

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 7, 2023

Outbrain Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-40643
(Commission File Number)

20-5391629
(IRS Employer
Identification No.)

**111 West 19th Street
New York, NY 10011**
(Address of principal executive offices, including zip code)

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

On November 7, 2023, Outbrain Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended September 30, 2023.

Information furnished with Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

In the press release, the Company references non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in the press release filed as an exhibit hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated November 7, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

OUTBRAIN INC.

Date: November 7, 2023

By: /s/ David Kostman

Name: David Kostman

Title: Co-Chief Executive Officer



Outbrain Announces Third Quarter 2023 Results

New York – November 7, 2023— Outbrain Inc. (Nasdaq: OB), a leading technology platform that drives business results by engaging people across the open Internet, announced today financial results for the quarter ended September 30, 2023.

“First we want to address the situation in the Middle East and express our support to the people of Israel and our employees and their families,” said David Kostman and Yaron Galai, Outbrain’s Co-CEOs.

“We are pleased with the year over year growth of 8% in our Ex-TAC gross profit, finishing Q3 within the range of our guidance, while significantly exceeding the high end of our Adjusted EBITDA guidance and generating positive free cash flow,” said David Kostman. “In light of the macroeconomic volatility and geopolitical challenges we continue with our cost discipline, while remaining focused on our strategic initiatives and excited about our potential growth drivers as we look into 2024 and beyond,” added David Kostman.

“We are excited with the growing number of publishers and advertisers adopting Keystone and Onyx. We believe these new offerings, together with technology innovation on algorithms and generative AI will drive significant business results and ROAS for our partners,” added Yaron Galai, Outbrain’s Co-Founder and Co-CEO.

Third Quarter 2023 Key Financial Metrics:

(in millions USD)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Revenue	\$ 230.0	\$ 229.0	— %	\$ 687.6	\$ 734.1	(6) %
Gross profit	46.4	41.9	11 %	131.6	144.6	(9) %
Net income (loss)	0.5	(4.6)	111 %	6.2	(16.8)	137 %
Net cash provided by (used in) operating activities	6.9	(12.1)	157 %	(11.7)	(13.3)	12 %
Non-GAAP Financial Data*						
Ex-TAC gross profit	56.8	52.7	8 %	163.6	175.5	(7) %
Adjusted EBITDA	10.3	1.7	508 %	14.5	19.2	(25) %
Adjusted net income (loss)	0.3	(5.5)	105 %	(6.3)	(16.5)	62 %
Free cash flow	1.8	(15.8)	111 %	(27.5)	(33.6)	18 %

* See non-GAAP reconciliations below

Third Quarter 2023 Financial Results

- Revenue of \$230.0 million, an increase of \$1.0 million, compared to \$229.0 million in the prior year period, including net favorable foreign currency effects of approximately \$5.1 million. The reported increase was driven by approximately \$11 million, or 5%, of growth from new media partners¹, partially offset by lower revenue of approximately \$10 million due to net revenue retention of 95% on existing media partners.
- Gross profit of \$46.4 million, an 11% year-over-year increase, compared to \$41.9 million in the prior year period.



- Ex-TAC gross profit of \$56.8 million, an 8% year-over-year increase, compared to \$52.7 million in the prior year period, including net favorable foreign currency effects of approximately \$0.5 million. The reported increase was primarily driven by improved performance from certain deals, partially offset by a net unfavorable change in revenue mix.
- Net income of \$0.5 million, compared to net loss of \$4.6 million in the prior year period.
- Adjusted net income of \$0.3 million, compared to adjusted net loss of \$5.5 million in the prior year period.
- Adjusted EBITDA of \$10.3 million, compared to Adjusted EBITDA of \$1.7 million in the prior year period, primarily reflecting higher Ex-TAC gross profit and lower operating expenses. Adjusted EBITDA in the current year period included net favorable foreign currency effects of approximately \$1.0 million.
- Net cash provided by operating activities of \$6.9 million in the period; free cash flow was \$1.8 million.
- Cash, cash equivalents and investments in marketable securities were \$213.9 million, comprised of cash and cash equivalents of \$64.5 million and investments in marketable securities of \$149.4 million, as of September 30, 2023. Our balance sheet as of September 30, 2023 also included convertible notes of \$118.0 million.

