BRIGHTCOVE®

Second Quarter Fiscal 2022 Transcript

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Brian Denyeau, *Investor Relations for Brightcove, Inc.*
Good afternoon, and welcome to Brightcove's Second Quarter 2022 Earnings Presentation. Today, we'll discuss the results announced in our press release issued after the market closed. With me are Marc DeBevoise, Brightcove's Chief Executive Officer; and Rob Noreck, Brightcove's Chief Financial Officer.

During today's presentation, we will make statements related to our business that may be considered forward-looking and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning our financial guidance for the third fiscal quarter of 2022 and the full year 2022, expected profitability and positive free cash flow, our position to execute on our go-to-market and growth strategy, our ability to expand our leadership position, our ability to maintain and upsell existing customers as well as our ability to acquire new customers.

Forward-looking statements may often be identified with the words such as we expect, we anticipate, upcoming or similar indications of future expectations. These statements reflect our views only as of today and should not be reflected upon as representing our views as of any subsequent date. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations, including the effect of macroeconomic conditions currently affecting the global economy. For a discussion on material risks and other important factors that affect our actual results, please refer to those contained in our most recently filed annual report on Form 10-K and as updated by our other SEC filings.

Also during the course of today's presentation we will refer to certain non-GAAP financial measures. There is a reconciliation schedule showing GAAP versus non-GAAP results currently available in our press release issued after market close today, which can be found on our website at www.brightcove.com.

Marc DeBevoise, *Chief Executive Officer and Director*
Thank you all for joining today. As you can see, we're delivering the call a little differently this quarter. As a streaming company, I believe we should lead by example and use our technology to share our message and engage with all of you. So from now on, we plan to deliver our earnings results and investor calls via streaming video, as you can see here today, from our studio at Brightcove headquarters.

I'd like to start by thanking all of our employees, customers, partners and investors that have spent time with me during my first 100-or-so days here at Brightcove. It's been fantastic building early relationships and gaining insight. During this time, I've been able to thoroughly assess the company and our business and prospects. We've now set, and I will share with you today, our clear vision and mission for Brightcove, supported by a strategic framework and goals that will drive us.

We've secured a number of wins coming out of Q2, including shaping the team, processes and culture to drive our future. Put simply, after 100-or-so days, I'm even more excited about our future than the day I started.

One of my early highlights has been the opportunity to speak with so many of our customers and hear directly how we're adding value and how we can add even more. I'm delighted to have had the opportunity to engage with so many already, including Home Depot, Ford, GM, NetApp, MasterClass, Hydro, Sky, News Corp, UKTV, Formula 1, Gaia and TN Marketing, just to name a few.

What I learned from those conversations was remarkably consistent. Our platform is the differentiator I knew it was, and our support and services are trusted and world class. The broader and more complete we can be in our solutions, though, the better. From our media customers, I heard we are the most scalable and reliable platform, the absolute best-in-class. But we've lacked some key innovation in recent years that was needed to grow faster. We've built a number of nearly complete solutions and can close the gaps in a short period of time.

From our enterprise customers, I heard our platform and solutions solve their one-stop-shop streaming needs in marketing, internal and external communications and employee relations. They want us to broaden our solutions, though, to support them across the full life cycle of video streaming from strategy to content to delivery and more. And they want our solutions to be even easier to use.

The bottom line is we have an incredible global customer base across a variety of industries with multiple opportunities for growth. Existing customers need our market expertise and are willing to grow with us if we can deliver the value I know we can. New customers in these verticals will benefit from our community of users, best practices and the innovation they push from us.

Being experts in our markets and listening to our employees, customers and broader stakeholders, we have developed a set of high-level goals and a long-term vision and mission to drive Brightcove forward.

Let me start by sharing our four clear goals: one, return to growth in revenue and EBITDA; two, gain more scale in revenue and operations; three, continue to diversify our revenue in terms of business lines, geography, industries and business models; and four, excellence for our customers and employees, something we will strive for and deliver.

Our vision is to be the most trusted streaming technology company in the world. We chose those words carefully. Trusted in both the way our customers should feel about us and how broadly we are deployed. Streaming, because that's what we do, and while it's 95% video today, we are in all forms of streaming, including audio.

Technology is at our core with expertise and services that enable our customers to realize greater value from Brightcove. And we are global, proud to serve customers and partners in over 80 countries with teams specializing locally.

