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 March 31, 2023

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File Number: 001-35429

BRIGHTCOVE INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-1579162**
(State or other jurisdiction of incorporation or organization)	**(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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of April 27, 2023, there were 42,857,371 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 II 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)

	March 31, 2023		December 31, 2022	
	(in thousands, except share and per share data)			
Assets				
Current assets:				
Cash and cash equivalents	$	12,478	$	31,894
Accounts receivable, net of allowance of $343 and $294 at March 31, 2023 and December 31, 2022, respectively		40,623		26,004
Prepaid expenses		9,786		8,700
Other current assets		11,513		10,722
Total current assets		74,400		77,320
Property and equipment, net		42,155		39,677
Operating lease right-of-use asset		18,025		18,671
Intangible assets, net		9,261		10,279
Goodwill		74,859		74,859
Other assets		6,750		7,007
Total assets	$	225,450	$	227,813
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$	13,014	$	11,326
Accrued expenses		21,692		26,877
Operating lease liability		4,218		4,157
Deferred revenue		71,537		61,597
Total current liabilities		110,461		103,957
Operating lease liability, net of current portion		19,740		20,528
Other liabilities		959		981
Total liabilities	$	131,160		125,466
Commitments and contingencies *(Note 8)*				
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; 42,992,371 and 42,449,677 shares issued at March 31, 2023 and December 31, 2022, respectively		43		42
Additional paid-in capital		318,293		314,825
Treasury stock, at cost; 135,000 shares		(871)		(871)
Accumulated other comprehensive loss		(1,405)		(1,593)
Accumulated deficit		(221,770)		(210,056)
Total stockholders' equity		94,290		102,347
Total liabilities and stockholders' equity	$	225,450	$	227,813

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

Brightcove Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except share and per share data)	
Revenue:		
Subscription and support revenue	$ 47,102	$ 51,601
Professional services and other revenue	1,961	1,778
Total revenue	49,063	53,379
Cost of revenue:		
Cost of subscription and support revenue	18,265	16,982
Cost of professional services and other revenue	2,002	1,998
Total cost of revenue	20,267	18,980
Gross profit	28,796	34,399
Operating expenses:		
Research and development	9,866	8,237
Sales and marketing	19,465	18,288
General and administrative	10,064	8,089
Merger-related	145	594
Other expense	—	1,149
Total operating expenses	39,540	36,357
Loss from operations	(10,744)	(1,958)
Other expense, net	(543)	(387)
Loss before income taxes	(11,287)	(2,345)
Provision (benefit) for income taxes	427	(708)
Net loss	$ (11,714)	$ (1,637)
Net loss per share—basic and diluted		
Basic	$ (0.28)	$ (0.04)
Diluted	$ (0.28)	$ (0.04)
Weighted-average shares—basic and diluted		
Basic	42,528	41,436
Diluted	42,528	41,436

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

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

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net loss	$ (11,714)	$ (1,637)
Other comprehensive income:		
Foreign currency translation adjustments	188	(243)
Comprehensive loss	$ (11,526)	$ (1,880)

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 March 31,	
	2023	2022
	(in thousands, except share data)	
Shares of common stock issued		
Balance, beginning of period	42,449,677	41,384,643
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	542,694	300,520
Balance, end of period	42,992,371	41,685,163
Shares of treasury stock		
Balance, beginning of period	(135,000)	(135,000)
Balance, end of period	(135,000)	(135,000)
Par value of common stock issued		
Balance, beginning of period	$ 42	$ 41
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	1	—
Common stock issued upon acquisition	—	1
Balance, end of period	$ 43	$ 42
Value of treasury stock		
Balance, beginning of period	$ (871)	$ (871)
Balance, end of period	$ (871)	$ (871)
Additional paid-in capital		
Balance, beginning of period	$ 314,825	$ 298,793
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of tax	(226)	100
Stock-based compensation expense	3,694	3,627
Common stock issued upon acquisition		1,986
Balance, end of period	$ 318,293	$ 304,506
Accumulated deficit		
Balance, beginning of period	$ (210,056)	$ (201,041)
Net loss	(11,714)	(1,637)
Balance, end of period	$ (221,770)	$ (202,678)
Accumulated other comprehensive loss		
Balance, beginning of period	$ (1,593)	$ (662)
Foreign currency translation adjustment	188	(243)
Balance, end of period	$ (1,405)	$ (905)
Total stockholders’ equity	$ 94,290	$ 100,094

