

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2024

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 001-40048

**Innovid Corp.**

(Exact name of registrant as specified in its charter)

Delaware

87-3769599

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

30 Irving Place, 12th Floor  
New York, New York

10003

(Address of Principal Executive Offices)

(Zip Code)

+1(212) 966-7555

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former Fiscal Year, if changed since last report)

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 \$0.0001 per share   | CTV               | New York Stock Exchange                   |
| Warrants to purchase one share of Common stock, each at an exercise price of \$11.50 per share | CTVWS             | New York Stock Exchange                   |

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

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

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

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 Act). Yes  No

The registrant had outstanding 148,473,428 shares of common stock as of October 31, 2024

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#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to expectations for future financial performance, business strategies or expectations for our business and the stock repurchase program. These statements are based on the beliefs and assumptions of the management of Innovid. Although Innovid believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, it cannot assure you that it will achieve or realize these plans, intentions or expectations. These statements constitute projections, forecasts and forward-looking statements, and are not guarantees of performance. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this Quarterly Report, words such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "strive," "target," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

Should one or more of a number of known and unknown risks and uncertainties materialize, or should any of our assumptions prove incorrect, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to:

- our public securities' potential liquidity and trading;
- our ability to raise financing in the future;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- changes in applicable laws or regulations;
- our ability to maintain and expand relationships with advertisers;
- decreases and/or changes in CTV audience viewership behavior;
- Innovid's ability to make the right investment decisions and to innovate and develop new solutions;
- the accuracy of Innovid's estimates of market opportunity, forecasts of market growth and projections of future financial performance;
- the extent of investment required in Innovid's sales and marketing efforts;
- Innovid's ability to effectively manage its growth;
- sustained overall demand for advertising;
- actual or potential impacts of international conflicts and humanitarian crises on global markets;
- the continued acceptance of digital advertising by consumers and the impact of opt-in, opt-out or ad-blocking technologies;
- Innovid's ability to scale its platform and infrastructure to support anticipated growth and transaction volume;
- the impact of increasing competition in the digital advertising space, including with competitors who have significantly more resources; and
- other risks and uncertainties indicated in this report, including those set forth under the section titled "Risk Factors" and those included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report on Form 10-K"), which was filed with the Securities and Exchange Commission ("SEC") on February 29, 2024.

These forward-looking statements are based on information available as of the date of this Quarterly Report and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. You should not place undue reliance on these forward-looking statements.

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WHERE TO FIND MORE INFORMATION

Our website address is [www.innovid.com](http://www.innovid.com). We may use our website as a means of disclosing material non-public information. Such disclosures will be included on our website in the "Investors" section or at [investors.innovid.com](http://investors.innovid.com). We may also use certain social media channels, such as LinkedIn, Facebook or X (formerly Twitter), as a means of disclosing information about us and our business to our colleagues, customers, investors and the public. While not all the information that the Company posts to the Innovid website or to social media accounts is of a material nature, some information could be deemed to be material. Accordingly, investors should monitor our website and certain of our social media channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. However, information contained on, or that can be accessed through, these communications channels do not constitute a part of this Quarterly Report and are not incorporated by reference herein. Our SEC filings are available to you on the SEC's website at <http://www.sec.gov>. This site contains reports and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this Quarterly Report and is not incorporated by reference herein.

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**Item 1. Financial Statements**

**INNOVID CORP. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(Unaudited and in thousands, except share and per share data)*

|   | <u>September 30, 2024</u> | <u>December 31, 2023</u> |
|---|---------------------------|--------------------------|
| <b>Assets</b>   |                           |                          |
| Current assets:   |                           |                          |
| Cash and cash equivalents   | \$ 34,564                 | \$ 49,585                |
| Trade receivables, net of allowance for credit losses of \$ 292 and \$321 at September 30, 2024, and December 31, 2023, respectively  | 44,365                    | 46,420                   |
| Prepaid expenses and other current assets   | 4,475                     | 5,615                    |
| Total current assets  | 83,404                    | 101,620                  |
| Long-term restricted deposits   | 423                       | 412                      |
| Property and equipment, net   | 21,006                    | 18,419                   |
| Goodwill  | 102,473                   | 102,473                  |
| Intangible assets, net  | 21,305                    | 24,318                   |
| Operating lease right of use asset  | 10,894                    | 1,435                    |
| Other non-current assets  | 903                       | 1,278                    |
| Total assets  | <u>\$ 240,408</u>         | <u>\$ 249,955</u>        |
| <b>Liabilities and Stockholders' Equity</b>   |                           |                          |
| Current liabilities:  |                           |                          |
| Trade payables  | \$ 3,793                  | \$ 2,810                 |
| Employee and payroll accruals   | 9,140                     | 14,060                   |
| Lease liabilities—current portion   | 1,388                     | 1,200                    |
| Accrued expenses and other current liabilities  | 9,397                     | 7,426                    |
| Total current liabilities   | 23,718                    | 25,496                   |
| Long-term debt  | —                         | 20,000                   |
| Lease liabilities—non-current portion   | 9,835                     | 634                      |
| Other non-current liabilities   | 6,927                     | 7,528                    |
| Warrants liability  | 411                       | 307                      |
| Commitments and contingencies (Note 6)  |                           |                          |
| Stockholders' equity:   |                           |                          |
| Common stock: \$0.0001 par value - Authorized: 500,000,000 at September 30, 2024, and December 31, 2023; Issued and outstanding: 147,773,651 and 141,194,179 at September 30, 2024, and December 31, 2023, respectively | 15                        | 13                       |
| Additional paid-in capital  | 394,410                   | 378,774                  |
| Accumulated deficit   | (194,908)                 | (182,797)                |
| Total stockholders' equity  | <u>199,517</u>            | <u>195,990</u>           |
| Total liabilities and stockholders' equity  | <u>\$ 240,408</u>         | <u>\$ 249,955</u>        |

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**INNOVID CORP. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(Unaudited and in thousands, except share and per share data)*

|  | Three months ended September 30, |                          | Nine months ended September 30, |                           |
|--|----------------------------------|--------------------------|---------------------------------|---------------------------|
|  | 2024                             | 2023                     | 2024                            | 2023                      |
| Revenue  | \$ 38,251                        | \$ 36,234                | \$ 112,940                      | \$ 101,265                |
| Cost of revenue (1)  | 8,917                            | 8,428                    | 26,746                          | 25,284                    |
| Research and development (1)   | 7,021                            | 6,486                    | 20,646                          | 20,479                    |
| Sales and marketing (1)  | 11,682                           | 11,175                   | 35,523                          | 34,272                    |
| General and administrative (1)   | 9,238                            | 9,753                    | 29,070                          | 28,327                    |
| Depreciation, amortization and long-lived assets impairment                      | 2,836                            | 4,714                    | 8,291                           | 8,808                     |
| Goodwill impairment  | —                                | —                        | —                               | 14,503                    |
| Operating loss   | (1,443)                          | (4,322)                  | (7,336)                         | (30,408)                  |
| Finance income, net  | (285)                            | (290)                    | (405)                           | (3,013)                   |
| Loss before taxes  | (1,158)                          | (4,032)                  | (6,931)                         | (27,395)                  |
| Taxes on (income) loss   | (5,823)                          | (1,301)                  | 5,180                           | 2,858                     |
| Net income (loss)  | <u><u>\$ 4,665</u></u>           | <u><u>\$ (2,731)</u></u> | <u><u>\$ (12,111)</u></u>       | <u><u>\$ (30,253)</u></u> |
| Net income (loss) per share common share—basic                                   | <u><u>\$ 0.03</u></u>            | <u><u>\$ (0.02)</u></u>  | <u><u>\$ (0.08)</u></u>         | <u><u>\$ (0.22)</u></u>   |
| Net income (loss) per share common share—diluted                                 | <u><u>\$ 0.03</u></u>            | <u><u>\$ (0.02)</u></u>  | <u><u>\$ (0.08)</u></u>         | <u><u>\$ (0.22)</u></u>   |
| Weighted-average number of shares used in computing net income (loss) per share: |                                  |                          |                                 |                           |
| Basic  | 146,822,073                      | 139,607,389              | 144,664,912                     | 137,826,099               |
| Diluted  | 152,504,240                      | 139,607,389              | 144,664,912                     | 137,826,099               |

The accompanying notes are an integral part of the condensed consolidated financial statements.

(1) Exclusive of depreciation, amortization, long-lived assets and goodwill impairment presented separately.

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**INNOVID CORP. AND ITS SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(Unaudited and in thousands, except share and per share data)*

**Three months ended September 30, 2024**

|                                    | <b>Common stock</b> |               | <b>Additional paid-in capital</b> | <b>Accumulated deficit</b> | <b>Total stockholders' equity</b> |
|------------------------------------|---------------------|---------------|-----------------------------------|----------------------------|-----------------------------------|
|                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                            |                                   |
| Balance as of June 30, 2024        | 145,803,657         | \$ 14         | \$ 388,467                        | \$ (199,573)               | \$ 188,908                        |
| Stock-based compensation           |                     |               | 5,710                             |                            | 5,710                             |
| Issuance of common stock:          |                     |               |                                   |                            |                                   |
| —exercised options and RSUs vested | 1,969,994           | 1             | 233                               |                            | 234                               |
| Net income                         |                     |               |                                   | 4,665                      | 4,665                             |
| Balance as of September 30, 2024   | <u>147,773,651</u>  | <u>\$ 15</u>  | <u>\$ 394,410</u>                 | <u>\$ (194,908)</u>        | <u>\$ 199,517</u>                 |

**Three months ended September 30, 2023**

|                                    | <b>Common stock</b> |               | <b>Additional paid-in capital</b> | <b>Accumulated deficit</b> | <b>Total stockholders' equity</b> |
|------------------------------------|---------------------|---------------|-----------------------------------|----------------------------|-----------------------------------|
|                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                            |                                   |
| Balance as of June 30, 2023        | 138,737,104         | \$ 13         | \$ 367,970                        | \$ (178,408)               | \$ 189,575                        |
| Stock-based compensation           |                     |               | 5,919                             |                            | 5,919                             |
| Issuance of common stock:          |                     |               |                                   |                            |                                   |
| —exercised options and RSUs vested | 1,399,801           | —             | 158                               |                            | 158                               |
| Net loss                           |                     |               |                                   | (2,731)                    | (2,731)                           |
| Balance as of September 30, 2023   | <u>140,136,905</u>  | <u>\$ 13</u>  | <u>\$ 374,047</u>                 | <u>\$ (181,139)</u>        | <u>\$ 192,921</u>                 |

**Nine months ended September 30, 2024**

|                                    | <b>Common stock</b> |               | <b>Additional paid-in capital</b> | <b>Accumulated deficit</b> | <b>Total stockholders' equity</b> |
|------------------------------------|---------------------|---------------|-----------------------------------|----------------------------|-----------------------------------|
|                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                            |                                   |
| Balance as of December 31, 2023    | 141,194,179         | \$ 13         | \$ 378,774                        | \$ (182,797)               | \$ 195,990                        |
| Stock-based compensation           |                     |               | 15,324                            |                            | 15,324                            |
| Issuance of common stock:          |                     |               |                                   |                            |                                   |
| —exercised options and RSUs vested | 6,579,472           | 2             | 312                               |                            | 314                               |
| Net loss                           |                     |               |                                   | (12,111)                   | (12,111)                          |
| Balance as of September 30, 2024   | <u>147,773,651</u>  | <u>\$ 15</u>  | <u>\$ 394,410</u>                 | <u>\$ (194,908)</u>        | <u>\$ 199,517</u>                 |

**Nine months ended September 30, 2023**

|                                    | <b>Common stock</b> |               | <b>Additional paid-in capital</b> | <b>Accumulated deficit</b> | <b>Total stockholders' equity</b> |
|------------------------------------|---------------------|---------------|-----------------------------------|----------------------------|-----------------------------------|
|                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                            |                                   |
| Balance as of December 31, 2022    | 133,882,414         | \$ 13         | \$ 356,801                        | \$ (150,886)               | \$ 205,928                        |
| Stock-based compensation           |                     |               | 16,474                            |                            | 16,474                            |
| Issuance of common stock:          |                     |               |                                   |                            |                                   |
| —exercised options and RSUs vested | 6,254,491           | —             | 772                               |                            | 772                               |
| Net loss                           |                     |               |                                   | (30,253)                   | (30,253)                          |
| Balance as of September 30, 2023   | <u>140,136,905</u>  | <u>\$ 13</u>  | <u>\$ 374,047</u>                 | <u>\$ (181,139)</u>        | <u>\$ 192,921</u>                 |

The accompanying notes are an integral part of the condensed consolidated financial statements.



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**INNOVID CORP. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited and in thousands)*

|  | <b>Nine months ended September 30,</b> |                  |
|--|--|------------------|
|  | <b>2024</b>                            | <b>2023</b>      |
| <b>Cash flows from operating activities:</b>   |  |                  |
| Net loss   | \$ (12,111)                            | \$ (30,253)      |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b>   |  |                  |
| Depreciation, amortization and long-lived assets impairment                          | 8,291                                  | 8,808            |
| Loss on disposal of property and equipment   | 15                                     | —                |
| Goodwill impairment  | —                                      | 14,503           |
| Stock-based compensation   | 14,526                                 | 15,470           |
| Change in fair value of warrants   | 104                                    | (3,688)          |
| Loss on foreign exchange, net  | 321                                    | —                |
| <b>Changes in operating assets and liabilities:</b>                                  |  |                  |
| Trade receivables, net   | 2,055                                  | 94               |
| Prepaid expenses and other assets  | 1,349                                  | (1,167)          |
| Operating lease right of use assets  | 438                                    | 1,351            |
| Trade payables   | 984                                    | (36)             |
| Employee and payroll accruals  | (4,920)                                | 1,770            |
| Operating lease liabilities  | (508)                                  | (1,683)          |
| Accrued expenses and other liabilities   | 1,371                                  | 2,268            |
| Net cash provided by operating activities  | <u>11,915</u>                          | <u>7,437</u>     |
| <b>Cash flows from investing activities:</b>   |  |                  |
| Internal use software capitalization   | (6,098)                                | (7,795)          |
| Purchases of property and equipment  | (983)                                  | (395)            |
| Withdrawal of short-term bank deposits   | 165                                    | 10,000           |
| Decrease in deposits   | —                                      | 77               |
| Net cash (used in) provided by investing activities                                  | <u>(6,916)</u>                         | <u>1,887</u>     |
| <b>Cash flows from financing activities:</b>   |  |                  |
| Proceeds from loan   | —                                      | 20,000           |
| Payment on loan  | (20,000)                               | (20,000)         |
| Proceeds from exercise of options  | 312                                    | 772              |
| Net cash (used in) provided by financing activities                                  | <u>(19,688)</u>                        | <u>772</u>       |
| <b>Effect of exchange rates on cash, cash equivalents and restricted cash</b>        |  |                  |
| (Decrease) increase in cash, cash equivalents, and restricted cash                   | (321)                                  | —                |
| Cash, cash equivalents, and restricted cash at the beginning of the period           | 49,997                                 | 37,971           |
| Cash, cash equivalents, and restricted cash at the end of the period                 | <u>\$ 34,987</u>                       | <u>\$ 48,067</u> |
| <b>Supplemental disclosures:</b>   |  |                  |
| Income taxes paid  | \$ 2,990                               | \$ 1,129         |
| Interest paid  | \$ 117                                 | \$ 1,141         |
| <b>Non-cash transactions:</b>  |  |                  |
| Right of use assets obtained in exchange for lease liability upon lease modification | \$ 9,897                               | \$ —             |
| <b>Reconciliation of cash, cash equivalents, and restricted cash:</b>                |  |                  |
| Cash and cash equivalents  | \$ 34,564                              | \$ 47,680        |
| Long-term restricted deposits  | 423                                    | 387              |
| Total cash, cash equivalents, and restricted cash                                    | <u>\$ 34,987</u>                       | <u>\$ 48,067</u> |

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**INNOVID CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (*Unaudited*)**  
September 30, 2024

### **1. Description of Business**

Innovid Corp. together with its consolidated subsidiaries, the "Company" or "Innovid", is an enterprise software platform for the creation, delivery, measurement, and optimization of advertising across connected TV ("CTV"), mobile TV and desktop environments. We provide critical technology infrastructure for many of the world's largest brands, agencies, and publishers, and empower them to create ad-supported TV experiences that people love. Our cloud-based platform tightly integrates with the highly fragmented advertising technology and media ecosystems, and includes three key solutions: ad serving, creative personalization, and measurement.

