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 June 30, 2024

OR

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

For the transition period from to

Commission File Number: 001-35429

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 August 5, 2024, there were 44,921,558 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 offerings;
- our ability to retain and 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 ability to successfully remediate and prevent material weaknesses in internal controls over financial reporting;
- our estimates regarding our anticipated results of operations, future revenue, bookings growth, capital requirements, and our needs for additional financing, 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)

	June 30, 2024	December 31, 2023
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 24,170	$ 18,615
Accounts receivable, net of allowance of $268 and $210 at June 30, 2024 and December 31, 2023, respectively	28,207	33,451
Prepaid expenses	9,525	6,569
Other current assets	10,255	11,764
Total current assets	72,157	70,399
Property and equipment, net	38,882	42,476
Operating lease right-of-use asset	17,896	16,233
Intangible assets, net	4,524	6,368
Goodwill	74,859	74,859
Other assets	4,719	5,772
Total assets	$ 213,037	$ 216,107
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 6,492	$ 14,422
Accrued expenses	19,918	17,566
Operating lease liability	4,261	4,486
Deferred revenue	68,255	68,155
Total current liabilities	98,926	104,629
Operating lease liability, net of current portion	18,983	17,358
Other liabilities	192	207
Total liabilities	$ 118,101	122,194
Commitments and contingencies *(Note 8)*		
Stockholders' equity:		
Undesignated preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 45,047,696 and 43,833,919 shares issued at June 30, 2024 and December 31, 2023, respectively; 44,912,696 and 43,698,919 shares outstanding at June 30, 2024 and December 31, 2023, respectively	45	44
Additional paid-in capital	334,269	328,918
Treasury stock, at cost; 135,000 shares	(871)	(871)
Accumulated other comprehensive loss	(1,894)	(1,236)
Accumulated deficit	(236,613)	(232,942)
Total stockholders' equity	94,936	93,913
Total liabilities and stockholders' equity	$ 213,037	$ 216,107

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

Brightcove Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except share and per share data)			
Revenue:				
Subscription and support revenue	$ 47,397	$ 49,013	$ 95,366	$ 96,115
Professional services and other revenue	1,850	1,975	4,362	3,936
Total revenue	49,247	50,988	99,728	100,051
Cost of revenue:				
Cost of subscription and support revenue	17,277	16,603	34,084	34,868
Cost of professional services and other revenue	2,130	1,898	4,945	3,900
Total cost of revenue	19,407	18,501	39,029	38,768
Gross profit	29,840	32,487	60,699	61,283
Operating expenses:				
Research and development	8,975	10,345	17,824	20,211
Sales and marketing	17,080	19,034	33,534	38,499
General and administrative	8,822	9,405	18,366	19,469
Merger-related	—	45	—	190
Gain on sale of assets	—	—	(6,000)	—
Total operating expenses	34,877	38,829	63,724	78,369
Loss from operations	(5,037)	(6,342)	(3,025)	(17,086)
Other income (expense), net	49	422	11	(121)
Loss before income taxes	(4,988)	(5,920)	(3,014)	(17,207)
Provision for income taxes	257	317	657	744
Net loss	$ (5,245)	$ (6,237)	$ (3,671)	$ (17,951)
Net loss per share—basic and diluted	$ (0.12)	$ (0.14)	$ (0.08)	$ (0.42)
Weighted-average number of common shares used in computing net loss per share	44,731	43,059	44,357	42,795

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net loss	$ (5,245)	$ (6,237)	$ (3,671)	$ (17,951)
Other comprehensive income:				
Foreign currency translation adjustments	(351)	(30)	(658)	158
Comprehensive loss	$ (5,596)	$ (6,267)	$ (4,329)	$ (17,793)

