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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-40643

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

Registrant’s telephone number, including area code: (646) 859-8594

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

Title of each class Trading Symbol(s) Name of each exchange on which registered
Common stock, par value $0.001 per share OB The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

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

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

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

As of November 1, 2021, Outbrain Inc. had 55,507,975 shares of common stock outstanding.
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<td><strong>Signatures</strong></td>
<td></td>
<td>65</td>
</tr>
</tbody>
</table>
Note About Forward-Looking Statements

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

- overall advertising demand and traffic generated by our media partners;
- factors that affect advertising spending, such as economic downturns and unexpected events;
- any failure of our recommendation engine to accurately predict user engagement, any deterioration in the quality of our recommendations or failure to present interesting content to users or other factors which may cause us to experience a decline in user engagement or loss of media partners;
- limits on our ability to collect, use and disclose data to deliver advertisements;
- 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 meet demands on our infrastructure and resources due to future growth or otherwise;
- our ability to extend our reach into evolving digital media platforms;
- our ability to maintain and scale our technology platform;
- our ability to grow our business and manage growth effectively;
- the success of our sales and marketing investments, which may require significant investments and may involve long sales cycles;
- the risk that our research and development efforts may not meet the demands of a rapidly evolving technology market;
- the loss of one or more of our large media partners, and our ability to expand our advertiser and media partner relationships;
- our ability to compete effectively against current and future competitors;
- failures or loss of the hardware, software and infrastructure on which we rely, or security breaches;
- our ability to maintain our revenues or profitability despite quarterly fluctuations in our results, whether due to seasonality, large cyclical events, or other causes;
- political and regulatory risks in the various markets in which we operate; the challenges of compliance with differing and changing regulatory requirements; and
- the risks described in the section entitled "Risk Factors" and elsewhere in this Report.

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

## Item 1. Financial Statements

### OUTBRAIN INC.

**Condensed Consolidated Balance Sheets**

*(In thousands, except for number of shares and par value)*

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$482,447</td>
<td>$93,641</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances</td>
<td>161,325</td>
<td>165,449</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>27,734</td>
<td>18,326</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>671,506</td>
<td>277,416</td>
</tr>
<tr>
<td>Property, equipment and capitalized software, net</td>
<td>24,782</td>
<td>24,756</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>6,704</td>
<td>9,812</td>
</tr>
<tr>
<td>Goodwill</td>
<td>32,881</td>
<td>32,881</td>
</tr>
<tr>
<td>Other assets</td>
<td>11,471</td>
<td>11,621</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$747,344</td>
<td>$356,486</td>
</tr>
</tbody>
</table>

| | | |
| **LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $139,208 | $118,491 |
| Accrued compensation and benefits | 22,081 | 23,000 |
| Accrued and other current liabilities | 104,066 | 109,747 |
| Deferred revenue | 5,462 | 5,512 |
| **Total current liabilities** | 270,817 | 256,750 |
| Long-term debt | 236,000 | — |
| Other liabilities | 15,963 | 17,105 |
| **TOTAL LIABILITIES** | $522,780 | $273,855 |

| | | |
| Commitments and contingencies (Note 8) | | |
| Convertible preferred stock, par value of $0.001 per share — 100,000,000 shares authorized and no shares outstanding as of September 30, 2021, and 27,766,563 shares authorized and 27,622,449 of Series A, B, C, D, E, F, G and H outstanding as of December 31, 2020. | — | 162,444 |

| | | |
| **STOCKHOLDERS’ EQUITY (DEFICIT)** | | |
| Common stock, par value of $0.001 per share — 1,000,000,000 shares authorized and 55,467,215 shares issued and outstanding as of September 30, 2021, and 65,183,785 shares authorized and 17,158,802 shares issued and outstanding as of December 31, 2020. | 55 | 17 |
| Additional paid-in capital | 426,030 | 92,705 |
| Accumulated other comprehensive loss | (5,317) | (4,290) |
| Accumulated deficit | (196,204) | (168,245) |
| **TOTAL STOCKHOLDERS’ EQUITY (DEFICIT)** | 224,564 | (79,813) |
| **TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY (DEFICIT)** | $747,344 | $356,486 |

See Accompanying Notes to Condensed Consolidated Financial Statements.
### OUTBRAIN INC.

**Condensed Consolidated Statements of Operations**

**(In thousands)**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (Unaudited)</td>
<td>2020 (Unaudited)</td>
</tr>
<tr>
<td>Revenue</td>
<td>$250,784</td>
<td>$186,510</td>
</tr>
<tr>
<td>Cost of revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic acquisition costs</td>
<td>182,669</td>
<td>137,866</td>
</tr>
<tr>
<td>Other cost of revenue</td>
<td>7,846</td>
<td>6,771</td>
</tr>
<tr>
<td>Total cost of revenue</td>
<td>190,515</td>
<td>144,637</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,269</td>
<td>41,873</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>10,659</td>
<td>6,867</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>26,847</td>
<td>17,476</td>
</tr>
<tr>
<td>General and administrative</td>
<td>29,979</td>
<td>13,909</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>66,685</td>
<td>38,252</td>
</tr>
<tr>
<td>(Loss) income from operations</td>
<td>(6,416)</td>
<td>3,621</td>
</tr>
<tr>
<td>Other (expense) income, net:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges related to exchange of senior notes upon IPO</td>
<td>(42,049)</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,656)</td>
<td>(196)</td>
</tr>
<tr>
<td>Interest income and other income (expense), net</td>
<td>1,218</td>
<td>(878)</td>
</tr>
<tr>
<td>Total other (expense) income, net</td>
<td>(42,487)</td>
<td>(1,074)</td>
</tr>
<tr>
<td>(Loss) income before provision for income taxes</td>
<td>(48,903)</td>
<td>2,547</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>5,003</td>
<td>6</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$53,906</td>
<td>$2,541</td>
</tr>
<tr>
<td>Weighted average shares outstanding:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>47,859,656</td>
<td>16,846,853</td>
</tr>
<tr>
<td>Diluted</td>
<td>47,859,656</td>
<td>19,460,110</td>
</tr>
<tr>
<td>Net (loss) income per common share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>($1.13)</td>
<td>$0.06</td>
</tr>
<tr>
<td>Diluted</td>
<td>($1.13)</td>
<td>$0.05</td>
</tr>
</tbody>
</table>

*See Accompanying Notes to Condensed Consolidated Financial Statements.*
## OUTBRAIN INC.
### Condensed Consolidated Statements of Comprehensive (Loss) Income
(*In thousands*)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (Unaudited)</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (53,906)</td>
<td>$ 2,541</td>
</tr>
<tr>
<td>Other comprehensive (loss) income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(1,187)</td>
<td>1,006</td>
</tr>
<tr>
<td>Comprehensive (loss) income</td>
<td>$ (55,093)</td>
<td>$ 3,547</td>
</tr>
</tbody>
</table>

*See Accompanying Notes to Condensed Consolidated Financial Statements.*
## OUTBRAIN INC.

### Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders’ Equity (Deficit)

(In thousands, except for number of shares)

(UNAUDITED)

<table>
<thead>
<tr>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>Balance – July 1, 2021</td>
<td>27,652,449</td>
<td>$162,444</td>
<td>17,764,268</td>
<td>$18</td>
<td>97,277</td>
</tr>
<tr>
<td>Conversion of convertible preferred stock to common stock</td>
<td>(27,652,449)</td>
<td>(162,444)</td>
<td>20,091,267</td>
<td>28</td>
<td>162,456</td>
</tr>
<tr>
<td>Issuance of common stock from initial public offering, net of issuance costs</td>
<td>—</td>
<td>—</td>
<td>0,000,000</td>
<td>8</td>
<td>145,087</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of employee stock options and warrants</td>
<td>—</td>
<td>—</td>
<td>1,282,879</td>
<td>1</td>
<td>2,792</td>
</tr>
<tr>
<td>Issuance of common stock upon vesting of restricted stock units</td>
<td>—</td>
<td>—</td>
<td>162,805</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>18,448</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>Conversion of convertible preferred stock to common stock</td>
<td>(27,652,449)</td>
<td>(162,444)</td>
<td>20,091,267</td>
<td>28</td>
<td>162,456</td>
</tr>
<tr>
<td>Issuance of common stock from initial public offering, net of issuance costs</td>
<td>—</td>
<td>—</td>
<td>0,000,000</td>
<td>8</td>
<td>145,087</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of employee stock options and warrants</td>
<td>—</td>
<td>—</td>
<td>1,282,770</td>
<td>2</td>
<td>4,325</td>
</tr>
<tr>
<td>Issuance of common stock upon vesting of restricted stock units</td>
<td>—</td>
<td>—</td>
<td>302,376</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>21,807</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

7
OUTBRAIN INC.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders’ Deficit (Continued)
(In thousands, except for number of shares)
(Unaudited)

<table>
<thead>
<tr>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>-------</td>
<td>--------</td>
<td>-------</td>
<td>--------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Balance – July 1, 2020</td>
<td>27,052,449</td>
<td>$162,444</td>
<td>16,832,015</td>
<td>$17</td>
<td>90,717</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of employee stock options</td>
<td>—</td>
<td>—</td>
<td>5,290</td>
<td>—</td>
<td>37</td>
</tr>
<tr>
<td>Issuance of common stock upon vesting of restricted stock units</td>
<td>—</td>
<td>—</td>
<td>74,476</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>926</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,006</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>-------</td>
<td>--------</td>
<td>-------</td>
<td>--------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Balance – January 1, 2020</td>
<td>27,052,449</td>
<td>$162,444</td>
<td>16,832,015</td>
<td>$17</td>
<td>88,446</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of employee stock options</td>
<td>—</td>
<td>—</td>
<td>105,785</td>
<td>—</td>
<td>475</td>
</tr>
<tr>
<td>Issuance of common stock upon vesting of restricted stock units</td>
<td>—</td>
<td>—</td>
<td>222,451</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,759</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(676)</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Condensed Consolidated Financial Statements.

8
## OUTBRAIN INC.
### Condensed Consolidated Statements of Cash Flows
#### (In thousands)

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30, 2021 (Unaudited)</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (27,959)</td>
<td>$ (9,652)</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes related to exchange of senior notes upon IPO</td>
<td>42,049</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization of property and equipment</td>
<td>5,068</td>
<td>5,094</td>
</tr>
<tr>
<td>Amortization of capitalized software development costs</td>
<td>6,241</td>
<td>5,555</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>2,687</td>
<td>3,404</td>
</tr>
<tr>
<td>Loss (gain) on sale of assets</td>
<td>3</td>
<td>(1,111)</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>21,306</td>
<td>2,732</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>2,190</td>
<td>1,325</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(918)</td>
<td>(418)</td>
</tr>
<tr>
<td>Other</td>
<td>1,999</td>
<td>(1,406)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>602</td>
<td>18,600</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(10,386)</td>
<td>(1,735)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(191)</td>
<td>(1,484)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>21,230</td>
<td>15,116</td>
</tr>
<tr>
<td>Accrued and other current liabilities</td>
<td>(3,714)</td>
<td>5,835</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>31</td>
<td>887</td>
</tr>
<tr>
<td>Other</td>
<td>749</td>
<td>783</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td></td>
<td>61,077</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43,525</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,885)</td>
<td>(1,268)</td>
</tr>
<tr>
<td>Capitalized software development costs</td>
<td>(7,434)</td>
<td>(6,686)</td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>—</td>
<td>1,117</td>
</tr>
<tr>
<td>Other</td>
<td>(41)</td>
<td>(31)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td></td>
<td>(11,360)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6,868)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from IPO issuance of common stock, net of underwriting costs</td>
<td>148,800</td>
<td>—</td>
</tr>
<tr>
<td>Payment of initial public offering transaction costs</td>
<td>(3,695)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from issuance of debt</td>
<td>200,000</td>
<td>—</td>
</tr>
<tr>
<td>Payment of deferred financing costs</td>
<td>(6,067)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from borrowings on revolving credit facility</td>
<td>—</td>
<td>10,000</td>
</tr>
<tr>
<td>Principal repayments on revolving credit facility</td>
<td>—</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options and warrants</td>
<td>4,327</td>
<td>442</td>
</tr>
<tr>
<td>Principal payments on capital obligation arrangements</td>
<td>(3,322)</td>
<td>(3,689)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td></td>
<td>340,043</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3,247)</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes</strong></td>
<td></td>
<td>978</td>
</tr>
<tr>
<td><strong>Net increase in cash, cash equivalents and restricted cash</strong></td>
<td></td>
<td>868</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash — Beginning</td>
<td>388,782</td>
<td>34,278</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash — Ending</td>
<td>482,849</td>
<td>$ 84,260</td>
</tr>
<tr>
<td><strong>RECONCILIATION OF CASH, CASH EQUIVALENCES, AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 482,849</td>
<td>$ 84,260</td>
</tr>
<tr>
<td>Restricted cash, included in other assets</td>
<td>402</td>
<td>406</td>
</tr>
<tr>
<td><strong>Total cash, cash equivalents, and restricted cash</strong></td>
<td></td>
<td>$ 482,849</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Condensed Consolidated Financial Statements.
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 owners’ online properties. We generate revenue from marketers through user engagements with promoted recommendations that we deliver across a variety of third-party media owners’ 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, which 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.

Initial Public Offering

On July 22, 2021, the Company's Form S-1, filed on June 29, 2021, as amended, was declared effective by the U.S. Securities and Exchange Commission (the “SEC”) in connection with the Company’s initial public offering (“IPO”) of the Company’s common stock and its common stock began trading on The Nasdaq Stock Market LLC (“Nasdaq”) on July 23, 2021. On July 27, 2021, the Company closed its IPO and issued 8,000,000 shares of its common stock at an initial offering price of $20.00 per share, receiving aggregate net proceeds of $145.1 million, after deducting underwriting discounts, commissions and other offering costs.

Deferred offering costs of $3.7 million primarily consisted of accounting, legal and other transaction costs directly related to the IPO. Prior to the IPO, deferred offering costs were recorded within prepaid expenses and other current assets on the Company’s consolidated balance sheet. Upon the Company’s IPO, such costs were reclassified to additional paid-in capital within stockholders’ equity (deficit) and recorded against the proceeds of the offering.

In connection with the IPO, all of the shares of the Company’s convertible preferred stock outstanding automatically converted into an aggregate of 28,091,267 shares of the Company’s common stock, with all series converted on a one-to-one basis, with the exception of Series F, which was converted at 1.14-to-1, based on the terms of the Series F agreement and the IPO price. The total carrying value of convertible preferred stock of $162.4 million was reclassified to stockholders’ equity (deficit).

Shares Authorization

In July 2021, the Company’s certificate of incorporation was amended and restated to provide the Company with the authority to issue up to 1.1 billion shares, comprised of 1.0 billion shares of $0.001 par value common stock and 0.1 billion shares of $0.001 par value preferred stock. Each holder of common stock is entitled to one vote with respect to each share of common stock and is entitled to dividends, if and when declared by the Company’s Board of Directors (the “Board”), subject to preferential rights of preferred stockholders.

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and are unaudited. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2020, included with the Company’s final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on July 23, 2021.
In July 2021, the Company’s Board and stockholders approved a 1-for-1.7 reverse stock split of its common and convertible preferred stock. The reverse stock split became effective on July 13, 2021. The par value of the common stock was not adjusted as a result of the reverse stock split. In addition, adjustments corresponding to the reverse stock split were made to the ratio at which the convertible preferred stock converted into common stock immediately prior to the closing of the IPO, in accordance with existing terms of the convertible preferred stock. All share and per-share amounts for all periods presented in these financial statements and notes thereto have been adjusted retroactively to reflect the effect of the reverse stock split for all periods presented.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. 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 and nine months ended September 30, 2021 or September 30, 2020, or for 10% or more of our gross accounts receivable balance as of September 30, 2021 or December 31, 2020. Two media owners each individually accounted for approximately 10% of our total traffic acquisition costs for the three months ended September 30, 2021, and individually accounted for approximately 10% and 11% of our total traffic acquisition costs for the nine months ended September 30, 2021. For the three months ended September 30, 2020, one media owner individually accounted for 13% of our total traffic acquisition costs, and two accounted for 11% and 13% of our total traffic acquisition costs for the nine months ended September 30, 2020.

Segment Information

We have a single operating and reporting segment. 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.

Recently Adopted and Recently Issued Accounting Pronouncements

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

On January 1, 2021, we early adopted Accounting Standards Update (“ASU”) 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,” which simplified the accounting for convertible debt instruments by reducing the number of accounting models used to allocate proceeds from five to three, removing certain conditions for equity classification and amending earnings per share calculations to assume share settlement and to require the if-converted method to be applied to all convertible debt instruments. The adoption of this standard did not have an impact on our consolidated financial statements as of the date of adoption. The Company applied this guidance to its Convertible Notes issued in July 2021 (See Note 6 for additional information).

Recently issued accounting pronouncements not yet adopted

In February 2016, the Financial Accounting Standards Board (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 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 is permitted. The Company plans to adopt this standard on January 1, 2022, as required. The Company has aggregated all of its lease agreements and 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 in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on July 23, 2021 for a complete disclosure of the Company’s significant accounting policies.
2. Revenue Recognition

The following table presents total revenue based on where our marketers are physically located:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (in thousands)</td>
<td>2020 (in thousands)</td>
</tr>
<tr>
<td>USA</td>
<td>$94,599</td>
<td>$73,666</td>
</tr>
<tr>
<td>Europe, the Middle East and Africa (EMEA)</td>
<td>125,102</td>
<td>93,719</td>
</tr>
<tr>
<td>Other</td>
<td>31,083</td>
<td>19,125</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$250,784</td>
<td>$186,510</td>
</tr>
</tbody>
</table>

Contract Balances

There were no contract assets as of September 30, 2021 or December 31, 2020. Contract liabilities primarily relate to advance payments and consideration received from customers. As of September 30, 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 authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

• Level I – Valuations based on quoted prices in active markets for identical assets and liabilities;
• Level II – Valuations based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, inputs that are observable or can be principally corroborated by observable market data; and
• Level III – Valuations based on unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities

The following table sets forth the fair value of our financial assets measured on a recurring basis by level within the fair value hierarchy:

<table>
<thead>
<tr>
<th>Financial Assets:</th>
<th>September 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level I</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Restricted time deposit (1)</td>
<td>$—</td>
</tr>
<tr>
<td>Severance pay fund deposits (1)</td>
<td>$—</td>
</tr>
<tr>
<td>Foreign currency forward contract (3)</td>
<td>$—</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$—</td>
</tr>
</tbody>
</table>

(1) Level I and Level II fair values derived from quoted market prices from active markets; Level III fair value determined using significant unobservable inputs.
Table of Contents

OUTBRAN INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Level I
Level II
Level III
Total

(In thousands)

Financial Assets:

Restricted time deposit (1) $ — $ 426 $ — $ 426
Severance pay fund deposits (1) $ — $ 5,379 $ — $ 5,379
Foreign currency forward contract (2) $ — $ 553 $ — $ 553
Total financial assets $ — $ 6,358 $ — $ 6,358

(1) Recorded within other assets
(2) Recorded within prepaid expenses and other current assets

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

<table>
<thead>
<tr>
<th>September 30, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Value</td>
<td>Estimated Fair Value</td>
</tr>
<tr>
<td>$236,000</td>
<td>$240,531</td>
</tr>
</tbody>
</table>

4. Balance Sheet Components

Accounts Receivable, Net of Allowances

Accounts receivable, net of allowances consists of the following:

<table>
<thead>
<tr>
<th>September 30, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$165,844</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>4,519</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances</td>
<td>$161,325</td>
</tr>
</tbody>
</table>

Allowance for Doubtful Accounts

The allowance for doubtful accounts consists of the following activity:

<table>
<thead>
<tr>
<th>Nine Months Ended September 30, 2021</th>
<th>Year Ended December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts, beginning balance</td>
<td>$4,174</td>
</tr>
<tr>
<td>Provision for doubtful accounts, net of recoveries</td>
<td>2,155</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(1,810)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts, ending balance</td>
<td>$4,519</td>
</tr>
</tbody>
</table>

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Property, Equipment and Capitalized Software, Net

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

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2021 (In thousands)</th>
<th>December 31, 2020 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$38,354</td>
<td>$41,735</td>
</tr>
<tr>
<td>Capitalized software development costs</td>
<td>51,295</td>
<td>43,728</td>
</tr>
<tr>
<td>Software</td>
<td>2,947</td>
<td>3,444</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,245</td>
<td>2,805</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>252</td>
<td>908</td>
</tr>
<tr>
<td><strong>Property, equipment and capitalized software, gross</strong></td>
<td><strong>94,093</strong></td>
<td><strong>92,620</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(69,311)</td>
<td>(67,864)</td>
</tr>
<tr>
<td><strong>Total property, equipment and capitalized software, net</strong></td>
<td><strong>$24,782</strong></td>
<td><strong>$24,756</strong></td>
</tr>
</tbody>
</table>

Current Liabilities

At September 30, 2021 and December 31, 2020, accrued and other current liabilities of $104.1 million and $109.7 million, respectively, included accrued traffic acquisition costs of $64.4 million and $77.2 million, respectively. In addition, accounts payable included $129.8 million and $111.7 million of traffic acquisition costs as of September 30, 2021 and December 31, 2020, respectively.

