

REFINITIV

## DELTA REPORT

### 10-Q

INTEGRAL AD SCIENCE HOLDI

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

The following comparison report has been automatically generated

**TOTAL DELTAS** 573

█ **CHANGES** 195

█ **DELETIONS** 175

█ **ADDITIONS** 203

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**

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

OR

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40557



**INTEGRAL AD SCIENCE HOLDING CORP.**

(Exact name of registrant as specified in its charter)

Delaware

83-0731995

(State or other jurisdiction of  
incorporation) incorporation or organization

(IRS) Employer  
Identification No.)

12 E 49th Street, 20th Floor  
New York, NY

10017

(Address of principal executive offices, including zip code) offices

(Zip Code) code)

(646) 278-4871

(Registrant's telephone number, including area code)

Not Applicable

(Former name, or former address and former fiscal year, if changed since last report.) report

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	IAS	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

On **May 6, 2024** **July 29, 2024**, the Registrant had **160,543,505** **161,364,929** shares of common stock, \$0.001 par value, outstanding.

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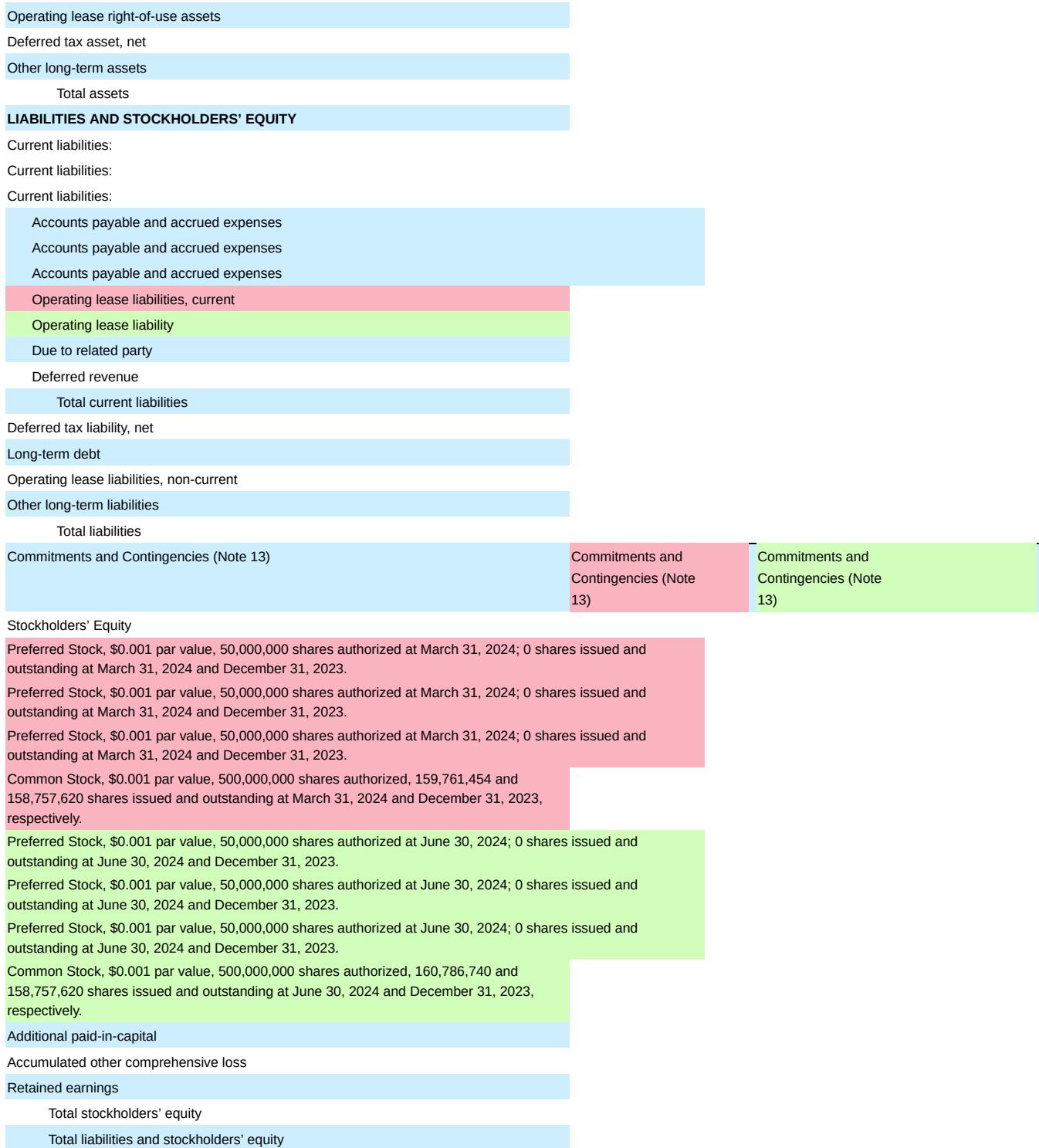
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### PART I — FINANCIAL INFORMATION

#### Item 1. Financial Statements

##### INTEGRAL AD SCIENCE HOLDING CORP. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	(IN THOUSANDS, EXCEPT SHARE DATA)	March 31, 2024	(IN THOUSANDS, EXCEPT SHARE DATA)	June 30, 2024
<b>(IN THOUSANDS, EXCEPT SHARE DATA)</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted cash				
Accounts receivable, net				
Unbilled receivables				
Prepaid expenses and other current assets				
Total current assets				
Total current assets				
Total current assets				
Property and equipment, net				
Internal use software, net				
Intangible assets, net				
Goodwill				



See notes to the unaudited condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME  
(UNAUDITED)**

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended March 31,		(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)		Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023	2024	2023	2024	2023
Revenue									
<b>Operating expenses:</b>									
Cost of revenue (excluding depreciation and amortization shown below)									
Cost of revenue (excluding depreciation and amortization shown below)									
Cost of revenue (excluding depreciation and amortization shown below)									
Sales and marketing									
Technology and development									
General and administrative									
Depreciation and amortization									
Foreign exchange loss (gain), net									
<b>Total operating expenses</b>									
<b>Operating income</b>									
<b>Operating income (loss)</b>									
Interest expense, net									
Net (loss) income before income taxes									
Benefit (provision) from income taxes									
Net (loss) income									
Net (loss) income per share – basic and diluted:									
Net income (loss) before income taxes									
(Provision) benefit for income taxes									
Net income									
Net income per share - basic and diluted									
Weighted average shares outstanding:									
<b>Weighted average shares outstanding:</b>									
Weighted average shares outstanding:									
Basic									
Basic									
Basic									
Diluted									
<b>Other comprehensive (loss) income:</b>									
<b>Other comprehensive income:</b>									
Foreign currency translation adjustments									
Foreign currency translation adjustments									
Foreign currency translation adjustments									
<b>Total comprehensive (loss) income</b>									
<b>Total comprehensive income</b>									

See notes to the unaudited condensed consolidated financial statements.

**INTEGRAL AD SCIENCE HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

Three Months Ended **March 31, 2024** **June 30, 2024**

(IN THOUSANDS, EXCEPT SHARES)	Common Stock						Total stockholders' equity
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings		
<b>Balance, December 31, 2023</b>	158,757,620	\$ 159	\$ 901,259	\$ (916)	\$ 8,954	\$ 909,456	
RSUs and MSUs vested	806,546	1	—	—	—	—	1
Option exercises	44,049	—	313	—	—	—	313
ESPP purchase	153,239	—	1,895	—	—	—	1,895
Stock-based compensation	—	—	15,725	—	—	—	15,725
Foreign currency translation adjustment	—	—	—	(1,059)	—	—	(1,059)
Net loss	—	—	—	—	(1,255)	—	(1,255)
<b>Balance, Balance, March 31, 2024</b>	<b>159,761,454</b>	<b>\$ 160</b>	<b>\$ 919,192</b>	<b>\$ (1,975)</b>	<b>\$ 7,699</b>	<b>\$ 925,076</b>	

(IN THOUSANDS, EXCEPT SHARES)	Common Stock						Total stockholders' equity
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings		
<b>Balance, March 31, 2024</b>	<b>159,761,454</b>	<b>\$ 160</b>	<b>\$ 919,192</b>	<b>\$ (1,975)</b>	<b>\$ 7,699</b>	<b>\$ 925,076</b>	
RSUs and MSUs vested	1,025,286	1	—	—	—	—	1
Stock-based compensation	—	—	15,002	—	—	—	15,002
Foreign currency translation adjustment	—	—	—	(193)	—	—	(193)
Net income	—	—	—	—	7,690	7,690	7,690
<b>Balance, June 30, 2024</b>	<b>160,786,740</b>	<b>\$ 161</b>	<b>\$ 934,194</b>	<b>\$ (2,168)</b>	<b>\$ 15,389</b>	<b>\$ 947,576</b>	

Three Six Months Ended **March 31, 2023** **June 30, 2024**

(IN THOUSANDS, EXCEPT SHARES)	(IN THOUSANDS, EXCEPT SHARES)	Common Stock						Total stockholders' equity
		Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity	
<b>Balance, December 31, 2022</b>								
RSUs vested								
<b>Balance, December 31, 2023</b>								
RSUs and MSUs vested								
Option exercises								
ESPP purchase								
Stock-based compensation								

Foreign currency

translation

adjustment

Adoption of ASC

326, net of tax

Net income

Balance, March 31,  
2023

Balance, June  
30, 2024

See notes to the unaudited condensed consolidated financial statements.

**INTEGRAL AD SCIENCE HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

**Three Months Ended June 30, 2023**

(IN THOUSANDS, EXCEPT SHARES)	Common Stock						Total stockholders' equity	
	Shares	Amount	Additional paid-in capital		Accumulated other comprehensive loss	Retained earnings		
<b>Balance, March 31, 2023</b>	154,811,980	\$ 154	\$ 824,498	\$ (1,750)	\$ 4,862	\$ 827,764		
RSUs and MSUs vested	1,218,542	2	—	—	—	—	2	
Option exercises	248,553	—	2,878	—	—	—	2,878	
Stock-based compensation	—	—	40,114	—	—	—	40,114	
Foreign currency translation adjustment	—	—	—	(221)	—	—	(221)	
Net income	—	—	—	—	7,677	—	7,677	
<b>Balance, June 30, 2023</b>	<b>156,279,075</b>	<b>\$ 156</b>	<b>\$ 867,490</b>	<b>\$ (1,971)</b>	<b>\$ 12,539</b>	<b>\$ 878,214</b>		

**Six Months Ended June 30, 2023**

(IN THOUSANDS, EXCEPT SHARES)	Common Stock						Total stockholders' equity	
	Shares	Amount	Additional paid-in capital		Accumulated other comprehensive loss	Retained earnings		
<b>Balance, December 31, 2022</b>	153,990,128	\$ 154	\$ 810,186	\$ (2,899)	\$ 775	\$ 808,216		
RSUs and MSUs vested	1,590,282	2	—	—	—	—	2	
Option exercises	587,502	—	4,993	—	—	—	4,993	
ESPP purchase	111,163	—	882	—	—	—	882	
Stock-based compensation	—	—	51,429	—	—	—	51,429	
Foreign currency translation adjustment	—	—	—	928	—	—	928	
Adoption of ASC 326, net of tax	—	—	—	—	941	—	941	
Net income	—	—	—	—	10,823	—	10,823	
<b>Balance, June 30, 2023</b>	<b>156,279,075</b>	<b>\$ 156</b>	<b>\$ 867,490</b>	<b>\$ (1,971)</b>	<b>\$ 12,539</b>	<b>\$ 878,214</b>		

See notes to the unaudited condensed consolidated financial statements.

