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

FORM 10-Q

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2022
- OR
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____
Commission File Number: 001-35429

BRIGHTCOVE INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1579162
(I.R.S. Employer
Identification No.)

281 Summer Street
Boston, MA 02210
(Address of principal executive offices)
(888) 882-1880
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	BCOV	The NASDAQ Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of October 28, 2022, there were 42,072,217 shares of the registrant's common stock, \$0.001 par value per share, outstanding.

BRIGHTCOVE INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Such forward-looking statements include any expectation of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results; statements related to adding employees; statements related to potential benefits of acquisitions; statements related to future capital expenditures; statements related to future economic conditions or performance; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in Item 1A of Part I of this Quarterly Report on Form 10-Q, and the risks discussed in our other Securities and Exchange Commission, or SEC, filings. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. However, any further disclosures made on related subjects in our subsequent reports filed with the SEC should be consulted. Forward-looking statements in this Quarterly Report on Form 10-Q may include statements about:

- our ability to achieve profitability;
- our competitive position and the effect of competition in our industry;
- our ability to retain and attract new customers;
- our ability to penetrate existing markets and develop new markets for our services;
- our ability to retain or hire qualified accounting and other personnel;
- our ability to successfully integrate acquired businesses;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our ability to maintain the security and reliability of our systems;
- our estimates with regard to our future performance and total potential market opportunity;
- our estimates regarding our anticipated results of operations, future revenue, bookings growth, capital requirements, our needs for additional financing and broader economic challenges, including interest rate fluctuations; and
- our goals and strategies, including those related to revenue and bookings growth.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Brightcove Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2022	December 31, 2021
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,348	\$ 45,739
Accounts receivable, net of allowance of \$355 and \$353 at September 30, 2022 and December 31, 2021, respectively	31,891	29,866
Prepaid expenses	8,976	7,792
Other current assets	10,338	10,833
Total current assets	82,553	94,230
Property and equipment, net	36,579	20,514
Operating lease right-of-use asset	19,387	24,891
Intangible assets, net	11,296	9,276
Goodwill	74,859	60,902
Other assets	6,564	6,655
Total assets	\$ 231,238	\$ 216,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 13,060	\$ 11,039
Accrued expenses	23,730	20,925
Operating lease liability	4,028	2,600
Deferred revenue	65,067	62,057
Total current liabilities	105,885	96,621
Operating lease liability, net of current portion	21,073	22,801
Other liabilities	963	786
Total liabilities	\$ 127,921	120,208
Commitments and contingencies (<i>Note 8</i>)		
Stockholders' equity:		
Undesignated preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 42,193,504 and 41,384,643 shares issued at September 30, 2022 and December 31, 2021, respectively	42	41
Additional paid-in capital	311,283	298,793
Treasury stock, at cost; 135,000 shares	(871)	(871)
Accumulated other comprehensive loss	(2,478)	(662)
Accumulated deficit	(204,659)	(201,041)
Total stockholders' equity	103,317	96,260
Total liabilities and stockholders' equity	\$ 231,238	\$ 216,468

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

Brightcove Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September</u>	
	<u>2022</u>	<u>2021</u>	<u>30,</u>	<u>2021</u>
	(in thousands, except share and per share data)			
Revenue:				
Subscription and support revenue	\$ 51,814	\$ 49,226	\$ 156,403	\$ 148,667
Professional services and other revenue	2,130	2,937	5,367	9,785
Total revenue	53,944	52,163	161,770	158,452
Cost of revenue:				
Cost of subscription and support revenue	18,247	16,406	52,172	46,840
Cost of professional services and other revenue	1,816	2,247	5,575	8,205
Total cost of revenue	20,063	18,653	57,747	55,045
Gross profit	33,881	33,510	104,023	103,407
Operating expenses:				
Research and development	7,931	7,902	24,540	24,041
Sales and marketing	19,023	18,451	55,272	52,730
General and administrative	7,748	7,345	24,391	21,822
Merger-related	—	45	747	300
Other expense (benefit)	—	—	1,149	(1,965)
Total operating expenses	34,702	33,743	106,099	96,928
Loss (income) from operations	(821)	(233)	(2,076)	6,479
Other (expense) income, net	(668)	(319)	(1,880)	(937)
(Loss) income before income taxes	(1,489)	(552)	(3,956)	5,542
Provision (benefit) for income taxes	191	468	(338)	562
Net (loss) income	\$ (1,680)	\$ (1,020)	\$ (3,618)	\$ 4,980
Net (loss) income per share—basic and diluted				
Basic	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12
Diluted	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12
Weighted-average shares—basic and diluted				
Basic	41,972	40,935	41,712	40,571
Diluted	41,972	40,935	41,712	42,237

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

Brightcove Inc.
Condensed Consolidated Statements of Comprehensive (Loss) Income
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended</u>	
	<u>2022</u>	<u>2021</u>	<u>September 30,</u>	<u>2021</u>
	(in thousands)			
Net (loss) income	\$ (1,680)	\$ (1,020)	\$ (3,618)	\$ 4,980
Other comprehensive income:				
Foreign currency translation adjustments	(716)	(238)	(1,816)	(412)
Comprehensive (loss) income	<u>\$ (2,396)</u>	<u>\$ (1,258)</u>	<u>\$ (5,434)</u>	<u>\$ 4,568</u>

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

Brightcove Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands, except share data)			
Shares of common stock issued				
Balance, beginning of period	42,029,575	40,946,572	41,384,643	40,152,021
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	163,929	229,282	808,861	1,023,833
Balance, end of period	<u>42,193,504</u>	<u>41,175,854</u>	<u>42,193,504</u>	<u>41,175,854</u>
Shares of treasury stock				
Balance, beginning of period	(135,000)	(135,000)	(135,000)	(135,000)
Balance, end of period	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>
Par value of common stock issued				
Balance, beginning of period	\$ 42	\$ 41	\$ 41	\$ 41
Common stock issued upon acquisition	—	—	1	—
Balance, end of period	<u>\$ 42</u>	<u>\$ 41</u>	<u>\$ 42</u>	<u>\$ 41</u>
Value of treasury stock				
Balance, beginning of period	\$ (871)	\$ (871)	\$ (871)	\$ (871)
Balance, end of period	<u>\$ (871)</u>	<u>\$ (871)</u>	<u>\$ (871)</u>	<u>\$ (871)</u>
Additional paid-in capital				
Balance, beginning of period	\$ 308,314	\$ 292,775	\$ 298,793	\$ 287,059
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of tax	(8)	194	91	825
Stock-based compensation expense	2,977	2,495	10,412	7,580
Common stock issued upon acquisition	—	—	1,987	—
Balance, end of period	<u>\$ 311,283</u>	<u>\$ 295,464</u>	<u>\$ 311,283</u>	<u>\$ 295,464</u>
Accumulated deficit				
Balance, beginning of period	\$ (202,979)	\$ (200,438)	\$ (201,041)	\$ (206,438)
Net (loss) income	(1,680)	(1,020)	(3,618)	4,980
Balance, end of period	<u>\$ (204,659)</u>	<u>\$ (201,458)</u>	<u>\$ (204,659)</u>	<u>\$ (201,458)</u>
Accumulated other comprehensive loss				
Balance, beginning of period	\$ (1,762)	\$ (362)	\$ (662)	\$ (188)
Foreign currency translation adjustment	(716)	(238)	(1,816)	(412)
Balance, end of period	<u>\$ (2,478)</u>	<u>\$ (600)</u>	<u>\$ (2,478)</u>	<u>\$ (600)</u>
Total stockholders' equity	<u>\$ 103,317</u>	<u>\$ 92,576</u>	<u>\$ 103,317</u>	<u>\$ 92,576</u>

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

Brightcove Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Operating activities		
Net (loss) income	\$ (3,618)	\$ 4,980
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,141	6,284
Stock-based compensation	9,969	7,234
Provision for reserves on accounts receivable	166	246
Changes in assets and liabilities:		
Accounts receivable	(1,871)	710
Prepaid expenses and other current assets	(1,351)	(914)
Other assets	38	(1,273)
Accounts payable	863	79
Accrued expenses	(242)	(4,402)
Operating leases	5,202	(903)
Deferred revenue	3,452	2,707
Net cash provided by operating activities	19,749	14,748
Investing activities		
Cash paid for acquisition, net of cash acquired	(13,215)	—
Purchases of property and equipment	(8,617)	(1,625)
Capitalized internal-use software costs	(9,678)	(4,657)
Net cash used in investing activities	(31,510)	(6,282)
Financing activities		
Proceeds from exercise of stock options	142	2,200
Deferred acquisition payments	—	(475)
Other financing activities	(50)	(1,375)
Net cash provided by financing activities	92	350
Effect of exchange rate changes on cash and cash equivalents	(2,722)	(1,003)
Net (decrease) increase in cash and cash equivalents	(14,391)	7,813
Cash and cash equivalents at beginning of period	45,739	37,472
Cash and cash equivalents at end of period	\$ 31,348	\$ 45,285
Supplemental disclosure of cash flow information		
Cash paid for operating lease liabilities	\$ 1,548	\$ 3,505
Cash received for lease inducement	\$ 3,437	\$ —
Cash paid for income taxes	\$ 527	\$ 681

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

Brightcove Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(in thousands, except share and per share data, unless otherwise noted)

1. Business Description and Basis of Presentation

Business Description

Brightcove Inc. (the “Company”) is a leading global provider of cloud services for video which enable its customers to publish and distribute video to Internet-connected devices quickly, easily and in a cost-effective and high-quality manner.

