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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from ___ to ___

Commission file number 001-40643

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 2, 2022, Outbrain Inc. had 57,729,459 shares of common stock outstanding.

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Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements, may include, without limitation, statements generally relating to possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. You can generally identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “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 demand and spending, such as unfavorable economic or business conditions or downturns, instability or volatility in financial markets, and other events or factors outside of our control, such as geopolitical concerns, including the conflict between Russia and Ukraine, supply chain issues, inflationary pressures, labor market volatility, and the pace of recovery or any resurgences of the COVID-19 pandemic;
- 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 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 incorporated by reference in Part II, Item 1A "Risk Factors" in this Report, as such factors may be revised or supplemented in subsequent filings with the SEC, and those included 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)

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 410,875	$ 455,397
Accounts receivable, net of allowances	179,264	192,814
Prepaid expenses and other current assets	26,255	27,873
Total current assets	616,394	676,084
Property, equipment and capitalized software, net	29,597	28,008
Operating lease right-of-use assets, net	14,302	—
Intangible assets, net	29,533	5,719
Goodwill	63,063	32,881
Deferred tax assets	32,914	32,867
Other assets	18,461	20,331
TOTAL ASSETS	$ 804,264	$ 795,890
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 135,595	$ 160,790
Accrued compensation and benefits	21,679	23,331
Accrued and other current liabilities	113,320	99,590
Deferred revenue	6,348	4,784
Total current liabilities	276,942	288,495
Long-term debt	236,000	236,000
Operating lease liabilities, non-current	10,857	—
Other liabilities	18,765	14,620
TOTAL LIABILITIES	$ 542,564	$ 539,115
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY:		
Common stock, par value of $0.001 per share — 1,000,000,000 shares authorized; 58,994,429 shares issued and 57,563,111 shares outstanding as of March 31, 2022 and 58,015,075 shares issued and 56,701,394 shares outstanding as of December 31, 2021	$ 59	$ 58
Preferred stock, par value of $0.001 per share — 100,000,000 shares authorized, none issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Additional paid-in capital	444,218	434,945
Treasury stock, at cost, 1,431,318 shares as of March 31, 2022 and 1,313,681 shares as of December 31, 2021	(18,222)	(16,504)
Accumulated other comprehensive loss	(5,215)	(4,474)
Accumulated deficit	(159,140)	(157,250)
TOTAL STOCKHOLDERS' EQUITY	$ 261,700	$ 256,775
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 804,264	$ 795,890

See Accompanying Notes to Condensed Consolidated Financial Statements.

OUTBRAIN INC.
Condensed Consolidated Statements of Operations
(In thousands)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(Unaudited)	
Revenue	$ 254,216	$ 228,024
Cost of revenue:		
Traffic acquisition costs	190,696	167,613
Other cost of revenue	9,589	6,942
Total cost of revenue	200,285	174,555
Gross profit	53,931	53,469
Operating expenses:		
Research and development	10,428	8,428
Sales and marketing	27,395	19,868
General and administrative	16,034	10,393
Total operating expenses	53,857	38,689
Income from operations	74	14,780
Other expense, net:		
Interest expense	(1,871)	(170)
Interest income and other income (expense), net	(1,081)	(2,253)
Total other expense, net	(2,952)	(2,423)
(Loss) income before provision for income taxes	(2,878)	12,357
(Benefit) provision for income taxes	(988)	1,611
Net (loss) income	$ (1,890)	$ 10,746
Weighted average shares outstanding:		
Basic	57,237,012	17,221,336
Diluted	57,237,012	20,057,226
Net (loss) income per common share:		
Basic	($0.03)	$0.24
Diluted	($0.03)	$0.21

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
Net (loss) income	$ (1,890)	$ 10,746
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(741)	1,220
Comprehensive (loss) income	$ (2,631)	$ 11,966

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)

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

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount		Shares	Amount			
Balance – January 1, 2021	27,652,449	$ 162,444	17,439,488	$ 17	$ 95,055	(280,686)	$ (2,350)	$ (4,290)	$ (168,245)	$ (79,813)
Exercise of employee stock options, net of shares withheld for taxes	—	—	129,490	1	544	(26,344)	(249)	—	—	296
Vesting of restricted stock units	—	—	105,101	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,539	—	—	—	—	1,539
Other comprehensive income	—	—	—	—	—	—	—	1,220	—	1,220
Net income	—	—	—	—	—	—	—	—	10,746	10,746
Balance –March 31, 2021	27,652,449	$ 162,444	17,674,079	$ 18	$ 97,138	(307,030)	$ (2,599)	$ (3,070)	$ (157,499)	$ (66,012)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31, 2022	2021
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (1,890)	$ 10,746
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and equipment	2,404	1,604
Amortization of capitalized software development costs	2,295	1,997
Amortization of intangible assets	1,569	926
Stock-based compensation	2,733	1,487
Non-cash operating lease expense	1,168	—
(Benefit) provision for credit losses	(249)	653
Deferred income taxes	(340)	(385)
Other	1,054	2,401
Changes in operating assets and liabilities:		
Accounts receivable	15,885	13,916
Prepaid expenses and other current assets	1,418	(1,495)
Other assets	1,560	197
Accounts payable and accrued and other current liabilities	(31,121)	(27,191)
Operating lease liabilities	(1,097)	—
Deferred revenue	1,659	440
Other	311	110
Net cash (used in) provided by operating activities	(2,641)	5,406
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired	(34,524)	—
Purchases of property and equipment	(2,809)	(239)
Capitalized software development costs	(3,445)	(2,529)
Other	14	(19)
Net cash used in investing activities	(40,764)	(2,787)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and warrants	2,274	548
Tax withholdings on vested stock-based compensation awards	(1,718)	(249)
Principal payments on finance lease obligations	(1,014)	(1,106)
Net cash used in financing activities	(458)	(807)
Effect of exchange rate changes	(663)	(430)
Net (decrease) increase in cash, cash equivalents and restricted cash	(44,526)	1,382
Cash, cash equivalents and restricted cash — Beginning	455,592	94,067
Cash, cash equivalents and restricted cash — Ending	411,066	$ 95,449
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	$ 410,875	$ 95,042
Restricted cash, included in other assets	191	407
Total cash, cash equivalents, and restricted cash	$ 411,066	$ 95,449

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 2,393	$ 53
Cash paid for interest	$ 3,606	$ 162
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Stock-based compensation capitalized for software development costs	$ 77	$ 52
Purchases of property and equipment included in accounts payable	$ 13	$ 2
Property and equipment financed under capital obligation arrangements	$ —	$ 842
Acquisition consideration payable	$ 11,483	$ —
Stock consideration issued for acquisition of a business	$ 4,190	$ —
Deferred financing costs included in accounts payable and accrued expenses	$ 42	$ —

See Accompanying Notes to Consolidated Financial Statements.

1. Organization, Description of Business, Basis of Presentation, Use of Estimates and Recently Adopted Accounting Pronouncements

Organization and Description of Business

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

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

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and are unaudited. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on March 18, 2022 ("2021 Form 10-K").

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are based on historical information and on various other assumptions that the Company believes are reasonable under the circumstances. Estimates and assumptions made in the accompanying condensed consolidated financial statements include, but are not limited to, the allowance for 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, and the recognition and measurement of income tax uncertainties and other contingencies. Actual results could differ materially from these estimates.

Reclassifications

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

Certain Risks and Concentrations

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

The Company generally does not require collateral to secure its accounts receivable. No single marketer accounted for 10% or more of the Company's total revenue for the three months ended March 31, 2022 or 2021, or for 10% or more of its gross accounts receivable balance as of March 31, 2022 or December 31, 2021.

During the three months ended March 31, 2022, one media owner accounted for approximately 10% of the Company's total traffic acquisition costs. For the three months ended March 31, 2021, two media owners individually accounted for approximately 12% and 10% of the Company's total traffic acquisition costs.