**INTEGRAL AD SCIENCE HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

(IN THOUSANDS)	(IN THOUSANDS)	Three Months Ended March 31,		(IN THOUSANDS)	Six Months Ended June 30,	
		2024	2023		2024	2023
<b>Cash flows from operating activities:</b>						
Net (loss) income						
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:						
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization						
Depreciation and amortization						
Depreciation and amortization						
Stock-based compensation						
Foreign currency loss (gain), net						
Deferred tax benefit						
Amortization of debt issuance costs						
(Reversal of) allowance for credit losses						
Allowance for credit losses						
Changes in operating assets and liabilities:						
Changes in operating assets and liabilities:						
Changes in operating assets and liabilities:						
Decrease in accounts receivable						
Decrease in accounts receivable						
Decrease in accounts receivable						
Increase in accounts receivable						
Increase in accounts receivable						
Increase in accounts receivable						
Decrease in unbilled receivables						
(Increase) decrease in prepaid expenses and other current assets						
(Increase) decrease in operating leases, net						
Decrease (increase) in other long-term assets						
(Increase) decrease in other long-term assets						
Decrease in accounts payable and accrued expenses and other long-term liabilities						
Increase in deferred revenue						
(Decrease) increase in due to/from related party						
Net cash (used in) provided by operating activities						
(Decrease) increase in deferred revenue						
Decrease in due to/from related party						
Net cash provided by operating activities						
<b>Cash flows from investing activities:</b>						
Purchase of property and equipment						
Purchase of property and equipment						
Purchase of property and equipment						
Acquisition and development of internal use software and other						
Development of internal use software and other						
Net cash used in investing activities						

**Cash flows from financing activities:**

Proceeds from the Revolver
Proceeds from the Revolver
Proceeds from the Revolver
Repayment of long-term debt
Proceeds from exercise of stock options
Proceeds from exercise of stock options
Proceeds from exercise of stock options
Cash received from Employee Stock Purchase Program
Cash received from Employee Stock Purchase Program
Cash received from Employee Stock Purchase Program
Net cash used in financing activities
Net (decrease) increase in cash, cash equivalents, and restricted cash
Effect of exchange rate changes on cash, cash equivalents and restricted cash
Cash, cash equivalents and restricted cash at beginning of period
<b>Cash, cash equivalents and restricted cash at end of period</b>
<b>Cash, cash equivalents, and restricted cash, at end of period</b>

**Supplemental Disclosures:**

Net cash paid during the period for:
Net cash paid during the period for:
Net cash paid during the period for:
Interest
Interest
Interest
Taxes

**Non-cash investing and financing activities:**

Property and equipment acquired included in accounts payable
Property and equipment acquired included in accounts payable
Property and equipment acquired included in accounts payable
Internal use software acquired included in accounts payable
Lease liabilities arising from right of use assets

See notes to the unaudited condensed consolidated financial statements.

**INTEGRAL AD SCIENCE HOLDING CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)

**1. Description of business**

Integral Ad Science Holding Corp. and its wholly-owned subsidiaries (together, the "Company" or "IAS"), is a leading global digital advertising verification company by revenue. The Company's mission is to be the global benchmark for trust and transparency in digital media quality for the world's leading brands, publishers, and platforms. The Company's cloud-based technology platform provides actionable insights and delivers independent measurement and verification of digital advertising across all devices, channels, and formats, including desktop, mobile, connected TV ("CTV"), social, display, and video. The Company's proprietary and Media Rating Council (the "MRC") accredited Quality Impressions® metric is designed to verify that digital ads are served to a real person rather than a bot, in a brand-safe and suitable environment within the correct geography. The Company is an independent, trusted partner for buyers and sellers of digital advertising to increase accountability, transparency, and effectiveness in the market. The Company helps advertisers optimize their ad spend and better measure consumer engagement with campaigns across platforms, while enabling publishers to improve their inventory yield and revenue.

The Company operates within the United States ("U.S.") in New York, California, and Illinois. Operations outside the U.S. include but are not limited to countries such as the United Kingdom ("U.K."), Ireland, France, Germany, Spain, Italy, Singapore, Australia, Japan, India, and the Nordics.

## 2. Basis of presentation and summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Company's condensed consolidated financial statements. These accounting policies have been consistently applied in the preparation of the condensed consolidated financial statements.

### (a) Basis of presentation

The Company's condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect the financial position, results of operations and cash flows for all periods presented. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

The accompanying interim Condensed Consolidated Balance Sheets as of **March 31, 2024** **June 30, 2024**, the Condensed Consolidated Statements of Operations and Comprehensive **(Loss)** Income, of Cash Flows and of Changes in Stockholders' Equity for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023, and the related footnote disclosures are unaudited. These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, include all adjustments necessary to state fairly the consolidated financial position of the Company. All adjustments made were of a normal recurring nature. The results for the three **and six** months ended **March 31, 2024** **June 30, 2024** are not necessarily indicative of the results to be expected for the year ending December 31, 2024, or for any future period.

The Company's significant accounting policies are discussed in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 27, 2024 (the "2023 Form 10-K") and these unaudited condensed consolidated financial statements should be read in conjunction with the 2023 Form 10-K.

During **Q1**, the first quarter of 2024, the Company identified an immaterial error in its previously issued unaudited condensed consolidated financial statements for the three months ended March 31, 2023, six months ended June 30, 2023 and nine months ended September 30, 2023. Specifically, lease liabilities arising from right of use assets within the non-cash investing and financing supplemental disclosure included all leases rather than leases arising during the noted period. **We have revised the March 31, 2023 disclosure from \$28.1 million to \$0 to reflect the activity during that period. We will revise** As a result, the six months ended **June 30, 2023** disclosure **within the Statement of Cash Flows was revised from \$30.4 million to \$3.9 million and the million. The nine months ended September 30, 2023 disclosure will be revised from \$29.3 million to \$4.9 million in our Form 10-Qs 10-Q for the quarters quarter ended June 30, 2024 and September 30, 2024, respectively**, to be filed later this year. These revisions did not impact any other amounts presented in the condensed consolidated financial statements.

### (b) Basis of consolidation

The condensed consolidated financial statements include the accounts of Integral Ad Science Holding Corp. and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

### (c) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. **Actual results could differ from these estimates.** Significant estimates include **fair value of assets acquired in business combinations, including assumptions with respect to future cash inflows and outflows, discount rates, assets useful lives, market multiples, the allocation of purchase price consideration in the business combination valuation of acquired assets and liabilities, the estimated useful lives of intangible assets and internal use software, the allowance for credit losses, goodwill impairment testing, assumptions used to calculate equity-based compensation, and the realization of deferred tax assets.** The Company bases its estimates on past experience, market conditions, and other assumptions that the Company believes are reasonable under the circumstances, and the Company evaluates these estimates on an ongoing basis. Actual results may differ from these estimates due to risks and uncertainties, including the continued uncertainty surrounding rapidly changing market and economic conditions due to **high heightened** inflation, changes to fiscal and monetary policy, **high higher** interest rates, currency fluctuations, instability in the financial markets and disruptions in European economies as a result of the war in Ukraine and other geopolitical issues.

### (d) Foreign currency

The reporting currency of the Company is the U.S. dollar. The functional currency of our foreign subsidiaries is the currency of the primary economic environment in which they operate, which is their local currency. The financial statements of these subsidiaries are translated into U.S. dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenue, costs and expenses. Translation gains and losses are recorded in accumulated other comprehensive **loss in income within** stockholders' equity. Transaction gains and losses including those on intercompany transactions denominated in a currency other than the functional currency of the entity involved are included in foreign exchange loss **(gain)**, net in the Condensed Consolidated Statements of Operations and Comprehensive **(Loss)** Income.

For the three months ended **March 31, 2024** **June 30, 2024**, and 2023, foreign exchange **loss, gain (loss)**, net consists of unrealized foreign exchange losses of **\$1,395** **\$169** and gains of **\$561**, respectively, and realized transaction losses of **\$174**, **\$146** and gains of **\$70**, respectively. For the **three** **six** months ended **March 31, 2023** **June 30, 2024**, and 2023, foreign exchange **gain (loss)**, net consists of unrealized foreign exchange **losses of \$1,564** and gains of **\$678** **\$1,239**, respectively, and realized transaction losses of **\$162**, **\$320** and **\$92**, respectively.

### (e) Cash, cash equivalents, and restricted cash

Cash equivalents include money market accounts and other highly liquid investments with an original maturity date of three months or less at the time of purchase. Cash amounts with restrictions are classified as restricted cash within the Condensed Consolidated Balance Sheets.

The company generated interest income of \$954 and \$726 during the three months ended March 31, 2024, June 30, 2024, and 2023, respectively, and \$1,680 and \$1,280 during the six months ended June 30, 2024, and 2023, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows.

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Cash and cash equivalents				
Short term restricted cash				
Long term restricted cash (held in other long-term assets)				
Short-term restricted cash				
Long-term restricted cash (held in other long-term assets)				
Total cash, cash equivalents, and restricted cash shown in the Condensed Consolidated Statements of Cash Flows				

**(f) Accounts receivable, net**

Accounts receivable are carried at the original invoiced amount less an allowance for credit losses. The allowance is estimated by pooling accounts receivables based on similar risk characteristics, and expected credit loss exposure is evaluated for each accounts receivable pool. Invoices are typically issued with net 30-days to net 90-days terms. Account balances are considered delinquent if payment is not received by the due date, and the receivables are written off when deemed uncollectible. These costs are recorded in general and administrative expenses within the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

The activity in our allowance for credit losses consists of the following as of:

	March 31, 2024	March 31, 2023	June 30, 2024	June 30, 2023
Balance, beginning of period				
(Decrease) increase in bad debt provision				
Additional provision				
Receivables written off and impact of exchange rates				
Adoption of ASC 326				
Balance, end of period				

**(g) Stock-based compensation**

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period. The Company accounts for forfeitures as they occur. The Company used the following assumptions in valuing its market stock units ("MSUs"), shares granted under the Company's 2021 Employee Stock Purchase Program ("ESPP"), time-based service options, which vest over a period of time subject to continued employment ("Time-Based Options"), and return target options ("Return-Target Options"), which vest upon a realized cash return of the equity investment of funds affiliated with Vista Equity Partners ("Vista"), the Company's largest shareholder.

**Expected term** — For time-based awards, the estimated expected term of options granted is generally calculated as the vesting period plus the midpoint of the remaining contractual term, as the Company does not have sufficient historical information to develop reasonable expectations surrounding future exercise patterns and post-vesting employment termination behavior. For awards subject to market and performance conditions, the expected term represents the period of time that the options granted are expected to be outstanding.

**Expected volatility** — Volatility is estimated based upon observed option-implied volatilities for the Company in addition to a group of peer companies. The Company believes this is the best estimate of the expected volatility over the weighted-average expected term of its option grants.

**Risk-free interest rate** — The risk-free interest rate is based on the implied yield currently available on U.S. Treasury instruments with terms approximately equal to the expected term of the option.

**Expected dividend** — The expected dividend assumption was based on the Company's history and expectation of dividend payouts. The Company currently has no history or expectation of paying cash dividends on its common stock.

**Fair value** — Following the pricing of the Initial Public Offering, the Company's shares have traded publicly, and accordingly the Company uses the applicable closing price of its common stock to determine fair value.

The Company used the following assumptions in valuing its stock-based compensation:

		March 31, 2024	March 31, 2023		June 30, 2024	June 30, 2023
Estimated fair value	Estimated fair value	\$4.47	\$3.35	Estimated fair value	\$4.47 - \$14.86	\$3.35 - \$21.05
Expected volatility (%)	Expected volatility (%)	50%	60%	Expected volatility (%)	50% - 66%	60% - 65%
Expected term (in years)	Expected term (in years)	0.50	Expected term (in years)	0.50 - 4.00	0.50 - 4.00	
Risk-free interest rate (%)	Risk-free interest rate (%)	5.15%	4.79%	Risk-free interest rate (%)	4.26% - 5.15%	3.63% - 4.79%
Dividend yield	Dividend yield	—	Dividend yield	—	—	

**(h) Accounting pronouncements not yet adopted**

On November 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires incremental disclosures related to an entity's reportable segments. This ASU is effective for annual periods beginning after December 15, 2023. The Company does not expect the adoption of ASU 2023-07 to have a material impact on its consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires companies to disclose more detailed information in their reconciliation of their statutory tax rate to their effective tax rate. The ASU also requires entities to disclosure more detailed information about income taxes paid, including by jurisdiction, pretax income (or loss) from continuing operations and income tax expense (or benefit). This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of ASU No. 2023-09 on its consolidated financial statements.

On March 6, 2024, in March 2024, the Securities and Exchange Commission issued a final rule Final Rule No. 33-11275, "The Enhancement and Standardization of Climate-Related Disclosures for Investors," that requires registrants to disclose climate-related disclosures information in their registration statements and annual reports on Form 10-K beginning with annual reports for 10-K. In April 2024, given pending legal challenges, the year ending December 31, 2024. The Securities and Exchange Commission issued an order to voluntarily stay the new rule requires additional disclosures both in the financial statements as well as other sections of the 10-K. rules. The Company is currently evaluating the potential impact of the rule on its consolidated financial statements.

**3. Property and equipment, net**

Property and equipment consisted of the following:

	Estimated useful life (in years)	March 31, 2024	December 31, 2023	Estimated useful life (in years)	June 30, 2024	December 31, 2023
Computer and office equipment						
Computer software						
Leasehold improvements						
Furniture						
Total property and equipment						
Less: accumulated depreciation						
Total property and equipment, net						

Depreciation expense of property and equipment for the three months ended March 31, 2024 June 30, 2024 and 2023 was \$309 \$334 and \$198, \$287, respectively. During Depreciation expense of property and equipment for the three six months ended March 31, 2023, the Company wrote off fully depreciated assets of \$267. June 30, 2024 and 2023 was \$643 and \$485, respectively.

**4. Internal use software, net**

Internal use software consisted of the following:

	Estimated useful life (in years)	March 31, 2024	December 31, 2023	Estimated useful life (in years)	June 30, 2024	December 31, 2023
Internal use software						
Less: Assets written off						
Less: Accumulated amortization						
Less: asset impairments						
Less: accumulated amortization						
Total internal use software, net						

Amortization expense related to internal use software for the three months ended **March 31, 2024** June 30, 2024 and 2023 was **\$5,286** **\$5,896** and **\$2,924**, **\$3,521**, respectively. Amortization expense related to internal use software for the six months ended June 30, 2024 and 2023 was **\$11,182** and **\$6,445**, respectively.