Our mission is to deliver the highest quality, most scalable and secure streaming technology for any company, brand or creator. We will combine the most complete solutions with curated content services and a team of experts to lead our customers through every stage of their digital future. The strategy of how we achieve our goals is what I get most excited about.

We have five core tenets to our strategy: delivering more end-to-end solutions and services, accelerating and incubating new and existing customers, super-serving our largest and most strategic customers, partnering to efficiently reach the broader market, and finally allowing ourselves to pursue supplemental business models that provide revenue opportunities in addition to our core SaaS revenue model.

Starting with our solutions and services, we intend to create new and larger opportunities to continue growing revenue and improving retention each year. This starts with delivering more end-to-end solutions and services to solve more of our customers' key challenges. One example of this from our media customers lies in how we have supported them in content monetization.

In advertising, this has historically meant delivering our client and Server-Side Ad Insertion technologies, and that's where we stopped. We never offered a solution that could actually measure, sell or fill an ad. That was the customers or, frankly, another partner's responsibility. We intend to change that moving forward.

We also want to find ways to accelerate our customers' businesses and incubate new customers in developing their video capabilities, even if they are early in their video strategy adoption. With many enterprise customers, we hear that they want to be video first, understanding the power of video, but don't know how to get started or if they have enough or even the right content.

Our go-forward strategy here is to offer more strategic consultative services surrounding our software to incubate and accelerate these customers in their video strategy development. We will also develop relationships and capabilities to deliver the actual content these customers need. It's an initiative we're calling Content as a Service and one we believe is truly differentiated.

On the go-to-market and sales side of things, we intend to better and more efficiently capture our large and growing addressable market. We will do this by strategically focusing our direct sales team on larger customer opportunities. We believe the streaming market has evolved, and it makes now the right time to increase our focus upmarket.

For large media customers globally, they are primarily focused on content and its increasing cost, while managing the cost efficiency of their technology. Working with us can provide world-class end user experiences, while freeing up substantial resources to be redeployed towards content or more strategic areas that truly differentiate a media company. Being more end-to-end will also support this and should result in meaningfully larger average deal sizes.

For enterprises, the days of good enough are over. As companies compete for the digital attention of their customers, video is the preferred format. In a recent survey we commissioned, 70% of B2B buyers said video makes the most impact over other content, and 97% of recent video viewers say they would be more receptive to sales communication from a business after consuming their video.

We believe every enterprise needs a comprehensive video content strategy, one that is optimized across all stages and one that has them thinking and acting like a media company. This shift presents us with a number of opportunities to land new larger enterprise customers and expand our existing engagements.

As part of our go-to-market refocus, we are not just pushing upmarket, but intend to also build deeper partnerships to reach the broader market. We will prioritize partnerships that allow us to accelerate our time to market, be more cost effective in customer acquisition, and approach smaller deal value customers on the enterprise side and the creator and producer economies on the media side. In order to fully capitalize on this opportunity, we will continue to make our solutions easier to buy, use and integrate in order to make the adoption process for partners seamless.

Finally, we will open the aperture of our business approach to help us drive revenue with both existing and new customers looking at both SaaS and supplemental revenue models with our customers. This is key to responding to how our customers want to work with us in new ways.

We are in the process now of scoping and defining numerous specific initiatives to support and deliver on this strategy, to develop deeper and better, more comprehensive solutions for more customers, customers whose businesses we will help accelerate and/or incubate on our platform, pursuing larger deals with direct sales and a broader customer profile delivered through partnerships, all supported by a freedom in our business approach to pursue things like revenue sharing or other models, while keeping SaaS as our large overwhelming majority and growing core.

While in some cases, this will require investments into new and expanded areas, especially in our platform, I want to make clear that we will remain profitable and that we do not expect a meaningful change to our margin profile. We will achieve this by reallocating existing resources or planned to spend to focus on these higher value, more strategic opportunities and building initiatives that are revenue driving, cost saving or both.

We have already identified some quick cost saving wins with our recently renewed CDN and cloud contracts, being prudent with our marketing spending and realigning certain head count. Ours is and will be a thoughtful and balanced approach to growth and profitability.

We strongly believe that this is the strategy that best aligns Brightcove with current and future market trends and provides a number of ways to accelerate growth and profitability in the years to come. It will also drive us towards our vision of being the most trusted streaming technology company in the world.