Segment Information

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

New Accounting Pronouncements

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

Recently Adopted Accounting Pronouncements

Leases

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). This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability by recognizing right-of-use ("ROU") lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. In July 2018, this guidance was amended to allow companies to use the beginning of the period in which this standard is adopted as the date of initial application.

The Company adopted Topic 842 on January 1, 2022 using the transition election allowing it not to restate prior periods. As such, results for reporting periods beginning on January 1, 2022 are presented under Topic 842, while prior period amounts continue to be reported in accordance with the Company's historical accounting treatment under ASC 840, Leases. The Company elected the package of practical expedients permitted under the transition guidance, which allows not to reassess its prior conclusions about lease identification, lease classification and initial direct costs. In addition, the Company elected not to separate the lease and non-lease components for its real estate leases and not to recognize lease assets and liabilities for operating leases with initial terms of 12 months or less. The Company did not elect the "hindsight" practical expedient. The Company uses its incremental borrowing rate to determine the present value of lease payments, as the Company's leases do not have a readily determinable implicit discount rate. The incremental borrowing rate is the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term and amount in a similar economic environment.

Upon adoption, the Company recognized operating right of use assets of $14.8 million and operating lease liabilities of $15.2 million in its consolidated balance sheet as of January 1, 2022. In addition, the Company reclassified deferred rent and lease incentives as a component of right-of-use assets. The adoption of the new lease standard did not have a material impact the Company's results of operations or cash flows and there was no cumulative-effect adjustment to the opening balance of retained earnings.

Credit Losses

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 early adopted ASU 2016-13 as of January 1, 2022, using the adoption method based on the aging schedules of accounts receivable. The adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

See Note 1 to the Company’s audited consolidated financial statements for the year ended December 31, 2021 in the Company’s 2021 Form 10-K for a complete disclosure of the Company’s significant accounting policies.

2. Revenue Recognition

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
USA	$ 85,577	$ 78,087
Europe, the Middle East and Africa (EMEA)	139,675	126,545
Other	28,964	23,392
Total revenue	$ 254,216	$ 228,024

Contract Balances

There were no contract assets as of March 31, 2022 or December 31, 2021. Contract liabilities primarily relate to advance payments and consideration received from customers. As of March 31, 2022 and December 31, 2021, the Company’s contract liabilities were recorded as deferred revenue in the condensed consolidated balance sheets.

3. Acquisition

On November 19, 2021, the Company entered into a definitive agreement, by and among the Company and the shareholders of video intelligence AG (“vi”), a Swiss-based contextual video technology company for digital media owners, for the acquisition of all of the outstanding shares of vi for a purchase price of approximately $55 million. The acquisition was completed on January 5, 2022. The purchase price was paid in the form of cash and Outbrain common stock, with the first installment of $37.3 million in cash and the equity portion paid at closing, and the substantial majority of the remaining cash balance payable in the third quarter of 2022. The equity portion of the purchase price was comprised of 355,786 shares of the Company’s common stock with a fair value of $4.2 million, and is subject to a post-closing adjustment based on market price of our stock to be determined one year from closing, at which time any required adjustment is to be paid in cash. Aggregate consideration for the acquisition of vi will not exceed approximately $55 million in total. This acquisition expands the Company’s video product offerings to include in-stream high-quality video content, delivering a better user experience and more value to its advertisers.

The following table summarizes the total purchase consideration as of the acquisition date:

	January 5, 2022	
	(in thousands)	
Cash consideration paid on acquisition date	$	37,311
Fair value of deferred consideration payable in cash		10,936
Fair value of contingent consideration payable		547
Stock consideration		4,190
Total consideration	$	52,984

This acquisition was accounted for as a business combination under the acquisition method of accounting and the results of operations of vi have been included in the Company’s results of operations as of the acquisition date. The Company incurred transaction costs relating to the vi acquisition of $0.2 million during the three months ended March 31, 2022, which were included in general and administrative expenses in the Company’s condensed consolidated statements of operations. The Company allocated the purchase price to identifiable assets acquired based on their estimated fair values at acquisition date, which required management to use significant judgment and estimates, including valuation methodologies, estimates of future revenue, cost and cash flows, discount rates, and identifying comparable companies. The Company engaged third-party valuation specialists to assist in determining the fair values of the acquired assets and liabilities.

The preliminary allocation of the purchase price to the identifiable assets and liabilities based on their estimated fair values as of the acquisition date was as follows:

	January 5, 2022	
	(in thousands)	
Cash and cash equivalents	$	2,787
Accounts receivable		3,849
Prepaid expenses and other current assets		995
Property and equipment, net		43
Publisher relationships		10,783
Customer relationships		732
Content provider relationships		284
Technology intangibles		9,985
Trademark		3,704
Accounts payable		(2,571)
Accrued and other liabilities		(2,768)
Deferred tax liability		(5,021)
Net assets acquired		22,802
Goodwill		30,182
Total	$	52,984

The fair values of the publisher relationships were determined using the multi-period excess earnings income approach and the fair values of the customer and content provider relationships were determined using the cost approach. The fair value of trade names and technology was determined using the relief-from-royalty method. Identifiable intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The Company estimated useful lives of acquired publisher relationships and technology to be 8 years, and tradenames to be 9 years, and other relationships to be 5 years. Amortization expense for amortizable intangible assets is included within sales and marketing expense in the Company’s condensed consolidated statement of operations.

The excess of the purchase price over the aggregate fair value of the identifiable assets acquired was recorded as goodwill and is primarily attributable to expected synergies and increased offerings to customers the Company expects from future growth and potential monetization opportunities. Goodwill is not amortized but will be tested for impairment at least annually, or more frequently if there are indicators of impairment. The goodwill is not deductible for tax purposes.

4. Fair Value Measurements

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

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

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

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

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

	March 31, 2022			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets:				
Restricted time deposit [1]	$ —	$ 191	$ —	$ 191
Severance pay fund deposits [1]	$ —	$ 5,897	$ —	$ 5,897
Foreign currency forward contract [2]	$ —	$ 6	$ —	$ 6
Total financial assets	$ —	$ 6,094	$ —	$ 6,094

	December 31, 2021			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets:				
Restricted time deposit [1]	$ —	$ 195	$ —	$ 195
Severance pay fund deposits [1]	$ —	$ 6,086	$ —	$ 6,086
Foreign currency forward contract [2]	$ —	$ 741	$ —	$ 741
Total financial assets	$ —	$ 7,022	$ —	$ 7,022

(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 sheets at their carrying value, which may differ from their fair value. The fair value of Convertible Notes is estimated using external pricing data, including any available market data for other debt instruments with similar characteristics. The following table summarizes the carrying value and the estimated fair value of the Company's Convertible Notes, based on Level II measurements of the fair value hierarchy:

	March 31, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Convertible Notes	$ 236,000	$ 209,497	$ 236,000	$ 234,348

5. Balance Sheet Components

Accounts Receivable and Allowance for Credit Losses

The allowance for credit losses is based on the best estimate of the amount of probable credit losses in accounts receivable. The allowance for credit losses is determined based on historical collection experience, reasonable and supportable forecasted information, and any applicable market conditions. The allowance for credit losses also takes into consideration the Company's current customer information, collection history, and other relevant data. The Company reviews the allowance for credit losses on a quarterly basis. Account balances are written off against the allowance when it is deemed probable that the receivable will not be recovered.