5. Goodwill and Intangible Assets

The Company’s goodwill balance was $32.9 million as of September 30, 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 September 30, 2021

<table>
<thead>
<tr>
<th>Amortization Period</th>
<th>Gross Value</th>
<th>Accumulated Amortization</th>
<th>Net Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed technology</td>
<td>$8,425</td>
<td>(8,425)</td>
<td>$—</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>5,445</td>
<td>(3,853)</td>
<td>1,592</td>
</tr>
<tr>
<td>Publisher relationships</td>
<td>8,666</td>
<td>(5,379)</td>
<td>3,287</td>
</tr>
<tr>
<td>Trade names</td>
<td>1,705</td>
<td>(533)</td>
<td>1,172</td>
</tr>
<tr>
<td>Other</td>
<td>870</td>
<td>(157)</td>
<td>713</td>
</tr>
<tr>
<td><strong>Total intangible assets, net</strong></td>
<td><strong>$25,051</strong></td>
<td><strong>(18,347)</strong></td>
<td><strong>$6,704</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2020

<table>
<thead>
<tr>
<th>Amortization Period</th>
<th>Gross Value</th>
<th>Accumulated Amortization</th>
<th>Net Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed technology</td>
<td>$8,425</td>
<td>(8,388)</td>
<td>37</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>5,694</td>
<td>(3,166)</td>
<td>2,528</td>
</tr>
<tr>
<td>Publisher relationships</td>
<td>9,111</td>
<td>(3,986)</td>
<td>5,125</td>
</tr>
<tr>
<td>Trade names</td>
<td>1,805</td>
<td>(395)</td>
<td>1,410</td>
</tr>
<tr>
<td>Other</td>
<td>830</td>
<td>(118)</td>
<td>712</td>
</tr>
<tr>
<td><strong>Total intangible assets, net</strong></td>
<td><strong>$25,865</strong></td>
<td><strong>(16,053)</strong></td>
<td><strong>$9,812</strong></td>
</tr>
</tbody>
</table>

No impairment charges were recorded during the three months and nine months ended September 30, 2021 and September 30, 2020.
As of September 30, 2021, estimated amortization related to our identifiable acquisition-related intangible assets in future periods was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remainder of 2021</td>
<td>$870</td>
</tr>
<tr>
<td>2022</td>
<td>3,479</td>
</tr>
<tr>
<td>2023</td>
<td>1,069</td>
</tr>
<tr>
<td>2024</td>
<td>266</td>
</tr>
<tr>
<td>2025</td>
<td>266</td>
</tr>
<tr>
<td>Thereafter</td>
<td>754</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,704</strong></td>
</tr>
</tbody>
</table>

6. Long-Term Debt

Convertible Notes

On July 1, 2021, the Company completed the sale of $200 million aggregate principal amount of senior subordinated secured notes due July 1, 2026 (the “Notes”), in a private placement to institutional investors affiliated with the funds managed by The Baupost Group, L.L.C. (the “Baupost Investors”), pursuant to a Senior Subordinated Secured Note Purchase Agreement dated July 1, 2021 (the “Note Purchase Agreement”). Upon issuance of the Notes, the Company recorded a $36.0 million discount in connection with the embedded conversion feature, as well as deferred financing costs of $6.0 million in its consolidated balance sheet. The Notes, which were exchanged and cancelled upon the IPO, bore interest that accrued at the rate of (i) prior to July 1, 2024, 10.0% per annum and (ii) on and after July 1, 2024, 14.5% per annum, payable quarterly and were guaranteed by certain of the Company’s wholly-owned subsidiaries and secured by a second priority lien on all of the Company’s and its subsidiaries’ tangible and intangible assets, subject to certain excluded assets, permitted liens and customary exceptions.

On July 27, 2021, in connection with the closing of the Company’s IPO and pursuant to the terms of the Note Purchase Agreement, the Company exchanged $200 million aggregate principal amount of the Notes due July 1, 2026 for $236 million aggregate principal amount of the Company’s 2.95% Convertible Senior Notes due 2026 (the “Convertible Notes”), pursuant to an indenture, dated as of July 27, 2021 (the “Indenture”), between the Company and The Bank of New York Mellon, as trustee. Upon the issuance of such Convertible Notes, the Notes and the obligations of the Company and the guarantee thereunder have been canceled and extinguished. The Convertible Notes will mature on July 27, 2026, unless earlier converted, redeemed or repurchased. In connection with the exchange of Notes to Convertible Notes, the Company recognized accelerated amortization of the unamortized discount and deferred issuance costs relating to the Notes totaling $42 million, which was recorded within charges related to exchange of senior notes upon IPO in the Company’s condensed consolidated statement of operations for the three months and nine months ended September 30, 2021. Deferred financing costs related to Convertible Notes were not material.

Interest on the Convertible Notes accrues from July 27, 2021 and is payable semi-annually in arrears on January 27 and July 27 of each year, beginning on January 27, 2022, at a rate of 2.95% per year. The initial conversion rate for the Convertible Notes is 40 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of $25 per share of the Company’s common stock), subject to adjustment.

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

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

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

As described in Note 1, the Company early adopted ASU 2020-06 on January 1, 2021. The Company was not required to bifurcate the embedded conversion feature and the Convertible Notes were not issued with a substantial premium. As such, the Company accounted for the Convertible Notes as a liability under the no proceeds allocated model. The Company will calculate earnings per share using the if-converted method.

Revolving Credit Facility

The Company was party to a loan and security agreement (the “Revolving Credit Facility”) with Silicon Valley Bank (“SVB”), which matured on November 2, 2021, and provided the Company with an initial maximum borrowing capacity of up to $35.0 million that the Company could use to borrow against its qualifying receivables based on a defined borrowing formula.

The Revolving Credit Facility contained customary conditions to borrowings, events of default and negative covenants, including covenants that restricted 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 was 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 were 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 September 30, 2021.

As of September 30, 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. No borrowings were outstanding under the Revolving Credit Facility on the maturity date.

On November 2, 2021, the Company entered into an Amended and Restated Loan and Security Agreement with SVB. See Note 12 for additional information.

7. Income Taxes

The Company’s effective tax rates for the three months and nine months ended September 30, 2021 were (10.2)% and (36.2)%, respectively. The Company’s effective tax rates for the three and nine months ended September 30, 2020 were 0.2% and (47.4)%, respectively. The changes to the effective tax rates were primarily due to losses from operations in the current and prior year periods and the jurisdictional mix of earnings. 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 and nine months ended September 30, 2021, and our deferred tax assets in the U.S. and in one of our foreign subsidiaries for the three and nine months ended September 30, 2020, respectively.
8. Commitments and Contingencies

Legal Proceedings and Other Matters

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.

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 practices in our industry that includes us. We are cooperating with the Antitrust Division. While there can be no assurance regarding the ultimate resolution of this matter, we do not believe that our conduct violated applicable law.

Lease 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 2027. 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 lease certain equipment and computers under capital lease arrangements that expire at various dates through 2024.

As of September 30, 2021, the aggregate future non-cancelable minimum lease payments consist of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Leases (in thousands)</th>
<th>Capital Leases (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remainder of 2021</td>
<td>$1,895</td>
<td>$1,121</td>
</tr>
<tr>
<td>2022</td>
<td>9,215</td>
<td>3,329</td>
</tr>
<tr>
<td>2023</td>
<td>8,804</td>
<td>1,741</td>
</tr>
<tr>
<td>2024</td>
<td>5,904</td>
<td>256</td>
</tr>
<tr>
<td>2025</td>
<td>5,773</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,970</td>
<td></td>
</tr>
<tr>
<td>Total minimum payments required</td>
<td>$35,561</td>
<td>$6,447</td>
</tr>
</tbody>
</table>

9. Stock-based Compensation

In July 2021, the Board, and the Company’s stockholders approved, the 2021 Long-Term Incentive Plan (the “2021 LTIP”), which became effective in connection with the closing of the Company’s IPO. A total of 5,050,000 shares of the Company’s common stock have been reserved for issuance under the 2021 LTIP, which is subject to automatic annual increases. The 2021 LTIP may be used to grant, among other award types, stock options, restricted share awards (“RSAs”) and restricted stock units (“RSUs”). The number of shares of common stock reserved for future issuance under the 2021 Plan will also be increased pursuant to provisions for annual automatic evergreen increases. The Company’s previous awards issued under its 2007 Omnibus Securities and Incentive Plan, as amended and restated on January 21, 2009 (“2007 Plan”), remain subject to the 2007 Plan, including its lock-up provisions of up to 180 days after the IPO. As of September 30, 2021, approximately 526,438 and 5,050,000 shares were available for grant under the 2007 Plan and the 2021 LTIP, respectively.

The Company recognizes stock-based compensation for stock-based awards, including stock options, RSAs, RSUs and stock appreciation rights (“SARs”) based on the estimated fair value of the awards. The Company estimates the fair value of its stock option awards on the grant date using the Black-Scholes option pricing model. The fair value of our RSAs and RSUs is the fair value of the Company’s common stock on the date of grant.
In our accompanying condensed consolidated statements of operations, the Company recognized stock-based compensation for our employees and non-employees as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (in thousands)</td>
<td>2020 (in thousands)</td>
</tr>
<tr>
<td>Research and development</td>
<td>$1,685</td>
<td>$207</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$5,587</td>
<td>$508</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$11,176</td>
<td>$159</td>
</tr>
<tr>
<td>Total stock-based compensation</td>
<td>$18,448 (1)</td>
<td>$874</td>
</tr>
</tbody>
</table>

Includes $16.5 million of stock-based compensation expense recorded during the three months ended September 30, 2021, in connection with the Company’s stock option awards, RSAs, RSUs and SARs for which the service condition has been met and a performance condition was satisfied upon the Company’s IPO, which was a qualifying liquidity event. Stock-based compensation expense for unvested awards will be recognized over the remainder of the requisite service period.

As of September 30, 2021, the Company’s unrecognized stock-based compensation expense was $4.8 million for unvested stock options and $21.9 million for unvested RSUs.

Determination of fair value

The estimated grant-date fair value of our stock options was calculated using the Black-Scholes option pricing model, based on the following weighted-average assumptions:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected term (in years)</td>
<td>6.0 years</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.07 %</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>43.6 %</td>
</tr>
<tr>
<td>Dividend rate</td>
<td>— %</td>
</tr>
<tr>
<td>Weighted-average grant date fair value</td>
<td>$5.17</td>
</tr>
</tbody>
</table>

The following table summarizes stock option activity for the nine months ended September 30, 2021:

<table>
<thead>
<tr>
<th></th>
<th>Number of Shares</th>
<th>Weighted-Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding—December 31, 2020</td>
<td>5,475,481</td>
<td>$6.36</td>
</tr>
<tr>
<td>Granted</td>
<td>7,059</td>
<td>$12.33</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,636,996)</td>
<td>$3.14</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(288,735)</td>
<td>$4.46</td>
</tr>
<tr>
<td>Outstanding—September 30, 2021</td>
<td>3,556,809</td>
<td>$8.01</td>
</tr>
<tr>
<td>Exercisable</td>
<td>2,660,253</td>
<td>$7.06</td>
</tr>
</tbody>
</table>

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The following table summarizes RSA and RSU activity for the nine months ended September 30, 2021:

<table>
<thead>
<tr>
<th>RSAs and RSUs</th>
<th>Number of Shares</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding—December 31, 2020</td>
<td>4,036,409</td>
<td>$9.35</td>
</tr>
<tr>
<td>Granted</td>
<td>247,029</td>
<td>$12.33</td>
</tr>
<tr>
<td>Vested and released (392,376)</td>
<td></td>
<td>$10.04</td>
</tr>
<tr>
<td>Forfeited (141,069)</td>
<td></td>
<td>$10.49</td>
</tr>
<tr>
<td>Outstanding—September 30, 2021</td>
<td>3,749,993</td>
<td>$9.43</td>
</tr>
<tr>
<td>Outstanding and unvested</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As of September 30, 2021, outstanding awards included 1,876,699 RSUs the delivery of which is deferred.

In addition, as of September 30, 2021 and December 31, 2020, 3,390 SARs awards were outstanding with a weighted average grant date fair value of $3.93, which are accounted for as liability awards.

**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. In July 2021, 244,619 warrants that would have expired if not exercised prior to the Company’s IPO were exercised. As of September 30, 2021, the Company had 376,470 warrants outstanding with a weighted exercise price of $7.81, which expire between 2024 and 2026.

**Employee Stock Purchase Plan**

In July 2021, the Board and the Company’s stockholders approved a new 2021 Employee Stock Purchase Plan (the “ESPP”), which became effective in connection with the closing of the Company’s IPO. A total of 1,263,000 shares of the Company’s common stock have been reserved for issuance under the ESPP, which is subject to automatic annual increases.

10. Net (Loss) Income Per Common Share

We apply the two-class method to calculate basic and diluted (loss) income 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 holder’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.
### Numerator:

#### Basic and diluted:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30</th>
<th>Nine Months Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (53,906)</td>
<td>$ 2,541</td>
</tr>
<tr>
<td>Less: undistributed</td>
<td>$ 2,541</td>
<td>$ (27,959)</td>
</tr>
<tr>
<td>earnings allocated</td>
<td>$ (27,959)</td>
<td>$ (9,652)</td>
</tr>
<tr>
<td>to participating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (53,906)</td>
<td>$ (964)</td>
</tr>
<tr>
<td>attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>common stockholders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Denominator:

### Basic weighted-average shares used in computing (loss) income attributable to common stockholders

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30</th>
<th>Nine Months Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Basic</td>
<td>47,859,056</td>
<td>16,846,853</td>
</tr>
<tr>
<td>Weighted average</td>
<td>27,645,471</td>
<td>16,747,054</td>
</tr>
<tr>
<td>dilutive share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>equivalents:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock options, Warrants, RSAs and RSUs</td>
<td>—</td>
<td>2,613,257</td>
</tr>
<tr>
<td>Diluted weighted-average shares used in computing (loss) income attributable to common stockholders</td>
<td>47,859,056</td>
<td>19,460,110</td>
</tr>
</tbody>
</table>

### Net (loss) income per share attributable to common stockholders:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30</th>
<th>Nine Months Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Basic</td>
<td>$ (1.13)</td>
<td>$ 0.06</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (1.13)</td>
<td>$ (0.05)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30</th>
<th>Nine Months Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>6,612,542</td>
<td>27,652,449</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>4,510,385</td>
<td>70,838</td>
</tr>
<tr>
<td>Warrants</td>
<td>434,454</td>
<td>558,194</td>
</tr>
<tr>
<td>Restricted stock units</td>
<td>3,933,167</td>
<td>4,161,050</td>
</tr>
<tr>
<td>Weighted average shares for convertible notes</td>
<td>7,182,669</td>
<td>2,420,513</td>
</tr>
<tr>
<td>Total shares excluded from diluted (loss) income per share</td>
<td>22,673,157</td>
<td>32,758,773</td>
</tr>
</tbody>
</table>
11. Supplemental Cash Flow Information

The following table summarizes the cash paid for interest and income taxes during the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (in thousands)</td>
<td>2020</td>
</tr>
<tr>
<td>Cash paid for income taxes, net of refunds</td>
<td>$3,485</td>
<td>$1,826</td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$476</td>
<td>$579</td>
</tr>
</tbody>
</table>

The following table presents the Company’s non-cash investing and financing activities for the periods presented:

<table>
<thead>
<tr>
<th>Non-cash investing activities:</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock-based compensation capitalized for software development costs</td>
<td>$134</td>
</tr>
<tr>
<td>Purchases of property and equipment included in accounts payable</td>
<td>3</td>
</tr>
<tr>
<td>Property and equipment financed under capital obligation arrangements</td>
<td>1,837</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-cash financing activities:</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion of preferred stock to common stock</td>
<td>$162,444</td>
</tr>
<tr>
<td>Unpaid deferred offering costs and deferred financing costs in accounts payable and accrued expenses</td>
<td>2,484</td>
</tr>
</tbody>
</table>

12. Subsequent Events

Credit Facility

On November 2, 2021, the Company entered into an Amended and Restated Loan and Security Agreement with SVB (the “2021 Revolving Credit Facility”). The 2021 Revolving Credit Facility provides, subject to borrowing availability and certain other conditions, for revolving loans in an aggregate principal amount of up to $75.0 million (the “Facility”), with a $15 million sub-facility for letters of credit. The Company’s borrowing availability under the Facility is calculated by reference to a borrowing base which is determined by specified percentages of eligible accounts receivable.

The Facility will terminate on the earlier of (i) November 2, 2026 or (ii) 120 days prior to the maturity date of the Company’s 2.95% Convertible Senior Notes due 2026, unless the Convertible Notes have been converted to common equity securities of the Company.

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

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

The obligations of the Company, and the other subsidiary co-borrowers under the 2021 Revolving Credit Facility are secured by a first-priority lien on substantially all the assets of the Company and such other subsidiary co-borrowers.
Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q (this “Report”) and our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on July 23, 2021 (the “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 Report, particularly under the captions “Risk Factors” and “Note About 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, our platform enabled over 7,000 online properties, including many of the world’s most prestigious publications, helping them engage their users and monetize their visits. 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.

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 engines 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.

Through our relationships with media partners, we have become one of the largest online recommendation and advertising platforms on the open web. In July 2021, we completed our initial public offering (the “IPO”) and our common stock began trading on The Nasdaq Stock Market LLC (“Nasdaq”).

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

- Our revenue increased 34.5%, totaling $250.8 million for the three months ended September 30, 2021, compared to $186.5 million for the three months ended September 30, 2020. Our revenue increased 39.2%, totaling $726.0 million for the nine months ended September 30, 2021, compared to $521.7 million for the nine months ended September 30, 2020.
- Our gross profit was $60.3 million and our gross margin was 24.0% for the three months ended September 30, 2021, compared to gross profit of $41.9 million and gross margin of 22.5% for the comparable prior year period. Our gross profit was $172.8 million and our gross margin was 23.8% for the nine months ended September 30, 2021, compared to gross profit of $106.6 million and gross margin of 20.4% for the comparable prior year period.
• Our Ex-TAC Gross Profit increased 40.0% to $68.1 million for the three months ended September 30, 2021, compared to $48.6 million for the three months ended September 30, 2020. Our Ex-TAC Gross Profit increased 51.6% to $195.4 million for the nine months ended September 30, 2021, compared to $128.9 million for the nine months ended September 30, 2020.

• Our net (loss) income decreased to a net loss of $53.9 million, or 89.4% of gross profit, for the three months ended September 30, 2021, compared to net income of $2.5 million, or 6.1% of gross profit, for the three months ended September 30, 2020. Net loss for the three months ended September 30, 2021 included one-time charges of $42.0 (pre-tax) to recognize the unamortized discount and deferred financing costs on our senior subordinated secured notes that were exchanged for convertible notes upon our IPO, as well as $16.5 million of one-time incremental cumulative stock-based compensation expense (pre-tax) for awards with an IPO performance condition. For the nine months ended September 30, 2021, our net (loss) income decreased to a net loss of $28.0 million, or 16.2% of gross profit, compared to a net loss of $9.7 million, or 9.1% of gross profit, for the nine months ended September 30, 2020.

• Our Adjusted EBITDA increased to $19.9 million for the three months ended September 30, 2021, from $12.8 million for the three months ended September 30, 2020. Adjusted EBITDA was 29.2% and 26.2% of Ex-TAC Gross Profit for the three months ended September 30, 2021 and 2020, respectively. Our Adjusted EBITDA increased to $65.0 million for the nine months ended September 30, 2021, from $20.1 million for the nine months ended September 30, 2020. Adjusted EBITDA was 33.3% and 15.6% of Ex-TAC Gross Profit for the nine months ended September 30, 2021 and 2020, respectively.

