

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
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: 001-33520

COMSCORE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

54-1955550
(I.R.S. Employer Identification Number)

11950 Democracy Drive, Suite 600
Reston , Virginia 20190
(Address of Principal Executive Offices)
(703) 438-2000
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	SCOR	NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of November 1, 2023, there were 95,103,114 shares of the registrant's Common Stock outstanding.

COMSCORE, INC.
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FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We may make certain statements, including in this Quarterly Report on Form 10-Q, or 10-Q, including the information contained in [Item 2](#), "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the information incorporated by reference in this 10-Q, that constitute forward-looking statements within the meaning of federal and state securities laws. Forward-looking statements are all statements other than statements of historical fact. We attempt to identify these forward-looking statements by words such as "may," "will," "should," "could," "might," "expect," "plan," "anticipate," "believe," "estimate," "target," "goal," "predict," "intend," "potential," "continue," "seek" and other comparable words. Similarly, statements that describe our business strategy, goals, prospects, opportunities, outlook, objectives, plans or intentions are also forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance; expectations regarding our restructuring activities and cost-reduction initiatives; macroeconomic trends that we expect may influence our business, including declines in discretionary advertising spending; plans for financing and capital expenditures; expectations regarding liquidity, customer payments and compliance with debt and financing covenants, dividend requirements and other payment obligations; expectations regarding our commercial relationships and the development and introduction of new products; potential limitations on our net operating loss carryforwards and other tax assets; regulatory compliance and expected changes in the regulatory or privacy landscape affecting our business; compliance with Nasdaq continued listing standards and the impact of a potential reverse stock split to regain compliance with such standards; expected impact of contractual disputes, litigation and regulatory proceedings; and plans for growth and future operations, as well as assumptions relating to the foregoing.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These statements are based on expectations and assumptions as of the date of this 10-Q regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause actual events or results to be materially different from any future events or results expressed or implied by these statements. These factors include those set forth in the following discussion and within [Item 1A](#), "Risk Factors" of this 10-Q and elsewhere within this report; those identified within [Item 1A](#), "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022; and those identified in other documents that we file from time to time with the U.S. Securities and Exchange Commission, or SEC.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this 10-Q. You should carefully review the risk factors described in this 10-Q and in other documents that we file from time to time with the SEC. Except as required by applicable law, including the rules and regulations of the SEC, we undertake no obligation, and expressly disclaim any duty, to publicly update or revise forward-looking statements, whether as a result of any new information, future events or otherwise. Although we believe the expectations reflected in the forward-looking statements are reasonable as of the date of this 10-Q, our statements are not guarantees of future results, levels of activity, performance, or achievements, and actual outcomes and results may differ materially from those expressed in, or implied by, any of our statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**COMSCORE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of September 30, 2023	As of December 31, 2022
	(Unaudited)	
(In thousands, except share and par value data)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,067	\$ 20,044
Restricted cash	186	398
Accounts receivable, net of allowances of \$ 496 and \$ 798 , respectively (\$ 1,912 and \$ 1,034 of accounts receivable attributable to related parties, respectively)	46,469	68,457
Prepaid expenses and other current assets	13,893	15,922
Total current assets	90,615	104,821
Property and equipment, net	41,401	36,367
Operating right-of-use assets	19,750	23,864
Deferred tax assets	3,075	3,351
Intangible assets, net	8,915	13,327
Goodwill	343,542	387,973
Other non-current assets	11,541	10,883
Total assets	\$ 518,839	\$ 580,586
Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable (\$ 12,632 and \$ 12,090 attributable to related parties, respectively)	\$ 32,382	\$ 29,090
Accrued expenses (\$ 4,862 and \$ 4,297 attributable to related parties, respectively)	35,777	43,393
Contract liabilities (\$ 2,075 and \$ 1,341 attributable to related parties, respectively)	50,901	52,944
Revolving line of credit	16,000	—
Accrued dividends (related parties)	19,846	7,863
Customer advances	7,595	11,527
Current portion of contingent consideration	3,676	7,134
Current operating lease liabilities	7,954	7,639
Other current liabilities	4,742	5,501
Total current liabilities	178,873	165,091
Non-current operating lease liabilities	24,903	29,588
Non-current portion of accrued data costs (\$ 20,154 and \$ 15,471 attributable to related parties, respectively)	30,647	25,106
Non-current revolving line of credit	—	16,000
Deferred tax liabilities	1,832	2,127
Other non-current liabilities	9,133	10,627
Total liabilities	245,388	248,539
Commitments and contingencies		
Convertible redeemable preferred stock, \$ 0.001 par value; 100,000,000 shares authorized and 82,527,609 shares issued and outstanding as of September 30, 2023 and 82,527,609 shares authorized, issued and outstanding as of December 31, 2022; aggregate liquidation preference of \$ 223,846 as of September 30, 2023, and \$ 211,863 as of December 31, 2022 (related parties)	187,885	187,885
Stockholders' equity:		
Preferred stock, \$ 0.001 par value; 5,000,000 shares authorized as of September 30, 2023 and 7,472,391 shares authorized as of December 31, 2022; no shares issued or outstanding as of September 30, 2023 or December 31, 2022	—	—
Common stock, \$ 0.001 par value; 275,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 101,851,130 shares issued and 95,086,334 shares outstanding as of September 30, 2023, and 98,869,738 shares issued and 92,104,942 shares outstanding as of December 31, 2022	95	92
Additional paid-in capital	1,695,998	1,690,783
Accumulated other comprehensive loss	(16,809)	(15,940)
Accumulated deficit	(1,363,734)	(1,300,789)
Treasury stock, at cost, 6,764,796 shares as of September 30, 2023 and December 31, 2022	(229,984)	(229,984)
Total stockholders' equity	85,566	144,162
Total liabilities, convertible redeemable preferred stock and stockholders' equity	\$ 518,839	\$ 580,586

COMSCORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(In thousands, except share and per share data)				
Revenues ⁽¹⁾	\$ 91,000	\$ 92,783	\$ 276,242	\$ 278,183
Cost of revenues ^{(1) (2) (3)}	50,473	51,530	155,360	155,915
Selling and marketing ^{(2) (3)}	14,794	17,199	48,984	51,850
Research and development ^{(2) (3)}	8,083	8,741	25,792	28,190
General and administrative ^{(2) (3)}	12,928	12,899	39,776	48,119
Amortization of intangible assets	800	6,772	4,412	20,323
Impairment of right-of-use and long-lived assets	1,502	—	1,502	—
Restructuring	353	5,784	5,455	5,784
Impairment of goodwill	—	46,300	44,100	46,300
Total expenses from operations	88,933	149,225	325,381	356,481
Income (loss) from operations	2,067	(56,442)	(49,139)	(78,298)
Other income, net	628	1,477	425	8,467
Gain (loss) from foreign currency transactions	1,090	2,781	(544)	5,728
Interest expense, net	(426)	(284)	(1,141)	(660)
Income (loss) before income taxes	3,359	(52,468)	(50,399)	(64,763)
Income tax (provision) benefit	(741)	86	(563)	(1,945)
Net income (loss)	\$ 2,618	\$ (52,382)	\$ (50,962)	\$ (66,708)
Net loss available to common stockholders:				
Net income (loss)	\$ 2,618	\$ (52,382)	\$ (50,962)	\$ (66,708)
Convertible redeemable preferred stock dividends ⁽¹⁾	(4,286)	(3,910)	(11,983)	(11,603)
Total net loss available to common stockholders	\$ (1,668)	\$ (56,292)	\$ (62,945)	\$ (78,311)
Net loss per common share:				
Basic and diluted	\$ (0.02)	\$ (0.60)	\$ (0.66)	\$ (0.85)
Weighted-average number of shares used in per share calculation - Common Stock:				
Basic and diluted	97,709,191	93,347,017	95,704,106	92,380,984
Comprehensive income (loss):				
Net income (loss)	\$ 2,618	\$ (52,382)	\$ (50,962)	\$ (66,708)
Other comprehensive loss:				
Foreign currency cumulative translation adjustment	(2,267)	(4,553)	(869)	(9,638)
Total comprehensive income (loss)	\$ 351	\$ (56,935)	\$ (51,831)	\$ (76,346)

⁽¹⁾ Transactions with related parties are included in the line items above as follows (refer to [Footnote 9](#), *Related Party Transactions*, of the Notes to Condensed Consolidated Financial Statements for additional information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 2,856	\$ 3,527	\$ 8,802	\$ 12,125
Cost of revenues	7,178	7,938	22,251	23,379
Convertible redeemable preferred stock dividends	(4,286)	(3,910)	(11,983)	(11,603)

⁽²⁾ Excludes amortization of intangible assets, which is presented as a separate line item.

⁽³⁾ Stock-based compensation expense is included in the line items above as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenues	\$ 113	\$ 155	\$ 435	\$ 877
Selling and marketing	96	132	411	804
Research and development	85	116	333	627
General and administrative	747	1,013	2,640	4,906
Total stock-based compensation expense	\$ 1,041	\$ 1,416	\$ 3,819	\$ 7,214

See accompanying Notes to Condensed Consolidated Financial Statements.

COMSCORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)

(In thousands, except share data)	Convertible Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss		Accumulated Deficit	Treasury stock, at cost	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
										(
Balance as of December 31, 2022	82,527,609	\$187,885	92,104,942	\$ 92	\$ 1,690,783	\$ (15,940)	\$ (1,300,789)	\$ 229,984	\$)	\$ 144,162
Net loss	—	—	—	—	—	—	(8,671)	—	—	(8,671)
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(3,825)	—	—	(3,825)
Restricted stock units distributed	—	—	286,038	—	—	—	—	—	—	—
Exercise of Common Stock options	—	—	3,000	—	3	—	—	—	—	3
Payments for taxes related to net share settlement of equity awards	—	—	(34,452)	—	(48)	—	—	—	—	(48)
Amortization of stock-based compensation	—	—	—	—	879	—	—	—	—	879
Settlement of restricted stock unit liability	—	—	—	—	2,761	—	—	—	—	2,761
Foreign currency translation adjustment	—	—	—	—	—	1,517	—	—	—	1,517
										(
Balance as of March 31, 2023	82,527,609	\$187,885	92,359,528	\$ 92	\$ 1,694,378	\$ (14,423)	\$ (1,313,285)	\$ 229,984	\$)	\$ 136,778
Net loss	—	—	—	—	—	—	(44,909)	—	—	(44,909)
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(3,872)	—	—	(3,872)
Restricted stock units distributed	—	—	2,735,991	3	—	—	—	—	—	3
Payments for taxes related to net share settlement of equity awards	—	—	(9,185)	—	(12)	—	—	—	—	(12)
Amortization of stock-based compensation	—	—	—	—	915	—	—	—	—	915
Foreign currency translation adjustment	—	—	—	—	—	(119)	—	—	—	(119)
										(
Balance as of June 30, 2023	82,527,609	\$187,885	95,086,334	\$ 95	\$ 1,695,281	\$ (14,542)	\$ (1,362,066)	\$ 229,984	\$)	\$ 88,784
Net income	—	—	—	—	—	—	2,618	—	—	2,618
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(4,286)	—	—	(4,286)
Amortization of stock-based compensation	—	—	—	—	717	—	—	—	—	717
Foreign currency translation adjustment	—	—	—	—	—	(2,267)	—	—	—	(2,267)
										(
Balance as of September 30, 2023	82,527,609	\$187,885	95,086,334	\$ 95	\$ 1,695,998	\$ (16,809)	\$ (1,363,734)	\$ 229,984	\$)	\$ 85,566