We believe we are differentiated from our competition in that we are one of the only companies delivering the combination of a long-term and sustainably profitable model, accelerating growth in the coming years and actively hiring to drive that growth going forward.

In the fall, we will hold a virtual Investor Day to dive deeper into our strategy and the initiatives supporting it. There, we will outline more details on our multiyear plan to deliver growth for our shareholders.

An essential component to the success of any strategy is having the right team in place to deliver on it, building that team, the combination of hiring the right people and aligning them on roles, responsibilities and strategic direction is one of my favorite parts of this job. So, I'm especially thrilled to be able to share our reshaped executive leadership team and especially be able to do it so quickly in my tenure.

As you saw in June, David Beck joined us in a new role of Chief Strategy and Corporate Development Officer. David brings deep industry expertise and an extensive background in streaming video and digital media at the likes of AMC, Warners, Univision and more. David is already thriving leading strategy, business development and corporate development for us.

As previously announced, Dan Freund joined us officially this week as Chief Revenue Officer with responsibility for all software revenue, including new business, customer growth and retention. Dan brings incredible experience, having spent 15 years at Oracle and more recently leading growth revitalizations at Quick Base and Brandwatch. Executing our go-to-market strategy and delivering innovation to our customers will drive growth, and this is why I'm so excited to have a proven growth executor like Dan joined the team.

Deb Richards will continue her excellent leadership of our customer success team as well, now reporting to Dan.

We are a technology company, and innovation is central to who we are. We have been able to create the most scalable patent holding streaming platform by hiring and retaining leading project and engineering talent. I want to send my heartfelt thanks to Namita Dhallan, our recently retired Chief Product Officer, for her contributions to building those incredible teams.

As these teams scale further to drive more innovation, they will do it under my direct leadership as our SVP of Engineering, Kurt Zarefoss; Chief Data Officer, Patrick Wagstrom; and a newly selected SVP of Product, who we'll name soon, will all roll up to me.

I'm dedicated to making Brightcove a place that inspires the best work, offers growth and development and rewards employees for our success. Last week, we announced the appointment of Trisha Stiles as our new Chief People Officer, an incredible leader in this regard. Most recently, Trisha was Head of Employee Success at Tableau, a Salesforce company. And prior to that, we worked together at CBS Interactive for years where Trisha was Head of HR. She is someone, I believe, will help us attract and retain incredible diverse talent and push us to be excellent for our employees.

Finally, I'm delighted to have David Plotkin, Chief Legal Officer; and my partner on this call, Rob Noreck, Chief Financial Officer, continue in their roles and deliver for us with their wealth of expertise and experience. Jennifer Griffin Smith will also continue in her role as CMO, while taking on additional responsibilities in product strategy. Jennifer's long career as a global marketer offers a unique perspective for our enterprise solutions.

And Marty Roberts is also joining Jen's team as SVP of Product Strategy and Marketing, bringing decades of media and software knowledge from his days leading the platform at Comcast and more recently as Co-Founder and CEO at Wicket Labs, the data and analytics company we acquired in Q1. Along with our broader senior leadership team, which I've been very impressed, this team is the right team to lead us into the future and capture the growth and opportunity we believe our new strategy will deliver.

With that, let's shift gears to Q2. Revenue was $54.4 million, above the high end of our guidance of $52.5 million and ahead of last year by 5.8%. Adjusted EBITDA was $6.7 million, also ahead of the high end of our guidance and prior year. It was a strong and important quarter, where we saw many encouraging signs for our future.

Most importantly, we exceeded financial expectations, especially with some macro headwinds impacting us like FX. We continue to improve in numerous areas of the business delivered in a world-class way for our clients and add some great new customer wins, renewals and expansions. As I said at the open, 100-or-so days in, I'm even more excited about Brightcove than the day I started.

With that, I'm going to turn the call over to Rob for a deeper dive into Q2 and the numbers, and I'll be back to wrap up prior to Q&A.

Robert Noreck, *Chief Financial Officer & Executive Vice President*
Thank you, Marc, and good afternoon, everyone. I will begin with a detailed review of our second quarter. And then, I will finish with our outlook for the third quarter and the full year 2022.

Total revenue in the second quarter was $54.4 million, which was above our guidance range. Breaking revenue down further, subscription and support revenue was $53 million and professional services revenue was $1.5 million. Overages were notably strong in the quarter at $3.9 million. The better-than-expected overage performance was primarily driven by a large strategic customer with which we are currently in discussions for contract renewal and expansion.