Recent Developments

Initial Public Offering

On July 22, 2021, our Form S-1 was declared effective by the U.S. Securities and Exchange Commission (the “SEC”) in connection with our IPO of our common stock and our common stock began trading on Nasdaq on July 23, 2021. On July 27, 2021, we closed our IPO and issued 8,000,000 shares of our common stock at an initial offering price of $20.00 per share, receiving aggregate net proceeds of $145.1 million, after deducting underwriting discounts, commissions and other offering costs.

In connection with the IPO, all of the shares of our convertible preferred stock outstanding automatically converted into an aggregate of 28,091,267 shares of the Company’s common stock, with all series converted on a one-to-one basis, with the exception of Series F, which was converted at 1.14-to-1, based on the terms of the Series F agreement and the IPO price. The total carrying value of convertible preferred stock of $162.4 million was reclassified to stockholders’ equity (deficit).

Reverse Stock Split

In connection with our IPO, our Board of Directors (the “Board”) and our stockholders approved a 1-for-1.70 reverse stock split of our common stock, which became effective on July 13, 2021. All share and per-share amounts for all periods presented in the financial statements and notes thereto have been adjusted retroactively to reflect the reverse stock split and adjustment of the conversion ratio of the convertible preferred stock.

Convertible Notes

On July 1, 2021, we completed the sale of $200.0 million aggregate principal amount of senior subordinated secured notes due July 1, 2026 (the “Notes”), in a private placement to institutional investors affiliated with and funds managed by The Baupost Group, L.L.C., pursuant to a Senior Subordinated Secured Note Purchase Agreement dated July 1, 2021 (the “Note Purchase Agreement”). On July 27, 2021, in connection with the closing of our IPO and pursuant to the terms of the Note Purchase Agreement, we exchanged $200 million aggregate principal amount of the Notes due July 1, 2026 for $236 million aggregate principal amount of 2.95% Convertible Senior Notes due 2026 (the “Convertible Notes”), pursuant to an indenture, dated July 27, 2021, between the Company and The Bank of New York Mellon, as trustee. The Convertible Notes will mature on July 27, 2026, unless earlier converted, redeemed or repurchased. See “Liquidity and Capital Resources” for additional information.
COVID-19

In March 2020, the World Health Organization declared the spread of the COVID-19 disease 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 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 beginning in the second half of 2020. Although the advertising market and our business have generally recovered from the economic effects of the COVID-19 pandemic, variables such as global supply chain disruptions, labor shortages and stoppages, and cost inflation could adversely impact us in the future, including if our advertisers were to reduce or cut their advertising spending as a result of any of these factors. We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers and agencies), as well as government recommendations.

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 during the same period in the prior year, “Prior Period Retention Revenue.” We then calculate the revenue generated on these same media partners’ properties in the current period, “Current Period Retention Revenue.” Current Period Retention Revenue reflects any expansions within the media partner relationships, such as any additional placements or properties on which we extend our recommendations, as well as contraction or attrition. Our media partner net revenue retention in a quarter equals the Current Period Retention Revenue divided by the Prior Period Retention Revenue. To calculate media partner net revenue retention for year-to-date and annual periods, we sum the quarterly Current Period Retention Revenue and divide it by the sum of the quarterly Prior Period Retention Revenue. These amounts exclude certain revenue adjustments and revenue recognized on a net basis. Our media partner net revenue retention was 128% and 133% for the three months and six months ended September 30, 2021, respectively.

Our growth also depends on our ability to secure new partnerships with media partners. New media partners are defined as those relationships in which revenue was not generated in the prior period, except for limited instances where residual revenue was generated on a media partner’s properties. In such instances, the residual revenue would be excluded from net revenue retention above. Revenue generated on new media partners’ properties contributed approximately 7% to revenue growth for each of the three months and nine months ended September 30, 2021.

User Engagement with Relevant Media and Advertising Content

We believe that engagement is a key pillar of the overall value that our platform provides to users, media partners and advertisers. Our algorithms enable effective engagement of users by facilitating the discovery of content, products and services that they find most interesting, as well as connecting them to personalized ads that are relevant to them. We believe that the user experience has a profound impact on long-term user behavior patterns and thus “compounds” over time improving our long-term monetization prospects. This principle guides our behavior, and, as a result, we do not focus on the price of ads, nor on maximizing such prices, as may be the case with some of our competitors. Given this view, we do not focus on cost-per click or cost-per impression as key performance indicators for the business. Consequently, we have a differentiated approach to monetization as we optimize our algorithms for the overall user experience rather than just for the price of each individual user engagement.
Growth in user engagement is driven by several factors, including enhancements to our recommendation engine, growth in the breadth and depth of our data assets, the increase in size and quality of our content and advertising index, expansion on existing media partner properties where our recommendations can be served and the adoption of our platform by new media partners. As we grow user engagement, we are able to collect more data, enabling us to further enhance our algorithms, which in turn helps us make smarter recommendations and further grow user engagement, providing our platform and our business with a powerful growth flywheel. We measure the impact of this growth flywheel on our business by reviewing the growth of Click Through Rate (“CTR”) for ads on our platform. CTR improvements increase the number of clicks on our platform. We believe that we have a significant opportunity to further grow user engagement, and thus our business, as today CTR on our platform is less than 1% of recommendations served.

Advertiser Retention and Growth

We focus on serving ads that are more engaging rather than on the price of the ads. 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 ROAS and transparency on ad spend, and market these attributes to grow our advertiser base and share of wallet.

Prices paid by advertisers on our platform fluctuate period to period for a variety of reasons, including supply and demand, competition and seasonality. While in 2019 and 2020 average prices on an annual basis were down relative to prior year, we have noted an upward trend since June 2020. Movements in average prices do not necessarily correlate to our revenue or Ex-TAC Gross Profit trends. In order to grow our revenue and Ex-TAC Gross Profit and maximize value for our advertisers and media partners, our focus as a business is on driving user engagement and ROAS for advertisers, not on optimizing for price.

For the year ended December 31, 2020, over 20,000 unique advertisers were active on our platform. In addition, we continue to grow our programmatic partnerships, enabling us to grow our advertiser base efficiently.

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

The accelerating pace of technological innovation and adoption, combined with continuously evolving user behavior and content consumption habits, presents multiple opportunities for growth. The emergence of new devices, platforms and environments in which users spend time consuming content is one area of expansion for us. Similarly, the formats in which content can or will be consumed continue to evolve, as 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.
Industry Dynamics

Our business depends on the overall demand for digital advertising and on the continuous success of our current and prospective media partners. Digital advertising is a rapidly evolving and growing industry, with growth that has outpaced the growth of the broader advertising industry, and it has been more resilient to economic downturns compared to the advertising industry in general. 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 potentially 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 also impacted by seasonal factors. For any given marketing campaign, the advertiser has the ability to adjust its price in real time and set a maximum daily spend. This allows advertisers to adjust the estimated ad spend attributable to the particular campaign. Due to the measurable performance that our advertisers achieve with us, a significant portion of our advertisers spend with us on an unlimited basis, as long as their ROAS objectives are met.

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

Traffic Acquisition Costs

We define traffic acquisition costs ("TAC") as amounts owed to media partners for their share of the revenue we generated on their properties. We incur traffic acquisition costs in the period in which the revenue is recognized. Traffic acquisition costs are based on the media partners’ revenue share or, in some circumstances, based on a guaranteed minimum rate of payment from us in exchange for guaranteed placement of our ads on specified portions of the media partner’s digital properties. These guaranteed rates are typically provided per thousand qualified page views, whereas our minimum monthly payment to the media partner may fluctuate based on how many qualified page views the media partner generates, subject to a maximum guarantee. 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 is expected to increase in future periods as compared to prior periods, as a result of a performance vesting condition on certain shares of restricted stock and RSUs having been satisfied in connection with our IPO, as well as future award grants. In addition, overall general and administrative expenses are expected to increase in future periods for incremental costs associated with being a public company.
Research and Development. Research and development expenses are related to the development and enhancement of our platform and consist primarily of personnel and the related overhead costs, amortization of capitalized software for non-revenue generating infrastructure and facilities costs.

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

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

Other (Expense) Income, Net

Other (expense) income, net is comprised of charges related to exchange of senior notes upon IPO, interest expense and interest income and other expense, net.

Charges related to exchange of senior notes upon IPO. Charges for the three and nine months ended September 30, 2021 include a one-time charge of $20.0 million related to accelerated amortization of the unamortized discount and deferred issuance costs on the $200 million aggregate principal amount of senior subordinated secured notes issued on July 1, 2021 and exchanged to Convertible Notes upon our IPO.

Interest Expense. Interest expense consists of interest expense on our 2.95% Convertible Senior Notes due 2026 (the "Convertible Notes"), 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 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$250,784</td>
<td>$186,510</td>
<td>$725,961</td>
<td>$521,704</td>
</tr>
<tr>
<td>Cost of revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic acquisition costs</td>
<td>182,669</td>
<td>137,866</td>
<td>530,606</td>
<td>392,812</td>
</tr>
<tr>
<td>Other cost of revenue</td>
<td>7,846</td>
<td>6,771</td>
<td>22,555</td>
<td>22,292</td>
</tr>
<tr>
<td>Total cost of revenue</td>
<td>190,515</td>
<td>144,637</td>
<td>553,161</td>
<td>415,104</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,269</td>
<td>41,873</td>
<td>172,800</td>
<td>106,600</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>10,659</td>
<td>6,867</td>
<td>27,561</td>
<td>20,752</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>26,047</td>
<td>17,476</td>
<td>67,101</td>
<td>55,587</td>
</tr>
<tr>
<td>General and administrative</td>
<td>29,979</td>
<td>13,909</td>
<td>52,619</td>
<td>35,858</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>66,685</td>
<td>38,252</td>
<td>147,281</td>
<td>112,197</td>
</tr>
<tr>
<td>(Loss) income from operations</td>
<td>(6,416)</td>
<td>3,621</td>
<td>25,519</td>
<td>(5,597)</td>
</tr>
<tr>
<td>Other (expense) income, net:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges related to exchange of senior notes upon IPO</td>
<td>(42,049)</td>
<td>—</td>
<td>(42,049)</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,656)</td>
<td>(196)</td>
<td>(2,015)</td>
<td>(627)</td>
</tr>
<tr>
<td>Interest income and other income (expense), net</td>
<td>1,218</td>
<td>(878)</td>
<td>(1,978)</td>
<td>(322)</td>
</tr>
<tr>
<td>Total other (expense) income, net</td>
<td>(42,487)</td>
<td>(1,074)</td>
<td>(46,042)</td>
<td>(949)</td>
</tr>
<tr>
<td>(Loss) income before provision for income taxes</td>
<td>(48,903)</td>
<td>2,547</td>
<td>(20,523)</td>
<td>(6,546)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>5,003</td>
<td>6</td>
<td>7,436</td>
<td>3,106</td>
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<tr>
<td>Net (loss) income</td>
<td>$ (53,906)</td>
<td>$ 2,541</td>
<td>$ (27,959)</td>
<td>$ (9,652)</td>
</tr>
<tr>
<td>Other Financial Data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development as % of revenue</td>
<td>4.3 %</td>
<td>3.7 %</td>
<td>3.8 %</td>
<td>4.0 %</td>
</tr>
<tr>
<td>Sales and marketing as % of revenue</td>
<td>10.4 %</td>
<td>9.4 %</td>
<td>9.2 %</td>
<td>10.7 %</td>
</tr>
<tr>
<td>General and administrative as % of revenue</td>
<td>12.0 %</td>
<td>7.5 %</td>
<td>7.2 %</td>
<td>6.9 %</td>
</tr>
<tr>
<td>Non-GAAP Financial Data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ex-TAC Gross Profit</td>
<td>$68,115</td>
<td>$48,644</td>
<td>$195,355</td>
<td>$128,892</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$19,057</td>
<td>$12,761</td>
<td>$65,021</td>
<td>$20,083</td>
</tr>
</tbody>
</table>

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

Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020

Revenue

Revenue increased $64.3 million, or 34.5%, to $250.8 million for the three months ended September 30, 2021 from $186.5 million for the three months ended September 30, 2020. Revenue grew approximately 28%, or $52.0 million, from net revenue retention on existing media partners primarily due to increased monetization from increased demand on our platform, and approximately 7%, or $12.2 million, from new media partners.
Cost of Revenue and Gross Profit

Traffic acquisition costs increased $44.8 million, or 32.5%, to $182.7 million for the three months ended September 30, 2021 compared to $137.9 million in the prior year period. The increase in traffic acquisition costs was driven by the overall increase in revenue, partially offset by favorable revenue mix from higher margin media partners. As a percentage of revenue, traffic acquisition costs decreased to 72.8% for the three months ended September 30, 2021, from 73.9% in the three months ended September 30, 2020.

Other cost of revenue increased $1.0 million, or 15.9%, to $7.8 million for the three months ended September 30, 2021 compared to $6.8 million in the prior year period, due to higher hosting fees resulting from increased revenue. As a percentage of revenue, other cost of revenue decreased to 3.1% for the three months ended September 30, 2021, from 3.6% in the three months ended September 30, 2020.

Gross profit increased $18.4 million, or 43.9%, to $60.3 million for the three months ended September 30, 2021 compared to $41.9 million for the three months ended September 30, 2020, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described.

Ex-TAC Gross Profit

Our Ex-TAC Gross Profit increased $19.5 million, or 40.0%, to $68.1 million for the three months ended September 30, 2021, from $48.6 million for the three months ended September 30, 2020, primarily driven by our revenue growth as well as favorable revenue mix from higher margin media partners. See “Non-GAAP Reconciliations” for the related definition and reconciliations to our gross profit.

Operating Expenses

Operating expenses increased by $28.4 million, or 74.3%, to $66.7 million for the three months ended September 30, 2021 from $38.3 million for the three months ended September 30, 2020. Operating expenses for the three months ended September 30, 2021 included approximately $16.5 million of one-time incremental cumulative stock-based compensation expense for awards that had a service condition and a performance condition that was met upon our IPO, as well as $2.7 million of regulatory matter costs. Operating expenses for the three months ended September 30, 2020 included terminated merger expenses of $3.4 million. The remaining $12.6 million increase in operating expenses was driven by higher personnel-related costs of $8.5 million, primarily reflecting higher headcount and incentive-based compensation, and higher marketing costs of $1.1 million.

The components of operating expenses are discussed below:

- **Research and development expenses** — increased $3.8 million, primarily due higher personnel-related costs to invest in the growth of our platform, including $1.2 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO.

- **Sales and marketing expenses** — increased $8.6 million, primarily due to higher personnel-related costs of $7.4 million, including $4.2 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO, as well as higher marketing costs of $1.1 million.

- **General and administrative expenses** — increased $16.1 million, primarily due to higher personnel-related costs of $14.2 million, including $11.1 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO, as well as $2.7 million of regulatory matter costs in the current period. These increases were partially offset by lower terminated merger expenses of $3.4 million related to the prior year period.

Operating expenses as a percentage of revenue increased to 26.6% for the three months ended September 30, 2021, from 20.5% for the three months ended September 30, 2020, primarily due to the 6.6% unfavorable impact of the one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO. We expect our ongoing operating expenses to increase on an absolute basis, excluding one-time costs, due to incremental costs related to becoming a public company, increased stock-based compensation expenses, increased research and development expenses and increased sales and marketing expenses.
Total Other (Expense) Income, Net

Total other expense, net increased $41.4 million to $42.5 million for the three months ended September 30, 2021, from $1.1 million for the three months ended September 30, 2020. This increase was primarily attributable to $42.0 million of one-time charges related to exchange of senior notes upon IPO recorded during the three months ended September 30, 2021 to recognize the unamortized discount and deferred issuance costs on senior subordinated secured notes issued on July 1, 2021, upon our IPO and convertible senior notes issuance (see Note 6 to the accompanying financial statements for additional information). The increase in total other expense, net was also due to interest expense on our convertible senior notes for the three months ended September 30, 2021, offset by net foreign currency gains resulting from transactions denominated in currencies other than the functional currencies, including mark-to-market adjustments on undesignated foreign exchange forward contracts.

Provision for Income Taxes

Provision for income taxes was $5.0 million for the three months ended September 30, 2021, compared to approximately nil in the prior year period, primarily due to an increase in our taxable income in foreign tax jurisdictions. Our effective tax rate was (10.2)% for the three months ended September 30, 2021, compared to 0.2% for the three months ended September 30, 2020, due to a loss from operations in the three months ended September 30, 2021.

We anticipate our 2021 annual effective tax rate to be negative due to an expected global pretax loss, resulting from one-time charges discussed above, with global tax expense. This annual rate could be a larger negative rate than our interim period tax rate for the three months ended September 30, 2021. Our future effective tax rate may be affected by the geographic mix of earnings in countries with different statutory rates. Additionally, our future effective tax rate may be affected by our ongoing assessment of the need for valuation allowance on our deferred tax assets or liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

Net (Loss) Income

As a result of the foregoing, we recorded net loss of $53.9 million for the three months ended September 30, 2021, as compared to net income of $2.5 million for the three months ended September 30, 2020. As previously discussed, net loss for the three months ended September 30, 2021 included $42.0 million of one-time charges related to exchange of senior notes upon IPO (pre-tax), as well as $16.5 million of one-time incremental cumulative stock-based compensation expense (pre-tax) for awards with an IPO performance condition.

Adjusted EBITDA

Our Adjusted EBITDA increased $7.1 million to $19.9 million for the three months ended September 30, 2021 from $12.8 million for the three months ended September 30, 2020, which was primarily attributable to the increase in Ex-TAC Gross Profit, partially offset by the corresponding increase in cost of revenue and operating expenses as we continue to invest in our business. See “Non-GAAP Reconciliations” for the related definitions and reconciliations to our net income.

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

Revenue

Revenue increased by $204.3 million, or 39.2%, to $726.0 million for the nine months ended September 30, 2021 from $521.7 million for the nine months ended September 30, 2020. Revenue grew approximately 33%, or $172.9 million, from net revenue retention on existing media partners primarily due to increased monetization from the increased demand on our platform and our growth in the click-through-rate, and approximately 7%, or $35.6 million, from new media partners. Revenue for the nine months ended September 30, 2021 benefited from net favorable foreign currency effects of approximately $11.3 million.

Cost of Revenue and Gross Profit

Traffic acquisition costs increased $137.8 million, or 35.1%, to $530.6 million for the nine months ended September 30, 2021 compared to $392.8 million in the prior year period, including net unfavorable foreign currency effects of approximately $10.4 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 73.1% for the nine months ended September 30, 2021, from 75.3% in the nine months ended September 30, 2020.
Other cost of revenue increased $0.3 million, or 1.2%, to $22.6 million for the nine months ended September 30, 2021 compared to $22.3 million in the prior year period, as higher hosting fees due to increase revenue were largely offset by lower amortization expense. As a percentage of revenue, other cost of revenue decreased to 3.1% for the nine months ended September 30, 2021, from 4.3% in the nine months ended September 30, 2020.

Gross profit increased $66.2 million, or 62.1%, to $172.8 million for the nine months ended September 30, 2021, compared to $106.6 million for the nine months ended September 30, 2020, which was primarily attributable to the increase in revenue, partially offset by the corresponding increase in cost of revenue, as previously described.

Ex-TAC Gross Profit

Our Ex-TAC Gross Profit increased $66.5 million, or 51.6%, to $195.4 million for the nine months ended September 30, 2021, from $128.9 million for the nine months ended September 30, 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 “Non-GAAP Reconciliations” for the related definition and reconciliations to our gross profit.

Operating Expenses

Operating expenses increased by $35.1 million, or 31.3%, to $147.3 million for the nine months ended September 30, 2021 from $112.2 million for the nine months ended September 30, 2020. Operating expenses for the nine months ended September 30, 2021 included approximately $16.5 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was met upon the Company’s IPO, and regulatory matter costs of $3.8 million. Operating expense for the nine months ended September 30, 2020 included terminated merger expenses of $10.9 million, offset in part by $2.3 million reversal of a tax-contingency recorded in 2019. The remaining $23.4 million increase in operating expenses of was driven by higher personnel-related costs of $16.0 million, primarily reflecting higher headcount and incentive-based compensation, as well as increased professional fees of $3.2 million and marketing costs of $1.8 million. Operating expenses included net unfavorable foreign currency effects of approximately $4.6 million.