The Company is headquartered in Boston, Massachusetts and was incorporated in the state of Delaware on August 24, 2004.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2021 contained in the Company’s Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company’s financial position and results of operations for the three and nine months ended September 30, 2022 and 2021. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

2. Quarterly Update to Significant Accounting Policies

Allowance for Doubtful Accounts

The following details the changes in the Company’s reserve allowance for estimated credit losses for accounts receivable for the period:

	<u>Allowance for Credit Losses</u>	
	(in thousands)	
Balance as of December 31, 2021	\$	353
Current provision for credit losses		166
Write-offs against allowance		(164)
Balance as of September 30, 2022	\$	<u>355</u>

Estimated credit losses for unbilled trade accounts receivable were not material.

Other Expense (Benefit).

Other expense (benefit), reflects other operating costs (or benefits) that do not directly relate to research and development, sales and marketing, general and administrative, and merger related.

On March 28, 2022, the Chief Executive Officer (“CEO”) of the Company retired. Pursuant to a Transition Agreement that was entered into by the CEO and the Company in October 2021, the Company recorded \$1.1 million of expense reflecting both wages and stock compensation in the first quarter of 2022.

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act which was amended by the Consolidated Appropriations Act in December of 2020 (the “CARES Act”). The CARES Act provides numerous tax provisions and other stimulus measures, including the creation of certain refundable employee

retention credits. In the first quarter of 2021, the Company recognized a benefit of \$2.0 million from the CARES Act related to employee retention credits. The Company recognizes such government relief when it is reasonably assured that it qualifies for the relief, the underlying expense has been incurred and it is probable that the Company will receive it. Credits associated with government relief are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expense the related costs for which the relief is intended to compensate.

Recently Issued and Adopted Accounting Pronouncements

In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-10, Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance, which improves the transparency of government assistance received by requiring the disclosure of: (1) the types of government assistance received; (2) the accounting for such assistance; and (3) the effect of the assistance on an entity’s financial statements. Effective January 1, 2022, the

Company adopted ASU 2021-10 on a prospective basis. Please see *Other Expense (Benefit)* section of these Notes to Condensed Consolidated Financial Statements for government assistance received by the Company in 2021.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. Effective January 1, 2022, the Company early adopted ASU 2021-08 on a prospective basis. The impact of adoption of this standard on the Company’s consolidated financial statements was not material.

3. Revenue from Contracts with Customers

The Company primarily derives revenue from the sale of its online video platform, which enables its customers to publish and distribute video to Internet-connected devices quickly, easily and in a cost-effective and high-quality manner. Revenue is derived from three primary sources: (1) the subscription to its technology and related support; (2) hosting, bandwidth and encoding services; and (3) professional services, which include initiation, set-up and customization services.

The following summarizes the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers.

(in thousands)	Accounts Receivable, net	Contract Assets (current)	Deferred Revenue (current)	Deferred Revenue (non-current)	Total Deferred Revenue
Balance at December 31, 2021	\$ 29,866	\$ 2,375	\$ 62,057	\$ 114	\$ 62,171
Balance at September 30, 2022	31,891	2,094	65,067	405	65,472

Revenue recognized for the three and nine months ended September 30, 2022 from amounts included in deferred revenue at the beginning of the period was approximately \$9.1 million and \$57.2 million respectively. During the three and nine months ended September 30, 2022, the Company did not recognize a material amount of revenue from performance obligations satisfied or partially satisfied in previous periods.

The assets recognized for costs to obtain a contract were \$11.4 million as of September 30, 2022 and \$12.2 million as of December 31, 2021. Amortization expense recognized for the three and nine months ended September 30, 2022 related to costs to obtain a contract was \$2.7 million and \$7.7 million, respectively. Amortization expense recognized for the three and nine months ended September 30, 2021 related to costs to obtain a contract was \$3.3 million and \$9.6 million, respectively.

Transaction Price Allocated to Future Performance Obligations

As of September 30, 2022, the total aggregate transaction price allocated to the unsatisfied performance obligations for subscription and support contracts was approximately \$144.1 million, of which approximately \$113.8 million is expected to be recognized over the next 12 months. The Company expects to recognize substantially all of the remaining unsatisfied performance obligations by December 2024.

4. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2022 consist of the following:

Description	September 30, 2022		
	Contracted Maturity	Cost	Fair Market Value
		(in thousands)	
Cash	Demand	\$ 31,307	\$ 31,307
Money market funds	Demand	41	41
Total cash and cash equivalents		<u>\$ 31,348</u>	<u>\$ 31,348</u>

Cash and cash equivalents as of December 31, 2021 consist of the following:

Description	December 31, 2021		
	Contracted Maturity	Cost	Fair Market Value
		(in thousands)	
Cash	Demand	\$ 45,698	\$ 45,698
Money market funds	Demand	41	41
Total cash and cash equivalents		<u>\$ 45,739</u>	<u>\$ 45,739</u>

5. Net (Loss) Income per Share

The Company calculates basic and diluted (loss) earnings per common share by dividing the (loss) earnings amount by the number of common shares outstanding during the period. The calculation of diluted earnings per common share includes the effects of the assumed exercise of any outstanding stock options and the assumed vesting of shares of restricted stock awards, where dilutive.

The following table set forth the computations of basic and diluted (loss) earnings per share:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (1,680)	\$ (1,020)	\$ (3,618)	\$ 4,980
Weighted average shares used in computing basic earnings per share	41,972	40,935	41,712	40,571
Effect of weighted average dilutive stock-based awards	-	-	-	1,667
Weighted average shares used in computing diluted earnings per share	41,972	40,935	41,712	42,237
Net (loss) income per share—basic and diluted				
Basic	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12
Diluted	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12

The following outstanding common shares have been excluded from the computation of dilutive (loss) earnings per share as of the periods indicated because such securities are anti-dilutive:

(shares in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Options outstanding	1,463	1,803	1,463	147
Restricted stock units outstanding	5,705	3,185	5,705	56

6. Stock-based Compensation

On March 28, 2022, Marc DeBevoise began as the Company's CEO. Effective February 8, 2022, the Company adopted the 2022 Inducement Plan ("2022 Plan"). The 2022 Plan provides for the grant of "employment inducement awards" within the meaning of NASDAQ Listing Rule 5635(c)(4). In connection with the commencement of his employment, the Company

granted 800,000 restricted stock units to the CEO under the 2022 Plan, of which 300,000 are subject solely to service-based vesting conditions (the “RSUs”) and 500,000 are subject to both market-based and service-based vesting conditions (the “PSUs”). The RSUs vest in equal annual installments over three years following March 28, 2022. The market-based vesting conditions applicable to the PSUs are achieved only if the volume weighted average price of the Company’s common stock during any 20 consecutive trading day period in the four year performance period following the CEO’s start date, March 28, 2022, equals or exceeds stock price hurdles ranging from \$12.50 to \$30.00, increasing in seven increments of \$2.50. The percentage of the award that is earned upon achievement of each stock price hurdle is 10% of the PSUs for each of the first two achievement tiers, 12.5% for each of the next four achievement tiers and 15% for each of the final two achievement tiers. The PSUs vest 50% upon achievement of a stock price hurdle and 50% upon the earlier of the one-year anniversary of such achievement date or March 28, 2025, subject to the CEO’s continued employment through the applicable vesting date.

For restricted stock units with market-based performance conditions, the cost of the awards is recognized as the requisite service is rendered by the employee, regardless of when, if ever, the market-based performance conditions are satisfied. The Monte-Carlo simulation model is used to estimate fair value of market-based performance restricted stock units. The Monte-Carlo simulation model calculates multiple potential outcomes for an award and establishes a fair value based on the most likely outcome. Key assumptions for the Monte-Carlo simulation model include the risk-free rate, expected volatility, expected dividends and the correlation coefficient.

The weighted-average assumptions utilized to determine the weighted-average fair value of options are presented in the following table:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Weighted-average fair value of options granted during the period	\$ —	\$ 7.51
Risk-free interest rate	—	1.16 %
Expected volatility	—	48 %
Expected life (in years)	—	6.2
Expected dividend yield	—	—

As of September 30, 2022, there was \$34.5 million of unrecognized stock-based compensation expense related to stock-based awards that is expected to be recognized over a weighted-average period of 2.57 years. The following table summarizes stock-based compensation expense as included in the consolidated statement of operations for the three and nine months ended September 30, 2022 and 2021:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in thousands)			
Stock-based compensation:				
Cost of subscription and support revenue	\$ 132	\$ 157	\$ 385	\$ 501
Cost of professional services and other revenue	76	113	334	299
Research and development	378	408	2,035	1,261
Sales and marketing	1,015	583	2,857	2,082
General and administrative	1,245	1,072	4,109	3,091
Other expense (benefit)	-	—	249	0
	<u>\$ 2,846</u>	<u>\$ 2,333</u>	<u>\$ 9,969</u>	<u>\$ 7,234</u>

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The following is a summary of the stock option activity during the nine months ended September 30, 2022.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2021	1,681,477	\$ 9.59		
Granted	—	—		
Exercised	(22,650)	6.25		\$ 37,545
Canceled	(196,291)	11.32		
Outstanding at September 30, 2022	1,462,536	\$ 9.39	5.06	\$ 75,429
Exercisable at September 30, 2022	1,316,567	\$ 9.08	4.73	\$ 75,429

- (1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on September 30, 2022 of \$6.30 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

The following table summarizes the restricted stock unit activity for our service-based awards ("S-RSU") and our performance-based awards ("P-RSU") during the nine months ended September 30, 2022:

	S-RSU Shares	Weighted Average Grant Date Fair Value	P-RSU Shares	Weighted Average Grant Date Fair Value	Total RSU Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2021	2,915,720	\$ 11.66	1,021,172	\$ 11.04	3,936,892	\$ 11.50
Granted	3,292,536	7.20	500,000	8.11	3,792,536	7.32
Vested and issued	(573,704)	11.91	—	—	(573,704)	11.91
Canceled	(1,107,609)	10.20	(343,176)	13.04	(1,450,785)	10.87
Unvested at September 30, 2022	4,526,943	\$ 8.74	1,177,996	\$ 9.22	5,704,939	\$ 8.84

7. Income Taxes

The income tax expense relates principally to the Company's foreign operations.