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

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

	Three Months Ended March 31, 2023	2022
	(in thousands)	
Operating activities		
Net loss	$ (11,714)	$ (1,637)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,949	2,061
Stock-based compensation	3,543	3,479
Provision for reserves on accounts receivable	67	106
Changes in assets and liabilities:		
Accounts receivable	(14,713)	(3,802)
Prepaid expenses and other current assets	(986)	(1,550)
Other assets	314	54
Accounts payable	956	347
Accrued expenses	(3,999)	(1,980)
Operating leases	(81)	705
Deferred revenue	10,032	1,527
Net cash used in operating activities	(12,632)	(690)
Investing activities		
Cash paid for acquisition, net of cash acquired	—	(13,176)
Purchases of property and equipment	(952)	(1,884)
Capitalized internal-use software costs	(3,930)	(2,882)
Net cash used in investing activities	(4,882)	(17,942)
Financing activities		
Proceeds from exercise of stock options	—	100
Deferred acquisition payments	(1,700)	—
Other financing activities	(225)	—
Net cash (used in) provided by financing activities	(1,925)	100
Effect of exchange rate changes on cash and cash equivalents	23	(502)
Net decrease in cash and cash equivalents	(19,416)	(19,034)
Cash and cash equivalents at beginning of period	31,894	45,739
Cash and cash equivalents at end of period	$ 12,478	$ 26,705
Supplemental disclosure of cash flow information		
Cash paid for operating lease liabilities	$ 874	$ 796
Cash paid for income taxes	$ 505	$ 216

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, 2022.

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, 2022 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 months ended March 31, 2023 and 2022. 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:

	Allowance for Credit Losses (in thousands)
Balance as of December 31, 2022	$ 294
Current provision for credit losses	67
Write-offs against allowance	(18)
Balance as of March 31, 2023	$ 343

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

Other Expense.

Other expense, reflects other operating costs that do not directly relate to research and development, sales and marketing, general and administrative, and merger related. The Company did not incur expenses of this nature during the quarter ended March 31, 2023.

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.

Recently Issued and Adopted Accounting Pronouncements

In March 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-01, *Leases* (Topic 842): Common Control Arrangements, which amends Accounting Standards Codification ("ASC") 842 with respect to arrangements between related parties under common control. The guidance is effective for interim and annual periods beginning after December 25, 2023, with early adoption permitted. The Company does not expect the impact of the adoption of this standard on the Company’s consolidated financial statements to be 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, 2022	$ 26,004	$ 1,786	$ 61,597	$ 360	$ 61,957
Balance at March 31, 2023	40,623	1,788	71,537	393	71,930

Revenue recognized for the three months ended March 31, 2023 from amounts included in deferred revenue at the beginning of the period was approximately $30.5 million. Revenue recognized for the three months ended March 31, 2022 from amounts included in deferred revenue at the beginning of the period was approximately $32.8 million. During the three months ended March 31, 2023, 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 $12.9 million as of March 31, 2023 and $12.4 million as of December 31, 2022 and are recorded in other current assets and other assets. Amortization expense recognized for the three months ended March 31, 2023 related to costs to obtain a contract was $2.5 million and is included in operating expenses for the respective period. Amortization expense recognized for the three months ended March 31, 2022 related to costs to obtain a contract was $2.5 million and is included in operating expenses for the respective period.

Transaction Price Allocated to Future Performance Obligations

As of March 31, 2023, the total aggregate transaction price allocated to the unsatisfied performance obligations for subscription and support contracts was approximately $181.3 million, of which approximately $129.3 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 March 31, 2023 consist of the following:

	March 31, 2023		
Description	**Contracted Maturity**	**Cost**	**Fair Market Value**
		(in thousands)	
Cash	Demand	$ 12,436	$ 12,436
Money market funds	Demand	42	42
Total cash and cash equivalents		$ 12,478	$ 12,478

Cash and cash equivalents as of December 31, 2022 consist of the following:

	December 31, 2022		
Description	Contracted Maturity	Cost	Fair Market Value
		(in thousands)	
Cash	Demand	$ 31,852	$ 31,852
Money market funds	Demand	42	42
Total cash and cash equivalents		$ 31,894	$ 31,894

5. Net Loss per Share

The Company calculates basic and diluted net loss per common share by dividing the net loss by the number of common shares outstanding during the period. The Company has excluded other potentially dilutive shares, which include outstanding common stock options and unvested restricted stock units, from the number of common shares outstanding as their inclusion in the computation for all periods would be anti-dilutive due to net losses incurred.

The following outstanding common shares have been excluded from the computation of dilutive net loss per share as of the periods indicated:

	Three Months Ended March 31,	
(shares in thousands)	2023	2022
Options outstanding	2,979	1,607
Restricted stock units outstanding	6,036	4,589

6. Stock-based Compensation

In 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.

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.

On March 20, 2023, the Company granted 1,563,688 premium-priced options to some of its employees under its 2021 Stock Incentive Plan. The options have a strike price of $7.00 and vest in equal installments over three years following March 10, 2023. The binomial lattice model is used to estimate the fair value of the premium-priced options. The binomial lattice model calculates multiple potential outcomes for option exercises and establishes a fair value based on the most likely outcome. Key assumptions for the binomial lattice model include share price, volatility, the early exercise multiple, risk-free rate, expected dividends, and number of time steps.