The components of operating expenses are discussed below:

- **Research and development expenses**—increased $6.8 million, primarily due higher personnel-related costs to invest in the growth of our platform, including $1.2 million of one-time incremental cumulative stock-based compensation expense related to awards with a performance condition that was satisfied upon our IPO.

- **Sales and marketing expenses**—increased $11.5 million, primarily due to higher personnel-related costs of $10.3 million, including $4.2 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO, as well as higher marketing costs of $1.7 million.

- **General and administrative expenses**—increased $16.8 million, largely due to higher personnel-related costs of $16.4 million, including $11.1 million of one-time incremental cumulative stock-based compensation expense for awards with a performance condition that was satisfied upon our IPO, and higher professional fees of $3.2 million. Operating expenses for the nine months ended September 30, 2021 also included regulatory matter costs of $3.8 million, while operating expense for the nine months ended September 30, 2020 included terminated merger expenses of $10.9 million, partially offset by a $2.3 million reversal of a tax-contingency recorded in 2019 with a corresponding charge to income tax expense in 2020.

Operating expenses as a percentage of revenue declined to 20.3% for the nine months ended September 30, 2021, from 21.5% for the nine months ended September 30, 2020, primarily driven by our operating leverage on higher revenue and the absence of the prior year terminated merger expenses, offset in part by the unfavorable impact of the one-time incremental cumulative stock-based compensation expense for awards with performance condition that was satisfied upon our IPO.

Total Other (Expense) Income, Net

Total other (expense) income, net, was an expense of $46.0 million for the nine months ended September 30, 2021, compared to income of $0.9 million for the nine months ended September 30, 2020. Total other (expense) income, net for nine months ended September 30, 2021 included $42.0 million of one-time charges related to exchange of senior notes upon IPO, to recognize the unamortized discount and deferred issuance costs on senior subordinated secured notes issued on July 1, 2021, upon our IPO and convertible senior notes issuance (see Note 6 to the accompanying financial statements for additional information). Total other (expense) income, net for the nine months ended September 30, 2021, also included interest expense on our convertible senior notes and net foreign currency losses resulting from transactions denominated in currencies other than the functional currencies, including mark-to-market adjustments on undesignated foreign exchange forward contracts. Total other income, net for the nine months ended September 30, 2020 primarily included a $1.1 million gain on sale of an asset.
Provision for Income Taxes

Provision for income taxes increased by $4.3 million to $7.4 million for the nine months ended September 30, 2021, from $3.1 million for the nine months ended September 30, 2020, primarily attributable to the increase in our taxable income in foreign jurisdictions, partially offset by a non-recurring prior year tax in a foreign tax jurisdiction recorded in the nine months ended September 30, 2020. Our effective tax rate was (36.2)% for the nine months ended September 30, 2021, compared to (47.4)% for the nine months ended September 30, 2020, due to losses from operations in both periods.

Net Loss

As a result of the foregoing, net loss increased $18.3 million, to net loss of $28.0 million for the nine months ended September 30, 2021, from a net loss of $9.7 million for the nine months ended September 30, 2020. As previously discussed, net loss for the nine months ended September 30, 2021 included $42.0 million of one-time charges related to exchange of senior notes upon IPO (pre-tax), as well as $16.5 million of one-time incremental cumulative stock-based compensation expense (pre-tax) for awards with an IPO performance condition.

Adjusted EBITDA

Our Adjusted EBITDA increased $44.9 million to $65.0 million for the nine months ended September 30, 2021 from $20.1 million for the nine months ended September 30, 2020, which was primarily attributable to the increase in Ex-TAC Gross Profit, partially offset by the corresponding increase in operating expenses as we continue to invest in our business. See “Non-GAAP Reconciliations” for the related definitions and reconciliations to our net income.

Non-GAAP Reconciliations

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

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

Ex-TAC Gross Profit

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

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (in thousands)</td>
<td>2020 (in thousands)</td>
</tr>
<tr>
<td>Revenue</td>
<td>$250,784</td>
<td>$186,510</td>
</tr>
<tr>
<td>Traffic acquisition costs</td>
<td>$(182,669)</td>
<td>$(137,866)</td>
</tr>
<tr>
<td>Other cost of revenue</td>
<td>$(7,846)</td>
<td>$(6,771)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$60,269</td>
<td>$41,873</td>
</tr>
<tr>
<td>Other cost of revenue</td>
<td>$7,846</td>
<td>$6,771</td>
</tr>
<tr>
<td>Ex-TAC Gross Profit</td>
<td>$68,115</td>
<td>$48,644</td>
</tr>
</tbody>
</table>

**Adjusted EBITDA**

We define Adjusted EBITDA as net (loss) income before charges related to the exchange of senior notes upon IPO; 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, the regulatory matter 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 the Board. 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 (loss) income, the most directly comparable U.S. GAAP measure, for the periods presented:

|                                | Three Months Ended September 30, | Nine Months Ended September 30, |
|                                | 2021 (in thousands)               | 2020 (in thousands)               | 2021 (in thousands) | 2020 (in thousands) |
| Net (loss) income              | $(53,906)                        | $2,541                            | $(27,959)           | $(9,652)            |
| Charges related to exchange of senior notes upon IPO | 42,049                           | —                                 | 42,049              | —                   |
| Interest expense and other income (expense), net | 438                              | 1,074                             | 3,993               | 949                 |
| Provision for income taxes     | 5,003                            | 6                                 | 7,436               | 3,106               |
| Depreciation and amortization  | 4,801                            | 4,623                             | 13,996              | 14,053              |
| Stock-based compensation       | 10,448                           | 874                               | 21,396              | 2,732               |
| Regulatory matter costs        | 2,663                            | —                                 | 3,810               | —                   |
| Merger and acquisition, IPO costs(1) | 361                              | 3,643                             | 300                 | 11,192              |
| Tax contingency(2)             | —                                | —                                 | —                   | (2,297)             |
| Adjusted EBITDA                | $19,857                          | $12,761                           | $65,021             | $20,083             |

Adjusted EBITDA as % of Ex-TAC Gross Profit

|                                | Three Months Ended September 30, | Nine Months Ended September 30, |
|                                | 2021 %                           | 2020 %                           | 2021 %              | 2020 %              |
| Adjusted EBITDA as % of Ex-TAC Gross Profit | 29.2 %                           | 26.2 %                           | 33.3 %              | 15.6 %              |

(1) Primarily includes transaction-related costs in connection with our acquisition of Ligatus GmbH in April 2019, costs related to our terminated merger with Taboola.com Ltd., and costs related to our initial public offering.

(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.
Free Cash Flow

Free cash flow is defined as cash flow provided by operating activities less capital expenditures and capitalized software development costs. Free cash flow is a supplementary measure used by our management and the Board to evaluate our ability to generate cash and we believe it allows for a more complete analysis of our available cash flows.

The following table presents the reconciliation of free cash flow to net cash provided by operating activities.

<table>
<thead>
<tr>
<th>Nine Months Ended September 30, 2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$61,077</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,885)</td>
</tr>
<tr>
<td>Capitalized software development costs</td>
<td>(7,434)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$49,758</td>
</tr>
</tbody>
</table>

Seasonality

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

Our principal sources of liquidity are our cash and cash equivalents, cash from our operations, cash generated from our IPO and from the offering of our Convertible Notes, as well as available capacity under our revolving credit facility.

As of September 30, 2021, we had $482.4 million of cash and cash equivalents, of which $36.2 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. We primarily use our operating cash for payments due to media partners and vendors, as well as for personnel costs and other employee-related expenditures. 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 flows from investing activities primarily consist of capital expenditures and capitalized software development costs. We anticipate that our capital expenditures will be approximately $6 million to $8 million in 2021, which will include expenditures for servers and related equipment, as well as leasehold improvements; however, actual amounts may vary from these estimates.

We believe that the net proceeds from the IPO and the offering of the Notes, together with our cash and cash equivalents and borrowings available to us, will be sufficient to fund our anticipated operating expenses and capital expenditures for at least the next 12 months and the foreseeable future. In addition, we may use our available cash to make acquisitions or investments in complementary companies or technologies. 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 were a party to a loan and security agreement (the "Revolving Credit Facility") with Silicon Valley Bank ("SVB") that provided us an initial maximum borrowing capacity of up to $35.0 million that we could use to borrow against our qualifying receivables based on a defined borrowing formula. The Revolving Credit Facility matured on November 2, 2021.

We were in compliance with all financial covenants under the Revolving Credit Facility as of September 30, 2021. As of September 30, 2021 and December 31, 2020, we had no borrowings outstanding under our Revolving Credit Facility and available borrowing capacity on September 30, 2021 was $35.0 million based on the defined borrowing formula. No borrowings were outstanding under the Revolving Credit Facility on the maturity date.

On November 2, 2021, we entered into an Amended and Restated Loan and Security Agreement with SVB (the "2021 Revolving Credit Facility"). The 2021 Revolving Credit Facility provides, subject to borrowing availability and certain other conditions, for revolving loans in an aggregate principal amount of up to $75.0 million (the "Facility"), with a $15 million sub-facility for letters of credit. Our borrowing availability under the Facility is calculated by reference to a borrowing base which is determined by specified percentages of eligible accounts receivable. The Facility will terminate on the earlier of (i) November 2, 2026 or (ii) 120 days prior to the maturity date of the Company’s 2.95% Convertible Senior Notes due 2026, unless the Convertible Notes have been converted to common equity securities of the Company.

Outstanding loans under the Facility accrue interest, at our option, at a rate equal to either (a) a base rate minus an applicable margin ranging from 1.5% to 1.0% per annum or (b) LIBOR plus an applicable margin of 1.5% to 2.0% per annum, in each case based upon borrowing availability under the Facility. No borrowings were outstanding under the Revolving Credit Facility on the maturity date.

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

Our obligations and the obligations of the other subsidiary co-borrowers under the 2021 Revolving Credit Facility are secured by a first-priority lien on substantially all our assets and the assets such other subsidiary co-borrowers.

**Convertible Notes**

On July 1, 2021, we completed the sale of $200 million aggregate principal amount of senior subordinated secured notes due July 1, 2026 (the “Notes”), in a private placement to institutional investors affiliated with the funds managed by The Baupost Group, L.L.C. (the “Baupost Investors”), pursuant to a Senior Subordinated Secured Note Purchase Agreement dated July 1, 2021 (the “Note Purchase Agreement”). Upon issuance of the Notes, we recorded a $36.0 million discount in connection with embedded conversion feature, as well as deferred financing costs of $6.0 million in our consolidated balance sheet. The Notes, which were exchanged and cancelled upon the IPO, bore interest that accrued at the rate of (i) prior to July 1, 2024, 10.0% per annum and (ii) on and after July 1, 2024, 14.5% per annum, payable quarterly and were guaranteed by certain of our wholly-owned subsidiaries and secured by a second priority lien on all of our and our subsidiaries’ tangible and intangible assets, subject to certain excluded assets, permitted liens and customary exceptions.

On July 27, 2021, in connection with the closing of our IPO and pursuant to the terms of the Note Purchase Agreement, we exchanged $200 million aggregate principal amount of the Notes due July 1, 2026 for $236 million aggregate principal amount of 2.95% Convertible Senior Notes due 2026 (the “Convertible Notes”), pursuant to an indenture, dated as of July 27, 2021 (the “Indenture”), between the Company and The Bank of New York Mellon, as trustee. Upon the issuance of such Convertible Notes, the Notes and our obligations and the guarantee thereunder have been canceled and extinguished. The Convertible Notes will mature on July 27, 2026, unless earlier converted, redeemed or repurchased. In connection with the exchange of Notes to Convertible Notes, we recognized accelerated amortization of the unamortized discount and deferred issuance costs relating to the Notes totaling $42 million, which was recorded within charges related to exchange of senior notes upon IPO in our condensed consolidated statement of operations for the three months and nine months ended September 30, 2021. Deferred financing costs related to Convertible Notes were not material.

Interest on the Convertible Notes will accrue from July 27, 2021 and is payable semi-annually in arrears on January 27 and July 27 of each year, beginning on January 27, 2022, at a rate of 2.95% per annum. The initial conversion rate for the Convertible Notes is 40 shares of our common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of $25 per share of the Company’s common stock), subject to adjustment.

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

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

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

The Indenture contains customary covenants and events of default.
Cash Flows

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

| Net cash provided by operating activities | $61,077 | $43,525 |
| Net cash used in investing activities | (11,360) | (6,868) |
| Net cash provided by (used in) financing activities | 340,043 | (3,247) |
| Effect of exchange rate changes | (978) | 868 |

Net increase in cash, cash equivalents and restricted cash

| $388,782 | $34,278 |

Operating Activities

Net cash provided by operating activities increased $17.6 million, to $61.1 million for the nine months ended September 30, 2021, as compared to the same prior year period, primarily driven by a $47.2 million increase in our net income after non-cash adjustments, partially offset by net use of cash related to working capital of $30.1 million, which was more favorable in the prior-year period due to the negative impact of COVID-19 on our business.

Our free cash flow for the nine months ended September 30, 2021 and September 30, 2020 was $49.8 million and $35.6 million, respectively. Free cash flow is a supplemental non-GAAP financial measure. See “Non-GAAP Reconciliations” for the related definition and a reconciliation to net cash provided by operating activities.

Investing Activities

Cash used in investing activities increased $4.5 million, to $11.4 million for the nine months ended September 30, 2021 from $6.9 million in the same prior year period, primarily due to higher capital expenditures of $2.6 million, as well as the absence of cash flow from disposal activities of $1.1 million in the current year period.

Financing Activities

Cash from financing activities increased $343.3 million to $340.0 million for the nine months ended September 30, 2021, largely due to net proceeds from common stock issuance upon our IPO of $145.1 million and net proceeds related to issuances of our long-term debt of $193.9 million.

Contractual Obligations

Except as disclosed in Note 8, Commitments and Contingencies, to the accompanying condensed consolidated financial statements included in Part I, Item 1 of this Report, there were no material changes outside of the ordinary course of business in our commitments and contractual obligations for the nine months ended September 30, 2021 from the commitments and contractual obligations disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in the Prospectus.
Critical Accounting Policies and Estimates

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

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

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

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.

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

Item 3. 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 $1.1 million favorable or unfavorable change to our operating income for three months ended September 30, 2021 and a $2.2 million unfavorable or favorable change to our operating loss for the nine months ended September 30, 2021.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and any outstanding obligations under our revolving credit facility. 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 $242.1 million and $7.4 million as of September 30, 2021 and December 31, 2020, respectively. Our convertible notes issued in July 2021 have a fixed rate of interest. Our exposure to interest rates primarily relates to changes in interest payable on any future borrowings under our revolving credit facility.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our co-Chief Executive Officers (“co-CEOs”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of September 30, 2021. Based on such evaluation, our co-CEOs and CFO have concluded that as of September 30, 2021, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the three months ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

Item 1. Legal Proceedings

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 be expected to have a material adverse effect on our business, operating results, financial condition, or cash flows. However, litigation is unpredictable and can have adverse impacts on us such as defense and settlement costs, diversion of management resources, negative publicity, reputational harm, and other factors.

Item 1A. Risk Factors

An investment in our shares of common stock involves a high degree of risk. You should consider carefully the risks described below and all other information contained in this Report, including in the “Note About Forward-Looking Statements,” the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the accompanying notes included elsewhere in this Report. 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.

Risk Factor Summary

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.
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 characterized the rapid spread of the COVID-19 disease as a pandemic. Since then, the COVID-19 disease (including its variant strains) 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, and variables such as global supply chain disruptions, labor shortages and stoppages, and cost inflation could adversely impact us in the future, including if our advertisers were to reduce or cut their advertising spend as a result of any of these factors. We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers and agencies), 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 are unable to generate an adequate return on our investment with respect to our research and development efforts, 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. If we are unsuccessful in our sales and marketing efforts, our results of operations and prospects will be adversely affected.

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 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 divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

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 Ex-TAC Gross Profit and 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 interoperability 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.

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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, refunds 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), attacks have occurred and 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 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.

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An inability to make the required representations and warranties, including with respect to collateral, accounts receivable, financials, litigation, indictment and compliance with laws, disclosures and no material adverse effect, may limit our ability borrow and/or the covenants may restrict our ability to finance our operations and to pursue our business activities and strategies. Our ability to make these representations and warranties, and/or comply with these covenants may be affected by events beyond our control. Our ability 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, service 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 behavioral advertising triggers such requirements under the CCPA. The CCPA or subsequent guidance on our business or operations 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.

The CCPA has encouraged "copycat" laws in other states across the country, such as in Virginia and Colorado, and likely 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.

In Europe, the General Data Protection Regulation ("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 its implementation in the United Kingdom through the Data Protection Act 2018 ("UK GDPR"), 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 and the French Commission Nationale de l'Informatique et de Libertés ("CNIL") are investigating the ad tech industry and the use of cookies 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 CNIL, against the use of the Google Android Advertising Identifier on the ground that users do not have the opportunity to meaningfully give consent to digital advertising 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 has led to systems changes, limits the effectiveness of our marketing activities, and diverts the attention of our technology personnel, and in the future may 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, the UK and EEA Standard Contractual Clauses (“SCCs”), were upheld as valid legal mechanisms for transnational data transfer. However, the ruling requires that European organizations seeking to rely on the EU SCCs to export data out of the EEA ensure the data is protected to a standard that is “essentially equivalent” to that in the EEA including, where necessary, by taking “supplementary measures” to protect the data. Since the July 28,2021 UK Adequacy Decision, we rely on such decision for the transfer of data from the EEA to the UK, and the UK SCCs transfers from the UK to the US with supplementary measures as per the June 2021 European Data Protection Guidelines. It remains subject to ongoing review whether SCCs will address our use of cookies and other tracking technologies placed directly on users' browsers or devices through our media partners or advertisers’ websites.

In the event that use of the SCCs or relying on the UK adequacy decision 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. While there can be no assurance regarding the ultimate resolution of this matter, we do not believe that our conduct violated applicable law.

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 of 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 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 has fluctuated and may continue to do so. 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 SEC;
• the conversion of our Convertible Notes;
• 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 action 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.

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 depends, to some extent, 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 have broad discretion in the use of proceeds from our IPO 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 are using the net proceeds from our IPO 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 the net proceeds to make acquisitions or investments in complementary companies or technologies. Consequently, our management has broad discretion over the specific use of these net proceeds and may use such proceeds 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 our IPO in a manner that does not produce income or that loses value. If we do not use the net IPO proceeds effectively, our business, results of operations, and financial condition could be adversely affected.

Sales of substantial amounts of our common stock in the public markets, or the perception that they may occur, could cause the market price of our common stock to decline.

The market price of our common stock could decline and may make it more difficult for you to sell your stock at a time and price that you deem appropriate, 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.

Our directors, executive officers and employees hold options and restricted stock units under our equity incentive plans, and the shares issuable upon the exercise of such options or vesting of such restricted stock units have been registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance subject to certain legal and contractual requirements.

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

The largest beneficial owners of our common stock, an entity affiliated with Lightspeed Venture Partners, Viola Ventures III, L.P., entities affiliated with Gemini Israel Ventures, entities affiliated with Index Ventures, Gruner + Jahr GmbH, and Yaron Galai together beneficially own an aggregate 44.5% 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 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.

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.

The Sarbanes-Oxley Act requires, among other things, that we maintain proper and effective internal control over financial reporting. We are required to disclose, on a quarterly basis, material 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 our IPO. 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.
As a newly 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 our IPO. 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 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 IPO.

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 newly 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 have hired, and 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.

As a public company, it is more expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain 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 newly public company, we are 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;

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

On July 27, 2021, we sold 8,000,000 shares of our common stock in connection with our IPO, at a public offering price of $20.00 per share for an aggregate offering price of $160 million. The proceeds from the sale were $145.1 million, after deducting underwriting discounts and commissions and offering expenses payable by us. The offer and sale of all of the shares in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-257525), which was declared effective by the SEC on July 22, 2021. The representatives of the underwriters of our IPO were Citigroup Global Markets Inc. and Jefferies LLC. No payments were made by us to directors, officers or persons owning 10 percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors pursuant to our director compensation policy.

