

REFINITIV

DELTA REPORT

10-Q

CTV - INNOVID CORP.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1140

■ CHANGES	135
■ DELETIONS	236
■ ADDITIONS	769

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2024** **June 30, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 001-40048

Innovid Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

87-3769599

(I.R.S. Employer Identification Number)

30 Irving Place, 12th Floor

New York, New York

(Address of Principal Executive Offices)

10003

(Zip Code)

Registrant's telephone number, including area code: **+1(212) 966-7555**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	CTV	New York Stock Exchange
Warrants to purchase one share of Common stock, each at an exercise price of \$11.50 per share	CTVWS	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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	x
Non-accelerated filer	Smaller reporting company	x
	Emerging growth company	x

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

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

The registrant had outstanding **144,413,260** **146,407,446** shares of common stock as of **April 30, 2024** **July 30, 2024**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- our public securities' potential liquidity and trading;
- our ability to raise financing in the future;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- changes in applicable laws or regulations;
- our ability to maintain and expand relationships with advertisers;
- decreases and/or changes in CTV audience viewership behavior;
- Innovid's ability to make the right investment decisions and to innovate and develop new solutions;
- the accuracy of Innovid's estimates of market opportunity, forecasts of market growth and projections of future financial performance;
- the extent of investment required in Innovid's sales and marketing efforts;
- Innovid's ability to effectively manage its growth;
- sustained overall demand for advertising;
- actual or potential impacts of international conflicts and humanitarian crises on global markets;
- the continued acceptance of digital advertising by consumers and the impact of opt-in, opt-out or ad-blocking technologies;
- Innovid's ability to scale its platform and infrastructure to support anticipated growth and transaction volume;

- the impact of increasing competition in the digital advertising space, including with competitors who have significantly more resources; **and**
- other risks and uncertainties indicated in this report, including those set forth under the section titled "Risk Factors" and those incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report on Form 10-K"), which was filed with the Securities and Exchange Commission ("SEC") on February 29, 2024.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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

WHERE TO FIND MORE INFORMATION

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

Part I

Item 1. Financial Statements

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

	Assets	Assets	Assets
	March 31, 2024	December 31, 2023	December June 30, 2024 31, 2023
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Trade receivables, net (allowance for credit losses of \$316 and \$321 at March 31, 2024, and December 31, 2023, respectively)			
Trade receivables, net of allowance for credit losses of \$316 and \$321 at June 30, 2024, and December 31, 2023, respectively			
Prepaid expenses and other current assets			
Total current assets			
Long-term restricted deposits			
Property and equipment, net			
Goodwill			
Intangible assets, net			
Operating lease right of use asset			
Other non-current assets			
Total assets			
Current liabilities:			
Current liabilities:			

Current liabilities:		
Trade payables		
Trade payables		
Trade payables		
Employee and payroll accruals		
Lease liabilities—current portion		
Accrued expenses and other current liabilities		
Total current liabilities		
Long-term debt		
Lease liabilities—non-current portion		
Other non-current liabilities		
Warrants liability		
Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)
Stockholders' equity:		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at March 31, 2024, and December 31, 2023; Issued and outstanding: 140,136,905 and 141,194,179 at March 31, 2024, and December 31, 2023, respectively		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at March 31, 2024, and December 31, 2023; Issued and outstanding: 140,136,905 and 141,194,179 at March 31, 2024, and December 31, 2023, respectively		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at March 31, 2024, and December 31, 2023; Issued and outstanding: 140,136,905 and 141,194,179 at March 31, 2024, and December 31, 2023, respectively		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at June 30, 2024, and December 31, 2023; Issued and outstanding: 145,803,657 and 141,194,179 at June 30, 2024, and December 31, 2023, respectively		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at June 30, 2024, and December 31, 2023; Issued and outstanding: 145,803,657 and 141,194,179 at June 30, 2024, and December 31, 2023, respectively		
Common stock: \$0.0001 par value - Authorized: 500,000,000 at June 30, 2024, and December 31, 2023; Issued and outstanding: 145,803,657 and 141,194,179 at June 30, 2024, and December 31, 2023, respectively		
Additional paid-in capital		
Accumulated deficit		
Total stockholders' equity		
Total liabilities and stockholders' equity		

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

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

Three months ended March 31,

Revenue	
Revenue	
Revenue	
Cost of revenue (1)	
Cost of revenue (1)	
Cost of revenue (1)	
Research and development (1)	
Research and development (1)	
Research and development (1)	
Sales and marketing (1)	

Sales and marketing (1)	
Sales and marketing (1)	
General and administrative (1)	
General and administrative (1)	
General and administrative (1)	
Depreciation and amortization	
Depreciation and amortization	
Depreciation and amortization	
Goodwill impairment	
Goodwill impairment	
Goodwill impairment	
Operating loss	
Operating loss	
Operating loss	
Finance (income) expenses, net	
Finance (income) expenses, net	
Finance (income) expenses, net	
Finance income, net	
Finance income, net	
Finance income, net	
Loss before taxes	
Loss before taxes	
Loss before taxes	
Taxes on income	
Taxes on income	
Taxes on income	
Net loss	
Net loss	
Net loss	
Net loss per share common share—basic and diluted	
Net loss per share common share—basic and diluted	
Net loss per share common share—basic and diluted	
Weighted-average number of shares used in computing net loss per share:	
Weighted-average number of shares used in computing net loss per share:	
Weighted-average number of shares used in computing net loss per share:	
Basic and diluted	
Basic and diluted	
Basic and diluted	

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

(1) Exclusive of depreciation and amortization presented separately.

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

	Three months ended June 30, 2024			
	Three months ended June 30, 2024			
	Three months ended June 30, 2024			
	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
Shares				

Statement of Stockholders' Equity				
	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares			
Balance as of March 31, 2024				
Balance as of March 31, 2024				
Balance as of March 31, 2024				
Stock-based compensation				
Issuance of common stock:				
—exercised options and RSUs vested				
—exercised options and RSUs vested				
—exercised options and RSUs vested				
Net loss				
Balance as of June 30, 2024				
Three months ended June 30, 2023				
Three months ended June 30, 2023				
Three months ended June 30, 2023				
Common stock				
Shares				
Balance as of March 31, 2023				
Balance as of March 31, 2023				
Balance as of March 31, 2023				
Stock-based compensation				
Issuance of common stock:				
—exercised options and RSUs vested				
—exercised options and RSUs vested				
—exercised options and RSUs vested				
Net loss				
Balance as of June 30, 2023				
Six months ended June 30, 2024				
Six months ended June 30, 2024				
Six months ended June 30, 2024				
Common stock				
Shares				
Balance as of December 31, 2023				
Balance as of December 31, 2023				
Balance as of December 31, 2023				
Stock-based compensation				
Issuance of common stock:				

	Six months ended June 30, 2023			Six months ended June 30, 2023			Six months ended June 30, 2023		
	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity	
	Shares				Shares				
Balance as of December 31, 2022									
Balance as of December 31, 2022									
Balance as of December 31, 2022									
Stock-based compensation									
Issuance of common stock									
Issuance of common stock:									
—exercised options and RSUs vested									
—exercised options and RSUs vested									
—exercised options and RSUs vested									
Net loss									
Balance as of March 31, 2023									
Common stock									
Common stock									
Common stock									
	Shares	Additional paid-in capital	Accumulated deficit	Total stockholders' equity					
Balance as of December 31, 2023									
Balance as of December 31, 2023									
Balance as of December 31, 2023									
Stock-based compensation									
Issuance of common stock									
—exercised options and RSUs vested									
—exercised options and RSUs vested									
—exercised options and RSUs vested									
Net loss									

Balance as of March

31, 2024

Balance as of June

30, 2023

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

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

	Three months ended March 31,		Six months ended June 30,	
	2024	2024	2023	2024
Cash flows from operating activities:				
Net loss				
Net loss				
Net loss				
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Goodwill impairment				
Stock-based compensation				
Change in fair value of warrants				
Loss on foreign exchange, net				
Changes in operating assets and liabilities:				
Trade receivables, net				
Trade receivables, net				
Trade receivables, net				
Prepaid expenses and other assets				
Operating lease right of use assets				
Trade payables				
Employee and payroll accruals				
Operating lease liabilities				
Accrued expenses and other liabilities				
Net cash provided by operating activities				
Cash flows from investing activities:				
Internal use software capitalization				
Internal use software capitalization				
Internal use software capitalization				
Purchases of property and equipment				
Withdrawal of short-term bank deposits				
Investment in short-term bank deposits				
Decrease in deposits				
Net cash (used in) provided by investing activities				
Cash flows from financing activities:				
Proceeds from loan				
Proceeds from loan				
Proceeds from loan				
Payment on loan				
Proceeds from exercise of options				
Net cash (used in) provided by financing activities				
Effect of exchange rates on cash, cash equivalents and restricted cash				
(Decrease) increase in cash, cash equivalents, and restricted cash				

Cash, cash equivalents, and restricted cash at the beginning of the period

Cash, cash equivalents, and restricted cash at the end of the period

Supplemental disclosures:

Income taxes paid

Income taxes paid

Income taxes paid

Interest paid

Non-cash transactions:

Right of use assets obtained in exchange for operating lease liabilities upon lease modification

Right of use assets obtained in exchange for operating lease liabilities upon lease modification

Right of use assets obtained in exchange for operating lease liabilities upon lease modification

Reconciliation of cash, cash equivalents, and restricted cash:

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

Long-term restricted deposits

Total cash, cash equivalents, and restricted cash

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

INNOVID, CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (*Unaudited*)

March 31, June 30, 2024

1. DESCRIPTION OF BUSINESS **Description of Business**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **Summary of Significant Accounting Policies**

Basis of Presentation

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

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

Use of Estimates

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

Prior Period Reclassification

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

Accounting Policies

Trade receivable, net

The Company records trade receivables for amounts invoiced and yet unbilled invoices, unbilled. The Company's expected loss allowance methodology for trade receivables is based upon its assessment of various factors, including historical experience, the age of the trade receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The estimated credit loss allowance is recorded as general and administrative expenses on the Company's condensed consolidated statements of operations.

INNOVID, CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2024

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

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

During the three and six months ended March 31, 2024 June 30, 2024 and 2023, one customer accounted for more than 10% of the Company's total revenue as presented below:

	Three months ended March 31,			
	2024	2023		
Customer A			17 %	15 %
	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Customer A	18 %	16 %	17 %	16 %

Software development costs

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

Any costs incurred for upgrades and functionality enhancements of the software are also capitalized. Once this software is ready for use in providing the Company's services, these costs are amortized on a straight-line basis over the estimated useful life of the software, which is three years. The amortization is presented within depreciation and amortization in the condensed consolidated statements of operations. During the three months ended March 31, 2024 June 30, 2024 and 2023, the Company capitalized internal-use software cost of \$2.5 million \$2.4 million and \$3.5 million \$2.8 million, respectively. During the six months ended June 30, 2024 and 2023, the Company capitalized internal-use software cost of \$4.9 million and \$6.3 million, respectively, which represents labor costs including stock based compensation.