Innovid Corp. was originally incorporated as ION Acquisition Corp. 2 Ltd. ("ION"), a special purpose acquisition company, on November 23, 2020, and Innovid Corp. was the surviving entity following the completion of its merger with ION on November 30, 2021 (the "Transaction").

On February 28, 2022, the Company completed the acquisition of all the outstanding shares of TV Squared Limited ("TVS") an independent global measurement and attribution platform for converged TV and a private company limited by shares incorporated under the laws of the Scotland in a combination of cash and stock and stock options issuances.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Any reference in these notes to applicable guidance is meant to refer to the authoritative US GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). Accordingly, such financial statements do not include all the information and footnotes required by US GAAP for complete financial statements. In management's opinion, these unaudited condensed consolidated interim financial statements contain all adjustments of a normal recurring nature necessary for a fair presentation of the financial statements for the interim period presented.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, as reported in the Company's 2023 Annual Report on Form 10-K. The Company's significant accounting policies and practices are as described in the Annual Report.

#### **Use of Estimates**

The preparation of the condensed consolidated interim financial statements in conformity with US GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in the financial statements. The results for interim periods are not necessarily indicative of results to be expected for the year or for any future periods. In management's opinion, these unaudited condensed consolidated interim financial statements contain all adjustments of a normal recurring nature necessary for a fair presentation of the financial statements for the interim period presented based upon information available at the time they are made. Actual results could differ from those estimates.

#### **Prior Period Reclassification**

Certain amounts in prior year's condensed consolidated balance sheet have been reclassified to conform to current year's presentation.

#### **Accounting Policies**

##### ***Trade receivable, net***

The Company records trade receivables for amounts invoiced and yet unbilled. The Company's expected loss allowance methodology for trade receivables is based upon its assessment of various factors, including historical experience, the age of the trade receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable

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**INNOVID CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
September 30, 2024

forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The estimated credit loss allowance is recorded as general and administrative expenses on the Company's condensed consolidated statements of operations.

***Concentrations of credit risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, deposits and trade receivables, net. The majority of the Company's cash and cash equivalents are invested in deposits with major banks in the US, Israel and the UK. The Company is exposed to credit risk in the event of default by the financial institutions to the extent that amounts recorded on the accompanying consolidated balance sheets exceed insured limits. Generally, these investments may be redeemed upon demand and, therefore, bear minimal risk.

The Company's trade receivables, net is mainly derived from sales to customers located in the US, APAC, EMEA, and LATAM. The Company mitigates its credit risks by performing ongoing credit evaluations of its customers' financial conditions. The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

During the three and nine months ended September 30, 2024 and 2023, one customer accounted for more than 10% of the Company's total revenue as presented below:

|            | Three months ended September 30, |      | Nine months ended September 30, |      |
|------------|----------------------------------|------|---------------------------------|------|
|            | 2024                             | 2023 | 2024                            | 2023 |
| Customer A | 15 %                             | 16 % | 16 %                            | 16 % |

***Software development costs***

Software development costs, which are included in property and equipment, net, consists of capitalized costs related to the purchase and development of internal-use software. The Company uses such software to provide services to its customers. The costs to purchase and develop internal-use software are capitalized from the time that the preliminary project stage is completed, and it is considered probable that the software will be used to perform the function intended. These costs include personnel and personnel-related employee benefits for employees directly associated with the software development and external costs of the materials or services consumed in developing or obtaining the software.

Any costs incurred for upgrades and functionality enhancements of the software are also capitalized. Once this software is ready for use in providing the Company's services, these costs are amortized on a straight-line basis over the estimated useful life of the software, which is three years. The amortization is presented within depreciation and amortization in the condensed consolidated statements of operations. During the three months ended September 30, 2024 and 2023, the Company capitalized internal-use software cost of \$2.0 million and \$2.5 million, respectively. During the nine months ended September 30, 2024 and 2023, the Company capitalized internal-use software cost of \$6.9 million and \$8.8 million, respectively, which represents labor costs including stock based compensation.

***Cloud computing arrangements***

During nine months ended September 30, 2024, the Company capitalized certain application development phase costs related to hosting arrangements that are service contracts (cloud computing arrangements). Capitalized costs are included in prepaid expenses and other assets in the condensed consolidated balance sheets and will be amortized on a straight-line basis over the estimated useful life, once the modules or components are ready for its intended use. The amount capitalized at September 30, 2024 was immaterial. This amortization will be recorded to software subscription expense within general and administrative expense in the condensed consolidated statements of operations. Cash outflows from cloud computing arrangement implementation costs are classified within operating activities in the consolidated statements of cash flows.

***Impairment of long-lived assets***

Long-lived assets, including property and equipment and finite-lived intangible assets, are reviewed for impairment whenever facts or circumstances either internally or externally may indicate that the carrying value of an asset may not be recoverable. If there are indications of an impairment, the Company tests for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset to the carrying amount of the asset or asset

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group. If the asset or asset group is determined to be impaired, any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss. No impairment was recognized during the three or nine months ended September 30, 2024. In September 2023, the Company identified an impairment indicator for its legacy measurement product and recorded an impairment charge of \$2.4 million in the three and nine months ended September 30, 2023.

***Goodwill and acquired intangible assets***

Goodwill and acquired intangible assets have been recorded in the Company's financial statements resulting from various business combinations. Goodwill represents the excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized as it is estimated to have an indefinite life. As such, goodwill is subject to an annual impairment test.

The Company allocates goodwill to reporting units based on the expected benefit from the business combination. Reporting units are evaluated when changes in the Company's operating structure occur, and if necessary, goodwill is reassigned using a relative fair value allocation approach. The Company operates in one operating segment and this segment is the only reporting unit.

ASC 350, Intangibles—Goodwill and other ("ASC 350") requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment considers events and circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. If it is determined, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative test is performed.

The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present. In the second quarter of 2023, the Company experienced a decline in its stock price resulting in its market capitalization being less than the carrying value of its one reporting unit. Thus, the Company performed quantitative assessments of the Company's reporting unit. The fair value was determined based on the market approach. The market approach utilizes the Company's market capitalization plus an appropriate control premium. Market capitalization is determined by multiplying the number of common stock outstanding by the market price of its common stock. The control premium is determined by utilizing publicly available data from studies for similar transactions of public companies. As a result of this assessment, the Company recorded a goodwill impairment of \$14.5 million during the three months ended June 30, 2023. No impairment was recognized during the three or nine months ended September 30, 2024.

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Customer relationships and acquired technology are amortized on a straight-line basis over the estimated useful life of the assets; approximately 11 years and 6 years, respectively. Amortization of customer relationships and acquired technology is presented within depreciation and amortization in the condensed consolidated statements of operations.

***Fair value of financial instruments***

The Company applies a fair value framework to measure and disclose its financial assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

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The Company's financial instruments consist of cash and cash equivalents, restricted deposits, trade receivables, net, trade payables, employees, payroll accruals, accrued expenses and other current liabilities. Due to the short-term nature of these instruments, historical carrying amounts approximate fair value.

The Company's investments in money market funds are classified as cash equivalents and measured at fair value. The Company measures its warrant liability at fair value.

The following tables present information about the Company's financial instruments that are measured at fair value on a recurring basis:

|                     | <u>September 30, 2024</u> |         |         |
|---------------------|---------------------------|---------|---------|
|                     | Level 1                   | Level 2 | Level 3 |
| <b>Assets:</b>      |                           |         |         |
| Money market funds  | \$ 18,919                 | \$ —    | \$ —    |
| <b>Liabilities:</b> |                           |         |         |
| Warrants liability  | 411                       | —       | —       |
|                     | <u>December 31, 2023</u>  |         |         |
|                     | Level 1                   | Level 2 | Level 3 |
| <b>Assets:</b>      |                           |         |         |
| Money market funds  | \$ 32,264                 | \$ —    | \$ —    |
| <b>Liabilities:</b> |                           |         |         |
| Warrants liability  | 307                       | —       | —       |

As of September 30, 2024, the Company's warrant liability represents the warrants (refer to Note 4), that were assumed in the Transaction, which were originally issued in connection with ION's initial public offering. The Company's warrants are recorded on the balance sheet at fair value with changes in fair value recognized through earnings. The Company's warrants are within Level 1 of the fair value hierarchy. This valuation is subject to re-measurement at each balance sheet date. The Company determines the fair value of the warrants by using the closing warrant price.

**Revenue recognition**

Most of the Company's revenue is derived from digital ad solutions, where the Company provides an ad serving platform for use by advertisers, media agencies and publishers. Standard, interactive and data driven digital video ads are delivered through this ad serving platform. Advertising impressions are served via the Company's cloud-based ad serving platform to various digital publishers across CTV, mobile TV, desktop TV, display and other channels.

InnovidXP, the Company's cloud-based cross-platform TV Ad measurement solution, measures the efficiency of CTV advertising and in-flight optimizations for TV marketers. The customers get insights into the effectiveness of their TV and digital advertising.

The Company also provides creative services for the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units.

The Company recognizes revenue when its customer obtains control of promised services in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company recognizes revenue in accordance with ASC Topic 606, Revenue from contracts with customers ("ASC 606") and determines revenue recognition through the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct and are separately identifiable, the Company allocates the contract consideration to all distinct performance obligations based on their relative standalone selling price ("SSP"). SSP is typically estimated based on observable transactions when these services are sold on a standalone basis.

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Revenue related to ad serving is recognized when impressions are delivered via the Company's ad serving platform. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Revenue related to the InnovidXP solution is recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenues for this measurement subscription is recognized over the service period.

Revenue related to creative projects is recognized when the Company delivers an ad unit. Creative services projects are usually delivered within a week.

The Company's accounts receivable consists primarily of receivables related to products and services, for which the Company's contracted performance obligations have been satisfied, the amount has been billed and the Company has an unconditional right to payment. The Company typically bills customers monthly based on actual delivery. Payment terms vary, mainly with terms of 60 days or less.

The typical contract term is twelve months or less for ASC 606 purposes. Most of the Company's contracts can be cancelled without cause. The Company has the unconditional right to payment for the services provided as of the date of the termination of the contracts.

The Company applies the practical expedient in ASC 606 and does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Deferred revenue represents mostly unrecognized fees billed or collected for measurement platform services. Deferred revenue is recognized as (or when) the Company performs under the contract. Revenue recognized during the three and nine months ended September 30, 2024, from amounts included in deferred at the beginning of the period were \$0.6 million and \$1.7 million, respectively.

Revenue from ad serving solutions via Innovid's ad serving platform was 74.8% and 73.3% of the Company's revenue for the three months ended September 30, 2024 and 2023, respectively. Revenue from measurement subscriptions was 22.2% and 23.2% for the three months ended September 30, 2024 and 2023, respectively. Creative services were 3.0% and 3.5% of the Company's revenue for the three months ended September 30, 2024, and 2023, respectively.

Revenue from ad serving solutions via Innovid's ad serving platform was 75.2% and 73.4% of the Company's revenue for the nine months ended September 30, 2024 and 2023, respectively. Revenue from measurement subscriptions was 21.8% and 22.9% for the nine months ended September 30, 2024 and 2023, respectively. Creative services were 3.0% and 3.7% of the Company's revenue for the nine months ended September 30, 2024 and 2023, respectively.

**Costs to obtain a contract**

Contract costs include commission programs to compensate sales employees for generating sales orders with new customers or for new services with existing customers. The Company elected to apply the practical expedient and recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. Most of the Company's commissions are commensurate. If commissions are not eligible for the practical expedient, the commissions are capitalized and are amortized over three years. As of both September 30, 2024 and December 31, 2023, capitalized commissions were immaterial.

**Recently issued accounting pronouncements not yet adopted**

As an "emerging growth company," the JOBS Act allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

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*Income taxes*

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 is intended to improve transparency of income tax disclosure by requiring income tax disclosures to contain consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid, disaggregated by jurisdiction. This standard affects the disclosure of income taxes, not the accounting for income taxes. This standard is effective for the Company for the annual period beginning after December 15, 2025, with early adoption permitted. The Company is evaluating the impact of the adoption of ASU 2023-09.

*Segments*

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expense and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. This standard is effective for the Company for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company is evaluating the impact of the adoption of ASU 2023-07.

**3. Leases**

Innovid's lease portfolio primarily consists of real estate properties. Short-term leases with a term of 12 months or less are not recorded on the balance sheet. Innovid does not separate lease components from non-lease components.

The Company is a lessee in all its lease agreements. The Company records lease liabilities based on the present value of lease payments over the applicable lease term. Innovid generally uses an incremental borrowing rate to discount its lease liabilities, as the rate implicit in the lease is typically not readily determinable. Certain lease agreements include renewal options that are under the Company's control. Optional renewal periods are included in the lease term when it is reasonably certain that the Company will exercise its option. On February 7, 2024, the Company amended its New York lease agreement extending the term to 2035. The lease contains an option to extend the lease for an additional five-year period and early termination, which are not reasonably certain to be exercised.

Variable lease payments are primarily related to payments to lessors for taxes, maintenance, insurance and other operating costs. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

The Company has the following operating right-of-use ("ROU") assets and lease liabilities:

|                        | September 30, 2024 |                   | December 31, 2023 |                   |
|------------------------|--------------------|-------------------|-------------------|-------------------|
|                        | (Unaudited)        |                   |                   |                   |
|                        | ROU assets         | Lease liabilities | ROU assets        | Lease liabilities |
| Real estate            | \$ 10,894          | \$ 11,223         | \$ 1,435          | \$ 1,834          |
| Total operating leases | <u>\$ 10,894</u>   | <u>\$ 11,223</u>  | <u>\$ 1,435</u>   | <u>\$ 1,834</u>   |

Lease expense components recognized in the interim condensed consolidated statement of operations was as follows:

|                       | Three months ended September 30, |               | Nine months ended September 30, |                 |
|-----------------------|----------------------------------|---------------|---------------------------------|-----------------|
|                       | 2024                             | 2023          | 2024                            | 2023            |
| Operating lease cost  | \$ 218                           | \$ 458        | \$ 933                          | \$ 1,379        |
| Short term lease cost | 283                              | 205           | 911                             | 788             |
| Variable lease cost   | 58                               | 31            | 142                             | 77              |
| Total lease cost      | <u>\$ 559</u>                    | <u>\$ 694</u> | <u>\$ 1,986</u>                 | <u>\$ 2,244</u> |

As of September 30, 2024, the weighted-average remaining lease term and weighted-average discount rate for operating leases were 9.8 years and 7.2%, respectively.