There has been no material change in the planned use of proceeds from our IPO as described in our Prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.
<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
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<tbody>
<tr>
<td>3.1</td>
<td>Form of Twelfth Amended and Restated Certificate of Incorporation of Outbrain Inc., as currently in effect (incorporated by reference to Exhibit 3.5 to the Company’s Form S-1/A filed with the SEC on July 20, 2021, File No. 333-257525 (Form S-1/A)).</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated By-laws of Outbrain Inc., as currently in effect (incorporated by reference to Exhibit 3.4 to the Company’s Form S-1/A).</td>
</tr>
<tr>
<td>4.1</td>
<td>Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Form S-1/A).</td>
</tr>
<tr>
<td>4.2</td>
<td>Indenture, dated as of July 27, 2021, by and between Outbrain Inc. and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.1 to the Company’s Form S-1/A filed with the SEC on July 28, 2021, File No. 001-40643 (July 28, 2021 Form S-1/A)).</td>
</tr>
<tr>
<td>4.3</td>
<td>Form of 2.95% Convertible Senior Note due 2026 (incorporated herein by reference to Exhibit 4.2 to the Company’s July 28, 2021 Form S-1/A).</td>
</tr>
<tr>
<td>10.1†</td>
<td>Amended and Restated Employment Agreement dated July 19, 2021 by and between Elise Garofalo and the Company (incorporated by reference to Exhibit 10.11 to the Company’s Form S-1/A).</td>
</tr>
<tr>
<td>10.3†</td>
<td>Employment Agreement dated July 19, 2021 by and between Yaron Galai and the Company (incorporated by reference to Exhibit 10.12 to the Company’s Form S-1/A),</td>
</tr>
<tr>
<td>10.4†</td>
<td>Employment Agreement dated July 19, 2021 by and between David Kostman and the Company (incorporated by reference to Exhibit 10.13 to the Company’s Form S-1/A).</td>
</tr>
<tr>
<td>10.7</td>
<td>Sublease Agreement dated July 14, 2021 by and between Dineinfresh, Inc. d/b/a Plated and the Company (incorporated by reference to Exhibit 10.18 to the Company’s Form S-1/A).</td>
</tr>
<tr>
<td>31.1*</td>
<td>Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>31.2*</td>
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</tr>
<tr>
<td>31.4*</td>
<td>Certification of the Principal Executive Officers and Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>101.INS*</td>
<td>XBRL Instance Document.</td>
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<tr>
<td>101.CAL*</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
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<tr>
<td>101.DEF*</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
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<tr>
<td>101.LAB*</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.PRE*</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
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<tr>
<td>104*</td>
<td>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).</td>
</tr>
</tbody>
</table>

† Compensatory plan or agreement.
* Filed herewith.
✓ This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 12, 2021.

OUTBRAIN INC.

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

By: /s/ Elise Garofalo
Name: Elise Garofalo
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
OUTBRAIN INC.
2021 LONG-TERM INCENTIVE PLAN
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<td>Foreign Participants</td>
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OUTBRAND INC.
2021 OMNIBUS LONG-TERM INCENTIVE PLAN

SECTION 1

GENERAL

1.1 Purpose. The Outbrain Inc. 2021 Omnibus Long-Term Incentive Plan (the “Plan”) has been established by Outbrain Inc., a Delaware corporation, (the “Company”) to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align the interests of Participants with those of the Company’s other stockholders through compensation that is based on the Company’s shares; and thereby promote the long-term financial interest of the Company and the Related Companies, including the growth in value of the Company’s shares and enhancement of long-term stockholder return. Capitalized terms in the Plan are defined in Section 2.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals, those persons who will be granted one or more Awards under the Plan, and thereby become “Participants” in the Plan.

1.3 Foreign Participants. In order to assure the viability of Awards granted to Participants who are subject to taxation in foreign jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Committee may approve such appendixes, supplements to, or amendments, restatements, or alternative versions of the Plan, as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan.

1.4 Operation and Administration. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 7 (relating to operation and administration).

1.5 History. The Plan was adopted by the Company on July 18, 2021, subject to approval by stockholders. To the extent not prohibited by Applicable Laws, Awards which are to use shares of Stock reserved under the Plan that are contingent on the approval by the Company’s stockholders may be granted prior to that meeting contingent on such approval. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided, however, that no Awards may be granted under the Plan after the ten-year anniversary of the date on which the stockholders approved the Plan.
SECTION 2
DEFINITIONS

2.1 "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

2.2 "Award Agreement" means the written agreement, including an electronic agreement, setting forth the terms and conditions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

2.3 "Award" means any award or benefit granted under the Plan, including, without limitation, the grant of Options and Full Value Awards.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Change in Control" means the first to occur of any of the following:

   (a) the consummation of a purchase or other acquisition by any person, entity or group of persons (within the meaning of Section 13(d) or 14(d) of the Exchange Act or any comparable successor provisions, other than an acquisition by a trustee or other fiduciary holding securities under an employee benefit plan or similar plan of the Company or a Related Company), of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the outstanding shares of Stock or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally;

   (b) the consummation of a reorganization, merger, consolidation, acquisition, share exchange or other corporate transaction of the Company, in each case with respect to which persons who were stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company’s then outstanding securities;

   (c) the consummation of any plan of liquidation or dissolution of the Company providing for the sale or distribution of 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

   (d) at any time during any period of two consecutive years, individuals who at the beginning of such period were members of the Board 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 directors still in office at the time of such election or nomination who were directors at the beginning of such period).

2.7 “Committee” has the meaning set forth in Section 7.1.

2.8 “Common Stock” or “Stock” means the common stock of the Company.

2.9 “Company” has the meaning set forth in Section 1.1.

2.10 “Consultant” means any natural person engaged as a consultant or advisor by the Company or a Parent or Subsidiary or other Related Company (as determined by the Committee) to render bona fide services to such entity and such services are not in connection with the sale of shares of Stock in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company’s securities.

2.11 “Director” means a member of the Board.

2.12 “Eligible Individual” means any Employee, Consultant or Director; provided, however, that to the extent required by the Code, an ISO may only be granted to an Employee of the Company or a Parent or Subsidiary. An Award may be granted to an Employee, Consultant or Director, in connection with hiring, retention or otherwise, prior to the date the Employee, Consultant or Director first performs services for the Company or the Subsidiaries, provided that such Awards shall not become vested prior to the date the Employee, Consultant or Director first performs such services.

2.13 “Employee” means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company or a Related Company (as determined by the Committee). Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.


2.15 “Exercise Price” of each Option granted under this Plan shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted.

2.16 “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the last previous trading day prior to such date of determination, as reported in The Wall Street Journal or such other source as the Committee deems reliable;
(b) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a share of Stock will be the mean between the high bid and low asked prices for the Common Stock on the last previous trading day prior to such date of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Committee.

2.17 A “Full Value Award” is a grant of one or more shares of Stock or a right to receive one or more shares of Stock in the future, with such grant subject to one or more conditions, as determined by the Committee.

2.18 An “Incentive Stock Option” or an “ISO” is an Option that is intended to satisfy the requirements applicable to an “incentive stock option” described in Section 422(b) of the Code.

2.19 A “Non-Qualified Option” or an “NQO” is an Option that is not intended to be an “incentive stock option” as that term is described in Section 422(b) of the Code.

2.20 An “Option” entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Any Option granted under this Plan may be either an ISO or an NQO as determined in the discretion of the Committee.

2.21 “Outside Director” means a Director of the Company who is not an officer or employee of the Company or the Related Companies.

2.22 “Parent” means a parent corporation within the meaning of Section 424(e) of the Code.

2.23 “Participant” means the holder of an outstanding Award.

2.24 “Period of Restriction” means the period during which the transfer of shares of Stock are subject to restrictions and therefore, the shares of Stock are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Committee.

2.25 “Plan” has the meaning set forth in Section 1.1.

2.26 “Related Company” means any corporation, partnership, joint venture, limited liability company or other entity during any period in which a controlling interest in such entity is owned, directly or indirectly, by the Company (or by any entity that is a successor to the Company), and any other business venture designated by the Committee in which the Company (or any entity that is a successor to the Company) has, directly or indirectly, a significant interest (whether through the ownership of securities or otherwise), as determined in the discretion of the Committee.
2.27 “Securities Act” means the Securities Act of 1933, as amended.

2.28 “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

2.29 “Termination Date” means the date on which a Participant both ceases to be an employee of the Company and the Related Companies and ceases to perform material services for the Company and the Related Companies (whether as a director or otherwise), regardless of the reason for the cessation; provided that a “Termination Date” shall not be considered to have occurred during the period in which the reason for the cessation of services is a leave of absence approved by the Company or the Related Company which was the recipient of the Participant’s services; and provided, further that, with respect to an Outside Director, “Termination Date” means the date on which the Outside Director’s service as an Outside Director terminates for any reason. If, as a result of a sale or other transaction, the entity for which the Participant performs services ceases to be a Related Company (and such entity is or becomes an entity separate from the Company), the occurrence of such transaction shall be the Participant’s Termination Date. With respect to Awards that constitute deferred compensation subject to Section 409A of the Code, references to the Participant’s termination of employment (including references to the Participant’s employment termination, and to the Participant terminating employment, a Participant’s separation from service, and other similar reference) and references to a Participant’s termination as a Director (including separation from service and other similar references) shall mean the date that the Participant incurs a “separation from service” within the meaning of Section 409A of the Code.

SECTION 3
SHARES OF STOCK AND PLAN LIMITS

3.1 Shares of Stock and Other Amounts Subject to Plan. The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) Subject to the following provisions of this Section 3.1, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 5,050,000 shares of Stock (which number includes all shares available for delivery under this Section 3.1(a) since the establishment of the Plan, determined in accordance with the terms of the Plan). Shares of Stock issued by the Company in connection with awards that are assumed or substituted in connection with a reorganization, merger, consolidation, acquisition, share exchange or other corporate transaction shall not be counted against the number of shares of Stock that may be issued with respect to Awards under the Plan.

(b) The aggregate number of shares of Stock that may be delivered pursuant to the Plan as specified in Section 3.1(a) will automatically increase on January 1 of each year, for a period of not more than ten (10) years, commencing on January 1 of the year following the year in which the Effective Date occurs and ending on (and including) January 1, 2031, in an amount equal to five percent (5%) of the total number of shares of Stock outstanding on December 31 of the preceding calendar year. Notwithstanding the
foregoing, the Committee may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for such year will be a lesser number of Shares than provided herein.

(c) Only shares of Stock, if any, actually delivered to the Participant or beneficiary on an unrestricted basis with respect to an Award shall be treated as delivered for purposes of the determination under Section 3.1(a) above, regardless of whether the Award is denominated in shares of Stock or cash. Consistent with the foregoing:

(i) To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or cancelled, or the shares of Stock are not delivered on an unrestricted basis (including, without limitation, by reason of the Award being settled in cash), such shares of Stock shall not be deemed to have been delivered for purposes of the determination under Section 3.1(a) above.

(ii) Subject to the provisions of paragraph (i) above, the total number of shares of Stock covered by an Award will be treated as delivered for purposes of this Section 3.1(c) to the extent payments or benefits are delivered to the Participant with respect to such shares. Accordingly, (A) if shares covered by an Award are used to satisfy the applicable tax withholding obligation or Exercise Price, the number of shares held back by the Company to satisfy such withholding obligation or Exercise Price shall be considered to have been delivered; (B) if the Exercise Price of any Option granted under the Plan is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation, including shares of Stock that would otherwise be distributable upon the exercise of the Option), the number of shares tendered to satisfy such Exercise Price shall be considered to have been delivered; and (C) if shares of Stock are repurchased by the Company with proceeds received from the exercise of an option issued under this Plan, the total number of such shares repurchased shall be deemed delivered.

(d) The shares of Stock with respect to which Awards may be made under the Plan shall be: (i) shares currently authorized but unissued; (ii) to the extent permitted by Applicable Law, shares currently held or acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions; or (iii) shares purchased in the open market by a direct or indirect wholly-owned subsidiary of the Company (as determined by the Chief Executive Officer or the Chief Financial Officer of the Company). The Company may contribute to the subsidiary or trust an amount sufficient to accomplish the purchase in the open market of the shares of Stock to be so acquired (as determined by the Chief Executive Officer or the Chief Financial Officer of the Company).

3.2 Adjustments. 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 Committee shall,
in the manner it determines equitable in its sole discretion, adjust Awards to reflect the transactions. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the Exercise Price of outstanding Options; and (iv) any other adjustments that the Committee determines to be equitable (which may include, without limitation, (A) replacement of Awards with other Awards which the Committee determines have comparable value and which are based on shares of a company resulting from the transaction, and (B) 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 Stock subject to the Option at the time of the transaction over the Exercise Price). However, in no event shall this Section 3.2 be construed to permit a modification (including a replacement) of an Option if such modification either: (i) would result in accelerated recognition of income or imposition of additional tax under Section 409A of the Code; or (ii) would cause the Option subject to the modification (or cause a replacement Option) to be subject to Section 409A of the Code, provided that the restriction of this clause (ii) shall not apply to any Option that, at the time it is granted or otherwise, is designated as being deferred compensation subject to Section 409A of the Code.

3.3 Plan Limitations. Subject to Section 3.2, the following additional maximums are imposed under the Plan: the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries with respect to ISOs granted under the Plan shall be 5,050,000 shares of Stock (which number includes all shares of Stock available for delivery under this Section 3.3(a) since the establishment of the Plan, determined in accordance with the terms of the Plan); provided, however, that to the extent that shares of Stock not delivered must be counted against this limit as a condition of satisfying the rules applicable to ISOs, such rules shall apply to the limit on ISOs granted under the Plan; provided, further, that such limit will automatically increase on January 1 of each year, for a period of not more than ten (10) years, commencing on January 1 of the year following the year in which the Effective Date occurs and ending on (and including) January 1, 2031, in an amount equal to five percent (5%) of the total number of shares of Stock outstanding on the date that this Plan is adopted.

SECTION 4

OPTIONS

4.1 Grant of Options. Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Options to an Eligible Individual in such amounts as the Committee, in its sole discretion, will determine. Each Option will be designated in the Award Agreement as either an ISO or an NQO. Notwithstanding a designation for a grant of Options as ISOs, however, to the extent that the aggregate Fair Market Value of the shares of Stock with respect to which ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options will be treated as NQOs. For purposes of this Section 4.1, ISOs will be taken into account in the order in which they were granted, the Fair Market Value of the shares of Stock will be determined as of the time the Option with respect to such shares of Stock is granted and
calculation will be performed in accordance with Section 422 of the Code and Treasury Regulations promulgated thereunder.

4.2 **Option Agreement.** Each Award of an Option will be evidenced by an Award Agreement that will specify the date of grant of the Option, the Exercise Price, the term of the Option, the number of shares of Stock subject to the Option, the exercise restrictions, if any, applicable to the Option, including the dates upon which the Option is first exercisable in whole and/or part, and such other terms and conditions as the Committee, in its sole discretion, may determine. Except as otherwise determined by the Committee in its sole discretion, subject to the Participant not incurring a Termination Date prior to the applicable vesting date, one-fourth of the Option shall become vested on the first anniversary of the date of grant and one-sixteenth of the Option shall become vested on the quarterly anniversary of the date of grant thereafter until such Option is fully vested on the fourth anniversary of the date of grant.

4.3 **Term of Option.** The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than 10 years from the date of grant thereof. In the case of an ISO granted to a Participant who, at the time the ISO is granted, owns capital stock representing more than 10% of the total combined voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the term of the ISO will be five years from the date of grant or such shorter term as may be provided in the Award Agreement.

4.4 **Exercise Price.** The Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value, if any, of a share of Stock). In addition, in the case of an ISO granted to an Employee who owns capital stock representing more than 10% of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the per share Exercise Price will be no less than 110% of the Fair Market Value per share of Stock on the date of grant. Notwithstanding the foregoing provisions of this Section 4.4, Options may be granted with a per share Exercise Price of less than 100% of the Fair Market Value per share of Stock on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

4.5 **Payment of Option Exercise Price.** The payment of the Exercise Price of an Option granted under this Section 4 shall be subject to the following:

(a) Subject to the following provisions of this Section 4.5, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in Section 4.5(c), payment may be made as soon as practicable after the exercise).

(b) Subject to Applicable Law, the full Exercise Price shall be payable in cash, by promissory note, or by tendering, by either actual delivery of shares or by attestation, shares of Stock acceptable to the Committee (including shares otherwise distributable pursuant to the exercise of the Option), and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.
Subject to Applicable Law, if shares are publicly traded, the Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares of 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.

4.6 **No Repricing.** Except for either adjustments pursuant to Section 3.2 (relating to the adjustment of shares of Stock), or reductions of the Exercise Price approved by the Company’s stockholders, the Exercise Price for any outstanding Option may not be decreased after the date of grant nor may an outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a replacement Option with a lower Exercise Price. Except as approved by Company’s stockholders, in no event shall any Option granted under the Plan be surrendered to Company in consideration for a cash payment or the grant of any other Award if, at the time of such surrender, the Exercise Price of the Option is greater than the then current Fair Market Value of a share of Stock. In addition, no repricing of an Option shall be permitted without the approval of Company’s stockholders if such approval is required under the rules of any stock exchange on which Stock is listed.

SECTION 5
FULL VALUE AWARDS

5.1 **Grant of Full Value Award.** Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Full Value Awards to Eligible Individuals in such amounts as the Committee, in its sole discretion, will determine.

5.2 **Full Value Award Agreement.** Each Full Value Award will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of shares of Stock granted and such other terms and conditions as the Committee, in its sole discretion, may determine. Except as otherwise determined by the Committee in its sole discretion, subject to the Participant not incurring a Termination Date prior to the applicable vesting date, one-fourth of the Full Value Award shall become vested on the first anniversary of the date of grant and one-sixteenth of the Full Value Award shall become vested on the quarterly anniversary of the date of grant thereafter until such Full Value Award is fully vested on the fourth anniversary of the date of grant.

5.3 **Conditions.** A Full Value Award may be subject to one or more of the following, as determined by the Committee:

(a) The grant shall be in consideration of a Participant’s previously performed services, or surrender of other compensation that may be due.

(b) The grant shall be contingent on the achievement of performance or other objectives during a specified period.
The grant shall be subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives.

The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee.

SECTION 6
CHANGE IN CONTROL

6.1 Change in Control. Subject to the provisions of Section 3.2 and the authority of the Committee to take the actions permitted pursuant to Section 6.2, the occurrence of a Change in Control shall have the effect, if any, with respect to any Award as set forth in the Award Agreement or, to the extent not prohibited by the Plan or the Award Agreement, as provided by the Committee.

6.2 Committee Actions on a Change in Control. On a Change in Control, if the Plan is terminated by the Company or its successor without provision for the continuation of outstanding Awards hereunder, the 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 Stock subject to the Option at the time of the transaction over the Exercise Price; provided, further, that in the case of an Option, such Option will be cancelled with no payment if, as of the Change in Control, the value of the shares of Stock subject to the Option at the time of the transaction are equal to or less than the Exercise Price. However, in no event shall this Section 6.2 be construed to permit a payment if such payment would result in accelerated recognition of income or imposition of additional tax under Section 409A of the Code.

SECTION 7
COMMITTEE

7.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the “Committee”) in accordance with this Section 7. The Committee shall be selected by the Board, and shall consist of two or more members of the Board. Unless otherwise provided by the Board, the Compensation Committee of the Board shall serve as the Committee. As a committee of the Board, the Committee is subject to the overview of the Board. If the Committee does not exist, or for any other reason determined by the Board, and to the extent not prohibited by Applicable Law, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

7.2 Selection of Committee. So long as the Company is subject to Section 16 of the Exchange Act, the Committee shall be selected by the Board and shall consist of not fewer than two members of the Board or such greater number as may be required for compliance with Rule 16b-3 issued under the Exchange Act and shall be comprised of persons who are independent for
purposes of applicable stock exchange listing requirements and who would meet the requirements of a “non-employee director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934.

7.3 **Powers of Committee.** The Committee’s administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select individuals who shall be Eligible Individuals and who, therefore, are eligible to receive Awards under the Plan. The Committee shall have the authority to determine the time or times of receipt of Awards, to determine the types of Awards and the number of shares of Stock covered by the Awards, to establish the 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. In making such Award determinations, the Committee may take into account the nature of services rendered by the respective employee, the individual’s present and potential contribution to the Company’s or a Related Company’s success and such other factors as the Committee deems relevant.

(b) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(c) The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and conditions of any Award Agreement made pursuant to the Plan and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to applicable corporate law.

(f) Notwithstanding any other provision of the Plan, no benefit shall be distributed under the Plan to any person unless the Committee, in its sole discretion, determines that such person is entitled to benefits under the Plan.