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

	Three Months Ended March 31,	
	2023	2022
Weighted-average fair value of options granted during the period	$ 1.75	$ —
Risk-free interest rate	3.4 - 4.8%	—
Expected volatility	47.9 - 55.5%	—
Expected dividend yield	—	—

As of March 31, 2023, there was $39.8 million of unrecognized stock-based compensation expense related to stock-based awards that is expected to be recognized over a weighted-average period of 2.77 years. The following table summarizes stock-based compensation expense as included in the consolidated statement of operations for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Stock-based compensation:		
Cost of subscription and support revenue	$ 138	$ 109
Cost of professional services and other revenue	100	119
Research and development	688	722
Sales and marketing	1,169	943
General and administrative	1,448	1,337
Other expense	-	249
	$ 3,543	$ 3,479

The following is a summary of the stock option activity during the three months ended March 31, 2023.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2022	1,419,767	$ 9.39	3.55	$ 4.00
Granted	1,563,688	7		
Exercised	—	—		—
Canceled	(4,707)	11.15		
Outstanding at March 31, 2023	2,978,748	$ 8.13	6.79	—
Exercisable at March 31, 2023	1,299,755	$ 9.13	2.91	$ —

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on March 31, 2023 of $4.45 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 three months ended March 31, 2023:

	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, 2022	4,538,349	$ 8.19	672,858	$ 8.62	5,211,207	$ 6.66
Granted	2,249,151	4.69	—	—	2,249,151	4.69
Vested and issued	(548,368)	7.66	—	—	(548,368)	7.66
Canceled	(203,631)	8.49	(155,688)	10.14	(359,319)	9.21
Unvested at March 31, 2023	6,035,501	$ 6.92	517,170	$ 8.45	6,552,671	$ 7.04

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 March 31, 2023 and December 31, 2022, 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 three months ended March 31, 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. ("Wicket Acquisition"), 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 March 31, 2023, 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 March 31, 2023 and there were no borrowings outstanding as of March 31, 2023.

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 March 31,	
	2023	2022
Revenue:		
North America	$ 29,101	$ 29,461
Europe	8,187	9,105
Japan	5,196	7,261
Asia Pacific	6,494	7,436
Other	85	116
Total revenue	$ 49,063	$ 53,379

North America is comprised of revenue from the United States, Canada and Mexico. Revenue from customers located in the United States was $26.9 million and $27.7 million for the three months ended March 31, 2023 and 2022, respectively.

Other than the United States and Japan, no other country contributed more than 10% of the Company's total revenue for the three months ended March 31, 2023 and March 31, 2022.

11. Restructuring

During the three months ended March 31, 2023, the Company took an action to restructure certain parts of the Company with the intent of aligning skills with the Company’s strategy and facilitating cost efficiencies and savings. As a result certain headcount reductions were necessary. The Company has incurred approximately $0.4 million in restructuring charges in the three months ended March 31, 2023. The restructuring charges reflect post-employment benefits, and the Company does not expect to incur any additional restructuring charges related to this action. As of March 31, 2023, the restructuring charges are reflected in the *Condensed Consolidated Statements of Operations* as follows: $0.2 million - General and Administrative; $0.1 million – Research and Development; and $0.1 million – Sales and Marketing. The Company paid the entire amount by March 31, 2023.

On April 28, 2023, the Company authorized a restructuring that is designed to reduce operating costs, improve operating margins and focus on key growth and strategic priorities (the "Plan"). The Plan includes a reduction of the Company's current workforce by approximately 10%. The Company estimates it will incur between $2.0 million and $2.2 million in restructuring charges in the three months ended June 30, 2023 in connection with the Plan. The restructuring charges will primarily reflect post-employment benefits and will be reflected in the *Condensed Consolidated Statements of Operations*. The Company expects to pay the amounts due as a result of the Plan by September 30, 2023, with the majority expected to be made before June 30, 2023.

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, 2022.

Company Overview

We are a leading global provider of cloud-based streaming services with a mission to be the most trusted streaming technology company in the world. 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 six core video products that help our customers use video to further their businesses in meaningful ways: (1) Brightcove Video Cloud™, or Video Cloud, our flagship product and the world's leading online video streaming 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; (5) Zencoder®, a powerful, cloud-based video encoding technology; and (6) Brightcove Audience Insights™, a business intelligence platform that provides actionable intelligence on viewers and subscribers.

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) improving their ad monetization strategies to earn more revenue through the use of the Brightcove Ad Monetization™; (3) efficiently managing their video presence across social networks, including Facebook, Twitter, YouTube, and LinkedIn, through the use of Brightcove Social™; (4) an app for creating marketing campaigns with insightful data and industry benchmarks through Brightcove Campaign™; (5) creating branded video experience by accessing templates with built-in best practices through Brightcove Gallery™; and (6) providing tools that enable our customers to make their video experiences interactive for their viewers with interaction options through Brightcove Interactivity.

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) Brightcove Marketing Studio™, which includes Brightcove Video Marketing Suite™, enables marketers to use video to drive brand awareness, engagement and conversion; (2) Brightcove Communications Studio™, which includes Brightcove Enterprise Video Suite™, or Enterprise Video Suite, provides an enterprise-class platform for internal communications, employee training, live streaming, marketing and ecommerce videos; (3) 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; and (4) Brightcove Virtual Events™ helps brands transform events into bespoke virtual experiences.