(In thousands, except share data)	Convertible Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss		Treasury stock, at cost	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Loss	Deficit		
								(
Balance as of December 31, 2021	82,527,609	\$187,885	90,407,290	\$ 90	\$ 1,683,883	\$ (12,098)	\$ (1,218,715)	\$ 229,984	\$ 223,176
Net loss	—	—	—	—	—	—	(9,276)	—	(9,276)
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(3,825)	—	(3,825)
Restricted stock units distributed	—	—	212,246	—	—	—	—	—	—
Exercise of Common Stock options	—	—	86,941	1	102	—	—	—	103
Payments for taxes related to net share settlement of equity awards	—	—	(474)	—	(1)	—	—	—	(1)
Amortization of stock-based compensation	—	—	—	—	1,908	—	—	—	1,908
Settlement of restricted stock unit liability	—	—	—	—	1,719	—	—	—	1,719
Foreign currency translation adjustment	—	—	—	—	—	(541)	—	—	(541)
Other	—	—	(661)	—	(3)	—	—	—	(3)
								(
Balance as of March 31, 2022	82,527,609	\$187,885	90,705,342	\$ 91	\$ 1,687,608	\$ (12,639)	\$ (1,231,816)	\$ 229,984	\$ 213,260
Net loss	—	—	—	—	—	—	(5,050)	—	(5,050)
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(3,868)	—	(3,868)
Restricted stock units distributed	—	—	958,594	1	—	—	—	—	1
Exercise of Common Stock options	—	—	745	—	—	—	—	—	—
Payments for taxes related to net share settlement of equity awards	—	—	(12,646)	—	(23)	—	—	—	(23)
Amortization of stock-based compensation	—	—	—	—	2,011	—	—	—	2,011
Foreign currency translation adjustment	—	—	—	—	—	(4,544)	—	—	(4,544)
Other	—	—	121,357	—	—	—	—	—	—
								(
Balance as of June 30, 2022	82,527,609	\$187,885	91,773,392	\$ 92	\$ 1,689,596	\$ (17,183)	\$ (1,240,734)	\$ 229,984	\$ 201,787
Net loss	—	—	—	—	—	—	(52,382)	—	(52,382)
Convertible redeemable preferred stock dividends ⁽¹⁾	—	—	—	—	—	—	(3,910)	—	(3,910)
Restricted stock units distributed	—	—	226,948	—	—	—	—	—	—
Exercise of common stock options	—	—	9,269	—	—	—	—	—	—
Amortization of stock-based compensation	—	—	—	—	1,013	—	—	—	1,013
Foreign currency translation adjustment	—	—	—	—	—	(4,553)	—	—	(4,553)
								(
Balance as of September 30, 2022	82,527,609	\$187,885	92,009,609	\$ 92	\$ 1,690,609	\$ (21,736)	\$ (1,297,026)	\$ 229,984	\$ 141,955

⁽¹⁾ Transactions for these line items were exclusively with related parties (refer to [Footnote 5](#) , *Convertible Redeemable Preferred Stock and Stockholders' Equity* and [Footnote 9](#) , *Related Party Transactions* , of the Notes to Condensed Consolidated Financial Statements for additional information).

See accompanying Notes to Condensed Consolidated Financial Statements.

COMSCORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net loss	\$ (50,962)	\$ (66,708)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment of goodwill	44,100	46,300
Depreciation	14,613	12,542
Amortization of intangible assets	4,412	20,323
Non-cash operating lease expense	4,196	4,540
Stock-based compensation expense	3,819	7,214
Impairment of right-of-use and long-lived assets	1,502	—
Amortization expense of finance leases	1,268	1,875
Change in fair value of contingent consideration liability	252	2,447
Change in fair value of warrants liability	(407)	(8,471)
Deferred tax benefit	(61)	(90)
Other	1,295	1,456
Changes in operating assets and liabilities:		
Accounts receivable	21,899	22,143
Prepaid expenses and other assets	132	(1,081)
Accounts payable, accrued expenses and other liabilities	(2,779)	3,159
Contract liabilities and customer advances	(7,013)	(3,448)
Operating lease liabilities	(5,981)	(5,665)
Net cash provided by operating activities	30,285	36,536
Investing activities:		
Capitalized internal-use software costs	(16,609)	(12,402)
Purchases of property and equipment	(1,240)	(823)
Net cash used in investing activities	(17,849)	(13,225)
Financing activities:		
Principal payments on finance leases	(1,337)	(2,004)
Contingent consideration payment at initial value	(1,037)	—
Payments for dividends on convertible redeemable preferred stock ⁽¹⁾	—	(15,512)
Other	(276)	(61)
Net cash used in financing activities	(2,650)	(17,577)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	25	(2,502)
Net increase in cash, cash equivalents and restricted cash	9,811	3,232
Cash, cash equivalents and restricted cash at beginning of period	20,442	22,279
Cash, cash equivalents and restricted cash at end of period	\$ 30,253	\$ 25,511

⁽¹⁾ Transactions for this line item were exclusively with related parties (refer to [Footnote 9](#) , *Related Party Transactions* , of the Notes to Condensed Consolidated Financial Statements for additional information).

	As of September 30,	
	2023	2022
Cash and cash equivalents	\$ 30,067	\$ 25,086
Restricted cash	186	425
Total cash, cash equivalents and restricted cash	\$ 30,253	\$ 25,511

	Nine Months Ended September 30,	
	2023	2022
Supplemental disclosures of non-cash investing and financing activities		
Convertible redeemable preferred stock dividends accrued but not yet paid (related parties)	\$ 11,983	\$ 3,953
Right-of-use assets obtained in exchange for finance lease liabilities	3,048	1,106
Settlement of restricted stock unit liability	2,761	1,719
Right-of-use assets obtained in exchange for operating lease liabilities	1,211	847
Change in accounts payable and accrued expenses related to capital expenditures	1,170	810

See accompanying Notes to Condensed Consolidated Financial Statements.

COMSCORE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

comScore, Inc., together with its consolidated subsidiaries (collectively, "Comscore" or the "Company"), headquartered in Reston, Virginia, is a global information and analytics company that measures audiences, consumer behavior and advertising across media platforms.

Operating segments are defined as components of a business that can earn revenues and incur expenses for which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker ("CODM"). The Company's CODM is its Chief Executive Officer ("CEO"), who decides how to allocate resources and assess performance. The Company has one operating segment. A single management team reports to the CODM, who manages the entire business. The Company's CODM reviews consolidated results of operations to make decisions, allocate resources and assess performance and does not evaluate the profit or loss from any separate geography or product line.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned domestic and foreign subsidiaries. All intercompany transactions and balances are eliminated upon consolidation.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Specifically, accrued dividends have been separated from other current liabilities, and warrants liability has been aggregated within other current liabilities on the Condensed Consolidated Balance Sheets.

Unaudited Interim Financial Information

The interim Condensed Consolidated Financial Statements included in this quarterly report have been prepared by the Company and are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The interim Condensed Consolidated Financial Statements included herein reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. These interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company's Annual Report on [Form 10-K](#) for the year ended December 31, 2022 (the "2022 10-K"). The Condensed Consolidated Results of Operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2023 or thereafter. All references to September 30, 2023 and 2022 in the Notes to Condensed Consolidated Financial Statements are unaudited.

Use of Estimates and Judgments in the Preparation of the Condensed Consolidated Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense during the reporting periods. Significant estimates and judgments are inherent in the analysis and the measurement of management's standalone selling price, principal versus agent revenue recognition, determination of performance obligations, determination of transaction price, including the determination of variable consideration and allocation of transaction price to performance obligations, deferred tax assets and liabilities, including the identification and quantification of income tax liabilities due to uncertain tax positions, the valuation and recoverability of goodwill, intangible and other long-lived assets, the determination of appropriate discount rates for lease accounting, the probability of exercising either lease renewal or termination clauses, the assessment of potential loss from contingencies, the fair value determination of contingent consideration from business combinations, financing-related liabilities and warrants, and the valuation of options, performance-based and market-based stock awards. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances.

Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

Goodwill

The Company tests goodwill for impairment annually during the fourth quarter as of October 1, or more frequently when events or changes in circumstances indicate that fair value is below carrying value.

The Company has a single reporting unit. Accordingly, the impairment assessment for goodwill is performed at the enterprise level. Goodwill is reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair

value of the reporting unit below its carrying value. The Company has the option to first perform qualitative testing to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. The qualitative evaluation is an assessment of factors, including operating results and cost factors, as well as industry, market and macroeconomic conditions, to determine whether it is more likely than not that the fair value of the reporting unit is less than the respective carrying amount, including goodwill. If the Company chooses not to complete a qualitative assessment or if the initial assessment indicates that it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, additional quantitative testing is required.

The fair value of the reporting unit is determined utilizing a discounted cash flow model, and a market value approach is utilized to supplement the discounted cash flow model. The estimated fair value of a reporting unit is determined based on assumptions regarding estimated future cash flows, discount rates, long-term growth rates and market values. Additionally, the Company considers income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment charge.

The Company monitors for events and circumstances that could negatively impact the key assumptions in determining fair value, including long-term revenue growth projections, profitability, discount rates, volatility in the Company's market capitalization, and general industry, market and macroeconomic conditions.

In the second quarter of 2023, the Company performed a quantitative goodwill impairment test using a discounted cash flow model, supported by a market approach. The Company's reporting unit did not pass the goodwill impairment test, and as a result, the Company recorded a \$44.1 million non-cash impairment charge during the nine months ended September 30, 2023.

In the third quarter of 2022, the Company performed a quantitative goodwill impairment test using a discounted cash flow model, supported by a market approach. The Company's reporting unit did not pass the goodwill impairment test, and as a result, the Company recorded a \$46.3 million non-cash impairment charge during the three and nine months ended September 30, 2022.

For further information refer to [Footnote 4](#), *Goodwill*.

Recoverability of Other Long-Lived Assets

The Company's other long-lived assets consist primarily of property and equipment and right-of-use ("ROU") assets. The Company evaluates its ROU and long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable.

The Company performed an analysis in the third quarter of 2023 related to the abandonment of two leased office spaces, which changed the extent and manner for which the ROU assets and related long-lived assets were being used. The Company recorded an impairment charge of \$1.5 million related to the ROU assets for the three and nine months ended September 30, 2023.

Preferred Stock

In January 2021, the Company entered into separate Securities Purchase Agreements with each of Charter Communications Holding Company, LLC ("Charter"), Qurate Retail, Inc. (together with its affiliate Qurate SCOR, LLC, "Qurate") and Pine Investor, LLC ("Pine") (the "Securities Purchase Agreements") for the issuance and sale of shares of Series B Convertible Preferred Stock, par value \$0.001 ("Preferred Stock") described in [Footnote 5](#), *Convertible Redeemable Preferred Stock and Stockholders' Equity*. The issuance of the Preferred Stock pursuant to the Securities Purchase Agreements (the "Transactions") and related matters were approved by the Company's stockholders on March 9, 2021 and completed on March 10, 2021.

On May 16, 2023, Qurate sold 27,509,203 shares of Preferred Stock to Liberty Broadband Corporation ("Liberty") in a privately negotiated transaction.

The Preferred Stock is contingently redeemable upon certain deemed liquidation events, such as a change in control. Because a deemed liquidation event could constitute a redemption event outside of the Company's control, all shares of Preferred Stock have been presented outside of permanent equity in mezzanine equity on the Condensed Consolidated Balance Sheets. The instrument was initially recognized at fair value net of issuance costs. The Company reassesses whether the Preferred Stock is currently redeemable, or probable to become redeemable in the future, as of each reporting date. If the instrument meets either of these criteria, the Company will accrete the carrying value to the redemption value. The Preferred Stock has not been adjusted to its redemption amount as of September 30, 2023 because a deemed liquidation event is not considered probable.

The Preferred Stock includes a change of control put option which allows the holders of the Preferred Stock to require the Company to repurchase such holders' shares in cash in an amount equal to the initial purchase price plus accrued dividends. The change of control put option was determined to be a derivative liability. As of September 30, 2023, the probability of a change of control was determined to be remote and the fair value of the change of control derivative was determined to be negligible.

Warrants Liability

In June 2019, the Company issued warrants to CVI Investments, Inc. ("CVI") in connection with the private placement described in [Footnote 5](#), *Convertible Redeemable Preferred Stock and Stockholders' Equity*. The warrants were determined to be freestanding financial instruments that qualify for liability treatment as a result of net cash settlement features associated with a cap on the issuance of shares, under certain

circumstances, or upon a change of control. Changes in the fair value of these instruments are recorded in other income, net in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The fair value of each warrant is estimated utilizing an option pricing model. Significant valuation inputs include the exercise price, price and expected volatility of the Company's Common Stock, risk-free rate, and the remaining term of the warrants. As of September 30, 2023, the probability of a change of control was determined to be remote and did not require an enhancement to the valuation technique.

