I, the undersigned, Adv. Nir Cohen, hereby certify that the Lessee is an active and existent company and that it has adopted all the resolutions necessary to enter into this agreement under its incorporation documents, and the above signatures are the signatures of *Ori Lahav*, who is authorized to bind the Lessee by his signature.

(-) Nir Cohen