On a geographic basis, we generated 55% of our revenue in North America during the quarter and 45% internationally. Breaking down international revenue a little more, Europe generated 19% of our revenue, and Japan and Asia Pacific generated 26% of revenue during the quarter.

12-month backlog, which we define as the aggregate amount of committed subscription revenue related to future performance obligations in the next 12 months, was $121.6 million. This represents a 2% year-over-year increase. Let me now turn to the supplemental metrics we share on a quarterly basis.

Recurring dollar retention rate in the second quarter was 84%, which was below our target range of low to mid-90s. The decline in recurring dollar retention rate was a combination of FX impact and lower upsells at the time of renewal.

Net revenue retention in the quarter was 95% in spite of the FX headwinds. This compares to 98% in the first quarter of 2022 and 98% in the second quarter of 2021. Since the beginning of 2019, net revenue retention has ranged from 92% to 100%. We expect that as we continue to make improvements in our renewals business, this metric will consistently be over 100% over time.

Our customer count at the end of the second quarter was 2,937, of which 2,301 were classified as premium customers. Looking at our ARPU within our premium customer base, our annualized revenue per premium customer was $98,000, which excludes our entry level pricing for starter customers, which averaged $3,900 in annualized revenue. This compares to $92,200 in the second quarter of 2021. The strength in ARPU was driven by the stronger-than-expected overage revenue performance in the quarter.

Looking at our results on a GAAP basis. Our gross profit was $35.7 million, operating income was $703,000, net loss was $301,000, and net loss per share was $0.01 for the quarter.

Turning to our non-GAAP results. Our non-GAAP gross profit in the first quarter was $36.4 million compared to $34.9 million in the year-ago period and represented a gross margin of 67%, down from 68% in the second quarter of 2021.

Subscription and support revenue represented approximately 97% of our total revenue and generated a 69% gross margin in the quarter compared to a 71% gross margin in the second quarter of 2021. Non-GAAP income from operations was $5.3 million in the second quarter compared to $4.2 million in the second quarter of 2021.

Adjusted EBITDA was $6.7 million in the second quarter compared to $5.6 million in the year-ago period and above the high end of our guidance range. Adjusted EBITDA margin was 12% in the quarter. Non-GAAP diluted net income per share was $0.10, based on 42 million weighted average shares outstanding. This compares to net income per share of $0.11 on 42.2 million weighted average shares outstanding in the year-ago period.

Turning to the balance sheet and cash flow, we ended the quarter with cash and cash equivalents of $27.8 million. We generated $9.9 million in cash flow from operations and free cash flow was $2.4 million, after taking into account $7.5 million in capital expenditures and capitalized internal use software.

I would like to finish with our guidance for the third quarter and full year 2022. For the third quarter, we are targeting revenue of $52 million to $53 million, including $4 million of overages and approximately $1.7 million of professional services revenue.

From a profitability perspective, we expect non-GAAP operating income to be between $1.2 million and $2.2 million, and adjusted EBITDA to be between $3.3 million and $4.3 million. Non-GAAP net income per share is expected to be in the range of $0.02 to $0.04 based on 42.3 million weighted average shares outstanding.

For the full year, we are targeting revenue of $211 million to $215 million, including $12.2 million of overages and approximately $6.6 million of professional services revenue. From a profitability perspective, we expect non-GAAP operating income of $11 million to $14 million and adjusted EBITDA to be between $18 million and $21 million.

Non-GAAP net income per share is expected to be in the range of $0.23 to $0.30 based on 42.2 million weighted average shares outstanding. For the full year, we are now targeting free cash flow of breakeven to $3 million.

There are a couple of things I want to keep in mind about our guidance. The continued strengthening of the US dollar in the second quarter has increased the foreign exchange headwind for the full year by another $2.2 million. So on a constant currency basis, our guidance will be $2.2 million higher from the last quarter and $4 million higher since our initial guide in February.

Our expectation for overage revenue in our guidance is up meaningfully from the beginning of the year due to one large customer I referenced earlier. Our current expectation is that the elevated level of overage revenue in the second quarter will continue in the third quarter before normalizing in the fourth quarter. We are working with this customer to engage on a long-term contract that would increase its subscription revenue commitment.