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Supplemental cash flow information regarding the Company's operating leases were as follows:

|  | Nine months ended September 30, |          |
|--|---------------------------------|----------|
|  | 2024                            | 2023     |
| Cash paid for amounts included in the measurement of lease liabilities | \$ 968                          | \$ 1,541 |

Future minimum commitments under the Company's operating lease were as follows:

|  | Nine months ended<br>September 30, 2024 |         |
|--|---|---------|
|  | 2024                                    | 2023    |
| Twelve months ending September 30,       |   |         |
| 2025                                     | \$ 1,263                                |         |
| 2026                                     |   | 1,762   |
| 2027                                     |   | 1,001   |
| 2028                                     |   | 1,523   |
| 2029                                     |   | 1,554   |
| Thereafter                               |   | 9,114   |
| Total undiscounted lease payments        | \$ 16,217                               |         |
| Less: imputed interest                   |   | (4,994) |
| <b>Total operating lease liabilities</b> | <b>\$ 11,223</b>                        |         |

#### 4. Warrants

As of September 30, 2024, the Company had 3,162,453 public warrants and 7,060,000 private warrants outstanding. The majority of the private warrant terms are identical to the public warrants resulting in use of the same price for valuation purposes. The Company's warrants do not meet all the conditions to be classified as equity under ASC 815-40 and therefore are classified as a liability measured at fair value through earnings.

See Note 2, *Summary of Significant Accounting Policies*, for details regarding the fair value of the warrants and see Note 8, *Finance (Income) Expenses, Net* for details regarding the gains and losses.

#### 5. Long-term Debt

On August 4, 2022, two wholly-owned subsidiaries of the Company, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the "2022 A&R Agreement"), to increase the revolving line of credit from \$15,000 to \$50,000 (the "New Revolving Credit Facility"). The 2022 A&R Agreement and the New Revolving Credit Facility were amended by a First Loan Modification Agreement dated August 2, 2023 (the "2023 Modification Agreement") and by a Second Loan Modification Agreement dated June 26, 2024 (the "2024 Modification Agreement"). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate that is the greater of (a) WSJ Prime Rate plus 0.25% or (b) 4.25%, on the aggregate outstanding balance. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The maturity date of the 2022 A&R Agreement, as amended, is June 30, 2027. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement and is secured by substantially all of the Company's assets and continues to place limitations on indebtedness, liens, distributions, asset sales, transactions with affiliates and acquisitions, all as defined in the agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement, "adjusted quick ratio" is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. "Quick assets" are determined as the Company's unrestricted cash plus accounts receivable, net, and is determined according to US GAAP. The Company is also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement, as amended, if the Company does not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

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At September 30, 2024, there were no amounts outstanding under the New Revolving Credit Facility and the Company was in compliance with all the covenants.

The Company utilizes the credit line on an as needed basis. See Note 8, *Finance Income, Net* for interest expense.

## **6. Commitments and Contingent Liabilities**

### ***Pledges and bank guarantees***

1. Innovid LLC pledged 65,000 shares of common stock of its Israeli Subsidiary, NIS 0.01 par value each, in connection with the line of credit (see Note 5, *Long-term Debt*).
2. The Israeli Subsidiary pledged bank deposits in an aggregate amount of \$ 0.6 million in connection with an office rent agreement and credit cards.

### ***Legal contingencies***

On March 4, 2022, a lawsuit was filed in the United States District Court for the Western District of Texas by the Nielsen Company (US) LLC against TV Squared, alleging infringement of US Patent No. 10,063,078. On June 1, 2022, TV Squared moved to transfer the case to the Southern District of New York, which was granted on January 18, 2023. On March 23, 2023, TV Squared moved for judgment on the pleadings that the asserted claims of the Nielsen patent are invalid because they are patent ineligible under 35 U.S.C. 101. The Court has not yet ruled on TV Squared's motion. While the motion has remained pending, discovery commenced. The Court also conducted a hearing to construe the patent claims on January 10, 2024, but has not issued a ruling.

On April 15, 2024, the Court issued an order to stay the case for ninety (90) days and to extend various deadlines as set out below, to allow the parties to continue settlement negotiations without incurring the substantial costs associated with the impending close of fact discovery and deadlines for expert reports. The parties agreed that the stay will apply to all interim deadlines, including the service of and responses and objections to written discovery. On July 2, 2024 the Court issued an order to extend the stay for an extra one hundred and twenty (120) days, and on October 23, 2024, the Court extended the stay for an additional eighty (80) days.

In the October 23, 2024 order, the Court set the date for the close of fact discovery as May 2, 2025 and the date for close of expert discovery as September 9, 2025.

No trial date has yet been set and the plaintiff has not specified the amount sought in the litigation. Given the uncertainty of litigation and the preliminary stage of the lawsuit, the Company is unable at this time to give an estimate of the amount or range of potential loss, if any, which might result to the Company if the outcome in such litigation was unfavorable. As of September 30, 2024, the Company has not recorded a loss contingency.

## **7. Stock-Based Compensation**

Stock-based compensation expense under all plans was as follows:

|                                      | Three months ended September 30, |                        | Nine months ended September 30, |                         |
|--------------------------------------|----------------------------------|------------------------|---------------------------------|-------------------------|
|                                      | 2024                             | 2023                   | 2024                            | 2023                    |
| Cost of goods sold                   | \$ 472                           | \$ 522                 | \$ 1,332                        | \$ 1,398                |
| Research and development             | 897                              | 1,249                  | 2,564                           | 3,652                   |
| Sales and marketing                  | 1,940                            | 1,657                  | 4,632                           | 4,926                   |
| General and administrative           | 2,192                            | 2,177                  | 5,998                           | 5,587                   |
| Total expensed                       | \$ 5,501                         | \$ 5,605               | \$ 14,526                       | \$ 15,563               |
| Internal use software capitalization | 209                              | 314                    | 798                             | 1,004                   |
| Total stock-based compensation       | <u><u>\$ 5,710</u></u>           | <u><u>\$ 5,919</u></u> | <u><u>\$ 15,324</u></u>         | <u><u>\$ 16,567</u></u> |

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**Stock Options**

Stock option activity under all plans was as follows:

|   | Nine months ended September 30, 2024 |  |  |   |
|---|--------------------------------------|--|--|---|
|   | Number<br>of<br>options              | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining contractual<br>term<br>(in years) | Aggregate intrinsic<br>value (in thousands) |
| Outstanding at December 31, 2023          | 9,526,883                            | \$ 1.27                                  |  |   |
| Granted                                   | —                                    | \$ —                                     |  |   |
| Exercised                                 | (532,089)                            | \$ 0.59                                  |  |   |
| Forfeited                                 | (573,537)                            | \$ 1.81                                  |  |   |
| Expired                                   | (364,341)                            | \$ 1.98                                  |  |   |
| Outstanding at September 30, 2024         | <u>8,056,916</u>                     | \$ 1.24                                  | 5.4  | \$ 6,031                                    |
| Exercisable options at September 30, 2024 | 7,030,893                            | \$ 1.20                                  | 5.0  | \$ 5,545                                    |

The aggregate intrinsic value of exercised options in the nine months ended September 30, 2024, was \$ 0.8 million.

As of September 30, 2024, the Company had approximately \$ 0.8 million of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted-average period of 2.0 years.

**Restricted Stock Units**

RSU activity under the 2021 Plan was as follows:

|                                   | Nine months ended September 30, 2024 |   |  |   |
|-----------------------------------|--------------------------------------|---|--|---|
|                                   | Number of units                      | Weighted<br>average<br>grant date<br>fair value | Weighted<br>average<br>remaining contractual<br>term<br>(in years) | Aggregate intrinsic<br>value (in thousands) |
| Outstanding at December 31, 2023  | 13,270,592                           | \$ 2.07   |  |   |
| Granted                           | 9,837,142                            | \$ 2.32   |  |   |
| Vested                            | (6,047,383)                          | \$ 2.29   |  |   |
| Forfeited                         | (2,887,385)                          | \$ 2.05   |  |   |
| Outstanding at September 30, 2024 | <u>14,172,966</u>                    | \$ 2.15   | 1.1  | \$ 25,499                                   |

The weighted-average grant-date fair value of RSUs generally is determined based on the number of units granted and the quoted price of Innovid's common stock on the date of grant. The fair value of shares vested during the nine months ended September 30, 2024, was \$11.9 million.

As of September 30, 2024, \$25.1 million of unrecognized compensation cost related to RSUs is expected to be recognized as expense over the weighted average period of 2.0 years.

**8. Finance Income, Net**

The Company recognizes the gains and losses from the remeasurement of its warrants liability in "finance income, net" in the condensed consolidated statements of operations. The unrealized (loss)/gain from changes in the fair value of the Company warrants for the three months ended September 30, 2024 and 2023, were gains of \$0.3 million and \$0.4 million, respectively. The unrealized (loss)/gain from changes in the fair value of the Company warrants for the nine months ended September 30, 2024 and 2023, were gains of \$0.1 million and \$3.7 million, respectively.

The Company recognizes interest expense and interest income in "finance income, net" in the condensed consolidated statements of operations. Interest expense for the three months ended September 30, 2024 and 2023, was immaterial and \$0.4 million, respectively. Interest income for the three months ended September 30, 2024 and 2023, was \$0.4 million and



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\$0.4 million, respectively. Interest expense for the nine months ended September 30, 2024 and 2023, was \$ 0.2 million and \$1.1 million, respectively. Interest income for the nine months ended September 30, 2024 and 2023, was \$1.1 million and \$1.0 million, respectively.

## 9. Income Tax

The Company recorded net benefits for incomes taxes of \$5.8 million and \$1.3 million for the three months ended September 30, 2024 and 2023, respectively, representing effective tax rates of 502.8% and 32.3%, respectively. The decrease in the third quarter of 2024 tax expense was from a change in the Company's full year forecast and the effects of using the interim tax reporting methodology provided under ASC 740-270 where the Company uses a forecasted effective tax rate against current year-to-date results.

The Company recorded net provisions for incomes taxes of \$5.2 million and \$2.9 million for the nine months ended September 30, 2024 and 2023, respectively, representing effective tax rates of (74.7)% and (10.4)%, respectively. The increase in year-to-date 2024 tax expense was from growing profitability of the global business and associated higher current tax expense, non-deductibility of stock compensation expenses in the US and Israel, the recognition of uncertain tax positions that previously offset against unrecognized deferred tax assets, and as discussed above, the effects of using the interim tax reporting methodology provided under ASC 740-270.

## 10. Segment Reporting

The Company operates and manages its business as one segment, which primarily focuses on the software platform for ad serving, measurement, and creative. Our CEO is the chief operating decision-maker and manages and allocates resources to the operations of the Company on an entity-wide basis.

Revenue by geographic location was as follows:

|               | Three months ended September 30, |           | Nine months ended September 30, |            |
|---------------|----------------------------------|-----------|---------------------------------|------------|
|               | 2024                             | 2023      | 2024                            | 2023       |
| US            | \$ 35,295                        | \$ 33,238 | \$ 103,417                      | \$ 92,452  |
| Canada        | 549                              | 531       | 1,740                           | 1,385      |
| APAC          | 706                              | 723       | 2,656                           | 2,271      |
| EMEA          | 1,569                            | 1,542     | 4,613                           | 4,580      |
| LATAM         | 132                              | 200       | 514                             | 577        |
| Total revenue | \$ 38,251                        | \$ 36,234 | \$ 112,940                      | \$ 101,265 |

Property and equipment, net and ROU assets by geographic location was as follows:

|                   | September 30, 2024 | December 31, 2023 |
|-------------------|--------------------|-------------------|
| Israel            | \$ 1,698           | \$ 2,154          |
| US                | 29,612             | 17,144            |
| Rest of the world | 590                | 556               |
| Total             | \$ 31,900          | \$ 19,854         |

**INNOVID CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
September 30, 2024

## 11. Net Income (Loss) Per Share

The following presents a reconciliation of the denominator used in the calculation of diluted net income per share (in thousands, except share and per share data):

|  | Three months ended<br>September 30,<br>2024 |
|--|---|
| Diluted denominator:                                 |   |
| Weighted average common shares outstanding           | 146,822,073                                 |
| Options  | 3,242,758                                   |
| Unvested restricted stock units                      | 2,439,409                                   |
| Weighted average common shares outstanding - diluted | <u><u>152,504,240</u></u>                   |

The following potential shares of common stock, presented based on amounts outstanding at each period end, have been excluded from the computation of diluted net loss per share attributable to common stockholders for the periods indicated their effect would have been anti-dilutive effect:

|                                 | Three months ended September 30, |            | Nine months ended September 30, |            |
|---------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                 | 2024                             | 2023       | 2024                            | 2023       |
| Options                         | 3,396,038                        | 9,402,442  | 6,986,540                       | 9,402,442  |
| Unvested restricted stock units | 9,179,898                        | 14,115,573 | 10,654,256                      | 14,115,573 |
| Warrants                        | 10,222,453                       | 10,222,500 | 10,222,453                      | 10,222,500 |

## 12. Subsequent Event

On November 6, 2024, our board of directors authorized the Company to implement a stock repurchase program to purchase up to \$ 20.0 million of our common stock. Subject to the final terms of the program, it is expected that repurchases would be made in the open market, in privately negotiated transactions, or otherwise, with the amount and timing of repurchases determined at the Company's discretion, depending on market conditions and corporate needs. Open market repurchases will be structured to occur in accordance with applicable federal securities laws, including the pricing and volume requirements of Rule 10b-18 or Rule10b-5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This program is not expected to obligate us to acquire any particular amount of common stock and may be modified, suspended, or terminated at any time at the discretion of our board of directors and the Company may decline to move forward with the implementation of any repurchase plan.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report and our audited financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023 (our "2023 Annual Report on Form 10-K"). This discussion contains forward-looking statements reflecting current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in our 2023 Annual Report on Form 10-K, which may be updated from time to time in our other filings with the SEC, including elsewhere in this Quarterly Report, including under the heading "Cautionary Statements Regarding Forward-Looking Statements."

### **Company Overview**

We are an enterprise cloud software platform for the creation, delivery, measurement, and optimization of advertising across connected TV ("CTV"), mobile and desktop environments. We provide critical technology infrastructure for many

of the world's largest brands, agencies, and publishers, and empower them to create ad-supported TV experiences people love. Our vision, that television should be open for everyone, and controlled by no one, is at the heart of how we operate our business as an independent platform, and as a strategic, trusted partner for our clients.