Other Income, Net

Other income, net represents income and expenses incurred that are generally not recurring in nature or are not part of the Company's normal operations. The following is a summary of the components of other income, net:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Change in fair value of warrants liability	\$ 634	\$ 1,476	\$ 407	\$ 8,471
Other	(6)	1	18	(4)
Total other income, net	\$ 628	\$ 1,477	\$ 425	\$ 8,467

Loss Per Share

The Company uses the two-class method to calculate net loss per share. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. Under the two-class method, earnings for the period are allocated between common stockholders and participating security holders based on their respective rights to receive dividends as if all undistributed book earnings for the period were distributed.

Basic loss per share is computed by dividing total net loss available to common stockholders by the weighted-average number of common shares outstanding for the period. This includes the effect of vested and deferred stock units granted to members of the Company's Board of Directors ("Board") and certain employees. These awards are expected to be settled in shares of Common Stock and generally distributed upon the earlier of the individual's separation from service or a change of control. Diluted loss per share includes the effect of potential common shares, such as the Company's Preferred Stock, warrants, stock options and restricted stock units, and contingent consideration liability to the extent the effect is dilutive. In periods with a net loss available to common stockholders, the anti-dilutive effect of these potential common shares is excluded and diluted net loss per share is equal to basic net loss per share.

The following is a summary of the Common Stock equivalents for the securities outstanding during the respective periods that have been excluded from the computation of diluted net loss per common share, as their effect would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Preferred stock ⁽¹⁾	88,821,995	82,544,802	85,708,361	85,708,361
Warrants	5,457,026	5,457,026	5,457,026	5,457,026
Stock options and restricted stock units	5,816,833	5,244,552	5,926,755	4,899,973
Contingent consideration ⁽²⁾	8,026,230	5,212,121	8,026,230	5,212,121
Total	108,122,084	98,458,501	105,118,372	101,277,481

⁽¹⁾ Includes the effect of potential Common Stock that would be issued to settle unpaid dividends accrued to holders of the Preferred Stock if they elected to convert their shares at the beginning of the period.

⁽²⁾ A contingent consideration liability was recognized as part of the Company's acquisition of Shareable, Inc. ("Shareable") in December 2021. The liability payments may be settled in any combination of cash or shares of Common Stock (at the Company's election) based on the volume-weighted average trading price of the Common Stock for the ten trading days prior to the date of each payment. Settlement of this liability in Common Stock could potentially dilute basic earnings per share in future periods. The Company paid the first installment of \$ 3.7 million in cash, and it is therefore excluded from Common Stock equivalents herein. The Company calculated a potential anti-dilutive share count based on the remaining expected payments totaling \$ 4.9 million and the \$ 0.61 per share closing price of the Company's Common Stock on the Nasdaq Global Select Market on September 29, 2023. The Company calculated a potential anti-dilutive share count based on the expected payments totaling \$ 8.6 million and the \$ 1.65 per share closing price of the Company's Common Stock on the Nasdaq Global Select Market on September 30, 2022.

Income Taxes

A significant portion of the Company's net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. The Company has concluded that an ownership change occurred in 2021 as a result of the Transactions which has triggered further limitations on the use of its net operating loss carryforwards. The limitation calculations are currently being finalized by the Company and are expected to cause a significant portion of the Company's net operating loss carryforwards to expire prior to use. Due to the Company's valuation allowance position in the United States, the required revaluation of its deferred tax assets related to these limited U.S. federal and state net operating loss carryforwards is not expected to have a material impact on the Condensed Consolidated Financial Statements or related disclosures.

3. Revenue Recognition

The following table presents the Company's revenue disaggregated by solution group, geographical market and timing of transfer of products and services. The Company attributes revenue to geographical markets based on the location of the customer. The Company has one reportable segment in accordance with ASC 280, *Segment Reporting*; as such, the disaggregation of revenue below reconciles directly to its unique reportable segment.

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
By solution group:				
Digital Ad Solutions	\$ 50,501	\$ 52,360	\$ 153,597	\$ 157,127
Cross Platform Solutions	40,499	40,423	122,645	121,056
Total	<u>\$ 91,000</u>	<u>\$ 92,783</u>	<u>\$ 276,242</u>	<u>\$ 278,183</u>
By geographical market:				
United States	\$ 82,192	\$ 83,780	\$ 249,832	\$ 249,493
Europe	4,617	4,497	13,845	14,179
Latin America	1,745	1,839	5,170	5,765
Canada	1,408	1,675	4,249	5,668
Other	1,038	992	3,146	3,078
Total	<u>\$ 91,000</u>	<u>\$ 92,783</u>	<u>\$ 276,242</u>	<u>\$ 278,183</u>
By timing of revenue recognition:				
Products and services transferred over time	\$ 78,179	\$ 77,264	\$ 234,803	\$ 231,946
Products and services transferred at a point in time	12,821	15,519	41,439	46,237
Total	<u>\$ 91,000</u>	<u>\$ 92,783</u>	<u>\$ 276,242</u>	<u>\$ 278,183</u>

Contract Balances

The following table provides information about receivables, contract assets, contract liabilities and customer advances from contracts with customers:

(In thousands)	As of September 30, 2023	As of December 31, 2022
Accounts receivable, net	\$ 46,469	\$ 68,457
Current and non-current contract assets	7,669	6,736
Current contract liabilities	50,901	52,944
Current customer advances	7,595	11,527
Non-current contract liabilities	93	887

Significant changes in the current contract liabilities balance are as follows:

(In thousands)	Nine Months Ended September 30,	
	2023	2022
Revenue recognized that was included in the opening contract liabilities balance	\$ (46,883)	\$ (47,662)
Cash received or amounts billed in advance and not recognized as revenue	43,651	46,969

Remaining Performance Obligations

As of September 30, 2023, approximately \$ 210 million of revenue is expected to be recognized from remaining performance obligations that are unsatisfied (or partially unsatisfied) for non-cancelable contracts with an original expected duration of longer than one year. The Company expects to recognize revenue on approximately 15 % of these remaining performance obligations during the remainder of 2023, approximately 45 % in 2024, and approximately 22 % in 2025, with the remainder recognized thereafter.

4. Goodwill

The Company tests goodwill for impairment annually during the fourth quarter as of October 1, or more frequently when events or changes in circumstances indicate that fair value is below carrying value.

In the second quarter of 2023, the Company concluded that it was more likely than not that the estimated fair value of its reporting unit was less than its carrying value. In its assessment, the Company considered the decline in the Company's stock price and market capitalization, among other factors. The Company performed quantitative testing on its reporting unit using a discounted cash flow model (a form of the income approach) utilizing Level 3 unobservable inputs, supported by a market approach. The Company relied in part on the work of an independent valuation firm engaged by the Company to provide inputs as to the fair value of the reporting unit and to assist in the related calculations and

analysis. The Company's reporting unit did not pass the goodwill impairment test, and as a result the Company recorded a \$ 44.1 million impairment charge for the nine months ended September 30, 2023.

In the third quarter of 2022, in conjunction with its annual test as of October 1, 2022, the Company performed a quantitative goodwill impairment test as of September 30, 2022. The Company's reporting unit did not pass the goodwill impairment test, and as a result the Company recorded a \$ 46.3 million impairment charge for the three and nine months ended September 30, 2022.

The change in the carrying value of goodwill is as follows:

(In thousands)

Balance as of December 31, 2021	\$	435,711
Translation adjustments		(1,438)
Impairment charge		(46,300)
Balance as of December 31, 2022	\$	387,973
Translation adjustments		(331)
Impairment charge		(44,100)
Balance as of September 30, 2023	\$	343,542

5. Convertible Redeemable Preferred Stock and Stockholders' Equity

2021 Issuance of Preferred Stock

On March 10, 2021, the Company issued and sold 82,527,609 shares of Preferred Stock in exchange for aggregate gross proceeds of \$ 204.0 million. Net proceeds from the Transactions totaled \$ 187.9 million after deducting issuance costs.

The Preferred Stock is convertible at the option of the holders at any time into shares of Common Stock based on a conversion rate set in accordance with the Certificate of Designations of the Preferred Stock. The conversion right is subject to certain anti-dilution adjustments and customary provisions related to partial dividend periods. As of September 30, 2023, each share of Preferred Stock would have been convertible into 1.097283 shares of Common Stock, with such assumed conversion rate scheduled to return to 1.00 upon payment of accrued dividends.

As of September 30, 2023, no shares of Preferred Stock have been converted into Common Stock.

The holders of Preferred Stock are entitled to participate in all dividends declared on the Common Stock on an as-converted basis and are also entitled to a cumulative dividend at the rate of 7.5 % per annum, payable annually in arrears and subject to increase under certain circumstances. In addition, such holders are entitled to request, and the Company will take all actions reasonably necessary to pay, a one-time dividend ("Special Dividend") equal to the highest dividend that the Company's Board determines can be paid at the applicable time (or a lesser amount agreed upon by the holders), subject to additional conditions and limitations set forth in a Stockholders Agreement entered into by the Company and the holders on March 10, 2021 (the "Stockholders Agreement"). As set forth in the Stockholders Agreement, the Company may be obligated to obtain debt financing in order to effectuate the Special Dividend.

At an annual meeting of stockholders of the Company held on June 15, 2023 (the "Annual Meeting"), the Company's stockholders approved proposals permitting the payment of annual dividends on the Preferred Stock in the form of cash, shares of Common Stock, additional shares of Preferred Stock, or a combination thereof. On the same date, each holder of Preferred Stock waived its right to receive on June 30, 2023 the annual dividends otherwise payable by the Company on that date (the "Waivers"), and the Company's Board elected to defer the June 30, 2023 payment. Under the Waivers and the Certificate of Designations governing the Preferred Stock, the deferred dividends will accrue and accumulate at a rate of 9.5 % per year from June 30, 2023 until declared and paid, with payment to occur on or before December 31, 2023 subject to certain conditions. As of September 30, 2023, accrued dividends for the Preferred Stock totaled \$ 19.8 million.

2019 Issuance and Sale of Common Stock and Warrants

On June 23, 2019, the Company entered into a Securities Purchase Agreement with CVI, pursuant to which CVI agreed to purchase (i) 2,728,513 shares of Common Stock (the "Initial Shares"), at a price of 7.33 per share and (ii) Series A Warrants, Series B-1 Warrants, Series B-2 Warrants and Series C Warrants, for aggregate gross proceeds of \$ 20.0 million (the "Private Placement"). The Private Placement closed on June 26, 2019 (the "CVI Closing Date"). The Series B-1 Warrants and Series B-2 Warrants expired in 2020.

The Series C Warrants were exercised on October 10, 2019. As a result of this exercise, the Company issued 2,728,513 shares of Common Stock to CVI on October 14, 2019. In addition, the number of shares issuable under the Company's Series A Warrants was increased by 2,728,513.

The Series A Warrants are exercisable by the holders for a period of five years from the CVI Closing Date and are currently exercisable into 5,457,026 shares of Common Stock. The Series A Warrants may be exercised for cash or through a net settlement feature under certain circumstances.

The exercise price for the Series A Warrants is subject to anti-dilution adjustment in certain circumstances, including upon certain issuances of capital stock. Upon the issuance of the Preferred Stock in 2021, the Company adjusted the exercise price of the Series A Warrants from \$ 12.00 to \$ 2.4719 per share, the closing price of the Transactions. On March 15, 2023, the Company granted Common Stock awards to certain non-executive employees valued at \$ 1.01 per share (the closing price of the Common Stock on March 15, 2023) under the Company's annual

incentive compensation plan, resulting in a further adjustment of the Series A Warrants exercise price from \$ 2.4719 to \$ 1.01 per share. The estimated fair value of the Series A Warrants immediately after the exercise price adjustment on March 15, 2023 was \$ 1.7 million, reflecting an increase of \$ 1.0 million compared to the value as of December 31, 2022.

CVI will not have the right to exercise any warrant that would result in CVI beneficially owning more than 4.99 % of the outstanding Common Stock after giving effect to such exercise. CVI has the right, in its discretion, to raise this threshold up to 9.99 % with 60 days' notice to the Company. In addition, if and to the extent the exercise of any warrants would, together with the issuances of the Initial Shares and the shares issued pursuant to the exercise of any other warrants, result in the issuance of 20.0 % or more of the outstanding Common Stock of the Company on the CVI Closing Date, the Company intends to, in lieu of issuing such shares, settle the obligation to issue such shares in cash.

The estimated fair value of the Series A Warrants as of September 30, 2023 was \$ 0.3 million and is classified within other current liabilities on the Condensed Consolidated Balance Sheets. Refer to [Footnote 7](#), *Fair Value Measurements*, for further information.