Cloud computing arrangements

During three months ended June 30, 2024, the Company capitalized certain application development phase costs related to hosting arrangements that are service contracts (cloud computing arrangements). Capitalized costs are included in prepaid expenses and other assets in the condensed consolidated balance sheets and will be amortized on a straight-line basis over the estimated useful life, once the modules or components are ready for its intended use. The amount capitalized in the second quarter of 2024 was not material.

This amortization will be recorded to software subscription expense in the condensed consolidated statements of operations. Cash outflows from cloud computing arrangement implementation costs are classified within operating activities in the consolidated statements of cash flows.

Impairment of long-lived assets

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

INNOVID, CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

June 30, 2024

over its estimated fair value is recognized as an impairment loss. No impairment was recognized during the three or six months ended March 31, 2024 June 30, 2024 and 2023.

Goodwill and acquired intangible assets

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

The Company allocates goodwill to reporting units based on the expected benefit from the business combination. Reporting units are evaluated when changes in the Company's operating structure occur, and if necessary, goodwill is reassigned

INNOVID, CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2024

using a relative fair value allocation approach. The Company operates in one operating segment and this segment is the only reporting unit.

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

The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present. In the second quarter of 2023, the Company experienced a decline in its stock price resulting in its market capitalization being less than the carrying value of its one reporting unit. Thus, the Company performed quantitative assessments of the Company's reporting unit. The fair value was determined based on the market approach. The market approach utilizes the Company's market capitalization plus an appropriate control premium. Market capitalization is determined by multiplying the number of common stock outstanding by the market price of its common stock. The control premium is determined by utilizing publicly available data from studies for similar transactions of public companies. As a result of this assessment, the Company recorded a goodwill impairment of \$14.5 million during the three and six months ended June 30, 2023. No impairment was recognized during the three or six months ended March 31, 2024 and 2023, June 30, 2024.

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

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

Fair value of financial instruments

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

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

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

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

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

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

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

	March 31, June 30, 2024		
	Level 1	Level 2	Level 3
Assets:			
Money market funds	\$ 14,307	13,220	\$ —
Liabilities:			
Warrants liability	\$ —	511,664	\$ —
December 31, 2023			
	Level 1	Level 2	Level 3
Assets:			
Money market funds	\$ —	32,264	\$ —
Liabilities:			
Warrants liability	\$ —	307	\$ —

As of **March 31, 2024** **June 30, 2024**, the Company's warrant liability represents the warrants (refer to Note 4), that were assumed in the Transaction, which were originally issued in connection with ION's initial public offering. The Company's warrants are recorded on the balance sheet at fair value with changes in fair value recognized through earnings. The Company's warrants are within Level 1 of the fair value hierarchy. This valuation is subject to re-measurement at each balance sheet date. The Company determines the fair value of the warrants by using the closing warrant price.

Revenue recognition

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

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

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

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

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

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

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

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

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

The typical contract term is **12** **twelve** months or less for ASC 606 purposes. Most of the Company's contracts can be cancelled without cause. The Company has the unconditional right to payment for the services provided as of the date of the termination of the contracts.

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

Deferred revenue represents mostly unrecognized fees billed or collected for measurement platform services. Deferred revenue is recognized as (or when) the Company performs under the contract. **Revenue** **recognized** **during** **the** **three** **and** **six** **months** **ended** **June** **30**, **2024**, **from** **amounts** **included** **in** **deferred** **at** **the** **beginning** **of** **the** **period** **were** **\$0.7** **million** **and** **\$1.3** **million**, **respectively**.

Revenue from ad serving solutions via Innovid's ad serving platform was **75.3%** **75.0%** and **73.0%** **73.4%** of the Company's revenue for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively. Revenue from measurement subscriptions was **21.2%** **22.0%** and **23.0%** **22.7%** for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively. Creative services were 3.0% and 3.9% of the Company's revenue for the **years** **three** **months** **ended** **March 31, 2024** **June 30, 2024**, and 2023, respectively.

Revenue from ad serving solutions via Innovid's ad serving platform was 75.2% and 73.2% of the Company's revenue for the six months ended June 30, 2024 and 2023, respectively. Revenue from measurement subscriptions was 21.6% and 22.8% for the six months ended June 30, 2024 and 2023, respectively. Creative services were 3.2% and 4.0% of the Company's revenue for the six months ended June 30, 2024 and 2023, respectively.

Costs to obtain a contract

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

Recently issued accounting pronouncements not yet adopted

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

Income taxes

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 is **intending** **intended** to improve transparency of income tax disclosure by requiring income tax disclosures to contain consistent categories and greater disaggregation of information in the rate reconciliation and income

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taxes paid, disaggregated by jurisdiction. This standard affects the disclosure of income taxes, not the accounting for income taxes. This standard is effective for the Company for the annual period beginning after December 15, 2025, with early adoption permitted. The Company is evaluating the impact of the adoption of ASU 2023-09.

Segments

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

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Company for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company is evaluating the impact of the adoption of ASU 2023-07.

3. **LEASES**

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

The Company is a lessee in all its lease agreements. The Company records lease liabilities based on the present value of lease payments over the applicable lease term. Innovid generally uses an incremental borrowing rate to discount its lease liabilities, as the rate implicit in the lease is typically not readily determinable. Certain lease agreements include renewal options that are under the Company's control. Optional renewal periods are included in the lease term when it is reasonably certain that the Company will exercise its option. On February 7, 2024, we the Company amended our its New York lease agreement extending the term to 2034, 2035. The lease contains an option to extend the lease for an additional five year five-year period lease additional space, and early termination, which are not reasonably certain to be exercised.

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

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

	March 31, 2024	December 31, 2023	
	June 30, 2024	December 31, 2023	
	(Unaudited)		
ROU assets			
ROU assets			
ROU assets	Lease liabilities	ROU assets	Lease liabilities
Real estate	Lease liabilities	ROU assets	Lease liabilities

Total operating leases

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

Three months ended March 31,	
Three months ended March 31,	
Three months ended March 31,	
Three months ended June 30,	
Three months ended June 30,	
Three months ended June 30,	
	2024
	2024
	2024

Operating lease cost

Operating lease cost

Operating lease cost

Short term lease cost

Short term lease cost

Short term lease cost

Variable lease cost

Variable lease cost

Variable lease cost

Total lease cost
Total lease cost
Total lease cost

As of **March 31, 2024** **June 30, 2024**, the weighted-average remaining lease term and weighted-average discount rate for operating leases were 9.7 years and 7.2%, respectively.

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

	Three months ended March 31,		Six months ended June 30,	
	2024	2023	2024	2023
Cash paid for amounts included in the measurement of lease liabilities				

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

	Three months ended March 31, 2024
2024 remaining	
Twelve months ending June 30,	Six months ended June 30, 2024
2025	
2026	
2027	
2028	
2029	
Thereafter	
Total undiscounted lease payments	
Less: imputed interest	
Total operating lease liabilities	

4. WARRANTS Warrants

As of **March 31, 2024** **June 30, 2024**, the Company had 3,162,453 public warrants and 7,060,000 private warrants outstanding. The majority of the private warrant terms are identical to the public warrants resulting in use of the same price for valuation purposes. The Company's warrants do not meet all the conditions to be classified as equity under ASC 815-40 and therefore are classified as a liability measured at fair value through earnings.

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

5. LONG-TERM DEBT Long-term Debt

On August 4, 2022, two wholly owned wholly-owned subsidiaries of the Company, Innovid LLC and TV Squared Inc, entered an amended and restated loan and security agreement with Silicon Valley Bank (the "2022 A&R Agreement"), to increase the revolving line of credit from \$15,000 to \$50,000 (the "New Revolving Credit Facility"). The 2022 A&R Agreement and the New Revolving Credit Facility were amended by a First Loan Modification Agreement dated August 2, 2023 (the "2023 Modification Agreement") and by a Second Loan Modification Agreement dated June 26, 2024 (the "2024 Modification Agreement"). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate which is the greater of (a) WSJ Prime Rate plus 0.25% or (b) 4.25%, on the aggregate outstanding balance. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The maturity date of the 2022 A&R Agreement, as amended, by the 2023 Modification Agreement, is **June 30, 2025** **June 30, 2027**. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement and is secured by substantially all of the Company's assets and continues to place limitations on indebtedness, liens, distributions, investments, asset sales, transactions with affiliates and acquisitions, and conduct of business, all as defined in the agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement, "adjusted quick ratio" is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. "Quick assets" are determined as the Company's unrestricted cash plus accounts receivable, net, and is determined according to US GAAP. The Company is also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement, as amended, by the 2023 Modification Agreement, if the Company does not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

As of **March 31, 2024** At **June 30, 2024**, there were no amounts outstanding under the New Revolving Credit Facility and the Company is was in compliance with all the covenants.

The Company utilizes the credit line on an as needed basis. In January 2024, the Company repaid \$20.0 million under the credit line and has not subsequently drawn from it. See Note 8, *Finance (Income) Expenses, Income, Net* for interest expense.

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6. COMMITMENTS AND CONTINGENT LIABILITIES **Commitments and Contingent Liabilities**

Pledges and bank guarantees

1. Innovid LLC pledged 65,000 shares of common stock of its Israeli Subsidiary, NIS 0.01 par value each, in connection with the line of credit (see Note 5, Long-term Debt).
2. The Israeli Subsidiary pledged bank deposits in an aggregate amount of \$0.6 million in connection with an office rent agreement and credit cards.
3. Innovid Inc. LLC obtained bank guarantees in an aggregate amount of \$0.2 million in connection with its office lease agreements.

Legal contingencies

On March 4, 2022, a lawsuit was filed in the United States District Court for the Western District of Texas by the Nielsen Company (US) LLC against TV Squared, alleging infringement of US Patent No. 10,063,078. On June 1, 2022, TV Squared moved to transfer the case to the Southern District of New York, which was granted on January 18, 2023. On March 23, 2023, TV Squared moved for judgment on the pleadings that the asserted claims of the Nielsen patent are invalid because they are patent ineligible under 35 U.S.C. 101. The Court has not yet ruled on TV Squared's motion. Meanwhile, discovery commenced while the motion has been pending. The parties agreed that the stay will apply to all interim deadlines, including the service of and responses and objections to written discovery. On July 2, 2024 the Court issued an order to extend the stay for an extra one hundred and twenty (120) days.

The Court set the date for the close of fact discovery as currently set for September 30, 2024, as February 10, 2025 and the date for close of expert discovery as February 7, 2025 June 20, 2025.

