

REFINITIV

DELTA REPORT

10-Q

DV - DOUBLEVERIFY HOLDINGS, IN

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 666

CHANGES	331
DELETIONS	149
ADDITIONS	186

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 **June 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: 001-40349

DoubleVerify Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-2714562

(I.R.S. Employer
Identification Number)

462 Broadway
New York, NY, 10013
(Address of Principal Executive Offices)

(212) 631-2111
(Registrant's telephone number)

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

<u>Title of Each Class</u>	<u>Trading symbol</u>	<u>Name of Exchange on which registered</u>
Common Stock, par value \$0.001 per share	DV	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically 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 ☐

Accelerated filer ☐

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 ☐

As of July 20, 2023 November 6, 2023, there were 167,403,199 169,986,052 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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DoubleVerify Holdings, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2023 September 30, 2023

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Quarterly Report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, savings and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "plan," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct.

You should read the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of our Annual Report on Form 10-K, for the year ended December 31, 2022 and filed with the Securities and Exchange Commission ("SEC"), on March 1, 2023, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this report. There may be other factors not presently known to us or which we currently consider to be immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report and in the Annual Report on Form 10-K for the year ended December 31, 2022. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

"DoubleVerify," "the DV Authentic Ad," "Authentic Brand Suitability," "DV Pinnacle" and other trademarks of ours appearing in this report are our property and we deem them particularly important to the marketing activities conducted by each of our businesses. Solely for convenience, the trademarks, service marks and trade names referred to in this report are without the ® and ™ symbols, but such references

are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, service marks and trade names. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Unless the context otherwise requires, the terms "DoubleVerify," "we," "us," "our," and the "Company," as used in this report refer to DoubleVerify Holdings, Inc. and its consolidated subsidiaries.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(in thousands, except per share data)</i>	As of	
	June 30, 2023	December 31, 2022
Assets:		
Current assets		
Cash and cash equivalents	\$ 295,437	\$ 267,813
Trade receivables, net of allowances for doubtful accounts of \$10,757 and \$8,893 as of June 30, 2023 and December 31, 2022, respectively	176,007	167,122
Prepaid expenses and other current assets	20,715	10,161
Total current assets	492,159	445,096
Property, plant and equipment, net	54,793	47,034
Operating lease right-of-use assets, net	62,499	64,692
Goodwill	343,682	343,011
Intangible assets, net	122,974	135,429
Deferred tax assets	4,901	35
Other non-current assets	1,657	1,731
Total assets	\$ 1,082,665	\$ 1,037,028
Liabilities and Stockholders' Equity:		
Current liabilities		
Trade payables	\$ 8,837	\$ 6,675
Accrued expenses	36,945	33,085
Operating lease liabilities, current	8,851	7,041
Income tax liabilities	—	11,953
Current portion of finance lease obligations	3,139	1,846
Other current liabilities	8,476	8,310
Total current liabilities	66,248	68,910
Operating lease liabilities, non-current	73,369	74,086
Finance lease obligations	3,938	779
Deferred tax liabilities	1,132	12,890
Other non-current liabilities	3,756	3,504
Total liabilities	148,443	160,169
Commitments and contingencies (Note 13)		
Stockholders' equity		

Common stock, \$0.001 par value, 1,000,000 shares authorized, 167,250 shares issued and 167,234 outstanding as of June 30, 2023; 1,000,000 shares authorized, 165,448 shares issued and 165,417 outstanding as of December 31, 2022	167	165
Additional paid-in capital	787,562	756,299
Treasury stock, at cost, 16 shares and 31 shares as of June 30, 2023 and December 31, 2022, respectively	(528)	(796)
Retained earnings	152,531	127,517
Accumulated other comprehensive loss, net of income taxes	(5,510)	(6,326)
Total stockholders' equity	934,222	876,859
Total liabilities and stockholders' equity	\$ 1,082,665	\$ 1,037,028
	As of	As of
<i>(in thousands, except per share data)</i>	September 30, 2023	December 31, 2022
Assets:		
Current assets		
Cash and cash equivalents	\$ 259,212	\$ 267,813
Trade receivables, net of allowances for doubtful accounts of \$10,397 and \$8,893 as of September 30, 2023 and December 31, 2022, respectively	190,673	167,122
Prepaid expenses and other current assets	19,473	10,161
Total current assets	469,358	445,096
Property, plant and equipment, net	55,764	47,034
Operating lease right-of-use assets, net	61,480	64,692
Goodwill	431,307	343,011
Intangible assets, net	147,306	135,429
Deferred tax assets	7,983	35
Other non-current assets	1,981	1,731
Total assets	\$ 1,175,179	\$ 1,037,028
Liabilities and Stockholders' Equity:		
Current liabilities		
Trade payables	\$ 9,638	\$ 6,675
Accrued expenses	41,751	33,085
Operating lease liabilities, current	9,080	7,041
Income tax liabilities	—	11,953
Current portion of finance lease obligations	3,101	1,846
Contingent consideration	1,193	—
Other current liabilities	9,987	8,310
Total current liabilities	74,750	68,910
Operating lease liabilities, non-current	72,802	74,086
Finance lease obligations	3,406	779
Deferred tax liabilities	9,334	12,890
Other non-current liabilities	3,602	3,504
Total liabilities	163,894	160,169
Commitments and contingencies (Note 14)		
Stockholders' equity		
Common stock, \$0.001 par value, 1,000,000 shares authorized, 169,918 shares issued and 169,905 outstanding as of September 30, 2023; 1,000,000 shares authorized, 165,448 shares issued and 165,417 outstanding as of December 31, 2022	170	165
Additional paid-in capital	857,561	756,299
Treasury stock, at cost, 13 shares and 31 shares as of September 30, 2023 and December 31, 2022, respectively	(397)	(796)
Retained earnings	165,878	127,517
Accumulated other comprehensive loss, net of income taxes	(11,927)	(6,326)
Total stockholders' equity	1,011,285	876,859
Total liabilities and stockholders' equity	\$ 1,175,179	\$ 1,037,028

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

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DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	\$ 133,744	\$ 109,805	\$ 256,338	\$ 206,528	\$ 143,974	\$ 112,254	\$ 400,312	\$ 318,782
Cost of revenue (exclusive of depreciation and amortization shown separately below)	26,191	18,836	50,143	35,713	26,466	19,323	76,609	55,036
Product development	31,941	23,222	60,496	44,810	32,315	23,932	92,811	68,742
Sales, marketing and customer support	31,537	24,733	57,249	51,417	32,971	27,118	90,220	78,535
General and administrative	19,755	21,529	39,943	41,204	23,280	19,395	63,223	60,599
Depreciation and amortization	9,676	8,317	18,659	17,357	10,706	8,089	29,365	25,446
Income from operations	14,644	13,168	29,848	16,027	18,236	14,397	48,084	30,424
Interest expense	247	223	503	455	288	226	791	681
Other (income) expense, net	(2,476)	145	(5,210)	191	(1,633)	231	(6,843)	422
Income before income taxes	16,873	12,800	34,555	15,381	19,581	13,940	54,136	29,321
Income tax expense	4,034	2,510	9,541	512	6,234	3,609	15,775	4,121
Net income	\$ 12,839	\$ 10,290	\$ 25,014	\$ 14,869	\$ 13,347	\$ 10,331	\$ 38,361	\$ 25,200
Earnings per share:								
Basic	\$ 0.08	\$ 0.06	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.23	\$ 0.15
Diluted	\$ 0.07	\$ 0.06	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.22	\$ 0.15

Weighted-average common stock outstanding:									
Basic	166,540	163,610	166,088	163,114	168,606	164,297	166,937	163,512	
Diluted	172,488	170,223	172,129	170,359	173,980	170,876	172,812	170,558	
Comprehensive income:									
Net income	\$ 12,839	\$ 10,290	\$ 25,014	\$ 14,869	\$ 13,347	\$ 10,331	\$ 38,361	\$ 25,200	
Other comprehensive (loss) income:									
Other comprehensive loss:									
Foreign currency cumulative translation adjustment	(377)	(5,634)	816	(7,204)	(6,417)	(4,630)	(5,601)	(11,834)	
Total comprehensive income	\$ 12,462	\$ 4,656	\$ 25,830	\$ 7,665	\$ 6,930	\$ 5,701	\$ 32,760	\$ 13,366	

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

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DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
(in thousands)	Shares	Amount	Shares	Amount	Capital	Earnings	Net of Income Taxes	Stockholders' Equity
Balance as of January 1, 2023	165,448	\$ 165	31	\$ (796)	\$ 756,299	\$ 127,517	\$ (6,326)	\$ 876,859
Foreign currency translation adjustment	—	—	—	—	—	—	1,193	1,193
Shares repurchased for settlement of employee tax withholdings	—	—	30	(787)	—	—	—	(787)
Stock-based compensation expense	—	—	—	—	11,992	—	—	11,992
Common stock issued upon exercise of stock options	527	1	—	—	1,765	—	—	1,766
Common stock issued upon vesting of restricted stock units	182	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(35)	914	(914)	—	—	—
Net income	—	—	—	—	—	12,175	—	12,175
Balance as of March 31, 2023	166,157	\$ 166	26	\$ (669)	\$ 769,142	\$ 139,692	\$ (5,133)	\$ 903,198
Foreign currency translation adjustment	—	—	—	—	—	—	(377)	(377)
Shares repurchased for settlement of employee tax withholdings	—	—	57	(1,966)	—	—	—	(1,966)

Stock-based compensation expense	—	—	—	—	15,399	—	—	15,399
Common stock issued under employee purchase plan	49	—	—	—	1,138	—	—	1,138
Common stock issued upon exercise of stock options	711	1	—	—	3,990	—	—	3,991
Common stock issued upon vesting of restricted stock units	333	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(67)	2,107	(2,107)	—	—	—
Net income	—	—	—	—	—	12,839	—	12,839
Balance as of June 30, 2023	167,250	\$ 167	16	\$ (528)	\$ 787,562	\$ 152,531	\$ (5,510)	\$ 934,222
Balance as of January 1, 2022	162,347	\$ 162	50	\$ (1,802)	\$ 717,228	\$ 84,249	\$ (771)	\$ 799,066
Foreign currency translation adjustment	—	—	—	—	—	—	(1,570)	(1,570)
Shares repurchased for settlement of employee tax withholdings	—	—	41	(1,058)	—	—	—	(1,058)
Stock-based compensation expense	—	—	—	—	10,994	—	—	10,994
Common stock issued to non-employees	4	—	—	—	—	—	—	—
Common stock issued upon exercise of stock options	572	1	—	—	1,677	—	—	1,678
Common stock issued upon vesting of restricted stock units	195	—	—	—	—	—	—	—
Net income	—	—	—	—	—	4,579	—	4,579
Balance as of March 31, 2022	163,118	\$ 163	91	\$ (2,860)	\$ 729,899	\$ 88,828	\$ (2,341)	\$ 813,689
Foreign currency translation adjustment	—	—	—	—	—	—	(5,634)	(5,634)
Shares repurchased for settlement of employee tax withholdings	—	—	320	(8,133)	—	—	—	(8,133)
Stock-based compensation expense	—	—	—	—	9,517	—	—	9,517
Common stock issued under employee purchase plan	41	—	—	—	768	—	—	768
Common stock issued upon exercise of stock options	176	—	—	—	838	—	—	838
Common stock issued upon vesting of restricted stock units	798	1	—	—	(1)	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(128)	3,447	(3,447)	—	—	—
Net income	—	—	—	—	—	10,290	—	10,290
Balance as of June 30, 2022	164,133	\$ 164	283	\$ (7,546)	\$ 737,574	\$ 99,118	\$ (7,975)	\$ 821,335
Accumulated Other Comprehensive Income (Loss) and Total Stockholders' Equity								
	Common Stock		Treasury Stock		Paid-in Capital	Retained Earnings	Net of Income Taxes	Total Stockholders' Equity
<i>(in thousands)</i>	Shares	Amount	Shares	Amount				
Balance as of January 1, 2023	165,448	\$ 165	31	\$ (796)	\$ 756,299	\$ 127,517	\$ (6,326)	\$ 876,859
Foreign currency translation adjustment	—	—	—	—	—	—	1,193	1,193
Shares repurchased for settlement of employee tax withholdings	—	—	30	(787)	—	—	—	(787)
Stock-based compensation expense	—	—	—	—	11,992	—	—	11,992
Common stock issued upon exercise of stock options	527	1	—	—	1,765	—	—	1,766
Common stock issued upon vesting of restricted stock units	182	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(35)	914	(914)	—	—	—
Net income	—	—	—	—	—	12,175	—	12,175
Balance as of March 31, 2023	166,157	\$ 166	26	\$ (669)	\$ 769,142	\$ 139,692	\$ (5,133)	\$ 903,198
Foreign currency translation adjustment	—	—	—	—	—	—	(377)	(377)
Shares repurchased for settlement of employee tax withholdings	—	—	57	(1,966)	—	—	—	(1,966)
Stock-based compensation expense	—	—	—	—	15,399	—	—	15,399
Common stock issued under employee purchase plan	49	—	—	—	1,138	—	—	1,138
Common stock issued upon exercise of stock options	711	1	—	—	3,990	—	—	3,991
Common stock issued upon vesting of restricted stock units	333	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(67)	2,107	(2,107)	—	—	—
Net income	—	—	—	—	—	12,839	—	12,839
Balance as of June 30, 2023	167,250	\$ 167	16	\$ (528)	\$ 787,562	\$ 152,531	\$ (5,510)	\$ 934,222
Foreign currency translation adjustment	—	—	—	—	—	—	(6,417)	(6,417)
Shares repurchased for settlement of employee tax withholdings	—	—	28	(945)	—	—	—	(945)
Issuance of common stock as consideration for acquisition	1,642	2	—	—	52,935	—	—	52,937