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 March 31, 2023 and 2022 we had 736 and 678 employees, respectively.

We generate revenue by offering our products to customers on a subscription-based, software as a service, or SaaS, model. Our revenue decreased from $51.6 million in the three months ended March 31, 2022 to $47.1 million in the three months ended March 31, 2023, due to a decrease in subscription and support revenue. This decrease was due to a decrease in the average annual subscription revenue per premium customer during the three months ended March 31, 2023 as compared to the prior period and a decrease in premium offering customers.

Included in the consolidated net loss for the three months ended March 31, 2023 was merger-related expense, stock-based compensation expense, amortization of acquired intangible assets, and restructuring expense of $0.1 million, $3.5 million, $1.0 million, and $0.4 million, respectively. Included in the consolidated net income for the three months ended March 31, 2022 was merger-related expense, stock-based compensation expense and amortization of acquired intangible assets of $0.6 million, $3.5 million, and $0.8 million, respectively.

For the three months ended March 31, 2023 and 2022, our revenue derived from customers located outside North America was 41% and 45%, 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:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Customers (at period end)		
Premium	2,180	2,299
Volume	559	832
Total customers (at period end)	2,739	3,131
Net revenue retention rate	93.7 %	97.8 %
Recurring dollar retention rate	88.4 %	91.0 %
Average annual subscription revenue per premium customer, excluding Starter edition customers (in thousands)	$ 89.4	$ 96.5
Average annual subscription revenue per premium customer for Starter edition customers only (in thousands)	$ 3.9	$ 4.6
Total backlog, excluding professional services engagements (in millions)	$ 181.3	$ 159.2
Total backlog to be recognized over next 12 months, excluding professional services engagements (in millions)	$ 129.3	$ 128.7

- *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 Brightcove Virtual Events customers, our Brightcove Marketing Studio customers, our Brightcove Communications Studio customers, our Brightcove Beacon customers, our Brightcove Engage™ customers, our Brightcove CorpTV, 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 decreased in the three months ended March 31, 2023 compared to the prior period due to some customers 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 2023 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. The recurring dollar retention rate focuses on contracts up for renewal in a given quarter and only captures expansion/upsells at time of renewal, and is more susceptible to swings than the net revenue retention rate.

- *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.

Silicon Valley Bank

On March 10, 2023 the Federal Deposit Insurance Corporation ("FDIC") took Silicon Valley Bank ("SVB") into receivership due to SVB's failure. We immediately contacted all our customers who paid us through SVB to halt payments to SVB and to update their remittance information to our other banking partner, Bank of America. Due to standard confirmation procedures and customer payment processes this transition caused a delay in collections of customer invoices as our accounts receivables, net, increased to $40.6 million as of March 31, 2023 as compared to $26.0 million, $31.9 million, $32.6 million and $34.0 million as of December 31, 2022, September 30, 2022, June 30, 2022 and March 31, 2022, respectively. As of March 31, 2023 substantially all of our customers who paid us via SVB had received and/or updated their banking information. We estimate that between $8 and $10 million of receivables that were due as of March 10, 2023 through March 31, 2023 were delayed due to the transition. As of the date of this filing we have collected the majority of receivables due through March 31, 2023. This estimate is based on comparing our historical days-sales-outstanding over the past two years, which ranged between a low of 49 and a high of 57 for an average of 53 days to the days-sales-outstanding of 75 for the three months ended March 31, 2023. Collection activity has resumed at historical levels. As the FDIC fully guaranteed depositors we incurred no losses from the SVB failure. In April 2023 SVB announced that its United States based operations had been acquired by First Citizens Bank. We are currently assessing our overall banking structure and relationships and plan to have a new line of credit established before the current line's maturity in December 2023.

COVID-19 and Geopolitical Events

While the implications of the COVID-19 pandemic remain uncertain, we plan to continue to make investments to support business growth. We believe that the growth of our business is dependent on many factors, including our ability to expand our customer base, increase adoption of our product offerings within existing customers, develop new products and applications to extend the functionality of our products and provide a high level of customer service. We expect to invest in sales and marketing to support customer growth. We also expect to invest in research and development as we continue to introduce new products and applications to extend the functionality of our products. We intend to maintain a high level of customer service and support which we consider critical for our continued success. We also expect to continue to incur general and administrative expenses to support our business and to maintain the infrastructure required to be a public company. We expect to use our cash flow from operations and, if necessary, our credit facility to fund operations.

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.

Brightcove Virtual Events, 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 Brightcove Virtual Events, 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 Brightcove Virtual Events, 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 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. In 2022, we also discontinued the lower pricing option for our Starter edition. 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.