No trial date has yet been set and the plaintiff has not specified the amount sought in the litigation. Given the uncertainty of litigation and the preliminary stage of the lawsuit, the Company is unable at this time to give an estimate of the amount or range of potential loss, if any, which might result to the Company if the outcome in such litigation was unfavorable. As of March 31, 2024 June 30, 2024, the Company has not recorded a loss contingency.

7. STOCK-BASED COMPENSATION **Stock-Based Compensation**

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

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023	2024	2023
Cost of goods sold						
Research and development						
Sales and marketing						
General and administrative						
Total expensed						
Internal use software capitalization	280	365	Internal use software capitalization	309	325	589
Total stock-based compensation						690

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Stock Options

Stock option activity under all plans was as follows:

	Three months ended March 31, 2024			Six months ended June 30, 2024				
	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2023								

Granted						
Granted						
Granted						
Exercised						
Exercised						
Exercised						
Forfeited						
Forfeited						
Forfeited						
Expired						
Expired						
Expired						
Exercised						
Exercised						
Exercised						
Outstanding at March 31, 2024						
Outstanding at March 31, 2024						
Outstanding at March 31, 2024	9,320,525	\$ 1.26	6.3		\$ 11,883	
Exercisable options at March 31, 2024	9,320,525	\$ 1.26	6.3		\$ 11,883	
Vested and expected to vest at March 31, 2024	7,105,251	\$ 1.13		5.7		\$ 9,983
Outstanding at June 30, 2024						
Outstanding at June 30, 2024						
Outstanding at June 30, 2024	8,943,049	\$ 1.24	5.9		\$ 6,945	
Exercisable options at June 30, 2024	7,148,030	\$ 1.14	5.3		\$ 6,228	

The aggregate intrinsic value of exercised options in the **three** **six** months ended **March 31, 2024** **June 30, 2024**, was **\$0.1** **million** **\$0.2** **million**.

As of **March 31, 2024** **June 30, 2024**, the Company had approximately **\$2.1** **million** **\$1.7** **million** of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock Units

RSU activity under the 2021 Plan was as follows:

	Three months ended March 31, 2024			Six months ended June 30, 2024				
	Number of units	Weighted average grant date fair value	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)	Number of units	Weighted average grant date fair value	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2023								
Granted								
Granted								
Granted								
Vested								
Vested								
Vested								
Forfeited								
Forfeited								
Forfeited								
Outstanding at March 31, 2024								
Outstanding at March 31, 2024								

Outstanding at March 31, 2024

Expect to convert at March 31, 2024

Outstanding at June 30, 2024

Outstanding at June 30, 2024

Outstanding at June 30, 2024

The weighted-average grant-date fair value of RSUs generally is determined based on the number of units granted and the quoted price of Innovid's common stock on the date of grant. The fair value of shares vested during the **three** six months ended **March 31, 2024** **June 30, 2024**, was **\$5.0 million** **\$9.1 million**.

As of **March 31, 2024** **June 30, 2024**, **\$17.5 million** **\$32.8 million** of unrecognized compensation cost related to RSUs is expected to be recognized as expense over the weighted average period of **1.8** **2.2** years.

8. FINANCE (INCOME) EXPENSES, NET Finance Income, Net

The Company recognizes the gains and losses from the remeasurement of its warrants liability in "finance (income) expenses, income, net" in the condensed consolidated statements of operations. The unrealized (loss)/gain from changes in the fair value of the Company warrants for the three months ended **March 31, 2024** **June 30, 2024** and 2023, was a loss of \$0.2 million and a gain of **\$2.7 million** **\$0.6 million**, respectively. The unrealized (loss)/gain from changes in the fair value of the Company warrants for the six months ended **June 30, 2024** and 2023, was a loss of \$0.4 million and a gain of **\$3.3 million**, respectively.

The Company recognizes interest expense and interest income in "finance (income) expenses, income, net" in the condensed consolidated statements of operations. Interest expense for the three months ended **March 31, 2024** **June 30, 2024** and 2023, was **\$0.1 million** **zero** and \$0.4 million, respectively. Interest income for the three months ended **June 30, 2024** and 2023, was \$0.3 million and \$0.3 million.

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respectively. Interest expense for the six months ended **June 30, 2024** and 2023, was \$0.1 million and \$0.8 million, respectively. Interest income for the **three** **six** months ended **March 31, 2024** **June 30, 2024** and 2023, was **\$0.4 million** **\$0.7 million** and **\$0.3 million** **\$0.6 million**, respectively.

9. INCOME TAX Income Tax

The Company recorded net provisions for incomes taxes of **\$3.2 million** **\$7.8 million** and **\$2.8 million** **\$1.3 million** for the three months ended **March 31, 2024** **June 30, 2024** and 2023, representing effective tax rates of **(103.9)** **(288.3)%** and **(49.2)** **(7.6)%**, respectively. The increase in the second quarter of 2024 tax expense primarily results from a shift in growing profitability of the Company's foreign earnings, resulting in global business and associated higher profitability and current tax expense, with no offsetting deferred tax benefit as a result non-deductibility of an overall valuation allowance.

Additionally, GILTI adjustments and large temporary differences stock compensation expenses in the US and Israel, the recognition of uncertain tax positions that previously offset against unrecognized deferred tax assets and the effects of using the interim tax reporting methodology provided under ASC 740-270 where the Company uses a forecasted effective tax rate against current year-to-date results.

The Company recorded net provisions for incomes taxes of \$11.0 million and \$4.2 million for the six months ended **June 30, 2024** and 2023, respectively, representing effective tax rates of **(190.6)%** and **(17.8)%**, respectively. The increase in the first half of 2024 tax expense results from growing profitability of the global business and associated with the capitalization higher current tax expense, non-deductibility of research and development costs continue to cause stock compensation expenses in the US to generate current federal and state Israel, the recognition of uncertain tax expense with no corresponding positions that previously offset against unrecognized deferred tax benefit due to the Company's valuation allowance. Unless the US tax rules around research and development (Section 174) are modified, there will continue to be an adverse impact on the Company's effective rates for income taxes paid. assets.

10. SEGMENT REPORTING Segment Reporting

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

Revenue by geographic location was as follows:

US
US
US
Canada
Canada
Canada
APAC
APAC
APAC

EMEA
EMEA
EMEA
LATAM
LATAM
LATAM

Total revenue
Total revenue
Total revenue

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

	March 31,		December 31,
	2024	2023	December 31, 2023
	June 30, 2024		
(Unaudited)			
Israel			
Israel			
Israel			
US			
Rest of the world			
Total			

11. NET LOSS PER SHARE Net Loss Per Share

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

	Three months ended March 31,	
	2024	2023
Options outstanding	6,461,330	10,803,393
Unvested RSU outstanding	7,072,792	10,563,758
Warrants outstanding	10,222,453	10,222,500

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June 30, 2024

	Three months ended June 30,		Six months ended June 30, 2024	
	2024	2023	2024	2023
Options	7,142,548	9,812,198	7,168,715	9,812,198
Unvested restricted stock units	12,425,671	15,723,452	9,938,715	15,723,452

Warrants	10,222,453	10,222,500	10,222,453	10,222,500
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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 unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report and our audited financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023 (our "2023 Annual Report on Form 10-K"). This discussion contains forward-looking statements reflecting current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in our 2023 Annual Report on Form 10-K, which may be updated from time to time in our other filings with the SEC, including elsewhere in this Quarterly Report, including under the heading "Cautionary Statements Regarding Forward-Looking Statements."

Company Overview

We are an enterprise cloud software platform for the creation, delivery, measurement, and optimization of advertising across connected TV ("CTV"), mobile and desktop environments. We provide critical technology infrastructure for many of the world's largest brands, agencies, and publishers, and empower them to create ad-supported TV experiences people love. Our **vision**—vision, that television should be open for everyone, and controlled by no **one**—one, is at the heart of how we operate our business as an independent platform, and as a strategic, trusted partner for our clients.

Our technology is purpose-built for CTV, with a comprehensive view of the full ecosystem, including linear TV, mobile, and desktop channels. Our cloud-based platform tightly integrates with the highly fragmented advertising technology and media ecosystem, and includes three key solutions: Ad Serving, Creative Personalization, and Measurement. We count many of the world's largest **brand advertisers** as customers, including Anheuser-Busch InBev, CVS Pharmacy, Kellogg's, Mercedes-Benz, Target, Sanofi, and more. As of **March 31, 2024** June 30, 2024, over 50% of the top 200 large advertisers, by TV US advertising spend according to MediaRadar leverage our platform. We are also trusted partners to **of** the largest streaming platform providers in the world, including Disney, Hulu, ESPN, NBCU, and Paramount, and we work closely with top advertising agencies and agency holding companies such as WPP, Publicis Groupe, Omnicom Group, Interpublic Group of Cos., Dentsu Inc., Havas Group, Horizon Media, and The Stagwell Group. Our clients are diversified across all major industry verticals, including consumer packaged goods, pharmaceutical and healthcare, retail, financial services, automotive and technology. We serve customers globally across over 50 countries, with most of our customers located in the US.

Our revenue growth closely correlates with the growth of CTV advertising. CTV accounted for **52%** **54%** and **54%** **51%** of all video impressions served by Innovid during the three months ending **March 31, 2024** June 30, 2024, and 2023, respectively. During the three months ended **March 31, 2024** June 30, 2024, this represented a year-over-year increase of 21% in CTV video impressions served by Innovid. The balance of video impressions served by Innovid during the **first** **second** quarter of 2024 and 2023 was attributed to mobile, **37%** **35%** and **34%** **36%**, respectively, and PC, 11% and **12%** **13%**, respectively. In the **first** **second** quarter of 2024, video impressions volume increased by **38%** **13%** for mobile and increased/decreased by **12%** **9%** for desktop as compared to the same period in the prior year.

Transactions

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

On February 28, 2022, the Company completed the acquisition of TV Squared Limited by way of stock purchase agreement ("Stock Purchase Agreement"). The Company acquired all the equity of TVS for an aggregate amount of \$100.0 million in cash, 11,549,465 shares of the Company common stock at fair value of \$3.80 per share, and the issuance of

949,893 fully vested stock options of the Company at a weighted average fair value of \$3.49, subject to certain adjustments as defined in the Stock Purchase Agreement.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such management estimates and assumptions used are related, but not limited to, income tax uncertainties, deferred taxes, and stock-based compensation, as well as the fair value of assets acquired, and liabilities assumed in business combinations.

The Company's management believes that the estimates, judgments and assumptions used as reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Global Events

A number of our employees, including some senior employees and two of our directors are residents of Israel. As of today, the Company's business operations have not been disrupted to any significant extent and the Company does not anticipate any material impact to operations going forward amidst the war in Israel. All of our infrastructure and internal

networks are cloud-based and are located outside of Israel. Key systems and IT functions are distributed globally, and our customer care and sales teams are situated mainly in the US, the UK and Argentina. Our office in Israel is primarily a research and development facility and is one of three of our worldwide research and development facilities.