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

	March 31, 2022	December 31, 2021
	(In thousands)	
Accounts receivable	$ 183,417	$ 197,216
Allowance for credit losses	(4,153)	(4,402)
Accounts receivable, net of allowance for credit losses	$ 179,264	$ 192,814

The allowance for credit losses consists of the following activity:

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
	(In thousands)	
Allowance for credit losses, beginning balance	$ 4,402	$ 4,174
Provision for credit losses, net of recoveries	(217)	2,601
Write-offs	(32)	(2,373)
Allowance for credit losses, ending balance	$ 4,153	$ 4,402

Property, Equipment and Capitalized Software, Net

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

	March 31, 2022	December 31, 2021
	(In thousands)	
Computer equipment	$ 44,996	$ 43,316
Capitalized software development costs	57,756	54,233
Software	2,592	2,817
Leasehold improvements	1,194	1,547
Furniture and fixtures	41	83
Property, equipment and capitalized software, gross	106,579	101,996
Less: accumulated depreciation and amortization	(76,982)	(73,988)
Total property, equipment and capitalized software, net	$ 29,597	$ 28,008

Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following:

	March 31, 2022	December 31, 2021
	(In thousands)	
Accrued traffic acquisition costs	$ 64,711	$ 60,274
Accrued agency commissions	11,864	10,639
Acquisition consideration payable	11,525	—
Accrued professional fees	5,968	6,569
Accrued tax liabilities	5,206	9,240
Operating lease obligations, current	4,076	—
Finance lease obligations, current	2,584	3,069
Interest payable	1,276	3,094
Other	6,110	6,705
Total accrued and other current liabilities	$ 113,320	$ 99,590

In addition to accrued traffic acquisition costs, accounts payable as of March 31, 2022 and December 31, 2021 included traffic acquisition costs of $123.8 million and $147.4 million, respectively.

6. Leases

The Company leases certain equipment and computers under finance lease arrangements, as well as office facilities and managed data center facilities under non-cancelable operating lease arrangements for its U.S. and international locations that expire on various dates through 2031. These arrangements require the Company to pay certain operating expenses, such as taxes, repairs and insurance and contain renewal and escalation clauses. The Company’s options to extend or terminate a lease are not included in the lease terms, unless the Company is reasonably certain it will exercise that option. The Company’s leases generally do not contain any material restrictive covenants.

The Company’s minimum lease payments include fixed payments for non-lease components included in the lease agreement, but exclude variable lease payments that are not dependent on an index or rate, such as common area maintenance, operating expenses, utilities, or other costs that are subject to fluctuations from period to period. Non-lease components that are variable in nature are recorded as variable lease expenses in the period incurred.

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

	Condensed Consolidated Balance Sheet Location	March 31, 2022
		(In thousands)
Lease assets		
Operating leases	Operating lease right-of-use assets, net	$ 14,302
Finance leases	Property, equipment and capitalized software, net	3,877
Total lease assets		$ 18,179
Lease liabilities		
Current liabilities:		
Operating leases	Accrued and other current liabilities	$ 4,076
Finance leases	Accrued and other current liabilities	2,584
Non-current liabilities:		
Operating leases	Operating lease liabilities, non-current	10,857
Finance leases	Other liabilities	1,523
Total lease liabilities		$ 19,040

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

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

As of March 31, 2022, the maturities of the Company's lease liabilities under operating and finance leases were as follows:

Year	Operating Leases	Finance Leases
	(in thousands)	
Remainder of 2022	$ 3,646	$ 2,267
2023	3,717	1,741
2024	3,314	257
2025	3,315	—
2026	1,550	—
Thereafter	1,177	—
Total minimum payments required	$ 16,719	$ 4,265
Less: imputed interest	(1,786)	(158)
Total present value of lease liabilities	$ 14,933	$ 4,107

As of March 31, 2022, future leases payments for leases that have not yet commenced were not material.

The following table summarizes weighted-average lease terms and discount rates for the Company's leases:

	March 31, 2022
Weighted-average remaining lease term (in years)	
Operating leases	4.41 years
Finance leases	1.57 years
Weighted-average discount rate	
Operating leases	5.19%
Finance leases	7.41%

Supplemental cash flow information related to leases is as follows:

	Three Months Ended March 31, 2022
	(In thousands)
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 1,097
Cash flows from finance leases	$ 1,014
New operating lease assets obtained in exchange for new lease obligations	$ 447

As of December 31, 2021, prior to the adoption of Topic 842, future minimum lease payments under the Company's non-cancelable operating leases and capital leases were as follows:

Year Ending December 31:	Operating Leases	Capital Leases
	(In thousands)	
2022	$ 4,214	$ 3,329
2023	3,128	1,741
2024	2,768	257
2025	2,630	—
2026	1,399	—
Thereafter	929	—
Total minimum payments required	$ 15,068	$ 5,327

7. Goodwill and Intangible Assets

The changes in the carrying value of the Company's goodwill balance was as follows:

	March 31, 2022	December 31, 2021
	(In thousands)	
Goodwill, opening balance	$ 32,881	$ 32,881
Acquisition of vi	30,182	—
Goodwill, closing balance	$ 63,063	$ 32,881

The Company has not recorded any accumulated impairments of goodwill.

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

	As of March 31, 2022			
	Weighted Average Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	5.8 years	$ 18,411	$ (8,716)	$ 9,695
Customer relationships	4.1 years	5,999	(4,284)	1,715
Publisher relationships	6.3 years	19,028	(6,498)	12,530
Tradenames	8.7 years	5,337	(708)	4,629
Content Provider Relationships	5.0 years	284	(13)	271
Other	14.0 years	878	(185)	693
Total intangible assets, net		$ 49,937	$ (20,404)	$ 29,533

	As of December 31, 2021			
	Weighted Average Amortization Period	Gross Value	Accumulated Amortization	Net Carrying Value
	(In thousands)			
Developed technology	3.2 years	$ 8,425	$ (8,425)	$ —
Customer relationships	4.0 years	5,345	(4,050)	1,295
Publisher relationships	4.0 years	8,403	(5,777)	2,626
Tradenames	8.0 years	1,665	(572)	1,093
Other	14.0 years	876	(171)	705
Total intangible assets, net		$ 24,714	$ (18,995)	$ 5,719

No impairment charges were recorded during the three months ended March 31, 2022 and 2021.

As of March 31, 2022, estimated amortization related to the Company’s identifiable acquisition-related intangible assets in future periods was as follows:

Year	Amount
	(In thousands)
Remainder of 2022	$ 4,911
2023	4,240
2024	3,470
2025	3,470
2026	3,471
Thereafter	9,971
Total	$ 29,533

8. Long-Term Debt

Convertible Notes

On July 27, 2021, in connection with the closing of the Company’s IPO and pursuant to the terms of the Note Purchase Agreement, the Company exchanged $200 million aggregate principal amount of its senior subordinated secured 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. The Convertible Notes will mature on July 27, 2026, unless earlier converted, redeemed or repurchased.

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.

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

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

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

Revolving Credit Facility

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

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

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

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

The Company was in compliance with all of the financial covenants under its 2021 Revolving Credit Facility as of March 31, 2022. As of March 31, 2022 and December 31, 2021, the Company had no borrowings outstanding under its revolving credit facilities and its available borrowing capacity was $69.8 million and $75.0 million. respectively, based on the defined borrowing formula. Other assets in the company’s condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 included deferred financing costs of $0.5 million, which are being amortized over the term of the 2021 Revolving Credit Facility.

9. Income Taxes

The Company’s interim (benefit) provision from income taxes is determined based on its annual estimated effective tax rate, applied to the actual year-to-date income and adjusted for the tax effects of any discrete items. The Company’s effective tax rates for the three months ended March 31, 2022 and 2021 were 34.3% and 13.0%, respectively. The Company’s effective tax rate for the three months ended March 31, 2022 was higher than the United States federal statutory tax rate of 21%, primarily due to the inclusion of foreign subsidiaries’ income in the U.S., as well as due to certain non-deductible stock-based compensation expenses. The effective tax rate for the three months ended March 31, 2021 was lower than the federal statutory tax rate of 21%, primarily due to full valuation allowance recorded against the Company’s deferred tax assets in the U.S. during the period, the majority of which was released during the fourth quarter of 2021.