As of September 30, 2023, we have repurchased a total of 2,544,173 shares for \$12.7 million, including related costs, under our \$30 million stock repurchase program authorized in December 2022. The remaining availability under the repurchase program was \$17.5 million as of September 30, 2023.

2023 Fourth Quarter Guidance

For the fourth quarter ending December 31, 2023, we expect:

- Ex-TAC gross profit of \$59 million to \$64 million
- Adjusted EBITDA of \$13 million to \$17 million

The above measures are forward-looking non-GAAP financial measures for which a reconciliation to the most directly comparable GAAP financial measure is not available without unreasonable efforts. See "Non-GAAP Financial Measures" below. In addition, our guidance is subject to risks and uncertainties, as outlined below in this release.

¹ We calculate media partner net revenue retention at the end of each quarter by starting with revenue generated on media partners' properties in the same period in the prior year, "Prior Period Retention Revenue." We then calculate the revenue generated on these same media partners' properties in the current period, "Current Period Retention Revenue." Current Period Retention Revenue reflects any expansions within the media partner relationships, such as any additional placements or properties on which we extend our recommendations, as well as contraction or attrition. Our media partner net revenue retention in a quarter equals the Current Period Retention Revenue divided by the Prior Period Retention Revenue. These amounts exclude certain revenue adjustments and revenue recognized on a net basis. New media partners are defined as those relationships in which revenue was not generated in the prior year 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.



Conference Call and Webcast Information

Outbrain will host an investor conference call this morning, Tuesday, November 7 at 8:30 am ET. Interested parties are invited to listen to the conference call which can be accessed live by phone by dialing 1-844-826-3035 or for international callers, 1-412-317-5195. A replay will be available two hours after the call and can be accessed by dialing 1-844-512-2921, or for international callers, 1-412-317-6671. The passcode for the live call and the replay is 10182702. The replay will be available until November 21, 2023. Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investors Relations section of the Company's website at <https://investors.outbrain.com>. The online replay will be available for a limited time shortly following the call.

Non-GAAP Financial Measures

In addition to GAAP performance measures, we use the following supplemental non-GAAP financial measures to evaluate our business, measure our performance, identify trends, and allocate our resources: Ex-TAC gross profit, Adjusted EBITDA, free cash flow, adjusted net income (loss) and adjusted diluted EPS. 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 we identify below. In addition, other companies in our industry may define these measures differently, which may reduce their usefulness as comparative measures. As a result, this information should be considered as supplemental in nature and is not meant as a substitute for revenue, gross profit, net income (loss), diluted EPS or cash flows from operating activities presented in accordance with U.S. GAAP.

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

The Company is also providing fourth quarter and full year 2023 guidance on a non-GAAP basis. These forward-looking non-GAAP financial measures are calculated based on internal forecasts that omit certain amounts that would be included in GAAP financial measures. The Company has not provided quantitative reconciliations of these forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures because it is unable, without unreasonable effort, to predict with reasonable certainty the occurrence or amount of all excluded items that may arise during the forward-looking period, which can be dependent on future events that may not be reliably predicted. Such excluded items could be material to the reported results individually or in the aggregate.

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.



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

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before gain on repurchase of convertible debt; 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, certain public company implementation related costs, regulatory matter costs, and severance costs related to our cost saving initiatives. We present Adjusted EBITDA as a supplemental performance measure because it is a key profitability measure used by our management and board of directors 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, and we believe it facilitates operating performance comparisons from period to period.

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

Adjusted Net Income (Loss) and Adjusted Diluted EPS

Adjusted net income (loss) is a non-GAAP financial measure, which is defined as net income (loss) excluding items that we do not consider indicative of our core operating performance, including but not limited to gain on repurchase of convertible debt, merger and acquisition costs, certain public company implementation related costs, regulatory matter costs, and severance costs related to our cost saving initiatives. Adjusted net income (loss), as defined above, is also presented on a per diluted share basis. We present adjusted net income (loss) and adjusted diluted EPS as supplemental performance measures because we believe they facilitate performance comparisons from period to period. However, adjusted net income (loss) or adjusted diluted EPS should not be considered in isolation or as a substitute for net income (loss) or diluted earnings per share reported in accordance with GAAP.