## 5. Intangible assets, net

The gross book value, accumulated amortization, net book value and amortization periods of the intangible assets were as follows:

		March 31, 2024				June 30, 2024			
Customer relationships	Customer relationships	Estimated useful life	Gross book value	Accumulated amortization	Net book value	Weighted average remaining useful life	Customer relationships	Estimated useful life	Gross book value
		15 years	\$301,967	\$ (149,384)	\$152,583	8.4 years		15 years	\$
Developed technology	Developed technology	5 years	137,188	(126,932)	(126,932)	10,256	10,256	2.4 years	Developed technology
Trademarks	Trademarks	5 years	19,700	(13,232)	(13,232)	6,468	6,468	3.1 years	Trademarks
Favorable leases	Favorable leases	6 years	198	(189)	(189)	9	9	0.3 years	Favorable leases
<b>Total</b>									
		December 31, 2023				December 31, 2023			
Customer relationships	Customer relationships	Estimated useful life	Gross book value	Accumulated amortization	Net book value	Weighted average remaining useful life	Customer relationships	Estimated useful life	Gross book value
		15 years	\$301,994	\$ (142,135)	\$159,859	8.6 years		15 years	\$
Developed technology	Developed technology	5 years	137,361	(125,426)	(125,426)	11,935	11,935	2.6 years	Developed technology
Trademarks	Trademarks	5 years	19,700	(12,604)	(12,604)	7,096	7,096	3.4 years	Trademarks
Favorable leases	Favorable leases	6 years	198	(180)	(180)	18	18	0.5 years	Favorable leases
<b>Total</b>									

Amortization expense related to intangibles for the three months ended **March 31, 2024** June 30, 2024 and 2023 was **\$9,485** **\$9,479** and **\$9,703**, **\$9,713**, respectively. Amortization expense related to intangibles for the six months ended June 30, 2024 and 2023 was \$18,964 and \$19,416, respectively.

## 6. Goodwill

The following table provides a roll forward of the changes in the goodwill balance:

Goodwill as of December 31, 2023	\$ 675,282
Impact of exchange rates	<b>(828)</b> (932)
Goodwill as of <b>March 31, 2024</b> June 30, 2024	<b>\$ 674,454</b> 674,350

## 7. Accounts payable and accrued expenses and other long-term liabilities

Accounts payable and accrued expenses consisted of the following:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Accounts payable				
Accrued payroll				
Accrued professional fees				
Accrued bonuses and commissions				
Accrued revenue sharing				

Taxes payable	
Accrued hosting fees	
Other accrued expenses	
Total accounts payable and accrued expenses	

Other long-term liabilities consisted of the following:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Security deposit received				
Uncertain tax positions				
<b>Total Other long-term liabilities</b>				
<b>Total other long-term liabilities</b>				

## 8. Long-term debt

On September 29, 2021, the Company entered into a credit agreement with various lenders, which was amended on June 23, 2023 (as amended, the "Credit Agreement"). The Credit Agreement provides for an initial \$300,000 in commitments for revolving credit loans (the "Revolver"), which amount may be increased or decreased under specific circumstances, with a \$30,000 letter of credit sublimit and a \$100,000 alternative currency sublimit. In addition, the Credit Agreement provides for the ability to request incremental term loan facilities, in a minimum amount of \$5,000 for each facility. Borrowings pursuant to the Credit Agreement may be used for working capital and other general corporate purposes, including for acquisitions permitted under the Credit Agreement. During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, the Company **had no draw downs and paid down \$30,000** **\$60,000** on the Revolver.

Borrowings under the Credit Agreement are scheduled to mature on September 29, 2026. The Credit Agreement contains certain customary events of default including failure to make payments when due thereunder, and failure to observe or perform certain covenants. In connection with the entry into the Revolver, the Company incurred costs of \$2,318 that are included in Long-term debt, net, in the Condensed Consolidated Balance Sheets.

The **June 23, 2023**, amendment changed the market interest rate on outstanding borrowings from LIBOR to SOFR. The amendment became effective at the end of the applicable interest period for any LIBOR borrowings outstanding on the amendment effective date, which was June 30, 2023. The interest rates for the Revolver under the Credit Agreement (i) for U.S. dollar loans are equal to the applicable rate for base rate loans **range ranging** from 0.75% to 1.50% per annum, (ii) for Term SOFR Loans (as defined in the Credit Agreement) ranging from 1.75% to 2.50% per annum, (iii) for RFR Loans (as defined in the Credit Agreement) denominated in sterling **range ranging** from 1.7826% to 2.5326%, and (iv) for RFR Loans denominated in euro range from **1.7965%** **1.7956%** to 2.5456%, in each case, based on the Senior Secured Net Leverage Ratio (as defined in the Credit Agreement). Base rate borrowings may only be made in dollars. The Company is required to pay a commitment fee during the term of the Credit Agreement ranging from 0.20% to 0.35% per annum of the average daily undrawn portion of the revolving commitments based on the Senior Secured Net Leverage Ratio. The interest rate on **March 31, 2024** **June 30, 2024** was 7.4%.

Any borrowings under the Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty other than customary breakage costs, and any amounts repaid may be reborrowed. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed the aggregate commitment of all lenders.

The Credit Agreement contains covenants requiring certain financial information to be submitted quarterly and annually. In addition, the Company is also required to comply with certain financial covenants such as maintaining a Total Net Leverage Ratio (as defined in the Credit Agreement) of 3.50 to 1.00 or lower and maintaining a minimum Interest Coverage Ratio (as defined in the Credit Agreement) of 2.50 to 1.00. As of **March 31, 2024** **June 30, 2024**, the Company was in compliance with all covenants contained in the Credit Agreement.

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Revolver		
Less: Unamortized debt issuance costs		
Less: unamortized debt issuance costs		
<b>Total carrying amount</b>		

Amortization of debt issuance costs for the three months ended **March 31, 2024** **June 30, 2024** and 2023 was \$116 in both periods. Amortization of debt issuance costs for the six months ended **June 30, 2024** and **\$116**, respectively, 2023 was \$232 in both periods. Amortization of debt issuance costs is recorded to interest expense, net on the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

The Company recognized interest expense of **\$2,765** **\$2,146** and **\$3,830** **\$3,857** during the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively. The Company recognized interest expense of \$4,911 and \$7,687 during the six months ended **June 30, 2024** and 2023, respectively. Future principal payments of long-term debt as of **March 31, 2024** **June 30, 2024** are as follows:

Year Ending	Year Ending	Year Ending
2024		
2025		

## 9. Income taxes

At the end of each interim period, the Company estimates the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to significant, unusual, or extraordinary items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which they occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or unrecognized tax benefits is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences, and the likelihood of the realization of deferred tax assets generated in the current year. The accounting estimates used to compute the provision or benefit for income taxes may change as new events occur, more experience is acquired, additional information is obtained or the Company's tax environment changes. To the extent that the expected annual effective income tax rate changes during a quarter, the effect of the change on prior quarters is included in income tax provision in the quarter in which the change occurs.

For the three months ended **March 31, 2024**, the Company recorded an income tax benefit of **\$134** June 30, 2024 and for the three months ended **March 31, 2023**, 2023, the Company recorded an income tax provision of **\$3,026** **\$4,923** and income tax benefit of **\$29,107**, respectively. The Company's effective tax rate for the three months ended **March 31, 2024** June 30, 2024 and 2023 was **9.6%** **39.0%** and **49.0%** **135.8%**, respectively. The Company's effective tax rate for the three months ended **March 31, 2024** June 30, 2024 is lower than for the respective three months ended **March 31, 2023** June 30, 2023, primarily due to non-deductible stock-based compensation, tax credits and other permanent tax differences and discrete items.

For the six months ended June 30, 2024 and 2023, the Company recorded an income tax provision of **\$4,789** and income tax benefit of **\$26,081**, respectively. The Company's effective tax rate for the six months ended June 30, 2024 and 2023 was **42.7%** and **170.9%**, respectively. The Company's effective tax rate for the six months ended June 30, 2024 is lower than the six months ended June 30, 2023, primarily due to non-deductible executive compensation, tax credits and other permanent tax differences and discrete items.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. The Company is **not currently** under audit examination in any taxing jurisdiction. various states for the 2021 tax year. We believe that we have made adequate provision for all income tax uncertainties that could result from the examination.

## 10. Segment data

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer is the CODM.

The Company manages its operations as a single segment for the purpose of assessing and making operating decisions. The CODM allocates resources and assesses performance based upon financial information at the consolidated level. Since the Company operates in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

The following table summarizes revenue by geographic area:

	Three Months Ended March 31, 2024	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
North and South America ("Americas")					
Europe, Middle East and Africa ("EMEA")					
Asia and Pacific Rim ("APAC")					
Total revenue					

For the three months ended **March 31, 2024** June 30, 2024 and 2023, revenue in the U.S. was **\$74,284** **\$84,498** and **\$70,615**, **\$75,351**, respectively. For the six months ended June 30, 2024 and 2023, revenue in the U.S. was **\$158,782** and **\$145,966**, respectively.

The following table summarizes long lived assets, net by geographic area:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Americas				
EMEA				
APAC				
Total long-lived assets				

## 11. Stock-based compensation

Total stock-based compensation expense for all equity arrangements for the three and **three** **six** months ended **March 31, 2024** June 30, 2024 and 2023 were 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 revenue						
Sales and marketing						
Technology and development						
General and administrative						
<b>Total</b>						

The Company maintains multiple stock-based incentive compensation plans. Expense relating to outstanding awards under such plans is summarized as follows:

	Unamortized expense as of		Weighted average vesting term	Unamortized Expense as of	Weighted Average Vesting Term			
	Three Months Ended March 31,	Three Months Ended June 30,						
<b>Time Based Options</b>								
<b>Time Based Options</b>								
<b>Time Based Options</b>								
<b>Time-Based Options</b>								
<b>Time-Based Options</b>								
<b>Time-Based Options</b>								
2018 Plan								
2018 Plan								
2018 Plan								
2021 Plan								
2021 Plan								
2021 Plan								
<b>Total Time Based Options Expense</b>								
<b>Total Time Based Options Expense</b>								
<b>Total Time Based Options Expense</b>	\$ 981	\$ 1,763	\$ 3,011	1.2 years				
<b>Total Time-Based Options expense</b>								
<b>Total Time-Based Options expense</b>								
<b>Total Time-Based Options expense</b>	\$ 724	\$ 1,258	\$ 1,705	\$ 3,021	\$ 2,288			
<b>Return Target Options</b>					1.0 year			
<b>Return Target Options</b>								
<b>Return Target Options</b>								
<b>Return-Target Options</b>								
<b>Return-Target Options</b>								
<b>Return-Target Options</b>								
2018 Plan								
2018 Plan								
2018 Plan								



Employee Stock Purchase Plan "ESPP"
Total Stock-Based Compensation Expense

#### **Integral Ad Science Holding Corp. Amended and Restated 2018 Non-Qualified Stock Option Plan**

On August 1, 2018, the Company adopted the 2018 Non-Qualified Stock Option Plan ("2018 Plan"). Under the 2018 Plan, the Company issued (i) Time-Based Options that vest over four years with 25% vesting after twelve months and an additional 6.25% vesting at the end of each successive quarter thereafter; and (ii) Return-Target Options that were to vest upon the first to occur of sale of the Company, or, sale or transfer to any third party of shares, as a result of which, any person or group other than Vista, obtains possession of voting power to elect a majority of the Board or any other governing body and the achievement of a total equity return multiple of 3.0 or greater.

The 2018 Plan contained a provision wherein, the Time-Based Options could be repurchased by the Company at cost upon resignation of the employee. Due to this repurchase feature, the Time-Based Options did not provide the employee with the potential benefits associated with a stock award holder, and therefore, these awards were not accounted for as a stock-based award under ASC 718, *Compensation - Stock Compensation* but instead, compensation cost was recognized when the benefit to the employee was determined to be probable.

The Return-Target Options were considered to contain both market (total stockholder return threshold) and performance (exit event) conditions. As such, the award was measured on the date of grant. Since the conditions for vesting related to the Return-Target Options were not met prior to the IPO, no stock-based compensation was recognized in the pre-IPO financial statements of the Company. During the three months ended June 30, 2023, with the filing of a "shelf" registration statement on Form S-3, the market condition and the implied performance condition relating to the Return-Target Options were deemed to be probable, and \$23,450 was recognized in that period.

In connection with the IPO, the 2018 Plan was amended and restated (the "Amended and Restated 2018 Plan") with the following modifications: (i) the provision to repurchase the Time-Based Options at cost upon resignation of the employee was removed and (ii) the Return-Target Options were modified to include vesting upon a sale of shares by Vista following the IPO resulting in Vista realizing a cash return on its investment in the Company equaling or exceeding \$1.17 billion.