7.4 **Delegation by Committee.** Except to the extent prohibited by Applicable Law, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.
7.5 Information to be Furnished to Committee. The Company, Subsidiaries and any applicable Related Company shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company, Subsidiaries and any applicable Related Company as to an employee’s or Participant’s employment (or other provision of services), termination of employment (or cessation of the provision of services), leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

7.6 Liability and Indemnification of Committee. No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his own fraud or willful misconduct; nor shall the Company or any Related Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Company or Related Company. The Committee, the individual members thereof and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Company against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

SECTION 8

AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend any Award Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee if applicable); and further provided that adjustments pursuant to Section 3.2 shall not be subject to the foregoing limitations of this Section 8; and further provided that the provisions of Section 4.6 (relating to Option repricing) cannot be amended unless the amendment is approved by the Company’s stockholders. Approval by the Company’s stockholders will be required for any material revision to the terms of the Plan, with the Committee’s determination of “material revision” to take into account the exemptions under applicable stock exchange rules. No amendment or termination shall be adopted or effective if it would result in accelerated recognition of income or imposition of additional tax under Section 409A of the Code or, except as otherwise provided in the amendment, would cause amounts that were not otherwise subject to Section 409A of the Code to become subject to Section 409A of the Code.
SECTION 9

GENERAL PROVISIONS

9.1 General Restrictions. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to recognize an exercise of an Option or deliver any shares of Stock or make any other distribution of benefits under the Plan unless such exercise, delivery or distribution complies with all Applicable Laws (including, without limitation, the requirements of the United States Securities Act of 1933 and the securities laws of any other applicable jurisdiction), and the applicable requirements of any securities exchange or similar entity or other regulatory authority with respect to the issue of shares and securities by the Company.

(b) To the extent that the Plan provides for issuance of share certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by Applicable Law, the By-laws of the Company.

(c) To the extent provided by the Committee, any Award may be settled in cash rather than shares of Stock.

9.2 Tax Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares of Stock or other benefits under the Plan on satisfaction of the applicable withholding obligations. Except as otherwise provided by the Committee and subject to Applicable Law, such withholding obligations may be satisfied (i) through cash payment by the Participant; (ii) through the surrender of shares of Stock which the Participant already owns; or (iii) through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan (including shares otherwise distributable pursuant to the Award); provided, however, that such shares of Stock under this clause (iii) may be used to satisfy not more than the maximum individual tax rate for the Participant in applicable jurisdiction for such Participant (based on the applicable rates of the relevant tax authorities (for example, federal, state, and local), including the Participant’s share of payroll or similar taxes, as provided in tax law, regulations, or the authority’s administrative practices, not to exceed the highest statutory rate in that jurisdiction, even if that rate exceeds the highest rate that may be applicable to the specific Participant).

9.3 Grant and Use of Awards. In the discretion of the Committee, an Eligible Individual may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to an Eligible Individual. Subject to Section 4.6 (relating to repricing), Awards may be granted as alternatives to or replacement of awards granted or outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary or a Related Company). Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the
Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary or a Related Company, including the plans and arrangements of the Company or a Subsidiary or a Related Company assumed in business combinations. Notwithstanding the provisions of Section 4.4, Options granted under the Plan in replacement for awards under plans and arrangements of the Company or a Subsidiary or a Related Company assumed in business combinations may provide for Exercise Prices that are less than the Fair Market Value of the shares of Stock at the time of the replacement grants, if the Committee determines that such Exercise Price is appropriate to preserve the economic benefit of the award. The provisions of this Section 9.3 shall be subject to the provisions of Section 9.13.

9.4 Dividends and Dividend Equivalents. An Award (other than an Option) may provide the Participant with the right to receive dividend or dividend equivalent payments with respect to shares of Stock subject to the Award; provided, however, that no dividend or dividend equivalents granted in relation to Full Value Awards that are subject to vesting shall be settled prior to the date that such Full Value Award (or applicable portion thereof) becomes vested and is settled. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, will be subject to the Company’s By-laws as well as Applicable Law and further may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in share of Stock equivalents. The provisions of this Section 9.3 shall be subject to the provisions of Section 9.13.

9.5 Settlement of Awards. The obligation to make payments and distributions with respect to Awards may be satisfied through cash payments, the delivery of shares of Stock, the granting of replacement Awards or combination thereof as the Committee shall determine. Satisfaction of any such obligations under an Award, which is sometimes referred to as “settlement” of the Award, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment or distribution, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or dividend equivalents, and may include converting such credits into deferred share of Stock equivalents. Except for Options designated at the time of grant or otherwise as intended to be subject to Section 409A of the Code, this Section 9.5 shall not be construed to permit the deferred settlement of Options, if such settlement would result in deferral of compensation under Treas. Reg. §1.409A-1(b)(5)(i)(A)(3) (except as permitted in Sections (i) and (ii) of that section). Each Subsidiary shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by the Committee. The provisions of this Section 9.5 shall be subject to the provisions of Section 9.13.

9.6 Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. If any benefits deliverable to the Participant under this Plan have not been delivered at the time of the Participant’s death, such benefits shall be delivered to the Designated Beneficiary, in accordance with the provisions of any applicable Award Agreement and the Plan. The “Designated Beneficiary” shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form and at such time as the
Committee shall require. If a deceased Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

9.7 **Form and Time of Elections.** Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

9.8 **Agreement With Company.** An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written (including electronic) document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not require that the Participant sign a copy of such document. Such document is referred to in the Plan as an “Award Agreement” regardless of whether any Participant signature is required.

9.9 **Action by Company or Subsidiary.** Any action required or permitted to be taken by the Company or any Subsidiary or Related Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by Applicable Law or applicable rules of any stock exchange) by a duly authorized officer of such company.

9.10 **Gender and Number.** Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

9.11 **Limitation of Implied Rights.**

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary or Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary or Related Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the shares of Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary or Related Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary or Related Company shall be sufficient to pay any benefits to any person.
(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating employee or other individual the right to be retained in the employ of the Company or any Subsidiary or Related Company or the right to continue to provide services to the Company or any Subsidiary or Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights and is registered in the Company’s Register of share of stockholders.

(c) All Stock and shares issued under any Award or otherwise are to be held subject to the provisions of the Company’s By-laws and each Participant is deemed to agree to be bound by the terms of the Company’s By-laws as they stand at the time of issue of any shares of Stock under the Plan.

9.12 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

9.13 Limitations under Section 409A. The provisions of the Plan shall be subject to the following:

(a) Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Code, except as otherwise determined in the sole discretion of the Committee. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A of the Code and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Committee. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A of the Code.

(b) Neither Section 9.3 nor any other provision of the Plan shall be construed to permit the grant of an Option if such action would cause the Option being granted or the option or stock appreciation right being replaced to be subject to Section 409A of the Code, provided that this Section 9.13(b) shall not apply to any Option (or option or stock appreciation right granted under another plan) being replaced that, at the time it is granted or otherwise, is designated as being deferred compensation subject to Section 409A of the Code.

(c) Except with respect to an Option that, at the time it is granted or otherwise, is designated as being deferred compensation subject to Section 409A of the Code, no Option shall condition the receipt of dividends with respect to an Option on the exercise of such Award, or otherwise provide for payment of such dividends in a manner
that would cause the payment to be treated as an offset to or reduction of the Exercise Price of the Option pursuant Treas. Reg. §1.409A-1(b)(5)(i)(E).

(d) The Plan shall not be construed to permit a modification of an Award, or to permit the payment of a dividend or dividend equivalent, if such actions would result in accelerated recognition of taxable income or imposition of additional tax under Section 409A of the Code.
OUTBRAIN INC.
2021 OMNIBUS LONG-TERM INCENTIVE PLAN

ISRAELI EXHIBIT

This Israeli Exhibit ("Exhibit A") to the 2021 Omnibus Long-Term Incentive Plan (as amended from time to time, the "Plan") of Outbrain Inc. (the "Company") shall apply only to Participants (as defined in the Plan) who are, or are deemed to be, residents of the State of Israel for Israeli tax purposes. This Appendix is made pursuant to Section 1.3 of the Plan.

1. GENERAL

1.1. The Committee, in its discretion, may grant Awards to eligible Participants and shall determine whether such Awards intended to be 102 Awards or 3(9) Awards. Each Award shall be evidenced by an Award Agreement, which shall expressly identify the Award type, and be in such form and contain such provisions, as the Committee shall from time to time deem appropriate.

1.2. The Plan shall apply to any Awards granted pursuant to this Appendix, provided, that the provisions of this Appendix shall supersede and govern in the case of any inconsistency or conflict, either explicit or implied, arising between the provisions of this Appendix and the Plan.

1.3. Unless otherwise defined in this Appendix, capitalized terms contained herein shall have the same meanings given to them in the Plan.

2. DEFINITIONS

2.1. "3(9) Award" means any Award representing a right to purchase shares of Common Stock granted by the Company to any Participant who is not an Employee pursuant to Section 3(9) of the Ordinance.

2.2. "102 Award" means any Award intended to qualify (as set forth in the Award Agreement) and which qualifies under Section 102, provided it is settled only in shares of Common Stock.

2.3. "102 Capital Gain Track Award" means any Award granted by the Company to an Employee pursuant to Section 102(b)(2) or (3) (as applicable) of the Ordinance under the capital gain track.

2.4. "102 Non-Trustee Award" means any Award granted by the Company to an Employee pursuant to Section 102(c) of the Ordinance without a Trustee.

2.5. "102 Ordinary Income Track Award" means any Award granted by the Company to an Employee pursuant to Section 102(b)(1) of the Ordinance under the ordinary income track.

Exhibit A-1
2.6. “102 Trustee Awards” means, collectively, 102 Capital Gain Track Awards and 102 Ordinary Income Track Awards.

2.7. “Affiliate” means, for purpose of 102 Trustee Award, an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.8. “Applicable Law” shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the common stock of the Company are then traded or listed.

2.9. “Controlling Stockholder” means as to such term is defined in Section 32(9) of the Ordinance.

2.10. “Election” as defined in Section 3.2 below.

2.11. “Employee” means an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Appendix means (i) an individual employed by an Israeli company being an Affiliate, and (ii) an individual who is serving and is engaged personally (and not through an entity) as an “office holder” by an Affiliate, excluding, in any event, Controlling Stockholders).


2.13. “Ordinance” means the Israeli Income Tax Ordinance (New Version), 1961, including the Rules and any other regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time.

2.14. “Required Holding Period” as defined in Section 1(a) below.


2.16. “Section 102” means Section 102 of the Ordinance.

2.17. “Trust Agreement” means the agreement to be signed between the Company, an Affiliate and the Trustee for the purposes of Section 102.

2.18. “Trustee” means the trustee appointed by the Company’s Board of Directors and/or by the Committee to hold the Awards and approved by the ITA.

2.19. “Withholding Obligations” as defined in Section 5.5 below.

3. **102 AWARDS**

3.1. **Tracks**. Awards granted pursuant to this Section 3 are intended to be granted as either 102 Capital Gain Track Awards or 102 Ordinary Income Track Awards. 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 3.
and the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations.

3.2. **Election of Track.** Subject to Applicable Law, the Company may grant only one type of 102 Trustee Award at any given time to all Participants who are to be granted 102 Trustee Awards pursuant to this Appendix, and shall file an election with the ITA regarding the type of 102 Trustee Award it elects to grant before the date of grant of any 102 Trustee Award (the "Election"). Such Election shall also apply to any other securities received by any Participant as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Award that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting 102 Non-Trustee Awards.

3.3. **Eligibility for Awards.** Subject to Applicable Law, 102 Awards may only be granted to Employees. Such 102 Awards may either be granted to a Trustee or granted under Section 102 without a Trustee.

3.4. **102 Award Grant Date.**

   (a) Each 102 Award will be deemed granted on the date determined by the Committee, subject to the provisions of the Plan, provided that (i) the Participant has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to any 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA.

   (b) Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of the Plan and this Appendix or an amendment to the Plan or this Appendix, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of the Plan and this Appendix or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, and such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement. Nevertheless, this 30-day period may be waived subject to a special tax ruling to be obtained from the ITA and pursuant to its terms, or may not apply to any exchange of equity pursuant to a special tax ruling and its terms.

3.5. **102 Trustee Awards.**

   (a) Each 102 Trustee Award, each share of Common Stock issued pursuant to the grant, exercise or vesting of any 102 Trustee Award and any rights granted thereunder, shall be allocated or issued to and registered in the name of the Trustee and shall be held in trust or controlled by the Trustee (pursuant to an approval from the ITA) for the benefit of the Participant for the requisite period prescribed by the Ordinance or such longer period as set by the
Committee (the “Required Holding Period”). In the event that the requirements under Section 102 to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(9) Award (as determined by the Company), all in accordance with the provisions of the Ordinance. After the expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such shares of Common Stock, provided that (i) the Trustee has received an acknowledgment from the ITA that the Participant has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Affiliate withhold(s) all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any shares of Common Stock issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or shares of Common Stock issued upon exercise or (if applicable) vesting thereof, or any rights received with respect to such Awards, prior to the payment in full of the Participant’s tax and compulsory payments arising from such 102 Trustee Awards and/or shares of Common Stock or the withholding referred to in (ii) above.

(b) Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in the Plan, this Appendix or the Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in the Plan, this Appendix or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. The Participant granted a 102 Trustee Award shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant shall execute any and all documents that the Company and/or the Affiliate and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

(c) During the Required Holding Period, the Participant shall not release from trust or sell, assign, transfer or give as collateral, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Trustee Award and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period, it may result in adverse tax consequences to the Participant under Section 102 and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, but subject to the terms of the Plan and this Appendix, release and transfer such shares of Common Stock to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the shares of Common Stock, and confirmation of such payment has been received by the Trustee and the Company; and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company’s corporate documents, any agreement governing the shares of Common Stock, the Plan, this Appendix, the Award Agreement and any Applicable Law.

Exhibit A-4
If a 102 Trustee Award is exercised or (if applicable) vested, the shares of Common Stock issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Participant, or shall be deposited with the Trustee, or be subject to the Trustee's control, if approved by the ITA.

Upon or after receipt of a 102 Trustee Award, if required, the Participant may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to the Plan, this Appendix, or any 102 Trustee Awards granted to such Participant hereunder.

3.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 3 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Award and all accrued rights thereon (if any) in trust for the benefit of the Participant and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to require the Participant to provide the Company with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

3.7. Written Participant Undertaking. With respect to any 102 Trustee Award, as required by Section 102 and the Rules, by virtue of the receipt of such Award, the Participant is deemed to have undertaken and confirmed in writing the following (and such undertaking is deemed incorporated into any documents signed by the Participant in connection with the employment or service of the Participant and/or the grant of such Award). The following written undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Participant, whether under the Plan and this Appendix or other plans maintained by the Company, and whether prior to or after the date hereof:

(a) The Participant shall comply with all terms and conditions set forth in Section 102 with regard to the “Capital Gain Track” or the “Ordinary Income Track”, as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

(b) The Participant is familiar with, and understands the provisions of, Section 102 in general, and the tax arrangement under the “Capital Gain Track” or the “Ordinary Income Track” in particular, and its tax consequences; the Participant agrees that the 102 Trustee Awards and shares of Common Stock that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the Awards), will be held by a trustee appointed pursuant to Section 102 for at least the duration of the “Holding Period” (as such term is defined in Section 102) under the “Capital Gain Track” or the “Ordinary Income Track”, as applicable. The Participant understands that any release of such 102 Trustee Awards or shares of Common Stock from trust, or any sale of the shares of Common Stock prior to the termination of the

Exhibit A-5
Holding Period, as defined above, will result in taxation at the marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

(c) The Participant agrees to the trust deed signed between the Company, his employing company and the trustee appointed pursuant to Section 102.

4. **3(9) AWARDS**

4.1. Awards granted pursuant to this Section 4 are intended to constitute 3(9) Awards and shall be granted subject to the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 4 and the other terms of the Plan, this Section 4 shall prevail.

4.2. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(9) Awards and/or any shares of Common Stock or other securities issued or distributed with respect thereto granted pursuant to the Plan and this Appendix shall be issued to a trustee nominated by the Committee in accordance with the provisions of the Ordinance. In such event, the trustee shall hold such Awards and/or any shares of Common Stock or other securities issued or distributed with respect thereto in trust, until exercised by the Participant or (if applicable) vested, and the full payment of tax arising therefrom, pursuant to the Company’s instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the trustee. If determined by the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Participant may become liable upon issuance of shares of Common Stock, whether due to the exercise or (if applicable) vesting of Awards.

4.3. Shares of Common Stock pursuant to a 3(9) Award shall not be issued, unless the Participant delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Participant acquiring shares of Common Stock under the Award or the Participant provides other assurance satisfactory to the Committee of the payment of those withholding taxes.

5. **AGREEMENT REGARDING TAXES; DISCLAIMER**

5.1. If the Committee shall so require, as a condition of exercise of an Award or the release of shares of Common Stock by the Trustee, a Participant shall agree that, no later than the date of such occurrence, the Participant will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Committee and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

5.2. **TAX LIABILITY.** All tax consequences under any applicable law which may arise from the grant of any Awards or the exercise thereof, the sale or disposition of any shares of common stock granted hereunder or issued upon exercise or (if applicable) vesting of any Award, the assumption, substitution, cancellation or
PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE PARTICIPANT OR THE COMPANY IN CONNECTION THEREWITHT) SHALL BE BORNE AND PAID SOLELY BY THE PARTICIPANT, AND THE PARTICIPANT SHALL INDEMNIFY THE COMPANY, THE AFFILIATE AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH PARTICIPANT AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

5.3. NO TAX ADVICE. THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE PARTICIPANT ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE PARTICIPANT.

5.4. TAX TREATMENT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY DESIGNATION OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY DOES NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENTS OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY OR THE AFFILIATE THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WILL QUALIFY AT THE TIME OF EXERCISE OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND THE AFFILIATE SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE PARTICIPANT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF

Exhibit A-7
ANY TAX AUTHORITY, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT, IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE PARTICIPANT.

5.5. The Company or the Affiliate may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or the Affiliate is required by any Applicable Law to withhold in connection with any Awards (collectively, “Withholding Obligations”). Such actions may include (i) requiring Participants to remit to the Company in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company in connection with the Award or the exercise or (if applicable) vesting thereof; (ii) subject to Applicable Law, allowing the Participants to provide shares of Common Stock, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding shares of Common Stock otherwise issuable upon the exercise of an Award at a value which is determined by the Committee to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise of any Award by or on behalf of a Participant until all tax consequences arising from the exercise of such Award are resolved in a manner acceptable to the Company.

(a) Each Participant shall notify the Company in writing promptly, and in any event within ten (10) days after the date on which such Participant first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or shares of Common Stock issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Participant shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

(b) With respect to 102 Non-Trustee Awards, if the Participant ceases to be employed by the Company or any Affiliate, the Participant shall extend to the Company and/or the Affiliate with whom the Participant is employed a security or guarantee for the payment of taxes due at the time of sale of shares of Common Stock, all in accordance with the provisions of Section 102 and the Rules.

6. RIGHTS AND OBLIGATIONS AS A STOCKHOLDER

6.1. A Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock covered by an Award until the Participant exercises the Award, pays the exercise price therefor and becomes the record holder of the subject shares of Common Stock. In the case of 102 Awards or 3(9) Awards (if such Awards are being held by a Trustee), the Trustee shall have no rights as a stockholder of the Company with respect to the shares of Common Stock covered by such Award until the Trustee becomes the record holder for such Common Stock for the Participant’s benefit, and the Participant shall not be deemed to be a...
stockholder and shall have no rights as a stockholder of the Company with respect to the shares of Common Stock covered by the Award until the date of the release of such shares of Common Stock from the Trustee to the Participant and the transfer of record ownership of such shares of Common Stock to the Participant (provided however that the Participant shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the shares of Common Stock held by the Trustee for such Participant's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date on which the Participant or Trustee (as applicable) becomes the record holder of the shares of Common Stock covered by an Award, except as provided in the Plan.

6.2. With respect to shares of Common Stock issued upon the exercise or (if applicable) vesting of Awards hereunder, any and all voting rights attached to such Common Stock shall be subject to the provisions of the Plan, and the Participant shall be entitled to receive dividends distributed with respect to such shares of Common Stock, subject to the provisions of the Company’s Certificate of Incorporation and By-laws, as amended from time to time, and subject to any Applicable Law (after deduction of all applicable tax payments).