Free Cash Flow

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

Forward-Looking Statements

This press release 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,” “guidance,” “outlook,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “foresee,” “potential” or “continue” or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions or are not statements of historical fact. We have based these forward-looking statements largely on our expectations and projections regarding future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors including, but not limited to: overall advertising demand and traffic generated by our media partners; factors that affect advertising demand and spending, such as the continuation or worsening of unfavorable economic or business conditions or downturns, instability or volatility in financial markets, and other events or factors outside of our control, such as U.S. and global recession concerns, geopolitical concerns, including the ongoing wars between Ukraine-Russia and Israel-Hamas, supply chain issues, inflationary pressures, labor market volatility, bank closures or disruptions, the pace of recovery or any resurgences of the COVID-19 pandemic, and the impact of unfavorable economic conditions and other factors that have and may further impact advertisers’ ability to pay; our ability to continue to innovate, and adoption by our advertisers and media partners of our expanding solutions; the success of our sales and marketing investments, which may require significant investments and may involve long sales cycles; our ability to grow our business and manage growth effectively; our ability to compete effectively against current and future competitors; the loss of one or more of our large media partners, and our ability to expand our advertiser and media partner relationships; conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel’s war against them, may limit our ability to market, support and innovate on our products due to the impact on our employees as well as our advertisers and their advertising markets, which would lead to a decrease in revenues and adversely affect our operations; our ability to maintain our revenues or profitability despite quarterly fluctuations in our results, whether due to seasonality, large cyclical events, or other causes; the risk that our research and development efforts may not meet the demands of a rapidly evolving technology market; any failure of our recommendation engine to accurately predict user engagement, any deterioration in the quality of our recommendations or failure to present interesting content to users or other factors which may cause us to experience a decline in user engagement or loss of media partners; limits on our ability to collect, use and disclose data to deliver advertisements; our ability to extend our reach into evolving digital media platforms; our



ability to maintain and scale our technology platform; our ability to meet demands on our infrastructure and resources due to future growth or otherwise; outages or disruptions that impact us or our service providers, resulting from cyber incidents, or failures or loss of our infrastructure, which could adversely affect our business; significant fluctuations in currency exchange rates; political and regulatory risks in the various markets in which we operate; the challenges of compliance with differing and changing regulatory requirements; the timing and execution of, and the expected benefits from, our cost-saving measures, including our workforce reduction; any changes in management's plans, assumptions, estimates and projections with respect to our cost-savings measures; the impact of the cost-saving measures, including the workforce reduction, on our business or strategy; and the risks described in the section entitled "Risk Factors" in the Annual Report on Form 10-K filed for the year ended December 31, 2022 and in subsequent reports filed with the SEC. 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 press release 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.

About Outbrain

Outbrain (Nasdaq: OB) is a leading technology platform that drives business results by engaging people across the open internet. Outbrain predicts moments of engagement to drive measurable outcomes for advertisers and publishers using AI and machine learning across more than 7,000 online properties globally. Founded in 2006, Outbrain is headquartered in New York with offices in Israel and across the United States, Europe, Asia-Pacific, and South America.

Media Contact

press@outbrain.com

Investor Relations Contact

IR@outbrain.com

(332) 205-8999



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)			
Revenue	\$ 230,015	\$ 229,017	\$ 687,589	\$ 734,116
Cost of revenue:				
Traffic acquisition costs	173,224	176,347	524,024	558,597
Other cost of revenue	10,401	10,756	31,999	30,955
Total cost of revenue	183,625	187,103	556,023	589,552
Gross profit	46,390	41,914	131,566	144,564
Operating expenses:				
Research and development	8,681	9,911	28,033	30,858
Sales and marketing	21,472	26,852	73,116	82,369
General and administrative	13,617	12,224	44,766	41,215
Total operating expenses	43,770	48,987	145,915	154,442
Income (loss) from operations	2,620	(7,073)	(14,349)	(9,878)
Other (expense) income, net:				
Gain on repurchase of convertible debt	—	—	22,594	—
Interest expense	(1,456)	(1,924)	(4,428)	(5,748)
Interest income and other income (expense), net	358	3,199	5,733	(1,710)
Total other (expense) income, net	(1,098)	1,275	23,899	(7,458)
Income (loss) before provision for income taxes	1,522	(5,798)	9,550	(17,336)
Provision (benefit) for income taxes	1,014	(1,174)	3,365	(504)
Net income (loss)	\$ 508	\$ (4,624)	\$ 6,185	\$ (16,832)
Weighted average shares outstanding:				
Basic	50,881,194	55,232,611	51,178,127	56,679,302
Diluted	51,240,968	55,232,611	57,696,222	56,679,302
Net income (loss) per common share:				
Basic	\$ 0.01	\$ (0.08)	\$ 0.12	\$ (0.30)
Diluted	\$ 0.01	\$ (0.08)	\$ (0.15)	\$ (0.30)