Stock-based compensation expense	—	—	—	—	16,088	—	—	16,088
Common stock issued upon exercise of stock options	653	1	—	—	2,052	—	—	2,053
Common stock issued upon vesting of restricted stock units	373	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(31)	1,076	(1,076)	—	—	—
Net income	—	—	—	—	—	13,347	—	13,347
Balance as of September 30, 2023	169,918	\$ 170	13	\$ (397)	\$ 857,561	\$ 165,878	\$ (11,927)	\$ 1,011,285
Balance as of January 1, 2022	162,347	\$ 162	50	\$ (1,802)	\$ 717,228	\$ 84,249	\$ (771)	\$ 799,066
Foreign currency translation adjustment	—	—	—	—	—	—	(1,570)	(1,570)
Shares repurchased for settlement of employee tax withholdings	—	—	41	(1,058)	—	—	—	(1,058)
Stock-based compensation expense	—	—	—	—	10,994	—	—	10,994
Common stock issued to non-employees	4	—	—	—	—	—	—	—
Common stock issued upon exercise of stock options	572	1	—	—	1,677	—	—	1,678
Common stock issued upon vesting of restricted stock units	195	—	—	—	—	—	—	—
Net income	—	—	—	—	—	4,579	—	4,579
Balance as of March 31, 2022	163,118	\$ 163	91	\$ (2,860)	\$ 729,899	\$ 88,828	\$ (2,341)	\$ 813,689
Foreign currency translation adjustment	—	—	—	—	—	—	(5,634)	(5,634)
Shares repurchased for settlement of employee tax withholdings	—	—	320	(8,133)	—	—	—	(8,133)
Stock-based compensation expense	—	—	—	—	9,517	—	—	9,517
Common stock issued under employee purchase plan	41	—	—	—	768	—	—	768
Common stock issued upon exercise of stock options	176	—	—	—	838	—	—	838
Common stock issued upon vesting of restricted stock units	798	1	—	—	(1)	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(128)	3,447	(3,447)	—	—	—
Net income	—	—	—	—	—	10,290	—	10,290
Balance as of June 30, 2022	164,133	\$ 164	283	\$ (7,546)	\$ 737,574	\$ 99,118	\$ (7,975)	\$ 821,335
Foreign currency translation adjustment	—	—	—	—	—	—	(4,630)	(4,630)
Shares repurchased for settlement of employee tax withholdings	—	—	19	(492)	—	—	—	(492)
Stock-based compensation expense	—	—	—	—	11,080	—	—	11,080
Common stock issued upon exercise of stock options	490	1	—	—	2,390	—	—	2,391
Common stock issued upon vesting of restricted stock units	110	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(265)	7,036	(7,036)	—	—	—
Net income	—	—	—	—	—	10,331	—	10,331
Balance as of September 30, 2022	164,733	\$ 165	37	\$ (1,002)	\$ 744,008	\$ 109,449	\$ (12,605)	\$ 840,015

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

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DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(in thousands)</i>	Six Months Ended	
	June 30,	
	2023	2022
Operating activities:		
Net income	\$ 25,014	\$ 14,869

Adjustments to reconcile net income to net cash provided by operating activities		
Bad debt expense	3,706	1,997
Depreciation and amortization expense	18,659	17,357
Amortization of debt issuance costs	147	147
Non-cash lease expense	3,293	3,882
Deferred taxes	(16,639)	(3,974)
Stock-based compensation expense	26,980	20,253
Interest expense	25	72
Loss on disposal of fixed assets	5	1,345
Impairment of long-lived assets	—	1,510
Other	209	(302)
Changes in operating assets and liabilities		
Trade receivables	(12,214)	(21,942)
Prepaid expenses and other assets	(11,168)	(949)
Trade payables	2,126	2,262
Accrued expenses and other liabilities	(7,979)	(9,978)
Net cash provided by operating activities	32,164	26,549
Investing activities:		
Purchase of property, plant and equipment	(7,671)	(13,606)
Net cash (used in) investing activities	(7,671)	(13,606)
Financing activities:		
Proceeds from revolving credit facility	50,000	—
Payments to revolving credit facility	(50,000)	—
Payment of contingent consideration related to Zentrick acquisition	—	(3,247)
Proceeds from common stock issued upon exercise of stock options	5,757	2,516
Proceeds from common stock issued under employee purchase plan	1,138	768
Payments related to offering costs	—	(6)
Finance lease payments	(1,028)	(907)
Shares repurchased for settlement of employee tax withholdings	(2,753)	(9,191)
Net cash provided by (used in) financing activities	3,114	(10,067)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	15	(738)
Net increase in cash, cash equivalents, and restricted cash	27,622	2,138
Cash, cash equivalents, and restricted cash - Beginning of period	267,938	221,725
Cash, cash equivalents, and restricted cash - End of period	\$ 295,560	\$ 223,863
Cash and cash equivalents	\$ 295,437	\$ 223,738
Restricted cash (included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets)	123	125
Total cash and cash equivalents and restricted cash	\$ 295,560	\$ 223,863
Supplemental cash flow information:		
Cash paid for taxes	\$ 41,284	\$ 1,161
Cash paid for interest	\$ 389	\$ 282
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities, net of impairments and tenant improvement allowances		
	\$ 1,261	\$ 79,565
Acquisition of equipment under finance lease	\$ 5,479	\$ —
Capital assets financed by accounts payable and accrued expenses	\$ 480	\$ —
Stock-based compensation included in capitalized software development costs	\$ 411	\$ 258
Nine Months Ended		
September 30,		
(in thousands)	2023	2022
Operating activities:		
Net income	\$ 38,361	\$ 25,200
Adjustments to reconcile net income to net cash provided by operating activities		

Bad debt expense	6,901	3,629
Depreciation and amortization expense	29,365	25,446
Amortization of debt issuance costs	221	221
Non-cash lease expense	4,899	5,534
Deferred taxes	(19,721)	(5,974)
Stock-based compensation expense	42,771	31,224
Interest expense	176	7
Loss on disposal of fixed assets	5	1,353
Impairment of long-lived assets	—	1,510
Other	874	318
Changes in operating assets and liabilities, net of effects of business combinations		
Trade receivables	(25,787)	(23,842)
Prepaid expenses and other assets	(9,370)	(2,110)
Trade payables	2,475	3,452
Accrued expenses and other liabilities	(3,484)	(7,607)
Net cash provided by operating activities	67,686	58,361
Investing activities:		
Purchase of property, plant and equipment	(12,309)	(27,719)
Acquisition of businesses, net of cash acquired	(67,240)	—
Net cash (used in) investing activities	(79,549)	(27,719)
Financing activities:		
Proceeds from revolving credit facility	50,000	—
Payments to revolving credit facility	(50,000)	—
Payment of contingent consideration related to Zentrick acquisition	—	(3,247)
Proceeds from common stock issued upon exercise of stock options	7,810	4,907
Proceeds from common stock issued under employee purchase plan	1,138	768
Payments related to offering costs	—	(6)
Finance lease payments	(1,605)	(1,286)
Shares repurchased for settlement of employee tax withholdings	(3,698)	(9,683)
Net cash provided by (used in) financing activities	3,645	(8,547)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(389)	(1,015)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(8,607)	21,080
Cash, cash equivalents, and restricted cash - Beginning of period	267,938	221,725
Cash, cash equivalents, and restricted cash - End of period	\$ 259,331	\$ 242,805
Cash and cash equivalents	\$ 259,212	\$ 242,687
Restricted cash (included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets)	119	118
Total cash and cash equivalents and restricted cash	\$ 259,331	\$ 242,805
Supplemental cash flow information:		
Cash paid for taxes	\$ 52,738	\$ 10,210
Cash paid for interest	\$ 427	\$ 519
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities, net of impairments and tenant improvement allowances	\$ 2,017	\$ 80,060
Acquisition of equipment under finance lease	\$ 5,479	\$ —
Capital assets financed by accounts payable and accrued expenses	\$ —	\$ 5,305
Stock-based compensation included in capitalized software development costs	\$ 708	\$ 367
Common stock issued in connection with acquisition	\$ 52,937	\$ —
Liabilities for contingent consideration	\$ 1,193	\$ —

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

1. Description of Business

DoubleVerify Holdings, Inc. (the "Company") is a leading software platform for digital media measurement and analytics. Our mission is to create stronger, safer, more secure digital transactions that drive optimal outcomes for global advertisers. Through our software platform and the metrics it provides, we help preserve the fair value exchange between buyers and sellers of digital media. The Company's solutions provide advertisers unbiased data analytics that enable advertisers to increase the effectiveness, quality and return on their digital advertising investments. The DV Authentic Ad is our proprietary metric of digital media quality, which measures whether a digital ad was delivered in a brand suitable environment, fully viewable, by a real person and in the intended geography. The Company's software interface, DV Pinnacle, delivers these metrics to our customers in real time, allowing them to access critical performance data on their digital transactions. The Company's software solutions are integrated across the entire digital advertising ecosystem, including programmatic platforms, social media channels and digital publishers. The Company's solutions are accredited by the Media Rating Council, which allows the Company's data to be used as a single source standard in the evaluation and measurement of digital ads.

The Company was incorporated on August 16, 2017, is registered in the state of Delaware and is the parent company of DoubleVerify Midco, Inc. ("MidCo"), which is in turn the parent company of DoubleVerify Inc. On August 18, 2017, DoubleVerify Inc. entered into an agreement and plan of merger (the "Agreement"), whereby the Company and Pixel Merger Sub, Inc. ("Merger Sub"), a wholly-owned subsidiary of the Company, agreed to provide for the merger of the Merger Sub with DoubleVerify Inc. pursuant to the terms and conditions of the Agreement.