6. Debt

Revolving Credit Agreement

On May 5, 2021, the Company entered into a senior secured revolving credit agreement (the "Revolving Credit Agreement") among the Company, as borrower, certain subsidiaries of the Company, as guarantors, Bank of America N.A., as administrative agent (in such capacity, the "Agent"), and the lenders from time to time party thereto.

The Revolving Credit Agreement had an original borrowing capacity equal to \$ 25.0 million and bore interest on borrowings at a Eurodollar Rate (as defined in the Revolving Credit Agreement) that was based on LIBOR. The Company may also request the issuance of letters of credit under the Revolving Credit Agreement in an aggregate amount up to \$ 5.0 million, which reduces the amount of available borrowings by the amount of such issued and outstanding letters of credit. The facility has a maturity of three years from the closing date of the agreement.

On February 25, 2022, the Company entered into an amendment (the "2022 Amendment") to the Revolving Credit Agreement to expand its aggregate borrowing capacity from \$ 25.0 million to \$ 40.0 million. The 2022 Amendment also replaced the Eurodollar Rate with a SOFR-based interest rate and modified the Applicable Rate definition in the Revolving Credit Agreement to increase the Applicable Rate payable on SOFR-based loans to 2.50 %. Finally, the amendment modified certain financial covenants under the Revolving Credit Agreement.

On February 24, 2023, the Company entered into an additional amendment (the "2023 Amendment") to the Revolving Credit Agreement. Among other things, the 2023 Amendment (i) increased the minimum Consolidated EBITDA and Consolidated Asset Coverage Ratio financial covenant requirements under the Revolving Credit Agreement, (ii) modified the measurement periods for certain financial covenants contained in the Revolving Credit Agreement, (iii) introduced a minimum liquidity covenant, and (iv) modified the Applicable Rate definition in the Revolving Credit Agreement to increase the Applicable Rate payable on SOFR-based loans to 3.50 %.

As modified, the Revolving Credit Agreement requires the Company to maintain:

- minimum Consolidated EBITDA (as defined in the Revolving Credit Agreement) of not less than \$ 22.0 million, \$ 24.0 million, \$ 32.0 million and \$ 35.0 million for the most recently ended four fiscal quarter period, tested as of the last day of the fiscal quarters ending on March 31, June 30, September 30 and December 31, 2023, respectively;
- a minimum Consolidated Asset Coverage Ratio (as defined in the Revolving Credit Agreement) of not less than 2.0 to 1.0, tested as of the last day of each calendar month through maturity of the Revolving Credit Agreement;
- a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Revolving Credit Agreement) of not less than 1.25 to 1.0 for the most recently ended four fiscal quarter period, tested as of the last day of each fiscal quarter ending on or after March 31, 2024; and
- minimum Liquidity (as defined in the Revolving Credit Agreement) of \$ 28.0 million, tested as of the last business day of each calendar month through maturity of the Revolving Credit Agreement.

The Revolving Credit Agreement contains restrictive covenants that limit the Company's ability to, among other things, incur additional indebtedness or liens, make investments and loans, enter into mergers and acquisitions, make or declare dividends and other payments, enter into certain contracts, sell assets and engage in transactions with affiliates. The Revolving Credit Agreement is also subject to customary events of default, including a change in control. If an event of default occurs and is continuing, the Agent or the Required Lenders may accelerate any amounts outstanding and terminate lender commitments. The Company was in compliance with the covenants under the amended Revolving Credit Agreement as of September 30, 2023.

The Revolving Credit Agreement is guaranteed by the Company and its domestic subsidiaries (other than Excluded Subsidiaries (as defined in the Revolving Credit Agreement)) and is secured by a first lien security interest in substantially all assets of the Company and its domestic subsidiaries (other than Excluded Subsidiaries), subject to certain customary exclusions.

As of September 30, 2023, the Company had outstanding borrowings of \$ 16.0 million, and issued and outstanding letters of credit of \$ 3.4 million, under the amended Revolving Credit Agreement, with remaining borrowing capacity of \$ 20.6 million. During the second quarter of 2023, the Company reclassified the outstanding borrowings to current liabilities from non-current liabilities as the facility matures in May 2024.

7. Fair Value Measurements

The Company's financial instruments measured at fair value in the accompanying Condensed Consolidated Balance Sheets on a recurring basis consist of the following:

(In thousands)	As of September 30, 2023				As of December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Money market funds ⁽¹⁾	\$ 110	\$ —	\$ —	\$ 110	\$ 2,455	\$ —	\$ —	\$ 2,455
Liabilities								
Contingent consideration liability ⁽²⁾	\$ —	\$ 4,747	\$ —	\$ 4,747	\$ —	\$ 8,158	\$ —	\$ 8,158
Warrants liability ⁽³⁾	—	—	311	311	—	—	718	718
Total liabilities	\$ —	\$ 4,747	\$ 311	\$ 5,058	\$ —	\$ 8,158	\$ 718	\$ 8,876

⁽¹⁾ Level 1 cash equivalents are invested in money market funds that are intended to maintain a stable net asset value of \$ 1.00 per share by investing in liquid, high quality U.S. dollar-denominated money market instruments with maturities less than three months.

⁽²⁾ The fair value of this liability as of September 30, 2023 and December 31, 2022 is derived from a technique which utilizes market-corroborated inputs that result in classification as a Level 2 fair value measurement as of such date. The non-current portion of the contingent consideration liability is classified within non-current liabilities on the Condensed Consolidated Balance Sheets. The current portion of the contingent consideration liability was \$ 3.7 million and \$ 7.1 million as of September 30, 2023 and December 31, 2022, respectively. The non-current portion of the contingent consideration liability was \$ 1.1 million and \$ 1.0 million as of September 30, 2023 and December 31, 2022, respectively.

⁽³⁾ The fair value of this liability is derived from a technique which utilizes inputs, certain of which are significant and unobservable, that result in classification as a Level 3 fair value measurement. Warrants liability includes only the Series A warrants as of September 30, 2023 and December 31, 2022. Warrants liability is classified within other current liabilities on the Condensed Consolidated Balance Sheets.

The elimination of the option pricing model used to value the contingent consideration liability reflected a change in the Company's valuation technique during the nine months ended September 30, 2022. There were no other changes to the Company's valuation techniques or methodologies during the three and nine months ended September 30, 2023 and 2022.

The following tables present the changes in the Company's recurring Level 3 fair valued instruments for the nine months ended September 30, 2023 and 2022, respectively:

(In thousands)	Warrants Liability
Balance as of December 31, 2022	\$ 718
Total gain recognized due to remeasurement ⁽¹⁾	(407)
Balance as of September 30, 2023	\$ 311

⁽¹⁾ The gain on remeasurement of the warrants liability was recorded in other income, net, in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

(In thousands)	Contingent Consideration Liability	Warrants Liability
Balance as of December 31, 2021	\$ 5,600	\$ 10,520
Total loss (gain) recognized due to remeasurement ⁽¹⁾	2,348	(8,471)
Transfer to Level 2 ⁽²⁾	(7,948)	—
Balance as of September 30, 2022	\$ —	\$ 2,049

⁽¹⁾ The loss due to remeasurement of the contingent consideration liability was recorded in general and administrative expense, and the gain on remeasurement of the warrants liability was recorded in other income, net, in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

⁽²⁾ The contingent consideration liability was transferred from Level 3 to Level 2 at the beginning of the second quarter of 2022 due to the resolution of the contingency regarding the amount of consideration payable.

The following table displays the valuation technique and the significant inputs, certain of which are unobservable, for the Company's Level 3 liabilities that existed as of September 30, 2023 and December 31, 2022 that are measured at fair value on a recurring basis:

	Fair Value Measurements			
	Significant Valuation Technique	Significant Valuation Inputs	September 30, 2023	December 31, 2022
Warrants liability	Option pricing	Stock price	\$ 0.61	\$ 1.16
		Exercise price	\$ 1.01	\$ 2.47
		Volatility	70.0 %	65.0 %
		Term	0.74 years	1.49 years
		Risk-free rate	5.5 %	4.6 %

The primary sensitivities in the valuation of the warrants liability are driven by the exercise price, the Common Stock price at the measurement date and the expected volatility of the Common Stock over the remaining term.

Fair Value Measurements on a Nonrecurring Basis

For the nine months ended September 30, 2023, the Company recorded a goodwill impairment charge of \$ 44.1 million. For the three and nine months ended September 30, 2022, the Company recorded a goodwill impairment charge of \$ 46.3 million. Refer to [Footnote 4, Goodwill](#) for further details. The remeasurement of goodwill is classified as a non-recurring Level 3 fair value assessment due to the significance of unobservable inputs developed in the determination of the fair value. The Company used a discounted cash flow model to determine the estimated fair value of the reporting unit. The Company made estimates and assumptions regarding future cash flows, discount rates, long-term growth rates and market values to determine the reporting unit's estimated fair value. It is possible that future changes in such circumstances, or in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of the reporting unit, would require the Company to record additional non-cash impairment charges.

8. Accrued Expenses

(In thousands)	As of	
	September 30, 2023	December 31, 2022
Accrued data costs	\$ 17,419	\$ 18,515
Payroll and payroll-related	10,762	15,118
Professional fees	1,901	2,410
Restructuring accrual	1,934	1,288
Other	3,761	6,062
Total accrued expenses	\$ 35,777	\$ 43,393

9. Related Party Transactions

Transactions with WPP

As of September 30, 2023 (based on public filings), WPP plc and its affiliates ("WPP") owned 11,319,363 shares of the Company's outstanding Common Stock, representing 11.9 % of the outstanding Common Stock. The Company provides WPP, in the normal course of business, services amongst its different product lines and receives various services from WPP supporting the Company's data collection efforts.

The Company's results from transactions with WPP, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), are as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 2,048	\$ 2,782	\$ 6,472	\$ 9,492
Cost of revenues	2,199	2,417	7,322	6,791

The Company has the following balances related to transactions with WPP, as reflected in the Condensed Consolidated Balance Sheets:

(In thousands)	As of	
	September 30, 2023	December 31, 2022
Assets		
Accounts receivable, net	\$ 1,695	\$ 825
Liabilities		
Accounts payable	\$ 1,494	\$ 2,398
Accrued expenses	519	1,108
Contract liabilities	1,780	1,132

Transactions with Charter, Qurate, Liberty and Pine

Through May 15, 2023, Charter, Qurate, and Pine each held 33.3 % of the outstanding shares of Preferred Stock. On May 16, 2023, Qurate sold its Preferred Stock to Liberty, and as of September 30, 2023, Charter, Liberty and Pine each hold 33.3 % of the outstanding shares of Preferred Stock. Charter, Liberty and Pine are entitled to convert the Preferred Stock into shares of Common Stock and to vote as a single class with the holders of the Common Stock as set forth in the Certificate of Designations. As of September 30, 2023 (based on public filings), Pine also owned 2,193,088 shares of the Company's outstanding Common Stock, representing 2.3 % of the outstanding Common Stock. In addition, Charter, Liberty and Pine each designated two members of the Company's Board in accordance with the Stockholders Agreement.

At the Annual Meeting on June 15, 2023, the Company's stockholders approved proposals permitting the payment of annual dividends on the Preferred Stock in the form of cash, shares of Common Stock, additional shares of Preferred Stock, or a combination thereof. On the same date, each holder of Preferred Stock waived its right to receive on June 30, 2023 the annual dividends otherwise payable by the Company on that date. The deferred dividends will accrue at a rate of 9.5 % per year from June 30, 2023 until declared and paid, with payment to occur on or before December 31, 2023 subject to certain conditions.

As of September 30, 2023, Charter, Liberty and Pine each owned 27,509,203 shares of Preferred Stock. As of September 30, 2023, total accrued dividends to the holders of Preferred Stock were \$ 19.8 million.

As of December 31, 2022, Charter, Qurate and Pine each owned 27,509,203 shares of Preferred Stock. Accrued dividends to the holders of Preferred Stock as of December 31, 2022 were \$ 7.9 million.