Key Factors Affecting Our Performance

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

These factors include:

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

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

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

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

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

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

Global Markets

The majority of our clients operate at a significant scale. Innovid serves customers globally through a delivery footprint including the US, APAC, EMEA, and LATAM. During the second quarter and the first quarter half of 2024, approximately 9%, respectively, of Innovid's revenue was generated by our customers outside of the US.

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

Components of Results of Operations

Revenue

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

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

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

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

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

Cost of revenue

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

Research and development

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

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

Sales and marketing

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

General and administrative

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

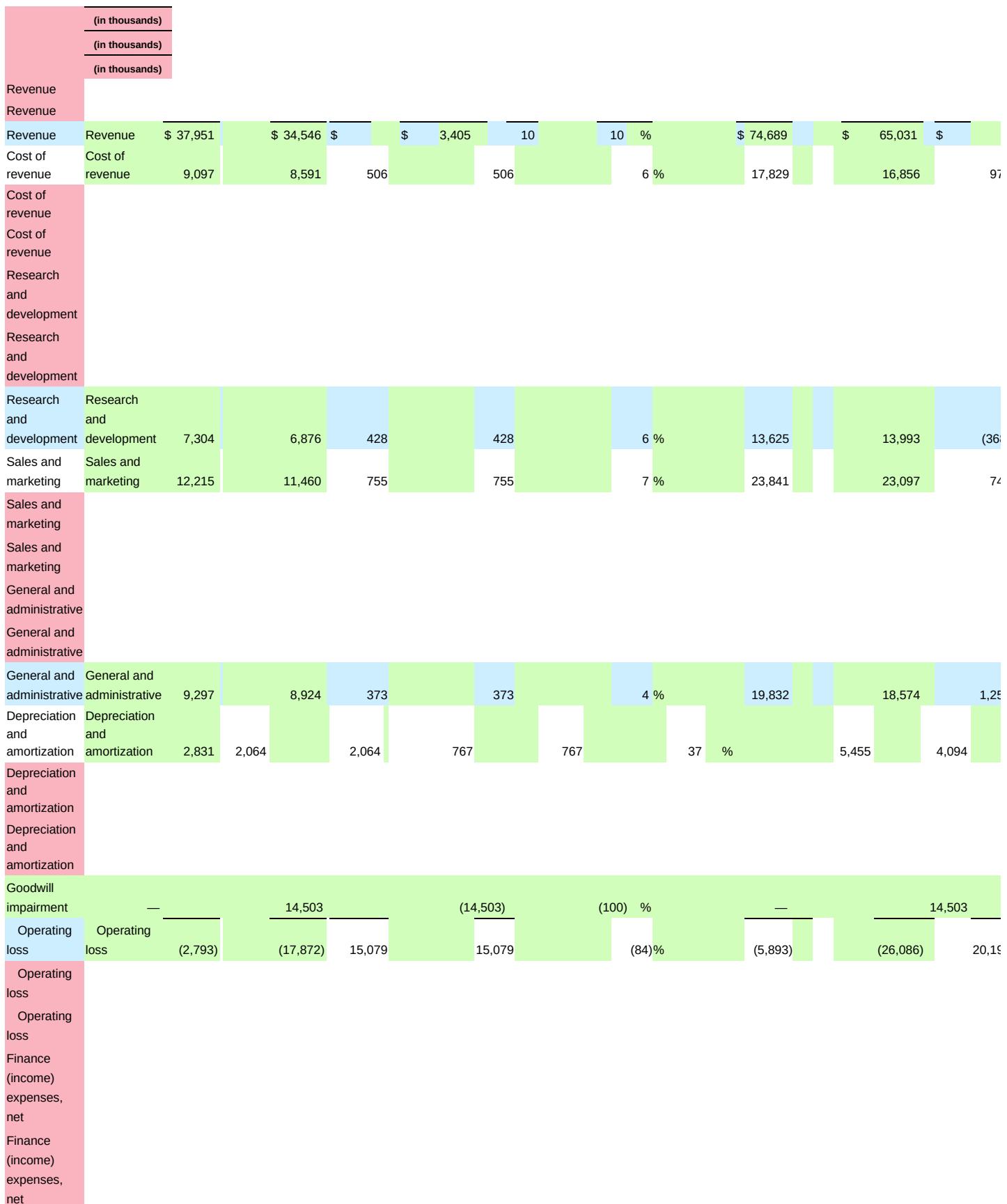
Results of Operations

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	24 %	25 %	24 %	26 %
Research and development	19 %	20 %	18 %	22 %
Sales and marketing	32 %	33 %	32 %	36 %
General and administrative	25 %	26 %	27 %	29 %
Depreciation and amortization	7 %	6 %	7 %	6 %
Goodwill impairment	— %	42 %	— %	22 %
Operating loss	(7)%	(52)%	(8)%	(40)%
Finance income, net	— %	(1)%	— %	(4)%
Loss before taxes	(7)%	(51)%	(8)%	(36)%
Taxes on income	21 %	4 %	15 %	6 %
Net loss	(28)%	(55)%	(22)%	(42)%

Three and six months ended March 31, 2024 June 30, 2024, compared to the three and six months ended March 31, 2023 June 30, 2023

	Three months ended March 31,			Six months ended June 30,		
	Three months ended June 30,			Six months ended June 30,		
	(In thousands)			(In thousands)		
	2024	2024	2023	Amount	%	
	2024	2024	2023	Amount	%	
	2024	2024	2023	Amount	%	



Finance (income) expenses, net													
Loss before taxes													
Loss before taxes													
Finance income, net	(78)		(248)		170		(69) %		(120)		(2,723)		2
Loss before taxes	Loss before taxes	(2,715)	(17,624)		(17,624)	14,909	14,909	(85)	(85)	%	(5,773)	(23,363)	
Taxes on income	Taxes on income	7,827	1,335	6,492	6,492	6,492	486 %		11,003		4,159	6,84	
Taxes on income													
Taxes on income													
Net loss	Net loss	<u>\$10,542</u>	<u>\$18,959</u>	<u>\$8,417</u>		(44)	(44) %		<u>\$(16,776)</u>		<u>\$ (27,522)</u>	<u>\$</u>	
Net loss													
Net loss													
Revenue													

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

Total revenue Revenue increased by \$6.3 million, or 21%, from \$30.5 million in the three months ended **March 31, 2023** **June 30, 2024**, as compared to \$36.7 million the same period in 2023, primarily due to the ad serving volume growth and the growth of the measurement solution. Cross-selling of the measurement solution to our core clients contributed to the overall increase in the **three** measurement revenue.

Revenue increased in the six months ended **March 31, 2024**. The increase is attributed **June 30, 2024**, as compared to the same period in 2023, mainly due to the ad serving volume growth and the growth of the measurement solution. Cross-selling of the measurement solution to our core clients contributed to the overall increase in the measurement revenue.

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

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

	Three months ended March 31,				Three months ended June 30,			
	(In thousands)		Increase (decrease)					
	2024	2024	2023	Variance	2024	2023	Amount	%
Cost of revenue	Cost of revenue	\$8,732	24 %	\$8,265	27	27 %	\$467	6 %
Cost of revenue	Cost of revenue	\$8,732	24 %	\$8,265	27	27 %	\$467	6 %

Cost The increase in cost of revenue increased by \$0.5 million, or 6%, from \$8.3 million in the three months ended **March 31, 2023** **June 30, 2024**, as compared to \$8.7 million the same period in the three months ended **March 31, 2024**, **2023**, was primarily driven by an increase of \$0.7 million \$0.4 million related to hosting and data cost. **This costs.**

	Six months ended June 30,			
	(In thousands)		Increase (decrease)	
	2024	2023	Amount	%
Cost of revenue	\$ 17,829	\$ 16,856	\$ 973	6 %

Cost of revenue increase in the six months ended June 30, 2024, as compared to the same period in 2023, was mainly due to an increase of \$1.1 million related to hosting and data costs, partially offset by \$0.2 million \$0.3 million decrease in personnel consulting and related costs resulting from our operating efficiency measures.

outsourcing expenses.

Research and development (exclusive of depreciation and amortization shown below)

	Three months ended March 31,
	Three months ended March 31,
	Three months ended March 31,
	Three months ended June 30,
	Three months ended June 30,
	Three months ended June 30,
	(In thousands)
	(In thousands)
	(In thousands)
	2024
	2024
	2024
	(in thousands)
	(in thousands)
	(in thousands)

Research and development

Research and development

Research and development

Research The increase in research and development expenses decreased by \$0.8 million, or 11%, from \$7.1 million expense in the three months ended **March 31, 2023** June 30, 2024, was primarily driven by an increase of \$0.2 million in professional fees, \$0.1 million in personnel and related costs, and \$0.1 million in hosting and data costs, as compared to \$6.3 million the same period in 2023.

	Six months ended June 30,		Increase (decrease)		Amount	%
	(In thousands)		2024	2023		
	2024	2023				
Research and development	\$ 13,625	\$ 13,993	\$ (368)			(3)%

The decrease in research and development expense in the **three** six months ended **March 31, 2024** June 30, 2024, primarily driven by as compared to the first half of 2023, was due to a decrease of \$1.0 million in personnel and related costs resulting from our operating efficiency measures including headcount reduction. This was partially offset by \$0.2 million \$0.4 million increase in professional fees, fees and \$0.2 million in hosting and data costs.

Sales and marketing (exclusive of depreciation and amortization shown below)

	Three months ended March 31,			Three months ended June 30,		
	(In thousands)		Increase (decrease)	(In thousands)		Increase (decrease)
	2024	2024	2023	2024	2023	Amount
Sales and marketing	\$ 11,626	32 %	\$ 11,637	38	38 %	\$ (11) — %
Sales and marketing	\$ 12,215	\$ 11,460	\$ 755	7	7 %	

Sales The increase in sales and marketing expenses decreased expense was primarily driven by immaterial amount, from \$11.6 million an increase of \$0.5 million in spending due to a product launch and \$0.3 million in personnel and related costs in the three months ended **March 31, 2023** June 30, 2024, as compared to \$11.6 million the same period in 2023.

	Six months ended June 30,		
	(In thousands)		Increase (decrease)
	2024	2023	
Sales and marketing	\$ 23,841	\$ 23,097	\$ 744
			3 %

Sales and marketing expense increase was mainly due to an increase of \$0.6 million in spending related to a product launch, and trade show attendance in the three six months ended **March 31, 2024**, June 30, 2024, as compared to the first half of 2023.