On the effective date, Merger Sub was merged with and into DoubleVerify Inc. whereupon the separate corporate existence of Merger Sub ceased and DoubleVerify Inc. continued as the surviving corporation.

Through the merger, the Company acquired 100% of the outstanding equity instruments of DoubleVerify Inc., (the "Acquisition") resulting in a change of control at the parent level. The merger resulted in the application of acquisition accounting under the provisions of Financial Accounting Standards Board ("FASB") Topic Accounting Standards Codification ("ASC") 805, "Business Business Combinations."

The Company is headquartered in New York, New York and has wholly-owned subsidiaries in numerous jurisdictions, including Israel, the United Kingdom, the United Arab Emirates, Germany, Singapore, Australia, Canada, Brazil, Belgium, Mexico, France, Japan, Spain, Finland, Italy, and India, and operates in one reportable segment.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation and Principles of Consolidation

The accompanying Condensed Consolidated Balance Sheets as of June 30, 2023 September 30, 2023 and December 31, 2022, the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, the Condensed Consolidated Statements of Stockholders' Equity for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, and the Condensed Consolidated Statements of Cash Flows for the six nine months ended June 30, 2023 September 30, 2023 and 2022 reflect all adjustments that are of a normal recurring nature and that are considered necessary for a fair presentation of the results for the periods shown in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the SEC for interim financial reporting periods. Accordingly, certain information and footnote disclosures have been condensed or omitted pursuant to SEC rules that would ordinarily be required under GAAP for complete financial statements. These unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2022.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

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 measurement of items including, but not limited to: revenue recognition criteria including the determination of principal versus agent revenue considerations, income taxes, the valuation and recoverability of goodwill and intangible assets, the assessment of potential loss from contingencies, assumptions in valuing acquired assets and liabilities assumed in business combinations, the allowance for doubtful accounts, and assumptions used in determining the fair value of stock-based compensation. 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. These estimates are based on the information available as of the date of the Condensed Consolidated Financial Statements.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. Pursuant to the Company's investment policy, its surplus funds are kept as cash or cash equivalents in treasury bills, money market funds and savings accounts to reduce the Company's exposure to market risk.

3. Revenue

The following table disaggregates revenue between advertiser customers, where revenue is generated based on number of ads measured for Measurement or measured and purchased for Activation, and Supply-side customers, where revenue is generated based on contracts with minimum guarantees or contracts that contain overages after minimum guarantees are achieved.

Disaggregated revenue by customer type is as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								
Activation	\$ 77,942	\$ 60,495	\$ 147,834	\$ 113,526	\$ 81,700	\$ 62,170	\$229,534	\$175,696
Measurement	44,989	38,903	86,374	72,737	51,263	38,847	137,637	111,584
Supply-side customer	10,813	10,407	22,130	20,265	11,011	11,237	33,141	31,502
Total revenue	\$ 133,744	\$ 109,805	\$ 256,338	\$ 206,528	\$143,974	\$112,254	\$400,312	\$318,782

Contract assets relate to the Company's conditional right to consideration for completed performance under the contract (e.g., unbilled receivables). Trade receivables, net of allowance for doubtful accounts, include unbilled receivable balances of \$52.9 million \$51.9 million and \$52.7 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

4. Business Combinations

Scibids Technology SAS

On August 14, 2023, the Company acquired all of the outstanding stock of Scibids Technology SAS ("Scibids"), a global leader in artificial intelligence ("AI") technology for digital campaign optimization. The acquisition combines DoubleVerify's proprietary data with Scibids' AI-powered optimization technology to provide advertiser customers with enhanced insights and control over their advertising performance.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

The following table summarizes the components of the purchase price that constitutes the consideration transferred:

(in thousands)

Cash, net of cash acquired	\$ 67,240
Common stock issued in connection with the acquisition	52,937
Fair value of contingent consideration	1,193
Total	<u>\$ 121,370</u>

The fair value of the Company's common stock issued (1,642 shares of common stock) as consideration in the transaction was determined on the basis of market prices of our common stock available on August 14, 2023, the trading day on the acquisition date.

The purchase price includes a performance-based deferred payment that has a total maximum payout of \$25.0 million ("Scibids Contingent Payment") and varies based upon the achievement of certain performance metrics in fiscal year 2023 ("Earn-Out Period"). If the performance metrics during the Earn-Out Period do not exceed a certain threshold, no payment shall be made. The Scibids Contingent Payment has been accounted for at fair value as contingent consideration in the business combination. The settlement of the Scibids Contingent Payment would consist of both cash and common stock consideration.

As of September 30, 2023, Scibids Contingent Payment had a fair value of \$1.2 million and is recorded in Contingent consideration in the Condensed Consolidated Balance Sheets. There were no changes in fair value in the Condensed Consolidated Statement of Operations and Comprehensive Income for the three and nine months ended September 30, 2023.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)

	<u>Acquisition Date</u>
Assets:	
Cash and cash equivalents	\$ 1,705
Trade receivables	5,197
Prepaid expenses	50
Other assets	1,382
Intangible assets:	
Technology	18,000
Customer relationships	15,000
Total intangible assets	<u>33,000</u>
Goodwill	92,053
Total assets acquired	<u>\$ 133,387</u>
Liabilities:	
Trade payables	\$ 530
Other liabilities	1,259
Deferred tax liability	8,523
Total liabilities assumed	<u>10,312</u>
Total purchase consideration	<u>\$ 123,075</u>
Cash acquired	<u>(1,705)</u>
Purchase consideration, net of cash acquired	<u>\$ 121,370</u>

DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

The acquired intangible assets of Scibids will be amortized over their estimated useful lives. Accordingly, customer relationships will be amortized over ten years and developed technology will be amortized over four years. The weighted-average useful life of the acquired intangible assets is 6.7 years. The Company recognized a deferred tax liability of \$8.5 million in relation to the intangible assets acquired.

The goodwill and identified intangible assets are not deductible for tax purposes. The Company incurred acquisition-related transaction costs of \$0.9 million and \$1.6 million included in General and administrative expenses in the Condensed Consolidated Statement of Operations and Comprehensive Income for the three and nine months ended September 30, 2023, respectively.

The goodwill associated with Scibids includes the acquired assembled work force, the value associated with the opportunity to leverage the work force to continue to develop the future generations of AI technology assets, as well as the ability to grow the Company through adding additional customer relationships or new solutions in the future.

The preliminary allocations of the purchase price for Scibids are subject to revisions as additional information is obtained about the facts and circumstances that existed as of the acquisition date. The revisions may have a significant impact on the accompanying condensed consolidated financial statements. The allocations of the purchase price will be finalized once all information is obtained and assessed, not to exceed one year from the acquisition date.

The acquisition of Scibids was immaterial to the Company's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2023 and 2022, and therefore, supplemental information disclosure on an unaudited pro forma basis is not presented.

4.5. Goodwill and Intangible Assets

The following is a summary of changes to the goodwill carrying value from December 31, 2022 to **June 30, 2023** September 30, 2023:

(in thousands)

Goodwill at December 31, 2022	\$	343,011	\$343,011
Business combinations (Scibids)			92,053
Foreign exchange impact		671	(3,757)
Goodwill at June 30, 2023	\$	343,682	
Goodwill at September 30, 2023			\$431,307

The following table summarizes the Company's intangible assets and related accumulated amortization:

(in thousands)

	September 30, 2023			December 31, 2022		
	Gross Carrying	Accumulated	Net Carrying	Gross Carrying	Accumulated	Net Carrying
	Amount	Amortization	Amount	Amount	Amortization	Amount
Trademarks and brands	\$ 11,732	\$ (4,927)	\$ 6,805	\$ 11,733	\$ (4,294)	\$ 7,439
Customer relationships	160,239	(59,326)	100,913	145,834	(49,587)	96,247
Developed technology	93,921	(54,333)	39,588	76,677	(44,956)	31,721
Non-compete agreements	63	(63)	—	64	(42)	22
Total intangible assets	\$ 265,955	\$ (118,649)	\$ 147,306	\$ 234,308	\$ (98,879)	\$ 135,429

Amortization expense related to intangible assets for the three months ended September 30, 2023 and September 30, 2022 was \$7.4 million and \$6.2 million, respectively. Amortization expense related to intangible assets amounted to \$20.0 million and \$18.8 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

Estimated future expected amortization expense of intangible assets as of September 30, 2023 is as follows:

<i>(in thousands)</i>	
2023 (for remaining three months)	\$ 7,951
2024	28,565
2025	26,618
2026	21,865
2027	17,984
2028	14,888
Thereafter	29,435
Total	<u>\$ 147,306</u>

The weighted-average remaining useful life by major asset classes as of September 30, 2023 is as follows:

	<i>(In years)</i>
Trademarks and brands	9
Customer relationships	7
Developed technology	2

There were no impairments identified during the nine months ended September 30, 2023 or September 30, 2022.

6. Property, Plant and Equipment

Property, plant and equipment, including equipment under finance lease obligations and capitalized software development costs, consists of the following:

<i>(in thousands)</i>	As of	
	September 30, 2023	December 31, 2022
Computers and peripheral equipment	\$ 24,762	\$ 19,189
Office furniture and equipment	3,071	2,542
Leasehold improvements	32,485	29,678
Capitalized software development costs	29,491	22,026
<i>Less accumulated depreciation and amortization</i>	<i>(34,045)</i>	<i>(26,401)</i>
Total property, plant and equipment, net	<u>\$ 55,764</u>	<u>\$ 47,034</u>

For the three months ended September 30, 2023 and September 30, 2022, total depreciation expense was \$3.3 million and \$1.9 million, respectively. For the nine months ended September 30, 2023 and September 30, 2022, total depreciation expense was \$9.4 million and \$6.6 million, respectively.

Property and equipment under finance lease obligations, consisting of computer equipment, totaled \$17.8 million and \$12.3 million as of September 30, 2023 and December 31, 2022, respectively. As of September 30, 2023 and December 31, 2022, accumulated depreciation related to property and equipment under finance lease obligations totaled \$12.3 million and \$11.2 million, respectively. Refer to Note 7, Leases.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

The following table summarizes the Company's intangible assets and related accumulated amortization:

(in thousands)	June 30, 2023			December 31, 2022		
	Gross Carrying	Accumulated	Net Carrying	Gross Carrying	Accumulated	Net Carrying
	Amount	Amortization	Amount	Amount	Amortization	Amount
Trademarks and brands	\$ 11,733	\$ (4,717)	\$ 7,016	\$ 11,733	\$ (4,294)	\$ 7,439
Customer relationships	145,925	(55,974)	89,951	145,834	(49,587)	96,247
Developed technology	76,785	(50,783)	26,002	76,677	(44,956)	31,721
Non-compete agreements	65	(60)	5	64	(42)	22
Total intangible assets	<u>\$ 234,508</u>	<u>\$ (111,534)</u>	<u>\$ 122,974</u>	<u>\$ 234,308</u>	<u>\$ (98,879)</u>	<u>\$ 135,429</u>

Amortization expense related to intangible assets for the three months ended June 30, 2023 and June 30, 2022 was \$6.4 million and \$6.2 million, respectively. Amortization expense related to intangible assets amounted to \$12.6 million for each of the six months ended June 30, 2023 and June 30, 2022.

Estimated future expected amortization expense of intangible assets as of June 30, 2023 is as follows:

(in thousands)	
2023 (for remaining six months)	\$ 13,112
2024	22,792
2025	20,836
2026	16,082
2027	13,872
2028	13,451
Thereafter	22,829
Total	<u>\$ 122,974</u>

The weighted-average remaining useful life by major asset classes as of June 30, 2023 is as follows:

	(In years)
Trademarks and brands	9
Customer relationships	7
Developed technology	2
Non-compete agreements	1

There were no impairments identified during the six months ended June 30, 2023 or June 30, 2022.