Brightcove Audience Insights is offered to customers on a subscription basis, with varying levels of functionality and entitlements. Customer arrangements are typically one-year contracts, and include basic support and an initial integration of the platform with third party data sources identified by the customer. Customers can choose to activate a module focusing on active viewers of their content, active subscribers to their service, or both. The pricing for Brightcove Audience Insights is based on module(s) selected and is based on the number of active viewers and/or active subscribers. 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.

All Brightcove Beacon, Brightcove CorpTV, OTT Flow, Brightcove Campaign, Brightcove Live, SSAI, Player, Brightcove Audience Insights, Brightcove Virtual Events, 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 three months of 2022 to the first three months of 2023. 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. Reflects other operating costs that do not directly relate to the operating activities listed above.

Other Expense, net

Other expense 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, 2022. We maintain net deferred tax liabilities for temporary differences related to our Japanese subsidiary.

During the three months ended March 31, 2023, 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 March 31, 2023 and 2022, we recorded $3.5 million and $3.5 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 three months ended March 31, 2023, 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, 2022, which we filed with the Securities and Exchange Commission on February 23, 2023.

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 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, 2022.

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except share and per share data)	
Revenue:		
Subscription and support revenue	$ 47,102	$ 51,601
Professional services and other revenue	1,961	1,778
Total revenue	49,063	53,379
Cost of revenue:		
Cost of subscription and support revenue	18,265	16,982
Cost of professional services and other revenue	2,002	1,998
Total cost of revenue	20,267	18,980
Gross profit	28,796	34,399
Operating expenses:		
Research and development	9,866	8,237
Sales and marketing	19,465	18,288
General and administrative	10,064	8,089
Merger-related	145	594
Other expense	—	1,149
Total operating expenses	39,540	36,357
Loss from operations	(10,744)	(1,958)
Other expense, net	(543)	(387)
Loss before income taxes	(11,287)	(2,345)
Provision (benefit) for income taxes	427	(708)
Net loss	$ (11,714)	$ (1,637)
Net loss per share—basic and diluted		
Basic	$ (0.28)	$ (0.04)
Diluted	$ (0.28)	$ (0.04)
Weighted-average shares—basic and diluted		
Basic	42,528	41,436
Diluted	42,528	41,436

Overview of Results of Operations for the Three Months Ended March 31, 2023 and 2022

Total revenue decreased by 8%, or $4.3 million, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to a decrease in subscription and support revenue of 9% or $4.5 million, primarily due to a decrease in revenue from our premium offerings. Our revenue from premium offerings decreased by $4.0 million, or 8%, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Professional services and other revenue increased by 10%, or $0.2 million, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. 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 March 31, 2023 would have been approximately $50.3 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of $0.7 million, Euro of $0.2 million, and British Pound of $0.3 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 decreased by $5.6 million, or 16%, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to a decrease in subscription and support revenue, as well as an increase in amortization expense related to our capitalized internal-use software. 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 $10.7 million in the three months ended March 31, 2023 compared to a loss of $2.0 million in the three months ended March 31, 2022. This is primarily due to an increase in operating expenses of $3.2 million, and a decrease in gross profit of $5.6 million in the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Revenue

	Three Months Ended March 31,					
	2023		2022		Change	
Revenue by Product Line	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Premium	$ 48,736	99 %	$ 52,772	99 %	$ (4,036)	(8)%
Volume	327	1	607	1	(280)	(46)
Total	$ 49,063	100 %	$ 53,379	100 %	$ (4,316)	(8)%

During the three months ended March 31, 2023, revenue decreased by $4.3 million, or 8%, compared to the three months ended March 31, 2022, primarily due to a decrease in revenue from our premium offerings. The decrease in premium revenue of $4.0 million, or 8%, is the result of a decrease in the number of our customers and in the average revenue per premium customer. The decrease in average revenue per premium customer is due to a decrease in usage-based fees outside of North America. In the three months ended March 31, 2023, volume revenue decreased by $0.3 million, or 46%, compared to the three months ended March 31, 2022, as we continue to focus on the market for our premium solutions.

	Three Months Ended March 31,					
	2023		2022		Change	
Revenue by Type	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$ 47,102	96 %	$ 51,601	97 %	$ (4,499)	(9)%
Professional services and other	1,961	4	1,778	300 %	183	10
Total	$ 49,063	100 %	$ 53,379	100 %	$ (4,316)	-8 %

During the three months ended March 31, 2023, subscription and support revenue decreased compared to the three months ended March 31, 2022. Professional services and other revenue increased by $0.2 million, or 10%, 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 March 31, 2023 Amount	2023 Percentage of Revenue	2022 Amount	2022 Percentage of Revenue	Change Amount	Change %
			(in thousands, except percentages)			
North America	$ 29,101	59 %	$ 29,461	55 %	$ (360)	(1)%
Europe	8,187	17	9,105	17	(918)	(10)
Japan	5,196	11	7,261	14	(2,065)	(28)
Asia Pacific	6,494	13	7,436	14	(942)	(13)
Other	85	—	116	—	(31)	(27)
International subtotal	19,962	41	23,918	45	(3,956)	(17)
Total	$ 49,063	100 %	$ 53,379	100 %	$ (4,316)	(8)%

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 March 31, 2023, total revenue for North America decreased by $360, or 1%, compared to the three months ended March 31, 2022. During the three months ended March 31, 2023, total revenue outside of North America decreased by $4.0 million, or 17%, compared to the three months ended March 31, 2022. The decrease in revenue in Japan was primarily driven by a decrease in average revenue per premium customer as customer usage-based fees were less in the current period and, to a lesser extent, non-recurring customer events that occurred in the prior period. The decreases in Asia Pacific and Europe were due equally to a decrease in customers and a decrease in average revenue per premium customer as usage-based fees decreased.