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

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,549	\$ 105,580
Short-term investments in marketable securities	104,052	166,905
Accounts receivable, net of allowances	171,239	181,258
Prepaid expenses and other current assets	47,009	46,761
Total current assets	386,849	500,504
Non-current assets:		
Long-term investments in marketable securities	45,339	78,761
Property, equipment and capitalized software, net	43,198	39,890
Operating lease right-of-use assets, net	12,657	11,065
Intangible assets, net	21,233	24,574
Goodwill	63,063	63,063
Deferred tax assets	37,046	35,735
Other assets	21,089	27,556
TOTAL ASSETS	\$ 630,474	\$ 781,148
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 125,724	\$ 147,653
Accrued compensation and benefits	16,510	19,662
Accrued and other current liabilities	117,460	126,092
Deferred revenue	6,832	6,698
Total current liabilities	266,526	300,105
Non-current liabilities:		
Long-term debt	118,000	236,000
Operating lease liabilities, non-current	9,940	8,445
Other liabilities	17,602	18,812
TOTAL LIABILITIES	\$ 412,068	\$ 563,362
STOCKHOLDERS' EQUITY:		
Common stock, par value of \$0.001 per share – one billion shares authorized, 61,219,485 shares issued and 50,598,994 shares outstanding as of September 30, 2023; one billion shares authorized, 60,175,020 share issued and 52,226,745 shares outstanding as of December 31, 2022.	61	60
Preferred stock, par value of \$0.001 per share – 100,000,000 shares authorized, none issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	465,401	455,831
Treasury stock, at cost – 10,620,491 shares as of September 30, 2023 and 7,948,275 shares as of December 31, 2022	(62,419)	(49,168)
Accumulated other comprehensive loss	(11,798)	(9,913)
Accumulated deficit	(172,839)	(179,024)
TOTAL STOCKHOLDERS' EQUITY	218,406	217,786
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 630,474	\$ 781,148



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Unaudited)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 508	\$ (4,624)	\$ 6,185	\$ (16,832)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Gain on repurchase of convertible debt	—	—	(22,594)	—
Depreciation and amortization of property and equipment	1,737	2,901	5,195	8,061
Amortization of capitalized software development costs	2,352	2,350	7,261	7,061
Amortization of intangible assets	852	1,541	3,301	4,694
Amortization of discount on marketable securities	(777)	(765)	(2,875)	(765)
Stock-based compensation	3,046	2,705	9,153	8,795
Non-cash operating lease expense	1,079	1,091	3,361	3,224
Provision for credit losses	1,242	1,231	6,077	2,209
Deferred income taxes	(2,614)	(4,368)	(2,834)	(8,363)
Other	1,202	(2,191)	(234)	1,339
Changes in operating assets and liabilities:				
Accounts receivable	(6,056)	8,270	3,993	16,793
Prepaid expenses and other current assets	(1,030)	(3,591)	(1,566)	(8,189)
Accounts payable and other current liabilities	5,046	(16,294)	(28,355)	(32,417)
Operating lease liabilities	(1,134)	(1,106)	(3,279)	(3,042)
Deferred revenue	328	1,000	97	1,904
Other non-current assets and liabilities	1,139	(287)	5,383	2,261
Net cash provided by (used in) operating activities	6,920	(12,137)	(11,731)	(13,267)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of business, net of cash acquired	(27)	(10,627)	(312)	(45,151)
Purchases of property and equipment	(2,779)	(496)	(7,870)	(10,851)
Capitalized software development costs	(2,361)	(3,160)	(7,864)	(9,493)
Purchases of marketable securities	(26,167)	(209,004)	(86,885)	(209,004)
Proceeds from sales and maturities of marketable securities	35,647	—	186,650	—
Other	(1)	14	(9)	(83)
Net cash provided by (used in) investing activities	4,312	(223,273)	83,710	(274,582)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long-term debt obligations	—	—	(96,170)	—
Proceeds from exercise of common stock options and warrants	—	191	—	3,944
Treasury stock repurchases and share withholdings on vested awards	(5,719)	(16,318)	(13,251)	(25,890)
Principal payments on finance lease obligations	(449)	(711)	(1,477)	(2,582)
Payment of contingent consideration liability up to acquisition fair value	—	—	(547)	—
Net cash used in financing activities	(6,168)	(16,838)	(111,445)	(24,528)
Effect of exchange rate changes	(322)	(1,300)	(1,568)	(5,175)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 4,742	\$ (253,548)	\$ (41,034)	\$ (317,552)
Cash, cash equivalents and restricted cash — Beginning	59,989	391,588	105,765	455,592
Cash, cash equivalents and restricted cash — Ending	\$ 64,731	\$ 138,040	\$ 64,731	\$ 138,040