5. Property, Plant and Equipment

Property, plant and equipment, including equipment under finance lease obligations and capitalized software development costs, consists of the following:

(in thousands)	As of	
	June 30, 2023	December 31, 2022
Computers and peripheral equipment	\$ 24,739	\$ 19,189
Office furniture and equipment	3,014	2,542
Leasehold improvements	32,008	29,678
Capitalized software development costs	25,920	22,026
Less accumulated depreciation and amortization	(30,888)	(26,401)
Total property, plant and equipment, net	<u>\$ 54,793</u>	<u>\$ 47,034</u>

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DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

For the three months ended June 30, 2023 and June 30, 2022, total depreciation expense was \$3.3 million and \$2.1 million, respectively. For the six months ended June 30, 2023 and June 30, 2022, total depreciation expense was \$6.1 million and \$4.8 million, respectively.

Property and equipment under finance lease obligations, consisting of computer equipment, totaled \$17.7 million and \$12.3 million as of June 30, 2023 and December 31, 2022, respectively. As of June 30, 2023 and December 31, 2022, accumulated depreciation related to property and equipment under finance lease obligations totaled \$11.7 million and \$11.2 million, respectively. Refer to Note 6, Leases.

6.7. Leases

The following table presents lease cost and cash paid for amounts included in the measurement of lease liabilities for finance and operating leases for the three and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Lease cost:								
Operating lease cost (1)	\$ 2,582	\$ 2,747	\$ 5,169	\$ 5,625	\$ 2,614	\$ 2,641	\$ 7,783	\$ 8,266
Finance lease cost:								
Depreciation of finance lease assets (2)	314	330	531	702	620	244	1,151	946
Interest on finance lease liabilities (3)	43	37	66	79	83	32	149	111
Short-term lease cost (1)	243	277	489	528	219	304	708	832
Sublease income (1)	(267)	(89)	(534)	(89)	(266)	(267)	(800)	(356)
Total lease cost	<u>\$ 2,915</u>	<u>\$ 3,302</u>	<u>\$ 5,721</u>	<u>\$ 6,845</u>	<u>\$ 3,270</u>	<u>\$ 2,954</u>	<u>\$ 8,991</u>	<u>\$ 9,799</u>
Other information:								
Cash paid for amounts included in the measurement of lease liabilities								
Operating cash outflows from operating leases	\$ 1,516	\$ 1,139	\$ 2,852	\$ 2,319	\$ 1,921	\$ 1,385	\$ 4,773	\$ 3,704

Operating cash outflows from finance leases	\$	17	\$	37	\$	40	\$	72	\$	38	\$	24	\$	78	\$	96
Financing cash outflows from finance leases	\$	515	\$	427	\$	1,028	\$	907	\$	577	\$	379	\$	1,605	\$	1,286

- (1) Included in Cost of revenue, Sales, marketing and customer support, Product development and General and administrative expenses in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.
- (2) Included in Depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.
- (3) Included in Interest expense in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

The following table presents weighted-average remaining lease terms and weighted-average discount rates for finance and operating leases as of June 30, 2023, September 30, 2023 and 2022, respectively:

	June 30,		September 30,	
	2023	2022	2023	2022
Weighted-average remaining lease term - operating leases (in years)	13.8	14.4	13.7	14.2
Weighted-average remaining lease term - finance leases (in years)	2.6	2.0	2.4	1.8
Weighted-average discount rate - operating leases	4.5%	4.4%	4.6%	4.5%
Weighted-average discount rate - finance leases	5.2%	3.7%	5.3%	3.7%

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DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

Maturities of lease liabilities as of June 30, 2023, September 30, 2023 are as follows:

(in thousands)	June 30, 2023	
	Operating Leases	Finance Leases
2023 (for remaining six months)	\$ 4,625	\$ 2,022
2024	8,581	2,579
2025	7,598	2,150
2026	6,782	825
2027	6,659	—
2028	6,750	—
Thereafter	74,037	—
Total lease payments	115,032	7,576
Less amount representing interest	(32,812)	(499)
Present value of total lease payments	\$ 82,220	\$ 7,077

(in thousands)	September 30, 2023	
	Operating Leases	Finance Leases
2023 (for remaining three months)	\$ 2,674	\$ 1,415
2024	8,826	2,584
2025	8,061	2,150
2026	6,840	819

2027	6,651	—
2028	6,746	—
Thereafter	74,037	—
Total lease payments	113,835	6,968
Less amount representing interest	(31,953)	(461)
Present value of total lease payments	\$ 81,882	\$ 6,507

7.8. Fair Value Measurement

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

(in thousands)	As of June 30, 2023				As of September 30, 2023			
	Quoted Market		Significant		Quoted Market		Significant	
	Prices in Active		Unobservable		Prices in Active		Unobservable	
	Markets for	Significant Other	Inputs	Total Fair Value	Markets for	Significant Other	Inputs	Total Fair Value
	Identical Assets (Level 1)	Observable Inputs (Level 2)	(Level 3)	Measurements	Identical Assets (Level 1)	Observable Inputs (Level 2)	(Level 3)	Measurements
Assets:								
Cash equivalents	\$ 49,716	\$ —	\$ —	\$ 49,716	\$ 60,651	\$ —	\$ —	\$ 60,651
Liabilities:								
Contingent consideration					\$ —	\$ —	\$ 1,193	\$ 1,193

(in thousands)	As of December 31, 2022			
	Quoted Market		Significant	
	Prices in Active		Unobservable	
	Markets for	Significant Other	Inputs	Total Fair Value
	Identical Assets (Level 1)	Observable Inputs (Level 2)	(Level 3)	Measurements
Assets:				
Cash equivalents	\$ 11,710	\$ —	\$ —	\$ 11,710

Cash equivalents consisting of treasury bills and money market funds of \$49.7 million \$60.7 million and of money market funds of \$11.7 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, were classified as Level 1 of the fair value hierarchy and valued using quoted market prices in active markets.

As of June 30, 2023 September 30, 2023, the amortized cost of the Company's treasury bills approximates fair value. For the three and six nine months ended June 30, 2023 September 30, 2023, the Company did not record any unrealized gains, unrealized losses, or credit losses.

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DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

8. Contingent consideration relates to potential payments that the Company may be required to make associated with a business combination. To the extent that the valuations of these liabilities are based on inputs that are less observable or not observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for measures categorized in Level 3.

Rollforward of the fair value measurements of the contingent consideration categorized with Level 3 inputs as of September 30, 2023 is as follows:

(in thousands)	
Balance at January 1, 2023	\$ —
Fair value at date of acquisition	1,193
Fair value adjustments	—
Payments	—
Balance at September 30, 2023	<u>\$ 1,193</u>

The fair value of contingent consideration related to the achievement of certain performance metrics have been estimated using a Black-Scholes option pricing model where forecasted amounts for the Earn-Out Period were taken and discounted to the valuation date using a risk adjusted discount rate of 11.3%. Additional significant assumptions include volatility of 25.0% and operating leverage of 160%. Volatility was estimated based on asset volatilities of comparable companies, which were calculated based on observed equity volatilities, adjusted for financial leverage using the Merton Model. Operating leverage of the seller was calculated as the ratio of the present value of the forecasted fixed cost and EBITDA.

9. Long-term Debt

On October 1, 2020, DoubleVerify Inc., as borrower (the "Borrower"), and MidCo, as guarantor, entered into an amendment and restatement agreement with the banks and other financial institutions party thereto, as lenders, and Capital One, National Association, as administrative agent, letter of credit issuer and swing lender, and others, to (i) amend and restate the Company's prior credit agreement, as amended and restated on October 1, 2020 (the "Credit Agreement") and (ii) replace the Company's prior credit facilities with a new senior secured revolving credit facility (the "New Revolving Credit Facility") in an aggregate principal amount of \$150.0 million (with a letter of credit facility of up to \$15.0 million as a sublimit). Subject to certain terms and conditions, the Borrower is entitled to request additional term loan facilities or increases in the revolving credit commitments under the New Revolving Credit Facility. The New Revolving Credit Facility is payable in quarterly installments for interest, with the principal balance due in full at maturity on October 1, 2025. Additional fees paid quarterly include fees for the unused revolving facility and unused letter of credit. The commitment fee on any unused balance is payable periodically and may range from 0.25% to 0.40% based upon the Borrower's total net leverage ratio calculated in accordance with the Credit Agreement.

On March 29, 2023, the Company entered into an amendment to the New Revolving Credit Facility to replace the LIBOR based interest rate with a Secured Overnight Financing Rate ("SOFR") based interest rate. The New Revolving Credit Facility bears interest at SOFR plus 2.00% or the Alternate Base Rate plus 1.00% (at the Company's option), which may vary from time to time based on the Borrower's total net leverage ratio calculated in accordance with the Credit Agreement.

The New Revolving Credit Facility contains a number of significant negative covenants. Subject to certain exceptions, these covenants require the Borrower to comply with certain requirements and restrictions on its ability to, among other things: incur indebtedness; create liens; engage in mergers or consolidations; make investments, loans and advances; pay dividends or other distributions and repurchase capital stock; sell assets; engage in certain transactions with affiliates; enter into sale and leaseback transactions; and make certain accounting changes. As a result of these restrictions, substantially all of the net assets of the Borrower are restricted from distribution to the Company or any holders of its equity.

(Amounts in thousands, except per share data, unless otherwise stated)

The New Revolving Credit Facility has a first priority lien on substantially all of the assets of MidCo, the Borrower and Ad-Juster, the Company's indirect subsidiary. The New Revolving Credit Facility requires the Borrower to remain in compliance with a maximum total net leverage ratio and a minimum fixed charge coverage ratio, each as defined in the Credit Agreement.

As of June 30, 2023 September 30, 2023, the maximum total net leverage ratio and minimum fixed charge coverage ratio is 3.5x and 1.25x, respectively. The Borrower was in compliance with all covenants under the New Revolving Credit Facility as of June 30, 2023 September 30, 2023.

During the three months ended March 31, 2023, the Company borrowed and repaid \$50.0 million on the New Revolving Credit Facility. As of June September 30, 2023 and December 31, 2022, there was no outstanding debt under the New Revolving Credit Facility.

9.10. Income Tax

The Company's quarterly income tax provision is calculated using an estimated annual effective income tax rate ("ETR") based on historical information and forward-looking estimates. The Company's estimated annual ETR may fluctuate due to changes in forecasted annual pre-tax income, and changes to forecasted permanent book to tax differences (e.g., non-deductible expenses).

The Company's ETR for a particular reporting period may fluctuate as the result of changes to the valuation allowance for net deferred tax assets, the impact of anticipated tax settlements with federal, state, or foreign tax authorities, or the impact of tax law changes. The Company identifies items that are unusual and non-recurring in nature and treats these as discrete events. The tax effect of these discrete events is booked entirely in the quarter in which they occur.

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DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

During the three and six nine months ended June 30, 2023 September 30, 2023, the Company recorded an income tax provision of \$4.0 million \$6.2 million and \$9.5 million \$15.8 million, respectively, resulting in an effective tax rate of 23.1% 31.8% and 27.2% 29.1%, that includes discrete items primarily due to the effects of various permanent book-to-tax adjustments, foreign tax rate differences, U.S. tax on foreign operations, and U.S. state/local taxes, which represent a rate impact of (10.4% (0.1%) and (6.2% (3.5%)), respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, the Company recorded an income tax provision of \$2.5 million \$3.6 million and \$0.5 million \$4.1 million, respectively, resulting in an effective tax rate of 19.6% 25.9% and 3.3% 14.1%. These effective tax rates differ from the U.S. federal statutory rate primarily due to the effects of various permanent book-to-tax adjustments, foreign tax rate differences, U.S. tax on foreign operations, and U.S. state/local taxes.