The Company is required to compute income tax expense in each jurisdiction in which it operates. This process requires the Company to project its current tax liability and estimate its deferred tax assets and liabilities, including net operating loss ("NOL") and tax credit carry-forwards. In assessing the ability to realize the net deferred tax assets, management considers whether it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

The Company has provided a valuation allowance against its remaining U.S. net deferred tax assets as of September 30, 2022 and December 31, 2021, based upon the level of historical U.S. losses and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of these deductible differences.

During the nine months ended September 30, 2022, the Company recorded a benefit of \$1.0 million in the U.S. for the release of a portion of the Company's valuation allowance. This release of the valuation allowance is related to the acquisition of Wicket Labs, Inc. completed in February 2022 and the creation of deferred tax liabilities in purchase accounting that serve as a source of income for the Company's pre-existing deferred tax assets.

8. Commitments and Contingencies

Legal Matters

The Company, from time to time, is party to litigation arising in the ordinary course of business. Management does not believe that the outcome of these claims will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company based on the status of proceedings at this time.

Guarantees and Indemnification Obligations

The Company typically enters into indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses and costs incurred by the indemnified party, generally the Company's customers, in connection with patent, copyright, trade secret, or other intellectual property or personal right infringement claims by third parties with respect to the Company's technology. The term of these indemnification agreements is generally perpetual after execution of the agreement. Based on when customers first subscribe for the Company's service, the maximum potential amount of future payments the Company could be required to make under certain of these indemnification agreements is unlimited, however, more recently the Company has typically limited the maximum potential value of such potential future payments in relation to the value of the contract. Based on historical experience and information known as of September 30, 2022, the Company has not incurred any costs for the above guarantees and indemnities. The Company has received requests for indemnification from customers in connection with patent infringement suits brought against the customer by a third party. To date, the Company has not agreed that the requested indemnification is required by the Company's contract with any such customer.

In certain circumstances, the Company warrants that its products and services will perform in all material respects in accordance with its standard published specification documentation in effect at the time of delivery of the licensed products and services to the customer for the warranty period of the product or service. To date, the Company has not incurred significant expense under its warranties and, as a result, the Company believes the estimated fair value of these agreements is immaterial.

9. Debt

On December 28, 2020, the Company entered into an amended and restated loan and security agreement with a lender (the "Loan Agreement") providing for up to a \$30.0 million asset-based line of credit (the "Line of Credit"). Borrowings under the Line of Credit are secured by substantially all of the Company's assets, excluding its intellectual property. Outstanding amounts under the Line of Credit accrue interest at a rate as follows: (i) for prime rate advances, the greater of (A) the prime rate and (B) 4%, and (ii) for LIBOR advances, the greater of (A) the LIBOR rate plus 225 basis points and (B) 4%. Under the Loan Agreement, the Company must comply with certain financial covenants, including maintaining a minimum asset coverage ratio. If the outstanding principal during any month is at least \$15.0 million, the Company must also maintain a minimum net income threshold based on non-GAAP operating measures. Failure to comply with these covenants, or the occurrence of an event of default, could permit the lenders under the Line of Credit to declare all amounts borrowed under the Line of Credit, together with accrued interest and fees, to be immediately due and payable. The Line of Credit agreement will expire on December 28, 2023. The Company was in compliance with all applicable covenants under the Line of Credit as of September 30, 2022 and there were no borrowings outstanding as of September 30, 2022.

10. Segment Information

Geographic Data

Total revenue from unaffiliated customers by geographic area, based on the location of the customer, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
North America	\$ 29,864	\$ 29,420	\$ 89,344	\$ 89,204
Europe	8,847	9,689	28,080	28,159
Japan	4,842	6,185	17,180	19,263
Asia Pacific	10,312	6,746	26,808	21,421
Other	79	123	358	405
Total revenue	<u>\$ 53,944</u>	<u>\$ 52,163</u>	<u>\$ 161,770</u>	<u>\$ 158,452</u>

North America is comprised of revenue from the United States, Canada and Mexico. Revenue from customers located in the United States was \$28.2 million and \$27.6 million for the three months ended September 30, 2022 and 2021, respectively. Revenue from customers located in the United States was \$84.1 million and \$83.6 million for the nine months ended September 30, 2022 and 2021, respectively.

Other than the United States and Korea, no other country contributed more than 10% of the Company's total revenue for the three months ended September 30, 2022. Other than the United States and Japan, no other country contributed more than 10% of the Company's total revenue during the three months ended September 30, 2021. Other than the United States and Japan, no other country contributed more than 10% of the Company's total revenue during the nine months ended September 30, 2022 and 2021.

11. Business Combinations

Other Business Combinations

On February 1, 2022, the Company acquired 100% of the outstanding shares of Wicket Labs, Inc. (“Wicket Labs”) a provider of subscriber and content insights, in exchange for common stock of the Company and cash, (“Wicket Acquisition”). At the closing, the Company issued 212,507 unregistered shares of common stock of the Company valued at approximately \$2.0 million and approximately \$13.2 million in cash. Pursuant to the merger agreement, approximately \$1.8 million of the cash consideration was held back to secure payment of any claims of indemnification for breaches or inaccuracies in the sellers’ representations and warranties, covenants and agreements. During the nine months ended September 30, 2022, the Company paid \$0.1 million of cash consideration held back to the sellers for the satisfaction of certain representations and warranties.

The Wicket Acquisition was accounted for using the purchase method of accounting in accordance with Accounting Standards Codification 805 — *Business Combinations*. Accordingly, the results of operations of the acquired company have been included in the accompanying condensed consolidated financial statements since the date of acquisition. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of the Wicket Acquisition, and using assumptions that the Company’s management believes are reasonable given the information currently available. The Company is in the process of completing its valuation of its intangible assets, accounts receivable, deferred revenue and the valuation of the acquired deferred tax assets and liabilities. The final allocations of the purchase price to intangible assets, accounts receivable, deferred revenue, goodwill and any deferred tax assets and liabilities may differ materially from the information presented in these unaudited condensed consolidated financial statements.

During the three months ended September 30, 2022, the Company did not incur merger-related costs related to the Wicket Acquisition. During the nine months ended September 30, 2022, the Company incurred \$0.7 million of merger-related costs related to the Wicket Acquisition.

The excess of the purchase price over the estimated amounts of net assets as of the effective date of the acquisition was allocated to goodwill in accordance with the accounting guidance. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the Wicket Acquisition. These benefits include the acquired workforce and opportunities to expand the Company’s offerings in target market segments that use subscriber and content insights to make decisions. The goodwill is expected to be non-deductible for tax purposes.

The total purchase price for the Wicket Acquisition has been allocated as follows:

Cash	\$	53
Accounts receivable and other assets		782
Identifiable intangible assets		4,382
Goodwill		13,957
Deferred revenue		(1,033)
Deferred tax liabilities		(1,009)
Other liabilities		(95)
Total estimated purchase price	\$	<u>17,037</u>

The following are the identifiable intangible assets acquired and their respective useful lives, as determined based on preliminary valuations:

	Amount	Useful Life (in years)
Developed technology	\$ 4,200	6
Customer relationships	182	5
Total	\$ <u>4,382</u>	

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the transaction, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital.

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The estimated amortization expense for 2022 and for each of the five succeeding years and thereafter is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 614
2023	736
2024	736
2025	736
2026	736
2027 and thereafter	824
Total	\$ 4,382

Pro forma results of operations for the Wicket Acquisition have not been presented because the effect of the acquisition is not material to the Company's consolidated financial results. Revenue and earnings attributable to acquired operations since the date of the acquisition are included in the Company's consolidated statements of operations.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2022 were as follows:

Balance as of January 1, 2022	\$ 60,902
Wicket acquisition	13,957
Balance as of September 30, 2022	<u>\$ 74,859</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(in thousands, except share and per share data, unless otherwise noted)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021.

Company Overview

We are a leading global provider of cloud-based services for video. We were incorporated in Delaware in August 2004. With our Emmy®-winning technology and award-winning services, we help our customers realize the potential of video to address business-critical challenges. Customers rely on our suite of products, services, and expertise to reduce the cost and complexity associated with publishing, distributing, measuring and monetizing video across devices.

We sell five core video products that help our customers use video to further their businesses in meaningful ways: (1) Video Cloud, our flagship product and the world's leading online video platform, enables our customers to quickly and easily distribute high-quality video to Internet-connected devices; (2) Brightcove Live, our industry-leading solution for live streaming, delivers high-quality viewer experiences at scale; (3) Brightcove Beacon, a purpose-built application that enables companies to launch premium OTT video experiences quickly and cost effectively, across devices and with the flexibility of multiple monetization models; (4) Brightcove Player, an exceptionally fast, cloud-based technology for creating and managing video experiences; and (5) Zencoder, a powerful, cloud-based video encoding technology.

Customers can complement their use of our core products with modular technologies that provide enhanced capabilities such as (1) innovative ad insertion and video stitching through Brightcove SSAI; (2) efficient publication of videos to Facebook, Twitter, and YouTube through Brightcove Social; (3) an app for creating marketing campaigns with insightful data and industry benchmarks through Brightcove Campaign; and (4) create branded video experience by accessing templates with built-in best practices through Brightcove Gallery.

We have also brought to market several video solutions, which are comprised of a suite of video technologies that address specific customer use-cases and needs: (1) Virtual Events Experience helps brands to transform events into customized virtual experiences; (2) Brightcove Video Marketing Suite, enables marketers to use video to drive brand awareness, engagement and conversion; (3) Brightcove Enterprise Video Suite, provides an enterprise-class platform for internal communications, employee training, live streaming, marketing and ecommerce videos; and (4) Brightcove CorpTV™, provides a new way to deliver marketing videos, product announcements, training programs, and other live and on-demand content in a branded experience for companies.