Our technology is purpose-built for CTV, with a comprehensive view of the full ecosystem, including linear TV, mobile, and desktop channels. Our cloud-based platform tightly integrates with the highly fragmented advertising technology and media ecosystem, and includes three key solutions: Ad Serving, Creative Personalization, and Measurement. We count many of the world's largest brand advertisers as customers, including Anheuser-Busch InBev, CVS Pharmacy, Kellogg's, Mercedes-Benz, Target, Sanofi, and more. As of September 30, 2024, over 50% of the top 200 large advertisers, by TV US advertising spend according to MediaRadar leverage our platform. We are also trusted partners of the largest streaming platform providers in the world, including Disney, Hulu, ESPN, NBCU, and Paramount, and we work closely with top advertising agencies and agency holding companies such as WPP, Publicis Groupe, Omnicom Group, Interpublic Group of Cos., Dentsu Inc., Havas Group, Horizon Media, and The Stagwell Group. Our clients are diversified across all major industry verticals, including consumer packaged goods, pharmaceutical and healthcare, retail, financial services, automotive and technology. We serve customers globally across over 50 countries, with most of our customers located in the US.

Our revenue growth closely correlates with the growth of CTV advertising. CTV accounted for 58% and 55% of all video impressions served by Innovid during the three months ended September 30, 2024, and 2023, respectively. During the three months ended September 30, 2024, this represented a year-over-year increase of 13% in CTV video impressions served by Innovid. The balance of video impressions served by Innovid during the third quarter of 2024 and 2023 was attributed to mobile, 32% and 35%, respectively, and PC, 11% and 10%, respectively. In the third quarter of 2024, video impressions volume decreased by 2% for mobile and increased by 5% for desktop as compared to the same period in the prior year.

## **Transactions**

Innovid Corp. was originally incorporated as ION Acquisition Corp. 2 Ltd. ("ION"), a special purpose acquisition company, on November 23, 2020, and Innovid Corp. was the surviving entity following the completion of its merger with ION on November 30, 2021 (the "Transaction").

On February 28, 2022, the Company completed the acquisition of TV Squared Limited by way of stock purchase agreement ("Stock Purchase Agreement"). The Company acquired all the equity of TVS for an aggregate amount of \$100.0 million in cash, 11,549,465 shares of the Company common stock at fair value of \$3.80 per share, and the issuance of 949,893 fully vested stock options of the Company at a weighted average fair value of \$3.49, subject to certain adjustments as defined in the Stock Purchase Agreement.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("US GAAP") requires us to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such management estimates and assumptions used are related, but not limited to, income tax uncertainties, deferred taxes, and stock-based compensation, as well as the fair value of assets acquired, and liabilities assumed in business combinations. The Company's management believes that the estimates, judgments and assumptions used as reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Global Events**

A number of our employees, including some senior employees and two of our directors are residents of Israel. As of today, the Company's business operations have not been disrupted to any significant extent and the Company does not anticipate any material impact to operations going forward amidst the war in Israel. All of our infrastructure and internal networks are cloud-based and are located outside of Israel. Key systems and IT functions are distributed globally, and our customer care and sales teams are situated mainly in the US, the UK and Argentina. Our office in Israel is primarily a research and development facility and is one of three of our worldwide research and development facilities.

## Key Factors Affecting Our Performance

There are several factors that have impacted, and we believe, may continue to impact our results of operations and growth.

These factors include:

Continued market demand. Our performance depends on continued global demand across the advertising ecosystem for independent third-party ad serving, personalization, and measurement of digital ads. Advertisers, programmatic platforms, social media channels and digital publishers are collectively placing increased emphasis on the quality and effectiveness of digital ad spend across all channels, formats and devices.

Our growth is primarily driven by CTV, the fastest growing segment of digital ad spend, and our results depend on our ability to monetize continued market growth of CTV ad spend.

Growth of volume of CTV ad impressions of existing customers. Our results also depend on our ability to retain our existing customers and on our customers' continued investment in CTV advertising. Customer retention will continue to impact our results as TV investment continues to shift from linear to CTV and the volume of CTV impressions grows.

Upsell of additional services. An additional contributor to our efforts in expanding revenue generated by our customers is our investment in cross-selling our solutions. We cross-sell our personalized creative solutions to primarily ad serving customers, who, for example, begin using our services with standard digital video ads and then introduce personalized formats over time. We also cross-sell our advanced measurement solutions, which provide real-time metrics to inform optimization of TV campaigns while in the market. The success of these efforts will impact our results of operations.

New client accounts. We intend to continue targeting new brand, media agency and digital publisher customers who are currently utilizing solutions provided by our competitors or point solutions. Our results of operations will be impacted by our ability to attract new customers.

Seasonality. We experience fluctuations in revenue that coincide with seasonal fluctuations in the digital ad spending of our customers, in particular television ad spending patterns. Advertisers typically allocate the largest portion of their media budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. As a result, the fourth quarter of the year typically reflects our highest level of revenue while the first quarter typically reflects our lowest level of revenue. However, this traditional seasonality may also be impacted by certain external factors or major events that also impact traditional television advertising patterns, such as supply chain disruptions and silicon/chip shortages. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole and for these seasonal fluctuations in ad spend to impact quarter-over-quarter results. We believe that the year-over-year comparison of results more appropriately reflects the overall performance of our business.

## Global Markets

The majority of our clients operate at a significant scale. Innovid serves customers globally through a delivery footprint including the US, APAC, EMEA, and LATAM. During the third quarter and the nine months ended September 30, 2024, approximately 8%, respectively, of Innovid's revenue was generated by our customers outside of the US.

We continue to service international markets to meet the needs of our global customer base and to accelerate new customer acquisition in key geographies outside of the US. We believe our continuing ability to service international markets will impact our results of operations.

## Components of Results of Operations

### Revenue

We generate most of our revenue from digital ad solutions via our cloud-based ad serving platform to advertisers, media agencies and publishers. We focus on standard, interactive and data driven digital video advertising. Ad serving services relate to utilizing our platform to serve advertising impressions to various digital publishers across CTV, mobile, and desktop.

InnovidXP, our cloud based cross-platform TV Ad measurement solution measures the efficiency of CTV advertising and in-flight optimizations for TV marketers. We will continue to invest in advanced measurement capability and provide solutions to advertisers, streaming platforms and agencies as their needs evolve in the highly fragmented CTV ecosystem.

We provide creative services for the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units.

We generate the majority of our revenue from the sale and delivery of our products within the US. For information with respect to sales by geographic markets, refer to Note 10, *Segment Reporting* to the condensed consolidated financial statements included under Item 1, Financial Statements.

We anticipate that revenue from our US sales will continue to constitute a substantial portion of our revenue in future periods.

#### **Cost of revenue**

Cost of revenue consists primarily of costs to run the ad serving and measurement platform and provide creative services. These costs include hosting and ad serving fees, data costs, personnel costs including stock-based compensation, professional services costs and facility related costs. We allocate overhead, including rent and other facility related costs and communication costs, based on headcount.

#### **Research and development**

Research and development expenses consist primarily of personnel costs, including stock-based compensation, professional services costs, hosting and facility related costs. We allocate overhead including rent and other facility related costs and communication costs based on headcount. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

Research and development costs are charged to the condensed consolidated statements of operations as incurred. ASC 350-40, Internal-Use Software ("ASC 350-40"), requires the capitalization of certain costs incurred during the application development stage. Any costs incurred for upgrades and functionality enhancements of the software are also capitalized.

#### **Sales and marketing**

Sales and marketing expenses consist primarily of personnel costs, including commissions, stock-based compensation, professional services costs and facility related costs, as well as costs related to advertising, promotional materials, public relations, and other sales and marketing programs. We allocate overhead, including rent and other facility related costs and communication costs based on headcount.

#### **General and administrative**

General and administrative expenses consist primarily of personnel costs, including stock-based compensation, executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional services costs and facility related costs. We allocate overhead, including rent and other facility related costs, and communication costs based on headcount.

## Results of Operations

The following table sets forth items in the condensed consolidated quarterly statements of operations as a percentage of sales for the periods indicated:

|   | Three months ended September 30, |       | Nine months ended September 30, |       |
|---|----------------------------------|-------|---------------------------------|-------|
|   | 2024                             | 2023  | 2024                            | 2023  |
| Revenue   | 100 %                            | 100 % | 100 %                           | 100 % |
| Cost of revenue   | 23 %                             | 23 %  | 24 %                            | 25 %  |
| Research and development                                    | 18 %                             | 18 %  | 18 %                            | 20 %  |
| Sales and marketing   | 31 %                             | 31 %  | 31 %                            | 34 %  |
| General and administrative                                  | 25 %                             | 27 %  | 26 %                            | 28 %  |
| Depreciation, amortization and long-lived assets impairment | 7 %                              | 13 %  | 7 %                             | 9 %   |
| Goodwill impairment   | — %                              | — %   | — %                             | 14 %  |
| Operating loss  | (4)%                             | (12)% | (6)%                            | (30)% |
| Finance income, net   | (1)%                             | (1)%  | — %                             | (3)%  |
| Loss before taxes   | (3)%                             | (11)% | (6)%                            | (27)% |
| Taxes on income   | (15)%                            | (3)%  | 5 %                             | 3 %   |
| Net income (loss)   | 12 %                             | (8)%  | (11)%                           | (30)% |

**Three and nine months ended September 30, 2024, compared to the three and nine months ended September 30, 2023**

|   | Three months ended September 30, |            |                     |        | Nine months ended September 30, |             |                     |        |
|---|----------------------------------|------------|---------------------|--------|---------------------------------|-------------|---------------------|--------|
|   | (In thousands)                   |            | Increase (decrease) |        | (In thousands)                  |             | Increase (decrease) |        |
|   | 2024                             | 2023       | Amount              | %      | 2024                            | 2023        | Amount              | %      |
| Revenue   | \$ 38,251                        | \$ 36,234  | \$ 2,017            | 6 %    | \$ 112,940                      | \$ 101,265  | \$ 11,675           | 12 %   |
| Cost of revenue   | 8,917                            | 8,428      | 489                 | 6 %    | 26,746                          | 25,284      | 1,462               | 6 %    |
| Research and development                                    | 7,021                            | 6,486      | 535                 | 8 %    | 20,646                          | 20,479      | 167                 | 1 %    |
| Sales and marketing   | 11,682                           | 11,175     | 507                 | 5 %    | 35,523                          | 34,272      | 1,251               | 4 %    |
| General and administrative                                  | 9,238                            | 9,753      | (515)               | (5)%   | 29,070                          | 28,327      | 743                 | 3 %    |
| Depreciation, amortization and long-lived assets impairment | 2,836                            | 4,714      | (1,878)             | (40)%  | 8,291                           | 8,808       | (517)               | (6)%   |
| Goodwill impairment   | —                                | —          | —                   | — %    | —                               | 14,503      | (14,503)            | (100)% |
| Operating loss  | (1,443)                          | (4,322)    | 2,879               | (67)%  | (7,336)                         | (30,408)    | 23,072              | (76)%  |
| Finance income, net   | (285)                            | (290)      | 5                   | (2)%   | (405)                           | (3,013)     | 2,608               | (87)%  |
| Loss before taxes   | (1,158)                          | (4,032)    | 2,874               | (71)%  | (6,931)                         | (27,395)    | 20,464              | (75)%  |
| Taxes on income   | (5,823)                          | (1,301)    | (4,522)             | 348 %  | 5,180                           | 2,858       | 2,322               | 81 %   |
| Net income (loss)   | \$ 4,665                         | \$ (2,731) | \$ 7,396            | (271)% | \$ (12,111)                     | \$ (30,253) | \$ 18,142           | (60)%  |

### Revenue

The overall growth and scaling of CTV was the key driver of Innovid's revenue growth in the third quarter and nine months ended September 30, 2024. As TV ad spend continues to shift from linear to CTV, we continue to benefit from the natural volume growth of CTV impressions we deliver for our existing and new customers. We have driven consistent positive net revenue retention of our core client base, largely through increased CTV advertising volume, as legacy TV budgets migrate from linear TV to CTV.

Revenue in the three months ended September 30, 2024, as compared to the same period in 2023, increased primarily due to ad serving volume growth.

Revenue in the nine months ended September 30, 2024, as compared to the same period in 2023, increased mainly due to ad serving volume growth and the growth of our measurement solution. Cross-selling of the measurement solution to our core clients contributed to the overall increase in the measurement revenue.

There was no meaningful impact of changes in average cost per impression on revenue.

***Cost of revenue (exclusive of depreciation, amortization, long-lived asset and goodwill impairments shown below)***

|                 | Three months ended September 30, |          |                     |     |
|-----------------|----------------------------------|----------|---------------------|-----|
|                 | (In thousands)                   |          | Increase (decrease) |     |
|                 | 2024                             | 2023     | Amount              | %   |
| Cost of revenue | \$ 8,917                         | \$ 8,428 | \$ 489              | 6 % |

The increase in cost of revenue in the three months ended September 30, 2024, as compared to the same period in 2023, was mainly due to an increase of \$0.4 million related to hosting and data costs.

|                 | Nine months ended September 30, |           |                     |     |
|-----------------|---------------------------------|-----------|---------------------|-----|
|                 | (In thousands)                  |           | Increase (decrease) |     |
|                 | 2024                            | 2023      | Amount              | %   |
| Cost of revenue | \$ 26,746                       | \$ 25,284 | \$ 1,462            | 6 % |

Cost of revenue increase in the nine months ended September 30, 2024, as compared to the same period in 2023, was primarily due to an increase of \$1.5 million related to hosting and data costs.

***Research and development (exclusive of depreciation, amortization, long-lived asset and goodwill impairments shown below)***

|                          | Three months ended September 30, |          |                     |     |
|--------------------------|----------------------------------|----------|---------------------|-----|
|                          | (In thousands)                   |          | Increase (decrease) |     |
|                          | 2024                             | 2023     | Amount              | %   |
| Research and development | \$ 7,021                         | \$ 6,486 | \$ 535              | 8 % |

The increase in research and development expense in the three months ended September 30, 2024, was mainly due to an increase of \$0.4 million in personnel and related costs and \$0.1 million in recruitment costs, as compared to the same period in 2023.

|                          | Nine months ended September 30, |           |                     |     |
|--------------------------|---------------------------------|-----------|---------------------|-----|
|                          | (In thousands)                  |           | Increase (decrease) |     |
|                          | 2024                            | 2023      | Amount              | %   |
| Research and development | \$ 20,646                       | \$ 20,479 | \$ 167              | 1 % |

The increase in research and development expense in the nine months ended September 30, 2024, as compared to the first nine months of 2023, was mainly due to \$0.4 million increase in professional fees, \$0.2 million in recruitment expense for key roles, and \$0.1 million in hosting and data costs. This increase was partially offset by a decrease of \$0.6 million in personnel and related costs resulting from our operating efficiency measures including headcount reduction.