As a result of the modification to the Time-Based Options, the awards became subject to the guidance in ASC 718, *Compensation - Stock Compensation*. As the return multiple and vesting conditions associated with the Return-Target Options were also modified, the Company fair valued the Return-Target Options using a Monte Carlo simulation model. The Return-Target Options become exercisable following both (i) a registration of shares of common stock held by Vista and (ii) Vista realizing a cash return on its investment in the Company equaling or exceeding \$1.17 billion.

Vesting of the Time-Based Options accelerates when the Return-Target Options vest and therefore, recognition of the remaining unamortized stock compensation expense related to the Time-Based Options will accelerate when the Return-Target Options vest.

The total number of Time-Based Options and Return Target Return-Target Options outstanding under the Amended and Restated 2018 Plan as of March 31, 2024 June 30, 2024 were 2,251,431 and 1,342,092, respectively. The Company does not expect to issue any additional awards under the Amended and Restated 2018 Plan.

#### **2021 Omnibus Incentive Plan ("2021 Plan")**

On June 29, 2021, the Company adopted the 2021 Plan to incentivize executive officers, management, employees, consultants and directors of the Company and to align the interests of the participants with those of the Company's shareholders. As of March 31, 2024 June 30, 2024, there were 43,059,189 shares reserved for issuance under the 2021 Plan. The total number of shares reserved for issuance under the 2021 Plan is increased on January 1 of each of the first 10 calendar years during the term of the 2021 Plan, by the lesser of (i) 5% of the total number of shares of common stock outstanding on each December 31<sup>st</sup> immediately prior to the date of increase or (ii) such number of shares of common stock determined by our Board or compensation committee.

As of **March 31, 2024** **June 30, 2024**, there were 1,147,846 total options outstanding under the 2021 Plan, consisting of 764,908 Time-Based Options and 382,938 Return-Target Options. The vesting conditions for the options issued under the 2021 Plan are identical to those described under the Amended and Restated 2018 Plan.

Stock option activity for the **three** **six** months ended **March 31, 2024** **June 30, 2024** is as follows:

**Time-Based Options**

	Stock options	Weighted average			Aggregate intrinsic value
		Weighted average exercise price	remaining contractual life (years)		
<b>Outstanding as of December 31, 2023</b>	3,060,388	\$ 7.70	5.70	\$ 23,251	
Canceled or forfeited	—	—	—	—	—
Exercised	(44,049)	7.10	—	—	—
<b>Outstanding at March 31, 2024</b>	<b>3,016,339</b>	<b>\$ 7.70</b>	<b>5.44</b>	<b>\$ 12,978</b>	
Vested and expected to vest at March 31, 2024	3,016,339	\$ 7.70	5.44	\$ 12,978	
Exercisable as of March 31, 2024	2,725,775	\$ 6.82	5.26	\$ 12,815	

	Stock options	Weighted average			Aggregate intrinsic value
		Weighted average exercise price	remaining contractual life (years)		
<b>Outstanding at December 31, 2023</b>	3,060,388	\$ 7.70	5.70	\$ 23,251	
Canceled or forfeited	—	—	—	—	—
Exercised	(44,049)	7.10	—	—	—
<b>Outstanding at June 30, 2024</b>	<b>3,016,339</b>	<b>\$ 7.70</b>	<b>5.19</b>	<b>\$ 12,415</b>	
Vested and expected to vest at June 30, 2024	3,016,339	\$ 7.70	5.19	\$ 12,415	
Exercisable as of June 30, 2024	2,806,960	\$ 7.00	5.06	\$ 12,395	

**Return-Target Options**

	Stock options	Weighted average			Aggregate intrinsic value
		Weighted average exercise price	remaining contractual life (years)		
<b>Outstanding as of December 31, 2023</b>	1,725,030	\$ 7.47	5.78	\$ 13,318	
Canceled or forfeited	—	—	—	—	—
Exercised	—	—	—	—	—
<b>Outstanding at March 31, 2024</b>	<b>1,725,030</b>	<b>\$ 7.47</b>	<b>5.53</b>	<b>\$ 7,386</b>	
Vested and expected to vest at March 31, 2024	1,725,030	\$ 7.47	5.53	\$ 7,386	
Exercisable as of March 31, 2024	—	—	—	—	—

	Stock options	Weighted average			Aggregate intrinsic value
		Weighted average exercise price	remaining contractual life (years)		
<b>Outstanding at December 31, 2023</b>	1,725,030	\$ 7.47	5.78	\$ 13,318	
Canceled or forfeited	—	—	—	—	—
Exercised	—	—	—	—	—
<b>Outstanding at June 30, 2024</b>	<b>1,725,030</b>	<b>\$ 7.47</b>	<b>5.28</b>	<b>\$ 7,051</b>	
Vested and expected to vest at June 30, 2024	1,725,030	\$ 7.47	5.28	\$ 7,051	
Exercisable as of June 30, 2024	—	—	—	—	—

#### Restricted Stock Units ("RSUs")

RSUs under the 2021 Plan granted prior to May 2022 vest 25% each year and become fully vested after four years of service. RSUs under the 2021 Plan granted during or after May 2022 vest 6.25% at the end of each successive quarter and become fully vested after four years of service.

RSU activity for the ~~three~~<sup>six</sup> months ended ~~March 31, 2024~~<sup>June 30, 2024</sup> is as follows:

	RSUs	
	Number of shares	Weighted average grant date fair value
<b>Outstanding as of December 31, 2023</b>		
<b>Outstanding at December 31, 2023</b>		Number of Shares
Granted		Weighted Average Grant Date Fair Value
Canceled or forfeited		
Vested		
<b>Outstanding as of March 31, 2024</b>		
Expected to vest as of March 31, 2024		
<b>Outstanding as of June 30, 2024</b>		
Expected to vest as of June 30, 2024		

#### Market Stock Units ("MSUs")

The Company granted MSUs under the 2021 Plan to certain executive officers. MSUs vest over four years, 25% on the first anniversary of the vesting commencement date and 6.25% at the end of each quarter thereafter. The number of MSUs eligible to vest is based on the performance of the Company's common stock over each applicable vesting period. The number of shares eligible to vest is calculated based on a payout factor. The payout factor is calculated by dividing (i) the average closing price of the Company's stock during the ten trading days immediately preceding the applicable vesting date by (ii) the closing price of the Company's stock on the vesting commencement date. The payout factor is zero if such quotient is less than 0.60 and is capped at 2.25. Such quotient is then multiplied by the target number of MSUs granted to the relevant officer to determine the number of shares to be issued to the officer at vesting. The grant date fair value of the MSUs was determined using a Monte-Carlo simulation. The Company uses the accelerated attribution method to account for these awards.

MSU activity for the ~~three~~<sup>six</sup> months ended ~~March 31, 2024~~<sup>June 30, 2024</sup> is as follows:

	MSUs	
	Number of shares	Weighted average grant date fair value
<b>Outstanding as of December 31, 2023</b>		
<b>Outstanding as of January 1, 2023</b>		Number of Shares
Granted		Weighted Average Grant Date Fair Value
Canceled or forfeited		
Change in awards based on performance		
Vested		
<b>Outstanding as of March 31, 2024</b>		
Expected to vest as of March 31, 2024		
<b>Outstanding as of June 30, 2024</b>		
Expected to vest as of June 30, 2024		

#### 2021 Employee Stock Purchase Plan

The Company adopted the ESPP for the primary purpose of incentivizing employees in future periods. As of ~~March 31, 2024~~<sup>June 30, 2024</sup>, 6,161,033 shares of common stock are reserved for issuance under the ESPP. The number of shares available for issuance under the ESPP is increased on January 1<sup>st</sup> of each calendar year, ending in and including 2031, by an amount equal to the lesser of (i) 1% of the shares outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number ~~10~~<sup>of</sup> shares as is determined by our Board, subject to a maximum of 16,000,000 shares of our common stock for the portion of the ESPP intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. All Company employees and employees of designated subsidiaries are eligible to participate in the ESPP and may purchase shares through payroll deductions of up to 15% of their eligible compensation, subject to a maximum of \$25 in any annual period for the portion of the ESPP intended to qualify as an employee purchase plan under Section 423 of the Internal Revenue Code.

The ESPP provides eligible employees the opportunity to purchase shares of the Company's common stock through payroll deductions at a price equal to 85% of the fair market value of the shares on (i) the first business day of the offering period or (ii) the last business day of the offering period, whichever is lower. The ESPP is offered to employees in six-month windows, with phases beginning on February 1 and August 1 of each calendar year. For the window that ended on January 31, 2023, employees purchased 111,163 shares at a price of \$7.93 per share. For the window that ended on January 31, 2024, employees purchased 153,239 shares at a price of \$12.37 per share. As of **March 31, 2024** June 30, 2024, 5,734,225 shares were available for future purchase under the ESPP.

## 12. Stockholders' equity

As of **March 31, 2024** June 30, 2024, our authorized common stock consists of 500,000,000 shares of common stock, par value \$0.001 per share and 50,000,000 preferred stock, par value \$0.001 per share.

For the three months ended **March 31, 2024** June 30, 2024, the Company issued 806,546 1,025,286 shares of common stock for vested RSUs and MSUs. For the six months ended June 30, 2024, the Company issued 1,831,832 shares of common stock for vested RSUs and MSUs, employees exercised stock options in exchange for 44,049 shares of common stock for \$313 and employees purchased 153,239 shares of common stock through the ESPP.

For the three months ended **March 31, 2023** June 30, 2023, the Company issued 371,740 1,218,542 shares of common stock for vested RSUs and MSUs and employees exercised stock options in exchange for 338,949 248,553 shares of common stock for \$2,115, \$2,878. For the six months ended June 30, 2023, the Company issued 1,590,282 shares of common stock for vested RSUs and MSUs, employees exercised stock options in exchange for 587,502 shares of common stock for \$4,993 and employees purchased 111,163 shares of common stock through the ESPP.

## 13. Commitments and contingencies

### *Indemnifications*

In its normal course of business, the Company has made certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. Those indemnities include intellectual property indemnities to the Company's customers, indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware, and indemnifications related to the Company's lease agreements. In addition, the Company's advertiser and distribution partner agreements contain certain indemnification provisions which are generally consistent with those prevalent in the Company's industry. The Company has not incurred any obligations under indemnification provisions historically and does not expect to incur significant obligations in the future. Accordingly, the Company has not recorded any liability for these indemnities, commitments, and guarantees in the accompanying balance sheets.

### *Purchase commitments*

In the ordinary course of business, the Company enters into various purchase commitments primarily related to third-party cloud hosting and data services, and information technology operations. Total non-cancelable purchase commitments as of **March 31, 2024** June 30, 2024 were approximately \$145,129 \$135,550 for periods through 2028.

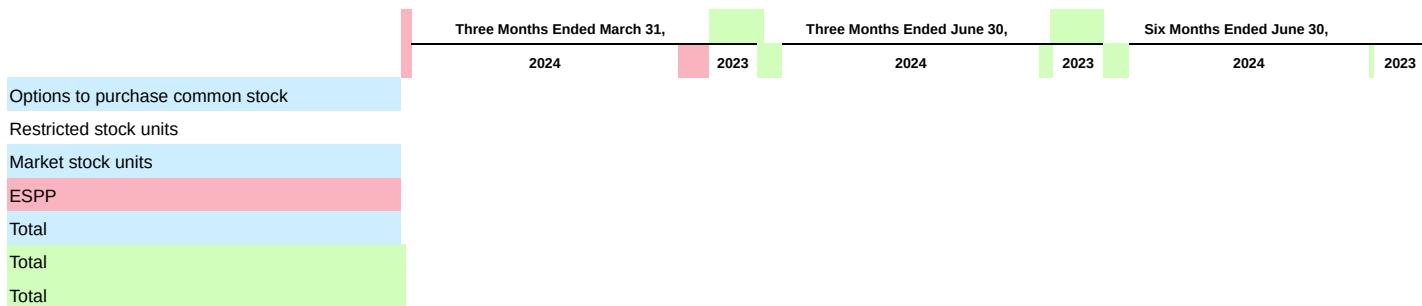
## 14. Net (loss) income per share

Basic and diluted income (loss) per share is computed by dividing net income (loss) by the weighted-average shares outstanding:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
<b>Numerator:</b>						
Net (loss) income						
Net income						
Net income						
Net income						
<b>Denominator:</b>						
Basic Shares:						
Basic Shares:						
Basic Shares:						
Weighted-average shares outstanding						
Weighted-average shares outstanding						
Weighted-average shares outstanding						
<b>Diluted Shares:</b>						
Basic weighted-average shares outstanding						
Basic weighted-average shares outstanding						
Basic weighted-average shares outstanding						
Dilutive effect of stock-based awards						
Weighted-average diluted shares outstanding						

Net (loss) income per share:	
Net income per share	
Basic	
Basic	
Basic	
Diluted	

The following potential outstanding equity awards were excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the periods presented given that their inclusion would have been anti-dilutive.