A valuation allowance has been established against a small amount of foreign capital losses and certain U.S. tax loss carryforwards. All other net deferred tax assets have been determined to be more likely than not realizable. The Company regularly reviews its deferred tax assets for recoverability and would establish a valuation allowance if it believed that such assets may not be recovered, taking into consideration historical operating results, expectations of future earnings, changes in its operations, and the expected timing of the reversals of existing temporary differences.

The deferred tax assets have been determined to be more likely than not realizable. The Company regularly reviews its deferred tax assets for recoverability and would establish a valuation allowance if, based upon both positive and negative evidence, it believed that such assets may not be recovered.

The Company accounts for uncertainty in income taxes utilizing ASC 740-10, "Income Taxes." ASC 740-10 clarifies whether or not to recognize assets or liabilities for tax positions taken that may be challenged by a tax authority. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken. This interpretation also provides guidance on

derecognition, classification, interest and penalties, accounting in interim periods, and disclosures. The application of ASC 740-10 requires judgment related to the uncertainty in income taxes and could impact the Company's effective tax rate.

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DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

DoubleVerify and its subsidiaries file income tax returns with the Internal Revenue Service ("IRS") in various state and international jurisdictions. The Company's Israeli subsidiary is under audit by the Israeli Tax Authority for the 2016-2018 tax years. Also, under audit by the Commonwealth of Massachusetts is the Company's U.S subsidiary for the 2019 and 2020 tax years. These examinations may lead to ordinary course adjustments or proposed adjustments to the Company's taxes. Aside from the aforementioned, the Company is not currently under audit in any other jurisdiction.

10, 11. Earnings Per Share

The following table reconciles the numerators and denominators used in computations of the basic and diluted EPS for the three and six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Numerator:								
Net Income (basic and diluted)	\$ 12,839	\$ 10,290	\$ 25,014	\$ 14,869	\$ 13,347	\$ 10,331	\$ 38,361	\$ 25,200
Denominator:								
Weighted-average common shares outstanding	166,540	163,610	166,088	163,114	168,606	164,297	166,937	163,512
Dilutive effect of share-based awards	5,948	6,613	6,041	7,245	5,374	6,579	5,875	7,046
Weighted-average dilutive shares outstanding	172,488	170,223	172,129	170,359	173,980	170,876	172,812	170,558
Basic earnings per share	\$ 0.08	\$ 0.06	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.23	\$ 0.15
Diluted earnings per share	\$ 0.07	\$ 0.06	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.22	\$ 0.15

Approximately 8.6 million 7.7 million and 7.7 million 7.8 million weighted average shares issuable under stock-based awards were not included in the diluted EPS calculation in the three and six nine months ended June 30, 2023 September 30, 2023, respectively, because they were antidilutive.

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DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

Approximately 5.5 million and 5.2 million 5.3 million weighted average shares issuable under stock-based awards were not included in the diluted EPS calculation in each of the three and six nine months ended June 30, 2022, respectively, September 30, 2022 because they were also antidilutive.

11, 12. Stock-Based Compensation

Employee Equity Incentive Plan

On September 20, 2017, the Company established its 2017 Omnibus Equity Incentive Program (the "2017 Plan") which provides for the granting of equity-based awards to certain employees, directors, independent contractors, consultants and agents. Under the 2017 Plan, the Company may grant non-qualified stock options, stock appreciation rights, restricted stock units, and other stock-based awards.

On April 19, 2021, the Company established its 2021 Omnibus Equity Incentive Plan ("2021 Equity Plan"). The 2021 Equity Plan provides for the grant of stock options (including qualified incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, and other stock or cash settled incentive awards.

Options become exercisable subject to vesting schedules up to four years from the date of the grant and subject to certain timing restrictions upon an employee's separation of service and no later than 10 years after the grant date.

Restricted stock units are subject to vesting schedules up to four years from the date of the grant and subject to certain restrictions upon employee separation.

A summary of stock option activity as of and for the six months ended June 30, 2023 is as follows:

	Stock Option			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	
Outstanding as of December 31, 2022	11,861	\$ 13.43	7.17	\$ 129,323
Options granted	850	25.03		
Options exercised	(1,295)	4.46		
Options forfeited	(63)	26.03		
Outstanding as of June 30, 2023	11,353	\$ 15.25	7.07	\$ 268,700
Options expected to vest as of June 30, 2023	4,071	\$ 23.55	8.51	\$ 62,578
Options exercisable as of June 30, 2023	6,989	\$ 9.96	6.13	\$ 202,429

Stock options include grants to executives that contain both market-based and performance-based vesting conditions. There were no stock options granted that contain both market-based and performance-based vesting conditions during the six months ended June 30, 2023. During the six months ended June 30, 2023, 85 stock options were exercised and 1,941 market-based and performance-based stock options remain outstanding as of June 30, 2023.

The weighted average grant date fair value of options granted during the six months ended June 30, 2023 and June 30, 2022 was \$12.36 and \$11.69, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2023 and June 30, 2022 was \$34.1 million and \$15.9 million, respectively.

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DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

A summary of stock option activity as of and for the nine months ended September 30, 2023 is as follows:

	Stock Option			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	
			(Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	11,861	\$ 13.43	7.17	\$ 129,323
Options granted	861	25.24		
Options exercised	(1,942)	3.97		
Options forfeited	(64)	25.86		
Outstanding as of September 30, 2023	10,716	\$ 16.02	6.96	\$ 138,907
Options expected to vest as of September 30, 2023	3,642	\$ 24.17	8.34	\$ 19,273
Options exercisable as of September 30, 2023	6,842	\$ 11.33	6.15	\$ 119,013

Stock options include grants to executives that contain both market-based and performance-based vesting conditions. There were no stock options granted that contain both market-based and performance-based vesting conditions during the nine months ended September 30, 2023. During the nine months ended September 30, 2023, 354 stock options were exercised and 1,672 market-based and performance-based stock options remain outstanding as of September 30, 2023.

The weighted average grant date fair value of options granted during the nine months ended September 30, 2023 and September, 2022 was \$12.46 and \$11.44, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2023 and September 30, 2022 was \$54.1 million and \$27.5 million, respectively.

The fair market value of each option granted during the six nine months ended June 30, 2023 September 30, 2023 has been estimated on the grant date using the Black-Scholes-Merton option-pricing model with the following assumptions:

	2023
Risk - free interest rate (percentage)	3.6
Expected term (years)	6.1
Expected dividend yield (percentage)	—
Expected volatility (percentage)	46.5

The Company's board of directors (the "Board") did not declare or pay dividends on any Company stock during the six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022.

A summary of restricted stock unit activity as of and for the six nine months ended June 30, 2023 September 30, 2023 is as follows:

	Restricted Stock Units		Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2022	3,154	\$ 27.07	3,154	\$ 27.07
Granted	2,197	25.39	2,485	26.55
Vested	(599)	25.88	(972)	25.88
Forfeited	(124)	27.10	(144)	27.32
Outstanding as of June 30, 2023	4,628	\$ 26.43		
Outstanding as of September 30, 2023			4,523	\$ 27.04

The total grant date fair value of restricted stock units that vested during the six nine months ended June 30, 2023 September 30, 2023 was \$15.5 million \$25.2 million.

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DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

As of **June 30, 2023** **September 30, 2023**, unrecognized stock-based compensation expense was **\$139.4 million** **\$134.9 million**, which is expected to be recognized over a weighted-average period of **1.5** **1.4** years.

Total stock-based compensation expense recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								
Product development	\$ 5,975	\$ 3,544	\$ 10,354	\$ 6,910	\$ 6,235	\$ 3,665	\$16,589	\$10,575
Sales, marketing and customer support	4,746	2,587	8,253	6,416	4,945	4,302	13,198	10,718
General and administrative	4,446	3,128	8,373	6,927	4,611	3,004	12,984	9,931
Total stock-based compensation	\$ 15,167	\$ 9,259	\$ 26,980	\$ 20,253	\$15,791	\$10,971	\$42,771	\$31,224

Employee Stock Purchase Plan

In March 2021, the Board approved the Company's 2021 Employee Stock Purchase Plan ("ESPP"), and employees became eligible to enroll in August 2021. Purchases are accomplished through participation in discrete offering periods. The ESPP is available to U.S.-based employees and was expanded to most of the Company's non-U.S.-based employees in 2022. The current offering period began on June 1, 2023 and will end on November 30, 2023. The Company expects the program to continue consecutively for six-month offering periods for the foreseeable future.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

Under the ESPP, eligible employees are able to acquire shares of the Company's common stock by accumulating funds through payroll deductions. The purchase price for shares of common stock purchased under the ESPP is 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of the applicable offering period. Employees are required to hold shares purchased for a minimum of six months following the purchase date.

Stock-based compensation expense for the ESPP is recognized on a straight-line basis over the requisite service period of each award. Stock-based compensation expense related to the ESPP totaled \$0.2 million and **\$0.3 million** **\$0.6 million** for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**. Stock-based compensation expense related to the ESPP totaled **\$0.1 million** **\$0.2 million** and **\$0.2 million** **\$0.4 million** for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, respectively.

12 13. Supplemental Financial Statement Information
Accrued Expenses

Accrued expenses as of June 30, 2023 September 30, 2023 and December 31, 2022 were as follows:

(in thousands)	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Vendor payments	\$ 5,398	\$ 4,824	\$ 6,485	\$ 4,824
Employee commissions and bonuses	14,930	17,718	14,159	17,718
Payroll and other employee related expense	12,846	7,024	15,991	7,024
401k and pension expense	1,469	2,144	2,257	2,144
Other taxes	2,302	1,375	2,859	1,375
Total accrued expenses	\$ 36,945	\$ 33,085	\$ 41,751	\$ 33,085

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DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

Other (Income) Expense, Net

Other (income) expense, net primarily consists of interest income and the impact of foreign currency transaction gains and losses associated with monetary assets and liabilities. For the three and six months ended June 30, 2023 September 30, 2023, Other (income) expense, net was \$2.5 million \$1.6 million and \$5.2 million \$6.8 million, respectively, primarily consisting of interest income earned on interest-bearing monetary assets. For the three and six months ended June 30, 2022, Other (income) expense, net was \$0.1 million and \$0.2 million, respectively, primarily related to assets, offset by losses from changes in foreign exchange rates. For the three and nine months ended September 30, 2022, Other (income) expense, net was \$0.2 million and \$0.4 million, respectively, primarily consisting of losses from changes in foreign exchange rates, offset by interest income earned on interest-bearing monetary assets.

13. 14. Commitments and Contingencies

Contingencies

Litigation

From time to time, the Company is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. The Company records liabilities for contingencies including legal costs when it is probable that a liability has been incurred and when the amount can be reasonably estimated. Legal costs are expensed as incurred. Although the outcome of the various legal proceedings and claims cannot be predicted with certainty, management does not believe that any of these proceedings or other claims will have a material effect on the Company's business, financial condition, results of operations or cash flows.

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DoubleVerify Holdings, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in thousands, except per share data, unless otherwise stated)

14. 15. Segment Information

The Company has determined that it operates as one operating and reportable segment. The Company's chief operating decision maker reviews financial information on a consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate resources and measure performance.

15, 16. Subsequent Events

On July 18, 2023 October 24, 2023, the Company granted 11 57 stock options and 90 201 restricted stock units to employees under the 2021 Equity Plan.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report and our audited financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2022. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in our Annual Report on Form 10-K for the year ended December 31, 2022 and elsewhere in this Quarterly Report, including under the heading "Special Note Regarding Forward-Looking Statements."