General and administrative (exclusive of depreciation and amortization shown below)

	Three months ended March 31,			Three months ended June 30,		
	(In thousands)		Increase (decrease)	(In thousands)		Variance
	2024	2024		2023	2023	
General and administrative	(in thousands)	% of revenue	(in thousands)	% of revenue	\$	%
General and administrative	\$ 10,535	28 %	\$ 9,650	32 %	\$ 885	9 %
General and administrative	\$ 9,297	\$ 8,924	\$ 373	\$ 4	\$ 4	4 %

General and administrative expenses expense increased by **\$0.9 million** \$0.4 million, or 9% 4%, from **\$9.7 million** \$8.9 million in the three months ended **March 31, 2023** June 30, 2023, to **\$10.5 million** \$9.3 million in the three months ended **March 31, 2024** June 30, 2024, primarily driven by an increase in professional fees of \$0.8 million. This was offset by a decrease in personnel and related costs of \$0.5 million.

	Six months ended June 30,		
	(In thousands)		Increase (decrease)
	2024	2023	
General and administrative	\$ 19,832	\$ 18,574	\$ 1,258
			7 %

General and administrative expense increased primarily due to higher professional fees of \$0.7 million and legal fees of \$0.6 million in connection with litigation and an increase in personnel and related costs the first half of \$0.3 million, 2024, as compared to the same period in 2023.

Depreciation and amortization

	Three months ended March 31,			Three months ended June 30,		
	(In thousands)		Increase (decrease)	(In thousands)		Variance
	2024	2024		2023	2023	
Depreciation and amortization	(in thousands)	% of revenue	(in thousands)	% of revenue	\$	%
Depreciation and amortization	\$ 2,624	7 %	\$ 2,030	7 %	\$ 594	29 %
Depreciation and amortization	\$ 2,831	\$ 2,064	\$ 767	37 %	\$ 767	37 %

Depreciation and amortization expenses increased by \$0.6 million, or 29%, from \$2.0 million in the three months ended March 31, 2023, expense increase period over period was mostly due to \$2.6 million in the three months ended March 31, 2024, mostly driven by \$0.6 million of amortization expense for software projects.

	Six months ended June 30,		
	(In thousands)		Increase (decrease)
	2024	2023	
Depreciation and amortization	\$ 5,455	\$ 4,094	\$ 1,361
			33 %

Finance (income) expenses, net The increase in depreciation and amortization expense was primarily due to increased amortization expense for software projects of \$1.4 million in the six months ended June 30, 2024, as compared to the first half of 2023.

	Three months ended March 31,		
	2024		2023
	(in thousands)	% of revenue	
Finance (income) expenses, net	\$ (42)	— %	\$ (2,475)
			(8) %
			\$ 2,433
			(98) %

Goodwill impairment

Finance (income) expenses decreased by \$2.4 million

	Three months ended June 30,		
	(In thousands)		Increase (decrease)
	2024	2023	
			Amount
			%

Goodwill impairment	\$ —	\$ 14,503	\$ (14,503)	(100)%
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In the three months ended June 30, 2023, or 98%, the Company recorded a goodwill impairment charge stemming from finance income a continued decline in its stock price. An assessment was performed, and it was determined that the fair value of \$2.5 million the reporting unit exceeded its carrying value resulting in the impairment charge. There was no goodwill impairment in the three months ended March 31, 2023 June 30, 2024.

	Six months ended June 30,			
	(In thousands)		Increase (decrease)	
	2024	2023	Amount	%
Goodwill impairment	\$ —	\$ 14,503	\$ (14,503)	(100)%

In the six months ended June 30, 2023, to finance income the Company recorded a goodwill impairment as a result of \$42.0 thousand a continued decline in its stock price as described above. There was no goodwill impairment in the three months ended March 31, 2024, first half of 2024.

Finance Income, Net

	Three months ended June 30,			
	(In thousands)		Decrease (increase)	
	2024	2023	Amount	%
Finance income, net	\$ (78)	\$ (248)	\$ 170	(69)%

Finance income, net decreased primarily driven by a decline due to an increase in the fair value of our warrants, warrants, partially offset by a gain on foreign exchange period over period. The fair value of the warrants is influenced affected by market volatility impacting in the Company's warrant price.

	Six months ended June 30,			
	(In thousands)		Decrease (increase)	
	2024	2023	Amount	%
Finance income, net	\$ (120)	\$ (2,723)	\$ 2,603	(96)%

Finance income, net decreased in the six months ended June 30, 2024, as compared to the same period in 2023, mainly due to the \$3.3 million fair value gain recognized in the 2023 as a result of the decline in value of the Company's warrants partially offset by a loss on foreign exchange in the current period. The warrant fair value was impacted by the decline in the Company's common stock price.

Taxes on income

	Three months ended March 31,				Three months ended June 30,			
	(In thousands)		Increase (decrease)		(In thousands)		Increase (decrease)	
	2024	2024	2023	2023	2024	2024	2023	2023
Taxes on income	\$ 3,176	9 %	\$ 2,824	9 %	\$ 352	12 %	\$ 7,827	486 %
Taxes on income	\$ 3,176	9 %	\$ 2,824	9 %	\$ 352	12 %	\$ 1,335	\$ 6,492

The Company recorded net provisions for incomes taxes of \$3.2 million \$7.8 million and \$2.8 million \$1.3 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, representing effective tax rates of (103.9) (288.3)% and (49.2) (7.6)%, respectively. The increase in the second quarter of 2024 tax expense primarily results from a shift in growing profitability of the Company's foreign earnings, resulting in global business and associated higher profitability and current tax expense, with no offsetting deferred tax benefit as a result non-deductibility of an overall valuation allowance.

Additionally, GILTI adjustments and large temporary differences stock compensation expenses in the US and Israel, the recognition of uncertain tax positions that previously offset against unrecognized deferred tax assets and the effects of using the interim tax reporting methodology provided under ASC 740-270 where the Company uses a forecasted effective tax rate against current year-to-date results.

	Six months ended June 30,			
	(In thousands)		Increase (decrease)	
	2024	2023	Amount	%

Taxes on income	\$ 11,003	\$ 4,159	\$ 6,844	165 %
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The Company recorded net provisions for incomes taxes of \$11.0 million and \$4.2 million for the six months ended June 30, 2024 and 2023, respectively, representing effective tax rates of (190.6)% and (17.8)%, respectively. The increase in first half of 2024 tax expense results from growing profitability of the global business and associated with the capitalization higher current tax expense, non-deductibility of research and development costs continue to cause stock compensation expenses in the US to generate current federal and state Israel, the recognition of uncertain tax expense with no corresponding positions that previously offset against unrecognized deferred tax benefit due to assets, and as discussed above, the Company's valuation allowance. Unless effects of using the US interim tax rules around research and development (Section 174) are modified, there will continue to be an adverse impact on the Company's effective rates for income taxes paid, reporting methodology provided under ASC 740-270.

Liquidity and Capital Resources

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

As of March 31, 2024 June 30, 2024, we had cash and cash equivalents of \$32.0 million \$31.0 million and net working capital, consisting of current assets less current liabilities, of \$54.9 million \$52.7 million. As of March 31, 2024 June 30, 2024, we had an accumulated deficit of \$189.0 million \$199.6 million, \$76.0 million thereof results from the cumulative accretion of preferred stock to redemption value prior to the conversion of all preferred stock into our common stock upon the closing of the Transaction.

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

Sources of Liquidity

Revolving Line of Credit

On August 4, 2022, two of our wholly owned subsidiaries, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the "2022 A&R Agreement"), to increase the revolving line of credit from \$15.0 million to \$50.0 million (the "New Revolving Credit Facility"). The 2022 A&R Agreement and the

New Revolving Credit Facility were amended by a First Loan Modification Agreement dated August 2, 2023 (the "2023 Modification Agreement") and a Second Loan Modification Agreement dated June 26, 2024 (the "2024 Modification Agreement"). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit

Facility bears interest at an annual rate which that is the greater of (a) WSJ Prime Rate plus 0.25% or (b) 4.25%, on the aggregate outstanding balance. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The maturity date of the 2022 A&R Agreement, as amended, by the 2023 Modification Agreement, is June 30, 2025 June 30, 2027. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement and is secured by substantially all of the Company's assets and continues to place limitations on indebtedness, liens, distributions, investments, asset sales, transactions with affiliates and acquisitions, and conduct of business, all as defined in the agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement "adjusted quick ratio" is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. "Quick assets" are calculated as unrestricted cash plus accounts receivable, net, and is determined according to US GAAP. We are also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement, as amended, by the 2023 Modification Agreement, if the Company does not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

As of March 31, 2024 June 30, 2024, we were in compliance with all applicable covenants.

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

We recognize interest expense in finance expenses (income), income, net in the condensed consolidated statements of operations. Interest expense for the three months ended March 31, 2024 June 30, 2024 and 2023 was zero and \$0.4 million, respectively. Interest income for the three months ended June 30, 2024 and 2023, was \$0.3 million and \$0.3 million, respectively. Interest expense for the six months ended June 30, 2024 and 2023 was \$0.1 million and \$0.4 million \$0.8 million, respectively. Interest income for the six months ended June 30, 2024 and 2023, was \$0.7 million and \$0.6 million, respectively.

Cash Flows

Three Six months ended March 31, 2024 June 30, 2024, compared to the three six months ended March 31, 2023 June 30, 2023

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

	Three months ended March 31,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash provided by operating activities				
Net cash (used in) provided by investing activities				
Net cash (used in) provided by financing activities				
Effect of exchange rates on cash, cash equivalents and restricted cash				
(Decrease) increase in cash, cash equivalents, and restricted cash				

Operating Activities

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

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

For the **three six** months ended **March 31, 2024** **June 30, 2024**, net cash provided by operating activities was **\$4.7 million** **\$5.9 million**. The non-cash charges, **primarily stock based compensation and depreciation and amortization**, offset the net loss and provided **\$0.5 million** **\$1.7 million** in cash. **Collections** **The timing of other accrued expenses, vendor payments and collections on our trade receivables and the together provided \$11.8 million in cash**. **The timing of payments for prepaid software subscriptions together provided \$8.3 million in cash** which was partially offset mainly by the timing of other payments to vendors and employees used **\$4.0 million** **\$4.7 million** in cash.

For the **three six** months ended **March 31, 2023** **June 30, 2023**, net cash provided by operating activities was **\$0.4 million** **\$0.9 million**. Net loss, adjusted for non-cash charges used **\$4.7 million** **\$2.3 million** in cash. **Collections on trade receivables and the** **The timing of other accrued expense, vendor and other accrued expense employee payments provided \$8.4 million** **\$4.5 million** in cash. Decreases in prepaid software subscriptions and payments for personnel costs used **\$3.2 million** **\$1.4 million** in cash.

Investing Activities

Cash used in investing activities for the **three six** months ended **March 31, 2024** **June 30, 2024**, was **\$2.6 million** **\$4.7 million**, primarily the result of an investment in internal software development projects. Cash provided by investing activities for the **three six** months ended **March 31, 2023** **June 30, 2023**, was **\$6.8 million** **\$4.2 million**, which included cash from short-term deposits of \$10.0 million partially offset by **\$3.1 million** **\$5.6 million** of investment in internal software development projects.