Our philosophy for the next few years will continue to be to invest in our product strategy and development, sales, and go-to-market activities to support our long-term revenue growth. We believe these investments will help us address some of the challenges facing our business such as demand for our products by existing and potential customers, rapid technological change in our industry, increased competition and resulting price sensitivity. These investments include support for the expansion of our infrastructure within our hosting facilities, the hiring of additional technical and sales personnel, the innovation of new features for existing products and the development of new products. We believe this strategy will help us retain our existing customers, increase our average annual subscription revenue per premium customer and lead to the acquisition of new customers. Additionally, we believe customer growth will enable us to achieve economies of scale which will reduce our cost of goods sold, research and development and general and administrative expenses as a percentage of total revenue.

As of September 30, 2022 and 2021 we had 703 and 693 employees, respectively.

We generate revenue by offering our products to customers on a subscription-based, software as a service, or SaaS, model. Our revenue increased from \$158.5 in the nine months ended September 30, 2021 to \$161.8 in the nine months ended September 30, 2022, due to an increase in subscription and support revenue. This increase was due to an increase in usage-based fees and in the average annual subscription revenue per premium customer during the nine months ended September 30, 2022 as compared to the prior period and an increase in usage-based fees during the three months ended September 30, 2022 as compared to the prior period.

Included in the consolidated net loss for the nine months ended September 30, 2022 was stock-based compensation expense and amortization of acquired intangible assets of \$10.0 million and \$2.4 million, respectively. Included in the consolidated net income for the nine months ended September 30, 2021 was merger-related expense, stock-based compensation expense and amortization of acquired intangible assets of \$0.3 million, \$7.2 million and \$2.3 million, respectively.

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For the three and nine months ended September 30, 2022 and 2021, our revenue derived from customers located outside North America was 44% and 45%, and 44% and 44%, respectively. We expect the percentage of total net revenue derived from outside North America to remain relatively unchanged or decrease in future periods due to fluctuations in exchange rates and a decrease in usage-based fees.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

The following table includes our key metrics for the periods presented:

	Nine Months Ended September 30,	
	2022	2021
Customers (at period end)		
Premium	2,271	2,265
Volume	629	940
Total customers (at period end)	2,900	3,205
Net revenue retention rate	93.4%	97.1%
Recurring dollar retention rate	95.1%	88.0%
Average annual subscription revenue per premium customer, excluding Starter edition customers (in thousands)	\$ 96.3	\$ 93.9
Average annual subscription revenue per premium customer for Starter edition customers only (in thousands)	\$ 2.7	\$ 4.6
Total backlog, excluding professional services engagements (in millions)	\$ 144.1	\$ 148.6
Total backlog to be recognized over next 12 months, excluding professional services engagements (in millions)	\$ 113.8	\$ 115.0

- **Number of Customers.** We define our number of customers at the end of a particular quarter as the number of customers generating subscription revenue at the end of the quarter. We believe the number of customers is a key indicator of our market penetration, the productivity of our sales organization and the value that our products bring to our customers. We classify our customers by including them in either premium or volume offerings. Our premium offerings include our premium Video Cloud customers (Enterprise and Pro editions), our Zencoder customers (other than Zencoder customers on month-to-month contracts and pay-as-you-go contracts), our SSAI customers, our Player customers, our OTT Flow customers (OTT Flow is our partner-based OTT platform, which preceded Brightcove Beacon), our Virtual Event Experience customers, our Video Marketing Suite customers, our Enterprise Video Suite customers, our Brightcove Beacon customers, our Brightcove Engage customers, our Brightcove CorpTV™ customers, and our Brightcove Campaign customers. Our volume offerings include our Video Cloud Express customers and our Zencoder customers on month-to-month contracts and pay-as-you-go contracts.

Our go-to-market focus and growth strategy is to expand our premium customer base, as we believe our premium customers represent a greater opportunity for our solutions. Premium customers increased in the nine months ended September 30, 2022 compared to the prior period due to this strategy, although some customers are deciding to switch to in-house solutions or other third-party solutions. Volume customers decreased in recent periods primarily due to our discontinuation of the promotional Video Cloud Express offering. As a result, we have experienced attrition of this base level offering without a corresponding addition of customers. We expect customers using our volume offerings to continue to decrease in 2022 and beyond as we continue to focus on the market for our premium solutions.

- **Net Revenue Retention Rate.** We assess our ability to retain and expand customers using a metric we refer to as our net revenue retention rate. We calculate the net revenue retention rate by dividing: (a) the current annualized recurring revenue for premium customers that existed twelve months prior by (b) the annualized recurring revenue for all premium customers that existed twelve months prior. We define annualized recurring revenue for premium customers as the aggregate annualized contract value from our premium customer base, measured as of the end of a given period. We typically calculate our net revenue retention rate on a quarterly basis. For annual periods, we report net revenue retention rate as the average of the net revenue retention rate for all fiscal quarters included in the period. By dividing the retained recurring revenue by the base recurring revenue, we measure our success in retaining and growing installed revenue from the specific cohort of customers we served at the beginning of the period.

- *Recurring Dollar Retention Rate.* We assess our ability to retain customers using a metric we refer to as our recurring dollar retention rate. We calculate the recurring dollar retention rate by dividing the retained recurring value of subscription revenue for a period by the previous recurring value of subscription revenue for the same period. We define retained recurring value of subscription revenue as the committed subscription fees for all contracts that renew in a given period, including any increase or decrease in contract value. We define previous recurring value of subscription revenue as the recurring value from committed subscription fees for all contracts that expire in that same period. We typically calculate our recurring dollar retention rate on a monthly basis. Recurring dollar retention rate provides visibility into our ongoing revenue.
- *Average Annual Subscription Revenue Per Premium Customer.* We define average annual subscription revenue per premium customer as the total subscription revenue from premium customers for an annual period, excluding professional services revenue, divided by the average number of premium customers for that period. We believe that this metric is important in understanding subscription revenue for our premium offerings in addition to the relative size of premium customer arrangements. As our Starter edition has a price point of \$199 or \$499 per month, we disclose the average annual subscription revenue per premium customer separately for Starter edition customers and all other premium customers.
- *Backlog.* We define backlog as the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied, excluding professional service engagements. We believe that this metric is important in understanding future business performance.

COVID-19 and Geopolitical Events

While the future trends of the COVID-19 pandemic remain uncertain, we have not experienced a significant disruption during the pandemic. We will continue to monitor COVID-19's effect on our employees, customers, vendors and the regions we operate in.

In late February 2022, Russian military forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is likely. Subsequent to the invasion, the U.S. and other countries imposed economic sanctions against officials, individuals, regions, and industries in Russia, Ukraine and Belarus. We do not have operations or customers in Russia or Ukraine and none of our material vendors source their services to us from Russia or Ukraine. We will continue to monitor the situation and comply with any sanctions and restrictions imposed by the U.S. government.

Components of Consolidated Statements of Operations

Revenue

Subscription and Support Revenue — We generate subscription and support revenue from the sale of our products.

Video Cloud is offered in two product lines. The first product line is comprised of our premium product editions. All premium editions include functionality to publish and distribute video to Internet-connected devices, with higher levels of premium editions providing additional features and functionality. Customer arrangements are typically one-year contracts, which include a subscription to Video Cloud, basic support and a pre-determined amount of video streams, bandwidth, transcoding and storage. We also offer gold, platinum and platinum plus support to our premium customers for an additional fee. The pricing for our premium editions is based on the value of our software, as well as the number of users, accounts and usage, which is comprised of video streams, bandwidth, transcoding and storage. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements. The second product line is comprised of our volume product edition. Our volume editions target small and medium-sized businesses, or SMBs. The volume editions provide customers with the same basic functionality that is offered in our premium product editions but have been designed for customers who have lower usage requirements and do not typically require advanced features and functionality. We discontinued the lower level pricing options for the Express edition of our volume offering and expect the total number of customers using the Express edition to continue to decrease. Customers who purchase the volume editions generally enter into month-to-month agreements. Volume customers are generally billed on a monthly basis and pay via a credit card.

Virtual Events Experience, Brightcove Live and Brightcove Player are offered to customers on a subscription basis. Customer arrangements are typically one-year contracts, which include a subscription to Virtual Events Experience, Brightcove Live or the Brightcove Player, basic support and a pre-determined amount of video streams, bandwidth, transcoding, and storage and only video streams for Brightcove Player. We also offer gold, platinum, and platinum plus support to our Virtual Events Experience, Brightcove Live and Brightcove Player customers for an additional fee. The pricing for these products is based on the value of our software, as well as, the number of users, accounts and usage. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements.

Zencoder is offered to customers on a subscription basis, with either committed contracts or pay-as-you-go contracts. The pricing is based on usage, which is comprised of minutes of video processed. The committed contracts include a fixed number of minutes of video processed. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which

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the customer must pay for actual usage above the contractual entitlements. Zencoder customers are considered premium customers other than Zencoder customers on month-to-month contracts or pay-as-you-go contracts, which are considered volume customers.

Brightcove Beacon and Brightcove Campaign are each offered to customers on a subscription basis, with varying levels of functionality, usage entitlements and support based on the size and complexity of a customer's needs. Customer arrangements are typically one-year contracts.

Video Marketing Suite and Enterprise Video Suite are offered to customers on a subscription basis in Starter, Pro and Enterprise editions. The Pro and Enterprise customer arrangements are typically one-year contracts, which typically include a subscription to Video Cloud, Gallery, Brightcove Social (for Video Marketing Suite customers) or Brightcove Live (for Enterprise Video Suite customers), basic support and a pre-determined amount of video streams or plays (for Video Marketing Suite customers), viewers (for Enterprise Video Suite customers), bandwidth and storage or videos. We also generally offer gold support or platinum support to these customers for an additional fee, which includes extended phone support. The pricing for our Pro and Enterprise editions is based on the number of users, accounts and usage, which is comprised of video streams or plays, viewers, bandwidth and storage or videos. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements, or will require the customer to upgrade its package upon renewal. The Starter edition provides customers with the same basic functionality that is offered in our Pro and Enterprise editions but has been designed for customers who have lower usage requirements and do not typically seek advanced features and functionality. Customers who purchase the Starter edition may enter into one-year agreements or month-to-month agreements. Starter customers with month-to-month agreements are generally billed on a monthly basis and pay via a credit card.