7. GOVERNING LAW

7.1. This Appendix shall be governed by, construed and enforced in accordance with the laws of the State of Delaware, without reference to conflicts of law principles, except that applicable Israeli laws, rules and regulations (as amended) shall apply to any mandatory tax matters arising hereunder.
EXHIBIT B

UK TAX-QUALIFIED OPTIONS EXHIBIT

The purpose of this Exhibit B is to provide, in accordance with Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom ("Schedule 4"), benefits for Employees in the form of Tax-Qualified Options. The Committee may, when granting an Option to an Employee, designate it as a Tax-Qualified Option. If they do so, the provisions of the Outbrain Inc. Long-Term Incentive Plan (the "Plan") will apply to it, as amended by this Exhibit B. This Appendix is made pursuant to Section 1.3 of the Plan.

SECTION1 OF EXHIBIT B
DEFINITIONS

Words used in this Exhibit B have the same meaning as in the Plan unless amended as stated below:

1.1. "Control" has the meaning given in s995 Income Tax Act 2007 of the United Kingdom.

1.2. "Employee" means an employee or director of a Participating Company but does not include anyone who is:
   (a) excluded from participation because of paragraph 9 of Schedule 4 (material interests provisions); or
   (b) a director who is required to work less than 25 hours a week (excluding meal breaks).

1.3. "HMRC" means Her Majesty's Revenue and Customs of the United Kingdom.

1.4. "Market Value" in relation to a Share on a particular day means:
   (a) if the Shares are listed on a Recognised Stock Exchange, the closing price of the shares on the immediately preceding day (or if more than one price is shown, the lower price plus one half the difference between the two figures) if the exchange is open on that day, and if the exchange is not open on that day the relevant price for the latest previous day it was open; and
   (b) if the Shares are not listed on a Recognised Stock Exchange, the market value determined in accordance with the applicable provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 of the United Kingdom, and any relevant published HMRC guidance, on the relevant day, and any restriction referred to in Section 4 of this Exhibit B will be ignored when determining Market Value.
1.5. “Ordinary Share Capital” has the meaning given in s989 Income Tax Act 2007 of the United Kingdom.

1.6. “Participating Company” means:
   (a) the Company and any Subsidiary;
   (b) any jointly-owned company (within the meaning of paragraph 34 of Schedule 4) designated by the Committee; and
   (c) any other entity designated by the Committee so long its participation would not prevent the Plan as amended by this Exhibit B from being a Schedule 4 Plan.

1.7. “Recognised Stock Exchange” has the meaning given in s1005 of the Income Tax Act 2007 of the United Kingdom.

1.8. “Retirement” shall be interpreted consistently with the interpretation of that term in s524 Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom and applicable guidance from HMRC.


1.10. “Schedule 4 Plan” means a plan in relation to which the requirements of Parts 2 to 6 of Schedule 4 are (and are being) met.

1.11. “Shares” means, subject to Section 2 of this Exhibit B, shares of Common Stock which satisfy paragraphs 16 to 20 of Schedule 4.

1.12. “Subsidiary” means a company which is a subsidiary of the Company within the meaning of s1159 Companies Act 2006 of the United Kingdom which is under the Control of the Company.

1.13. “Takeover Offer” means either:
   (a) a general offer to acquire the whole of the issued ordinary share capital of the Company which is either unconditional or which is made on a condition such that if it is satisfied, the person making the offer will have Control of the Company; or
   (b) a general offer to acquire all the Shares;

and for these purposes the reference to the “whole of the issued ordinary share capital” and “all the Shares” shall not be taken to include any capital or Shares held by the person making the offer or a person connected with that person (within the meaning of s718 Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom), and it does not matter whether the offer is made to different shareholders by different means.

1.14. “Tax-Qualified Option” means an Option to which this Exhibit B applies.
1.15. “Tax-Qualified Option Expiration Date” has the meaning set forth in Section 9.4 of this Exhibit B.

SECTION 2 OF EXHIBIT B
SHARES

If any Shares which are subject to a Tax-Qualified Option cease to satisfy paragraphs 16 to 20 of Schedule 4 and this Exhibit B ceases to be a Schedule 4 Plan, or the Tax-Qualified Options become exercisable pursuant to Section 10.5 of this Exhibit B, the definition of “Shares” above is changed automatically to “shares of Common Stock”. A Tax-Qualified Option may not otherwise be exercised after the Shares to which it is subject cease to satisfy paragraphs 16 to 20 of Schedule 4.

SECTION 3 OF EXHIBIT B
RESTRICTIONS ON TERMS OF TAX-QUALIFIED OPTIONS

3.1. A Tax-Qualified Option can only be satisfied by the delivery of Shares. The Committee may not permit or require the deferral of any settlement of a Tax-Qualified Option, and the relevant Shares shall be delivered no later than 30 days from the date of exercise.

3.2. The Exercise Price of a Tax-Qualified Option may not be paid by the tendering of shares of Stock.

3.3. If the Exercise Price of a Tax-Qualified Option (or any tax or social security withholding obligation arising in connection with its exercise) is funded by the sale of Shares acquired on exercise, the Shares must first be acquired by the Participant, and cannot be sold before the exercise of the Option.

3.4. A Tax-Qualified Option cannot be transferred during the Participant’s life, although it may be transmitted to the Participant’s personal representatives on the Participant’s death.

3.5. Any provisions in the Award Agreement for a Tax-Qualified Option shall comply with the requirements of Schedule 4.

3.6. The Company shall ensure that the Participant has an enforceable right to a Tax-Qualified Option (in accordance with its terms) from its date of grant.

SECTION 4 OF EXHIBIT B
NOTIFICATION OF TERMS OF TAX-QUALIFIED OPTION

4.1. The Company will ensure that the Participant is notified of the following (which must be determined on the date of grant of the Option) as soon as practicable after grant of a Tax-Qualified Option:

(a) the number and description of the Shares subject to the Option;
(b) the Exercise Price;

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whether or not the Shares subject to the Option are subject to any restriction (as defined in paragraph 36(3) of Schedule 4) and, if so, the details of any such restrictions;

(d) the times at which the Option may be exercised (in whole or in part);

(e) the circumstances under which the Option will lapse or be cancelled (in whole or in part), including any conditions to which the exercise of the Option (in whole or in part) is subject; and

(f) any mechanism by way of which any terms referred to in sub-paragraphs (a) and (c) to (e) above can be changed.

4.2. The notification may be given wholly or partly through the Award Agreement relating to the Tax-Qualified Option.

SECTION 5 OF EXHIBIT B

EXERCISE PRICE

The Exercise Price of a Tax-Qualified Option will not be less than Market Value of a Share on the date of grant.

SECTION 6 OF EXHIBIT B

HMRC LIMIT

The aggregate Market Value of:

(a) the Shares subject to a Tax-Qualified Option held by a Participant; and

(b) the Shares which the Participant may acquire on exercising other Tax-Qualified Options; and

(c) the shares which the Participant may acquire on exercising his options under any other Schedule 4 Plan established by the Company or by any of its associated companies (as defined in paragraph 35 of Schedule 4),

must not be more than the amount permitted under paragraph 6(1) of Schedule 4 (currently £30,000). To the extent that a Tax-Qualified Option is purportedly granted over a number of Shares which would result in this limit being exceeded the Option shall be automatically limited and take effect so that this limit is not exceeded, and the Tax-Qualified Option shall be deemed not to have been granted to the extent that it exceeds this limit. For the purposes of this Section, Market Value is calculated as at the date of grant of the relevant option.

SECTION 7 OF EXHIBIT B

ADJUSTMENT OF OPTIONS

7.1. Adjustments may be made to Tax-Qualified Options under Section 3.2 of the Plan only where there is a variation of the share capital of which Shares form part and:

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(a) the total Exercise Price after adjustment must be substantially the same as before adjustment; and
(b) the total Market Value of the Shares subject to the Option must remain substantially the same; and
(c) the Plan (as amended by this Exhibit B) must continue to be a Schedule 4 Plan.

7.2. An annual return relating to the Plan (as amended by this Exhibit B) submitted to HMRC following any such adjustment must include a declaration that the Plan (as amended by this Exhibit B) continues to comply with Schedule 4.

SECTION 8 OF EXHIBIT B
MATERIAL INTEREST

A Participant may not exercise a Tax-Qualified Option while he is excluded from participation in a Schedule 4 Plan under paragraph 9 of Schedule 4 (material interest provisions).

SECTION 9 OF EXHIBIT B
EXERCISE – ADDITIONAL PROVISIONS

9.1. A Tax-Qualified Option shall vest and become exercisable on the third anniversary of the date of grant of the Option (or such later date as may be provided in the Award Agreement) save where it may be exercised earlier in accordance with the other provisions of this Section 9, Section 10 of this Exhibit B or Section 8 of the Plan. A Tax-Qualified Option shall not be exercisable before any such date or time.

9.2. Except to the extent otherwise prohibited by any other provision of the Plan (as amended by this Exhibit B), a Participant may exercise a Tax-Qualified Option for the period of six months after ceasing to be an Employee for any of the following reasons:

(a) injury;
(b) ill health;
(c) Disability;
(d) Retirement;
(e) redundancy (within the meaning of the Employment Rights Act 1996 of the United Kingdom);
(f) the Participant’s employer ceasing to be a Participating Company;
(g) the transfer of the business that employs the Participant to a person that is not a Participating Company; or
(h) any other reason with the consent of the Committee.
9.3. If a Participant dies before the lapse of a Tax-Qualified Option, his Tax-Qualified Option may be exercised by his personal representatives at any time within 12 months after his death, notwithstanding any earlier lapse in accordance with the rules of the Plan.

9.4. A Tax-Qualified Option shall not be exercisable after the Company’s close of business on the last business day that occurs prior to the Tax-Qualified Option Expiration Date. The Tax-Qualified Option Expiration Date shall be the earliest to occur of the following:

(a) the date on which any applicable period provided in Section 9.2 of this Exhibit B expires;
(b) the date on which the Participant ceases to be an Employee for any reason other than those set out in Section 9.2 of this Exhibit B;
(c) the date on which the Option lapses in accordance with Section 10.4(c) of this Exhibit B, if applicable;
(d) the last day of the period specified in Section 10.5 of this Exhibit B, if applicable;
(e) any date on which the Option lapses in accordance with Section 10.6 of this Exhibit B;
(f) any other date on which the Option lapses in accordance with the Plan (other than Section 4 of the Plan) or the Award Agreement; or
(g) the last day of the term of the Option,

in each case save where Section 9.3 of this Exhibit B applies in which case the Tax-Qualified Option Expiration Date shall be the last day of the period referred to in that Section 9.3.

9.5. Except for rights determined by reference to a date before the date of issue, or any restriction notified in accordance with Section 4.1(c) of this Exhibit B, Shares issued in satisfaction of the exercise of an Option shall rank equally in all respects with Shares of the same class in issue at the date of issue.

SECTION 10 OF EXHIBIT B
CORPORATE EVENTS

10.1. Change in Control. The provisions of this Section 10 of Exhibit B have effect in addition to any provisions provided in the Award Agreement or by the Committee pursuant to Section 6 of the Plan. Notwithstanding the foregoing, no such provision provided in the Award Agreement shall have effect if it would affect the status of the Plan as amended by this Exhibit B as a Schedule 4 Plan, and no such provision provided by the Committee shall have effect if it would affect such status as a Schedule 4 Plan unless it is determined that the Plan as amended by this Exhibit B should cease to be a Schedule 4 Plan. Section 6.2 of the Plan shall not apply unless it is determined that the Plan as amended by this Exhibit B should cease to be a Schedule 4 Plan.

Exhibit B- 6
10.2. **Takeover Offer.** If any person obtains Control of the Company as a result of making a Takeover Offer (other than pursuant to a Reorganisation), any Tax-Qualified Options that are not exchanged pursuant to Section 10.4 of this Exhibit B may, subject to Section 10.4, be exercised within 40 days after the time when the person making the offer has obtained Control of the Company and any conditions subject to which the Takeover Offer is made have been satisfied.

10.3. **Non-UK Company Reorganisation Arrangement.** If a non-UK company reorganisation arrangement (as defined in Schedule 4) applicable to or affecting:

   (a) all the ordinary share capital of the Company, or all the Shares; or

   (b) all the ordinary share capital of the Company, or all the Shares, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in a Schedule 4 Plan,

becomes binding on the shareholders covered by it, then any Options that are not exchanged pursuant to Section 10.4 of this Exhibit B may be exercised within 40 days of the arrangement becoming binding.

10.4. **Option Exchange.**

   (a) If, as a result of the events specified in Section 10.2 or 10.3 of this Exhibit B, a company has obtained Control of the Company, the Participant may, by agreement with that other company (the “Acquiring Company”), within the applicable period provided in paragraph 26(3) of Schedule 4, release each Option (the “Old Option”) in consideration of the grant of an Option (the “New Option”) which satisfies the conditions set out in paragraph 27 of Schedule 4.

   (b) Where, in accordance with this Section 10.4, Options are released and New Options granted, the New Options shall not be exercisable in accordance with Sections 10.2 or 10.3 above by virtue of the event by reason of which the New Options were granted.

   (c) Where New Options are, or are to be, offered in exchange for the release of Old Options in accordance with the above provisions of this Section 10.4, the Committee may determine that the Old Options will not become exercisable or lapse as a result of the relevant event under Section 10.2 or 10.3. In such cases, the Old Options will, if the Committee so specifies, lapse at the end of the period for acceptance of the offer, provided that Option Holders have a period of at least 14 days in which to accept the offer.

10.5. **Shares Ceasing to Be Subject to Schedule 4.** If Section 10.2 or 10.3 of this Exhibit applies and, as a result of the event by virtue of which that paragraph applies, Shares in the Company would no longer meet the requirements of Part 4 of Schedule 4, the Committee, acting fairly and reasonably, may decide that the Tax-Qualified Options may be exercised under that Section only within a 20-day period after the relevant event.
10.6. **Lapse Following Corporate Event.** Where a Tax-Qualified Option becomes exercisable pursuant to this Section 10 of Exhibit B, if it is not exercised by the end of the period specified for exercise it shall then lapse (save where Section 9.3 of this Exhibit B applies).

10.7. **Extent of Exercise Following Corporate Event.** Where a Tax-Qualified Option becomes exercisable pursuant to this Section 10, it shall be exercisable in full, subject to any contrary provision in the Award Agreement.

**SECTION 11 OF EXHIBIT B**

**BOARD AND COMMITTEE’S POWERS**

11.1. The Board and the Committee’s powers under the Plan are further restricted in relation to Tax-Qualified Options as described in this Section.

11.2. No amendment to the Plan or this Exhibit B shall apply in relation to Tax-Qualified Options if it would result in the Plan as amended by this Exhibit B ceasing to be a Schedule 4 Plan, unless it is determined that it should so cease.

11.3. This Exhibit B, and the Plan as amended by this Exhibit B, shall at all times be interpreted in a manner consistent with Schedule 4 and any other legislative provisions applying to Schedule 4 Plans, save where it is determined that the Plan as amended by this Exhibit B should cease to be a Schedule 4 Plan.

11.4. Any exercise of discretion in relation to an outstanding Tax-Qualified Option must be done in a fair and reasonable manner.

11.5. An annual return submitted to HMRC following any change to a term of a Tax-Qualified Option which is necessary to comply with Parts 2 to 6 of Schedule 4 must include a declaration that the Plan continues to comply with Schedule 4 from the date of the change.
OUTBRAIN INC.
EMPLOYEE STOCK PURCHASE PLAN
Effective as of July 18, 2021
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OUTBRAIN INC.
EMPLOYEE STOCK PURCHASE PLAN

SECTION 1.
GENERAL

1. **Purpose.** The Outbrain Inc. Employee Stock Purchase Plan (the “Plan”), effective as of July 18, 2021, has been established by Outbrain Inc. (the “Company”) to provide eligible employees of the Company and the Related Companies with an opportunity to acquire a proprietary interest in the Company through the purchase of common shares of the Company (“Stock”). The Plan is intended to permit the Committee to make offerings that are intended to qualify as an employee stock purchase plan under Section 423 of the Code, and the provisions of the Plan are to be construed in a manner consistent with the requirements of that section for offerings intended to meet such requirements, and to permit the Committee to make offerings that are not intended to satisfy the requirements of Section 423 of the Code.

2. **Operation and Administration.** The operation and administration of the Plan shall be subject to the provisions of Section 3. Capitalized terms in the Plan shall be defined as set forth in Section 6 or elsewhere in the Plan.

SECTION 2.
METHOD OF PURCHASE

2.1. **Eligibility.** Plan participation shall be available to (and shall be limited to) all persons who are employees of the Employers, except that the following persons shall not be eligible to participate in the Plan unless otherwise specified by the Committee with respect to a specific Subscription Period:

(a) An employee who has been employed less than 500 hours and less than six months.

(b) An employee whose customary employment is 20 hours or less per week.

(c) An employee whose customary employment is for not more than five months in any calendar year.

(d) 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 Plan 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 Plan or offering to violate the requirements of Section 423 of the Code.

Notwithstanding the foregoing provisions of this subsection 2.1, an individual may participate in the Plan for any Subscription Period only if he or she is employed by an Employer on the first day of that period. Additionally, notwithstanding the foregoing provisions of this
subsection 2.1, the following persons shall not be eligible to participate in any offering under the Plan intended to satisfy the requirements of Section 423 of the Code: an employee who owns, or who would own upon the exercise of any rights extended under the Plan 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 corporation.

2.2. Participation Election. The Committee shall establish “Subscription Periods” (of not longer than twenty-seven months for any offering period intended to satisfy the requirements of Section 423 of the Code) for the accumulation of funds necessary for payment of the Purchase Price (as defined in subsection 2.3) of Stock under the Plan. For any Subscription Period, an eligible employee shall become a Plan ‘Participant’ by filing, with the Committee, a written payroll deduction authorization with respect to Compensation otherwise payable to the Participant during the period. Such payroll deductions shall be any full percentage of the Compensation of the Participant, or any specified whole dollar amount, up to but not more than 20% of his or her Compensation unless otherwise specified by the Committee. After the beginning of the Subscription Period, and except as otherwise provided in subsection 2.4, a Participant may not alter the rate of his or her payroll deductions for that period. Subject to the limitations of subsection 2.3, each eligible employee who has elected to become a Participant for a Subscription Period in accordance with the foregoing provisions of this subsection 2.2 shall be granted on the first day of such Subscription Period an option to purchase (at the applicable Purchase Price) on the Exercise Date (as defined in subsection 2.3) for such Subscription Period up to a number of whole shares of Stock determined by dividing such Participant’s accumulated payroll deductions as of such Exercise Date by the applicable Purchase Price, subject to such limits on the number of shares that may be purchased with respect to any Subscription Period as may be imposed by the Committee. Exercise of the option shall occur as provided in subsection 2.3, unless the Participant has terminated participation in the Plan prior to the Exercise Date as provided in subsection 2.4 or the Participant elects not to exercise the option as provided in subsection 2.3(b). The option shall expire on the last day of the Subscription Period.

2.3. Purchase of Stock. On the last day of each Subscription Period (the “Exercise Date”), a Participant shall become eligible to exercise his or her option to purchase the number of whole shares of Stock as his or her accumulated payroll deductions for the Subscription Period will purchase, subject to the following:

(a) The “Purchase Price” per share shall be equal to 85% of the lesser of (i) the fair market value of Stock on the date of grant of the option (the first day of the Subscription Period); or (ii) the fair market value of Stock on the Exercise Date (or such higher price as may be determined by the Committee from time to time). In no event shall the Purchase Price be less than the par value of the Stock.

(b) A Participant shall be deemed to have elected to purchase the shares of Stock which he or she became entitled to purchase on the Exercise Date unless he or she shall notify the Company prior to the Exercise Date, or such other time as the Committee may establish, that the Participant he or she elects not to make such purchase.
(c) Any accumulated payroll deductions that are not used to purchase full shares of Stock under the Plan shall be paid to the Participant without interest.

(d) For a Subscription Period, the Committee may establish applicable limits on the total value or number of shares of Stock that may be purchased pursuant to such offering by an employee. In any event, no employee shall have the right to purchase more than $25,000 in value of Stock under the Plan in any calendar year for any offerings intended to comply with the requirements of Section 423 of the Code (and any other employee stock purchase plan described in Section 423 of the Code and maintained by the Company or any Related Company), such value being based on the fair market value of Stock as of the date on which the option to purchase the Stock is granted, as determined in accordance with subsection 2.2 of the Plan.