10. Commitments and Contingencies

Legal Proceedings and Other Matters

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

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

11. Stockholders' Equity

Share Repurchases

On February 28, 2022, the Company's Board of Directors approved a stock repurchase program under which the Company is authorized to purchase up to $30 million of the Company's common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended or terminated at any time by the Company at its discretion without prior notice.

The Company may also from time to time withhold shares in connection with tax obligations related to vesting of restricted stock units in accordance with the terms of its equity incentive plans and the underlying award agreements. During the three months ended March 31, 2022 and 2021, the Company withheld 117,637 shares and 26,344 shares, respectively, with a fair value of $1.7 million and $0.2 million, respectively, to satisfy the minimum employee tax withholding obligations.

12. 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. 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. As of March 31, 2022, approximately 40,000 and 7,885,000 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 RSAs and RSUs is the fair value of the Company's common stock on the date of grant.

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Research and development	$ 537	$ 247
Sales and marketing	1,173	555
General and administrative	1,023	685
Total stock-based compensation	$ 2,733	$ 1,487

As of March 31, 2022, the Company's unrecognized stock-based compensation expense was $3.3 million for unvested stock options and $21.4 million for unvested RSUs.

The following table summarizes stock option activity for the three months ended March 31, 2022:

	Stock Options	
	Number of Shares	Weighted-Average Exercise Price
Outstanding—December 31, 2021	3,482,900	$8.11
Granted	—	$—
Exercised	(223,620)	$3.61
Forfeited	(7,991)	$10.63
Outstanding—March 31, 2022	3,251,289	$8.42
Exercisable	2,495,313	$7.61

The following table summarizes RSU activity for the three months ended March 31, 2022:

	RSAs and RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding—December 31, 2021	1,848,142	$11.61
Granted	173,375	$10.75
Vested	(211,713)	$10.63
Forfeited	(31,499)	$11.73
Outstanding—March 31, 2022	1,778,305	$11.64

As of March 31, 2022 and December 31, 2021, 3,390 SARs awards were outstanding, 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, which expire between 2024 and 2026. As of March 31, 2022 and December 31, 2021, the Company had 188,235 warrants and 376,470 warrants outstanding, respectively, with a weighted exercise price of $7.57, reflecting 188,235 warrants exercised during the three months ended March 31, 2022.

Employee Stock Purchase Plan

In July 2021, the Board and the Company’s stockholders approved a new 2021 Employee Stock Purchase Plan (the “ESPP”), which became effective in connection with the closing of the Company’s IPO. A total of approximately 1,830,000 shares of the Company’s common stock have been reserved for issuance under the ESPP, which is subject to automatic annual increases.

13. Net (Loss) Income Per Common Share

The following table sets forth basic and diluted net (loss) income per share for the periods presented.

	Three Months Ended March 31,	
	2022	2021
	(In thousands, except share and per share data)	
Numerator:		
Basic and diluted:		
Net (loss) income	$ (1,890)	$ 10,746
Less: undistributed earnings allocated to participating securities	—	(6,631)
Net (loss) income attributable to common stockholders	$ (1,890)	$ 4,115
Denominator:		
Basic weighted-average shares used in computing net (loss) income attributable to common stockholders	57,237,012	17,221,336
Weighted average dilutive share equivalents:		
Stock options, Warrants, RSAs and RSUs	—	2,835,890
Diluted weighted-average shares used in computing net (loss) income attributable to common stockholders	57,237,012	20,057,226
Net (loss) income per share attributable to common stockholders:		
Basic	$ (0.03)	$ 0.24
Diluted	$ (0.03)	$ 0.21

The following weighted average 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:

	Three Months Ended March 31,	
	2022	2021
Convertible preferred stock	—	27,652,449
Options to purchase common stock	3,251,289	1,050,459
Warrants	188,235	—
Restricted stock units	1,778,305	34,615
Convertible notes	9,440,000	—
Total shares excluded from diluted (loss) income per share	14,657,829	28,737,523

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Report") and our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission ("SEC") on March 18, 2022 ("2021 Form 10-K"). In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations, and involve risks and uncertainties. Factors that could cause or contribute to these differences include those incorporated by reference in Part II, Item 1A "Risk Factors" in this Report as such factors may be revised or supplemented in subsequent filings with the SEC, as well as those discussed below and elsewhere in this Report, including under the caption "Note About Forward-Looking Statements."

Overview

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

Outbrain is a leading recommendation platform powering the open web. Our technology provides personalization, engagement and monetization solutions to thousands of digital media properties, including many of the world's most prestigious publishers. Through powering discovery feeds on the open web, Outbrain helps over a billion unique users on a monthly basis discover content, offers, services and products they might be interested in. For tens of thousands of advertisers around the world, Outbrain helps attract new customers and grow their businesses, driving measurable results and return on investment.

Over the past decade, consumers have become increasingly accustomed to seeing highly curated digital content and ads that align with their unique interests. Similar to the way in which social media and search have simplified discovery by synthesizing billions of consumer data points to offer personalized feeds, we provide media partners with a platform that encompasses data at scale as well as prediction and recommendation capabilities, helping them deliver a discovery feed personalized to their users, based on context and each user's unique interests and preferences. Our platform is built for user engagement and, as a mobile-first company, is designed to be highly effective on mobile devices. Our technology is deployed on the mobile apps and websites of most of our media partners, generating 68% of our revenue in 2021.

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 establishing a true win-win partnership. We strive to develop trusted, transparent, multi-year contracts with media partners, which are typically exclusive with us. Our media partners include both traditional publishers and companies in new and rapidly evolving categories such as mobile device manufacturers and web browsers.

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

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

Through our direct, usually exclusive, integrations with media partners, we have become one of the largest online advertising platforms on the open web. In 2021, we provided personalized feeds and ads to over 1 billion monthly unique users, delivering on average over 10 billion recommendations to content, services and products per day, with over 24,000 advertisers directly using our platform.

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

- Our revenue increased 11.5%, totaling $254.2 million for the three months ended March 31, 2022, compared to $228.0 million for the three months ended March 31, 2021.
- Our gross profit was $53.9 million and our gross margin was 21.2% for the three months ended March 31, 2022, compared to gross profit of $53.5 million and gross margin of 23.4% for the comparable prior year period.

- Our Ex-TAC Gross Profit[(1)] increased 5.1% to $63.5 million for the three months ended March 31, 2022, compared to $60.4 million for the three months ended March 31, 2021.
- For the three months ended March 31, 2022, our net (loss) income decreased to a net loss of $1.9 million, or 3.5% of gross profit, compared to a net income of $10.7 million, or 20.1% of gross profit, for the three months ended March 31, 2021.
- Our Adjusted EBITDA[(1)] decreased to $11.6 million for the three months ended March 31, 2022, from $20.6 million for the three months ended March 31, 2021. Adjusted EBITDA[(1)] was 18.3% and 34.1% of Ex-TAC Gross Profit[(1)] for the three months ended March 31, 2022 and 2021, respectively.

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

Recent Developments

On February 28, 2022, the Company's Board of Directors approved a stock repurchase program under which the Company is authorized to purchase up to $30 million of the Company's common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended or terminated at any time by the Company at its discretion without prior notice.

On November 19, 2021, we entered into a definitive agreement, by and among our Company and the shareholders of video intelligence AG ("vi"), a Swiss-based contextual video technology company for digital media owners, for the acquisition of all of the outstanding shares of vi for a purchase price of approximately $55 million. The acquisition was completed on January 5, 2022. The purchase price was paid in the form of cash and Outbrain common stock, with the first installment of $37.3 million in cash and the equity portion paid at closing, and the substantial majority of the remaining cash balance payable in the third quarter of 2022. The equity portion of the purchase price was comprised of 355,786 shares of our common stock with a fair value of $4.2 million, and is subject to a post-closing adjustment based on market price of our stock to be determined one year from closing, at which time any required adjustment is to be paid in cash. Aggregate consideration for the acquisition of vi will not exceed approximately $55 million in total. This acquisition expands our video product offerings to include in-stream high-quality video content, delivering a better user experience and more value to our advertisers. This acquisition was accounted for as a business combination and the results of the acquired entity will be included in our results of operations beginning as of the acquisition date.