**Sales and marketing (exclusive of depreciation, amortization, long-lived asset and goodwill impairments shown below)**

|                     | Three months ended September 30, |           |                     |     |
|---------------------|----------------------------------|-----------|---------------------|-----|
|                     | (In thousands)                   |           | Increase (decrease) |     |
|                     | 2024                             | 2023      | Amount              | %   |
| Sales and marketing | \$ 11,682                        | \$ 11,175 | \$ 507              | 5 % |

The increase in sales and marketing expense was primarily driven by an increase of \$1.5 million in personnel and related costs in the three months ended September 30, 2024, as compared to the same period in 2023. This increase was partially offset by a decrease in commissions of \$0.9 million.

|                     | Nine months ended September 30, |           |                     |     |
|---------------------|---------------------------------|-----------|---------------------|-----|
|                     | (In thousands)                  |           | Increase (decrease) |     |
|                     | 2024                            | 2023      | Amount              | %   |
| Sales and marketing | \$ 35,523                       | \$ 34,272 | \$ 1,251            | 4 % |

Sales and marketing expense increase was primarily due to an increase of \$1.2 million in personnel and related costs in the nine months ended September 30, 2024, as compared to the same period in 2023.

**General and administrative (exclusive of depreciation, amortization, long-lived asset and goodwill impairments shown below)**

|                            | Three months ended September 30, |          |                     |      |
|----------------------------|----------------------------------|----------|---------------------|------|
|                            | (In thousands)                   |          | Increase (decrease) |      |
|                            | 2024                             | 2023     | Amount              | %    |
| General and administrative | \$ 9,238                         | \$ 9,753 | \$ (515)            | (5)% |

General and administrative expense decrease in the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was mainly due to a decrease in personnel and related costs of \$0.5 million.

|                            | Nine months ended September 30, |           |                     |     |
|----------------------------|---------------------------------|-----------|---------------------|-----|
|                            | (In thousands)                  |           | Increase (decrease) |     |
|                            | 2024                            | 2023      | Amount              | %   |
| General and administrative | \$ 29,070                       | \$ 28,327 | \$ 743              | 3 % |

General and administrative expense in the nine months ended September 30, 2024, as compared to the same period in 2023, increased mainly a result of higher legal expenses totaling \$0.7 million in connection with litigation and other legal matters and \$0.4 million in expense in connection with an ERP implementation. This increase was partially offset by a decrease in personnel and related costs of \$0.5 million.

**Depreciation, amortization and long-lived assets impairment**

|   | Three months ended September 30, |          |                     |       |
|---|----------------------------------|----------|---------------------|-------|
|   | (In thousands)                   |          | Increase (decrease) |       |
|   | 2024                             | 2023     | Amount              | %     |
| Depreciation, amortization and long-lived assets impairment | \$ 2,836                         | \$ 4,714 | \$ (1,878)          | (40)% |

Depreciation and amortization expense decrease period over period was mostly due to impairment of approximately \$2.4 million related to our legacy measurement product in 2023. This decrease was partially offset by an increase of \$0.6 million in amortization expense of internal-use software projects during the 2024 period.

|   | Nine months ended September 30, |          |                     |      |
|---|---------------------------------|----------|---------------------|------|
|   | (In thousands)                  |          | Increase (decrease) |      |
|   | 2024                            | 2023     | Amount              | %    |
| Depreciation, amortization and long-lived assets impairment | \$ 8,291                        | \$ 8,808 | \$ (517)            | (6)% |

The decrease in depreciation and amortization expense was primarily due to impairment of \$2.4 million related to our legacy measurement product in 2023 and a decrease of \$0.3 million of TVS intangible assets during the 2024 period. This was partially offset by an increase of \$2.3 million in amortization expense of internal-use software projects in the nine months ended September 30, 2024, as compared to the first nine months of 2023.

**Goodwill impairment**

|                     | Three months ended September 30, |      |                     |     |
|---------------------|----------------------------------|------|---------------------|-----|
|                     | (In thousands)                   |      | Increase (decrease) |     |
|                     | 2024                             | 2023 | Amount              | %   |
| Goodwill impairment | \$ —                             | \$ — | \$ —                | — % |

There was no goodwill impairment in the three months ended September 30, 2024 and 2023.

|                     | Nine months ended September 30, |           |                     |        |
|---------------------|---------------------------------|-----------|---------------------|--------|
|                     | (In thousands)                  |           | Increase (decrease) |        |
|                     | 2024                            | 2023      | Amount              | %      |
| Goodwill impairment | \$ —                            | \$ 14,503 | \$ (14,503)         | (100)% |

In the nine months ended September 30, 2023, the Company recorded a goodwill impairment charge stemming from a continued decline in its stock price. An assessment was performed, and it was determined that the fair value of the reporting unit exceeded its carrying value resulting in the impairment charge. There was no goodwill impairment in the nine months ended September 30, 2024.

**Finance Income, Net**

|                     | Three months ended September 30, |          |                     |      |
|---------------------|----------------------------------|----------|---------------------|------|
|                     | (In thousands)                   |          | Decrease (increase) |      |
|                     | 2024                             | 2023     | Amount              | %    |
| Finance income, net | \$ (285)                         | \$ (290) | \$ 5                | (2)% |

Finance income, net was consistent period over period.

|                     | Nine months ended September 30, |            |                     |       |
|---------------------|---------------------------------|------------|---------------------|-------|
|                     | (In thousands)                  |            | Decrease (increase) |       |
|                     | 2024                            | 2023       | Amount              | %     |
| Finance income, net | \$ (405)                        | \$ (3,013) | \$ 2,608            | (87)% |

Finance income, net decreased in the nine months ended September 30, 2024, as compared to the same period in 2023, mainly due to the \$3.7 million fair value gain recognized in 2023, as a result of the decline in value of the Company's warrants, partially offset by a loss on foreign exchange in the current period. The warrant fair value was impacted by the decline in the Company's common stock price.

**Taxes on income**

|                 | Three months ended September 30, |            |                     |       |
|-----------------|----------------------------------|------------|---------------------|-------|
|                 | (In thousands)                   |            | (Increase) decrease |       |
|                 | 2024                             | 2023       | Amount              | %     |
| Taxes on income | \$ (5,823)                       | \$ (1,301) | \$ (4,522)          | 348 % |

The Company recorded net benefits for incomes taxes of \$5.8 million and \$1.3 million for the three months ended September 30, 2024 and 2023, respectively, representing effective tax rates of 502.8% and 32.3%, respectively. The benefit increase in the third quarter of 2024 results from a change in the Company's full year forecast and the effects of using the interim tax reporting methodology provided under ASC 740-270 where the Company uses a forecasted effective tax rate against current year-to-date results.

|                 | Nine months ended September 30, |          |                     |      |
|-----------------|---------------------------------|----------|---------------------|------|
|                 | (In thousands)                  |          | Increase (decrease) |      |
|                 | 2024                            | 2023     | Amount              | %    |
| Taxes on income | \$ 5,180                        | \$ 2,858 | \$ 2,322            | 81 % |

The Company recorded net provisions for incomes taxes of \$5.2 million and \$2.9 million for the nine months ended September 30, 2024 and 2023, respectively, representing effective tax rates of (74.7)% and (10.4)%, respectively. The increase in year-to-date 2024 tax expense results from growing profitability of the global business and associated higher current tax expense, non-deductibility of stock compensation expenses in the US and Israel, the recognition of uncertain tax positions that previously offset against unrecognized deferred tax assets, and as discussed above, the effects of using the interim tax reporting methodology provided under ASC 740-270.

**Liquidity and Capital Resources**

We have financed our operations and capital expenditures primarily through utilization of cash generated from operations, as well as borrowings under our credit facilities.

As of September 30, 2024, we had cash and cash equivalents of \$35.0 million and net working capital, consisting of current assets less current liabilities, of \$59.7 million. As of September 30, 2024, we had an accumulated deficit of \$194.9 million, \$76.0 million thereof results from the cumulative accretion of preferred stock to redemption value prior to the conversion of all preferred stock into our common stock upon the closing of the Transaction.

We believe our existing cash and cash equivalents and anticipated net cash provided by operating activities, together with available borrowings under our credit facility, will be sufficient to meet our cash needs and working capital requirements for at least the next twelve months. However, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected. We are closely monitoring the effect that current economic conditions may have on our working capital requirements. To date, the war in Israel has not had a material negative impact on our cash flow or liquidity. Our future capital requirements and the adequacy of available funds will depend on many factors.

On November 6, 2024, our board of directors authorized the Company to implement a stock repurchase program to purchase up to \$20.0 million of our common stock. Subject to the final terms of the program, it is expected that repurchases would be made in the open market, in privately negotiated transactions, or otherwise, with the amount and timing of repurchases determined at the Company's discretion, depending on market conditions and corporate needs. Open market repurchases will be structured to occur in accordance with applicable federal securities laws, including the pricing and volume requirements of Rule 10b-18 or Rule10b-5-1 under the Exchange Act. This program is not expected to obligate us to acquire any particular amount of common stock and may be modified, suspended, or terminated at any time at the discretion of our board of directors and the Company may decline to move forward with the implementation of any repurchase plan.

## **Sources of Liquidity**

### *Revolving Line of Credit*

On August 4, 2022, two of our wholly owned subsidiaries, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the "2022 A&R Agreement"), to increase the revolving line of credit from \$15.0 million to \$50.0 million (the "New Revolving Credit Facility"). The 2022 A&R Agreement and the New Revolving Credit Facility were amended by a First Loan Modification Agreement dated August 2, 2023 (the "2023 Modification Agreement") and a Second Loan Modification Agreement dated June 26, 2024 (the "2024 Modification Agreement"). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate that is the greater of (a) WSJ Prime Rate plus 0.25% or (b) 4.25%, on the aggregate outstanding balance. Additional fees include 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The maturity date of the 2022 A&R Agreement, as amended, is June 30, 2027. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement and is secured by substantially all of the Company's assets and continues to place limitations on indebtedness, liens, distributions, asset sales, transactions with affiliates and acquisitions, all as defined in the agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement "adjusted quick ratio" is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. "Quick assets" are calculated as unrestricted cash plus accounts receivable, net, and is determined according to US GAAP. We are also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement, as amended, if the Company does not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

As of September 30, 2024, we were in compliance with all applicable covenants.

The Company utilizes the credit line on an as needed basis. In January 2024, the Company repaid \$20.0 million under the credit line and has not subsequently drawn from it.

We recognize interest expense in finance income, net in the condensed consolidated statements of operations. Interest expense for the three months ended September 30, 2024 and 2023 was immaterial and \$0.4 million, respectively. Interest income for the three months ended September 30, 2024 and 2023, was \$0.4 million and \$0.4 million, respectively. Interest expense for the nine months ended September 30, 2024 and 2023 was \$0.2 million and \$1.1 million, respectively. Interest income for the nine months ended September 30, 2024 and 2023, was \$1.1 million and \$1.0 million, respectively.

## **Cash Flows**

### *Nine months ended September 30, 2024, compared to the nine months ended September 30, 2023*

The following table summarizes our cash flows for the periods presented (in thousands):

|  | <b>Nine months ended September 30,</b> |             |
|--|--|-------------|
|  | <b>2024</b>                            | <b>2023</b> |
| Net cash provided by operating activities                              | \$ 11,915                              | \$ 7,437    |
| Net cash (used in) provided by investing activities                    | (6,916)                                | 1,887       |
| Net cash (used in) provided by financing activities                    | (19,688)                               | 772         |
| Effect of exchange rates on cash, cash equivalents and restricted cash | (321)                                  | —           |
| (Decrease) increase in cash, cash equivalents, and restricted cash     | \$ (15,010)                            | \$ 10,096   |

### **Operating Activities**

Our cash flows from operating activities are primarily influenced by growth in our operations, increases or decreases in collections from our customers and payments to our vendors, as well as increases in personnel related expenses as we scale our business. The timing of cash receipts from customers and payments to vendors and providers can significantly impact our cash flows from operating activities. Seasonality is expected to impact cash flows from operating activities quarterly.

Cash provided by operating activities is calculated by adjusting our net loss for changes in working capital, excluding non-cash items such as depreciation and amortization, stock-based compensation and change in fair value of warrants.

For the nine months ended September 30, 2024, net cash provided by operating activities was \$11.9 million. The non-cash charges, primarily stock based compensation and depreciation and amortization, offset the net loss and provided \$10.7 million in cash. Collections on our trade receivables, the timing of prepaid software subscriptions, other accrued expenses and vendor payments together provided \$5.8 million in cash. The timing of payments to employees used \$4.9 million in cash.

For the nine months ended September 30, 2023, net cash provided by operating activities was \$7.4 million. Net loss, adjusted for non-cash charges used \$4.8 million in cash. The timing of other accrued expense, vendor and employee payments provided \$4.0 million in cash. Decreases in prepaid software subscriptions used \$1.2 million in cash.

#### **Investing Activities**

Cash used in investing activities for the nine months ended September 30, 2024, was \$6.9 million, primarily the result of an investment in internal software development projects and purchases of property and equipment. Cash provided by investing activities for the nine months ended September 30, 2023, was \$1.9 million, which consisted of cash from short-term deposits of \$10.0 million partially offset by \$8.2 million of investment in internal software development projects and purchases of property and equipment.

#### **Financing Activities**

Cash used in financing activities for the nine months ended September 30, 2024, was \$19.7 million due to a payment on our revolving credit facility partially offset by proceeds from the exercise of options. Cash provided by financing activities for the nine months ended September 30, 2023, was \$0.8 million mainly due to proceeds from the exercise of options.

#### **Free Cash Flow (non-GAAP measure)**

The following table reconciles Free Cash Flow, which is a non-GAAP measure, to net cash provided by operating activities (in thousands):

|   | Three months ended September 30, |          | Nine months ended September 30, |          |
|---|----------------------------------|----------|---------------------------------|----------|
|   | 2024                             | 2023     | 2024                            | 2023     |
| Net cash provided by operating activities | \$ 6,029                         | \$ 6,489 | \$ 11,915                       | \$ 7,437 |
| Loss on foreign exchange, net             | (70)                             | —        | (321)                           | —        |
| Capital expenditures                      | (2,214)                          | (2,410)  | (7,081)                         | (8,190)  |
| Free Cash Flow                            | \$ 3,745                         | \$ 4,079 | \$ 4,513                        | \$ (753) |

We generated Free Cash Flow of \$3.7 million during the three months ended September 30, 2024, compared to \$4.1 million in the same period in the prior year primarily due to a decline in cash from operations in the current period.

We generated \$4.5 million in Free Cash Flow during the nine months ended September 30, 2024, compared to an outlay of Free Cash Flow of \$0.8 million in the same period in the prior year primarily due to improved cash from operations.

See Key Metrics and Non-GAAP Financial Measures below for details regarding management's use of this non-GAAP measure.

#### **Contractual Obligations and Known Future Cash Requirements**

##### **Lease Commitments**

Our lease commitments predominantly relate to rented office space. We rent facilities under operating lease agreements that expire on various dates through 2035, excluding any options for renewal. Minimum rental payments under operating leases at September 30, 2024 was \$1.4 million in the next twelve months and \$9.8 million thereafter, for a total of \$11.2 million. Other lease arrangements were immaterial. On February 7, 2024, we amended our New York lease agreement, extending the term to 2035. The lease contains an option to extend the lease for an additional five-year period

and early termination, which are not reasonably certain to be exercised. We expect to pay approximately \$15.9 million in rent over the lease term.

#### **Pledges and Bank Guarantees**

In connection with the 2022 A&R Agreement, we pledged 65,000 shares of common stock of our Israeli subsidiary, NIS 0.01 par value each.