Company Overview

DoubleVerify is a leading software platform for digital media measurement and analytics. Our mission is to create stronger, safer, more secure digital transactions that drive optimal outcomes for global advertisers. Through our software platform and the metrics it provides, we help preserve the fair value exchange in the digital advertising marketplace.

Our customers include many of the largest global advertisers and digital ad platforms and publishers. We deliver our suite of measurement solutions through a robust and scalable software platform that provides our customers with unified data analytics. We provide a consistent, cross-platform measurement standard across all major forms of digital media, making it easier for advertiser and supply-side customers to benchmark performance across all of their digital ads and to optimize business outcomes in real time. In 2022, our coverage spanned nearly 100 countries where our customers activate our services and covers all key digital media channels, formats and devices.

We derive revenue from our advertiser customers based on the volume of media transactions, or ads, that our software platform measures ("Media Transactions Measured"). Advertisers utilize the DV Authentic Ad, our definitive metric of digital media quality, to evaluate the existence of fraud, brand safety, viewability and geography for each digital ad. Advertisers pay us an analysis fee ("Measured Transaction Fee") per thousand impressions based on the volume of Media Transactions Measured on their behalf. We maintain an expansive set of direct integrations across the entire digital advertising ecosystem, including with leading programmatic, CTV, and social platforms, which enable us to deliver our metrics to the platforms where our customers buy ads. Further, our services are not reliant on any single source of impressions and we can service our customers as their digital advertising needs change.

We generate revenue from supply-side customers based on monthly or annual contracts with minimum guarantees and tiered pricing when guarantees are met.

Components of Our Results of Operations

We manage our business operations and report our financial results in a single segment.

Revenue

Our customers use our solutions to measure the effectiveness of their digital advertisements. We generate revenue from our advertising customers based on the volume of Media Transactions Measured on our software platform, and for supply-side customers, based

on contracts with minimum guarantees or contracts that have tiered pricing after minimum guarantees are achieved. Our existing customer base has remained largely stable, and our gross revenue retention rate was over 95% for the three months ended **June 30, 2023** **September 30, 2023**. We define our gross revenue retention rate as the total prior period revenue earned from advertiser customers, less the portion of prior period revenue attributable to lost advertiser customers, divided by the total prior period revenue from advertiser customers, excluding a portion of our revenues that cannot be allocated to specific advertiser customers.

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For **each of the three and nine months ended June 30, 2023 and June 30, 2022** **September 30, 2023**, we generated 92% **and 91%** of our revenue **respectively**, from advertiser customers. For **each of the six three and nine months ended June 30, 2023 and June 30, 2022** **September 30, 2022**, we generated 91% **and 90%**, of our revenue **respectively**, from advertiser customers. Advertisers can purchase our services to measure the quality and performance of ads after they are purchased directly from digital properties, including publishers and social media platforms, which we track as Measurement revenue. Advertisers can also purchase our services through programmatic and social media platforms to evaluate the quality of ad inventories before they are purchased, which we track as Activation revenue. We generate revenue from advertisers by charging a Measured Transaction Fee based on the volume of Media Transactions Measured on behalf of our customers. We recognize revenue from advertisers in the period in which we provide our measurement solutions.

For **each of the three and nine months ended June 30, 2023 and June 30, 2022** **September 30, 2023**, we generated 8% **and 9%** of our revenue **respectively**, from supply-side customers who use our data analytics to validate the quality of their ad inventory and provide data to their customers to facilitate targeting and purchasing of digital ads, which we refer to as Supply-side revenue. For **each of the six three and nine months ended June 30, 2023 and 2022** **September 30, 2022**, Supply-side revenue comprised 9% **and 10%** of revenue, **respectively**. We generate revenue for certain supply-side arrangements that include minimum guaranteed fees that reset monthly and are recognized on a straight-line basis over the access period, which is usually twelve months. For contracts that contain overages, once the minimum guaranteed amount is achieved, overages are recognized as earned over time based on a tiered pricing structure.

The following table disaggregates revenue between advertiser customers, where revenue is generated based on number of ads measured for Measurement or measured and purchased for Activation, and Supply-side customers.

Revenue by customer type:	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022		2023		2022		2023		2022	
	(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)	
Activation	\$ 77,942	\$ 60,495	\$ 17,447	29 %	\$ 147,834	\$ 113,526	\$ 34,308	30 %	\$ 81,700	\$ 62,170	\$ 19,530	31 %	\$ 229,534	\$ 175,696	\$ 53,838	31 %
Measurement	44,989	38,903	6,086	16	86,374	72,737	13,637	19	51,263	38,847	12,416	32	137,637	111,584	26,053	23
Supply-side customer	10,813	10,407	406	4	22,130	20,265	1,865	9	11,011	11,237	(226)	(2)	33,141	31,502	1,639	5
Total revenue	\$ 133,744	\$ 109,805	\$ 23,939	22 %	\$ 256,338	\$ 206,528	\$ 49,810	24 %	\$ 143,974	\$ 112,254	\$ 31,720	28 %	\$ 400,312	\$ 318,782	\$ 81,530	26 %

Operating Expenses

Our operating expenses consist of the following categories:

Cost of revenue. Cost of revenue primarily consists of platform hosting fees, data center costs, software and other technology expenses, and other costs directly associated with data infrastructure; personnel costs, including salaries, bonuses, stock-based compensation and benefits, directly associated with the support and delivery of our software platform and data solutions; and costs from revenue-sharing arrangements with our partners.

Product development. Product development expenses primarily consist of personnel costs, including salaries, bonuses, stock-based compensation and benefits, third party vendors and outsourced engineering services, and allocated overhead. Overhead costs such as information technology infrastructure, rent and occupancy charges are allocated based on headcount. Product development expenses are

expensed as incurred, except to the extent that such costs are associated with software development that qualifies for capitalization, which are then recorded as capitalized software development costs included in Property, plant and equipment, net on our Condensed Consolidated Balance Sheets. Capitalized software development costs are amortized to depreciation and amortization.

Sales, marketing, and customer support. Sales, marketing, and customer support expenses primarily consist of personnel costs directly associated with sales, marketing, and customer support departments, including salaries, bonuses, commissions, stock-based compensation and benefits, and allocated overhead. Overhead costs such as information technology infrastructure, rent and occupancy charges are allocated based on headcount. Sales and marketing expense also includes costs for promotional marketing activities, advertising costs, and attendance at events and trade shows. Sales commissions are expensed as incurred.

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General and administrative. General and administrative expenses primarily consist of personnel expenses associated with our executive, finance, legal, human resources and other administrative employees. General and administrative expenses also include professional fees for external accounting, legal, investor relations and other consulting services, expenses to operate as a public company, including costs to comply with rules and regulations applicable to companies listed on a U.S. securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, other overhead expenses including insurance, as well as third-party costs related to acquisitions.

Interest expense. Interest expense for the three months ended **June 30, 2023** **September 30, 2023** and **June 30, 2022** **September 30, 2022** consists primarily of debt issuance costs, commitment fees associated with the unused portion of the New Revolving Credit Facility, interest on balances that were outstanding under the New Revolving Credit Facility and interest on finance leases. The New Revolving Credit Facility bears interest at SOFR plus an applicable margin per annum. See "Liquidity and Capital Resources—Debt Obligations."

Other (income) expense. Other (income) expense consists primarily of interest earned on interest-bearing monetary assets and gains and losses on foreign currency transactions.

Results of Operations

Comparison of the Three and Six Nine Months Ended **June 30, 2023** **September 30, 2023** and **June 30, 2022** **September 30, 2022**

The following table shows our Condensed Consolidated Results of Operations:

	Three Months Ended June 30,		Change	Change	Six Months Ended June 30,		Change	Change	Three Months Ended September 30,		Change	Change	Nine Months Ended September 30,		Change
	2023	2022			2023	2022			2023	2022			2023	2022	
	(In Thousands)				(In Thousands)				(In Thousands)				(In Thousands)		
Revenue	\$ 133,744	\$ 109,805	\$ 23,939	22 %	\$ 256,338	\$ 206,528	\$ 49,810	24 %	\$ 143,974	\$ 112,254	\$ 31,720	28 %	\$ 400,312	\$ 318,782	\$ 81,530
Cost of revenue (exclusive of depreciation and amortization shown separately below)	26,191	18,836	7,355	39	50,143	35,713	14,430	40	26,466	19,323	7,143	37	76,609	55,036	21,573
Product development	31,941	23,222	8,719	38	60,496	44,810	15,686	35	32,315	23,932	8,383	35	92,811	68,742	24,069
Sales, marketing and customer support	31,537	24,733	6,804	28	57,249	51,417	5,832	11	32,971	27,118	5,853	22	90,220	78,535	11,685

General and administrative	19,755	21,529	(1,774)	(8)	39,943	41,204	(1,261)	(3)	23,280	19,395	3,885	20	63,223	60,599	2,624
Depreciation and amortization	9,676	8,317	1,359	16	18,659	17,357	1,302	8	10,706	8,089	2,617	32	29,365	25,446	3,919
Income from operations	14,644	13,168	1,476	11	29,848	16,027	13,821	86	18,236	14,397	3,839	27	48,084	30,424	17,660
Interest expense	247	223	24	11	503	455	48	11	288	226	62	27	791	681	110
Other (income) expense, net	(2,476)	145	(2,621)	1,808	(5,210)	191	(5,401)	2,828	(1,633)	231	(1,864)	807	(6,843)	422	(7,265)
Income before income taxes	16,873	12,800	4,073	32	34,555	15,381	19,174	125	19,581	13,940	5,641	40	54,136	29,321	24,815
Income tax expense	4,034	2,510	1,524	61	9,541	512	9,029	1,763	6,234	3,609	2,625	73	15,775	4,121	11,654
Net income	\$ 12,839	\$ 10,290	\$ 2,549	25 %	\$ 25,014	\$ 14,869	\$ 10,145	68 %	\$ 13,347	\$ 10,331	\$ 3,016	29 %	\$ 38,361	\$ 25,200	\$ 13,161

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The following table sets forth our Condensed Consolidated Results of Operations for the specified periods as a percentage of our revenue for those periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue (exclusive of depreciation and amortization shown separately below)	20	17	20	17	18	17	19	17
Product development	24	21	24	22	22	21	23	22
Sales, marketing and customer support	24	23	22	25	23	24	23	25
General and administrative	15	20	16	20	16	17	16	19
Depreciation and amortization	7	8	7	8	7	7	7	8
Income from operations	11	12	12	8	13	13	12	10
Interest expense	—	—	—	—	—	—	—	—
Other (income) expense, net	(2)	—	(2)	—	(1)	—	(2)	—

Income before income taxes	13	12	13	7	14	12	14	9
Income tax expense	3	2	4	—	4	3	4	1
Net income	10 %	9 %	10 %	7 %	9 %	9 %	10 %	8 %

Revenue

Total revenue increased by \$23.9 million \$31.7 million, or 22% 28%, from \$109.8 million \$112.3 million in the three months ended June 30, 2022 September 30, 2022 to \$133.7 million \$144.0 million in the three months ended June 30, 2023 September 30, 2023. Total revenue increased by \$49.8 million \$81.5 million, or 24% 26%, from \$206.5 million \$318.8 million in the six nine months ended June 30, 2022 September 30, 2022 to \$256.3 million \$400.3 million in the six nine months ended June 30, 2023 September 30, 2023.