## 15. Fair value disclosures

### **Assets and liabilities measured at fair value on a recurring basis**

The Company invests in money market funds, which are measured and recorded at fair value on a recurring basis at each reporting period. Money market funds are valued based on quoted market prices in active markets and classified within Level 1 of the fair value hierarchy.

The following table summarizes our cash equivalents measured at fair value on a recurring basis:

	Fair value		
	Fair value hierarchy		
Money market funds			
March 31, June 30, 2024	Level 1	\$	15,529 15,730
December 31, 2023	Level 1	\$	15,331

The carrying value of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated fair value due to their short maturities.

### **Financial instruments**

Financial instruments are valued based on observable inputs and classified within Level 2 of the fair value hierarchy. The carrying value of long-term debt approximates its fair value based on Level 2 inputs as the principal amounts outstanding are subject to variable interest rates that are based on market rates (see Note 8).

## 16. Related-party transactions

The Company incurs various travel and other expenses related to services provided by Vista Equity Partners Management, LLC ("VEP"). For the three months ended March 31, 2024 June 30, 2024 and 2023, the Company incurred expenses of \$16 \$2 and \$25, \$18, respectively. For the six months ended June 30, 2024 and 2023, the Company incurred expenses of \$18 and \$43, respectively. These costs were included in general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. Amounts due to VEP as of March 31, 2024 June 30, 2024 and December 31, 2023 were \$10 \$0 and \$30, respectively.

In May 2023, funds affiliated with Vista conducted an underwritten secondary offering of 11,500,000 shares of the Company's common stock. In June 2023, funds affiliated with Vista sold 5,220,000 shares of the Company's common stock in a block trade in compliance with Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"). The Company did not receive any proceeds from these sales, but bore the costs associated with therewith (other than underwriting discounts and commissions), which were \$1,404 and were recorded within General and administrative expenses in the Condensed Consolidated Statement of Operations and Comprehensive Income.

The Company had other related party transactions with companies owned by Vista Equity Partners that are immaterial individually and in aggregate to the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

In January 2024, underwriters exercised their option to purchase an additional 1,650,000 shares of the Company's common stock from funds affiliated with Vista, in connection with the secondary offering completed in December 2023. The Company did not receive any proceeds from these sales.

## 17. Restructuring

In December 2022, On December 7, 2022, the Company announced a reduction in workforce of approximately 120 employees to better align resources, consistent with the Company's strategy of increasing operational efficiency and improving productivity. There was no activity during the quarter ended March 31, 2024 June 30, 2024 as there was no remaining liability as of December 31, 2023. Activity for the three six months ended March 31, 2023 June 30, 2023, was as follows:

Balance at December 31,	
2022	\$ 4,315
Payments and impact of FX	(3,069) (4,000)
Balance at March 31,	
2023 June 30, 2023	\$ 1,246 315

## 18. Subsequent Events

### Equity Grants

Subsequent to March 31, 2024, the Company granted (i) RSUs with a grant date fair value aggregating \$29.8 million to employees and (ii) MSUs with a grant date fair value aggregating \$20.7 million to certain executive officers. The terms of the RSU and MSU awards are consistent with existing awards as described in Note 11.

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, including guidance, and business, including pipeline and industry trends. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results or our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- the adverse effect on our business, operating results, financial condition, and prospects from various macroeconomic factors, including instability in geopolitical or market conditions generally;
- our failure to innovate or make the right investment decisions;
- our ability to provide digital or cross-platform analytics;
- our failure to maintain or achieve industry accreditation standards;
- our dependence on integrations with advertising platforms, demand side providers ("DSPs"), and proprietary platforms that we do not control;
- our ability to compete successfully with our current or future competitors in an intensely competitive market;
- our inability to use software licensed from third parties;
- our international expansion;
- our ability to expand into new channels;
- our ability to sustain our profitability and revenue growth rate;
- risks that our customers do not pay or choose to dispute their invoices;
- risks of material changes to revenue share agreements with certain DSPs;
- our dependence on the overall demand for advertising;
- our ability to effectively manage our growth;
- the impact that any acquisitions we have completed in the past and may consummate in the future, strategic investments, or alliances may have on our business, financial condition, and results of operations;
- our ability to successfully execute our international plans;
- the risks associated with the seasonality of our market;
- our ability to maintain high impression volumes;
- the difficulty in evaluating our future prospects given our short operating history;
- uncertainty in how the market for buying digital advertising verification solutions will evolve;
- interruption by man-made problems such as terrorism, computer viruses, or social disruption;
- the risk of failures in the systems and infrastructure supporting our solutions and operations;
- our ability to avoid operational, technical, and performance issues with our platform;
- risks associated with any unauthorized access to user, customer, or inventory and third-party provider data;

- our ability to provide the non-proprietary technology, software, products, and services that we use;
- the risk that we are sued by third parties for alleged infringement, misappropriation, or other violation of their proprietary rights;
- our ability to obtain, maintain, protect, or enforce intellectual property and proprietary rights that are important to our business;■
- our involvement in lawsuits to protect or enforce our intellectual property;
- risks that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers;
- risks that our trademarks and trade names are not adequately protected;
- the impact of unforeseen changes to privacy and data protection laws and regulation on digital advertising;
- our ability to maintain our corporate culture;
- public health outbreaks, epidemics, pandemics, or other public health crises;
- risks posed by earthquakes, fires, floods, and other natural catastrophic events;
- the risk that a perceived failure to comply with laws and industry self-regulation may damage our reputation; and
- other factors disclosed in the section entitled "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") and this Quarterly Report on Form 10-Q.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K, as well as in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

## 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 consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the sections titled "Risk Factors" and "Forward-Looking Statements" included in our Annual Report on 2023 Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") and in this Quarterly Report on Form 10-Q. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results we expect for the full fiscal year or any other period. Unless the context otherwise requires, the terms "Company," "Integral Ad Science Holding Corp.," "IAS," "we," "us," "our," or similar terms refer to Integral Ad Science Holding Corp. and, where appropriate, its subsidiaries.*

### Overview

We are a leading global media measurement and optimization platform. Through our cloud-based technology platform and the actionable insights it provides, we deliver independent measurement and verification of digital advertising across all devices, channels, and formats, including desktop, mobile, connected TV ("CTV"), social, display, video and emerging media like audio and gaming. Our proprietary and Media Rating Council (the "MRC") accredited Quality Impressions® metric is designed to verify that digital ads are served to a real person rather than a bot in a brand-safe and suitable environment within the correct geography.

Without an independent evaluation of digital advertising quality, brands and their agencies previously relied on a wide range of publishers and ad platforms to self-report and measure the effectiveness of campaigns without a global benchmark to understand success. We are an independent, trusted partner for buyers and sellers of digital advertising to increase accountability, transparency, and effectiveness in the market. We help advertisers optimize their ad spend and better measure consumer engagement with campaigns across platforms, while enabling publishers to improve their inventory yield and revenue.

As a leading global media measurement and optimization platform, we have deep integrations with all the major advertising and technology platforms including Facebook, Instagram, Google, YouTube, LinkedIn, Amazon, Microsoft, Pinterest, Snap, Spotify, TikTok, The Trade Desk, X (formerly known as Twitter), Xandr, and Yahoo. Our platform uses advanced customized artificial intelligence ("AI") and machine learning ("ML") technologies to process over 280 billion daily digital interactions globally on average, as of December 31, 2023. With this data, we deliver actionable data to our global customers through our easy-to-use reporting platform, IAS Signal™, helping brands, agencies, publishers, and platform partners improve media quality.

Our pre-bid optimization and post-bid measurement and verification solutions enable advertisers to measure campaign performance and value across viewability, ad fraud prevention, brand safety and suitability, and contextual targeting for ads on desktop, mobile in-app, social, and CTV platforms. Our pre-bid solution is directly integrated with DSPs to help optimize return on ad spend ("ROAS") by directing budget to the best available inventory. Our contextual ability is enabled through our deep integrations with all major DSPs. In addition, our targeting and pre-bid solutions extend to the social platforms. Additionally, our Total Visibility® offering provides marketers with actionable insights to optimize their campaign spend and drive higher yield by focusing on the most efficient and cost-effective pathways. Our solutions help hundreds of publishers globally deliver high quality ad inventory that is fraud free, viewable, brand safe and suitable, and geographically targeted.

#### **Macroeconomic and Geopolitical Conditions**

Current adverse macroeconomic and geopolitical conditions, including high interest rates, currency fluctuations, high inflation, changes to fiscal and monetary policy, instability in the financial markets and geopolitical instability may adversely affect our results. **In response to high levels of inflation, central banks, including the U.S. Federal Reserve and the European Central Bank, have increased interest rates.** Our operating expenses are denominated in the currencies of the countries in which our operations are located, and our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. In that regard, over the last few years, **including for the reported periods**, we incurred foreign exchange losses resulting from fluctuations primarily attributable to the British Pound and Euro currency movements relative to the U.S. dollar. In addition, as a result of **increased high interest rates during the interest rate under our debt instruments has increased from 6.7% at March 31, 2023 to 7.4% at March 31, 2024** **year ended December 31, 2023, increasing our cost of capital.** **capital for the completed periods in 2024 was slightly higher than that of the corresponding periods in 2023.**

Our business depends on the overall demand for advertising and on the economic health of advertisers that benefit from our platform. Economic downturns, recessions, or unstable market conditions are difficult to predict and **could** cause advertisers to decrease their advertising budgets, which in turn reduces spend through our platform.

#### **Our Business Model**

We generate revenue based on the volume of purchased digital ads that our solution measures. Advertisers and publishers use our media quality solutions for ad viewability, brand safety and suitability, optimization, context control, and ad fraud prevention. Our customers primarily pay us based on usage, where the customer pays a fee based on the total volume of ads measured. Certain contracts with customers utilize other pricing arrangements, including minimum commitments, overages based on tiered pricing or flat fees. We maintain an expansive set of integrations across the digital advertising ecosystem, including with leading programmatic and social platforms, which enables us to cover all key channels, formats and devices.

#### **Key Factors Affecting Our Performance**

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

##### ***Innovate and Develop New Products for Key High-Growth Segments***

- **Optimization.** We aim to deliver greater performance on programmatic ad buying via innovative solutions including contextual targeting and brand safety and suitability. These solutions include traditional open web media buying and select retail media platforms.
- **Social.** We aim to develop deeper integrations with social platforms, also known as Walled Gardens, including video-based brand safety and suitability, to deliver continued transparency to our customers.
- **CTV.** We plan to continue to expand our CTV-specific verification solutions and context control capabilities to address the fast-growing CTV segment. Our Publica business powers new methods of measuring and optimizing performant CTV impressions.
- **Adjacent product expansion.** We plan to expand our platforms and integrations to address new measurement and optimization needs for our clients.

##### ***Increase Sales Within Our Existing Customer Base***

We aim to increase the use of our products among existing customers across more campaigns and impressions. Given our comprehensive product portfolio, we believe we can cross-sell additional or new solutions to our existing customers in order to better provide end-to-end coverage to more clients from pre-bid viewability to post-bid verification, fraud prevention, safety, suitability, and targeting.

##### ***Acquire New Customers and Increase Market Share***

Our ability to acquire new customers and increase our market share is dependent upon a number of factors, including the effectiveness of our solutions, marketing and sales to drive new business prospects and execution, client digital marketing investment adoption, new products and feature offerings, global reach and the growth of the market for digital ad verification. There is a market opportunity to provide advertisers directly or through advertising agencies with verification services, specifically around ad viewability, ad fraud prevention and brand safety and suitability. We aim to work with top 500 global advertisers and mid-tier performance-based advertisers by targeting high-spend verticals and brands with a natural sensitivity for brand safety, brand suitability, and ROAS needs. We believe we will increase our market share by strengthening our relationships with the leading social platforms, enhancing our programmatic solutions, deriving benefit from our broad global position, and leveraging our differentiated data science and market-leading contextual capabilities. **We are currently investing resources to pursue new accounts that were serviced by Oracle who announced they were exiting the advertising business at the end of September 2024.**

##### ***Expand Customer Base Internationally***

Our ability to expand our customer base internationally is dependent upon a number of factors, including effectively implementing our business processes and go-to-market strategy, our ability to adapt to market or cultural differences, the general competitive landscape, our ability to invest in our sales and marketing channels, the maturity and growth trajectory of our services by region and our brand awareness and perception. Global marketers are becoming increasingly cognizant of the value of sophisticated verification strategies and, as such, we believe there is growing demand for our services internationally. Our investments in international markets resulted in a **13% 14%** growth in revenue **year-over-year, year-over-year for the year ended December 31, 2023**. We believe that Latin America, EMEA and APAC regions may represent substantial growth opportunities, and we are investing in developing our business in those markets by way of expanded in-market customer service investment and by leveraging our global relationships. We aim to continue to grow outside the U.S. in Europe and other established markets such as Australia and Japan and view ourselves as best positioned to continue penetrating these markets given our market-leading global footprint.