2.4. Termination of Participation. A Participant may discontinue his or her participation in the Plan for any Subscription Period, whereupon all of the Participant’s payroll deductions for the Subscription Period will be promptly paid to him or her without interest, and no further payroll deductions will be made from his or her pay for that period. If a Participant’s employment with the Employers terminates during a Subscription Period for any reason (or, if earlier, the Participant gives notice of a voluntary resignation during a Subscription Period), all payroll deductions accumulated by the Participant under the Plan for the period shall be paid to the Participant without interest.

SECTION 3.
OPERATION AND ADMINISTRATION

3.1. Effective Date. Subject to the approval of the shareholders of the Company within twelve months, the Plan shall be effective as of the date on which it is adopted by the Board; provided, however, that to the extent that rights are granted under the Plan prior to its approval by shareholders, they shall be contingent on approval of the Plan by the shareholders of the Company. The Plan shall have a ten-year term, subject to earlier termination as provided in Section 5, and no new Subscription Period or other offering may be granted under the Plan after the ten-year anniversary of the date on which the stockholders approved the Plan.

3.2. Shares Subject to Plan. Shares of Stock to be purchased under the Plan shall be subject to the following:

(a) The shares of Stock which may be purchased under the Plan shall be currently authorized but unissued shares, or shares purchased in the open market by a direct or indirect wholly owned subsidiary of the Company (as determined by any executive officer of the Company). The Company may contribute to the subsidiary an amount sufficient to accomplish the purchase in the open market of the shares of Stock to be so acquired (as determined by any executive officer of the Company).

(b) Subject to the provisions of subsection 3.3, the number of shares of Stock which may be purchased under the Plan shall not exceed 1,263,000 shares of Stock. The aggregate number of shares of Stock that may be delivered pursuant to the Plan as

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specified in the previous sentence will automatically increase on January 1 of each year, for a period of not more than ten (10) years, commencing on January 1, 2022 and ending on (and including) January 1, 2031, in an amount equal to one percent (1%) of the total number of shares of Stock outstanding on December 31 of the preceding calendar year (or, if less, one percent (1%) of the total number of shares of Stock outstanding on the date this Plan is approved by shareholders). Notwithstanding the foregoing, the Board may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for such year will be a lesser number of Shares than provided herein.

(c) A Participant will have no interest in shares of Stock covered by his or her Subscription Agreement until the shares are delivered to him or her.

3.3. **Adjustments to Shares.**

(a) If the Company shall effect any subdivision or consolidation of shares of Stock or other capital readjustment, payment of stock dividend, stock split, combination of shares or recapitalization or other increase or reduction of the number of shares of Stock outstanding without receiving compensation therefor in money, services or property, then, subject to the requirements of Section 423 of the Code, the Committee shall adjust the number of shares of Stock available under the Plan.

(b) If the Company is reorganized, merged or consolidated or is party to a plan of exchange with another corporation, pursuant to which reorganization, merger, consolidation or plan of exchange 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 of the Code, there shall be substituted for the shares subject to outstanding rights to purchase Stock under the Plan 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.

3.4. **Limit on Distribution.** Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to issue any shares of Stock under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(b) In the case of a Participant who is subject to Section 16(a) and 16(b) of the Securities Exchange Act of 1934, the Committee may, at any time, add such conditions and limitations with respect to such Participant as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.
To the extent that the Plan provides for issuance of certificates to reflect the transfer of shares of Stock, the transfer of such shares may, at the
direction of the Committee, be effected on a non-certificated basis, to the extent not prohibited by the provisions of Rule 16b-3, applicable local
law, the applicable rules of any stock exchange, or any other applicable rules.

3.5.  **Withholding.** All benefits under the Plan are subject to withholding of all applicable taxes.

3.6.  **Transferability.** Except as otherwise permitted under Section 424 of the Code and SEC Rule 16b-3, neither the amount of any payroll deductions made
with respect to a Participant’s compensation nor any Participant’s rights to purchase shares of Stock under the Plan may be pledged or hypothecated, nor may they
be assigned or transferred other than by will and the laws of descent and distribution. During the lifetime of the Participant, the rights provided to the Participant
under the Plan may be exercised only by him or her.

3.7.  **Limitation of Implied Rights.**

(a)  Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Employers
whatsoever, including, without limitation, any specific funds, assets, or other property which the Employers, in their sole discretion, may set aside
in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan,
unsecured by any assets of the Employers. Nothing contained in the Plan shall constitute a guarantee by any of the Employers that the assets of the
Employers shall be sufficient to pay any benefits to any person.

(b)  The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee the right to be retained in the
employ of an Employer or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically
accrued under the terms of the Plan. Except as otherwise provided in the Plan, no right to purchase shares under the Plan shall confer upon the
holder thereof any right as a shareholder of the Company prior to the date on which he or she fulfills all service requirements and other conditions
for receipt of such rights.

3.8.  **Evidence.** Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it
considers pertinent and reliable, and signed, made or presented by the proper party or parties.

3.9.  **Action by Employers.** Any action required or permitted to be taken by any Employer shall be by resolution of its board of directors, or by action of one or
more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by the provisions
of Rule 16b-3, applicable local law, the applicable rules of any stock exchange, or any other applicable rules) by a duly authorized officer of the Employer.
3.10. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

SECTION 4.
COMMITTEE

4.1. Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the “Committee”) in accordance with this Section 4.

4.2. Selection of Committee. The Committee shall be selected by the Board, and shall consist of not less than two members of the Board, or such greater number as may be required for compliance with SEC Rule 16b-3.

4.3. Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

   (a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish the terms, conditions, restrictions, and other provisions applicable to the right to purchase shares of Stock under the Plan.

   (b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

   (c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

4.4. Delegation by Committee. Except to the extent prohibited by the provisions of Rule 16b3, applicable local law, the applicable rules of any stock exchange, or any other applicable rules, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

4.5. Information to be Furnished to Committee. The Employers and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. The records of the Employers and Related Companies as to an employee’s or Participant’s employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

4.6. Other Countries. The Committee may adopt, amend and terminate one or more sub-plans to the Plan to permit employees in a country other than the United States to participate in the Plan on the terms described in the applicable sub-plan, in compliance with that country’s
4.7. **Liability and Indemnification of Committee.** No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his or her own fraud or willful misconduct; nor shall the Employers be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Employers. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Employers, to the fullest extent permitted by law, against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

**SECTION 5. AMENDMENT AND TERMINATION**

The Board may, at any time, amend or terminate the Plan, provided that, subject to subsection 3.3 (relating to certain adjustments to shares), no amendment or termination may adversely affect the rights of any Participant or beneficiary with respect to shares that have been purchased prior to the date such amendment is adopted by the Board. No amendment of the Plan may be made without approval of the Company’s shareholders to the extent that such approval is required to maintain compliance with the requirements of Section 423 of the Code.

**SECTION 6. DEFINED TERMS**

For purposes of the Plan, the terms listed below shall be defined as follows:

(a) **Board.** The term “Board” shall mean the Board of Directors of the Company.

(b) **Code.** The term “Code” means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.
(c) **Compensation.** The term “Compensation” means, except as otherwise specified by the Committee with respect to a Subscription Period, total compensation paid by an Employer for the applicable period specified in Section 2.2, exclusive of any payment in cash or kind under any stock option plan, deferred compensation plan, or other employee benefit plan or program of the Company or Related Company.

(d) **Dollars.** As used in the Plan, the term “dollars” or numbers preceded by the symbol “$” shall mean amounts in United States Dollars.

(e) **Effective Date.** The “Effective Date” shall be the date on which the Plan is adopted by the Board.

(f) **Employer.** The Company and each Related Company which, with the consent of the Company, adopts the Plan for the benefit of its eligible employees are referred to collectively as the “Employers” and individually as an “Employer”.

(g) **Fair Market Value.** The “Fair Market Value” of a share of Stock of the Company as of any date shall be the closing market composite price for such Stock as reported for the New York Stock Exchange - Composite Transactions on that date or, if Stock is not traded on that date, on the next preceding date on which Stock was traded.

(h) **Participant.** The term “Participant” means any employee of an Employer who is eligible and elects to participate pursuant to the provisions of Section 2.

(i) **Related Companies.** The term “Related Company” means any company during any period in which it is a “subsidiary corporation” (as that term is defined in Section 424(f) of the Code with respect to the Company.)
OUTBRAIN INC.
EMPLOYEE SHARE PURCHASE PLAN ISRAELI APPENDIX

This Israeli Appendix (the “Appendix”) to the Employee Share Purchase Plan (as amended from time to time, the “Plan”) of Outbrain Inc. (the “Company”) shall apply only to persons who are, or are deemed to be, residents of the State of Israel for Israeli tax purposes.

1. GENERAL

1.1. The Committee, in its discretion, may grant a right to purchase Awards to eligible employees and shall determine whether any Award is intended to be a 102 Award. Each exercise of a right to purchase an Award shall be evidenced by a Subscription Agreement, which shall expressly identify the Award type, and be in such form and contain such provisions, as the Committee shall from time to time deem appropriate.

1.2. The Plan shall apply to any Awards and rights to purchase Awards, in each case granted pursuant to this Appendix, provided, that the provisions of this Appendix shall supersede and govern in the case of any inconsistency or conflict, either explicit or implied, arising between the provisions of this Appendix and the Plan.

1.3. Unless otherwise defined in this Appendix, capitalized terms contained herein shall have the same meanings given to them in the Plan.

2. DEFINITIONS

2.1. “102 Award” means any Award intended to qualify (as set forth in the Subscription Agreement) and which qualifies under Section 102, provided it is settled only in Shares.

2.2. “102 Capital Gain Track Award” means any Award granted by the Company to an Employee pursuant to Section 102(b)(2) or (3) (as applicable) of the Ordinance under the capital gain track.

2.3. “102 Non-Trustee Award” means any Award granted by the Company to an Employee pursuant to Section 102(c) of the Ordinance without a Trustee.

2.4. “102 Ordinary Income Track Award” means any Award granted by the Company to an Employee pursuant to Section 102(b)(1) of the Ordinance under the ordinary income track.

2.5. “102 Trustee Awards” means, collectively, 102 Capital Gain Track Awards and 102 Ordinary Income Track Awards.

2.6. “Affiliate” means, with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common
control with, such person (with the term “control” or “controlled by” within the meaning of Rule 405 of Regulation C under the Securities Act), including, without limitation, any Parent or Subsidiary.

2.7. “Award” shall mean any Share purchased according to the Plan.

2.8. “Election” as defined in Section 3.2 below.

2.9. “Employee” means an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Appendix means (i) an individual employed by an Employer, and (ii) an individual who is serving and is engaged personally (and not through an entity) as an “office holder” by an Employer, excluding any controlling shareholder as to such term is defined in Section 32(9) of the Ordinance.), provided such Employee also satisfies the eligibility requirements under the Plan.

2.10. “Employer” means, for purpose of a 102 Trustee Award, an Affiliate, Subsidiary or Parent which is an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.11. “ITTA” means the Israel Tax Authority.

2.12. “Ordinance” means the Israeli Income Tax Ordinance (New Version), 1961, including the Rules and any other regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time.

2.13. “Parent” means any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain.

2.14. “Required Holding Period” as defined in Section 3.5.1 below.


2.16. “Section 102” means Section 102 of the Ordinance.

2.17. “Share” means an Ordinary Share.

2.18. “Subsidiary” means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain; provided, however, that a limited liability company or partnership may be treated as a Subsidiary to the extent either (a) such entity is treated as a disregarded entity under Treasury Regulation Section 301.7701-3(a) by reason of the Company or any other Subsidiary that is a corporation being the sole owner of such entity, or (b) such entity
elects to be classified as a corporation under Treasury Regulation Section 301.7701-3(a) and such entity would otherwise qualify as a Subsidiary. In addition, with respect to the Non-Section 423 Component, Subsidiary shall include any corporate or non-corporate entity in which the Company has a direct or indirect equity interest or significant business relationship.

2.19. “Trust Agreement” means the agreement to be signed between the Company, an Employer and the Trustee for the purposes of Section 102.

2.20. “Trustee” means the trustee appointed by the Company’s Committee to hold the Awards and approved by the ITA.

2.21. “Subscription Agreement” means a written or electronic agreement between the Company and the Participant or a written or electronic notice delivered by the Company evidencing the exercise of an Award granted pursuant to the Plan, in substantially such form or forms and containing such terms and conditions, as the Committee shall from time to time approved.

2.22. “Withholding Obligations” as defined in Section 4.5 below.

3. **102 AWARDS**

3.1. **Tracks.** Awards granted pursuant to this Section 3 are intended to be granted as either 102 Capital Gain Track Awards or 102 Ordinary Income Track Awards. 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 3 and the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations.

3.2. **Election of Track.** Subject to Applicable Law, the Company may grant only one type of 102 Trustee Award at any given time to all Employees who are to be granted 102 Trustee Awards pursuant to this Appendix, and shall file an election with the ITA regarding the type of 102 Trustee Award it elects to grant before the date of grant of any 102 Trustee Award (the “Election”). Such Election shall also apply to any other securities received by any Employee as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Award that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting 102 Non-Trustee Awards.

3.3. **Eligibility for Awards.** Subject to Applicable Law, 102 Awards may only be granted to Employees. Such 102 Awards may either be granted to a Trustee or granted under Section 102 without a Trustee.

3.4. **102 Award Grant Date.**

3.4.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to the provisions of the Plan, provided that (i) the Employee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to
any 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA.

3.4.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of the Plan and this Appendix or an amendment to the Plan or this Appendix, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of the Plan and this Appendix or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, and such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Subscription Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Subscription Agreement.

3.5. 102 Trustee Awards.

3.5.1. Each Share issued pursuant to the 102 Trustee Award shall be allocated or issued to and registered in the name of the Trustee and shall be held in trust or controlled by the Trustee for the benefit of the Participant for the requisite period prescribed by the Ordinance (the “Required Holding Period”). In the event that the requirements under Section 102 to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award (as determined by the Company), all in accordance with the provisions of the Ordinance. After the expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Participant has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Employer withhold(s) all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards prior to the payment in full of the Participant’s tax and compulsory payments arising from such 102 Trustee Awards or the withholding referred to in (ii) above.

3.5.2. Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in the Plan, this Appendix or the Subscription Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in the Plan, this Appendix or Subscription Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. Any Participant granted a 102 Trustee Award shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant shall execute any and all documents that the Company and/or the Affiliate and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.
3.5.3. During the Required Holding Period, the Participant shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable in connection with a 102 Trustee Award and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Participant under Section 102 and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, but subject to the terms of the Plan and this Appendix, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company’s corporate documents, any agreement governing the Shares, the Plan, this Appendix, the Subscription Agreement and any Applicable Law.

3.5.4. Upon or after receipt of a 102 Trustee Award, if required, the Participant may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to the Plan, this Appendix, or any 102 Trustee Awards granted to such Participant hereunder.

3.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 3 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Award and all accrued rights thereon (if any) in trust for the benefit of the Participant and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to require the Participant to provide the Company with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

3.7. Written Participant Undertaking. With respect to any 102 Trustee Award, as required by Section 102 and the Rules, by virtue of the receipt of such Award, the Participant is deemed to have provided, undertaken and confirmed the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Participant in connection with the grant of such Award), and which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Participant, whether under the Plan and this Appendix or other plans maintained by the Company, and whether prior to or after the date hereof:

3.7.1. The Participant shall comply with all terms and conditions set forth in Section 102 with regard to the “Capital Gain Track” or the “Ordinary Income Track”, as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;
3.7.2. The Participant is familiar with, and understands the provisions of, Section 102 in general, and the tax arrangement under the “Capital Gain Track” or the “Ordinary Income Track” in particular, and its tax consequences; the Participant agrees that the 102 Trustee Awards will be held by a Trustee appointed pursuant to Section 102 for at least the duration of the “Holding Period” (as such term is defined in Section 102) under the “Capital Gain Track” or the “Ordinary Income Track”, as applicable. The Participant understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Shares prior to the termination of the Holding Period, as defined above, will result in taxation at the marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

3.7.3. The Participant agrees to the Trust Agreement signed between the Company, the Employer and the Trustee appointed pursuant to Section 102.

4. AGREEMENT REGARDING TAXES; DISCLAIMER

4.1. If the Company shall so require, as a condition of the release of Shares by the Trustee, a Participant shall agree that, no later than the date of such occurrence, the Participant will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Company and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

4.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE PARTICIPANT OR THE COMPANY IN CONNECTION THERewith) SHALL BE BORNE AND PAID SOLELY BY THE PARTICIPANT, AND THE PARTICIPANT SHALL INDEMNIFY THE COMPANY, THE AFFILIATE AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH PARTICIPANT AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

4.3. NO TAX ADVICE. THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE PARTICIPANT ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE PARTICIPANT.
4.4. **TAX TREATMENT.** THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY DESIGNATION OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR SUBSCRIPTION AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENTS OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY, ANY OF ITS AFFILIATES (INCLUDING THE EMPLOYER) THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WILL QUALIFY AT THE TIME OF DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND THE AFFILIATE (INCLUDING THE EMPLOYER) SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY OR ITS AFFILIATES (INCLUDING THE EMPLOYER) COULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE PARTICIPANT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITY, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE PARTICIPANT.

4.5. The Company or the Affiliate (including the Employer) may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or the Affiliate (including the Employer) is required by any Applicable Law to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Participant’s participation in the Plan and applicable by law to the Participant (collectively, “Withholding Obligations”). Such actions
may include (i) requiring Participants to remit to the Company or the Employer in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company or the Employer in connection with the Award; (ii) subject to Applicable Law, allowing the Participants to surrender Shares, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; or (iii) any combination of the foregoing.

4.6. Each Participant shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Participant first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Participant shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

4.7. With respect to 102 Non-Trustee Awards, if the Participant ceases to be employed by the Company or any Parent, Subsidiary or Affiliate (including the Employer), the Participant shall extend to the Company and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the Rules.

5. RIGHTS AND OBLIGATIONS AS A SHAREHOLDER

5.1. A Participant shall have no rights as a shareholder of the Company with respect to any Shares covered by an Award until the Participant becomes the record holder of the subject Shares. In the case of 102 Awards (if such Awards are being held by a Trustee), the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Participant’s benefit, and the Participant shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Participant and the transfer of record ownership of such Shares to the Participant (provided however that the Participant shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Participant’s benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date on which the Participant or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in the Plan.

5.2. With respect to Shares issued in connection with Awards hereunder, any and all voting rights attached to such Shares shall be subject to the provisions of the Plan, and the Participant shall be entitled to receive dividends distributed with respect to such Shares, subject to the provisions of the Company’s Articles of Association, as amended from time to time, and subject to any Applicable Law.
5.3. The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

5.4. Shares issued pursuant to an Award shall be subject to the Company’s Articles of Association (as amended from time to time), any limitation, restriction or obligation applicable to shareholders included in any shareholders agreement applicable to all or substantially all of the holders of Shares (regardless of whether or not the Participant is a formal party to such shareholders agreement), any other governing documents of the Company, and all policies, manuals and internal regulations adopted by the Company from time to time, in each case, as may be amended from time to time, including any provisions included therein concerning restrictions or limitations on disposition of Shares (such as, but not limited to, right of first refusal and lock up/market stand-off) or grant of any rights with respect thereto, forced sale and bring along provisions, any provisions concerning restrictions on the use of inside information and other provisions deemed by the Company to be appropriate in order to ensure compliance with Applicable Laws. Each Participant shall execute such separate agreement(s) as may be requested by the Company relating to matters set forth in this Section 5.4.

6. GOVERNING LAW

6.1. This Appendix shall be governed by and construed in accordance with the laws of the State of Israel (excluding its choice-of-law provisions) except that applicable Israeli laws, rules and regulations (as amended) shall apply to any mandatory tax matters arising hereunder.

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

I, David Kostman, certify that:

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

Date: November 12, 2021

By: /s/ David Kostman

Name: David Kostman
Title: Co-Chief Executive Officer (Principal Executive Officer)
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yaron Galai, certify that:

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

Date: November 12, 2021

By: /s/ Yaron Galai
Name: Yaron Galai
Title: Co-Chief Executive Officer (Principal Executive Officer)
I, Elise Garofalo, certify that:

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

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2021

By: /s/ Elise Garofalo
Name: Elise Garofalo
Title: Chief Financial Officer
(Principal Financial Officer)
CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 12, 2021

By: /s/ David Kostman

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

By: /s/ Yaron Galai

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

By: /s/ Elise Garofalo

Name: Elise Garofalo
Title: Chief Financial Officer (Principal Financial Officer)