OUTBRAIN INC.
Non-GAAP Reconciliations
(In thousands)
(Unaudited)

The following table presents the reconciliation of Gross profit to Ex-TAC gross profit, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 230,015	\$ 229,017	\$ 687,589	\$ 734,116
Traffic acquisition costs	(173,224)	(176,347)	(524,024)	(558,597)
Other cost of revenue	(10,401)	(10,756)	(31,999)	(30,955)
Gross profit	46,390	41,914	131,566	144,564
Other cost of revenue	10,401	10,756	31,999	30,955
Ex-TAC gross profit	\$ 56,791	\$ 52,670	\$ 163,565	\$ 175,519

The following table presents the reconciliation of net income (loss) to Adjusted EBITDA, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 508	\$ (4,624)	\$ 6,185	\$ (16,832)
Gain on repurchase of convertible debt	—	—	(22,594)	—
Interest expense	1,456	1,924	4,428	5,748
Interest income and other income (expense), net	(358)	(3,199)	(5,733)	1,710
Provision (benefit) from income taxes	1,014	(1,174)	3,365	(504)
Depreciation and amortization	4,941	6,792	15,757	19,816
Stock-based compensation	3,046	2,705	9,153	8,795
Regulatory matter costs, net of recoveries	(354)	(1,938)	742	(2,199)
Merger and acquisition, public company implementation costs ⁽¹⁾	—	618	—	2,042
Severance and related costs	—	582	3,148	582
Adjusted EBITDA	\$ 10,253	\$ 1,686	\$ 14,451	\$ 19,158
Net income (loss) as % of gross profit	1.1 %	(11.0) %	4.7 %	(11.6) %
Adjusted EBITDA as % of Ex-TAC gross profit	18.1 %	3.2 %	8.8 %	10.9 %

⁽¹⁾ Includes our public company implementation costs and costs related to our acquisition of video intelligence AG (“vi”) in January 2022.



OUTBRAIN INC.
Non-GAAP Reconciliations - Continued
(In thousands, except for share and per share data)
(Unaudited)

The following table presents the reconciliation of net income (loss) and diluted EPS to adjusted net income (loss) and adjusted diluted EPS, respectively, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 508	\$ (4,624)	\$ 6,185	\$ (16,832)
Adjustments:				
Gain on repurchase of convertible debt	—	—	(22,594)	—
Regulatory matter costs, net of recoveries	(354)	(1,938)	742	(2,199)
Merger and acquisition, public company implementation costs ⁽¹⁾	—	618	—	2,042
Severance and related costs	—	582	3,148	582
Total adjustments, before tax	(354)	(738)	(18,704)	425
Income tax effect	118	(135)	6,232	(48)
Total adjustments, after tax	(236)	(873)	(12,472)	377
Adjusted net income (loss)	\$ 272	\$ (5,497)	\$ (6,287)	\$ (16,455)
Diluted weighted average shares	51,240,968	55,232,611	51,178,127	56,679,302
Diluted net income (loss) per share - reported	\$ 0.01	\$ (0.08)	\$ (0.15)	\$ (0.30)
Adjustments, after tax	—	(0.02)	0.03	0.01
Diluted net income (loss) per share - adjusted	\$ 0.01	\$ (0.10)	\$ (0.12)	\$ (0.29)

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

The following table presents the reconciliation of net cash provided by (used in) operating activities to free cash flow, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 6,920	\$ (12,137)	\$ (11,731)	\$ (13,267)
Purchases of property and equipment	(2,779)	(496)	(7,870)	(10,851)
Capitalized software development costs	(2,361)	(3,160)	(7,864)	(9,493)
Free cash flow	\$ 1,780	\$ (15,793)	\$ (27,465)	\$ (33,611)