All Brightcove Beacon, Brightcove CorpTV™, OTT Flow, Brightcove Campaign, Brightcove Live, SSAI, Player, Virtual Events Experience, Video Marketing Suite, and Enterprise Video Suite customers are considered premium customers.

Professional Services and Other Revenue — Professional services and other revenue consists of services such as implementation, software customizations and project management for customers who subscribe to our premium editions. These arrangements are priced either on a fixed fee basis with a portion due upon contract signing and the remainder due when the related services have been completed, or on a time and materials basis.

Cost of Revenue

Cost of subscription, support and professional services revenue primarily consists of costs related to supporting and hosting our product offerings and delivering our professional services. These costs include salaries, benefits, incentive compensation and stock-based compensation expense related to the management of our data centers, our customer support team and our professional services staff. In addition to these expenses, we incur third-party service provider costs such as data center and content delivery network, or CDN, expenses, allocated overhead, depreciation expense and amortization of capitalized internal-use software development costs and acquired intangible assets. We allocate overhead costs such as rent, utilities and supplies to all departments based on relative headcount. As such, general overhead expenses are reflected in cost of revenue in addition to each operating expense category. The costs associated with providing professional services are significantly higher as a percentage of related revenue than the costs associated with delivering our subscription and support services due to the labor costs of providing professional services.

Cost of revenue increased in absolute dollars from the first nine months of 2021 to the first nine months of 2022. In future periods we expect our cost of revenue will increase in absolute dollars as our revenue increases. Cost of revenue as a percentage of revenue could fluctuate from period to period depending on the number of our professional services engagements and any associated costs relating to the delivery of subscription services and the timing of significant expenditures. To the extent that our customer base grows, we intend to continue to invest additional resources in expanding the delivery capability of our products and other services. The timing of these additional expenses could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue, in any particular quarterly or annual period.

Operating Expenses

We classify our operating expenses as follows:

Research and Development. Research and development expenses consist primarily of personnel and related expenses for our research and development staff, including salaries, benefits, incentive compensation and stock-based compensation, in addition to the costs associated with contractors and allocated overhead. We have focused our research and development efforts on expanding the functionality and scalability of our products and enhancing their ease of use, as well as creating new product offerings. We expect research and development expenses to increase in absolute dollars as we intend to continue to periodically release new features and functionality, expand our product offerings, continue the localization of our products in various languages, upgrade and extend our

service offerings, and develop new technologies. Over the long term, we believe that research and development expenses as a percentage of revenue will decrease, but will vary depending upon the mix of revenue from new and existing products, features and functionality, as well as changes in the technology that our products must support, such as new operating systems or new Internet-connected devices.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing staff, including salaries, benefits, incentive compensation, commissions, stock-based compensation and travel costs, amortization of acquired intangible assets, in addition to costs associated with marketing and promotional events, corporate communications, advertising, other brand building and product marketing expenses and allocated overhead. Our sales and marketing expenses have increased in absolute dollars in each of the last three years. We intend to continue to invest in sales and marketing and expand the sale of our product offerings within our existing customer base, build brand awareness and sponsor additional marketing events. Accordingly, we expect sales and marketing expense to continue to be our most significant operating expense in future periods. Over the long term, we believe that sales and marketing expense as a percentage of revenue will decrease, but will vary depending upon the mix of revenue from new and existing customers and from small, medium-sized and enterprise customers, as well as changes in the productivity of our sales and marketing programs.

General and Administrative. General and administrative expenses consist primarily of personnel and related expenses for executive, legal, finance, information technology and human resources functions, including salaries, benefits, incentive compensation and stock-based compensation. General and administrative expenses also include the costs associated with professional fees, insurance premiums, other corporate expenses and allocated overhead. Over the long term, we believe that general and administrative expenses as a percentage of revenue will decrease.

Merger-related. Merger-related costs consist of expenses related to mergers and acquisitions, integration costs and general corporate development activities.

Other Expense (Benefit). Reflects other operating benefits, costs that do not directly relate to the operating activities listed above.

Other (Expense) Income, net

Other (expense) income consists primarily of interest income earned on our cash, cash equivalents, and foreign exchange gains and losses.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our taxes in each of the jurisdictions in which we operate. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have provided a valuation allowance against our existing U.S. net deferred tax assets at December 31, 2021. We maintain net deferred tax liabilities for temporary differences related to our Japanese subsidiary.

During the nine months ended September 30, 2022, we recorded a non-recurring benefit of \$1.0 million in the U.S. for the release of a portion of our valuation allowance. This release of the valuation allowance is related to the Wicket Acquisition completed in February 2022 and the creation of deferred tax liabilities in purchase accounting that serve as a source of income for our pre-existing deferred tax assets.

Stock-Based Compensation Expense

Our cost of revenue, research and development, sales and marketing, and general and administrative expenses include stock-based compensation expense. Stock-based compensation expense represents the grant date fair value of outstanding stock options and restricted stock awards, which is recognized as expense over the respective stock option and restricted stock award service periods. For the three months ended September 30, 2022 and 2021, we recorded \$2.8 million and \$2.3 million, respectively, of stock-based compensation expense. We expect stock-based compensation expense to increase in absolute dollars in future periods.

Foreign Currency Translation

With regard to our international operations, we frequently enter into transactions in currencies other than the U.S. dollar. As a result, our revenue, expenses and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, Australian dollar, and Japanese yen. In periods when the U.S. dollar declines in value as compared to the foreign currencies in which we conduct business, our foreign currency-based revenue and expenses generally increase in value when translated into U.S. dollars. During the nine months ended September 30, 2022, the U.S. dollar increased in value as compared to the foreign currencies in which we conduct business, and our foreign currency-based revenues decreased in value when translated into U.S. dollars. We expect the percentage of total net revenue derived from outside North America to increase in future periods as we continue to expand our international operations. Should the U.S. dollar continue to increase in value, our future percentage of total net revenue derived from outside North America may remain relatively unchanged or decrease.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

We consider the assumptions and estimates associated with revenue recognition, income taxes, business combinations, intangible assets and goodwill to be our critical accounting policies and estimates. We discuss any assumptions and estimates that could have a material effect on the results of operations in the applicable section of this discussion and analysis of the financial condition and results of operations.

For a detailed explanation of the judgments made in these areas, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2021, which we filed with the Securities and Exchange Commission on February 18, 2022.

Results of Operations

The following tables set forth our results of operations for the periods presented. The data has been derived from the unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q which, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the interim periods presented. The period-to-period comparison of financial results is not necessarily

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indicative of future results. This information should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in thousands, except share and per share data)				
Revenue:				
Subscription and support revenue	\$ 51,814	\$ 49,226	\$ 156,403	\$ 148,667
Professional services and other revenue	2,130	2,937	5,367	9,785
Total revenue	53,944	52,163	161,770	158,452
Cost of revenue:				
Cost of subscription and support revenue	18,247	16,406	52,172	46,840
Cost of professional services and other revenue	1,816	2,247	5,575	8,205
Total cost of revenue	20,063	18,653	57,747	55,045
Gross profit	33,881	33,510	104,023	103,407
Operating expenses:				
Research and development	7,931	7,902	24,540	24,041
Sales and marketing	19,023	18,451	55,272	52,730
General and administrative	7,748	7,345	24,391	21,822
Merger-related	—	45	747	300
Other expense (benefit)	—	—	1,149	(1,965)
Total operating expenses	34,702	33,743	106,099	96,928
(Loss) income from operations	(821)	(233)	(2,076)	6,479
Other (expense) income, net	(668)	(319)	(1,880)	(937)
(Loss) income before income taxes	(1,489)	(552)	(3,956)	5,542
Provision (benefit) for income taxes	191	468	(338)	562
Net (loss) income	\$ (1,680)	\$ (1,020)	\$ (3,618)	\$ 4,980
Net (loss) income per share—basic and diluted				
Basic	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12
Diluted	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ 0.12
Weighted-average shares—basic and diluted				
Basic	41,972	40,935	41,712	40,571
Diluted	41,972	40,935	41,712	42,237

Overview of Results of Operations for the Three Months Ended September 30, 2022 and 2021

Total revenue increased by 3%, or \$1.8 million, in the three months ended September 30, 2022 compared to the three months ended September 30, 2021 due to an increase in subscription and support revenue of 5% or \$2.6 million, primarily due to an increase in revenue from our premium offerings. The increase in revenue from our premium offerings was due to an increase in usage-based fees. Our revenue from premium offerings increased by \$2.1 million, or 4%, in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Professional services and other revenue decreased by 27% or \$0.8 million in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process. Our ability to continue to provide the product functionality and performance that our customers require will be a major factor in our ability to continue to increase revenue.

The U.S. dollar has strengthened against the Japanese Yen, British Pound and the Euro when compared against exchange rates during the prior year period of comparison. In constant currency, our total revenue for the three months ended September 30, 2022 would have been approximately \$56.5 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of \$1.2 million, Euro of \$584, and British Pound of \$535. Constant currency is calculated as translating current period revenue denominated in foreign currencies at the exchange rates of the prior period of comparison.

Our gross profit increased by \$0.4 million, or 1%, in the three months ended September 30, 2022 compared to the three months ended September 30, 2021, primarily due to an increase in subscription and support revenue. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery.