To wrap up, Brightcove delivered solid second quarter results that show the value our solutions provide to our customers every single day. We are confident that the strategic initiatives we are implementing across the business will result in greater value for our customers and drive significantly better top- and bottom-line performance for our business.

With that, let me turn it back over to Marc

Marc DeBevoise
Thanks, Rob. In summary, our second quarter performance and achievements were strong, especially given the amount of change we introduced to the organization. Our financial results were above the guidance. We achieved so much on laying out our strategic path forward. We continue to deliver for our customers, especially the largest ones, and we locked in some key deals.

Perhaps, most importantly, we also solidified our team for the future. I want to thank that entire team for their continuous hard and smart work as we drive change across this business to deliver growth and improved results. I'm as excited as ever for this company's future.

We're now going to shift to Q&A. So, please give us a moment to queue up the other participants.

So, our first question comes from Mike Latimore at Northland. Go ahead, Mike.

Michael Latimore, Analyst, Northland Securities, Inc.
Excellent. Thanks. I like the new format here, really good.

Marc DeBevoise
Us too.

Michael Latimore
So, I guess, Marc, first 100 days, it sounds like you have a strong plan in place. Should we think about your plan being sort of officially done and now you're into the execution mode, or is there still additional kind of strategic analysis that's going to go on here?

Marc DeBevoise

Well, I don't view strategy – well, thanks for the question, Mike, first of all. And I would just say I don't view strategy as a one-and-done type of thing. It's something we're going to do constantly, and that's how you keep growing a company. So, I come from the school where we're going to do a three-year plan every year and you're continuously updating that as we move forward. So, I would say never done, right?

But yes, we have put a plan in place. We have a vision, which will last for a long time, I hope, and hopefully, we'll achieve it soon. And we're now going to move into executing against that vision and that mission, building the building blocks of that strategy. We have a lot of it worked out, but not 100%. That's why we're pushing a little bit of the disclosure to all of you to a little bit into the fall, so we can more robustly build some of those pieces of the plan, but you're going to see us start to execute against much of that strategy immediately, right?

Now, it's going to take some time. It doesn't all come to fruition in the quarter. That's why it's a multiyear plan, but we're thrilled to have the vision in place, the mission there, the goals there, the building blocks of what that strategy is. And now, I'm very excited about having the team in place and feel like we now have the executive-level team and what I would call the next-level team, the senior leadership team, which is about our top-40 people very much in place to move this forward.

Michael Latimore
Yeah. And it sounds like you're going to – labeling the market you're in sort of streaming technology or streaming Software as a Service. Maybe that's not right, however you want to label it. I'm curious, kind of exact label. And then also, what do you view as the market growth rate?

Marc DeBevoise
Yeah. So, our vision is to be the most-trusted streaming technology company in the world. And why do we say streaming technology and not just pure software is that it comes with a lot of other pieces that aren't pure software and it also allows us to be both the services and the content provider, if we need to be, to certain client bases, which I think will help, as I said, accelerate and incubate certain of those customers as we move forward. So, we're very much in that streaming market and in that, it is SaaS at the core, but it is going to be some wraparound things that go with it to help it grow faster.

Michael Latimore

Yeah. And then, just maybe to summarize in two areas here. So media companies, how are you going to convince them that once they get to a certain size, they shouldn't do it themselves. That seems to have been the historic issue here. And then, on the enterprise side, you talked about making the platform easier to use as one element of the strategy. To me, that sounds like an architectural change almost. So, maybe how you can convince the media companies not to do it themselves? And two, what is the core ease-of-use on enterprise side?

Marc DeBevoise

Yeah. So, I'll start with the latter question, the enterprise side. The ease-of-use piece is twofold. One, we need it to be easier to start our service so that we can ramp up multiple customers at once. And that really goes to how we may partner in the marketplace. I think those are some relatively, I don't want to say, easy fixes because that makes it sound too simple, but there are some meaningful things we can do to make the platform easier to sign up for and easier to onboard a lot of customers at once. That will help the partnership side of our business.

On easier to use, I think we've already made a lot of steps there. Our Marketing Studio product, which is in limited release right now, is about simplifying that interface for the right use case. And so, what we'll really be doing is focusing on the use cases and the user interface of how the product is used. I think that's very much – very doable changes in relatively short periods of time once we have a vision for what those changes need to be. So, I don't think it's architectural, as you say, like it's not deep in the guts of the platform, but it's much more on the surface and how people can execute there.