Financing Activities

Cash used in financing activities for the **three six** months ended **March 31, 2024** **June 30, 2024**, was **\$20.0 million** **\$19.9 million** primarily due to a payment on our revolving credit facility. Cash provided by financing activities for the **three six** months ended **March 31, 2023** **June 30, 2023**, was **\$0.3 million** **\$0.6 million** mainly due to proceeds from the exercise of options.

Free Cash Flow (non-GAAP measure)

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

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,
	Three months ended June 30,	Three months ended June 30,	Three months ended June 30,
	2024	2024	2024
Net cash provided by operating activities			
Net cash provided by operating activities			
Net cash provided by operating activities			
Gain (loss) on foreign exchange, net			
Gain (loss) on foreign exchange, net			
Gain (loss) on foreign exchange, net			
Loss on foreign exchange, net			
Loss on foreign exchange, net			

Loss on foreign exchange, net
Capital expenditures
Capital expenditures
Capital expenditures

Free Cash Flow

Free Cash Flow

Free Cash Flow

We generated \$2.0 million in Free Cash Flow had outlays of cash of \$1.3 million during the three months ended March 31, 2024 June 30, 2024, compared to an outlay of cash of \$2.8 million \$2.0 million in the same period in the prior year primarily due to a smaller net loss the strengthening of our stock price and lower software capitalization in the current period.

We generated \$0.8 million in Free Cash Flow during the six months ended June 30, 2024, compared to an increase outlay of cash of \$4.8 million in the same period in the prior year primarily due to improved cash from working capital operations and lower software capitalization in the current period.

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

Contractual Obligations and Known Future Cash Requirements

Lease Commitments

Our lease commitments predominantly relate to rented office space. We rent facilities under operating lease agreements that expire on various dates through 2034, 2035, excluding any options for renewal. The minimum rental payments under operating leases for rental of premises as of March 31, 2024 for the next five years totaled to \$11.6 million, which is comprised of \$0.9 million and \$10.6 at June 30, 2024 was \$1.4 million in the next twelve months and more than twelve months, respectively. \$10.1 million thereafter, for a total of \$11.4 million. Other lease arrangements are immaterial. On February 7, 2024, we amended our New York lease agreement, extending the term to 2034, 2035. The lease contains an option to extend the lease for an additional five year five-year period lease additional space and early termination, which are not reasonably certain to be exercised. We expect to pay approximately \$15.9 million in rent over the lease term.

Pledges and Bank Guarantees

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

We have a total of \$0.8 million of pledged bank deposits as of March 31, 2024 June 30, 2024, in connection with office leases and credit cards. We obtained bank guarantees in an aggregate amount of \$0.2 million in connection with our revolving credit facility.

Key Metrics and Non-GAAP Financial Measures

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

Adjusted EBITDA and Adjusted EBITDA Margin Percent

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

	Three months ended March 31,
	Three months ended March 31,
	Three months ended March 31,
	Three months ended June 30,
	Three months ended June 30,
	Three months ended June 30,

2024

	2024
	2024

Net loss
Net loss
Net loss
Net loss margin percent
Net loss margin percent
Net loss margin percent
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Goodwill impairment
Goodwill impairment
Goodwill impairment
Stock-based compensation
Stock-based compensation
Stock-based compensation
Finance (income) expenses, net (a)
Finance (income) expenses, net (a)
Finance (income) expenses, net (a)
Finance income, net (a)
Finance income, net (a)
Finance income, net (a)
Retention bonus expenses (b)
Retention bonus expenses (b)
Retention bonus expenses (b)
Legal claims
Legal claims
Legal claims
Severance cost (c)
Severance cost (c)
Severance cost (c)
Severance cost
Severance cost
Severance cost
Other
Other
Other
Taxes on income
Taxes on income
Taxes on income
Adjusted EBITDA
Adjusted EBITDA
Adjusted EBITDA

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

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

(c) Severance cost is related to the personnel reductions that occurred during the first quarter of 2023.

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

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

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

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

Free Cash Flow

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

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

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

Operational Metrics

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

Off-Balance Sheet Arrangements

As of March 31, 2024 June 30, 2024, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

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

While our significant accounting policies are described in more detail in Note 2, *Summary of Significant Accounting Policies* included in Item 1. "Financial Statements and Supplementary Data", we believe the following accounting policies

to be the most critical to the judgments and estimates used in the preparation of our interim condensed consolidated financial statements.

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of financial instruments

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

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

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

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

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

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

Impairment of long-lived assets

Long-lived assets, including property and equipment and finite-lived intangible assets, are reviewed for impairment whenever facts or circumstances either internally or externally may indicate that the carrying value of an asset may not be recoverable. If there are indications of an impairment, we test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset to the carrying amount of the asset or asset group. If the asset or asset group is determined to be impaired, any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss. No impairment was recognized during the three or six months ended **March 31, 2024 and June 30, 2024, or 2023**.

Goodwill and intangible assets

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

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

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

The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present. In the second quarter of 2023, the Company experienced a decline in its stock price resulting in its market capitalization being less than the carrying value of its one reporting unit. Thus, the Company performed quantitative assessments of the Company's reporting unit. The fair value was determined based on the market approach. The market approach utilizes the Company's market capitalization plus an appropriate control premium. Market capitalization is determined by multiplying the number of common stock outstanding by the market price of its common stock. The control premium is determined by utilizing publicly available data from studies for similar transactions of public companies. During the three and six months ended June 30, 2023, the Company recorded a goodwill impairment of \$14.5 million. No impairment was recognized during the three or six months ended **March 31, 2024 and 2023. June 30, 2024**.

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

Customer relationships and acquired technology are amortized on a straight-line basis over the estimated useful life of assets; approximately 11 years and 6 years, respectively.

The amortization of customer relationships, acquired technology, and trade name is presented within depreciation and amortization in the condensed consolidated statements of operations. Amortization of customer relationships and acquired technology is presented within depreciation and amortization in the condensed consolidated statements of operations.

Capitalized software development costs

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

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

Cloud computing arrangements

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

Income taxes and tax contingencies

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

are not expected to be realized. There are certain situations in which deferred taxes are not provided. Some basis differences are not temporary differences because their reversals are not expected to result in taxable or deductible amounts.

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

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

On December 20, 2017, Congress passed the "US Tax Act." The US Tax Act requires complex computations to be performed that were not previously required by US tax law, significant judgments to be made in interpretation of the provisions of the US Tax Act, significant estimates in calculations and the preparation and analysis of information not previously relevant or regularly produced. The US Tax Act provides that a person who is a US shareholder of any CFC is required to include its GILTI in gross income for the tax year in a manner generally similar to that for Subpart F inclusions.

The term "global intangible low taxed income" is defined as the excess (if any) of the US shareholder's net CFC tested income for that tax year, over the US shareholder's net deemed tangible income return for that tax year. The Company's policy is to treat GILTI as a period expense in the provision for income taxes.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are not required to provide this information.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

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

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the ~~Securities~~ Exchange Act, of 1934, as amended as of ~~March 31, 2024~~ June 30, 2024. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during and as of the fiscal quarter ended ~~March 31, 2024~~ June 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1. Legal Proceedings

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

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

On April 15, 2024 the Court issued an order to stay the case for ninety (90) days and to extend various deadlines as set out below, to allow the parties to continue settlement negotiations without incurring the substantial costs associated with the impending close of fact discovery and deadlines for expert reports. ~~The parties agreed that the stay will apply to all interim~~

The deadlines, including the service of and responses and objections to written discovery. On July 2, 2024 the Court issued an order to extend the stay for an extra one hundred and twenty (120) days.

In the July 2, 2024 order, the Court set the date for the close of fact discovery is currently set for September 30, 2024, as February 10, 2025 and the date for close of expert discovery as February 7, 2025. June 20, 2025.

No trial date has yet been set and the plaintiff has not specified the amount sought in the litigation. Given the uncertainty of litigation and the preliminary stage of the lawsuit, the Company is unable at this time to give an estimate of the amount or range of potential loss, if any, which might result to the Company if the outcome in such litigation was unfavorable. As of March 31, 2024 June 30, 2024, the Company has not recorded a loss contingency.

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

N/A.

Item 5. Other Information

(a) None.

(b) None.

(c) Insider Trading Arrangements and Policies

During the three months ended March 31, 2024 June 30, 2024, no director or "officer" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing date	Filed furnished
						herewith
3.1	Certificate of Incorporation of Innovid	10-K	40048	3.1	03/03/2023	001-
3.2	Bylaws of Innovid Corp.	8-K	40048	3.1	02/05/2024	001-
4.1	Specimen Common Stock Certificate of Innovid Corp.	8-K	40048	4.1	12/06/2021	001-
4.2	Specimen Warrant Certificate of Innovid Corp.	8-K	40048	4.2	12/06/2021	001-

4.3	<u>Warrant Agreement,</u> <u>dated February 10,</u> <u>2021, by and</u> <u>between ION and</u> <u>Continental Stock</u> <u>Transfer & Trust</u> <u>Company, as</u> 333-
4.4	<u>warrant agent</u> 8-K 252440 4.1 02/18/2021 <u>Description of</u> 001- <u>Securities</u> 10-K 40048 4.4 03/03/2023
31.1	<u>Certification of Chief</u> * <u>Executive Officer</u> <u>pursuant to Rule</u> <u>13a-14(a)/15d-</u> <u>14(a).</u>
31.2	<u>Certification of Chief</u> * <u>Financial Officer</u> <u>pursuant to Rule</u> <u>13a-14(a)/15d-</u> <u>14(a).</u>
32.1	<u>Certification of Chief</u> ** <u>Executive Officer</u> <u>pursuant to 18</u> <u>U.S.C. Section</u> <u>1350.</u>
32.2	<u>Certification of Chief</u> ** <u>Financial Officer</u> <u>pursuant to 18</u> <u>U.S.C. Section</u> <u>1350.</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

Incorporated by Reference						
Exhibit Number	Description	Form	File No.	Exhibit	Filing date	Filed furnished herewith
3.1	Certificate of Incorporation of Innovid		001-10-K	40048	3.1	03/03/2023
3.2	Bylaws of Innovid Corp.		001-8-K	40048	3.1	02/05/2024
4.1	Specimen Common Stock Certificate of Innovid Corp.		001-8-K	40048	4.1	12/06/2021
4.2	Specimen Warrant Certificate of Innovid Corp		001-8-K	40048	4.2	12/06/2021
4.3	Warrant Agreement, dated February 10, 2021, by and between ION and Continental Stock Transfer & Trust Company, as warrant agent	333-8-K	252440	4.1	02/18/2021	
4.4	Description of Securities	001-10-K	40048	4.4	03/03/2023	
10.1*	Second Loan Modification Agreement, by and among Silicon Valley Bank, a Division of First-Citizens Bank & Trust Company, and each of the Borrowers set forth therein, dated June 26, 2024					
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)				*	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)				*	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350				**	

32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u>	**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
*	Filed herewith.	
**	Furnished herewith.	