Macroeconomic Environment

General worldwide economic conditions have recently experienced significant instability including the recent global economic uncertainty and financial market conditions caused by factors such as the COVID-19 pandemic and the hostilities between Russia and Ukraine. Since March 2020, the COVID-19 pandemic has resulted in a global slowdown of economic activity causing a decrease in demand for a broad variety of goods and services, including those provided by certain advertisers using our platform. Many of our 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 had generally recovered from the economic effects of the pandemic, the current volatile macro environment, with variables such as global supply chain disruptions, labor shortages and stoppages, and inflation resulting from the pandemic and now events such as the Russia-Ukraine conflict, has impacted certain categories of our advertisers. These conditions have adversely impacted us and could, if they continue or worsen, adversely impact us in the future, including if our advertisers were to reduce or further reduce their advertising spending as a result of any of these factors. We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers and agencies). However, these conditions make it difficult for us, our media partners, advertisers and agencies to accurately forecast and plan future business activities and could cause a reduction or delay in overall advertising demand and spending, which would harm our business, financial condition and results of operations.

Factors Affecting Our Business

Retention and Growth of Relationships with Media Partners

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

Our relationships with media partners are typically long-term, exclusive and strategic in nature. Our top 20 media partners, based on our 2021 revenue, have been using our platform for an average of over 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 99% for the three months ended March 31, 2022.

Our growth also depends on our ability to secure partnerships with new media partners. New media partners are defined as those relationships in which revenue was not generated in the prior period, except for limited instances where residual revenue was generated on a media partner's properties. In such instances, the residual revenue would be excluded from net revenue retention above. Revenue generated on new media partners' properties contributed approximately 11% to revenue growth for the three months ended March 31, 2022.

User Engagement with Relevant Media and Advertising Content

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

Growth in user engagement is driven by several factors, including enhancements to our recommendation engine, growth in the breadth and depth of our data assets, the increase in size and quality of our content and advertising index, user engagement, expansion on existing media partner properties where our recommendations can be served and the adoption of our platform by new media partners. As we grow user engagement, we are able to collect more data, enabling us to further enhance our algorithms, which in turn helps us make smarter recommendations and further grow user engagement, providing our platform and our business with a powerful growth flywheel. We measure the impact of this growth flywheel on our business by reviewing the growth of Click Through Rate ("CTR") for ads on our platform. CTR improvements increase the number of clicks on our platform. We believe that we have a significant opportunity to further grow user engagement, and thus our business, as today CTR 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. 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, 2021, over 24,000 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 ("CTV"), screens for autonomous vehicles and public transport, pre-installed applications on new smartphones, smartphone native content feeds, push notifications and email newsletters. We are developing solutions that allow media partners, service providers and manufacturers to provide better curated, personalized and more engaging content feeds and recommendations in these environments. Through our acquisition of video intelligence AG ("vi") in the first quarter of 2022, we expanded our video product offerings to new formats and environments, including In-Stream video ads and CTV 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 competitive position. For example, improvements to our algorithms help us deliver more relevant ads, driving higher user engagement, thereby improving ROAS for advertisers and increasing monetization for our media partners. In addition, we continue to invest in media partner and advertiser focused tools, technology and products as well as privacy-centric solutions, most recently announcing the launch of Keystone™, designed as a total business optimization platform for media owners.

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

Industry Dynamics

Our business depends on the overall demand for digital advertising 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 historically 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. See Item 1A, “Risk Factors” in our 2021 Form 10-K for additional information regarding changing industry dynamics with respect to industry participants and the regulatory environment. Given our focus on innovation, the depth and length of our media partner relationships and our scale, we believe that we are well positioned in the long-term to address and potentially benefit from many of these industry dynamics.

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.

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, stock-based compensation and, with respect to sales and marketing expenses, sales commissions.

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

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

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

Other Expense, Net

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

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 if we incur borrowings periodically under our revolving credit facility or if we enter into new debt facilities or capital leasing arrangements.

Interest Income and Other Income (Expense), Net. Interest and other income (expense), net primarily consists of interest earned on our cash and cash equivalents and money market funds, as well as foreign currency exchange gains and losses. Foreign currency exchange gains and losses, both realized and unrealized, relate to transactions and monetary asset and liability balances denominated in currencies other than the functional currencies. Foreign currency gains and losses may continue to fluctuate in the future due to changes in foreign currency exchange rates.

(Benefit) provision for Income Taxes

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

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

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Results of Operations

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Condensed Consolidated Statements of Operations:		
Revenue	$ 254,216	$ 228,024
Cost of revenue:		
Traffic acquisition costs	190,696	167,613
Other cost of revenue	9,589	6,942
Total cost of revenue	200,285	174,555
Gross profit	53,931	53,469
Operating expenses:		
Research and development	10,428	8,428
Sales and marketing	27,395	19,868
General and administrative	16,034	10,393
Total operating expenses	53,857	38,689
Income from operations	74	14,780
Other expense, net:		
Interest expense	(1,871)	(170)
Interest income and other income (expense), net	(1,081)	(2,253)
Total other expense, net	(2,952)	(2,423)
(Loss) income before provision for income taxes	(2,878)	12,357
(Benefit) provision for income taxes	(988)	1,611
Net (loss) income	$ (1,890)	$ 10,746
Other Financial Data:		
Research and development as % of revenue	4.1 %	3.7 %
Sales and marketing as % of revenue	10.8 %	8.7 %
General and administrative as % of revenue	6.3 %	4.6 %
Non-GAAP Financial Data: [1]		
Ex-TAC Gross Profit	$ 63,520	$ 60,411
Adjusted EBITDA	$ 11,608	$ 20,583

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

Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021

Revenue

Revenue increased by $26.2 million, or 11.5%, to $254.2 million for the three months ended March 31, 2022 from $228.0 million for the three months ended March 31, 2021. Revenue for the three months ended March 31, 2022 increased $31.9 million, or 14.0% on a constant currency basis, reflecting net unfavorable foreign currency effects of approximately $5.7 million. Our reported revenue growth was attributed to new media partners, including our newly acquired vi business.

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

Cost of Revenue and Gross Profit

Traffic acquisition costs increased $23.1 million, or 13.8%, to $190.7 million for the three months ended March 31, 2022 compared to $167.6 million in the prior year period. Traffic acquisition costs for the three months ended March 31, 2022 included net favorable foreign currency effects of approximately $4.0 million, and increased $27.1 million, or 16.2%, on a constant currency basis. Traffic acquisition costs grew more than revenue due to an unfavorable revenue mix and lower performance from certain deals. As a percentage of revenue, traffic acquisition costs were 75.0% for the three months ended March 31, 2022 and 73.5% in the three months ended March 31, 2021.

Other cost of revenue increased $2.6 million, or 38.1%, to $9.6 million for the three months ended March 31, 2022 compared to $6.9 million in the prior year period, primarily due to increased depreciation expense on server equipment and higher hosting fees due to continued platform improvements, including increased data processing capacity. This increase also includes costs from the newly acquired vi business, including amortization expense for developed technology. As a percentage of revenue, other cost of revenue was 3.8% for the three months ended March 31, 2022 and 3.0% in the three months ended March 31, 2021.

Gross profit increased $0.5 million, or 0.9%, to $53.9 million for the three months ended March 31, 2022, compared to $53.5 million for the three months ended March 31, 2021. Our gross profit for the three months ended March 31, 2022 included net unfavorable foreign currency effects of approximately $1.6 million, and increased $2.1 million, or 3.9%, on a constant currency basis.