To your media question, look, the graduate from Brightcove is – the goal here is to flip that. You want to graduate to us. We are some of the most scalable, reliable technology out there. We have proven this time and time again. We streamed a major event for a partner here, did over 1 million concurrence very recently. There is just a lot of opportunity for us to really be able to prove that we are a scaled provider in that market.

And I think the big shift that's happened in the market – and I used to live on the other side of this – is that the market realizes now that the differentiation of these services is likely not going to be in the areas that Brightcove can really solve for them. It's much like the early 2010s, when most of us switched from doing our own ad serving to switching to either DoubleClick or Freewheel, realizing that a multi-customer software product was going to be potentially even better than a single customer software product because it benefits from all that usage and it also happens to be cheaper.

I think what at that phase in streaming now where much of this technology can by outsourced, if you are a premium streaming provider. So, I see the opportunity as us being able to go into many of the biggest companies in the world and be able to talk to them about being world-class like we are and deliver the things that they need, but also do it on a less expensive basis, more cost-effective basis than what they're doing today and allow them to redeploy the resources, the limited resources they have to other areas of their business that are more strategically differentiated, whether it's the content or other parts of their technology stacks.

And I don't think that's just four or five companies, I think that's dozens and dozens, if not hundreds, out there in the marketplace, some of which we already serve today and have retained and some of which we need to go win again. And so, our goal here is to be graduated to, as I said, and not graduated from, and I think that's very doable for us in the near term.

Michael Latimore
Great. And then just last one. I'll bring up the R word, the recession. Any sense that the sales cycles are elongating, or how do you think about – how does this market play out in a recession?

Marc DeBevoise
Good question. I don't like to say the word either, Mike, so I hear you. Look, we're trying not to self-fulfill it. But look, we have not seen it specifically in our business. We're very cognizant of the macro environment. We understand what's out there. The biggest effect – and you'll hear Rob talk about it as he did a little earlier – is the FX impacts that we've had around the globe. I don't even know if that's fully correlated to the R word or other things that are going on in the world. But we do have some exposure to international markets, and that does create some headwind for us on a number of metrics. But constant currency basis, we feel really strongly that we did well in this quarter and are going to continue to do well.

Our hope is that it allows us to be able to hire in a better way, and as things change in the marketplace, and be able to be really active. But we have not seen, as you said, elongating sales cycles or downgrades or sort of changes in the financial impact to our business. Just hasn't hit us in that way yet, and I hope not ever, but we're very cognizant of how it is. And we run, as you know, a sustainably profitable model, and our belief is that we're going to accelerate growth like we did in this quarter.

Marc DeBevoise
We'll turn to our next set of questions from Eric Martinuzzi from Lake Shore. Thanks. Lake Street.

Eric Martinuzzi, Lake Street Capital Markets LLC
Yeah. I wanted to touch on a couple of the things you highlighted during your comment about the strategic framework. You highlighted five areas of focus. One of the things that you talked about was being more of an end-to-end provider. And you talked about ad insertion. And I'm curious to know, do we get to that capability via build? Do we get to that capability with buy? Is there a partner that we'd become more reliant on? Help me understand how we extend into the ad insertion.

Marc DeBevoise
Great question, Eric. Yeah, we are going to head in the direction of ad monetization. We already have ad insertion. We do provide that to numerous customers. The difference that we've seen here is that we have never really fully monetized for a client, right? We always turn that over to them. So, our vision is to be able to monetize ad inventory for clients that want us to do that. Frankly, some of our competitors have been doing it for a little while and we feel like it's something we need to do for our customers and to maintain the scale that we have with them over the long run.

The initial part of that we're already building, which is about how we transition our ad-serving technology to be more capable in terms of measuring those ads. And then, long term, we will then build the ability to fill and manage that ad inventory with them. I think you'll see us likely partner in the midterm to help advance that. Whether we build that fully going forward or buy, that's a much more long-term decision. No decisions made there yet. But I think you'll see us add this capability in the relatively near term. My expectation is that we're working in 2023 with a solution that can really serve for our clients, maybe sooner.

Eric Martinuzzi
Okay. And then, one of the other things you talked about was being more flexible on revenue, not just being solely focused on got to be SaaS that there is a revenue share opportunity. Can you lay out an example so investors can better understand when that scenario might present itself?