We have a total of \$0.6 million of pledged bank deposits as of September 30, 2024, in connection with office leases and credit cards.

#### **Key Metrics and Non-GAAP Financial Measures**

In addition to our results determined in accordance with US GAAP, we believe that certain non-GAAP financial measures, including Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA margin percent and Free Cash Flow are useful in evaluating our business. We use Adjusted EBITDA, Adjusted EBITDA margin percent and Free Cash Flow as measures of operational efficiency to understand and evaluate our core business operations. We believe that these non-GAAP financial measures are also useful to investors for period-to-period comparisons of our core business as well as comparisons to peers as similar measures are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate businesses in our industry. Additionally, these figures provide an understanding and evaluation of our trends when comparing our operating results, on a consistent basis, by excluding items that we do not believe are indicative of our core operating performance. However, these non-GAAP financial measures should not take the place of GAAP financial measures in evaluating our business.

##### **Adjusted EBITDA and Adjusted EBITDA Margin Percent**

Adjusted EBITDA and Adjusted EBITDA margin percent are useful in evaluating our business. We calculate Adjusted EBITDA as consolidated net income (loss) before depreciation and amortization and any long-lived asset impairment, any goodwill impairment, stock-based compensation expense, finance (income) expenses, retention bonus expenses, legal claims, severance costs, other and taxes on income. We calculate Adjusted EBITDA margin percent as Adjusted EBITDA divided by total revenue. We believe that Adjusted EBITDA and Adjusted EBITDA margin percent permit a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while isolating the effects of charges that may vary from period-to-period without direct correlation to underlying operating performance. The following table presents a reconciliation from net income (loss), which is the most directly comparable GAAP financial measure, to Adjusted EBITDA and Adjusted EBITDA margin percent, non-GAAP financial measures as used by management (in thousands):

|   | Three months ended September 30, |            | Nine months ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2024                             | 2023       | 2024                            | 2023        |
| Net income (loss)   | \$ 4,665                         | \$ (2,731) | \$ (12,111)                     | \$ (30,253) |
| Net income (loss) margin percent                            | 12 %                             | (8)%       | (11)%                           | (30)%       |
| Depreciation, amortization and long-lived assets impairment | 2,836                            | 4,714      | 8,291                           | 8,808       |
| Goodwill impairment   | —                                | —          | —                               | 14,503      |
| Stock-based compensation                                    | 5,501                            | 5,605      | 14,526                          | 15,563      |
| Finance income, net (a)                                     | (285)                            | (290)      | (405)                           | (3,013)     |
| Retention bonus expenses (b)                                | (40)                             | 119        | 92                              | 564         |
| Legal claims and other legal matters                        | 688                              | 420        | 1,822                           | 1,076       |
| Severance cost  | 814                              | —          | 1,229                           | 845         |
| Other   | —                                | (80)       | —                               | 192         |
| Taxes on (loss) income                                      | (5,823)                          | (1,301)    | 5,180                           | 2,858       |
| Adjusted EBITDA   | \$ 8,356                         | \$ 6,456   | \$ 18,624                       | \$ 11,143   |
| Adjusted EBITDA margin percent                              | 21.8 %                           | 17.8 %     | 16.5 %                          | 11.0 %      |

(a) Finance income, net consists mostly of remeasurement related to revaluation of our warrants, remeasurement of our foreign subsidiary's monetary assets, liabilities and operating results, interest expense and interest income.

(b) Retention bonus expenses consists of retention bonuses for certain TVS employees.

Other companies in our industry may calculate the above-described non-GAAP financial measures differently than we do, limiting their usefulness as a comparative measure.

These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under GAAP. Some of the limitations of these measures are:

- they do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect costs of acquiring and integrating businesses, which will continue to be a part of our growth strategy;
- they do not reflect severance costs;
- they do not reflect income tax expense or the cash requirements to pay income taxes;
- they do not reflect our interest expense or the cash requirements necessary to service interest or principal payments on our debt; and
- although depreciation and amortization are non-cash charges related mainly to intangible assets, certain assets being depreciated and amortized will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

You should compensate for these limitations by relying primarily on our US GAAP results and using the non-GAAP financial measures supplementary.

#### **Free Cash Flow**

We define Free Cash Flow as net cash provided by operating activities less capital expenditures and the impact of foreign exchange on cash. For further discussion of Free Cash Flow, including a reconciliation to cash flows provided by operating activities, refer to Liquidity and Capital Resources section of this document.

We believe Free Cash Flow is a helpful supplemental measure to assist us and investors in evaluating our liquidity. Further, we believe Free Cash Flow is useful to provide additional information to assess our ability to pursue business opportunities and investments and to service our debt. Free Cash Flow has limitations as an analytical tool, including that it does not include capital expenditures and excludes the impact of foreign exchange on cash.

Other companies in our industry may calculate the above-described non-GAAP financial measures differently than we do, limiting their usefulness as a comparative measure. You should compensate for these limitations by relying primarily on our US GAAP results and using the non-GAAP financial measures only supplementally.

#### **Operational Metrics**

In addition, Innovid's management considers the number of core clients, annual core clients retention and annual core clients net revenue retention in evaluating the performance of the business. We define core clients as advertisers or publishers that generated at least \$100,000 of annual revenue. These metrics are reported annually.

#### **Off-Balance Sheet Arrangements**

As of September 30, 2024, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our condensed consolidated financial statements and the accompanying notes to condensed consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

While our significant accounting policies are described in more detail in Note 2, *Summary of Significant Accounting Policies* included in Item 1. "Financial Statements", we believe the following accounting policies to be the most critical to the judgments and estimates used in the preparation of our interim condensed consolidated financial statements.

### **Revenue Recognition**

Most of the Company's revenue is derived from digital ad solutions, where the Company provides a cloud-based ad serving platform for use by advertisers, media agencies and publishers. Standard, interactive and data driven digital video ads are delivered through this ad serving platform. Advertising impressions are served via the Company's cloud-based ad serving platform to various digital publishers across CTV, mobile TV, desktop TV, display and other channels.

InnovidXP, the Company's cloud-based cross-platform for TV ad measurement solution, measures the efficiency of CTV advertising and in-flight optimizations for TV marketers. The customers get insights into the effectiveness of their TV and digital advertising.

The Company also provides creative services for the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units.

The Company recognizes revenue when its customer obtains control of promised services in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("ASC 606") and determines revenue recognition through the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct and are separately identifiable, the Company allocates the contract consideration to all distinct performance obligations based on their relative standalone selling price ("SSP"). SSP is typically estimated based on observable transactions when these services are sold on a standalone basis.

Revenue related to ad serving is recognized when impressions are delivered via the Company's ad serving platform. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Revenue related to the InnovidXP solution is recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenue for this measurement subscription is recognized over the service period.

Revenue related to creative projects is recognized when the Company delivers an ad unit. Creative services projects are usually delivered within a week.

The Company's accounts receivable, consist primarily of receivables related to providing products and services described above, for which the Company's contracted performance obligations have been satisfied, the amount has been billed and the Company has an unconditional right to payment. The Company typically bills customers monthly based on actual delivery. The payment terms vary, mainly with terms of 60 days or less.

The typical contract term is twelve months or less for ASC 606 purposes. Most of the Company's contracts can be cancelled without cause. The Company has the unconditional right to payment for the services provided as of the date of the termination of the contracts.

The Company applies the practical expedient in ASC 606 and does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Deferred revenue represents mostly unrecognized fees billed or collected for measurement platform services. Deferred revenue is recognized as (or when) we perform under the contract.

***Fair value of financial instruments***

We apply a fair value framework to measure and disclose its financial assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

Our financial instruments consist of cash and cash equivalents, restricted deposits, trade receivables, net, trade payables, employees, payroll accruals, accrued expenses and other current liabilities. Historical carrying amounts represent the approximate fair value due to the short-term maturities of these instruments.

We measure our investments in money market funds classified as cash equivalents and warrant liability at fair value. We determine the fair value of the warrants by using the closing price of our public warrants. Gains and losses from the remeasurement of the warrants liability is recognized in finance (income) expense, net in the condensed consolidated statements of operations.

***Impairment of long-lived assets***

Long-lived assets, including property and equipment and finite-lived intangible assets, are reviewed for impairment whenever facts or circumstances either internally or externally may indicate that the carrying value of an asset may not be recoverable. If there are indications of an impairment, we test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset to the carrying amount of the asset or asset group. If the asset or asset group is determined to be impaired, any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss. No impairment was recognized during the three or nine months ended September 30, 2024. In September 2023, the Company identified an impairment indicator for its legacy measurement product and recorded an impairment charge of \$2.4 million in the three and nine months ended September 30, 2023.

***Goodwill and intangible assets***

Goodwill and acquired intangible assets have been recorded in the Company's financial statements resulting from various business combinations. Goodwill represents the excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized as it is estimated to have an indefinite life. As such, goodwill is subject to an annual impairment test.

The Company allocates goodwill to reporting units based on the expected benefit from the applicable business combination. Reporting units are evaluated when changes in the Company's operating structure occur, and, if necessary, goodwill is reassigned using a relative fair value allocation approach. The Company operates in one operating segment and this segment is the only reporting unit.

ASC 350, Intangibles—Goodwill and other ("ASC 350") requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment considers events and

circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. If it is determined, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative test is performed.

The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present. In the second quarter of 2023, the Company experienced a decline in its stock price resulting in its market capitalization being less than the carrying value of its one reporting unit. Thus, the Company performed quantitative assessments of the Company's reporting unit. The fair value was determined based on the market approach. The market approach utilizes the Company's market capitalization plus an appropriate control premium. Market capitalization is determined by multiplying the number of common stock outstanding by the market price of its common stock. The control premium is determined by utilizing publicly available data from studies for similar transactions of public companies. During the three months ended June 30, 2023, the Company recorded a goodwill impairment of \$14.5 million. No impairment was recognized during the three or nine months ended September 30, 2024.

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Customer relationships and acquired technology are amortized on a straight-line basis over the estimated useful life of assets; approximately 11 years and 6 years, respectively. Amortization of customer relationships and acquired technology is presented within depreciation and amortization in the condensed consolidated statements of operations.

#### ***Capitalized software development costs***

Software development costs, which are included in property and equipment, net, consists of capitalized costs related to the purchase and development of internal-use software. We use such software to provide services to our customers. The cost to purchase and develop internal-use software is capitalized from the time that the preliminary project stage is completed, and it is considered probable that the software will be used to perform the function intended. These costs include personnel and personnel-related employee benefits for employees directly associated with the software development and external costs of the materials or services consumed in developing or obtaining the software.

Any costs incurred for upgrades and functionality enhancements of the software are also capitalized. Once this software is ready for use in providing our services, these costs are amortized on a straight-line basis over the three-year estimated useful life. Amortization is presented within depreciation and amortization in the condensed consolidated statements of operations.

#### ***Cloud computing arrangements***

During the nine months ended September 30, 2024, the Company capitalized certain application development phase costs related to hosting arrangements that are service contracts (cloud computing arrangements). Capitalized costs are included in prepaid expenses and other assets in the condensed consolidated balance sheets and will be amortized on a straight-line basis over the estimated useful life, once the modules or components are ready for its intended use. This amortization will be recorded to software subscription expense in the condensed consolidated statements of operations. Cash outflows from cloud computing arrangement implementation costs are classified within operating activities in the consolidated statements of cash flows.

#### ***Income taxes and tax contingencies***

Income taxes are computed using a balance sheet approach reflecting both current and deferred taxes. Current and deferred taxes reflect the tax impact of all the events included in the financial statements. The basic principles employed in the balance sheet approach are to reflect a current tax liability or asset that is recognized for the estimated taxes payable or refundable on tax returns for the current and prior years, a deferred tax liability or asset that is recognized for the estimated future tax effects attributable to temporary differences and carryforwards, the measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law of which the effects of future changes in tax laws or rates are not anticipated, and the measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. There are certain situations in which deferred taxes are not provided. Some basis differences are not temporary differences because their reversals are not expected to result in taxable or deductible amounts.

The Company regularly evaluates deferred tax assets for future realization and establishes a valuation allowance to the extent that a portion is not more likely than not to be realized. The Company considers whether it is more likely than not that the deferred tax assets will be realized, including existing cumulative losses in recent years, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely on estimates.

ASC 740, Income Taxes ("ASC 740") contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative basis) likely to be realized upon ultimate settlement. The Company classifies interest related to unrecognized tax benefits in taxes on income.

## **Recent Accounting Pronouncements**

For information on recent accounting standards, see "Part I - Item 1. Financial Statements - Note 2. Summary of Significant Accounting Policies".

### ***Item 3. Quantitative and Qualitative Disclosures About Market Risk***

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, we are not required to provide this information.

### ***Item 4. Controls and Procedures***

#### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

#### **Management's Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended as of September 30, 2024. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during and as of the fiscal quarter ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Part II**

### ***Item 1. Legal Proceedings***

Other than described below, we are not presently party to any legal proceedings or aware of any claims which we believe would have, individually or in the aggregate, a material adverse effect on our consolidated business prospects, financial condition, liquidity, results of operation, cash flows, or capital levels. We may from time-to-time be party to litigation and subject to claims incident to the ordinary course of business.

On March 4, 2022, a lawsuit was filed in the United States District Court for the Western District of Texas by the Nielsen Company (US) LLC against TV Squared, alleging infringement of US Patent No. 10,063,078. On June 1, 2022, TV Squared moved to transfer the case to the Southern District of New York, which was granted on January 18, 2023. On March 23, 2023, TV Squared moved for judgment on the pleadings that the asserted claims of the Nielsen patent are invalid because they are patent ineligible under 35 U.S.C. 101. The Court has not yet ruled on TV Squared's motion. While the motion has remained pending, discovery commenced. The Court also conducted a hearing to construe the patent claims on January 10, 2024, but has not issued a ruling.

On April 15, 2024 the Court issued an order to stay the case for ninety (90) days and to extend various deadlines as set out below, to allow the parties to continue settlement negotiations without incurring the substantial costs associated with the impending close of fact discovery and deadlines for expert reports. The parties agreed that the stay will apply to all interim deadlines, including the service of and responses and objections to written discovery. On July 2, 2024 the Court issued an order to extend the stay for an extra one hundred and twenty (120) days, and on October 23, 2024, the Court extended the stay for an additional eighty (80) days.

In the October 23, 2024 order, the Court set the date for the close of fact discovery as May 2, 2025 and the date for close of expert discovery as September 9, 2025.

No trial date has yet been set and the plaintiff has not specified the amount sought in the litigation. Given the uncertainty of litigation and the preliminary stage of the lawsuit, the Company is unable at this time to give an estimate of the amount or range of potential loss, if any, which might result to the Company if the outcome in such litigation was unfavorable. As of September 30, 2024, the Company has not recorded a loss contingency.

***Item 1A. Risk Factors***

There are no material changes in our risk factors from those disclosed in Part I, Item 1A of 2023 Annual Report on Form 10-K for the year ended December 31, 2023.

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

None.

***Item 3. Defaults Upon Senior Securities***

None.

***Item 4. Mine Safety Disclosures***

N/A.

***Item 5. Other Information***

(a) None.

(b) None.