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Loss from operations was \$0.8 million in the three months ended September 30, 2022 compared to a loss of \$0.2 million in the three months ended September 30, 2021. This is primarily due to an increase in operating expenses of \$959, offset by an increase in gross profit of \$371 in the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Revenue

Revenue by Product Line	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
	(in thousands, except percentages)					
Premium	\$ 53,562	99%	\$ 51,466	99%	\$ 2,096	4%
Volume	382	1	697	1	(315)	(45)
Total	\$ 53,944	100%	\$ 52,163	100%	\$ 1,781	3%

During the three months ended September 30, 2022, revenue increased by \$1.8 million, or 3%, compared to the three months ended September 30, 2021, primarily due to an increase in revenue from our premium offerings. The increase in premium revenue of \$2.1 million, or 4%, is the result of an increase in usage-based fees. In the three months ended September 30, 2022, volume revenue decreased by \$315, or 45%, compared to the three months ended September 30, 2021, as we continue to focus on the market for our premium solutions.

Revenue by Type	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
	(in thousands, except percentages)					
Subscription and support	\$ 51,814	96%	\$ 49,226	94%	\$ 2,588	5%
Professional services and other	2,130	4	2,937	600%	(807)	(27)
Total	\$ 53,944	100%	\$ 52,163	100%	\$ 1,781	3%

During the three months ended September 30, 2022, subscription and support revenue increased compared to the three months ended September 30, 2021. Professional services and other revenue decreased by \$0.8 million, or 27%, compared to the corresponding quarter in the prior year. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process.

Revenue by Geography	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
	(in thousands, except percentages)					
North America	\$ 29,864	56%	\$ 29,420	56%	\$ 444	2%
Europe	8,847	16	9,689	19	(842)	(9)
Japan	4,842	9	6,185	12	(1,343)	(22)
Asia Pacific	10,312	19	6,746	13	3,566	53
Other	79	—	123	—	(44)	(36)
International subtotal	24,080	44	22,743	44	1,337	6
Total	\$ 53,944	100%	\$ 52,163	100%	\$ 1,781	3%

For purposes of this section, we designate revenue by geographic regions based upon the locations of our customers. North America is comprised of revenue from the United States, Canada and Mexico. International is comprised of revenue from locations outside of North America. Depending on the timing of new customer contracts, revenue mix from a geographic region can vary from period to period.

During the three months ended September 30, 2022, total revenue for North America increased by \$444, or 2%, compared to the three months ended September 30, 2021. In the three months ended September 30, 2022, total revenue outside of North America increased by \$1.3 million, or 6%, compared to the three months ended September 30, 2021. The increase in revenue from international regions is primarily related to an increase in usage-based revenue in Asia Pacific. These increases were offset by a decrease of \$1.3

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million, or 22%, in total revenue for Japan due to changes in foreign currency exchange rates between the U.S. dollar and the Japanese Yen in the three months ended September 30, 2022.

Cost of Revenue

Cost of Revenue	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue		
	(in thousands, except percentages)					
Subscription and support	\$ 18,247	35 %	\$ 16,406	33 %	\$ 1,841	11 %
Professional services and other	1,816	85	2,247	77	(431)	(19)
Total	\$ 20,063	37 %	\$ 18,653	36 %	\$ 1,410	8 %

In the three months ended September 30, 2022, cost of subscription and support revenue increased by \$ 1.8 million, or 11%, compared to the three months ended September 30, 2021. The increase resulted primarily from an increase in content delivery network and network hosting services expenses in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. In the three months ended September 30, 2022, cost of professional services and other revenue decreased by \$0.4 million, or 19%, compared to the three months ended September 30, 2021. This decrease corresponds to the 27% decrease professional services and other revenue in the three months ended September 30, 2022, compared to the three months ended September 30, 2021.

Gross Profit

Gross Profit	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue		
	(in thousands, except percentages)					
Subscription and support	\$ 33,567	65 %	\$ 32,820	67 %	\$ 747	2 %
Professional services and other	314	15	690	23	(376)	(54)
Total	\$ 33,881	63 %	\$ 33,510	64 %	\$ 371	1 %

The overall gross profit percentage was 63% for the three months ended September 30, 2022 compared to 64% for the three months ended September 30, 2021. The decrease in gross profit percentage was primarily due to the aforementioned increase in content delivery network and network hosting services expenses in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Subscription and support gross profit increased \$0.7 million in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase in gross profit dollars for subscription and support revenue was due to the 5% increase in subscription and support revenue. Professional services and other gross profit decreased \$376, or 54%. The decrease in gross profit dollars for professional services and other revenue was due to the 27% decrease in professional services and other revenue.

Operating Expenses

Operating Expenses	Three Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
	(in thousands, except percentages)					
Research and development	\$ 7,931	15 %	\$ 7,902	15 %	\$ 29	0 %
Sales and marketing	19,023	35	18,451	35	572	3
General and administrative	7,748	14	7,345	14	403	5
Merger-related	—	—	45	—	(45)	(100)
Other expense (benefit)	—	—	—	—	—	NM
Total	\$ 34,702	64 %	\$ 33,743	65 %	\$ 959	3 %

Research and Development. In the three months ended September 30, 2022, research and development did not materially change compared to the three months ended September 30, 2021. We expect our research and development expense as a percentage of revenue to remain relatively unchanged.

Sales and Marketing. In the three months ended September 30, 2022, sales and marketing expense increased by \$572, or 3%, compared to the three months ended September 30, 2021, primarily due to an increase in employee-related expenses of \$696. This increase was offset by various other expenses that, in aggregate, decreased by approximately \$124. We expect that our sales and marketing expense will increase in absolute dollars for the remainder of 2022 as compared to the prior period as we will continue to invest in these activities to support revenue growth.

General and Administrative. In the three months ended September 30, 2022, general and administrative expense increased by \$403, or 5%, compared to the three months ended September 30, 2021, primarily due to increases in consultants and temporary help, stock-based compensation, and bad debt expenses of \$123, \$174, and \$127, respectively. These increases were offset by various other expenses that, in aggregate, decreased by approximately \$22. In future periods, we expect general and administrative expense to remain relatively unchanged.

Merger-Related. In the three months ended September 30, 2022, merger-related expense remained relatively unchanged compared to the three months ended September 30, 2021.

Provision (benefit) for Income taxes. In the three months ended September 30, 2022, provision (benefit) for income taxes expense remained relatively unchanged compared to the three months ended September 30, 2021.

Overview of Results of Operations for the Nine Months Ended September 30, 2022 and 2021

Total revenue increased by 2%, or \$3.3 million, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 due to an increase in subscription and support revenue of 5%, or \$7.7 million, primarily due to an increase in revenue from our premium offerings during the three months ended September 30, 2022 as described in the results of operations for that period. Our revenue from premium offerings grew by \$4.2 million, or 3%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Professional services and other revenue decreased by 45%, or \$4.4 million, compared to the corresponding period in the prior year. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process. Our ability to continue to provide the product functionality and performance that our customers require will be a major factor in our ability to continue to increase revenue.

The U.S. dollar has strengthened against the Japanese Yen and the Euro when compared against exchange rates during the prior year period of comparison. In constant currency, our total revenue for the nine months ended September 30, 2022 would have been approximately \$167.2 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of \$2.6 million and Euro of \$1.6 million. Constant currency is calculated as translating current period revenue denominated in foreign currencies at the exchange rates of the prior period of comparison.

Our gross profit increased remained relatively unchanged in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery.

Loss from operations was \$2.1 million in the nine months ended September 30, 2022 compared to income from operations of \$6.5 million in the nine months ended September 30, 2021. This is primarily due to an increase in operating expenses of \$8.2 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase in operating expenses includes the recognition of Other expense of \$1.1 million in the nine months ended September 30, 2022, compared to a \$2.0 million Other benefit recognized in the nine months ended September 30, 2021.

Revenue

Revenue by Product Line	Nine Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
(in thousands, except percentages)						
Premium	\$ 160,333	99%	\$ 156,182	99%	\$ 4,151	3%
Volume	1,437	1	2,270	1	(833)	(37)
Total	\$ 161,770	100%	\$ 158,452	100%	\$ 3,318	2%

During the nine months ended September 30, 2022, revenue increased by \$3.3 million, or 2%, compared to the nine months ended September 30, 2021, primarily due to an increase in revenue from our premium offerings, which consists of subscription and support revenue as well as professional services. The increase in premium revenue of \$4.2 million, or 3%, is due to an increase in usage-based revenue and, to a lesser extent, a 3% increase in average annual subscription revenue per premium customer during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase in average annual subscription revenue per premium customer is primarily due to premium customers ordering more of our products.

During the nine months ended September 30, 2022, volume revenue decreased by \$833 or 37%, compared to the nine months ended September 30, 2021, as we continue to focus on the market for our premium solutions.

Revenue by Type	Nine Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
(in thousands, except percentages)						
Subscription and support	\$ 156,403	97%	\$ 148,667	94%	\$ 7,736	5%
Professional services and other	5,367	3	9,785	6	(4,418)	(45)
Total	\$ 161,770	100%	\$ 158,452	100%	\$ 3,318	2%

During the nine months ended September 30, 2022, subscription and support revenue increased by \$7.7 million, or 5%, compared to the nine months ended September 30, 2021. The increase was related to a 3% increase in average annual subscription revenue per premium customer and an increase in usage-based fees.

In addition, professional services and other revenue decreased by \$4.4 million, or 45%, compared to the corresponding period in the prior year. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process.