Cost of Revenue

Cost of Revenue	Three Months Ended March 31, 2023 Amount	2023 Percentage of Related Revenue	2022 Amount	2022 Percentage of Related Revenue	Change Amount	Change %
			(in thousands, except percentages)			
Subscription and support	$ 18,265	39 %	$ 16,982	33 %	$ 1,283	8 %
Professional services and other	2,002	102	1,998	112	4	—
Total	$ 20,267	41 %	$ 18,980	36 %	$ 1,287	7 %

In the three months ended March 31, 2023, cost of subscription and support revenue increased $1.3 million, or 8%, compared to the three months ended March 31, 2022. The increase resulted primarily from an increase in employee-related expenses, amortization of capitalized internal-use software expenses, and network hosting services of $180, $1.3 million, and $690, respectively. These increases were offset by a decrease in content delivery network expenses of $968. The remaining increase was due to various other expenses that, in aggregate, increased by approximately $100.

In the three months ended March 31, 2023, cost of professional services and other revenue did not change materially compared to the three months ended March 31, 2022.

Gross Profit

Gross Profit	Three Months Ended March 31, 2023 Amount	2023 Percentage of Related Revenue	2022 Amount	2022 Percentage of Related Revenue	Change Amount	Change %
			(in thousands, except percentages)			
Subscription and support	$ 28,837	61 %	$ 34,619	67 %	$ (5,782)	(17)%
Professional services and other	(41)	(2)	(220)	(12)	179	(81)%
Total	$ 28,796	59 %	$ 34,399	64 %	$ (5,603)	(16)%

The overall gross profit percentage was 59% and 64% for the three months ended March 31, 2023 and 2022, respectively. The decrease in gross profit percentage was due to the aforementioned decreases in subscription and support revenue. Subscription and support gross profit decreased $5.8 million, or 17%, compared to the three months ended March 31, 2022. Professional services and other gross profit increased by $0.2 million, or 81%, compared to the three months ended March 31, 2022. 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

	Three Months Ended March 31,				Change	
	2023		2022			
Operating Expenses	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
			(in thousands, except percentages)			
Research and development	$ 9,866	20 %	$ 8,237	15 %	$ 1,629	20 %
Sales and marketing	19,465	40	18,288	34	1,177	6
General and administrative	10,064	21	8,089	15	1,975	24
Merger-related	145	—	594	1	(449)	(76)
Other expense (benefit)	—	—	1,149	2	(1,149)	NM
Total	$ 39,540	81 %	$ 36,357	68 %	$ 3,183	9 %

Research and Development. In the three months ended March 31, 2023, research and development expense increased by $1.6 million , or 20%, compared to the three months ended March 31, 2022 primarily due to an increase in employee-related expenses and amortization of $1.4 million and $181, respectively. We expect research and development costs in absolute dollars to decrease in the second half of 2023.

Sales and Marketing. In the three months ended March 31, 2023, sales and marketing expense increased by $1.2 million, or 6%, compared to the three months ended March 31, 2022 primarily due to an increase in employee-related expenses of $1.5 million. These increases were offset by a decrease in commissions of $207 and various other expenses that, in aggregate, decreased by approximately $100. We expect sales and marketing expense in absolute dollars to decrease in the second half of 2023.

General and Administrative. In the three months ended March 31, 2023, general and administrative increased by $2.0 million or 24%, compared to the three months ended March 31, 2022 primarily due to increases in employee-related expenses, stock-based compensation, recruiting expenses, consultants expenses, contractor expenses, and computer maintenance and support expenses of $600, $111, $120, $426, $479, and $142, respectively. The remaining increase was due to various other expenses that, in aggregate, increased by approximately $125. We expect general and administrative expenses in absolute dollars to decrease in the second half of 2023.

Merger-Related. In the three months ended March 31, 2023, merger-related expenses decreased by $449 due to costs incurred in connection with the Wicket Acquisition in 2022.

Other expense. 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 reflected $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, no balance remains unpaid as of March 31, 2023. In the three months ended March 31, 2023, we did not incur additional other expenses.

Liquidity and Capital Resources

Cash and cash equivalents.

Our cash and cash equivalents at March 31, 2023 were held for working capital purposes and were invested primarily in cash. We do not enter into investments for trading or speculative purposes. At March 31, 2023 and December 31, 2022, we had $9.2 million and $12.1 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. During the quarter ended March 31, 2023, we paid $1.7 million of cash consideration held back to sellers for the satisfaction of certain representations and warranties in relation to the Wicket Acquisition. 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.