Ex-TAC Gross Profit

Our Ex-TAC Gross Profit increased $3.1 million, or 5.1%, to $63.5 million for the three months ended March 31, 2022, from $60.4 million for the three months ended March 31, 2021. Our Ex-TAC Gross Profit for the three months ended March 31, 2022 included net unfavorable foreign currency effects of approximately $1.6 million, and increased $4.7 million, or 7.9%, on a constant currency basis. The increase in Ex-TAC Gross Profit was primarily driven by our revenue growth, offset by an unfavorable revenue mix and lower performance from certain deals. See “Non-GAAP Reconciliations” for the related definition and reconciliations to our gross profit.

Operating Expenses

Operating expenses increased by $15.2 million, or 39.2%, to $53.9 million for the three months ended March 31, 2022 from $38.7 million for the three months ended March 31, 2021. This increase was primarily attributable to higher personnel-related costs of $8.0 million, mainly driven by increased headcount and stock-based compensation expenses. The remaining increase was largely attributable increased public company-related costs of $1.9 million and regulatory matter costs of $1.7 million recorded during the three months ended March 31, 2022, as well as increased costs related to the transition from a largely remote to a post-COVID hybrid environment and expanded digital services taxes in Europe.

The components of operating expenses for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 are discussed below:

- ***Research and development expenses***—increased $2.0 million, primarily due higher personnel-related costs to invest in the growth of our platform.
- ***Sales and marketing expenses***—increased $7.5 million, which was largely attributable to higher personnel-related costs of $4.9 million. The remaining increase was mainly due to expanded digital services taxes, costs related to the transition from a largely remote to a hybrid environment and amortization of certain intangible assets recorded in connection with our acquisition of vi.
- ***General and administrative expenses***—increased $5.7 million, primarily due to regulatory matter costs of $1.7 million, increased public company costs of $1.9 million and higher personnel-related costs of $1.2 million, and increased costs related to the transition from a largely remote to a hybrid environment.

Operating expenses as a percentage of revenue increased to 21.2% for the three months ended March 31, 2022, from 17.0% for the three months ended March 31, 2021, primarily driven by increased personnel-related costs as percentage of revenue. We continue to expect our operating expenses to be higher in 2022 as compared to 2021, excluding the 2021 one-time cost of $16.5 million of cumulative stock-based compensation expense for awards with an IPO performance condition. The expected increase in costs is due to higher personnel-related costs (including stock-based compensation) to support the growth of our business and the current and expected continued competitive labor market conditions, as well as due to an increase in other sales and marketing costs and increased expenses associated with the transition from a largely remote to a post-COVID hybrid environment over the course of the year. In addition, our overall general and administrative expenses are expected to increase in future periods due to incremental costs associated with being a public company.

Total Other Expense, Net

Total other expense, net, increased $0.6 million to net expense of $3.0 million for the three months ended March 31, 2022, compared to a net expense of $2.4 million for the three months ended March 31, 2021. The increase in total other expense, was primarily attributable to increased interest expenses of $1.7 million, driven by interest on our convertible senior notes during the three months ended March 31, 2022. This increase was partially offset by lower net foreign currency losses of $1.1 million, resulting from transactions denominated in currencies other than the functional currencies, including mark-to-market adjustments on undesignated foreign exchange forward contracts.

(Benefit) Provision for Income Taxes

Benefit from income taxes was $1.0 million for the three months ended March 31, 2022, compared to a provision for income taxes of $1.6 million for the three months ended March 31, 2021, reflecting loss from operations in the three months ended March 31, 2022, compared to income from operations in the three months ended March 31, 2021. Our effective tax rate increased to 34.3% for the three months ended March 31, 2022, compared to 13.0% for the three months ended March 31, 2021. The increase in our effective tax rate was primarily due to the release of the majority of the valuation allowance against our deferred tax assets in the U.S. during the fourth quarter of 2021, resulting in our earnings in the U.S. being subject to tax during the three months ended March 31, 2022, as well as the inclusion of foreign subsidiaries' income in the U.S. and certain non-deductible stock-based compensation expenses.

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 $1.9 million for the three months ended March 31, 2022, as compared to net income of $10.7 million for the three months ended March 31, 2021.

Adjusted EBITDA

Our Adjusted EBITDA decreased $9.0 million to $11.6 million for the three months ended March 31, 2022 from $20.6 million for the three months ended March 31, 2021, as the increase in our Ex-TAC Gross Profit, was more than offset by the increases in operating expenses and other costs of revenue, as we continue to invest in our business. Our Adjusted EBITDA for the three months ended March 31, 2022 included net unfavorable foreign currency effects of approximately $1.6 million, and decreased $7.4 million on a constant currency basis. See "Non-GAAP Reconciliations" for the related definitions of Adjusted EBITDA and reconciliations to our net income.

Non-GAAP Reconciliations

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

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

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

Ex-TAC Gross Profit

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

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

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Revenue	$ 254,216	$ 228,024
Traffic acquisition costs	(190,696)	(167,613)
Other cost of revenue	(9,589)	(6,942)
Gross profit	53,931	53,469
Other cost of revenue	9,589	6,942
Ex-TAC Gross Profit	$ 63,520	$ 60,411

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before charges related to the exchange of senior notes upon IPO; interest expense; interest income and other income (expense), net; (benefit) 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, 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 for any measures of our financial performance that are calculated and reported in accordance with U.S. GAAP.

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(in thousands)	
Net (loss) income	$ (1,890)	$ 10,746
Interest expense and other income (expense), net	2,952	2,423
(Benefit) provision for income taxes	(988)	1,611
Depreciation and amortization	6,268	4,527
Stock-based compensation	2,733	1,487
Regulatory matter costs	1,719	—
Merger and acquisition, public company implementation costs[1]	814	(211)
Adjusted EBITDA	$ 11,608	$ 20,583
Adjusted EBITDA as % of Ex-TAC Gross Profit	18.3 %	34.1 %

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

Free Cash Flow

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

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(in thousands)	
Net cash (used in) provided by operating activities	$ (2,641)	$ 5,406
Purchases of property and equipment	(2,809)	(239)
Capitalized software development costs	(3,445)	(2,529)
Free cash flow	$ (8,895)	$ 2,638

Liquidity and Capital Resources

Our primary 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 March 31, 2022, we had $410.9 million of cash and cash equivalents, of which $38.9 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 flow used in investing activities primarily consists of capital expenditures and capitalized software development costs. We spent $2.8 million in capital expenditures during the three months ended March 31, 2022 and continue to anticipate that our capital expenditures will be between $21 million and $24 million in 2022, including incremental leasehold improvements of approximately $5 million relating to headcount growth and costs associated with adapting to post-Covid hybrid work environment. Capital expenditures for 2022 also include expenditures for servers and related equipment and office equipment. However, actual amounts may vary from these estimates.

We believe that the net proceeds from our IPO and the offering of the senior notes (exchanged to convertible notes upon our IPO), together with our cash and cash equivalents and borrowings available to us, will be sufficient to fund our anticipated operating expenses, capital expenditures, and interest payments on our long-term debt 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. We also expect to use cash from our operations to fund share repurchases under our $30 million share repurchase authorization announced in February 2022. 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, or other factors incorporated by reference in Part II, Item 1A of this Report and included elsewhere in this Report.

The following table presents a summary of our debt obligation and our borrowing capacity as of March 31, 2022 and December 31, 2021.

	March 31, 2022	December 31, 2021
	(in thousands)	
Long-term debt		
Convertible Notes due July 1, 2026	$ 236,000	$ 236,000
Total long-term debt	$ 236,000	$ 236,000
2021 Revolving Credit Facility with Silicon Valley Bank [1]		
Total availability (up to $75.0 million with $15.0 million for letters of credit)	$ 69,765	$ 75,000
Borrowings outstanding	—	—
Remaining availability	$ 69,765	$ 75,000

[1] The 2021 Revolving Credit 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. 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.

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

See Note 8 to the accompanying condensed consolidated financial statements for detailed information relating to our Convertible Notes and our 2021 Revolving Credit Facility.