Concurrent with the closing of the Transactions on March 10, 2021, the Company entered into a ten-year Data License Agreement ("DLA") with Charter Communications Operating, LLC ("Charter Operating"), an affiliate of Charter. Under the DLA, Charter Operating will bill the Company for license fees according to a payment schedule that gradually increases from \$ 10.0 million in the first year of the term to \$ 32.3 million in the tenth year of the term. The Company recognizes expense for the license fees ratably over the term. On November 6, 2022, the Company and Charter Operating entered into an amendment to the DLA, pursuant to which the Company will receive license fee credits totaling \$ 7.0 million. In June 2023, the Company exchanged correspondence with counsel to Charter Operating regarding Charter Operating's compliance with certain terms of the DLA. In response, Charter Operating denied the Company's concerns and notified the Company of alleged breaches of the DLA by the Company. If either party were to terminate the DLA, all amounts then due to Charter Operating would be immediately due and payable, and Charter Operating could seek liquidated damages as set forth in the DLA. To date, however, neither party has indicated that it intends to terminate the DLA, and the parties are discussing a resolution to the matter.

The Company's results from transactions with Charter and its affiliates, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), are detailed below:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 501	\$ 501	\$ 1,500	\$ 1,773
Cost of revenues	4,979	5,521	14,929	16,588

The Company has the following liability balances related to transactions with Charter and its affiliates, as reflected in the Condensed Consolidated Balance Sheet:

(In thousands)	As of September 30, 2023	As of December 31, 2022
	\$	\$
Accounts payable	11,138	9,693
Accrued expenses	4,343	3,189
Non-current portion of accrued data costs	20,154	15,471

In the third quarter of 2023, the Company entered into a finance lease with a third-party vendor that is not a related party. In conjunction with this transaction, the third-party vendor purchased equipment for \$ 2.5 million from a Pine affiliate (related party). The Company had no additional transactions with Pine for the three and nine months ended September 30, 2023 and 2022.

The Company recognized revenues of \$ 0.2 million during the three months ended September 30, 2023 and 2022, and \$ 0.6 million during the nine months ended September 30, 2023 and 2022, from transactions with Qurate and its affiliates in the normal course of business as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company had no transactions with Liberty for the three and nine months ended September 30, 2023 and 2022.

10. Organizational Restructuring

On September 29, 2022, the Company communicated a workforce reduction as part of its broader efforts to improve cost efficiency and better align its operating structure and resources with strategic priorities (collectively, the "Restructuring Plan"). In addition to employee terminations, the Restructuring Plan is expected to include the reallocation of commercial and product development resources; reinvestment in and modernization of key technology platforms; consolidation of data storage and processing activities to reduce the Company's data center footprint; and reduction of other operating expenses, including software and facility costs. The Company may also determine to exit certain activities in certain geographic regions in order to more effectively align resources with business priorities. In connection with the Restructuring Plan, which was authorized by the Board on September 19, 2022, the Company will incur certain exit-related costs. These costs are estimated to range between \$ 10 million and \$ 15 million. The Company expects implementation of the Restructuring Plan, including cash payments, to be substantially complete in the fourth quarter of 2023.

The table below summarizes the activity and balance of the restructuring liability as of September 30, 2023 and December 31, 2022, which is recorded in accrued expenses in the Condensed Consolidated Balance Sheets, and the changes in the accrued amounts for the nine months ended September 30, 2023:

(In thousands)	Severance and Related Costs	Other	Total Restructuring
Balance as of December 31, 2022	\$ 1,288	\$ —	\$ 1,288
Restructuring expense	4,831	624	5,455
Payments	(4,160)	(624)	(4,784)
Foreign exchange	(25)	—	(25)
Balance as of September 30, 2023	<u>\$ 1,934</u>	<u>\$ —</u>	<u>\$ 1,934</u>

11. Commitments and Contingencies

Commitments

The Company has certain long-term contractual arrangements that have fixed and determinable payment obligations including unconditional purchase obligations with multichannel video programming distributors ("MVPDs") and other providers for set-top box and connected (Smart) television data. These agreements have remaining terms of less than one year to eight years. As of September 30, 2023, the total fixed payment obligations related to set-top box and connected television data agreements are \$ 279.5 million and \$ 2.5 million, respectively.

The information set forth below summarizes the contractual obligations, by year, as of September 30, 2023:

	(In thousands)
2023 (remaining)	\$ 9,995
2024	29,966
2025	29,756
2026	37,006
2027	37,506
Thereafter	137,699
Total	<u>\$ 281,928</u>

In addition, the Company expects to make variable payments related to a set-top box data agreement totaling an estimated \$ 1.9 million by the end of 2023.

Contingencies

The Company is involved in various legal proceedings from time to time. The Company establishes reserves for specific legal proceedings when management determines that the likelihood of an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. The Company has also identified certain other legal matters where an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. In these cases, the Company does not establish a reserve until it can reasonably estimate the loss. Legal fees related to contingencies are expensed as incurred. The outcomes of legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to the Company's operating results and cash flows for a particular period.

Vendor Contract Dispute

In April 2023, the Company received correspondence from counsel to a TV data provider disputing the manner in which payments by the Company to the data provider were calculated under a 2018 data license agreement between the parties. Subsequent to September 30, 2023, the Company and the data provider entered into a new data license agreement, and the Company considers this matter resolved.

Other Matters

The Company is, and may become, a party to a variety of legal proceedings from time to time that arise in the normal course of the Company's business. While the results of such legal proceedings cannot be predicted with certainty, management believes that, based on current knowledge, the final outcome of any such current pending matters will not have a material effect on the Company's financial position, results of operations or cash flows. Regardless of the outcome, legal proceedings can have an adverse effect on the Company because of defense costs, diversion of management resources and other factors.

Indemnification

The Company has entered into indemnification agreements with each of the Company's directors and certain officers, and the Company's amended and restated certificate of incorporation requires it to indemnify each of its directors and officers, to the fullest extent permitted by Delaware law, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by

reason of the fact that he or she is or was a director or officer of the Company. The Company has paid and may in the future pay legal counsel fees incurred by current and former directors and officers who are involved in legal proceedings that require indemnification.

Similarly, certain of the Company's commercial contracts require it to indemnify contract counterparties under specified circumstances, and the Company may incur legal counsel fees and other costs in connection with these obligations.

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 Condensed Consolidated Financial Statements and the related Notes to Condensed Consolidated Financial Statements included in Part I, [Item 1](#) of this Quarterly Report on Form 10-Q, or 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events in future periods may differ materially from those anticipated or implied in these forward-looking statements as a result of many factors, including those discussed under [Item 1A](#), "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 10-K"), under [Item 1A](#), "Risk Factors" in this 10-Q and elsewhere in this 10-Q. See also " [Cautionary Note Regarding Forward-Looking Statements](#)" at the beginning of this 10-Q.

Overview

We are a global information and analytics company that measures advertising, content, and the consumer audiences of each, across media platforms. We create our products using a global data platform that combines information on digital platforms (connected (Smart) televisions, mobile devices, tablets and computers), TV, direct to consumer applications, and movie screens with demographics and other descriptive information. We have developed proprietary data science that enables measurement of person-level and household-level audiences, removing duplicated viewing across devices and over time. This combination of data and methods enables a common standard for buyers and sellers to transact on advertising. This helps companies across the media ecosystem better understand and monetize their audiences and develop marketing plans and products to more efficiently and effectively reach those audiences. Our ability to unify behavioral and other descriptive data enables us to provide audience ratings, advertising verification, and granular consumer segments that describe hundreds of millions of consumers. Our customers include digital publishers, television networks, movie studios, content owners, brand advertisers, agencies and technology providers.

The platforms we measure include televisions, mobile devices, computers, tablets, connected TV devices and movie theaters. The information we analyze crosses geographies, types of content and activities, including websites, mobile and over-the-top applications, video games, television and movie programming, e-commerce and advertising.

Results of Operations

The following table sets forth selected Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) data as a percentage of total revenues for each of the periods indicated. Percentages may not add due to rounding.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
(In thousands)								
Revenues	\$ 91,000	100.0 %	\$ 92,783	100.0 %	\$ 276,242	100.0 %	\$ 278,183	100.0 %
Cost of revenues	50,473	55.5 %	51,530	55.5 %	155,360	56.2 %	155,915	56.0 %
Selling and marketing	14,794	16.3 %	17,199	18.5 %	48,984	17.7 %	51,850	18.6 %
Research and development	8,083	8.9 %	8,741	9.4 %	25,792	9.3 %	28,190	10.1 %
General and administrative	12,928	14.2 %	12,899	13.9 %	39,776	14.4 %	48,119	17.3 %
Amortization of intangible assets	800	0.9 %	6,772	7.3 %	4,412	1.6 %	20,323	7.3 %
Impairment of right-of-use and long-lived assets	1,502	1.7 %	—	— %	1,502	0.5 %	—	— %
Restructuring	353	0.4 %	5,784	6.2 %	5,455	2.0 %	5,784	2.1 %
Impairment of goodwill	—	— %	46,300	49.9 %	44,100	16.0 %	46,300	16.6 %
Total expenses from operations	88,933	97.7 %	149,225	160.8 %	325,381	117.8 %	356,481	128.1 %
Income (loss) from operations	2,067	2.3 %	(56,442)	(60.8)%	(49,139)	(17.8)%	(78,298)	(28.1)%
Other income, net	628	0.7 %	1,477	1.6 %	425	0.2 %	8,467	3.0 %
Gain (loss) from foreign currency transactions	1,090	1.2 %	2,781	3.0 %	(544)	(0.2)%	5,728	2.1 %
Interest expense, net	(426)	(0.5)%	(284)	(0.3)%	(1,141)	(0.4)%	(660)	(0.2)%
Income (loss) before income taxes	3,359	3.7 %	(52,468)	(56.5)%	(50,399)	(18.2)%	(64,763)	(23.3)%
Income tax (provision) benefit	(741)	(0.8)%	86	0.1 %	(563)	(0.2)%	(1,945)	(0.7)%
Net income (loss)	\$ 2,618	2.9 %	\$ (52,382)	(56.5)%	\$ (50,962)	(18.4)%	\$ (66,708)	(24.0)%

Revenues

Our products and services are organized around solution groups that address customer needs. Accordingly, we evaluate revenues around two solution groups:

- Digital Ad Solutions provide measurement of the behavior and characteristics of audiences across digital platforms, including computers, tablets, mobile and other connected devices. This solution group also includes custom offerings that provide end-to-end solutions for planning, optimization and evaluation of advertising campaigns and brand protection across digital platforms, including transactional outcome-based measurement driven by our Activation and Comscore Campaign Ratings products.
- Cross Platform Solutions provide measurement of content and advertising audiences across local, national and addressable television, including consumption through connected (Smart) televisions, and are designed to help customers find the most relevant viewing audience whether that viewing is linear, non-linear, online or on-demand. This solution group also includes custom offerings that provide end-to-end solutions for planning, optimization and evaluation of advertising campaigns across platforms. In addition, this solution group includes products that measure movie viewership and box office results by capturing movie ticket sales in real time or near real time and includes box office analytics, trend analysis and insights for movie studios and movie theater operators worldwide.

We categorize our revenue along these two solution groups; however, our cost structure is tracked at the corporate level and not by our solution groups. These costs include, but are not limited to, employee costs, purchased data, operational overhead, data storage and technology that supports multiple solution groups.

Revenues for the three months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Variance	% Variance
Digital Ad Solutions	\$ 50,501	55.5 %	\$ 52,360	56.4 %	\$ (1,859)	(3.6) %
Cross Platform Solutions	40,499	44.5 %	40,423	43.6 %	76	0.2 %
Total revenues	\$ 91,000	100.0 %	\$ 92,783	100.0 %	\$ (1,783)	(1.9) %

Digital Ad Solutions revenue decreased primarily due to lower revenue from our syndicated digital products driven by lower renewals and lower deliveries of certain custom digital products. These decreases were partially offset by an increase in Activation revenue driven by higher usage from multiple customers.

Cross Platform Solutions revenue increased primarily due to higher local TV revenue from renewals and new business, partially offset by lower national TV revenue due to lower renewals. Movies revenue was flat compared to the prior year period.

Revenues for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Variance	% Variance
Digital Ad Solutions	\$ 153,597	55.6 %	\$ 157,127	56.5 %	\$ (3,530)	(2.2) %
Cross Platform Solutions	122,645	44.4 %	121,056	43.5 %	1,589	1.3 %
Total revenues	\$ 276,242	100.0 %	\$ 278,183	100.0 %	\$ (1,941)	(0.7) %

Digital Ad Solutions revenue decreased primarily due to lower revenue from our syndicated digital products driven by lower renewals and lower deliveries of certain custom digital products. These decreases were partially offset by an increase in Activation revenue driven by higher usage from multiple customers.