Revenue by Geography	Nine Months Ended September 30,				Change	
	2022		2021		Amount	%
	Amount	Percentage of Revenue	Amount	Percentage of Revenue		
(in thousands, except percentages)						
North America	\$ 89,344	55%	\$ 89,204	56%	\$ 140	0%
Europe	28,080	17	28,159	18	(79)	0
Japan	17,180	11	19,263	12	(2,083)	(11)
Asia Pacific	26,808	17	21,421	14	5,387	25
Other	358	—	405	—	(47)	(12)
International subtotal	72,426	45	69,248	44	3,178	5
Total	\$ 161,770	100%	\$ 158,452	100%	\$ 3,318	2%

During the nine months ended September 30, 2022, total revenue for North America remained relatively unchanged compared to the nine months ended September 30, 2021.

During the nine months ended September 30, 2022, total revenue outside of North America increased \$3.2 million, or 5%, compared to the nine months ended September 30, 2021. The increase in revenue from international regions is primarily related to an increase in usage-based revenue in Asia Pacific. These increases were offset by a decrease of \$2.1 million, or 11%, in total revenue for

Japan due to changes in foreign currency exchange rates between the U.S. dollar and the Japanese Yen in the nine months ended September 30, 2022.

Cost of Revenue

Cost of Revenue	Nine Months Ended September 30,					
	2022		2021		Change	
	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue	Amount	%
	(in thousands, except percentages)					
Subscription and support	\$ 52,172	33%	\$ 46,840	32%	\$ 5,332	11%
Professional services and other	5,575	104	8,205	84	(2,630)	(32)
Total	\$ 57,747	36%	\$ 55,045	35%	\$ 2,702	5%

In the nine months ended September 30, 2022, cost of subscription and support revenue increased \$5.3 million, or 11%, compared to the nine months ended September 30, 2021. The increase resulted primarily from an increase in content delivery network, network hosting services, third-party software integration, and amortization of capitalized internal-use software expenses of \$2.1 million, \$2.6 million, \$1.2 million, and \$267, respectively. These increases were offset by a decrease in partner commissions of \$1.3 million. The remaining increase was due to various other expenses that, in aggregate, increased by approximately \$300.

In the nine months ended September 30, 2022, cost of professional services and other revenue decreased \$2.6 million, or 32%, compared to the nine months ended September 30, 2021. This decrease corresponds to a decrease in professional services and other revenue of \$4.4 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Gross Profit

Gross Profit	Nine Months Ended September 30,					
	2022		2021		Change	
	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue	Amount	%
	(in thousands, except percentages)					
Subscription and support	\$ 104,231	67%	\$ 101,827	68%	\$ 2,404	2%
Professional services and other	(208)	(4)	1,580	16	(1,788)	(113)
Total	\$ 104,023	64%	\$ 103,407	65%	\$ 616	1%

The overall gross profit percentage was 64% and 65% for the nine months ended September 30, 2022 and 2021, respectively. The decrease in gross profit percentage was due to the aforementioned increases in content delivery network, network hosting services, third-party software integration, and amortization of capitalized internal-use software expenses. Subscription and support gross profit increased \$2.4 million, or 2%, compared to the nine months ended September 30, 2021. Professional services and other gross profit decreased by \$1.8 million, or 113%, compared to the nine months ended September 30, 2021. It is likely that gross profit, as a percentage of revenue, will fluctuate quarter by quarter due to the timing and mix of subscription and support revenue and professional services and other revenue, and the type, timing and duration of service required in delivering certain projects.

Operating Expenses

Operating Expenses	Nine Months Ended September 30,					
	2022		2021		Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	%
	(in thousands, except percentages)					
Research and development	\$ 24,540	15%	\$ 24,041	15%	\$ 499	2%
Sales and marketing	55,272	34	52,730	33	2,542	5
General and administrative	24,391	15	21,822	14	2,569	12
Merger-related	747	0	300	—	447	149
Other expense (benefit)	1,149	1	(1,965)	(1)	3,114	(158)

Research and Development. In the nine months ended September 30, 2022, research and development expense increased by \$499, or 2%, compared to the nine months ended September 30, 2021 primarily due to an increase in rent, amortization, and computer maintenance and support of \$235, \$181, and \$121, respectively. These increases were offset by various other expenses that, in aggregate, decreased by approximately \$38.

Sales and Marketing. In the nine months ended September 30, 2022, sales and marketing expense increased by \$2.5 million, or 5%, compared to the nine months ended September 30, 2021 primarily due to an increase in employee-related expenses, rent, and stock based compensation expenses of \$3.0 million, \$544, and \$775, respectively. These increases were offset by a decrease in commissions of \$2.0 million. The remaining increase was due to various other expenses that, in aggregate, increased by approximately \$194.

General and Administrative. In the nine months ended September 30, 2022, general and administrative increased by \$2.6 million or 12%, compared to the nine months ended September 30, 2021 primarily due to increases in employee-related, stock-based compensation, contractor, and recruiting and relocation expenses of \$1.0 million, \$1.0 million, \$306, and \$227, respectively. The remaining increase was due to various other expenses that, in aggregate, increased by approximately \$8.

Merger-Related. In the nine months ended September 30, 2022, merger-related expenses increased \$447.0 due to costs incurred in connection with the Wicket Acquisition in 2022.

Other expense (benefit). On March 28, 2022 our CEO retired. Pursuant to a Transition Agreement that was entered into by the previous CEO and the Company in October 2021, the CEO, upon retirement, would be paid his annual base compensation through December 31, 2022 and his 2022 annual bonus, the bonus amount to be determined by the Company's 2022 performance. In accordance with generally accepted accounting principles we determined that the remaining base compensation and the current estimate of the 2022 annual bonus should be accrued and the expense recognized as of March 28, 2022. The total expense of \$1.1 million also reflects \$0.2 million of stock-based compensation expense as a result of the modification of certain awards pursuant to the Transition Agreement. Of the total annual base compensation and bonus accrued, \$0.7 million remains unpaid as of September 30, 2022 and is reflected in Accrued Expenses on the Company's Condensed Consolidated Balance Sheets.

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act, which was amended by the Consolidated Appropriations Act in December of 2020 (the "CARES Act"). The CARES Act provides numerous tax provisions and other stimulus measures, including the creation of certain employee retention credits. In the first quarter of 2021, we recognized a benefit of \$1,965 from the CARES Act related to employee retention credits. The benefit was recorded as Other (benefit) expense.

Liquidity and Capital Resources

Cash and cash equivalents.

Our cash and cash equivalents at September 30, 2022 were held for working capital purposes and were invested primarily in cash. We do not enter into investments for trading or speculative purposes. At September 30, 2022 and December 31, 2021, we had \$11.7 million and \$13.8 million, respectively, of cash and cash equivalents held by subsidiaries in international locations, including subsidiaries located in Japan and the United Kingdom. These earnings can be repatriated to the United States tax-free but could still be subject to foreign withholding taxes. On February 1, 2022, we acquired 100% of the outstanding shares of Wicket Labs, in exchange for 212,507 unregistered shares of our common stock valued at approximately \$2 million and approximately \$13.2 million in cash. Approximately \$1.8 million of the cash consideration was held back to secure payment of any claims of indemnification for breaches or inaccuracies in the Sellers' representations and warranties, covenants and agreements. We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated working capital and capital expenditure needs over at least the next 12 months.

Condensed Consolidated Statements of Cash Flow Data	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Cash flows provided by operating activities	\$ 19,749	\$ 14,748
Cash flows used in investing activities	\$ (31,510)	\$ (6,282)
Cash flows provided by financing activities	\$ 92	\$ 350

Accounts receivable, net.

Our accounts receivable balance fluctuates from period to period, which affects our cash flow from operating activities. The fluctuations vary depending on the timing of our billing activity, cash collections, and changes to our allowance for doubtful accounts. In many instances we receive cash payment from a customer prior to the time we are able to recognize revenue on a transaction. We record these payments as deferred revenue, which has a positive effect on our accounts receivable balances.

Cash flows provided by operating activities.

Cash provided by operating activities consists primarily of net income adjusted for certain non-cash items including depreciation and amortization, stock-based compensation expense, the provision for bad debts and the effect of changes in working capital and other activities. Cash provided by operating activities during the nine months ended September 30, 2022 was \$19.7 million. The cash provided by operating activities primarily resulted from net non-cash charges of \$17.2 million and net changes in our operating assets and liabilities of \$6.1 million, and a net loss of \$3.6 million. Net non-cash expenses mainly consisted of \$7.1 million for depreciation and amortization and \$10.0 million for stock-based compensation. Cash inflows resulting from changes in our operating assets and liabilities consisted primarily of an increase in operating leases, deferred revenue, and accounts payable of \$5.2 million, \$3.4 million, and \$863, respectively, offset by increases in accounts receivable of \$1.9 million and prepaid expenses and other current assets of \$1.4 million. In summary, cash provided by operating activities has increased when compared to the prior period due increases in working capital.

Cash flows used in investing activities.

Cash used in investing activities during the nine months ended September 30, 2022 was \$31.5 million, consisting primarily of \$13.2 million for cash paid for the acquisition of Wicket Labs, \$9.7 million for the capitalization of internal-use software costs and \$8.6 million in capital expenditures, the majority of which was related to leasehold improvements for our new headquarters.

Cash flows provided by financing activities.

Cash provided by financing activities for the nine months ended September 30, 2022 was \$92, consisting primarily of proceeds from the exercise of stock options.

Credit facility.

On December 28, 2020, we entered into an amended and restated loan and security agreement with a lender (the "Loan Agreement") providing for up to a \$30.0 million asset-based line of credit (the "Line of Credit"). Borrowings under the Line of Credit are secured by substantially all of our assets, excluding our intellectual property. We were in compliance with all covenants under the Line of Credit as of September 30, 2022. As we have not currently drawn on the Line of Credit, there are no amounts outstanding as of September 30, 2022.

Net operating loss carryforwards.