SIGNATURES

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

INNOVID CORP.

Date: **May 07, 2024** August 06, 2024

By: /s/ Zvika Netter

Zvika Netter
Chief Executive Officer

Date: **May 07, 2024** August 06, 2024

By: /s/ Anthony Callini

Anthony Callini
Chief Financial Officer

EXHIBIT 10.1**SECOND LOAN MODIFICATION AGREEMENT**

This Second Loan Modification Agreement (this "Loan Modification Agreement") is entered into as of June 26, 2024, by and among (a) **SILICON VALLEY BANK, A DIVISION OF FIRST-CITIZENS BANK & TRUST COMPANY** ("Bank") and (b) (i) **INNOVID LLC**, a Delaware limited liability company with its principal place of business located at 30 Irving Place 12th Floor New York, NY 10003 ("Innovid LLC"), and (ii) **TV SQUARED INC**, a Delaware corporation with its principal place of business located at 30 Irving Place 12th Floor New York, NY 10003 ("TV Squared"). Innovid LLC and TV Squared, are hereinafter jointly, severally, individually and collectively, "Borrower").

1. DESCRIPTION OF EXISTING INDEBTEDNESS AND OBLIGATIONS. Among other indebtedness and obligations which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to a loan arrangement dated as of August 4, 2022, evidenced by, among other documents, a certain Amended and Restated Loan and Security Agreement dated as of August 4, 2022, between Borrower and Bank, as amended by a certain First Loan Modification Agreement dated as of August 2, 2023 (as has been and as may further be amended, modified, restated, replaced or supplemented from time to time, the "Loan Agreement"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Agreement.

2. DESCRIPTION OF COLLATERAL. Repayment of the Obligations is secured by, among other property, (a) the Collateral, as defined in the Loan Agreement, (b) the Intellectual Property Collateral as defined in a certain Intellectual Property Security Agreement dated as of August 4, 2022 between Innovid LLC and Bank (the "Innovid LLC IP Security Agreement"), (c) the Intellectual Property Collateral as defined in a certain Intellectual Property Security Agreement dated as of August 4, 2022 between TV Squared and Bank (the "TV Squared IP Security Agreement"), and (d) the Secured Sums as defined in that certain Deed of Pledge dated as of October 25, 2012 executed and delivered by Innovid LLC to Bank (together with any other collateral security granted to Bank, the "Security Documents"). Hereinafter, the Security Documents, together with all other documents evidencing or securing the Obligations shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Loan Agreement.

1 The Loan Agreement shall be amended by deleting the following, appearing in Section 1.5 thereof:

" (b) **Termination Fee.** Upon termination of this Agreement or the termination of the Revolving Line for any reason prior to the Revolving Line Maturity Date, in addition to the payment of any other amounts then-owing, a termination fee in an amount equal to Five Hundred Thousand Dollars (\$500,000) (i.e., 1% of the Revolving Line) (the "Termination Fee"), which shall be fully earned and non-refundable as of such date; provided that the Termination Fee shall not be charged if the credit facility hereunder is replaced with a new facility from Bank;"

and inserting in lieu thereof the following: " (b) **Reserved.**

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2 The Loan Agreement shall be amended by deleting the following, appearing in Section 5.3 thereof:

" (d) **Board Materials.** Copies of all material notices, minutes, consents, presentations and other material materials and information that it provides to its board of directors at the same time they are delivered to the directors;"

and inserting in lieu thereof the following: “ (d) **Reserved.**”

3 The Loan Agreement shall be amended by deleting the following, appearing in Section 5.4(c) thereof:

“Subject to Bank’s right to maintain a reserve pursuant to Section 5.4(d), all amounts received in the Cash Collateral Account shall be applied to immediately reduce the Obligations under the Revolving Line (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to so apply such amounts).”

and inserting in lieu thereof the following:

“Subject to Bank’s right to maintain a reserve pursuant to Section 5.4(d), all amounts received in the Cash Collateral Account shall be so long as no Event of Default exists, transferred on a daily basis to Borrower’s operating account with Bank.”

4 The Loan Agreement shall be amended by deleting the following, appearing in Section 5.10 thereof:

“ (b) **Adjusted EBITDA.** Maintain at all times, to be tested as of the last day of each calendar quarter, Adjusted EBITDA, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower), in an amount equal to at least the amount set forth in the table below corresponding to such calendar quarter:

Period	Minimum Adjusted EBITDA
Calendar quarter ending on March 31, 2022	(\$3,500,000)
Calendar quarter ending on June 30, 2022	\$750,000
Calendar quarter ending on September 30, 2022	\$1,500,000
Calendar quarter ending on December 31, 2022	\$3,000,000
Calendar quarter ending on March 31, 2023	(\$3,500,000)
Calendar quarter ending on June 30, 2023	(\$1,000,000)
Calendar quarter ending on September 30, 2023	\$750,000

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Calendar quarter ending on December 31, 2023	\$750,000
Calendar quarter ending on March 31, 2024	(\$3,000,000)
Calendar quarter ending on June 30, 2024	\$3,250,000
Calendar quarter ending on September 30, 2024	\$750,000
Calendar quarter ending on December 31, 2024	\$6,500,000

With respect to any period ending after December 31, 2023, the EBITDA levels applicable to such period shall be determined by Bank, in its sole discretion, until December 31, 2023 based upon, among other factors, budgets, sales projections, operating plans and other financial information of Borrower that Bank deems relevant, including, without limitation, Borrower’s financial projections. With respect thereto: Borrower’s failure to deliver to Bank, on or before December 1, 2023 Borrower’s budgets, sales projections, operating plans and other financial information of Borrower that Bank deems relevant and reasonably requested by Bank prior to such date, including, without limitation, Borrower’s quarterly and annual financial projections, together with any related business forecasts used in the preparation of such projections, with respect to Borrower’s 2024 fiscal year, shall result in an immediate Event of Default for which there shall be no grace or cure period.”

and inserting in lieu thereof the following:

“ (b) **Adjusted EBITDA.** Maintain at all times, to be tested as of the last day of each calendar quarter, Adjusted EBITDA, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower), in an

amount equal to at least the amount set forth in the table below corresponding to such calendar quarter.

<u>Period</u>	<u>Minimum Adjusted EBITDA</u>
Calendar quarter ending on March 31, 2022	(\$3,500,000)
Calendar quarter ending on June 30, 2022	\$750,000
Calendar quarter ending on September 30, 2022	\$1,500,000
Calendar quarter ending on December 31, 2022	\$3,000,000
Calendar quarter ending on March 31, 2023	(\$3,500,000)
Calendar quarter ending on June 30, 2023	(\$1,000,000)
Calendar quarter ending on September 30, 2023	\$750,000

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Calendar quarter ending on December 31, 2023	\$750,000
Calendar quarter ending on March 31, 2024	(\$3,000,000)
Calendar quarter ending on June 30, 2024	\$2,000,000.00
Calendar quarter ending on September 30, 2024	\$4,000,000.00
Calendar quarter ending on December 31, 2024	\$5,000,000.00
Calendar quarter ending on March 31, 2025	\$5,000,000.00
Calendar quarter ending on June 30, 2025	\$7,500,000.00
Calendar quarter ending on September 30, 2025	\$7,500,000.00
Calendar quarter ending on December 31, 2025	\$8,500,000.00
Calendar quarter ending on March 31, 2026	\$8,500,000.00
Calendar quarter ending on June 30, 2026	\$10,000,000.00
Calendar quarter ending on September 30, 2026	\$10,000,000.00
Calendar quarter ending on December 31, 2026	\$10,000,000.00
Calendar quarter ending on March 31, 2027	\$10,000,000.00
Calendar quarter ending on June 30, 2027	\$10,000,000.00

Notwithstanding the foregoing, Bank will not test the financial covenant set forth in this Section 5.10(b) for any calendar quarter with respect to which Borrower has provided evidence, satisfactory to Bank in its sole discretion, that Borrower had AQR, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower), greater than or equal to 1.50 to 1.00 at all times for such calendar quarter; provided, however if Borrower's AQR, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower) is at any time, less than 1.50 to 1.00 in any calendar quarter, Borrower shall have also maintained at all times, in the immediately preceding calendar quarter, as of the last day of such calendar quarter, the required minimum Adjusted EBITDA level set forth above for such calendar quarter."

5 The Loan Agreement shall be amended by deleting the following definition, appearing in Section 12.2 thereof:

" **Adjusted EBITDA**" means, as determined in accordance with GAAP, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower), (a) Net Income, plus (b) to the extent deducted in the calculation of Net Income, (i) Interest Expense, (ii) depreciation

amortization and impairment expense, (iii) income tax expense, (iv) non-cash stock-based compensation, (v) non-recurring expenses solely with respect to (A) Borrower's calendar quarters ending June 30, 2023, September 30, 2023 and December 31, 2023, in an aggregate amount not to exceed \$1,000,000.00 in any such calendar quarter and \$2,500,000.00 in the aggregate for all addbacks for the calendar quarters ending June 30, 2023, September 30, 2023 and December 31, 2023 measured together, and (B) the fiscal year ending December 31, 2024, in an aggregate amount not to exceed \$750,000.00 in any calendar quarter and \$2,000,000.00 in the aggregate for all such addbacks in such fiscal year measured together, (vi) one (1) time expenses approved by Bank in writing in its sole discretion, and (vii) non-cash finance expenses, minus (c) fees and expenses related to capitalized software, plus (d) to the extent included in the calculation of Net Income, non-cash finance income."

and inserting in lieu thereof the following:

" **"Adjusted EBITDA"** means, as determined in accordance with GAAP, calculated on a consolidated basis with respect to Parent and its Subsidiaries (which shall in all cases include Borrower), (a) Net Income, plus (b) to the extent deducted in the calculation of Net Income, (i) Interest Expense, (ii) depreciation amortization and impairment expense, (iii) income tax expense, (iv) non-cash stock-based compensation, (v) non-recurring expenses solely with respect to (A) Borrower's calendar quarters ending June 30, 2023, September 30, 2023 and December 31, 2023, in an aggregate amount not to exceed \$1,000,000.00 in any such calendar quarter and \$2,500,000.00 in the aggregate for all addbacks for the calendar quarters ending June 30, 2023, September 30, 2023 and December 31, 2023 measured together, and (B) the fiscal years ending December 31, 2024, December 31, 2025, December 31, 2026 and December 31, 2027 in an aggregate amount not to exceed \$750,000.00 in any calendar quarter and \$2,000,000.00 in the aggregate for all such addbacks in such fiscal year measured together, (vi) one (1) time expenses approved by Bank in writing in its sole discretion, and (vii) non-cash finance expenses, minus (c) fees and expenses related to capitalized software, plus (d) to the extent included in the calculation of Net Income, non-cash finance income."