Cross Platform Solutions revenue increased primarily due to higher local TV and movies revenues, offset by lower national TV revenue. Local TV increased due to higher renewals and new business. Our movies revenue increased primarily due to the continued return of consumers to theaters in markets worldwide. These increases were offset by lower revenue from national TV due to lower renewals and a one-time custom deliverable in the first quarter of 2022.

Cost of Revenues

Cost of revenues consists primarily of expenses related to producing our products, operating our network infrastructure, the recruitment, maintenance and support of our consumer panels and amortization of capitalized fulfillment costs. These expenses include employee costs for salaries, benefits, stock-based compensation and other related personnel costs of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes costs to obtain MVPD data sets and panel, census-based and other data sets used in our products as well as operational costs associated with our data centers, including depreciation expense associated with computer equipment and internally developed software that supports our panels and systems. Additionally, cost of revenues includes allocated overhead, which is comprised of lease expense and other facilities-related costs, and depreciation expense generated by general purpose equipment and software.

Cost of revenues for the three months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Data costs	\$ 17,919	19.6 %	\$ 19,000	20.5 %	\$ (1,081)	(5.7)%
Systems and bandwidth costs	9,257	10.2 %	7,957	8.6 %	1,300	16.3 %
Employee costs	8,763	9.6 %	9,866	10.6 %	(1,103)	(11.2)%
Lease expense and depreciation	5,782	6.4 %	5,179	5.6 %	603	11.6 %
Panel costs	2,938	3.2 %	4,156	4.5 %	(1,218)	(29.3)%
Professional fees	2,049	2.3 %	1,557	1.7 %	492	31.6 %
Sample and survey costs	1,662	1.8 %	1,613	1.7 %	49	3.0 %
Technology	1,003	1.1 %	1,005	1.1 %	(2)	(0.2)%
Royalties and resellers	867	1.0 %	914	1.0 %	(47)	(5.1)%
Other	233	0.3 %	283	0.3 %	(50)	(17.7)%
Total cost of revenues	\$ 50,473	55.5 %	\$ 51,530	55.5 %	\$ (1,057)	(2.1)%

Panel costs decreased primarily due to lower recruitment and support costs for our desktop and mobile panels. Employee costs decreased primarily due to an increase in employee compensation capitalized in 2023 in relation to capitalized software projects as we are allocating more resources to product development this year. Data costs decreased primarily due to vendor credits recognized in the third quarter of 2023. Systems and bandwidth costs increased primarily due to cloud computing and processing costs attributable to certain custom TV data set deliveries.

Cost of revenues for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Data costs	\$ 54,126	19.5 %	\$ 55,980	20.1 %	\$ (1,854)	(3.3)%
Systems and bandwidth costs	28,455	10.3 %	24,834	8.9 %	3,621	14.6 %
Employee costs	28,379	10.3 %	31,087	11.2 %	(2,708)	(8.7)%
Lease expense and depreciation	16,807	6.1 %	15,809	5.7 %	998	6.3 %
Panel costs	10,399	3.8 %	11,589	4.2 %	(1,190)	(10.3)%
Professional fees	5,614	2.0 %	4,464	1.6 %	1,150	25.8 %
Sample and survey costs	4,888	1.8 %	5,237	1.9 %	(349)	(6.7)%
Technology	3,104	1.1 %	3,568	1.3 %	(464)	(13.0)%
Royalties and resellers	2,797	1.0 %	2,540	0.9 %	257	10.1 %
Other	791	0.3 %	807	0.3 %	(16)	(2.0)%
Total cost of revenues	\$ 155,360	56.2 %	\$ 155,915	56.0 %	\$ (555)	(0.4)%

Employee costs decreased primarily due to an increase in employee compensation capitalized in 2023 in relation to capitalized software projects as we are allocating more resources to product development this year, as well as a decrease in employee headcount. Data costs decreased primarily due to vendor credits recognized in 2023. Panel costs decreased primarily due to lower recruitment and support costs for our desktop and mobile panels. Systems and bandwidth costs increased primarily due to cloud computing and processing costs attributable to certain custom TV data set deliveries. Professional fees increased primarily due to an increase in consulting services related to our transformation initiatives.

Selling and Marketing

Selling and marketing expenses consist primarily of employee costs for salaries, benefits, commissions, stock-based compensation and other related costs for personnel associated with sales and marketing activities, as well as costs related to online and offline advertising, industry conferences, promotional materials, public relations, other sales and marketing programs and allocated overhead, which is comprised of lease expense and other facilities-related costs, and depreciation expense generated by general purpose equipment and software.

Selling and marketing expenses for the three months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 11,515	12.7 %	\$ 13,916	15.0 %	\$ (2,401)	(17.3)%
Lease expense and depreciation	815	0.9 %	997	1.1 %	(182)	(18.3)%
Professional fees	808	0.9 %	612	0.7 %	196	32.0 %
Technology	796	0.9 %	809	0.9 %	(13)	(1.6)%
Marketing and advertising	557	0.6 %	419	0.4 %	138	32.9 %
Other	303	0.3 %	446	0.5 %	(143)	(32.1)%
Total selling and marketing expenses	\$ 14,794	16.3 %	\$ 17,199	18.5 %	\$ (2,405)	(14.0)%

Employee costs decreased primarily due to a decrease in employee headcount and lower commissions.

Selling and marketing expenses for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 39,266	14.2 %	\$ 42,211	15.2 %	\$ (2,945)	(7.0)%
Lease expense and depreciation	2,332	0.8 %	2,898	1.0 %	(566)	(19.5)%
Professional fees	2,321	0.8 %	1,697	0.6 %	624	36.8 %
Technology	2,351	0.9 %	2,506	0.9 %	(155)	(6.2)%
Marketing and advertising	1,662	0.6 %	1,311	0.5 %	351	26.8 %
Other	1,052	0.4 %	1,227	0.4 %	(175)	(14.3)%
Total selling and marketing expenses	\$ 48,984	17.7 %	\$ 51,850	18.6 %	\$ (2,866)	(5.5)%

Employee costs decreased primarily due to a decrease in employee headcount and lower commissions.

Research and Development

Research and development expenses include product development costs, consisting primarily of employee costs for salaries, benefits, stock-based compensation and other related costs for personnel associated with research and development activities, third-party expenses to develop new products and third-party data costs and allocated overhead, which is comprised of lease expense and other facilities-related costs, and depreciation expense related to general purpose equipment and software.

Research and development expenses for the three months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 6,291	6.9 %	\$ 6,906	7.4 %	\$ (615)	(8.9)%
Technology	823	0.9 %	789	0.9 %	34	4.3 %
Lease expense and depreciation	645	0.7 %	688	0.7 %	(43)	(6.3)%
Other	324	0.4 %	358	0.4 %	(34)	(9.5)%
Total research and development expenses	\$ 8,083	8.9 %	\$ 8,741	9.4 %	\$ (658)	(7.5)%

Research and development expenses for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 20,435	7.3 %	\$ 22,037	7.9 %	\$ (1,602)	(7.3)%
Technology	2,541	0.9 %	2,800	1.0 %	(259)	(9.3)%
Lease expense and depreciation	1,833	0.7 %	2,123	0.8 %	(290)	(13.7)%
Other	983	0.4 %	1,230	0.4 %	(247)	(20.1)%
Total research and development expenses	\$ 25,792	9.3 %	\$ 28,190	10.1 %	\$ (2,398)	(8.5)%

Employee costs decreased primarily due to an increase in employee compensation capitalized in 2023 in relation to capitalized software projects as we are allocating more resources to product development this year.

General and Administrative

General and administrative expenses consist primarily of employee costs for salaries, benefits, stock-based compensation and other related costs, and related expenses for executive management, finance, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of lease expense and other facilities-related costs, depreciation expense related to

general purpose equipment and software, amortization of cloud-computing implementation costs, changes in the fair value of our contingent consideration liability, Board of Directors compensation and expenses incurred for other general corporate purposes.

General and administrative expenses for the three months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 6,775	7.5 %	\$ 7,080	7.6 %	\$ (305)	(4.3)%
Professional fees	3,408	3.7 %	3,049	3.3 %	359	11.8 %
Technology	836	0.9 %	820	0.9 %	16	2.0 %
Lease expense and depreciation	373	0.4 %	395	0.4 %	(22)	(5.6)%
Other	1,536	1.7 %	1,555	1.7 %	(19)	(1.2)%
Total general and administrative expenses	\$ 12,928	14.2 %	\$ 12,899	13.9 %	\$ 29	0.2 %

General and administrative expenses for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine Months Ended September 30,					
	2023	% of Revenue	2022	% of Revenue	\$ Change	% Change
Employee costs	\$ 20,972	7.6 %	\$ 25,080	9.0 %	\$ (4,108)	(16.4)%
Professional fees	10,816	3.9 %	11,671	4.2 %	(855)	(7.3)%
Technology	2,539	0.9 %	2,499	0.9 %	40	1.6 %
Lease expense and depreciation	1,052	0.4 %	1,236	0.4 %	(184)	(14.9)%
Other	4,397	1.6 %	7,633	2.7 %	(3,236)	(42.4)%
Total general and administrative expenses	\$ 39,776	14.4 %	\$ 48,119	17.3 %	\$ (8,343)	(17.3)%

Employee costs decreased primarily due to a decrease in stock-based compensation expense during the nine months ended September 30, 2023 and severance expense related to the retirement of our former CEO recognized during the nine months ended September 30, 2022. Other expense decreased primarily due to a \$0.3 million loss resulting from the change in fair value of contingent consideration during the nine months ended September 30, 2023 compared to a \$2.4 million loss during the nine months ended September 30, 2022.

Impairment of Right-of-use and Long-lived Assets

In the third quarter of 2023, we recorded a \$1.5 million impairment charge related to certain office space lease right-of-use assets and related long-lived assets. The impairment charge was driven by our abandonment of certain leased office spaces prior to the end of the lease terms. No impairment of right-of-use and long-lived assets was incurred during the three and nine months ended September 30, 2022. For further information refer to [Footnote 2, Summary of Significant Accounting Policies](#).

Organizational Restructuring

In September 2022, we communicated and began to implement a restructuring plan that included a workforce reduction. Certain other initiatives are expected to be completed as part of the restructuring plan, as described in [Footnote 10, Organizational Restructuring](#). We incurred \$0.4 million and \$5.5 million of restructuring expenses during the three and nine months ended September 30, 2023, respectively, related to the plan and expect restructuring costs to continue through the remainder of 2023 as other initiatives are completed. We incurred \$5.8 million of restructuring expenses during the three and nine months ended September 30, 2022.

Impairment of Goodwill

In the second quarter of 2023, as a result of a decline in our stock price and market capitalization, among other factors, we performed an interim impairment review of our goodwill. Our reporting unit did not pass the goodwill impairment test, and as a result we recorded a \$44.1 million non-cash impairment charge for the nine months ended September 30, 2023. In the third quarter of 2022, as a result of a decline in our stock price and market capitalization, among other factors, we performed an interim impairment review of our goodwill in conjunction with our October 1, 2022 annual testing date. Our reporting unit did not pass the goodwill impairment test, and as a result we recorded a \$46.3 million non-cash impairment charge for the three and nine months ended September 30, 2022.

For further information on our goodwill, refer to [Footnote 4, Goodwill](#) in this 10-Q and [Item 7, "Critical Accounting Estimates"](#) within our 2022 10-K.

Other Income, Net

Other income, net represents income and expenses incurred that are generally not recurring in nature or are not part of our regular operations. The following is a summary of other income, net for the three and nine months ended September 30, 2023 and 2022:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Change in fair value of warrants liability	\$ 634	\$ 1,476	\$ 407	\$ 8,471
Other	(6)	1	18	(4)
Total other income, net	\$ 628	\$ 1,477	\$ 425	\$ 8,467

The change in other income, net for the three and nine months ended September 30, 2023 as compared to 2022 was largely driven by changes in the fair value of our warrants liability. The gain on the warrants liability for the three months ended September 30, 2023 was primarily due to a decrease in the trading price of our Common Stock during the quarter. The gain on the warrants liability for the nine months ended September 30, 2023 was primarily due to the decrease in the trading price of our Common Stock during the second and third quarter, offset by the exercise price adjustment described in [Footnote 5, Convertible Redeemable Preferred Stock and Stockholders' Equity](#). The gain on the warrants liability during the three and nine months ended September 30, 2022 was primarily due to a decrease in the trading price of our Common Stock during the respective periods.