#### Seasonality

We experience fluctuations in revenue that coincide with seasonal fluctuations in the digital ad spending of our customers. The global advertising industry experiences seasonal trends that affect the vast majority of participants in the digital advertising ecosystem. Most notably, advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the holiday shopping season, and relatively less in the first quarter. We expect seasonality trends to continue, and our ability to manage our resources in anticipation of these trends will affect our operating results. Consequently, the fourth quarter usually reflects the highest level of measurement activity, and the first quarter reflects the lowest level of activity. Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our clients' spending on advertising campaigns. While our revenue is highly re-occurring, seasonal fluctuations in ad spend may impact quarter-over-quarter results. We believe that the year-over-year comparison of results more appropriately reflects the overall performance of the business.

#### Key Business Metrics

In addition to our U.S. GAAP financial information, we review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. The key business metrics presented are based on our advertising customers, as revenue from these customers represents substantially all the revenue.

The following table sets forth our key performance indicators for the periods set forth below:

		March 31, 2024	March 31, 2023	June 30, 2024	June 30, 2023
Net revenue retention of advertising customers (%) (as of the end of the period)	Net revenue retention of advertising customers (%) (as of the end of the period)	113 %	118 %	112 %	115 %
Total number of large advertising customers (as of the end of the period)					

#### Net revenue retention of advertising customers

We define net revenue retention of advertising customers as a metric to reflect the expansion or contraction of our advertising customers' revenue by measuring the period-over-period change in trailing-twelve-month revenues from customers who were also advertising customers in the prior trailing-twelve-month period. As such, this metric includes the impact of any churned, or lost, advertising customers from the prior trailing-twelve-month period as well as any increases or decreases in their spend, including the positive revenue impacts of selling new services to an existing advertising customer. The numerator and denominator include revenue from all advertising customers that we served and from which we recognized revenue in the earlier of the two trailing-twelve-month periods being compared. For purposes of discussing our key business metrics, we define an advertising customer as any advertiser account that spends at least \$3,000 in the applicable trailing-twelve-month periods. We calculate our net revenue retention of advertising customers as follows:

**Numerator:** The total revenue earned during the current trailing-twelve-month period from the cohort of advertising customers in the prior trailing-twelve-month period.

**Denominator:** The total revenue earned during the immediately preceding trailing-twelve-month period from such cohort of advertising customers in such trailing-twelve-month period.

The quotient obtained from this calculation is our net revenue retention rate of advertising customers.

Our calculation of net revenue retention of advertising customers may differ from similarly titled metrics presented by other companies.

Our net revenue retention of advertising customers decreased from **118% 115%** as of **March 31, 2023 June 30, 2023** to **113% 112%** as of **March 31, 2024 June 30, 2024**. The decrease in the net revenue retention of advertising customers as of **March 31, 2023 June 30, 2023** compared to **March 31, 2024 June 30, 2024** was primarily due to lower advertising revenue growth during the trailing-twelve-month period of 15% in 2024 compared to **22% 19%** in 2023.

#### Total number of large advertising customers

Historically, our revenue has been primarily driven by large advertising customers. Increasing awareness of our solutions, further developing our sales and marketing expertise, and continuing to build solutions that address the unique needs of the top 500 global advertisers have increased our number of large advertising customers. We determine our number of large advertising customers by counting the total number of advertising accounts who have spent at least \$200,000 per year. We believe our ability to recruit and cross-sell our products to large advertising customers is critical to our long-term success. Our total number of large advertising customers increased from **204 208** as of **March 31, 2023 June 30, 2023** to **227 232** as of **March 31, 2024 June 30, 2024**. Revenue from large advertising customers represented 85% of our total advertising revenue

(measurement and optimization revenue) for the trailing-twelve-month period ended **March 31, 2024** June 30, 2024, 87% for the trailing-twelve-month period ended December 31, 2023, and 84% for the trailing-twelve-month period ended **March 31, 2023** June 30, 2023. As macroeconomic conditions continue to be uncertain with high inflation and high interest rates, there is no guarantee that we will continue to see an increase of large advertising customers.

#### **Components of Results of Operations**

##### **Revenue**

We derive revenue primarily from advertisers (buy-side) and publishers (sell-side). Our post-bid measurement solutions enable advertisers to measure campaign performance and value across viewability, ad fraud prevention, brand safety and suitability for ads on desktop, mobile, CTV, social, display audio, gaming and video platforms. Our pre-bid optimization solutions are directly integrated with DSPs to help optimize return on ad spend by directing budgets to the best available inventory. Our publisher solutions drive yield by identifying high quality ad inventory that is fraud free, viewable, brand safe and suitable, and geographically targeted on a global basis.

We recognize revenue when control of the promised services are transferred to customers. We recognize revenue by multiplying the cost per thousand impressions ("CPM") and the number of impressions measured. An impression is measured by the platform when a digital ad is served to a real person rather than a bot in a brand-safe and suitable environment within the correct geography. Contracts with our customers primarily utilize a usage-based structure, where the customer pays a fee to the Company based on the total ads measured. Depending on our customer needs, our contracts may also utilize other pricing arrangements, including minimum commitments, overages based on tiered pricing or flat fees.

##### **Operating Expenses**

**Cost of revenue.** Cost of revenue consists of data center costs, hosting fees, revenue share with our DSP partners and personnel costs. Personnel costs include salaries, bonuses, equity-based compensation, and employee benefit costs, primarily attributable to our customer operations group. Our customer operations group is responsible for onboarding, integration of new clients and providing support for existing customers, including technical support for our technology platform and product offering. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount.

**Sales and marketing.** Sales and marketing expenses consist of personnel costs, including salaries, bonuses, equity-based compensation, employee benefits costs and commission costs, for our sales and marketing personnel. Sales and marketing expense also includes costs for advertising, promotional and other marketing activities. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount. Sales commissions are expensed as incurred.

**Technology and development.** Technology and development expenses consist primarily of personnel costs of our engineering, product, and data sciences activities. Personnel costs including salaries, bonuses, equity-based compensation and employee benefits costs, third-party consultant costs associated with the ongoing development and maintenance of our technology platform and product offering. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with software development that qualifies for capitalization, which are then recorded as capitalized software development costs included in internal use software, net on our Consolidated Balance Sheet.

**General and administrative.** General and administrative expenses consist of personnel costs, including salaries, bonuses, equity-based compensation, and employee benefits costs for our executive, finance, legal, human resources, information technology, and other administrative employees. General and administrative expenses also include outside consulting, legal and accounting services, allocated facilities costs, and travel and entertainment primarily related to intra-office travel and conferences.

**Depreciation and amortization.** Depreciation and amortization expense consists primarily of depreciation and amortization expenses related to customer relationships, developed technologies, trademarks, favorable leases, equipment, leasehold improvements and other tangible and intangible assets. We depreciate and amortize our assets in accordance with our accounting policies. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred. Intangible assets are amortized on a straight-line basis over their estimated useful lives or using an accelerated method. Useful lives of intangible assets range from five years to fifteen years.

**Foreign exchange loss (gain), net.** Foreign exchange loss (gain), net, is impacted by fluctuations in exchange rates and the amount of foreign-currency denominated cash, receivables, intercompany balances, and payables.

##### **Interest expense, net**

**Interest expense, net.** Interest expense, net consists primarily of interest payments on our outstanding borrowings under our prior credit agreement, the Credit Agreement (as defined below under "Liquidity and Capital Resources" below) and amortization of related debt issuance costs, net of interest income.

##### **Benefit from (Provision) benefit for income taxes**

**Benefit from (Provision) benefit for income taxes.** The income tax benefit provision resulted from pre-tax book loss income multiplied by statutory tax rate, increased by non-deductible expenses relating to stock-based compensation and offset by R&D and other tax credits and discrete items.

#### **Results of Operations**

The following table sets forth our consolidated statement of operations for the periods indicated:



The following table sets forth our consolidated statement of operations data expressed as a percentage of total revenue for the periods indicated:



Total operating expenses	Total operating expenses	100	%	91 %	Total operating expenses	89	%	116 %	94	%	104 %
Operating income		—	%	9 %							
Operating income (loss)		11	%	(16) %		6	%	(4) %			
Interest expense, net	Interest expense, net	(2)	%	(3) %	Interest expense, net	(1)	%	(3) %	(1)	%	(3) %
Net (loss) income before income taxes		(1)	%	6 %							
Benefit (provision) from income taxes		—	%	(3) %							
Net (loss) income		(1)	%	3 %							
Net income (loss) before income taxes		10	%	(19) %		5	%	(7) %			
(Provision) benefit for income taxes		(4)	%	26 %		(2)	%	12 %			
Net income		6	%	7 %		3	%	5 %			

Comparison of the Three Months Ended March 31, 2024 June 30, 2024 and 2023

(in thousands, except percentages)	(in thousands, except percentages)	Three Months Ended March 31,				(in thousands, except percentages)		Three Months Ended June 30,			
				\$ change	% change			2024	\$		
		2024	2023								
Revenue	Revenue	\$114,530	\$106,092	\$ 8,438	8 %	8 %	8 %	Revenue	\$129,005	\$	
Operating expenses:											
Cost of revenue (excluding depreciation and amortization shown below)											
Cost of revenue (excluding depreciation and amortization shown below)		26,161	21,682	21,682	4,479	4,479	21	21	21	27,094	23,819
Sales and marketing	Sales and marketing	31,825	26,260	26,260	5,565	5,565	21	21	21	Sales and marketing	29,572
Technology and development	Technology and development	17,978	15,529	15,529	2,449	2,449	16	16	16	Technology and development	17,487
General and administrative	General and administrative	21,380	20,723	20,723	657	657	3	3	3	General and administrative	24,679
Depreciation and amortization	Depreciation and amortization	15,080	12,825	12,825	2,255	2,255	18	18	18	Depreciation and amortization	15,709
Foreign exchange loss (gain), net	Foreign exchange loss (gain), net	1,569	(516)	(516)	2,085	2,085	(404)	(404)	(404)	Foreign exchange loss (gain), net	315
Total operating expenses	Total operating expenses	113,993	96,503	96,503	17,490	17,490	18	18	18	Total operating expenses	114,856
Operating income		537	9,589	(9,052)		(94) %					
Operating income (loss)		14,149	(18,209)	32,358		(178) %					
Interest expense, net	Interest expense, net	(1,926)	(3,417)	(3,417)	1,491	1,491	(44)	(44)	(44)	Interest expense, net	(1,536)
Net (loss) income before income taxes		(1,389)	6,172	(7,561)		(123) %					
(Benefit) provision for income taxes		134	(3,026)	3,160		(104) %					

Net (loss) income	\$ (1,255)	\$ 3,146	\$ (4,401)	(140)%
Net income (loss) before income taxes	12,613	(21,430)	34,043	(159)%
(Provision) benefit for income taxes	(4,923)	29,107	(34,030)	(117)%
Net income	\$ 7,690	\$ 7,677	\$ 13	— %

#### Revenue

Total revenue increased by \$8.4 million \$15.4 million, or 8% 14%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023.

(in thousands, except percentages)	(in thousands, except percentages)	Three Months Ended March 31,						Three Months Ended June 30,						
		2024			2023			\$ change	%	Optimization revenue	2024			
		\$	2024	\$	2023	\$	2023				\$	2024	\$	2023
Optimization revenue	Optimization revenue	\$ 52,461	\$ 51,033	\$ 1,428	3	3%	Optimization revenue	\$ 58,474	\$ 52,815	Measurement revenue	52,686	44,908	7,788	17,845
Measurement revenue	Measurement revenue	46,315	40,703	5,612	14	14%	Measurement revenue	52,686	44,908	Publisher revenue	15,928	15,928	1,000	15,928
Publisher revenue	Publisher revenue	15,754	14,356	1,398	10	10%	Publisher revenue	17,845	15,928	Total revenue	\$ 129,005	\$ 113,651	8,354	\$ 113,651
Total revenue	Total revenue	\$114,530	\$106,092	\$8,438	8	8%	Total revenue	\$129,005	\$113,651					

Total revenue for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023 increased primarily due to higher an increase in our measurement revenue of \$5.6 million \$7.8 million, or 14% 17%, reflecting growth in volume of impressions of 22% 29%, offset in part by a 7% decline in average CPMs. In addition, Revenue from our optimization revenue increased \$1.4 million customers grew \$5.7 million, or 3% 11%, attributable to growth in volume of average CPMs by 9%. Optimization impressions of 3%, reflecting softer demand on a comparable basis. Average optimization CPMs were consistent when compared to the three months ended March 31, 2023 June 30, 2023.

#### Operating expenses

**Cost of Revenue.** Cost of revenue increased by \$4.5 million \$3.3 million, or 21% 14%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023. This increase was driven by an increase in hosting fees of \$4.5 million \$3.2 million, an increase of \$1.1 million in revenue share to our DSP partners on account of growth in optimization revenue, partially offset by a \$0.9 million decrease in compensation related expenses.