Treasury Share Repurchases

On February 28, 2022, our Board of Directors approved a stock repurchase program under which we are authorized to purchase up to $30 million of our common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended or terminated at any time by us at our own discretion without prior notice.

We may also from time to time withhold shares in connection with tax obligations related to vesting of restricted stock units in accordance with the terms of our equity incentive plans and the underlying award agreements. During the three months ended March 31, 2022 and March 31, 2021, we withheld 117,637 shares and 26,344 shares, respectively, with a fair value of $1.7 million and $0.2 million, respectively, to satisfy the minimum employee tax withholding obligations.

Cash Flows

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net cash (used in) provided by operating activities	$ (2,641)	$ 5,406
Net cash used in investing activities	(40,764)	(2,787)
Net cash used in financing activities	(458)	(807)
Effect of exchange rate changes	(663)	(430)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (44,526)	$ 1,382

Operating Activities

Net cash from operating activities decreased $8.0 million, to net cash used in operating activities of $2.6 million during the three months ended March 31, 2022, as compared to $5.4 million of cash provided by operating activities during the three months ended March 31, 2021, primarily driven by a $10.7 million decrease in our net income after non-cash adjustments.

Our free cash flow for the three months ended March 31, 2022 was use of cash of $8.9 million, as compared to free cash flow of $2.6 million for the three months ended March 31, 2021, due to lower profitability and higher capital expenditures during the three months ended March 31, 2022. 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 $38.0 million, to $40.8 million for the three months ended March 31, 2022 from $2.8 million in the same prior year period, primarily due to $34.5 million of consideration paid, net of cash acquired for our acquisition of vi, as well as higher capital expenditures of $2.6 million, primarily attributable to our purchases of servers and related equipment during the three months ended March 31, 2022.

Financing Activities

Cash used in financing activities decreased $0.3 million to $0.5 million for the three months ended March 31, 2022, from $0.8 million for the three months ended March 31, 2021.

Contractual Obligations

Except as disclosed in Note 6, Leases, 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 three months ended March 31, 2022 from the commitments and contractual obligations disclosed in our 2021 Form 10-K.

Critical Accounting Policies and Estimates

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

There have been no material changes to our critical accounting policies and estimates as compared to those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2021 Form 10-K.

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 adopted accounting standards, and the 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 include interest rate and foreign exchange risks.

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

Foreign Currency Risk

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

During the three months ended March 31, 2022, the U.S. Dollar strengthened against most of the currencies in which we operate, which had an unfavorable impact on our operations, as further described in Item 2, “Results of Operations.” The effect of a hypothetical 10% increase or decrease in our weighted-average exchange rates on our revenue, cost of revenue and operating expenses denominated in foreign currencies would result in a $1.5 million favorable or unfavorable change to our operating income for three months ended March 31, 2022.

Interest Rate Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our co-Chief Executive Officers (“co-CEOs”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of March 31, 2022. Based on such evaluation, our co-CEOs and CFO have concluded that as of March 31, 2022, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the three months ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

Part II Other Information

Item 1. Legal Proceedings

Information with respect to this item may be found in Note 10 in the accompanying notes to the condensed consolidated financial statements included in Part I, Item 1 “Financial Statements” of this Report, under “Legal Proceedings and Other Matters,” which is incorporated herein by reference.

Item 1A. Risk Factors

With the exception of the risk factor included below, there have been no material changes to our risk factors as previously disclosed in Item 1A of Part I of the Company’s 2021 Form 10-K, which are incorporated herein by reference.

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 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 in the U.S. and foreign markets, including instability in political or market conditions, as well as 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, could result in, and have resulted in, conservative approaches by advertisers and media owners when allocating budgets and ad inventory, respectively, and reductions in advertising demand and spend.

The current volatile macro environment, with variables such as global supply chain disruptions, labor shortages and stoppages, inflation and rising U.S. interest rates resulting from the pandemic and now events such as the Russia-Ukraine conflict, has impacted certain categories of our advertisers. These conditions have adversely impacted us and could, if they continue or worsen, adversely impact us in the future, including if our advertisers were to reduce or further reduce their advertising spending as a result of any of these factors.

We continue to monitor our operations, and the operations of those in our ecosystem (including media partners, advertisers and agencies). However, these conditions, whether resulting from the factors described above or due to the occurrence of other unanticipated events, make it difficult for us, our media partners, advertisers and agencies to accurately forecast and plan future business activities and could cause a reduction or delay, or further reduction or delay, in overall advertising demand and spending. The occurrence of unforeseen events, like the COVID-19 pandemic, the Russia-Ukraine conflict and other macroeconomic factors, 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.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

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

As of May 1, 2022, a portion of the net proceeds from our IPO have been used for working capital and general corporate purposes, and in January 2022, $37.3 million was used to fund the first installment of the purchase price to acquire video intelligence AG.

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

(c) Purchases of Equity Securities by the Issuer

On February 28, 2022, our Board of Directors approved a stock repurchase program under which we are authorized to purchase up to $30 million of our common stock, par value $0.001 per share, with no requirement to purchase any minimum number of shares. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase program may be commenced, suspended or terminated at any time at our discretion without prior notice.

In addition, we may from time to time withhold shares in connection with tax obligations related to vesting of restricted stock units in accordance with the terms of our equity incentive plans and the underlying award agreements.

The below table sets forth the repurchases of our common stock for the three months ended March 31, 2022:

Period	(a) Total number of shares (or units) purchased [1]	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) o shares (or units) that may yet be purchased under the plans or programs (in thousands)
January 2022	102,928	$14.99	—	—
February 2022	2,147	$13.19	—	$30,000
March 2022	12,562	$10.86	—	$30,000
TOTAL	**117,637**	**$14.52**	—	

[1] Total number of shares purchased represents shares withheld to cover tax withholding obligations in connection with the vesting and settlement of restricted stock units under the Company's 2007 Omnibus Securities and Incentive Plan.

EXHIBIT INDEX

Exhibit No.	Description
10.1*†	Form of Restricted Stock Unit Agreement under the Outbrain Inc. 2021 Long-Term Incentive Plan, filed herewith.
31.1*	Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of Principal Financial Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*v	Certification of the Principal Executive Officers and Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Compensatory plan or agreement.

* Filed herewith.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on May 13, 2022.

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

RESTRICTED STOCK UNIT AWARD GRANT NOTICE

Outbrain Inc., a Delaware corporation (the "***Company***"), pursuant to its 2021 Long-Term Incentive Plan, as amended from time to time (the "***Plan***"), hereby grants to the holder listed below (the "***Participant***"), a Full Value Award comprising an award of restricted stock units ("***Restricted Stock Units***" or "***RSUs***"). Each vested Restricted Stock Unit represents the right to receive, in accordance with the Award Agreement attached hereto as **Exhibit A** (the "***Agreement***"), one Common Share ("***Share***"). This award of Restricted Stock Units is subject to all of the terms and conditions set forth herein and in the Agreement and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Restricted Stock Unit Award Grant Notice (the "***Grant Notice***") and the Agreement.

Participant:	[__________________________]
Full Value Award:	RSUs
Date of grant:	[__________________________]
Total Number of RSUs:	[_____________]
Termination:	If the Participant incurs a Termination Date, all RSUs that have not become vested on or prior to the date of such termination will thereupon be automatically forfeited by the Participant without payment of any consideration therefore.

The Award shall vest in part upon each vesting date, determined as follows:

Subject to the Participant not incurring a Termination Date prior to the applicable vesting date, [__________] of the total number of RSUs comprising the Award (rounded down to the nearest whole number) shall become vested on [____].