Interest Expense, Net

Interest expense, net consists of interest income and interest expense. Interest income primarily consists of interest earned from our cash and cash equivalent balances. Interest expense relates to interest on our senior secured revolving credit agreement (the "Revolving Credit Agreement"), our sale-leaseback agreement, and our finance leases.

We incurred interest expense, net of \$0.4 million and \$0.3 million during the three months ended September 30, 2023 and 2022, respectively, and \$1.1 million and \$0.7 million during the nine months ended September 30, 2023 and 2022, respectively.

Gain (Loss) From Foreign Currency Transactions

Our foreign currency transactions are recorded as a result of fluctuations in the exchange rate between the transactional currency and the functional currency of foreign subsidiary transactions. Our international currency exposures that relate to the translation to U.S. Dollars are in a net liability position and our international currency exposures that relate to the translation from U.S. Dollars are in a net asset position.

For the three months ended September 30, 2023 and 2022, the gain from foreign currency transactions was \$1.1 million and \$2.8 million, respectively. For the nine months ended September 30, 2023 and 2022, the (loss) gain from foreign currency transactions was \$(0.5) million and \$5.7 million, respectively. Gains and losses during these periods were primarily driven by fluctuations between the Chilean Peso, Euro, and U.S. Dollar exchange rates.

Income Tax (Provision) Benefit

A valuation allowance has been established against our net U.S. federal and state deferred tax assets and certain foreign deferred tax assets, including net operating loss carryforwards. As a result, our income tax position is primarily related to foreign tax activity and U.S. deferred taxes for tax deductible goodwill and other indefinite-lived liabilities.

For the three months ended September 30, 2023 and 2022, we recorded an income tax provision of \$0.7 million and an income tax benefit of \$0.1 million, respectively, resulting in effective tax rates of 22.1% and 0.2%, respectively. For the nine months ended September 30, 2023 and 2022, we recorded an income tax provision of \$0.6 million and \$1.9 million, respectively, resulting in effective tax rates of 1.1% and 3.0%, respectively. These effective tax rates differ from the U.S. federal statutory rate primarily due to the effects of certain permanent items, foreign tax rate differences, increases in the valuation allowance against our domestic deferred tax assets and deferred tax benefits related to the impairment of goodwill. A deferred income tax benefit of \$1.3 million related to the impairment of goodwill is included in the amounts recorded for the nine months ended September 30, 2023 and \$1.4 million for the three and nine months ended September 30, 2022. The difference in income tax position during 2023 as compared to 2022 is primarily due to a decrease in estimated foreign tax expense in 2023.

Liquidity and Capital Resources

The following table summarizes our cash flows for each of the periods identified:

(In thousands)	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 30,285	\$ 36,536
Net cash used in investing activities	(17,849)	(13,225)
Net cash used in financing activities	(2,650)	(17,577)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	25	(2,502)
Net increase in cash, cash equivalents and restricted cash	9,811	3,232

Overview

Our principal uses of cash consist of cash paid for data, payroll and other operating expenses, including expenses incurred in prior periods; payments related to investments in equipment, primarily to support our consumer panels and technical infrastructure required to deliver our products and services and support our customers; service of our debt and lease facilities; and dividend payment obligations with respect to our Preferred Stock.

As of September 30, 2023, our principal sources of liquidity consisted of cash, cash equivalents and restricted cash totaling \$30.3 million (including \$0.2 million in restricted cash), cash flows from our operations, and amounts available to us under our Revolving Credit Agreement, as described below.

On May 5, 2021, we entered into the Revolving Credit Agreement with Bank of America N.A. The Revolving Credit Agreement provides a borrowing capacity equal to \$40.0 million, which was increased from \$25.0 million on February 25, 2022. As of September 30, 2023, we had outstanding borrowings of \$16.0 million and outstanding letters of credit totaling \$3.4 million under the Revolving Credit Agreement, leaving a remaining borrowing capacity of \$20.6 million. The outstanding borrowings under the Revolving Credit Agreement are classified within current liabilities as the facility matures in May 2024.

At an annual meeting of stockholders held on June 15, 2023 (the "Annual Meeting"), our stockholders approved proposals permitting the payment of annual dividends on the Preferred Stock in the form of cash, shares of Common Stock, additional shares of Preferred Stock, or a combination thereof. On the same date, each holder of Preferred Stock waived its right to receive on June 30, 2023 the annual dividends otherwise payable by us on that date. The deferred dividends will accrue at a rate of 9.5% per year from June 30, 2023 until declared and paid, with payment to occur on or before December 31, 2023 subject to certain conditions. As of September 30, 2023, accrued dividends for the Preferred Stock totaled \$19.8 million.

Macroeconomic Factors

Macroeconomic challenges such as inflation, rising interest rates, capital market disruptions and recession concerns have caused some advertisers to reduce or delay advertising expenditures in recent years. These declines have had a direct impact on demand for our products, particularly those that are tied to discretionary advertising spend. We expect that softness in the advertising market will continue to affect our business through the end of 2023 and into 2024. Although we cannot quantify the impact of macroeconomic factors on our future results, any worsening of ad market conditions could negatively impact our financial position and liquidity.

Preferred Stock

On March 10, 2021, in connection with the Securities Purchase Agreements described above, we issued 82,527,609 shares of Preferred Stock in exchange for gross cash proceeds of \$204.0 million. Net proceeds from the Transactions totaled \$187.9 million after deducting issuance costs. Shares of Preferred Stock are convertible into Common Stock as described in [Footnote 5, Convertible Redeemable Preferred Stock and Stockholders' Equity](#). As of September 30, 2023, each share of Preferred Stock was convertible into 1.097283 shares of Common Stock, with such conversion rate scheduled to return to 1.00 upon payment of accrued dividends.

The holders of Preferred Stock are entitled to participate in all dividends declared on the Common Stock on an as-converted basis and are also entitled to a cumulative dividend at the rate of 7.5% per annum, payable annually in arrears and subject to increase under certain specified circumstances. In addition, such holders are entitled to request, and we must take all actions reasonably necessary to pay, a one-time special dividend on the Preferred Stock equal to the highest dividend that our Board determines can be paid at the applicable time (or a lesser amount agreed by the holders), subject to additional conditions and limitations described in [Footnote 5, Convertible Redeemable Preferred Stock and Stockholders' Equity](#). We may be obligated to obtain debt financing in order to effectuate the special dividend, which could significantly impact our financial position and liquidity depending on the timing and scope of the dividend payment and related financing. Moreover, this obligation could lead us to refinance or terminate the Revolving Credit Agreement prior to its maturity, due to its restrictions on our ability to incur additional debt.

At the Annual Meeting held on June 15, 2023, our stockholders approved proposals permitting the payment of annual dividends on the Preferred Stock in the form of cash, shares of Common Stock, additional shares of Preferred Stock, or a combination thereof. On the same date, each holder of Preferred Stock waived its right to receive on June 30, 2023 the annual dividends otherwise payable by us on that date. Upon receipt of the waivers, our Board of Directors unanimously agreed to defer the June 30, 2023 dividend payment in order to provide flexibility for our management team to continue to execute our strategic plan and consider dividend payment options later in the year. Under the waivers and the Certificate of Designations governing the Preferred Stock, the deferred dividends will accrue at a rate of 9.5% per year from June 30, 2023 until declared and paid, with payment to occur on or before December 31, 2023 subject to certain conditions. Payment of annual dividends (including deferred dividends) in the form of cash could significantly impact our financial position and liquidity.

Revolving Credit Agreement

On May 5, 2021, we entered into the Revolving Credit Agreement, which matures in May 2024. The Revolving Credit Agreement provides a borrowing capacity equal to \$40.0 million (increased from \$25.0 million on February 25, 2022). We may also request the issuance of letters of credit under the Revolving Credit Agreement in an aggregate amount up to \$5.0 million, which reduces the amount of available borrowings by the amount of such issued and outstanding letters of credit.

On February 25, 2022, we entered into an amendment to the Revolving Credit Agreement to expand our aggregate borrowing capacity from \$25.0 million to \$40.0 million. The 2022 amendment also replaced the previous Eurodollar Rate (as defined in the Revolving Credit Agreement) with a SOFR-based interest rate and modified the Applicable Rate definition in the Revolving Credit Agreement to increase the Applicable Rate payable on SOFR-based loans to 2.50%. On February 24, 2023, we entered into an additional amendment to the Revolving Credit Agreement that further increased the Applicable Rate payable on SOFR-based loans to 3.50%.

The amount we are able to borrow under the Revolving Credit Agreement is subject to compliance with financial covenants, satisfaction of various conditions precedent to borrowing and other provisions of the Revolving Credit Agreement. Notably, the Revolving Credit Agreement (as amended) contains financial covenants that require us to maintain a minimum Consolidated Asset Coverage Ratio and minimum Liquidity through maturity, minimum Consolidated EBITDA for periods through December 31, 2023, and a minimum Consolidated Fixed Charge Coverage Ratio for periods after December 31, 2023 (each term as defined in the Revolving Credit Agreement). As of September 30, 2023, we were in compliance with our covenants under the Revolving Credit Agreement, and based on our current plans, we do not anticipate a breach of these covenants that would result in an event of default under the Revolving Credit Agreement.

As of September 30, 2023, we had outstanding borrowings of \$16.0 million and outstanding letters of credit totaling \$3.4 million under the Revolving Credit Agreement, leaving a remaining borrowing capacity of \$20.6 million. The borrowed funds were used to reduce our accounts payable balances, primarily related to expenses incurred in prior periods, and support our working capital position. While we continue to take steps to reduce our outstanding trade payables and improve our working capital position, our liquidity could be negatively affected if we are unable to generate sufficient cash from operations to satisfy outstanding payables and meet our other financial obligations as they come due. Our liquidity could also be significantly affected if we are unable to repay or refinance our outstanding borrowings under the Revolving Credit Agreement upon its maturity in May 2024.

For additional information on the Revolving Credit Agreement, refer to [Footnote 6, Debt](#).

Sale of Common Stock and Warrants

On June 23, 2019, we entered into a Securities Purchase Agreement with CVI pursuant to which we sold to CVI for aggregate gross proceeds of \$20.0 million (i) 2,728,513 shares of Common Stock and (ii) Series A Warrants, Series B-1 Warrants, Series B-2 Warrants and Series C Warrants to initially purchase up to 11,654,033 shares of Common Stock (the "Private Placement"). On October 14, 2019, we issued 2,728,513 shares of Common Stock to CVI upon exercise by CVI of the Series C Warrants. As a result of this exercise, the number of shares issuable under our Series A Warrants was increased by 2,728,513. On January 29, 2020, the Series B-1 Warrants expired unexercised. On August 3, 2020, the Series B-2 Warrants expired unexercised.

The exercise price of our Series A Warrants was adjusted in connection with the Transactions in March 2021 and further adjusted in connection with shares issued to non-executive employees under our annual incentive compensation plan in March 2023. For additional information on the Private Placement and the adjustments to our Series A Warrants, refer to [Footnote 5, Convertible Redeemable Preferred Stock and Stockholders' Equity](#).

Operating Activities

Our primary source of cash provided by operating activities is revenues generated from sales of our products and services. Our primary uses of cash from operating activities include personnel costs and costs related to data and infrastructure used to develop and maintain our products and services.

Cash provided by operating activities is calculated by adjusting our net loss for changes in working capital, as well as by excluding non-cash items such as: depreciation, non-cash operating lease expense, amortization expense of finance leases and intangible assets, impairment of goodwill and other assets, stock-based compensation, deferred tax provision or benefit, change in the fair value of contingent consideration and warrants liability, and amortization of deferred financing costs.

Net cash provided by operating activities for the nine months ended September 30, 2023 was \$30.3 million compared to \$36.5 million for the nine months ended September 30, 2022. The decrease in cash provided by operating activities was primarily attributable to a net decrease in cash generated from operating assets and liabilities, with \$6.3 million generated for the nine months ended September 30, 2023 as compared to \$15.1 million for the nine months ended September 30, 2022. The lower amount of cash generated from operating assets and liabilities in 2023 was primarily due to severance payments made in 2023, as well as the first payment of contingent consideration for our 2021 Shareablee acquisition.