**Sales and marketing.** Sales and marketing expenses increased decreased by \$5.6 million \$2.1 million, or 21% 7%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023. This increase decrease was due to a decline in stock-based compensation expense of \$4.8 million, in part driven by the one-time charge taken for Return-Target Options in the three months ended June 30, 2023. This was offset by an increase in compensation expenses of \$3.5 million \$2.2 million to support the continued revenue growth, an increase growth. The remaining change in stock-based compensation expense of \$1.9 million, sales and an increase in travel marketing expenses of \$0.2 million. is aggregated from several immaterial variances.

**Technology and development.** Technology and development expenses increased decreased by \$2.4 million \$3.6 million, or 16% 17%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023. This increase decrease was primarily due to an increase in software application expenses of \$2.0 million and an increase a decline in stock-based compensation expense of \$1.2 million. These increases were partially offset \$2.6 million, primarily driven by the one-time charge taken for Return-Target Options in the three months ended June 30, 2023, a decrease in compensation expenses of \$0.2 million \$2.0 million, as a result of higher capitalization of labor due to long-term investments in our product and a decrease in professional services of \$0.3 million \$0.6 million. These decreases were partially offset by an increase in software application expenses of \$1.7 million. The remaining change in technology and development expenses is aggregated from several immaterial variances.

**General and administrative.** General and administrative expenses increased decreased by \$0.7 million \$17.7 million, or 3% 42%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023. This increase decrease was primarily due to an increase a decline in stock-based compensation expense of \$1.3 million \$18.0 million, offset primarily driven by the one-time charge taken for Return-Target Options in part by a decrease in our bad debt reserve of \$0.7 million the three months ended June 30, 2023. The remaining increase in general and administrative expenses is aggregated from several immaterial variances.

**Depreciation and amortization.** Depreciation and amortization expenses increased by \$2.3 million \$2.2 million, or 18% 16%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023. This increase results from an increase in amortization expense related to capitalization of internal-use software of \$2.4 million and an increase in depreciation expense of \$0.1 million, offset by a decrease in amortization expense for intangible assets of \$0.2 million, \$0.2 million.

**Foreign exchange loss (gain), net.** Foreign exchange loss (gain), net was \$1.6 increased \$0.9 million, or 150% for the three months ended March 31, 2024 June 30, 2024 as compared to a foreign exchange gain, the three months ended June 30, 2023. The loss resulted from fluctuations primarily attributable to the British Pound and Euro currency

movements relative to the U.S. Dollar.

#### **Interest expense, net of \$0.5 million**

**Interest expense, net.** Interest expense, net decreased by \$1.7 million, or 52%, for the three months ended March 31, 2023 June 30, 2024 as compared to the three months ended June 30, 2023. The decrease was due to a \$1.7 million decrease in interest expense resulting from a lower average outstanding balance on the Revolver, which was partially offset by an increase in the interest rate on the Revolver from 7.3% at June 30, 2023 to 7.4% at June 30, 2024.

#### **Provision (benefit) for income taxes**

**(Provision) benefit for income taxes.** Provision for income taxes increased by \$34.0 million, or 117%, for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. The tax provision in the current year resulted mainly from the net income incurred during the three months ended June 30, 2024, as compared to net loss generated during the three months ended June 30, 2023, and non-deductible stock-based compensation, offset by R&D and other tax credits and discrete items.

#### **Comparison of the Six Months Ended June 30, 2024 and 2023**

(in thousands, except percentages)	Six Months Ended June 30,			
	2024	2023	\$ change	% change
Revenue	\$ 243,535	\$ 219,743	\$ 23,792	11 %
Operating expenses:				
Cost of revenue (excluding depreciation and amortization shown below)	53,255	45,501	7,754	17 %
Sales and marketing	61,397	57,962	3,435	6 %
Technology and development	35,465	36,639	(1,174)	(3) %
General and administrative	46,059	63,062	(17,003)	(27) %
Depreciation and amortization	30,789	26,346	4,443	17 %
Foreign exchange loss (gain), net	1,884	(1,147)	3,031	(264) %
Total operating expenses	228,849	228,363	486	— %
Operating income (loss)	14,686	(8,620)	23,306	(270) %
Interest expense, net	(3,462)	(6,638)	3,176	(48) %
Net income (loss) before income taxes	11,224	(15,258)	26,482	(174) %
(Provision) benefit for income taxes	(4,789)	26,081	(30,870)	(118) %
Net income (loss)	\$ 6,435	\$ 10,823	\$ (4,388)	(41) %

#### **Revenue**

Total revenue increased by \$23.8 million, or 11%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

(in thousands, except percentages)	Six Months Ended June 30,			
	2024	2023	\$ change	% change
Optimization revenue	\$ 110,935	\$ 103,848	\$ 7,087	7 %
Measurement revenue	99,001	85,611	13,390	16 %
Publisher revenue	33,599	30,284	3,315	11 %
Total revenue	\$ 243,535	\$ 219,743	\$ 23,792	11 %

Total revenue for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 increased due to higher measurement revenue of \$13.4 million, or 16%, reflecting growth in volume of impressions of 26%, offset in part by a 7% decline in average CPMs. In addition, optimization revenue increased \$7.1 million, or 7%, reflecting growth in average CPMs of 3%. Optimization impressions were consistent when compared to the six months ended June 30, 2023.

#### **Operating expenses**

**Cost of Revenue.** Cost of revenue increased by \$7.8 million, or 17%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This increase was driven by an increase in hosting fees of \$7.6 million.

**Sales and marketing.** Sales and marketing expenses increased by \$3.4 million, or 6%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This increase was due to an increase in compensation expenses of \$5.6 million to support the continued revenue growth, offset by a decrease in stock-based compensation expense of \$3.0 million, in part driven by the one-time charge taken for Return-Target Options in the six months ended June 30, 2023. The remaining change in sales and marketing expenses is aggregated from several immaterial variances.

**Technology and development.** Technology and development expenses decreased by \$1.2 million, or 3% for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This decrease was due to a decline in compensation expenses of \$2.1 million, as a result of higher capitalization of labor due to long-term investments in our product, a decrease in stock-based compensation expense of \$1.3 million, primarily driven by the one-time charge taken for Return-Target Options in the six months ended June 30, 2023 and a decrease in professional services of \$0.9 million. These increases were partially offset by an increase in software application expenses of \$3.7 million. The remaining change in technology and development expenses is aggregated from several immaterial variances.

**General and administrative.** General and administrative expenses decreased by \$17.0 million, or 27%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This decrease was due to a decline in stock-based compensation expense of \$16.7 million, primarily driven by the one-time charge taken for Return-Target Options in the six months ended June 30, 2023, and a decrease in our bad debt expense of \$0.5 million. The remaining increase in general and administrative expenses is aggregated from several immaterial variances.

**Depreciation and amortization.** Depreciation and amortization expenses increased by \$4.4 million, or 17%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This increase results from an increase in amortization expense related to capitalization of internal-use software of \$4.7 million and an increase in depreciation expense of \$0.2 million, offset by a decrease in amortization expense for intangible assets of \$0.5 million.

**Foreign exchange loss (gain), net.** Foreign exchange loss (gain), net increased \$3.0 million, or 264% for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. The loss resulted from fluctuations primarily attributable to the British Pound and Euro currency movements relative to the U.S. Dollar.

#### Interest expense, net

**Interest expense, net.** Interest expense, net decreased by \$1.5 million \$3.2 million, or 44% 48%, for the three six months ended March 31, 2024 June 30, 2024 as compared to the three six months ended March 31, 2023 June 30, 2023. The decrease was due to a \$1.0 million \$2.8 million decrease in interest expense resulting from a lower average outstanding balance on the Revolver, which was partially offset by an increase in the interest rate on the Revolver from 6.7% 7.3% at March 31, 2023 June 30, 2023 to 7.4% at March 31, 2024 June 30, 2024. Also contributing to the decrease in interest expense was a \$0.5 million \$0.4 million increase in interest income on our cash balances.

#### Provision (benefit) for income taxes

**Benefit (provision) from Provision (benefit) for income taxes.** Benefit Provision for income taxes increased by \$3.2 million \$30.9 million, or 104% 118%, for the three six months ended March 31, 2024 June 30, 2024 as compared to the three six months ended March 31, 2023 June 30, 2023. The tax benefit provision in the current year resulted mainly from the net loss incurred income generated during the three six months ended March 31, 2024 June 30, 2024, as compared to net income generated loss incurred during the three six months ended March 31, 2023 June 30, 2023, and non-deductible executive stock-based compensation, pursuant to Section 162(m) of the Internal Revenue Code offset by R&D and other tax credits and discrete items, including stock-based compensation items.

#### Non-GAAP Financial Measures

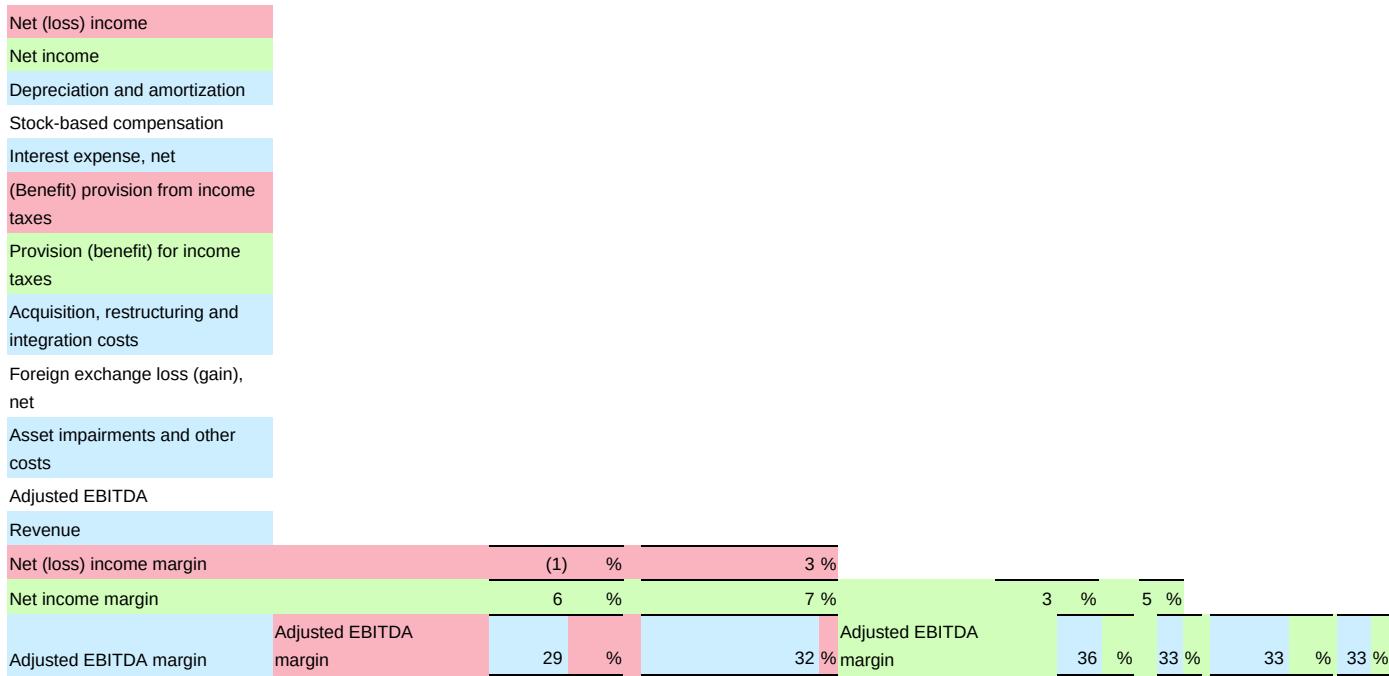
We use supplemental measures of our performance, which are derived from our consolidated financial information, but which are not presented in our consolidated financial statements prepared in accordance with U.S. GAAP. Adjusted EBITDA is the primary financial performance measure used by management to evaluate our business and monitor ongoing results of operations. We define Adjusted EBITDA as net income (loss) before depreciation and amortization, stock-based compensation, interest expense, income taxes, acquisition, restructuring and integration costs, employee retention tax credit, foreign exchange gains and losses and other one-time, non-recurring costs. Adjusted EBITDA margin represents the Adjusted EBITDA for the applicable period divided by the revenue for that period presented in accordance with U.S. GAAP.

We use non-GAAP financial measures to supplement financial information presented on a U.S. GAAP basis. We believe that excluding certain items from our U.S. GAAP results allows management to better understand our consolidated financial performance from period to period, and better project our future consolidated financial performance, as forecasts are developed at a level of detail different from that used to prepare U.S. GAAP-based financial measures. Moreover, we believe these non-GAAP financial measures provide our shareholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period-to-period comparisons. Although we believe these measures are useful to investors and analysts for the same reasons they are useful to management, these measures are not a substitute for, or superior to, U.S. GAAP financial measures or disclosures and should be read only in conjunction with financial information presented on a GAAP basis. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Reconciliation of Adjusted EBITDA to its most directly comparable U.S. GAAP financial measure, net income (loss), is presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items.