		Three Months Ended March 31,		
Condensed Consolidated Statements of Cash Flow Data		**2023**		**2022**
		(in thousands)		
Cash flows used in operating activities	$	(12,632)	$	(690)
Cash flows used in investing activities	$	(4,882)	$	(17,942)
Cash flows (used in) provided by financing activities	$	(1,925)	$	100

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 used in operating activities.

Cash used in operating activities consists primarily of net loss 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 used in operating activities during the three months ended March 31, 2023 was $12.6 million. The cash used in operating activities primarily resulted from net non-cash charges of $7.6 million and net changes in our operating assets and liabilities of $8.5 million, and a net loss of $11.7 million. Net non-cash expenses mainly consisted of $3.9 million for depreciation and amortization and $3.5 million for stock-based compensation. Cash outflows resulting from changes in our operating assets and liabilities consisted primarily of increases in accounts receivable, prepaid expenses and other current assets, accounts payable, and deferred revenue of $14.7 million, $1.0 million, $1.0 million, and $10.0 million, respectively, offset by decreases in other assets, accrued expenses, and operating leases of $0.3 million, $4.0 million, and $0.1 million, respectively. The primary reason why cash flow from operations decreased was the increase in accounts receivable, net, due to the SVB transition.

Cash flows used in investing activities.

Cash used in investing activities during the three months ended March 31, 2023 was $4.9 million, consisting primarily of $3.9 million for the capitalization of internal-use software costs and $1.0 million in capital expenditures to support the business.

Cash flows used in financing activities.

Cash used in financing activities for the three months ended March 31, 2023 was $1.9 million, primarily from deferred acquisition payments and other financing activities.

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 March 31, 2023. As we have not currently drawn on the Line of Credit, there are no amounts outstanding as of March 31, 2023.

Net operating loss carryforwards.

As of December 31, 2022, we had federal and state net operating losses of approximately $164.0 million and $82.8 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 $45.7 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 $9.8 million and $6.0 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 March 31, 2023 and December 31, 2022.

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 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, 2022 are summarized in our Annual Report on Form 10-K for the year ended December 31, 2022.

Restructuring

On April 28, 2023, we authorized a restructuring that is designed to reduce operating costs, improve operating margins and focus on key growth and strategic priorities (the "Plan"). The Plan includes a reduction of our current workforce by approximately 10%. The foregoing discussion and analysis reflects our current estimate as to what the effect of the Plan will be. Please see Note 11 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

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.

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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, 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 March 31,	
	2023	2022
Revenues generated in locations outside the United States	45 %	48 %
Revenues in currencies other than the United States dollar (1)	27 %	29 %
Expenses in currencies other than the United States dollar (1)	17 %	16 %

(1) Percentage of revenues and expenses denominated in foreign currency for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Revenues	Expenses	Revenues	Expenses
Euro	7 %	0 %	7 %	0 %
British pound	6	6	5	6
Japanese Yen	11	2	14	2
Other	3	9	3	8
Total	27 %	17 %	29 %	16 %

As of March 31, 2023 and December 31, 2022, we had $7.1 million and $6.9 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, 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 three months ended March 31, 2023 the U.S. dollar has strengthened approximately 9%, 4%, and 12% compared to the British pound, euro and Japanese Yen, respectively, compared to the three months ended March 31, 2022. Relative to foreign currency exposures existing at March 31, 2023, 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 three months ended March 31, 2023, we estimated that a 20% unfavorable movement in foreign currency exchange rates would have decreased revenues by $2.6 million, decreased expenses by $2.0 million and decreased operating income by $0.5 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 March 31, 2023.

Interest rate risk

We had cash and cash equivalents totaling $12.5 million at March 31, 2023. 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 March 31,

2023. 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 March 31, 2023, 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 March 31, 2023, 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, 2022, 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.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our business and its financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past led and may in the future lead to market-wide liquidity problems. On March 10 and March 12, 2023, the Federal Deposit Insurance Corporation ("FDIC") took control and was appointed receiver of

Silicon Valley Bank ("SVB") and Signature Bank, respectively, after each bank was unable to continue its operations. We are unable to predict the extent or nature of the impacts of the failures of SVB and Signature Bank and related circumstances at this time. Similarly, we cannot predict the impact that the high market volatility and instability of the banking sector more broadly could have on economic activity and our business in particular. The failure of other banks and financial institutions and measures taken, or not taken, by governments, businesses and other organizations in response to these events could adversely impact our business, financial condition and results of operations.