(c) Insider Trading Arrangements and Policies

During the three months ended September 30, 2024, no director or "officer" (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

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**Item 6. Exhibits**

| Exhibit Number | Description  | Incorporated by Reference |          |         |             |    | Filed furnished herewith |
|----------------|--|---------------------------|----------|---------|-------------|----|--------------------------|
|                |  | Form                      | File No. | Exhibit | Filing date |    |                          |
| 3.1            | <a href="#">Certificate of Incorporation of Innovid</a>  | 001-10-K                  | 40048    | 3.1     | 03/03/2023  |    |                          |
| 3.2            | <a href="#">Bylaws of Innovid Corp.</a>  | 001-8-K                   | 40048    | 3.1     | 02/05/2024  |    |                          |
| 4.1            | <a href="#">Specimen Common Stock Certificate of Innovid Corp.</a>   | 001-8-K                   | 40048    | 4.1     | 12/06/2021  |    |                          |
| 4.2            | <a href="#">Specimen Warrant Certificate of Innovid Corp.</a>  | 001-8-K                   | 40048    | 4.2     | 12/06/2021  |    |                          |
| 4.3            | <a href="#">Warrant Agreement, dated February 10, 2021, by and between ION and Continental Stock Transfer &amp; Trust Company, as warrant agent</a>                    | 333-252440                |          | 4.1     | 02/18/2021  |    |                          |
| 4.4            | <a href="#">Description of Securities</a>  | 001-10-K                  | 40048    | 4.4     | 03/03/2023  |    |                          |
| 10.1           | <a href="#">Mutual Separation Agreement between Innovid Corp. and David Helmreich dated September 15, 2024</a>   | 001-8-K                   | 40048    | 10.1    | 09/18/2024  |    |                          |
| 31.1           | <a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>   |                           |          |         |             | *  |                          |
| 31.2           | <a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>   |                           |          |         |             | *  |                          |
| 32.1           | <a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</a>   |                           |          |         |             | ** |                          |
| 32.2           | <a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</a>   |                           |          |         |             | ** |                          |
| 101.INS        | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |                           |          |         |             |    |                          |
| 101.SCH        | XBRL Taxonomy Extension Schema Document  |                           |          |         |             |    |                          |
| 101.CAI        | XBRL Taxonomy  |                           |          |         |             |    |                          |
|                | Extension Schema Document  |                           |          |         |             |    |                          |
|                | Document   |                           |          |         |             |    |                          |

101.001 XBRL TAXONOMY

Extension

Calculation Linkbase

Document

101.DEF XBRL Taxonomy

Extension Definition

Linkbase Document

101.LAB XBRL Taxonomy

Extension Label

Linkbase Document

101.PRE XBRL Taxonomy

Extension

Presentation

Linkbase Document

104 Cover Page

Interactive Data File

(formatted as Inline  
XBRL and contained  
in Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith.

**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.

**INNOVID CORP.**

Date: November 12, 2024

By: /s/ Zvika Netter

Zvika Netter  
Chief Executive Officer

Date: November 12, 2024

By: /s/ Anthony Callini

Anthony Callini  
Chief Financial Officer

## SEPARATION AGREEMENT, WAIVER, AND GENERAL RELEASE

This SEPARATION AGREEMENT, WAIVER, AND GENERAL RELEASE ("Agreement") is made by and between Innovid, LLC, with offices at 30 Irving Place, 12<sup>th</sup> Floor, New York, NY 10003 ("Innovid" or the "Company") and Dave Helmreich (hereinafter "Executive") (each a "party" and collectively, the "parties"). Executive's employment with the Company ended on August 30, 2024 (the "Separation Date").

**NOW, THEREFORE**, the Company and Executive covenant and agree as follows:

### I. PAYMENTS AND BENEFITS

**A. Separation Payment.** Pursuant to Section 2.12 of the Innovid Inc. Executive Severance Plan, dated June 29, 2021, the Company notifies Executive that the termination of Executive's employment represents a Qualifying Termination for reasons other than Cause as defined in the Plan. Pursuant to the Plan and in consideration for the promises and covenants set forth in this Agreement, provided that Executive signs this Agreement, does not revoke it, and complies with its terms, the Company will make a separation payment to Executive in the gross total amount \$200,000.00, which is equivalent to the sum of six months of compensation at Executive's last base salary \$400,000.00 less applicable taxes and other withholdings (the "Separation Payment"). This Separation Payment will be paid in a lump sum within three weeks following the Effective Date of this Agreement, in accordance with the Company's regularly scheduled payroll practices.

**B. Additional Severance.** In further consideration for the promises and covenants set forth in this Agreement, provided Executive signs this Agreement, does not revoke it, and is in compliance with the terms of this Agreement and any other contractual or other obligation Executive may have to the Company, the Company will make an additional separation payment to Executive in the gross total amount of \$250,000.00, less applicable taxes and withholdings (the "Additional Severance"). The Additional Severance will be paid in a lump sum by January 1, 2025, in accordance with the Company's standard payroll practices.

**C. Benefits and COBRA.** Executive's health insurance coverage under Company's group medical insurance plan terminated effective August 31, 2024 however Executive will have rights to continue this coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) and applicable state law. Executive will receive notification of rights to continued medical insurance coverage, along with appropriate insurance continuation election forms. Pursuant to the Plan and in further consideration for the promises and covenants set forth in this Agreement, provided that Executive signs this Agreement, and further provided that Executive elects continuation coverage Company agrees to pay Executive's monthly health insurance continuation premium for six months (that is, for the months of September 2024 through February 2025). For continuation coverage commencing on March 1, 2025, Executive will be responsible for paying Executive's full monthly health insurance continuation premiums as described in the insurance continuation documentation Executive will receive. All other applicable employee benefits, including, without limitation, Employee's participation in any executive incentive compensation plan, deferred compensation plan, or severance plan maintained by the Company, will terminate as of the Separation Date.

**D. Stock Options.** In accordance with the Innovid Corp. 2021 Omnibus Incentive Plan (the “Incentive Plan”) and the currently existing and enforceable option award agreements that were entered into by and between Executive and the Company during Executive’s employment with the Company (collectively, the “Option Agreements”), as of the Separation Date, Executive has 312,087 options to purchase Common Stock of the Company vested in Executive’s favor (the “Vested Options”). In further consideration for the promises and covenants herein, provided that Employee signs this Agreement, does not revoke it, and complies with its terms, within three weeks of the Effective Date of this Agreement the Company agrees to accelerate the vesting of an additional 104,028 options to purchase Common Stock of the Company, subject to the terms of the applicable Options Agreement, which represent the options that would have vested had Executive remained employed by the Company until January 16, 2025 (the “Consideration Options”). The Vested Options and Consideration Options are governed by the terms and conditions of the applicable Option Agreement and the Company’s Restated Global Incentive Share Plan. Notwithstanding the foregoing, in further consideration for the promise and covenants set forth herein, and provided Employee signs this Agreement, does not revoke it, and complies with its terms, the Company agrees to extend the day by which the Vested Options and the Consideration Options may be exercised by Employee, in full or in part, from within ninety (90) days following the Separation Date to within twelve (12) months following the Separation Date. In order to exercise the options, Executive must comply with all other terms and conditions in the Option Agreement and in the Company’s Restated Global Incentive Share Plan then in effect and must process the exercise within E\*TRADE within the applicable exercise period. For the avoidance of doubt, after the expiration of the applicable exercise period, all unexercised options will be forfeited and will revert back to the Company and Executive will no longer be able to exercise any options. Executive acknowledges and agrees that any unvested options awarded to Executive are forfeited upon termination of employment pursuant to the terms of the Option Agreement and the Company’s Restated Global Incentive Share Plan.

**E. Restricted Stock Units.** As of the Separation Date, Executive has 338,550 vested Restricted Stock Units of the Company, as set forth in the Restricted Stock Units Award Agreements entered into between Executive and the Company during Executive’s employment (collectively, the “RSU Agreements”) and subject to the Incentive Plan (the “Vested RSUs”). In further consideration for the promises and covenants herein, provided that Employee signs this Agreement, does not revoke it, and complies with its terms, within three weeks of the Effective Date of this Agreement, the Company agrees to accelerate the vesting of an additional 125,394 Restricted Stock Units, subject to the terms of the applicable RSU Agreement, which represent the Restricted Stock Units that would have vested had Executive remained employed by the Company until January 16, 2025 (the “Consideration RSUs”).

**F. No Other Vesting.** Executive acknowledges and agrees that, other than the Vested Stock Options, Vested RSUs, Consideration Options, and Consideration RSUs, Executive does not have, nor will Executive have in the future, any right to exercise options or other rights to purchase shares or securities of the Company with respect to options, restricted stock units, or any other form of equity awarded to Executive in connection with Executive’s employment with the Company, nor any demand for such rights.

**G. Accrued Paid Time Off.** Executive acknowledges that Executive has 8.13 total days of accrued unused vacation pay, amounting to \$12,514.14, which Employer will pay Executive, less applicable federal and state withholdings, on the payday covering the Separation Date, whether or not Executive executes this Agreement. Executive acknowledges that no other vacation, sick leave or any other paid time off of any kind is or can become due and owing to Executive.

**H. Expenses.** The Company will reimburse Executive for reasonable and documented business expenses incurred through the Separation Date, provided that Executive submits these expenses for reimbursement along with the required supporting documentation in a form acceptable to the Company in accordance with the Company's policies no later than two weeks from the Separation Date. In addition, the Company agrees to reimburse Employee for reasonable legal fees and expenses incurred by Employee in connection with the negotiation of this Agreement, against submission of invoices for such legal fees, not to exceed \$10,000, which invoices will be paid promptly by the Company.

**I. Taxes.** Executive agrees to pay any and all taxes or other payments found to be owed by Executive from payments made pursuant to this Agreement, or for tax implications related to any changes in option or other security vesting or exercise rights, and to hold the Company harmless from any claims, assessments, demands, penalties and interest owed, or found to be owed by any taxing authority, as a result of any payment made pursuant to this Agreement, except for the Company's share of FICA payments. Executive agrees to cooperate with the Company should any state, federal, or local taxing authority approach it with regard to taxes owed as a result of these payments. Executive further agrees to indemnify and hold the Company harmless for any costs, including attorneys' fees, associated with the enforcement of this indemnification provision, should such enforcement measures become necessary. Executive acknowledges and agrees that the Company is not providing any tax advice or representation by this Agreement. The parties agree that they shall promptly notify each other of any claim by the IRS or any other governmental authority arising out of any payment made pursuant to this Section.

**J. Sufficiency of Consideration.** Executive acknowledges that the consideration provided in this Agreement is more than adequate to cover any compensation that may be due to Executive for other than work performed up to the Separation Date. The Parties agree that all wages, bonuses, commissions, accrued and unused vacation or other paid days and any other compensation due to Executive have been paid, and that there is no additional compensation due to Executive except as provided in this Agreement and potentially Executive's compensation for work performed through the Separation Date, which, if not already paid, will be paid on the Company's regular payday.

**II. RELEASE OF ALL CLAIMS.** In consideration for the payments and other consideration set forth in this Agreement, the sufficiency of which is acknowledged by Executive, Executive agrees and covenants as follows:

**A. General Release.** Executive, on his own behalf and on behalf of Executive's heirs, executors, administrators, successors and assigns, now and forever releases the Company, any of past and present its parent entities, subsidiaries, affiliates, predecessors, successors, related entities (including but not limited to Innovid, Corporation, Innovid, Inc., and

TVSquared by Innovid), and all of their present and former executors, trustees, administrators, clients, owners, employees, officers, directors, insurers, reinsurers, successors and assigns (whether acting in their individual capacities or as agents for the Company) (collectively, the "Released Parties") from any and all Claims as defined in this Agreement which Executive currently has, may have had, or may in the future have against the Released Parties, including but not limited to any and all Claims based in any way on Executive's employment with the Company or the separation of that employment, to the maximum extent permitted by law.

**B. Definition of Claims.** The term "Claims" is defined as any and all actions, causes of action, suits, debts, liabilities, controversies, judgments, obligations, claims or demands whatsoever, in law or equity, which Executive might now have, or previously had, or could or does in the future have, whether now known or unknown to Executive, as a result of any matter, act, or circumstance based on any legal or equitable theory of recovery, including but not limited to, civil rights, contract, criminal, administrative, tort, negligence, medical malpractice, statutory or other, that arose at any time prior to Executive's execution of this Agreement, including, but not limited to, any claim under federal, state or local constitutions, statutes or regulations applicable to employment, including, without limitation, for wrongful or improper discharge or dismissal, or for discrimination, harassment, or retaliation on the basis of race, national origin, religion, sex, age or any other factor including, without limitation, any claim pursuant to or arising under Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act ("EPA"), the Civil Rights Act of 1991, 42 U.S.C. § 1981, § 1983, or any of the Reconstruction-Era Civil Rights Acts, the Age Discrimination in Employment Act of 1967, as amended ("ADEA") the Americans with Disabilities Act, as amended ("ADA"), the Rehabilitation Act of 1973, or any claim under the Executive Retirement Income and Security Act of 1974, as amended, ("ERISA") (except for claims for vested ERISA benefits), the Rehabilitation Act of 1973, the Portal to Portal Act of 1947, the National Labor Relations Act ("NLRA"), the Labor Management Relations Act, the Fair Labor Standards Act ("FLSA"), the Family and Medical Leave Act, as amended ("FMLA"), the Occupational Safety and Health Act ("OSHA"), the Worker Adjustment and Retraining Act ("WARN"), the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, the Sarbanes-Oxley Act of 2002, as amended, the Fair Credit Reporting Act and state equivalent, the Genetic Information Nondiscrimination Act ("GINA"), the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and the state equivalent, the New York Executive Laws (including the New York State Human Rights Law), the New York State Paid Family Leave Benefits Law, the New York State Civil Rights Law, the New York Labor Law, the New York Worker Adjustment and Retraining Act (NY WARN), the New York Corrections Law, the New York City Administrative Code (including the New York City Human Rights Law), and, for each, any accompanying regulations; and any other state, federal or local legislation concerning employment or employment discrimination or any other applicable employment standards or human rights legislation, whether in dismissal, failure to hire, or any other aspect of the employment relationship, and any claims, asserted benefits or rights arising by or under contract or implied contract, any alleged oral or written contract or agreement for employment or services, any claims arising by or under promissory estoppel, detrimental reliance, or under any asserted covenant of good faith and fair dealing, and any claims for defamation, fraud, fraudulent inducement, intentional or negligent infliction of emotional harm or distress, negligence or malpractice, or any other tortious conduct, any willful tort, false imprisonment and battery, injuries or harms, including personal injury, any claims for compensation due to Executive having an equity interest in the

Company, and damages of any kind, whether general, compensatory or punitive in nature, or for suffering or humiliation, anguish or other personal harm, or for severance pay, salary, bonus, commission, any claims for notice or pay in lieu of notice, sick leave, holiday pay, vacation pay, insurance, or any other fringe benefit or payment; relocation expenses, incentive or additional compensation, profit sharing, vacation pay, insurance, benefits, lost profits or business, interest, and/or attorneys' fees, costs, disbursements and the like. This Agreement is not intended to waive claims for Unemployment Insurance benefits, Workers' Compensation benefits (however, as of the execution of this Agreement, Executive attests that Executive is not aware of any injury or illness pertaining to the Executive's employment), claims that arise after the date Executive executes this Agreement, claims related to Executive's eligibility for indemnification, claims that cannot be released as a matter of law, claims for breach of this Agreement, or a claim under the Older Workers' Benefit Protection Act ("OWBPA") that challenges the validity of the release of any ADEA claim.