#### Adjusted EBITDA

(in thousands, except percentages) (in thousands, except percentages)	Three Months Ended March 31, 2024		Three Months Ended June 30, 2023		Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	(in thousands, except percentages)	2024	(in thousands, except percentages)	2023	(in thousands, except percentages)	2024	(in thousands, except percentages)	2023



## Liquidity and Capital Resources

### General

As of **March 31, 2024** **June 30, 2024**, our principal sources of liquidity were cash and cash equivalents totaling **\$83.9 million** **\$70.6 million**, which was held for working capital purposes, as well as the available balance **of** **on** our Revolver, **as** **defined** **below**.

Our principal commitments consist of obligations under operating leases for office space, our purchase commitments related to hosting and data services and repayments of long-term debt. We lease office space under operating leases, which expire on various dates through November 2032 and the total noncancelable payments under these leases, net of rentals under subleases, were **\$30.6** **\$31.4** million as of **March 31, 2024** **June 30, 2024**. Total noncancelable non-cancelable purchase commitments related to hosting services as of **March 31, 2024**, **June 30, 2024** were **\$145.1** **\$135.6** million for periods through 2028, of which **\$38.3** million are committed for the next 12 months and **\$106.8** million thereafter. As of **March 31, 2024** **June 30, 2024**, we had no short-term debt. Information about our long-term debt is provided below.

We have financed our operations primarily through cash on our balance sheet and debt financing. We believe our existing cash and cash equivalents, our Revolver and cash provided by operations will be sufficient to meet our working capital and capital expenditure and cash needs for the next twelve months and beyond. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services offerings, and the continuing market acceptance of our products. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, it could reduce our ability to compete successfully and harm our results of operations.

### Credit Agreement

On September 29, 2021, we entered into a new credit agreement with various lenders (the "Credit Agreement"), which provides for an initial \$300.0 million in commitments for revolving credit loans (the "Revolver"), which amount may be increased or decreased under specific circumstances, with a \$30.0 million letter of credit sublimit and a \$100.0 million alternative currency sublimit. In addition, the Credit Agreement provides for the ability to request incremental term loan facilities, in a minimum amount of \$5.0 million for each facility. Borrowings under the Credit Agreement may be used for working capital and other general corporate purposes, including for acquisitions permitted under the Credit Agreement. **The Company used borrowings under the Credit Agreement, together with cash on hand, to repay all outstanding balances under the prior credit agreement.**

On June 23, 2023, the Company entered into the First Amendment to Credit Agreement, which changed the market interest rate on outstanding borrowings from LIBOR to SOFR. The First Amendment to the Credit Agreement became effective at the end of the applicable interest period for any LIBOR borrowings outstanding on the amendment effective date, which was June 30, 2023. Following the First Amendment, the interest rates applicable to the Revolver under the Credit Agreement are, at our option, either (i) in the case of U.S. dollar loans, (x) a base rate, which is equal to the greater of (a) the Prime Rate (as defined in the Credit Agreement), (b) the Federal Funds Effective Rate plus 0.5%, and (c) Adjusted Term SOFR, which is calculated as the sum of (i) term SOFR as published by the Federal Reserve Bank of New York for a one-month Interest Period and (ii) a credit spread adjustment of 0.10% per annum (subject to a floor of 0.0%) (each term as defined in the Credit Agreement) plus 1%, or (ii) in the case of RFR Loans (as defined in the Credit Agreement) denominated in sterling or euro, (x) the applicable RFR (as defined in the Credit Agreement) or (y) the applicable Term RFR (as defined in the Credit Agreement).

plus in the case of each of clauses (i) and (ii), the Applicable Rate (as defined in the Credit Agreement). The Applicable Rate (i) for base rate loans range from 0.75% to 1.50% per annum, (ii) for Term SOFR Loans (as defined in the Credit Agreement) ranges from 1.75% to 2.50% per annum, (iii) for RFR Loans denominated in sterling range from 1.7826% to 2.5326%, and (iv) for RFR Loans denominated in euro range from 1.7965% to 2.5456%, in each case, based on the Senior Secured Net Leverage Ratio (as defined in the Credit Agreement). Base rate borrowings may only be made in dollars. The Company also pays a commitment fee during the term of the Credit Agreement ranging from 0.20% to 0.35% per annum of the average daily undrawn portion of the revolving commitments based on the Senior Secured Net Leverage Ratio (as defined in the Credit Agreement). The interest rate at **March 31, 2024** **June 30, 2024** was 7.4%.

The Credit Agreement contains covenants requiring certain financial information to be submitted quarterly and annually. In addition, we are also required to comply with certain financial covenants such as maintaining a Total Net Leverage Ratio (as defined in the Credit Agreement) of 3.50 to 1.00 or lower and maintaining a minimum Interest Coverage Ratio (as defined in the Credit Agreement) of 2.50 to 1.00. As of **March 31, 2024** **June 30, 2024**, the Company was in compliance with all covenants contained in the Credit Agreement. Based upon current facts and circumstances, we believe existing cash coupled with the cash flows generated from operations will be sufficient to meet our cash needs and comply with covenants.

#### *Restrictions on Subsidiaries under the Credit Agreement*

The Company is a holding company that conducts substantially all its activities through its subsidiaries and has no material operations of its own or direct outstanding debt obligations. The Company's wholly owned subsidiaries are subject to the terms and restrictions set forth in the Credit Agreement, which among other things, limit the ability of Company's subsidiaries to make loans or advances or pay dividends or distributions. As is customary, these restrictions are subject to specific exceptions set forth in the Credit Agreement. The restrictions placed on the Company's subsidiaries under the Credit Agreement have not had, nor are they expected to have, an impact on the Company's ability to meet its cash obligations because substantially all of the Company's consolidated cash obligations are obligations of the Company's subsidiaries, which payment is generally permitted under the terms of the Credit Agreement.

#### *Cash Flows*

The table below presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods indicated.

(in thousands)	(in thousands)	Three Months Ended March 31, (in thousands)	Six Months Ended June 30, (in thousands)
		2024	2023
Net cash (used in) provided by operating activities			
Net cash provided by operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net (decrease) increase in cash and cash equivalents, and restricted cash			
Net increase in cash and cash equivalents, and restricted cash			
Effect of exchange rate changes on cash and cash equivalents, and restricted cash			
Cash, cash equivalents, and restricted cash, at beginning of period			
Cash, cash equivalents and restricted cash, at end of period			

#### *Operating Activities*

For the **three** **six** months ended **March 31, 2024** **June 30, 2024**, net cash used in provided by operating activities was **\$1.1 million** **\$24.8 million**, resulting from a **decrease in** **working capital** net income of **\$32.0 million**, offset by the net loss of **\$1.3 million** **\$6.4 million** adjusted for non-cash expenses of depreciation and amortization of **\$15.1 million** **\$30.8 million**, stock-based compensation of **\$15.7 million** **\$30.7 million**, bad debt expense of **\$0.7 million**, amortization of debt issuance costs of **\$0.2 million** and unrealized foreign currency losses of **\$1.4 million**, **\$1.6 million**, partially offset by a decrease in working capital of **\$42.2 million**, and a deferred tax provision of **\$3.5 million**. The decrease in working capital primarily reflects unfavorable timing of payments for operating expenses and taxes, as well as the payment of the annual employee bonus liability.

For the **three** **six** months ended **March 31, 2023** **June 30, 2023**, net cash provided by operating activities was **\$23.0 million** **\$52.1 million**, resulting from a net income of **\$3.1 million** **\$10.8 million** adjusted for non-cash expenses of depreciation and amortization of **\$12.8 million** **\$26.3 million**, stock-based compensation of **\$11.3 million** **\$51.7 million**, bad debt expense of **\$0.5 million**, partially offset by a decrease **\$1.3 million**, and an increase in working capital of **\$1.5 million** **\$0.4 million**, foreign currency gains of **\$0.7 million** and partially offset by a deferred tax benefit of **\$2.8 million**, **\$37.5 million** and unrealized foreign currency gains of **\$1.2 million**.

#### *Investing Activities*

Cash used in investing activities was **\$10.3 million** **\$20.2 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, reflecting capitalized costs related to our internal use software of **\$9.2 million** **\$18.8 million**, and the purchase of property and equipment of **\$1.1 million**.

Cash used in investing activities was **\$8.3 million** for the **three** months ended **March 31, 2023**, reflecting capitalized costs related to our internal use software of **\$7.1 million** and the purchase of property and equipment of **\$1.3 million**.

Cash used in investing activities was **\$16.7 million** for the **six** months ended **June 30, 2023**, reflecting capitalized costs related to our internal use software of **\$14.9 million**, and the purchase of property and equipment of **\$1.8 million**.

#### *Financing Activities*

Cash used in financing activities was ~~\$28.3~~ \$57.5 million for the ~~three~~ six months ended ~~March 31, 2024~~ June 30, 2024, due to repayments of outstanding long-term debt of \$60.0 million, offset by proceeds of \$2.2 million for share purchases under the ESPP and \$0.3 million for stock options exercised.

Cash used in financing activities was \$23.6 million for the six months ended June 30, 2023, due to a net repayment of outstanding long-term debt of \$30.0 million, offset by receipt of ~~\$0.3~~ \$5.0 million for stock options exercised and \$1.4 million for share purchases under the ESPP.

Cash used in financing activities was \$7.1 million for the three months ended March 31, 2023, due to a net repayment of outstanding long-term debt of \$10.0 million offset by receipt of ~~\$2.1~~ million for stock options exercised and \$0.8 million for share purchases under the ESPP.

#### *Indemnification Agreements*

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Comprehensive *(Loss)* Income, or Condensed Consolidated Statements of Cash Flows.

#### **Critical Accounting Estimates**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting estimates described in "Note 2—Basis of presentation and summary of significant accounting policies" to our consolidated financial statements appearing in our 2023 Form 10-K.

#### **Recent Accounting Pronouncements**

For a description of ~~our~~ recently issued accounting *standards* pronouncements not yet adopted, see Note 2(h) to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Market risks at ~~March 31, 2024~~ June 30, 2024 have not materially changed from those discussed in the Annual Report on our 2023 Form 10-K for the year ended December 31, 2023 under the heading Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk."

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

##### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has 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 of ~~March 31, 2024~~ June 30, 2024.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of ~~March 31, 2024~~ June 30, 2024.

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

As described above in the "Evaluation of Disclosure Controls and Procedures" section, there ~~There~~ were no changes during the three months ended ~~March 31, 2024~~ June 30, 2024, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### *Inherent Limitations on Effectiveness of Controls*

Because of its inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**PART II**  
**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we have been and may be involved in various legal proceedings and claims arising in our ordinary course of business. At this time, neither we nor any of our subsidiaries is a party to, and none of our respective property is the subject of, any legal proceeding that, if determined adversely to us, would have a material adverse effect on us.

**ITEM 1A. RISK FACTORS**

There have been no For a discussion of the material changes to risk factors that affect our Company, please see the risk factors disclosed in Part 1, Item 1A "Risk Factors" in our Annual Report on 2023 Form 10-K for the year ended December 31, 2023, 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

**Insider Trading Arrangements**

During the quarter ended **March 31, 2024** **June 30, 2024**, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) and (c) of Regulation S-K).

**ITEM 6. EXHIBITS**

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
3.1	<a href="#">Certificate of Incorporation of Integral Ad Science Holding Corp., dated June 29, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on July 2, 2021).</a>
3.2	<a href="#">Bylaws of Integral Ad Science Holding Corp., dated June 29, 2021 (incorporated by reference to the Company's Exhibit 3.2 to the Company's Form 8-K filed on July 2, 2021).</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
32.1**	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, furnished herewith.</a>
32.2**	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, furnished herewith.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\*\* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

#### 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.

#### Integral Ad Science Holding Corp. (Registrant)

Date: **May 9, 2024** **August 1, 2024**

By: **/s/Tania Secor**

Tania Secor

Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 31.1**

#### Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lisa Utzschneider, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integral Ad Science Holding 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 controls 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 9, 2024** August 1, 2024

/s/ Lisa Utzschneider  
 Lisa Utzschneider  
*Director and Chief Executive Officer*

**Exhibit 31.2**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Tania Secor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integral Ad Science Holding 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 controls 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 9, 2024** August 1, 2024

*/s/* Tania Secor

Tania Secor

*Chief Financial Officer*

**Exhibit 32.1**

**Certification of the Chief Executive Officer**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp. (the "Company") for the period ended **March 31, 2024** June 30, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa Utzschneider, Chief Executive Officer of the Company, hereby 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:

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

Date: **May 9, 2024** August 1, 2024

*/s/* Lisa Utzschneider

Lisa Utzschneider

*Director and Chief Executive Officer*

**Exhibit 32.2**

**Certification of the Chief Financial Officer**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp. (the "Company") for the period ended **March 31, 2024** June 30, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Tania Secor, Chief Financial Officer of the Company, hereby 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:

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

Date: **May 9, 2024** August 1, 2024

*/s/* Tania Secor

Tania Secor

*Chief Financial Officer*



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