6 Schedule 1 of the Loan Agreement is amended by deleting the following text appearing therein:

12.2 – "Revolving Line Maturity Date"	"Revolving Line Maturity Date" is June 30, 2025.
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and inserting in lieu thereof the following:

12.2 – "Revolving Line Maturity Date"	"Revolving Line Maturity Date" is June 30, 2027.
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B. The Compliance Statement appearing as Exhibit A to the Loan Agreement is hereby deleted and replaced with the Compliance Statement attached as Schedule 1 hereto.

4. FEES AND EXPENSES. Borrower shall pay to Bank a modification fee equal to Forty Thousand Dollars (\$40,000.00), which fee shall be fully earned, due and payable on the date hereof. Borrower shall also reimburse Bank for all legal fees and expenses incurred in connection with this amendment to the Existing Loan Documents.

5. RATIFICATION OF PERFECTION CERTIFICATES.

- A.** Innovid LLC hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in that certain Perfection Certificate of Innovid LLC dated as of August 2, 2023 (the "**Innovid LLC Perfection Certificate**"), and acknowledges, confirms and agrees that the disclosures and information Innovid LLC provided to Bank in such Perfection Certificate have not changed, as of the date hereof.
- B.** TV Squared hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in that certain Perfection Certificate of TV Squared dated as of August 2, 2023 (the "**TV Squared Perfection Certificate**"), and acknowledges, confirms and agrees that the disclosures and information TV Squared provided to Bank in such Perfection Certificate have not changed, as of the date hereof.

6. RATIFICATION OF IP SECURITY AGREEMENTS.

- A.** Innovid LLC hereby ratifies, confirms and reaffirms, all and singular, the terms and conditions of the Innovid LLC IP Security Agreement, and acknowledges, confirms and agrees that the Innovid LLC IP Security Agreement contains an accurate and complete listing of all Intellectual Property Collateral as defined in the Innovid LLC IP Security Agreement, and shall remain in full force and effect.
- B.** TV Squared hereby ratifies, confirms and reaffirms, all and singular, the terms and conditions of the TV Squared IP Security Agreement, and acknowledges, confirms and agrees that the TV Squared IP Security Agreement contains an accurate and complete listing of all Intellectual Property Collateral as defined in the TV Squared IP Security Agreement, and shall remain in full force and effect.

7. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

8. RATIFICATION OF LOAN DOCUMENTS. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of all security or other collateral granted to Bank, and confirms that the indebtedness secured thereby includes, without limitation, the Obligations.

9. RELEASE BY BORROWER.

- A.** **FOR GOOD AND VALUABLE CONSIDERATION,** Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Loan Modification Agreement (collectively "Released Claims"). Without limiting the foregoing, the Released Claims

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shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the Recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

- B.** In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

- C. By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.
- D. This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Loan Modification Agreement, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.
- E. Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:
 - 1 Except as expressly stated in this Loan Modification Agreement, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Loan Modification Agreement.
 - 2 Borrower has made such investigation of the facts pertaining to this Loan Modification Agreement and all of the matters appertaining thereto, as it deems necessary.
 - 3 The terms of this Loan Modification Agreement are contractual and not a mere recital.
 - 4 This Loan Modification Agreement has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Loan Modification Agreement is signed freely, and without duress, by Borrower.
 - 5 Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall

indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

10. **CONTINUING VALIDITY.** Borrower understands and agrees that in modifying the existing Obligations, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Obligations pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Obligations. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers of Existing Loan Documents, unless the party is expressly released by Bank in writing. No maker will be released by virtue of this Loan Modification Agreement.

11. **COUNTERSIGNATURE.** This Loan Modification Agreement shall become effective only when it shall have been executed by Borrower and Bank.

12. **ELECTRONIC EXECUTION OF DOCUMENTS.** The words "execution," "signed," "signature" and words of like import in this Loan Modification Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

13. **GOVERNING LAW.** This First Loan Modification Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Modification Agreement to be executed as of the date first written above.

BANK:

FIRST-CITIZENS BANK & TRUST COMPANY

By /s/ Sameer Paul

Name: Sameer Paul Title: Director

BORROWER:

INNOVID LLC

By /s/ Anthony Callini

Name: Anthony Callini Title: Chief Financial Officer **TV SQUARED INC**

By /s/ Anthony Callini

Name: Anthony Callini Title: Director

SCHEDULE 1

EXHIBIT ACOMPLIANCE STATEMENT

TO: SILICON VALLEY BANK, Date:
a division of First-Citizens Bank & Trust Company FROM: INNOVID LLC and TV SQUARED INC

Under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented and/or restated from time to time, the "Agreement"), Borrower is in complete compliance for the period ending with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements	Monthly within 30 days	Yes No
Quarterly financial statements (income statement, cash flow, and balance sheet)	Quarterly, when reported to the SEC	
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
Annual operating budgets, Capitalization table and projections	as soon as available, at least annually, and within 10 days following board approval, and as revised	Yes No
The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")		

<u>Financial Covenants</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Adjusted Quick Ratio (at all times; tested monthly)	<u>1.30:1.00</u>	<u>:1.00</u>	Yes No
Minimum Adjusted EBITDA (at all times; tested quarterly)	*	\$	Yes No N/A**

*As set forth in Section 5.10(b) of the Agreement.

**Testing subject to Section 5.10(b) of the Agreement.

The following financial covenant analysis and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

Financial Covenants of Borrower

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated:

I. **Adjusted Quick Ratio** (tested monthly on a consolidated basis for Parent and its Subsidiaries (which shall in all cases include Borrower)) (Section 5.10 (a))

Required: $\geq 1.30:1.00$

Actual:

A.	Aggregate value of the unrestricted and unencumbered cash of Parent and its Subsidiaries (which shall in all cases include Borrower) maintained with Bank	\$
B.	Aggregate value of Borrower's cash maintained at financial institutions other than Bank, so long as such account is subject to a Control Agreement satisfactory to Bank in its sole discretion	\$
C.	Aggregate value of the net billed accounts receivable of Parent and its Subsidiaries (which shall in all cases include Borrower)	\$
D.	Quick Assets (the sum of lines A, B, and C)	\$
E.	Aggregate value of obligations and liabilities of Parent and its Subsidiaries (which shall in all cases include Borrower) to Bank	\$
F.	Aggregate value of liabilities of Parent and its Subsidiaries (which shall in all cases include Borrower) that matures within one (1) year	\$
G.	Current Liabilities (the sum of line E and F)	\$
H.	Aggregate value of all amounts received or invoiced by Parent and its Subsidiaries (which shall in all cases include Borrower) in advance of performance under contracts and not yet recognized as revenue	\$
I.	Line G minus line H	\$
J.	Adjusted Quick Ratio (line D divided by line I)	\$

Is line J equal to or greater than the ratio set forth above?

No, not in compliance Yes, in compliance

II. Adjusted EBITDA (tested monthly on a consolidated basis for Parent and its Subsidiaries (which shall in all cases include Borrower)) (Section 5.10 (b))

Required: See chart below

Period	Minimum Adjusted EBITDA
Calendar quarter ending on March 31, 2022	(\$3,500,000)
Calendar quarter ending on June 30, 2022	\$750,000
Calendar quarter ending on September 30, 2022	\$1,500,000
Calendar quarter ending on December 31, 2022	\$3,000,000
Calendar quarter ending on March 31, 2023	(\$3,500,000)
Calendar quarter ending on June 30, 2023	(\$1,000,000)
Calendar quarter ending on September 30, 2023	\$750,000
Calendar quarter ending on December 31, 2023	\$750,000
Calendar quarter ending on March 31, 2024	(\$3,000,000)
Calendar quarter ending on June 30, 2024	\$2,000,000.00
Calendar quarter ending on September 30, 2024	\$4,000,000.00
Calendar quarter ending on December 31, 2024	\$5,000,000.00
Calendar quarter ending on March 31, 2025	\$5,000,000.00
Calendar quarter ending on June 30, 2025	\$7,500,000.00
Calendar quarter ending on September 30, 2025	\$7,500,000.00
Calendar quarter ending on December 31, 2025	\$8,500,000.00
Calendar quarter ending on March 31, 2026	\$8,500,000.00
Calendar quarter ending on June 30, 2026	\$10,000,000.00
Calendar quarter ending on September 30, 2026	\$10,000,000.00
Calendar quarter ending on December 31, 2026	\$10,000,000.00
Calendar quarter ending on March 31, 2027	\$10,000,000.00
Calendar quarter ending on June 30, 2027	\$10,000,000.00

Actual:

A. Net Income \$

B. To the extent included in the determination of Net Income

1. Interest Expense \$
2. Income tax expense \$
3. Depreciation expense \$
4. Amortization and impairment expense \$
5. Non-cash stock-based compensation \$
6. non-recurring expenses solely with respect to (a) Borrower's calendar quarters \$ending June 30, 2023, September 30, 2023 and December 31, 2023, in an aggregate amount not to exceed \$1,000,000.00 in any such calendar quarter and \$2,500,000.00 in the aggregate for all addbacks for the calendar quarters ending June 30, 2023, September 30, 2023 and December 31, 2023 measured together, and (b) the fiscal years ending December 31, 2024, December 31, 2025, December 31, 2026 and December 31, 2027, in an aggregate amount not to exceed \$750,000.00 in any calendar quarter and \$2,000,000.00 in the aggregate for all such addbacks in such fiscal year measured together
7. One (1) time expenses approved by Bank in writing in its sole discretion \$
8. Non-cash finance expenses \$
9. The sum of lines 1 through 8 \$

C. Capitalized Software Costs \$

D. Non-cash finance income \$

E. Adjusted EBITDA (the sum of lines A and B, minus line C, minus Line D) \$

Is line E equal to or greater than*?

*As set forth in the chart above.

No, not in compliance Yes, in compliance N/A**

** Testing subject to Section 5.10(b) of the Agreement.

Exhibit 31.1

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

I, Zvika Netter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

Date: **May 7, 2024** August 6, 2024

/s/ Zvika Netter

Zvika Netter
Chief Executive Officer

Exhibit 31.2

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

I, Anthony Callini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 7, 2024** **August 6, 2024**

/s/ Anthony Callini

Anthony Callini
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the "Company") for the period ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Zvika Netter

Zvika Netter
Chief Executive Officer

Dated: **May 7, 2024** **August 6, 2024**

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the "Company") for the period ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Dated: **May 7, 2024** August 6, 2024

/s/ Anthony Callini

Anthony Callini
Chief Financial Officer

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

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