**C. Known and Unknown Claims Released/Waived.** The Claims set forth in Paragraph II(B) above specifically include any and all claims, whether or not now known or suspected to exist, and whether or not specifically or particularly described in this Agreement for any act, omission, transaction or occurrence that is alleged to have taken place up to and including the date of execution of this Agreement. Executive expressly waives any right or claim of right to assert hereafter that any Claim has, through ignorance, oversight or error, been omitted from the terms of this Agreement, and further expressly waives any right or claim of right Executive may have under the law of any jurisdiction that releases such as those given in this Agreement do not apply to unknown or unstated claims for any act, omission, transaction or occurrence which has taken place up to and including the date of Executive's execution of this Agreement. It is the express intent of Executive to waive any and all claims that Executive may have against the Company or any other Released Party, including any which are presently unknown, unsuspected, unanticipated or undisclosed, for any act, omission, transaction or occurrence which has taken place up to and including the date of Executive's execution of this Agreement. It is understood by Executive that the facts pursuant to which this Agreement is made may hereafter prove to be other than or different from the facts now known by Executive to be true. Executive expressly accepts and assumes the risks of the facts proving to be different and agrees that all of the terms of this Agreement shall be in all respects effective and not subject to termination or rescission on account of any such difference in facts or for any other reason.

**D. Exceptions to Release.** The above release does not waive claims (i) for unemployment or workers' compensation benefits (however, as of the execution of this Agreement, Executive attests that Executive is not aware of any facts or circumstances to support a claim of injury or illness pertaining to Executive's employment), (ii) for vested rights under ERISA-covered employee benefit plans as applicable on the date Executive signs this Agreement, (iii) that may arise after Executive signs this Agreement, (iv) which cannot be released by private agreement; (v) related to Executive's eligibility for indemnification in accordance with applicable laws or the certificate of incorporation or bylaws of the Company or any applicable insurance policy with respect to any liability Executive incurs or incurred as an employee or officer of the Company; and (vi) under the Older Workers' Benefit Protection Act ("OWBPA") that challenges the validity of the release of any ADEA claim. In addition, nothing in this Agreement shall prevent Executive from filing a charge or participating in an investigation by a government enforcement agency, but

Executive agrees to waive Executive's rights with respect to any monetary or financial relief (including but not limited to attorneys' fees and costs) arising from any such proceeding that relates to the matters released by this Agreement, unless prohibited by applicable law.

**E. Release Based on Contract Alone.** Executive warrants and represents that no promise or inducement has been offered or made for this Agreement, except as otherwise specifically set forth in this Agreement. Executive agrees that this Agreement is executed without reliance on any statements or any representations, express or implied, not contained in this Agreement, and without express, implied or presumed reliance on any duty such as, but not limited to, a fiduciary duty to speak or inform another concerning any fact or circumstance.

**F. No Admission.** This Agreement does not constitute an admission of liability or wrongdoing of any kind on the part of the Company or any other Released Party.

**III. OBLIGATIONS OF EMPLOYEE.** Also, in consideration for the payments set forth above, Executive makes the following promises:

**A. Return of All the Company Property.** Executive represents and warrants that, except as otherwise provided herein, Executive will have returned all the Company property and confidential information that belongs to the Company either within seven (7) days of Executive's receipt of this Agreement or the date Executive executes this Agreement, whichever date is the earlier. Should Executive decide not to execute this Agreement, Executive is still obligated to return any Company property and confidential information, and any copies thereof, to the Company no later than seven (7) days following the Separation Date. Executive acknowledges that Executive possesses no electronic files, e-mails or other electronic information belonging to the Company or to any third party related to the Company including the Company's clients, vendors, and sponsors. If Executive currently has information that belongs to the Company, or if Executive has transmitted to a third-party any information that belongs to the Company, Executive is expected to disclose this to the Company and fully cooperate in returning such information to the Company. If, after the Effective Date of this Agreement, Executive finds or otherwise comes into possession of any additional information or items belonging to the Company, Executive is expected to return to the Company any such information or items within two (2) days of Executive finding or coming into possession of it. Executive acknowledges that any breach of this paragraph will entitle the Company to injunctive relief, as well as to all available legal remedies, including monetary damages and attorneys' fees and costs. Notwithstanding the foregoing, in further consideration for the promises herein, and provided that Executive executes this Agreement and does not revoke it, Executive shall be permitted to keep the computer issued to Executive by the Company. In order to be eligible to retain the Company computer, Executive further agrees and acknowledges that Executive is required to cooperate with any steps the Company requires be taken in its sole discretion to ensure all Confidential or Company information is removed from the computer.

**B. Confidentiality.** Consistent with the obligations Executive has under the Confidentiality, Non-Competition, Non-Solicitation, and Assignment of Inventions Agreement dated November 2, 2022 (the "Confidentiality Agreement") Executive agrees to keep in strict confidence and not to use or disclose any confidential or proprietary information concerning the Company, the other Released Parties, and/or the Company's clients or business partners.

Confidential or proprietary information includes, but is not limited to any and all non-public information related to the Company's business know-how, operating procedures and technical data; marketing and/or promotion plans strategies, sales, pricing, distribution, financial or other business strategies, plans, formulas, formulations, methods and processes, including vendor, supplier and client lists, contact information, client preferences, pricing and any other information that is not readily known by the general public and is considered by the Company to be "Confidential Information." Executive expressly acknowledges, without limitation, that the Company's client lists and related contacts, pricing and other client information are trade secrets of the Company in that such information, and the compilation of this information in its form, are not generally known to competitors or the public, are not readily or easily achievable or replicated, and provides the Company with a competitive advantage. Executive further represents that, notwithstanding the representations made in Paragraph III (A) above, Executive has not retained or copied any confidential or proprietary information in any form, including electronic storage or media. Executive agrees that any breach of his obligations under this Agreement or the Confidentiality Agreement would create irreparable harm to the Company for which the Company would be entitled to injunctive relief, in addition to any other available remedies. Notwithstanding the foregoing, nothing in this Paragraph or in this Agreement shall be construed to require or compel Executive to conceal the details relating to a claim of discrimination, retaliation, or harassment; however, Executive represents and affirms that Executive is not aware of any facts or circumstances (including any injuries or illnesses) related to any claims against the Released Parties concerning discrimination, harassment or retaliation. Executive acknowledges that any breach of this paragraph will entitle the Company to injunctive relief, as well as to all available legal remedies, including monetary damages and attorneys' fees and costs. Nothing in this Agreement prevents Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Executive has reason to believe is unlawful.

**C. Non-Disclosure.** Executive agrees not to disclose to anyone except his immediate family, accountant(s), and lawyer(s) any information relating to the subject matter or existence of this Agreement, including the dollar amount set forth in this Agreement, except to the extent required by legal process or permitted by law. Should such a request for disclosure be received, Executive agrees to immediately notify the Company. Any disclosure to Executive's immediate family, accountant or lawyer shall be made only upon their agreement not to disclose these terms to another person unless required to do so by law or governmental authority.

**D. Non-Disparagement.** Executive agrees to refrain from making any disparaging remarks now, and at any time in the future, which could be detrimental in any way to the Company or any other Released Party, whether orally, in writing or on-line, and agrees to refrain from encouraging any other from making such remarks, provided that this shall not restrict Executive's ability to respond to any inquiry from applicable regulatory authorities or to provide truthful information pursuant to legal process. The Company agrees to instruct the Company's directors, named officers, and the Company's Senior Management Team to refrain from making any disparaging remarks now, and at any time in the future, which could be detrimental in any way to Executive, whether orally, in writing or on-line, and agrees to refrain from encouraging any other from making such remarks. Nothing in this Agreement prevents any person from responding to any inquiry from applicable authorities or to providing truthful information, including

discussing or disclosing information concerning terms and conditions of employment with the Company, pursuant to legal process.

**E. No Right to Reemployment.** Executive agrees that the Company or any of its affiliated entities has no obligation, contractual or otherwise, to rehire, re-employ, or recall Executive in the future.

**F. Compliance with Company Policy.** Executive represents and warrants that Executive has complied and will continue to comply with all Company policies.

#### **IV. MISCELLANEOUS PROVISIONS**

**A. Remedies.** If Executive should, after the execution of this Agreement, make, pursue, prosecute, continue or threaten to commence any claim, action, complaint or proceeding against the Company or any other Released Party which has been waived in this Agreement, this Agreement may be raised as and shall constitute a complete bar to any such claim, allegation, action, complaint or proceeding. Nothing in this Agreement restricts or limits the parties' ability to obtain any relief permitted at law for breach of this Agreement, including but not limited to injunctive relief. In addition, if a court of competent jurisdiction should determine that Executive violated any provisions of this Agreement, in addition to other relief set forth in this Agreement, the Company shall be entitled to damages and reasonable costs incurred by virtue of defending or prosecuting the same, including reasonable attorneys' fees and costs, without altering or diminishing the effectiveness of the release provisions provided in this Agreement. The recovery of these damages does not preclude the Company from obtaining additional remedies under any applicable statutory or common laws.

**B. Entire Agreement.** This Agreement constitutes the entire understanding between the parties regarding the matters discussed in this Agreement, except as expressly provided in this Agreement, and cannot be altered except by a written document signed by both parties and expressing an intention to modify this Agreement. The terms of this Agreement supersede any other oral or written arrangement between the parties with respect to the separation of Executive's employment with the Company, except Executive's obligations under any equity award agreement, Section 5.1 of the Plan, and any provisions of the Confidentiality Agreement intended to be in effect beyond the termination of Executive's employment, which shall remain in effect. If any provision of this Agreement shall be declared null, void, or unenforceable in whole or in part by any court, arbitrator or government agency this provision shall survive to the extent it is not so declared and all other provisions of this Agreement shall remain in full force and effect. No term or provision in this Agreement shall be deemed waived and no breach of any term or provision in this Agreement shall be deemed consented to, unless such waiver or consent, as the case may be, is express and in writing signed by the party who is claimed to have waived or consented. A delay in enforcement of any right or remedy for any breach under this Agreement shall not be construed as a waiver of that right.

**C. Successorship/Assignment.** This Agreement shall be binding on the Company and shall inure to the benefit of the Company, its successors and assigns, and the other Released Parties, and shall be binding on Executive, Executive's heirs, administrators, executors and assigns. This Agreement may not be assigned by Executive.

**D. Controlling Law.** The parties agree that this Agreement will be construed under the substantive law of the State of New York applicable to contracts made and to be wholly performed in New York, without regard to any conflicts of law rules. The parties agree on behalf of themselves and any person claiming by or through them that the sole and exclusive jurisdiction and venue for any litigation arising from or relating to this Agreement shall be the United States District Court for the Southern District of New York located in Manhattan, or the courts of the State of New York located in New York County, and each party hereby irrevocably submits to such jurisdiction and venue, and agrees not to assert any defense of inconvenient forum or otherwise contest such jurisdiction or venue.

**E. No Admissions.** This Agreement is not intended, nor shall it be construed, as an admission that the Company or any of the Released Parties have violated any federal, state, or local law.

**F. Notice.** Executive may give notice to the Company under this Agreement by sending the Company a writing either by e-mail or overnight courier at the addresses provided below. Notice shall be deemed to be given on the date it is received by the Company. The address for notice is as follows:

Innovid, LLC  
Michal Livny, EVP Human Resources 30 Irving Place, 12th Floor  
New York, NY 10003  
E-mail: michal@innovid.com

**G. Period for Review and Consideration of Agreement.** Executive has been given a period of 21 days from receipt of this Agreement to review and consider this Agreement before signing it (the "Consideration Period"). If Executive has not signed this Agreement within the Consideration Period, Executive will not be eligible to receive the payments and benefits described in this Agreement. If Executive signs this Agreement prior to the conclusion of the Consideration Period, the balance of that period will be considered waived. Upon signing this Agreement, Executive must immediately inform the Company that the Agreement has been signed and Executive must relay the signed Agreement to the Company as set forth, above. Executive may also rescind this Agreement up to seven (7) days after signing it (the "Rescission Period") by giving written notice to the Company which is received by the Company on or before the seventh (7<sup>th</sup>) day after executing this Agreement. Executive will not be entitled to or receive any payments under this Agreement until the Rescission Period has expired. Provided no notice of rescission is received, this Agreement becomes effective on the 8<sup>th</sup> day after it is signed by Executive and not rescinded (the "Effective Date").

**H. Execution, Counterparts, Electronic Signatures.** This Agreement may be executed in two or more counterparts, all of which shall be considered one document. The parties agree that any party's electronic signature, whether digital or encrypted, included in this Agreement is intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this Agreement bearing an original or electronic signature by facsimile transmission, by electronic mail in "portable document format" (.pdf) form, or by any other means intended to preserve the original graphic and pictorial appearance of the document,

will have the same effect as physical delivery of the paper document bearing an original or electronic signature. Executive shall first provide same to the Company pursuant to the procedure described in this Agreement, and the Company shall then provide its executed copy to Executive following the Effective Date. Such documents shall constitute an original for all purposes.

**I. Executive's Representations.** Executive represents and acknowledges that: (a) Executive has carefully read the Agreement and understands its terms; (b) Executive has had at least 21 days to consider this Agreement prior to signing it; and (c) the Company has advised Executive to consult with an attorney of his choosing, and Executive has done so to the extent Executive desired; (d) Executive is aware of no facts (including any injuries or illnesses) related to any workers' compensation claim or discrimination, harassment or retaliation claim against the Released Parties; and (e) the consideration provided in this Agreement is sufficient to support the releases in this Agreement, and includes additional consideration for Executive's release under the Age Discrimination in Employment Act ("ADEA").

**BY SIGNING BELOW, EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS CAREFULLY READ THIS SEPARATION AGREEMENT, WAIVER AND GENERAL RELEASE AND UNDERSTANDS ITS TERMS; THAT EMPLOYEE AGREES TO ALL OF ITS TERMS; THAT EMPLOYEE KNOWS THAT EMPLOYEE IS GIVING UP IMPORTANT RIGHTS; THAT EMPLOYEE IS SIGNING THIS DOCUMENT FREELY, VOLUNTARILY, WITHOUT COERCION OR DURESS AND OF EMPLOYEE'S OWN FREE WILL AND THAT EMPLOYEE HAS NOT SIGNED THIS AGREEMENT BEFORE THE SEPARATION DATE.**

**Dave Helmreich**

Signature: /s/ Dave Helmreich Date: 9/13/2024, 2024

**Innovid, LLC**

Signature: /s/ Zvika Netter Date: 9/15/2024, 2024

**CERTIFICATION**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zvika Netter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;
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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Zvika Netter

Zvika Netter  
 Chief Executive Officer

**CERTIFICATION**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Callini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;
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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Anthony Callini

Anthony Callini  
 Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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Dated: November 12, 2024

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 12, 2024

/s/

Anthony Callini

Anthony  
Callini  
Chief  
Financial Officer

Anthony  
Chief

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.