Total Advertiser revenue increased by \$23.5 million \$31.9 million, or 24% 32%, in the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022, driven primarily by a 24% 27% increase in Media Transactions Measured while and a 2% increase in Measured Transaction Fees remained unchanged. Fees. Total Advertiser revenue increased by \$47.9 million \$79.9 million, or 26% 28%, in the six nine months ended June 30, 2023 September 30, 2023 as compared to the six nine months ended June 30, 2022 September 30, 2022, driven primarily by a 24% 25% increase in Media Transactions Measured and a 2% increase in Measured Transaction Fees.

Activation revenue increased by \$17.4 million \$19.5 million, or 29% 31%, in the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022, driven primarily by greater adoption of our Authentic Brand Suitability (ABS) solution as well as by new customers activating our core (non-ABS) programmatic solutions. Activation revenue increased by \$34.3 million \$53.8 million, or 30% 31%, in the six nine months ended June 30, 2023 September 30, 2023 as compared to the six nine months ended June 30, 2022 September 30, 2022, driven primarily by greater adoption of our Authentic Brand Suitability (ABS) solution as well as by new customers activating our core (non-ABS) programmatic solutions.

Measurement revenue grew \$6.1 million increased \$12.4 million, or 16% 32%, in the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022, driven primarily by the increased adoption of our social measurement solutions by existing and new customers both within and outside the United States. Measurement revenue grew \$13.6 million increased \$26.1 million, or 19% 23%, in the six nine months ended June 30, 2023 September 30, 2023 as compared to the six nine months ended June 30, 2022 September 30, 2022, driven primarily by new customers and expansions by existing customers, both within and outside the United States.

Supply-side revenue grew \$0.4 million decreased \$0.2 million, or 4% 2%, in the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022, as industry consolidation resulted in a loss in platform revenue. Supply-side revenue increased \$1.6 million, or 5%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, driven primarily by an increase in revenue from existing customers and from new platform customers. Supply-side customers, partially offset by a loss in platform revenue grew \$1.9 million, or 9%, in the six months ended June 30, 2023 as compared due to the six months ended June 30, 2022, driven primarily by an increase in revenue from existing customers and from new platform customers. industry consolidation.

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Cost of Revenue (exclusive of depreciation and amortization shown below)

Cost of revenue increased by \$7.4 million \$7.1 million, or 39% 37%, from \$18.8 million \$19.3 million in the three months ended June 30, 2022 September 30, 2022 to \$26.2 million \$26.5 million in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to growth in our Activation revenue which drove increases in partner costs from revenue-sharing arrangements, as well as accelerated investments in cloud services to provide scale and flexibility necessary to support future growth. Cost of revenue increased by \$14.4 million \$21.6 million, or 40% 39%, from \$35.7 million \$55.0 million in the six nine months ended June 30, 2022 September 30, 2022 to \$50.1 million \$76.6 million in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to growth in our Activation

revenue which drove increases in partner costs from revenue-sharing arrangements, as well as accelerated investments in cloud services to provide scale and flexibility necessary to support future growth.

Product Development Expenses

Product development expenses increased by \$8.7 million \$8.4 million, or 38% 35%, from \$23.2 million \$23.9 million in the three months ended June 30, 2022 September 30, 2022 to \$31.9 million \$32.3 million in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in personnel costs, including stock-based compensation, of \$6.8 million \$7.1 million, and an increase in third-party software costs and outsourced engineering services professional fees of \$1.3 million \$1.2 million primarily to support product development efforts. Product development expenses increased by \$15.7 million \$24.1 million, or 35%, from \$44.8 million \$68.7 million in the six nine months ended June 30, 2022 September 30, 2022 to \$60.5 million \$92.8 million in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in personnel costs, including stock-based compensation, of \$12.2 million \$19.4 million, and an increase in third-party software costs and outsourced engineering services professional fees of \$2.3 million \$3.5 million primarily to support product development efforts.

Sales, Marketing and Customer Support Expenses

Sales, marketing and customer support expenses increased by \$6.8 million \$5.9 million, or 28% 22%, from \$24.7 million \$27.1 million in the three months ended June 30, 2022 September 30, 2022 to \$31.5 million \$33.0 million in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in personnel costs, including stock-based compensation and sales commissions, of \$6.2 million \$4.2 million, an increase in marketing activities, including advertising, promotions, events and other activities of \$0.3 million \$0.1 million, and an increase in personnel travel and entertainment expenses to support marketing and sales activities of \$0.2 million \$0.6 million. Sales, marketing and customer support expenses increased by \$5.8 million \$11.7 million, or 11% 15%, from \$51.4 million \$78.5 million in the six nine months ended June 30, 2022 September 30, 2022 to \$57.2 million \$90.2 million in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in personnel costs, including stock-based compensation and sales commissions, of \$4.4 million \$8.6 million, an increase in marketing activities, including advertising, promotions, events and other activities of \$0.8 million \$0.9 million, and an increase in personnel travel and entertainment expenses to support marketing and sales activities of \$0.6 million \$1.2 million.

General and Administrative Expenses

General and administrative expenses decreased increased by \$1.8 million \$3.9 million, or 8% 20%, from \$21.5 million \$19.4 million in the three months ended June 30, 2022 September 30, 2022 to \$19.8 million \$23.3 million in the three months ended June 30, 2023 September 30, 2023. Personnel costs, including stock-based compensation, increased by \$1.3 million \$2.4 million. In addition, professional services costs related to the acquisition of Scibids were \$0.9 million during the three months ended September 30, 2023.

General and administrative expenses increased by \$2.6 million, or 4%, from \$60.6 million in the nine months ended September 30, 2022 to \$63.2 million in the nine months ended September 30, 2023. Personnel costs, including stock-based compensation, increased by \$4.6 million. Bad debt expenses increased by \$1.5 million primarily related to \$3.3 million, including a reserve established in connection with outstanding amounts owed to the Company by its activation partner, MediaMath Holdings, Inc., which filed for Chapter 11 bankruptcy protection on June 30, 2023. M&A costs increased \$0.4 million. Cost increases were offset by a \$0.8 million \$1.3 million decrease in insurance costs, and a \$0.7 million decrease of \$4.5 million in professional services costs and other costs of \$2.6 million that did not recur in the three nine months ended June 30, 2023 September 30, 2023, which include costs related to the departures of the Company's former Chief Operating Officer and Chief Customer Officer, the impairment of subleased office space and the disposal of furniture for unoccupied lease office space.

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General and administrative expenses decreased by \$1.3 million, or 3%, from \$41.2 million in the six months ended June 30, 2022 to \$39.9 million in the six months ended June 30, 2023. Personnel costs, including stock-based compensation, increased by \$2.2 million. Bad debt expenses increased by \$1.7 million primarily related to a reserve established in connection with outstanding amounts owed to the Company by its activation partner, MediaMath Holdings, Inc., which filed for Chapter 11 bankruptcy protection on June 30, 2023. Cost increases were offset by a \$0.7 million decrease in insurance costs, a \$0.6 million decrease in professional services costs and other costs of \$3.5 million that did

not recur in the six months ended June 30, 2023, which include costs related to the departures of the Company's former Chief Operating Officer and Chief Customer Officer, the impairment of subleased office space and the disposal of furniture for unoccupied lease office space.

Depreciation and Amortization

Depreciation and amortization increased by \$1.4 million \$2.6 million, or 16% 32%, from \$8.3 million \$8.1 million in the three months ended June 30, 2022 September 30, 2022, to \$9.7 million \$10.7 million in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in capitalized software development costs, and an increase in leasehold improvements at the Company's new global headquarters, headquarters, and an increase in intangible assets related to the acquisition of Scibids. Depreciation and amortization increased by \$1.3 million \$3.9 million, or 8% 15%, from \$17.4 million \$25.4 million in the six nine months ended June 30, 2022 September 30, 2022 to \$18.7 million \$29.4 million in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in capitalized software development costs, and an increase in leasehold improvements at the Company's new global headquarters, headquarters, and an increase in intangible assets related to the acquisition of Scibids.

Interest Expense

Interest expense increased by less than \$0.1 million, from \$0.2 million in the three months ended June 30, 2022 September 30, 2022 to \$0.2 million \$0.3 million in the three months ended June 30, 2023 September 30, 2023 due to an increase in finance lease payments. Interest expense increased by less than \$0.1 million, from \$0.5 million \$0.7 million in the six nine months ended June 30, 2022 September 30, 2022 to \$0.5 million \$0.8 million in the six nine months ended June 30, 2023 September 30, 2023 due to an increase in finance lease payments.

Other (Income) Expense, Net

Other (income) expense, net increased by \$2.6 million \$1.9 million, from an expense of \$0.1 million \$0.2 million in the three months ended June 30, 2022 September 30, 2022 to income of \$2.5 million \$1.6 million in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in interest earned on interest-bearing monetary assets, assets, offset by losses from changes in foreign exchange rates. Other (income) expense, net increased by \$5.4 million \$7.3 million, from an expense of \$0.2 million \$0.4 million in the six nine months ended June 30, 2022 September 30, 2022 to income of \$5.2 million \$6.8 million in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in interest earned on interest-bearing monetary assets, assets, offset by losses from changes in foreign exchange rates.

Income Tax Expense

Income tax expense increased by \$1.5 million \$2.6 million from a \$2.5 million \$3.6 million expense in the three months ended June 30, 2022 September 30, 2022 to a \$4.0 million \$6.2 million expense in the three months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in pre-tax book income and permanent book-to-tax income adjustments. Income tax expense increased by \$9.0 million \$11.7 million from a \$0.5 million \$4.1 million expense in the six nine months ended June 30, 2022 September 30, 2022 to a \$9.5 million \$15.8 million expense in the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to an increase in pre-tax book income and permanent book-to-tax income adjustments.

Adjusted EBITDA

In addition to our results determined in accordance with GAAP, Management management believes that certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA Margin, are useful in evaluating our business. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue. The following table presents a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with GAAP.

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	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	(In Thousands)		(In Thousands)		(In Thousands)		(In Thousands)	
Net income	\$ 12,839	\$ 10,290	\$ 25,014	\$ 14,869	\$ 13,347	\$ 10,331	\$ 38,361	\$ 25,200

Net income margin	10%	9%	10%	7%	9%	9%	10%	8%
Depreciation and amortization	9,676	8,317	18,659	17,357	10,706	8,089	29,365	25,446
Stock-based compensation	15,167	9,259	26,980	20,253	15,791	10,971	42,771	31,224
Interest expense	247	223	503	455	288	226	791	681
Income tax expense	4,034	2,510	9,541	512	6,234	3,609	15,775	4,121
M&A and restructuring costs (a)	700	527	700	1,180	921	39	1,621	1,219
Offering, IPO readiness and secondary offering costs (b)	122	—	309	—	286	726	595	726
Other (recoveries) costs (c)	(266)	2,690	(533)	3,887	(267)	(228)	(800)	3,659
Other (income) expense (d)	(2,476)	145	(5,210)	191	(1,633)	231	(6,843)	422
Adjusted EBITDA	\$ 40,043	\$ 33,961	\$ 75,963	\$ 58,704	\$ 45,673	\$ 33,994	\$ 121,636	\$ 92,698
Adjusted EBITDA margin	30%	31%	30%	28%	32%	30%	30%	29%

- (a) M&A and restructuring costs for the three and six nine months ended June 30, 2023 September 30, 2023 consist of transaction costs related to the agreement to acquire acquisition of Scibids Technology SAS ("Scibids"). M&A and restructuring costs for the three and six nine months ended June 30, 2022 September 30, 2022 consist of transaction costs, integration and restructuring costs related to the acquisition of OpenSlate.
- (b) Offering, IPO readiness and secondary offering costs for the three and six nine months ended June 30, 2023 September 30, 2023 consist of third-party costs incurred for an underwritten secondary public offering offerings by certain stockholders of the Company. Offering, IPO readiness and secondary offering costs for the three and nine months ended September 30, 2022 consist of third-party costs incurred for the Company's filing of a "shelf" registration statement on Form S-3.
- (c) Other recoveries for the three and six nine months ended June 30, 2023 September 30, 2023 consist of sublease income for leased office space. For the three and six nine months ended June 30, 2022 September 30, 2022, other (recoveries) costs consist of sublease income for lease office space, offset by costs related to the departures of the Company's former Chief Operating Officer and Chief Customer Officer, impairment related to a subleased office space and costs related to the disposal of furniture for unoccupied lease office space, partially offset by sublease income. space.
- (d) Other (income) expense for the three and six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 consist of interest income earned on interest-bearing monetary assets, and of the impact of changes in foreign currency exchange rates.