As of December 31, 2021, we had federal and state net operating losses of approximately \$161.8 million and \$89.2 million, respectively, which are available to offset future taxable income, if any, through 2037 and 2041, respectively. We had federal and state net operating losses of approximately \$37.6 million and \$3.1 million, respectively, which are available to offset future taxable income, if any, indefinitely. We had federal and state research and development tax credits of \$9.0 million and \$5.5 million, respectively, which expire in various amounts through 2041. Our net operating loss and tax credit amounts are subject to annual limitations under Section 382 change of ownership rules of the U.S. Internal Revenue Code of 1986, as amended.

In assessing our ability to utilize our net deferred tax assets, we considered whether it is more likely than not that some portion or all of our net deferred tax assets will not be realized. Based upon the level of our historical U.S. losses and future projections over the period in which the net deferred tax assets are deductible, at this time, we believe it is more likely than not that we will not realize the benefits of these deductible differences. Accordingly, we have provided a valuation allowance against our U.S. deferred tax assets as of September 30, 2022 and December 31, 2021.

Contractual Obligations and Commitments

Our principal commitments consist primarily of obligations under our leases for our office as well as content delivery network services, hosting and other support services. During the second quarter of 2022 we renewed agreements with our primary providers of content delivery network services, hosting and other support services. The terms of the two agreements comprised: 1) a minimum

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commitment of \$90 million over three years and 2) a minimum commitment of \$4.8 million over two years. Other than these lease obligations and contractual commitments, we do not have commercial commitments under lines of credit, standby repurchase obligations or other such debt arrangements, nor do we have any off-balance sheet arrangements.

Our contractual obligations as of December 31, 2021 are summarized in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see *Recently Issued and Adopted Accounting Standards* in Note 2 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Anticipated Cash Flows

We expect to incur significant operating costs, particularly related to services delivery costs, sales and marketing and research and development, for the foreseeable future in order to execute our business plan. We anticipate that such operating costs, as well as planned capital expenditures will constitute a material use of our cash resources. As a result, our net cash flows will depend heavily on the level of future sales, changes in deferred revenue and our ability to manage infrastructure costs.

We believe our existing cash and cash equivalents and credit facility will be sufficient to meet our working capital and capital expenditures for at least the next 12 months. Our future working capital requirements will depend on many factors, including the rate of our revenue growth, our introduction of new products and enhancements, and our expansion of sales and marketing and product development activities. To the extent that our cash and cash equivalents, and cash flow from operating activities are insufficient to fund our future activities, we may need to raise additional funds through bank credit arrangements or public or private equity or debt financings. We also may need to raise additional funds in the event we determine in the future to acquire businesses, technologies and products that will complement our existing operations. In the event funding is required, and especially if interest rates continue to rise, we may not be able to obtain bank credit arrangements or equity or debt financing on terms acceptable to us or at all. Market volatility resulting from the COVID-19 coronavirus pandemic, increase foreign exchange rate fluctuations, inflationary pressures, interest rate increases or other factors could also adversely impact our ability to access capital as and when needed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (in thousands, except share and per share data, unless otherwise noted)

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily foreign exchange risks, interest rate and inflation.

Financial instruments

Financial instruments meeting fair value disclosure requirements consist of cash equivalents, accounts receivable and accounts payable. The fair value of these financial instruments approximates their carrying amount.

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, Australian dollar and Japanese yen. Except for revenue transactions in Japan, we enter into transactions directly with substantially all of our foreign customers.

Percentage of revenues and expenses in foreign currency is as follows:

	Three Months Ended September 30,	
	2022	2021
Revenues generated in locations outside the United States	48 %	47 %
Revenues in currencies other than the United States dollar (1)	23 %	29 %
Expenses in currencies other than the United States dollar (1)	17 %	18 %

Nine Months Ended September 30,

	2022	2021
Revenues generated in locations outside the United States	48 %	47 %
Revenues in currencies other than the United States dollar (1)	28 %	29 %
Expenses in currencies other than the United States dollar (1)	16 %	17 %

(1) Percentage of revenues and expenses denominated in foreign currency for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	Revenues	Expenses	Revenues	Expenses
Euro	6 %	2 %	8 %	2 %
British pound	6	5	6	5
Japanese Yen	9	2	12	3
Other	2	8	3	8
Total	23 %	17 %	29 %	18 %

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Revenues	Expenses	Revenues	Expenses
Euro	8 %	1 %	8 %	1 %
British pound	6	5	6	5
Japanese Yen	11	2	12	3
Other	3	8	3	8
Total	28 %	16 %	29 %	17 %

As of September 30, 2022 and December 31, 2021, we had \$5.5 million and \$8.3 million, respectively, of receivables denominated in currencies other than the U.S. dollar. We also maintain cash accounts denominated in currencies other than the local currency, which exposes us to foreign exchange rate movements.

In addition, although our foreign subsidiaries have intercompany accounts that are eliminated upon consolidation, these accounts expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany accounts are recorded in our consolidated statements of operations under “other (expense) income, net”, while exchange rate fluctuations on long-term intercompany accounts are recorded as a component of other comprehensive (loss) income, as they are considered part of our net investment.

Currently, our largest foreign currency exposures are the euro and British pound primarily because our European operations have a higher proportion of our local currency denominated expenses, in addition to the Japanese Yen as result of our ongoing operations in Japan. During the nine months ended September 30, 2022 the U.S. dollar has strengthened approximately 15% compared to the British pound and euro and over 20% compared to the Japanese Yen. Relative to foreign currency exposures existing at September 30, 2022, a further 20% unfavorable movement in foreign currency exchange rates would expose us to losses in earnings or cash flows or significantly diminish the fair value of our foreign currency financial instruments. For the nine months ended September 30, 2022, we estimated that a 20% unfavorable movement in foreign currency exchange rates would have decreased revenues by \$8.5 million, decreased expenses by \$5.4 million and decreased operating income by \$3.1 million. The estimates used assume that all currencies move in the same direction at the same time and the ratio of non-U.S. dollar denominated revenue and expenses to U.S. dollar denominated revenue and expenses does not change from current levels. Since a portion of our revenue is deferred revenue that is recorded at different foreign currency exchange rates, the impact to revenue of a change in foreign currency exchange rates is recognized over time, and the impact to expenses is more immediate, as expenses are recognized at the current foreign currency exchange rate in effect at the time the expense is incurred. All of the potential changes noted above are based on sensitivity analyses performed on our financial results as of September 30, 2022.

Interest rate risk

We had cash and cash equivalents totaling \$31.3 million at September 30, 2022. Cash and cash equivalents were invested primarily in cash and are held for working capital purposes. We do not use derivative financial instruments in our investment portfolio. Declines in interest rates, however, would reduce future interest income. We did not incur interest expense in the three months ended September 30, 2022. An unfavorable movement of 10% in the interest rate on the Line of Credit would not have had a material effect on interest expense.

Inflation Risk

We do not believe that inflation has had a material effect on our business. However, if our costs, in particular personnel, sales and marketing and hosting costs, were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2022, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We, from time to time, are party to litigation arising in the ordinary course of business. Management does not believe that the outcome of these claims will have a material adverse effect on our consolidated financial position, results of operations or cash flows based on the status of proceedings at this time.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described in our annual report on Form 10-K for the fiscal year ended December 31, 2021, under the heading "Part I — Item 1A. Risk Factors," together with the additional risk factor included below and all of the other information in this Quarterly Report on Form 10-Q. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in our other public filings. The trading price of our common stock could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or the software industry may harm us. The U.S. and other key international economies have been affected from time to time by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, inflation and overall uncertainty with respect to the economy, including with respect to tariff and trade issues. In particular, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector, uncertainty over the future of the Euro zone and volatility in the value of the pound sterling and the Euro, including instability surrounding Brexit, and instability resulting from the ongoing conflict between Russia and Ukraine. The effect of the conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions that may be imposed against governmental or other entities in, for example, Russia, have in the past contributed and may in the future contribute to disruption, instability and volatility in the global

markets. We have operations, as well as current and potential new customers in Europe. If economic conditions in Europe and other key markets for our platform continue to remain uncertain or deteriorate further, it could adversely affect our customers' ability or willingness to subscribe to our platform, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, all of which could harm our operating results.

More recently, inflation rates, particularly in the U.S., have increased to levels not seen in several years and may continue to rise, which may result in decreased demand for our products and services, increases in our operating costs including our labor costs, constrained credit and liquidity, reduced government spending and volatility in financial markets. Central banks worldwide, including the Federal Reserve in the U.S., have raised, and may again raise, interest rates in response to concerns over rising inflation rates. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other domestic and foreign government agencies, related to the COVID-19 pandemic and concerns over inflation risk.

ITEM 5. OTHER INFORMATION

Our policy governing transactions in our securities by directors, officers and employees permits our officers, directors and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. However, we undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan.

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ITEM 6. EXHIBITS

Exhibits

- 3.1 (1) [Eleventh Amended and Restated Certificate of Incorporation.](#)
- 3.2 (2) [Amended and Restated By-Laws.](#)
- 4.1 (3) [Form of Common Stock certificate of the Registrant.](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1^ [Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104* Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)
- (1) Filed as Exhibit 3.2 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
- (2) Filed as Exhibit 3.3 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
- (3) Filed as Exhibit 4.1 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
- ^ Furnished herewith.

SIGNATURES

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

BRIGHTCOVE INC.
(Registrant)

Date: November 2, 2022

By:
/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2022

By:
/s/ Robert Noreck

Robert Noreck
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Marc DeBevoise, certify that:

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

Date: November 2, 2022

By:

/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Robert Noreck, certify that:

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

Date: November 2, 2022

By:

/s/ Robert Noreck

Robert Noreck
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Brightcove Inc. for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marc DeBevoise, as Chief Executive Officer of Brightcove Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Brightcove Inc.

Date: November 2, 2022

By:

/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Brightcove Inc. for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert Noreck, as Chief Financial Officer of Brightcove Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Brightcove Inc.

Date: November 2, 2022

By:

/s/ Robert Noreck

Robert Noreck
Chief Financial Officer
(Principal Financial Officer)