Marc DeBevoise

Yeah, I think you laid it out – thank you for that one, too, Eric. You laid it out perfectly with the monetization question, right? That's a perfect example of one where it's not a SaaS model. It has to be some form of share. There is really no way to operate with a customer in that way. We probably could do a per delivery charge, but that might be very similar to some low percentage rev share. So, I would do that as a great example of how in the past that may have held us back from wanting to go into the monetization business with our customers that it wasn't pure SaaS. But now, we are opening the aperture of our business model to be able to go after that and be able to work on the right side of our clients in that way. Still the core business we're going to have with that customer is a SaaS business, right? We still are a software and technology provider with some entitlements on top; and now, potentially, if we go into the monetization business with them, a revenue share on how we see that upside and how we serve them.

Eric Martinuzzi
Okay. Having come aboard this year, you're obviously assembling the people on your team. There is also product focus. You talked about some of the things – areas that you're investing in there. What about process? Have you changed any of the core processes of the business since your arrival?

Marc DeBevoise
That's a great question. I think some internal processes, which I think would bore you and the investors, have been changed. I'll give you one example, how we deliver our earnings calls is firstly one, where this team has done a great job of getting us to use our technology to deliver this stream to you and to the others. And there are other things like that inside the company that I think are probably not worth overly explaining, but I think are great examples of how we're going to keep pushing the company forward.

But the team we've assembled, I could not be more excited about bringing the people that we have into the business. And I think bringing Dan Freund, an incredible sales leader in, started this week. Great to have him here in the headquarters this week and meeting with his team and getting to know everybody, but phenomenal talent, great experience in both in enterprise and core enterprise, like Oracle and growth companies like Brandwatch and Quick Base.

Folks like David Beck, who joined us, who's been at AMC and Warners and some of the other big media companies, an incredible strategist, business development and corporate development executive, who has really helped us pull this strategy together across the team.

And then, adding an HR professional like Trisha, someone whom I've worked with for a number of years and I know can help us attract some of the best talent in the world and really help the processes internally about onboarding them and making them thrive inside a culture like this.

So, company is in very good shape. I think it's only going to get better, especially given the team that we're pulling together. And then, look, that the folks that have remained from the team Rob, David Plotkin, Jennifer, Deb, they're phenomenal executives as well. Really excited to continue working with them and seeing us grow the company together.

Eric Martinuzzi

Okay. And then, next question is for Rob, trying to get a better understanding of the FX impact on some of the recurring revenue metrics. Specifically, if we were constant currency, what would that recurring dollar revenue retention number have been from 84% to what?

Robert Noreck

Yeah, it'd be about 2 points higher in the quarter. So, it'd be closer to 86%.

Eric Martinuzzi

Okay. And I assume that the net revenue retention would also be higher, but not by as much.

Robert Noreck

No, by about as much.

Eric Martinuzzi

Okay. So, 95% would be 97%.

Robert Noreck

That's right.

Eric Martinuzzi

And then, just where was – obviously, there were some disruption in the renewals, even adjusting for constant currency. Where is that happening? Is it on the media side, on the enterprise side?

Robert Noreck

Yeah. It's really a little bit of both. And I think the biggest driver is we saw some M&A activity in the quarter that really drove that. So, it's really stuff that's outside of the control of the company and really Deb's team. We're really happy with where Deb's team is, where they're going and the control they have over the business and what they can do.

Eric Martinuzzi

Okay. And then, final question here, I guess it's sort of back to you, Marc. What are milestones by which investors can judge the progress of the actions that you're taking?

Marc DeBevoise

Well, we'll keep giving you updates on a quarterly basis here in this fashion and format. So, look for us, I guess, in late October, early November to give you an update on where we are progressing against the strategy and the financial results. And then we're intending to have a virtual Investor Day, folks like yourself and others probably in that similar timeframe to go through a longer-term sort of milestone-driven plan so that we can really lay that out for you.

And then, look for the results in terms of customer announcements or in product announcements that we put out or partnership announcements, I think those will be the defining characteristics. And I don't think you're going to have to wait too long to start to see those. I think you'll see those within this calendar year, some of those announcements coming, and then into next year as we continue to develop our plans and execute against that strategy.

Marc DeBevoise

With that, I want to thank you all for joining us on the call and we'll look forward to seeing you next time.