We use Adjusted EBITDA and Adjusted EBITDA Margin as measures of operational efficiency to understand and evaluate our core business operations. We believe that these non-GAAP financial measures are useful to investors for period to period comparisons of our core business and for understanding and evaluating trends in operating results on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

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

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

In addition, other companies in our industry may calculate these non-GAAP financial measures differently, therefore limiting their usefulness as a comparative measure. You should compensate for these limitations by relying primarily on our GAAP results and using the non-GAAP financial measures only supplementally.

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Liquidity and Capital Resources

Our operations are financed primarily through cash generated from operations. As of **June 30, 2023** **September 30, 2023**, we had cash of **\$295.4 million** **\$259.2 million** and net working capital, consisting of current assets (excluding cash) less current liabilities, of **\$130.5 million** **\$135.4 million**.

We believe existing cash and cash generated from operations, together with the \$150.0 million undrawn balance under the New Revolving Credit Facility as of **June 30, 2023** **September 30, 2023**, will be sufficient to meet working capital and capital expenditure requirements for at least the next 12 months.

Total future capital requirements and the adequacy of available funds will depend on many factors, including those discussed above as well as the risks and uncertainties set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Debt Obligations

On March 10, 2023, we initiated a borrowing of \$50.0 million under the New Revolving Credit Facility and subsequently repaid \$50.0 million on March 17, 2023. As of **June 30, 2023** **September 30, 2023**, there was no outstanding debt under the New Revolving Credit Facility.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In Thousands)		(In Thousands)	
Cash flows provided by operating activities	\$ 32,164	\$ 26,549	\$ 67,686	\$ 58,361
Cash flows (used in) investing activities	(7,671)	(13,606)	(79,549)	(27,719)
Cash flows provided by (used in) financing activities	3,114	(10,067)	3,645	(8,547)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	15	(738)	(389)	(1,015)
Increase in cash, cash equivalents, and restricted cash	\$ 27,622	\$ 2,138		
(Decrease) increase in cash, cash equivalents, and restricted cash			\$ (8,607)	\$ 21,080

Operating Activities

Our cash flows from operating activities are primarily influenced by growth in our operations and by changes in our working capital. In particular, trade receivables increase in conjunction with our rapid growth in sales and decrease based on timing of cash receipts from our customers. The timing of payments of trade payables also impacts our cash flows from operating activities. We typically pay suppliers in advance of collections from our customers. Our collection and payment cycles can vary from period to period.

For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, cash provided by operating activities was **\$32.2 million** **\$67.7 million**, attributable to net income of **\$25.0 million** **\$38.4 million**, adjusted for non-cash charges of **\$36.4 million** **\$65.5 million** and **\$29.2 million** **\$36.2 million** use of cash from changes in operating assets and liabilities. Non-cash charges primarily consisted of **\$18.7 million** **\$29.4 million** in depreciation and amortization and **\$27.0 million** **\$42.8 million** in stock-based compensation, offset by **\$16.6 million** **\$19.7 million** in deferred taxes. The main drivers of the changes in operating assets and liabilities were a **\$23.4 million** **\$35.2 million** increase in trade receivables, prepaid

assets and other assets due mainly to increases in sales and prepayments, and a \$5.9 million \$1.0 million decrease in trade payables, accrued expenses and other liabilities primarily related to income tax payments.

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For the six nine months ended June 30, 2022 September 30, 2022, cash provided by operating activities was \$26.5 million \$58.4 million, attributable to net income of \$14.9 million \$25.2 million, adjusted for non-cash charges of \$42.3 million \$63.3 million and \$30.6 million \$30.1 million use of cash from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$17.4 million \$25.4 million in depreciation and amortization and \$20.3 million \$31.2 million in stock-based compensation. The main drivers of the changes in operating assets and liabilities were an increase in trade receivables, and prepaid assets and other assets of \$22.9 million \$26.0 million due mainly to timing of collections which vary from period to period, and a decrease of \$7.7 million \$4.2 million in accrued expense and other liabilities primarily related to the timing of employee related payroll tax liabilities.

Investing Activities

For the six nine months ended June 30, 2023 September 30, 2023, cash used in investing activities was \$79.5 million, including \$67.2 million attributable to the acquisition of \$7.7 million was Scibids and \$12.3 million attributable to purchases of property, plant and equipment, and capitalized software development costs. For the six nine months ended June 30, 2022 September 30, 2022, cash used in investing activities of \$13.6 million \$27.7 million was attributable to purchases of property, plant and equipment, including leasehold improvements for the Company's new global headquarters, and capitalized software development costs.

Financing Activities

For the six nine months ended June 30, 2023 September 30, 2023, cash provided by financing activities of \$3.1 million \$3.6 million was primarily due to \$5.8 million \$7.8 million proceeds from common stock issued upon exercise of stock options, offset by \$2.8 million \$3.7 million related to shares repurchased for settlement of employee tax withholding. For the six nine months ended June 30, 2022 September 30, 2022, cash used in financing activities of \$10.1 million \$8.5 million was primarily due to \$9.2 million \$9.7 million related to shares repurchased for settlement of employee tax withholding.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is 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 and assumptions for the reported amounts of assets and liabilities and related disclosures at the dates of the financial statements, and revenue and expenses during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material.

Some of the judgments that management makes in applying its accounting estimates in these areas are discussed in Note 2 to our audited Consolidated Financial Statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2022. Since the date of our most recent Annual Report on Form 10-K, there have been no material changes to our critical accounting policies and estimates.

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Item 3: Quantitative and Qualitative Disclosures about Market Risk

Market risks at **June 30, 2023** **September 30, 2023** have not materially changed from those discussed in the Annual Report on Form 10-K for the year ended December 31, 2022 under the heading “Quantitative and Qualitative Disclosures about Market Risk.”

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, as of **June 30, 2023** **September 30, 2023**. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported as and when required, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding its required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of **June 30, 2023** **September 30, 2023**.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended **June 30, 2023** **September 30, 2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls and Procedures

Management recognizes that a control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues have been detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Also, 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. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings that would, either individually or in the aggregate, have a material adverse effect on our business, financial condition or cash flows. We may, from time to time, be involved in legal proceedings arising in the normal course of business. The outcome of legal proceedings is unpredictable and may have an adverse impact on our business or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors described in the section titled “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2022 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

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

(a) Recent Sales of Unregistered Securities

Not applicable. On August 14, 2023, we issued an aggregate of 1,642 thousand shares of common stock to the former owners of Scibids as partial consideration for the acquisition of Scibids. The issuance of common stock was exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) thereof as a transaction by an issuer not involving any public offering. For more information, refer to Note 4, Business Combinations.

(b) Use of Proceeds

On April 23, 2021, we completed our IPO in which we sold 9,977 thousand shares of common stock at a public offering price of \$27.00 per share, which includes the full exercise of the underwriters' option to purchase 1,350 thousand additional shares from us. We received aggregate net proceeds of \$253.2 million from the IPO, after deducting underwriting discount fees of \$16.2 million. We incurred offering costs related to the IPO of approximately \$26.1 million, inclusive of underwriting discount fees. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-254380), which was declared effective by the SEC on April 20, 2021. The representatives of the underwriters of our IPO were Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.

In connection with the IPO, Providence and certain of our other existing stockholders sold an aggregate of 5,356 thousand shares of our common stock, which includes the full exercise of the underwriters' option to purchase 650 thousand additional shares of our common stock from Providence. We did not receive any proceeds from the sale of shares by these stockholders.

On April 23, 2021, concurrent with the completion of the IPO, an affiliate of Tiger Global Management, LLC ("Tiger Investor") purchased from us 1,111 thousand shares of our common stock in a private placement at a price per share equal to the IPO price of \$27.00. We received aggregate net proceeds of \$29.0 million from the concurrent private placement, after deducting fees of \$1.0 million.

On April 30, 2021, we used a portion of the net proceeds from the IPO and concurrent private placement to pay the entire outstanding balance under the New Revolving Credit Facility of \$22.0 million.

On August 31, 2021, we used a portion of the net proceeds from the IPO and concurrent private placement to purchase all of the outstanding stock of Meetrics for \$24.3 million.

On November 22, 2021, we used a portion of the net proceeds from the IPO and concurrent private placement to purchase all of the outstanding stock of OpenSlate for \$147.4 million, which included net cash of \$124.9 million and common stock transferred of \$22.5 million.

We expect to use a portion of the net proceeds from the IPO and concurrent private placement to acquire Scibids for \$125 million (approximately \$66 million of which will be paid in cash). Refer to Note 15, Subsequent Events for further details.

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PART II — OTHER INFORMATION

On August 14, 2023, we used a portion of the net proceeds from the IPO and concurrent private placement to purchase all of the outstanding stock of Scibids for \$121.4 million, which included net cash of \$67.2 million, common stock issued of \$52.9 million, and a fair value of the Scibids Contingent Payment of \$1.2 million.

There has been no material change in the planned use of the IPO net proceeds as described in our final prospectus, dated April 20, 2021 and filed with the SEC, pursuant to Rule 424(b)(4) under the Securities Act, on April 22, 2021 (the "Prospectus").

(c) Issuer Purchases of Equity Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable. *Securities Trading Plans of Directors and Executive Officers*

During the three months ended September 30, 2023, the following directors and "officers" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted, modified or terminated "Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K).

Julie Eddleman, Executive Vice President and Global Chief Commercial Officer. On August 17, 2023, Ms. Eddleman adopted a Rule 10b5-1 trading arrangement that provides for the sale from time to time of an aggregate of up to twelve thousand shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until July 3, 2024, or earlier if all transactions under the trading arrangement are completed.

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Item 6. Exhibits

Exhibit No.	Description
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†*	Certification of Chief 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 Chief 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†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.

* Pursuant to SEC Release No. 33-8212, this certification will be treated as “accompanying” this Quarterly Report and not “filed” as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

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

Date: July 31, 2023 November 9, 2023

DOUBLEVERIFY HOLDINGS, INC.

By: /s/ Mark Zagorski
Name: Mark Zagorski
Title: Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Nicola Allais
Name: Nicola Allais
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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**Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark Zagorski, certify that:

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

Date: July 31, November 9, 2023

/s/ Mark Zagorski

Mark Zagorski
Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Nicola Allais, certify that:

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

Date: July 31, November 9, 2023

/s/ Nicola Allais

Nicola Allais

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**Certifications 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**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark Zagorski, Chief Executive Officer (Principal Executive Officer) of DoubleVerify Holdings, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- 1) The Company's Quarterly Report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** (the "Report"), to which this certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **July 31, November 9, 2023**

/s/ Mark Zagorski

Mark Zagorski
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**Certifications 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**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Nicola Allais, Chief Financial Officer (Principal Financial Officer) of DoubleVerify Holdings, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- 1) The Company's Quarterly Report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** (the "Report"), to which this certification is attached as Exhibit 32.2, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **July 31, November 9, 2023**

/s/ Nicola Allais

Nicola Allais
Chief Financial Officer
(Principal Financial Officer)

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