If the financial institutions with which we do business enter receivership or become insolvent in the future, there is no guarantee that the Department of the Treasury, the Federal Reserve and the FDIC will intercede to provide us and other depositors with access to balances in excess of the $250,000 FDIC insurance limit, that we would be able to access our existing cash, cash equivalents and investments, that we would be able to maintain any required letters of credit or other credit support arrangements, or that we would be able to adequately fund our business for a prolonged period of time or at all, any of which could have a material adverse effect on our current and/or projected business operations and results of operations and financial condition. If any of our lenders or counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. We are party to an amended and restated loan and security agreement with SVB providing for up to a $30.0 million asset-based line of credit. In addition, if any parties with which we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to continue to fund their business and perform their obligations to us could be adversely affected, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

Changes in our business and operations, as well as organizational changes, have placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage these changes effectively and successfully recruit additional highly-qualified employees, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Our business, headcount and operations have grown, both domestically and internationally, since our inception. In addition, we have seen organizational changes during that time, including the addition of several new members to our senior leadership team in the past several years, including our CEO. These organizational changes have placed, and will continue to place, a significant strain on our management, administrative, operational and financial infrastructure. While we expect to continue to grow headcount and operations over the long-term, on April 28, 2023, we authorized a restructuring that is designed to reduce operating costs, improve operating margins and focus on key growth and strategic priorities (the "Plan"). The Plan includes a reduction of the Company's workforce by approximately 10%. We may be unable to effectively manage the organizational changes we are making in connection with the Plan, which could result in difficulty or delays in delivering our products and services to customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new products and services or enhancing existing products and services, reputational harm, difficulty in attracting new talent and retaining existing employees, loss of customers, or operational difficulties in executing sales strategies, any of which could adversely affect our business performance and operating results. Our success will depend in part upon the ability of our senior leadership team to manage the Company effectively. To do so, we must continue to recruit, hire, train, manage and integrate a significant number of qualified managers, technical personnel and employees in specialized roles within our company, including in technology, sales and marketing. If our new employees perform poorly, or if we are unsuccessful in recruiting, hiring, training, managing and integrating these new employees, or retaining these or our existing employees, our business may suffer.

In addition, to manage the future growth of our business, headcount, operations and geographic expansion, we will need to continue to improve our information technology infrastructure, operational, financial and management systems and procedures. Our expected capital investments and future headcount increases will increase our costs, which will make it more difficult for us to address any future revenue shortfalls by reducing expenses in the short term. If we fail to successfully manage organizational changes or future growth we will be unable to successfully execute our business plan, which could have a negative impact on our business, financial condition or results of operations.

Our Plan and associated organizational changes may not adequately reduce our operating costs or improve operating margins, may lead to additional workforce attrition, and may cause operational disruptions.

On April 28, 2023, the Company approved the Plan. The Plan includes a reduction of the Company's current workforce by approximately 10%. The Company estimates that it will incur charges of approximately $2.0 million to $2.2 million in connection with the Plan, consisting primarily of cash expenditures related to employee severance costs.

The estimates of the charges and expenditures that we expect to incur in connection with the Plan, and timing thereof, are subject to a number of assumptions, including local law requirements in various jurisdictions, and we may experience delays and incur costs that are greater than we currently expect in connection with the Plan.

The Plan may yield unintended consequences and costs, such as the loss of institutional knowledge and expertise, employee attrition beyond our intended reduction in force, a reduction in morale among our remaining employees, greater-than-anticipated costs incurred in connection with implementing the Plan, and the risk that we may not achieve the benefits from the Plan to the extent or as quickly as we anticipate, all of which may have a material adverse effect on our results of operations or financial condition. These restructuring initiatives could place substantial demands on our management and employees, which could lead to the diversion of our management's and employees' attention from other business priorities. In addition, while certain positions have been eliminated in connection with the Plan, certain functions necessary to our reduced operations remain, and we may be unsuccessful in distributing the duties and obligations of departed employees among our remaining employees or to external service providers, which could result in disruptions to our operations. We may also discover that the workforce reduction and other restructuring efforts will make it difficult for us to pursue new opportunities and initiatives and require us to hire qualified replacement personnel, which may require us to incur additional and unanticipated costs and expenses. We may further discover that, despite the implementation of our Plan, we may require additional capital to continue expanding our business, and we may be unable to obtain such capital on acceptable terms, if at all. Our failure to successfully accomplish any of the above activities and goals may have a material adverse impact on our business, financial condition, and results of operations.

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. We have been advised that Kristin Frank has entered into a trading plan in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Ms. Frank's plan is intended to enable her to manage the tax implications associated with the vesting of restricted stock units in 2023. 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.

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	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL 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: May 3, 2023	By: /s/ Marc DeBevoise Marc DeBevoise *Chief Executive Officer* *(Principal Executive Officer)*
Date: May 3, 2023	By: /s/ Robert Noreck Robert Noreck *Chief Financial Officer* *(Principal Financial Officer)*

Exhibit 31.1

**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: May 3, 2023

By:

/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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: May 3, 2023	By:
	/s/ Robert Noreck
	Robert Noreck Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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 March 31, 2023 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: May 3, 2023	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 March 31, 2023 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: May 3, 2023	By:
	/s/ Robert Noreck
	Robert Noreck Chief Financial Officer (Principal Financial Officer)