Investing Activities

Cash used in investing activities primarily consists of payments related to capitalized internal-use software costs, purchases of computer and network equipment to support our technical infrastructure, and furniture and equipment. The extent of these investments will be affected by our ability to expand relationships with existing customers, grow our customer base and introduce new digital formats, as well as constraints on cash expenditures due to our financial position and the current economic environment.

Net cash used in investing activities for the nine months ended September 30, 2023 was \$17.8 million compared to \$13.2 million for the nine months ended September 30, 2022. The increase in cash used in investing activities was primarily due to an increase in cash paid for capitalized internally developed software as we increased our focus on product infrastructure and innovation in 2023.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2023 was \$2.7 million compared to \$17.6 million during the nine months ended September 30, 2022. The decrease in cash used in financing activities was primarily due to the deferral of accrued dividends due to holders of the Preferred Stock in the second quarter of 2023, as described under "Preferred Stock" above. This was offset by a portion of the first payment of contingent consideration for our 2021 Shareablee acquisition initially recorded at fair value and paid during the nine months ended September 30, 2023.

Contractual Payment Obligations

We have certain long-term contractual arrangements that have fixed and determinable payment obligations including purchase obligations with MVPDs and connected (Smart) television providers, operating and financing leases, and data storage and bandwidth arrangements.

We have data licensing agreements with a number of MVPDs and other providers for set-top box and connected (Smart) television data. These agreements have remaining terms from one to eight years. As of September 30, 2023, the total fixed payment obligations related to set-top box and connected (Smart) television data agreements are \$279.5 million and \$2.5 million, respectively. In addition, we expect to make variable payments related to a set-top box data agreement totaling an estimated \$1.9 million by the end of 2023.

We have both operating and financing leases related to corporate office space and equipment. Our leases have remaining terms from less than one to five years. As of September 30, 2023, the total fixed payment obligation related to these agreements is \$45.0 million.

We have an agreement for cloud-based data storage and bandwidth to help process and store our data. The remaining term for this agreement is less than one year. As of September 30, 2023, the total fixed payment obligation related to this agreement is \$1.8 million.

Future Capital Requirements

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors, including the timing of cash collections from our customers, data costs and other trade payables, service of our debt and lease facilities, dividend payment obligations, and expenses from ongoing compliance efforts and legal matters. To the extent that our existing cash, cash equivalents and operating cash flow, together with savings from repayment of prior debt arrangements and cost-reduction initiatives undertaken by our management, are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. We may also be required to raise additional funds in order to repay our Revolving Credit Agreement upon maturity or pay a special dividend to holders of our Preferred Stock, as described above. Our history of net losses, as well as disruption and volatility in global capital and credit markets, could impact our ability to access capital resources on terms acceptable to us or at all. If we issue additional equity securities in order to raise additional funds, pay dividends or for other purposes, further dilution to existing stockholders may occur.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with 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.

Refer to the critical accounting estimates disclosed in [Item 7](#), "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2022 10-K for detailed information about the estimates and assumptions that we consider to be the most critical to an understanding of our financial condition and results of operations. These estimates and assumptions involve significant judgments and uncertainties, and actual results in these areas could differ from our estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We have outstanding warrants that are subject to market risk. We also have interest rate risk for amounts outstanding under our Revolving Credit Agreement, and we have foreign currency exchange rate risk from our global operations.

For discussion of the market risk associated with our interest rate, foreign currency and warrants liability risks, refer to [Item 7A](#), "Quantitative and Qualitative Disclosures About Market Risk" within the 2022 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Securities Exchange Act of 1934 (the "Exchange Act"), under the supervision and with the participation of our principal executive officer and our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of September 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of September 30, 2023, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Under Exchange Act Rules 13a-15(d) and 15d-15(d), management is required to evaluate, with the participation of our principal executive officer and our principal financial officer, any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but we cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting in future periods.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to [Footnote 11](#), *Commitments and Contingencies* of the Notes to Condensed Consolidated Financial Statements included in Part I, [Item 1](#) of this 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

An investment in our Common Stock involves a substantial risk of loss. In addition to the information in this report, you should carefully consider the risks discussed in [Item 1A](#), "Risk Factors" of our 2022 10-K before you decide whether to invest in our stock. The risks identified below and in our 2022 10-K could materially and adversely affect our business, financial condition and operating results. In that case, the trading price of our Common Stock could decline, and you could lose part or all of your investment. The risks described below and in our 2022 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and operating results, and may result in the loss of part or all of your investment.

If we are unable to meet Nasdaq continued listing requirements, Nasdaq may take action to delist our Common Stock.

Our Common Stock is listed on the Nasdaq Global Select Market. Continued listing is subject to compliance with a number of requirements. On July 11, 2023, we received a standard letter from The Nasdaq Stock Market LLC stating that we were not in compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5450(a)(1) because our Common Stock did not maintain a minimum closing bid price of \$1.00 per share for 30 consecutive business days.

The notification letter provided an automatic period of 180 calendar days to regain compliance with Rule 5450(a)(1). To regain compliance, the closing bid price of our Common Stock must be at least \$1.00 per share for a minimum of 10 consecutive business days at any time prior to the expiration of the 180-day period (January 8, 2024). In the event that we do not regain compliance during the initial 180-day period, the letter provides that we may be eligible for additional time to reach compliance.

We are actively monitoring the bid price of our Common Stock and will consider all available options to resolve the deficiency and regain compliance with Rule 5450(a)(1). We are committed to regaining compliance prior to the expiration of applicable compliance periods. If we are unable to do so, however, Nasdaq may take action to delist our Common Stock. A delisting of our Common Stock could negatively impact us and our stockholders by reducing the liquidity and market price of our Common Stock and potentially reducing the number of investors willing to hold or buy our Common Stock. A delisting also could have negative consequences under our financing agreements and could adversely affect our ability to raise capital.

There is no guarantee that a reverse stock split, if implemented, would be effective to maintain our listing on Nasdaq.

Our Board of Directors has adopted, subject to approval by our stockholders, a proposed amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split, which would combine shares of Common Stock issued and outstanding or held in treasury into a lesser number of shares of Common Stock at a ratio in the range of 1-for-2 and 1-for-30, with the exact ratio to be selected by our Board. The primary purpose of the reverse stock split, should our Board choose to effect it, is to increase the per-share price of our Common Stock in order to meet the price criteria for continued listing on Nasdaq. However, there is no guarantee that the closing bid price of our Common Stock would remain at or above \$1.00 for 10 consecutive business days following a reverse stock split, as required to cure our current Nasdaq listing standard deficiency. Moreover, there can be no assurance that a reverse stock split, even if effective to cure the current deficiency, would lead to a sustained increase in the trading price of our Common Stock. The trading price of our Common Stock would continue to be affected by many factors, including our business prospects and performance, our capital structure, and general economic, market and industry conditions.

Implementing a reverse stock split would not increase the actual or intrinsic value of our business or change a stockholder's proportional ownership in the Company. Should the overall value of our Common Stock decline after a reverse stock split, then the actual or intrinsic value of the shares of Common Stock held by our stockholders would proportionately decrease as a result of the overall decline in value. Moreover, the liquidity of our Common Stock could be harmed by a reverse stock split given the reduced number of shares that would be outstanding after the split, particularly if the expected increase in stock price as a result of the split is not sustained.

Our Board is considering alternatives to the reverse stock split and reserves the right, notwithstanding stockholder approval and without further action by our stockholders, to abandon the amendment to our Amended and Restated Certificate of Incorporation and the reverse stock split if, at any time prior to the filing of the amendment with the Secretary of State of Delaware, the Board determines that it is not in the best interests of the Company or our stockholders to proceed.

Our outstanding securities, the stock or securities that we may issue under existing or future agreements, and certain provisions of those securities, may cause immediate and substantial dilution to our existing stockholders.

Our existing stockholders have and may continue to experience substantial dilution as a result of our obligations to issue shares of Common Stock. As of September 30, 2023, our Preferred Stock was convertible into an aggregate of 90,556,132 shares of Common Stock at the election of the holders. Furthermore, we have reserved 5,457,026 shares of Common Stock for issuance pursuant to our Series A Warrants, which are

subject to adjustment upon certain issuances of capital stock. We have also issued 8,066,876 shares of Common Stock to the selling stockholders of Shareablee (which we acquired in December 2021), and we may elect to pay any deferred consideration due to the Shareablee sellers in 2023 and 2024 in shares of Common Stock. In addition, in June 2023 our stockholders adopted an amendment to the Certificate of Designations of our Preferred Stock to permit payment of annual dividends on the Preferred Stock in the form of cash, shares of Common Stock, additional shares of Preferred Stock (which would be convertible into shares of Common Stock) or a combination thereof.

As of September 30, 2023, 2,181,561 shares of Common Stock were reserved for issuance pursuant to outstanding stock options under our equity incentive plans (including stock option awards we assumed in the Shareablee acquisition), 6,301,054 shares of Common Stock were reserved for issuance pursuant to outstanding restricted stock unit and deferred stock unit awards under our equity incentive plans and arrangements (including Shareablee plan awards and an employment inducement award we granted in 2021), and 6,796,763 shares of Common Stock were available for future equity awards under our 2018 Equity and Incentive Compensation Plan.

The issuance of shares of Common Stock (i) upon the conversion of or payment of dividends on our Preferred Stock, (ii) upon the exercise of warrants, (iii) as deferred consideration to the Shareablee sellers, (iv) pursuant to outstanding and future equity awards, or (v) upon the conversion of other existing or future convertible securities, may result in substantial dilution to each of our stockholders by reducing that stockholder's percentage ownership of our outstanding Common Stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Unregistered Sales of Equity Securities during the Three Months Ended September 30, 2023

None.

(b) Use of Proceeds from Sale of Registered Equity Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Document
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended, filed June 12, 2007) (File No. 333-141740)
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of comScore, Inc. (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, filed June 4, 2018) (File No. 333-225400)
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock of comScore, Inc., as filed with the Secretary of State of the State of Delaware on February 9, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed February 9, 2017) (File No. 001-33520)
3.4	Certificate of Elimination of Designation of Series A Junior Participating Preferred Stock of comScore, Inc., as filed with the Secretary of State of the State of Delaware on September 29, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed October 4, 2017) (File No. 001-33520)
3.5	Certificate of Amendment to Amended and Restated Certificate of Incorporation of comScore, Inc., dated March 10, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed March 15, 2021) (File No. 001-33520)
3.6	Certificate of Designations of Series B Convertible Preferred Stock, par value \$0.001, of comScore, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed March 15, 2021) (File No. 001-33520)
3.7	Certificate of Amendment of Amended and Restated Certificate of Incorporation of comScore, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed June 22, 2023) (File No. 001-33520)
3.8	Certificate of Amendment to the Certificate of Designations of Series B Convertible Preferred Stock, par value \$0.001, of comScore, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed June 22, 2023) (File No. 001-33520)
3.9	Amended and Restated Bylaws of comScore, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2018, filed August 10, 2018) (File No. 001-33520)
31.1+	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page iXBRL tags are embedded within the Inline XBRL document

+ Filed or furnished herewith

SIGNATURE

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.

COMSCORE, INC.

By: /s/ Mary Margaret Curry
Mary Margaret Curry
Chief Financial Officer and Treasurer
(Principal Financial Officer, Principal Accounting Officer and Duly
Authorized Officer)

November 7, 2023



comscore

CERTIFICATIONS

I, Jonathan Carpenter, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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(s) 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.

/s/ Jonathan Carpenter

Jonathan Carpenter

Chief Executive Officer

(Principal Executive Officer)

Date: November 7, 2023

CERTIFICATIONS

I, Mary Margaret Curry, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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(s) 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.

/s/ Mary Margaret Curry

Mary Margaret Curry

Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: November 7, 2023

Certification Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of comScore, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Jonathan Carpenter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Jonathan Carpenter

Jonathan Carpenter

Chief Executive Officer

(Principal Executive Officer)

Date: November 7, 2023

Certification Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of comScore, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Mary Margaret Curry, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Mary Margaret Curry

Mary Margaret Curry

Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: November 7, 2023