By his or her signature and the Company's signature below, the Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and this Grant Notice. The Participant confirms that Participant has read and fully understands the Plan, the Agreement and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Agreement and this Grant Notice. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Agreement or this Grant Notice. Where Participant does not reside in the United States of America, Participant agrees not to be provided with a translation into Participant's local language. Unless otherwise determined by the Committee, if the Participant is not an individual subject to Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act") at the time the award is payable, any withholding obligation will be satisfied by the Participant irrevocably authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired under the RSU and remit to the Company a sufficient portion of the sale proceeds to pay the entire tax withholding obligation resulting from the RSU. With respect to Participants who are individuals subject to Section 16(b) of the Exchange Act at the time the RSU is payable, the withholding obligation will be satisfied in a manner permitted by the Plan approved by the Committee in its sole discretion.

OUTBRAIN INC.:		**PARTICIPANT:**	
By:		By:	
Print Name:		Print Name:	
Title:			
Address:		Address:	

||||

EXHIBIT A
TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

AWARD AGREEMENT

Pursuant to the Restricted Stock Unit Award Grant Notice (the "***Grant Notice***") to which this Award Agreement (this "***Agreement***") is attached, Outbrain Inc., a Delaware corporation (the "***Company***"), has granted to the Participant the number of restricted stock units ("***Restricted Stock Units***" or "***RSUs***") set forth in the Grant Notice under the Outbrain Inc. 2021 Long-Term Incentive Plan, as amended from time to time (the "***Plan***"). Each Restricted Stock Unit represents the right to receive one share of Common Stock (a "***Share***") upon vesting.

Notwithstanding any provision in this Agreement to the contrary, the RSUs shall be subject to the special terms and provisions set forth in any Exhibit to this Agreement applicable to Participant's country of residence, if any. In the event of any conflict between this Agreement and any applicable Exhibit, the terms of the applicable Exhibit shall prevail.

ARTICLE I.

GENERAL

1.1 <u>Defined Terms</u>. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

1.2 <u>Incorporation of Terms of Plan</u>. The RSUs are subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

GRANT OF RESTRICTED STOCK UNITS

2.1. <u>Grant of RSUs</u>. Pursuant to the Grant Notice and upon the terms and conditions set forth in the Plan and this Agreement, effective as of the Grant Date set forth in the Grant Notice, the Company hereby grants to the Participant an award of RSUs under the Plan in consideration of the Participant's past or continued employment with or service to the Company or any Subsidiaries and for other good and valuable consideration.

2.2 <u>Unsecured Obligation to RSUs</u>. Unless and until the RSUs have vested in the manner set forth in Article 2 hereof, the Participant will have no right to receive Common Stock under any such RSUs. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2.3 <u>Vesting Schedule</u>. Subject to Section 2.5 hereof, the RSUs shall vest and become nonforfeitable with respect to the applicable portion thereof according to the vesting schedule set forth in the Grant Notice (rounding down to the nearest whole Share).

2.4 <u>Consideration to the Company</u>. In consideration of the grant of the award of RSUs pursuant hereto, the Participant agrees to render faithful and efficient services to the Company or any Subsidiary.

2.5 Forfeiture, Termination and Cancellation upon Termination. Notwithstanding any contrary provision of this Agreement or the Plan, upon the Participant incurring a Termination Date for any or no reason, all Restricted Stock Units which have not vested prior to or in connection with such termination shall thereupon automatically be forfeited, terminated and cancelled as of the applicable termination date without payment of any consideration by the Company, and the Participant, or the Participant's beneficiary or personal representative, as the case may be, shall have no further rights hereunder. No portion of the RSUs which has not become vested as of the date on which the Participant incurs a Termination Date shall thereafter become vested, except as may otherwise be provided by the Administrator or as set forth in a written agreement between the Company and the Participant.

2.6 Issuance of Common Stock upon Vesting.

(a) As soon as administratively practicable following the vesting of any Restricted Stock Units pursuant to Section 2.3 hereof, but in no event later than 30 days after such vesting date (for the avoidance of doubt, this deadline is intended to comply with the "short term deferral" exemption from Section 409A of the Code), the Company shall deliver to the Participant (or any transferee permitted under Section 3.1 hereof) a number of Shares equal to the number of RSUs subject to this Award that vest on the applicable vesting date. Notwithstanding the foregoing, in the event Shares cannot be issued pursuant to Section 3.1 of the Plan, the Shares shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Committee determines that Shares can again be issued in accordance with such Section.

(b) The Company shall not be obligated to deliver any Shares to the Participant or the Participant's legal representative unless and until the Participant or the Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the Restricted Stock Units or the issuance of Shares.

(c) Unless otherwise determined by the Committee, with respect to Participants who are individuals not subject to Section 16(b) of the Exchange Act at the time the RSU is payable, any withholding obligations will be satisfied by the Participant irrevocably authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired under the RSU and to remit to the Company a sufficient portion of the sale proceeds to pay the entire tax withholding obligation resulting from the RSU. With respect to Participants who are individuals subject to Section 16(b) of the Exchange Act at the time the RSU is payable, the withholding obligation will be satisfied in a manner permitted by the Plan approved by the Committee in its sole discretion.

2.7 Conditions to Delivery of Shares. The Shares deliverable hereunder may be either previously authorized but unissued Shares, treasury Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and non-assessable. The Company shall not be required to issue Shares deliverable hereunder prior to fulfillment of the conditions set forth in Section 3.1 of the Plan.

2.8 Rights as Stockholder. The holder of the RSUs shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the RSUs and any Shares underlying the RSUs and deliverable hereunder unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 3.2 of the Plan.

ARTICLE III.

OTHER PROVISIONS

3.1 Transferability. The RSUs shall be subject to the restrictions on transferability set forth in Section 9.6 of the Plan.

3.2 Tax Consultation. The Participant understands that the Participant may suffer adverse tax consequences in connection with the RSUs granted pursuant to this Agreement (and the Shares issuable with respect thereto). The Participant represents that the Participant has consulted with any tax consultants the Participant deems advisable in connection with the RSUs and the issuance of Shares with respect thereto and that the Participant is not relying on the Company for any tax advice.

3.3 Binding Agreement. Subject to the limitation on the transferability of the RSUs contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.4 Adjustments Upon Specified Events. The Committee may accelerate the vesting of the RSUs in such circumstances as it, in its sole discretion, may determine. The Participant acknowledges that the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 3.2 of the Plan.

3.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to the Participant shall be addressed to the Participant at the Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office otherwise specified by the Committee.

3.6 Participant's Representations. If the Shares issuable hereunder have not been registered under the Securities Act or any applicable state laws on an effective registration statement at the time of such issuance, the Participant shall, if required by the Company, concurrently with such issuance, make such written representations as are deemed necessary or appropriate by the Company or its counsel.

3.7 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.8 Governing Law. The laws of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws, and, where applicable under local law, Delaware shall be the place of entry for the Agreement.

3.9 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any other applicable law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to applicable law. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such applicable law.

3.10 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board; provided, however, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of the Participant.

3.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 3.1 hereof, this Agreement shall be binding upon the Participant and his or her heirs, executors, administrators, successors and assigns.

3.12 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the RSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.13 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries or interfere with or restrict in any way with the right of the Company or any of its Subsidiaries, which rights are hereby expressly reserved, to discharge or to terminate for any reason whatsoever, with or without cause, the services of the Participant at any time.

3.14 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto, if any) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, provided that the RSUs shall be subject to any accelerated vesting provisions in any written agreement between the Participant and the Company or a Company plan pursuant to which the Participant participates, in each case, in accordance with the terms therein.

3.15 Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, **"Section 409A")**. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.16 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company and its Subsidiaries with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to RSUs, as and when payable hereunder.

Exhibit 31.1

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

I, David Kostman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outbrain Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying 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: May 13, 2022

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

Exhibit 31.2

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

I, Yaron Galai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outbrain Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying 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: May 13, 2022

By: /s/ Yaron Galai

Name: Yaron Galai

Title: Co-Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.3

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

I, 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: May 13, 2022

By:	/s/ Elise Garofalo
Name:	Elise Garofalo
Title:	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, David Kostman and Yaron Galai, Co-Chief Executive Officers (Principal Executive 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 March 31, 2022 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 13, 2022

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)