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except share data)			
Shares of common stock issued				
Balance, beginning of period	44,698,991	42,992,371	43,833,919	42,449,677
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	348,705	383,635	1,213,777	926,329
Balance, end of period	45,047,696	43,376,006	45,047,696	43,376,006
Shares of treasury stock				
Balance, beginning of period	(135,000)	(135,000)	(135,000)	(135,000)
Balance, end of period	(135,000)	(135,000)	(135,000)	(135,000)
Par value of common stock issued				
Balance, beginning of period	$ 45	$ 43	$ 44	$ 42
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	—	—	1	1
Balance, end of period	$ 45	$ 43	$ 45	$ 43
Value of treasury stock				
Balance, beginning of period	$ (871)	$ (871)	$ (871)	$ (871)
Balance, end of period	$ (871)	$ (871)	$ (871)	$ (871)
Additional paid-in capital				
Balance, beginning of period	$ 331,001	$ 318,293	$ 328,918	$ 314,825
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of tax	—	—	(1)	(226)
Stock-based compensation expense	3,268	3,608	5,591	7,302
Withholding tax on restricted stock	—	(31)	(239)	(31)
Balance, end of period	$ 334,269	$ 321,870	$ 334,269	$ 321,870
Accumulated deficit				
Balance, beginning of period	$ (231,368)	$ (221,770)	$ (232,942)	$ (210,056)
Net loss	(5,245)	(6,237)	(3,671)	(17,951)
Balance, end of period	$ (236,613)	$ (228,007)	$ (236,613)	$ (228,007)
Accumulated other comprehensive loss				
Balance, beginning of period	$ (1,543)	$ (1,405)	$ (1,236)	$ (1,593)
Foreign currency translation adjustment	(351)	(30)	(658)	158
Balance, end of period	$ (1,894)	$ (1,435)	$ (1,894)	$ (1,435)
Total stockholders' equity	$ 94,936	$ 91,600	$ 94,936	$ 91,600

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

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

	Six Months Ended June 30, 2024	2023
	(in thousands)	
Operating activities		
Net loss	$ (3,671)	$ (17,951)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,084	8,008
Stock-based compensation	5,372	7,030
Provision for reserves on accounts receivable	(16)	222
Gain on sale of assets	(6,000)	—
Changes in assets and liabilities:		
Accounts receivable	5,087	(4,219)
Prepaid expenses and other current assets	(1,035)	(1,882)
Other assets	970	802
Accounts payable	(7,531)	3,376
Accrued expenses	2,438	(5,474)
Operating leases	(262)	(174)
Deferred revenue	612	8,440
Net cash provided by (used in) operating activities	6,048	(1,822)
Investing activities		
Gain on sale of assets	6,000	—
Purchases of property and equipment	(1,157)	(1,328)
Capitalized internal-use software costs	(4,029)	(7,233)
Net cash provided by (used in) investing activities	814	(8,561)
Financing activities		
Deferred acquisition payments	—	(1,700)
Other financing activities	(239)	(256)
Net cash used in financing activities	(239)	(1,956)
Effect of exchange rate changes on cash and cash equivalents	(1,068)	(462)
Net increase (decrease) in cash and cash equivalents	5,555	(12,801)
Cash and cash equivalents at beginning of period	18,615	31,894
Cash and cash equivalents at end of period	$ 24,170	$ 19,093
Supplemental disclosure of cash flow information		
Cash paid for operating lease liabilities	$ 1,891	$ 1,804
Cash paid for income taxes	$ 731	$ 821

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, deliver, 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, 2023.

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, 2023 contained in the Company's Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations for the three and six months ended June 30, 2024 and 2023. 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, 2023	$	210
Current provision for credit losses		138
Write-offs against allowance		(7)
Recoveries		(73)
Balance as of June 30, 2024	$	268

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

Recently Issued and Adopted Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, which improves the transparency and decision usefulness of income tax disclosures, specifically to enhance investors' ability to: (1) understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. This guidance will be effective for the Company on January 1, 2025. The Company does not expect the application of this guidance to have a material impact on its consolidated financial statements.

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, 2023	$ 33,451	$ 1,785	$ 68,155	$ 185	$ 68,340
Balance at June 30, 2024	28,207	1,812	68,255	143	68,398

Revenue recognized for the three and six months ended June 30, 2024 from amounts included in deferred revenue at the beginning of the period was approximately $24.8 million and $57.3 million, respectively. Revenue recognized for the three and six months ended June 30, 2023 from amounts included in deferred revenue at the beginning of the period was approximately $17.0 million and $47.6 million, respectively. During the three and six months ended June 30, 2024, the Company did not recognize a material amount of revenue from performance obligations satisfied or partially satisfied in previous periods.

The assets recognized for costs to obtain a contract were $11.0 million as of June 30, 2024 and $13.1 million as of December 31, 2023 and are recorded in other current assets and other assets. Amortization expense recognized for the three and six months ended June 30, 2024 related to costs to obtain a contract was $2.7 million and $5.8 million, respectively, and is included in operating expenses for the respective period. Amortization expense recognized for the three and six months ended June 30, 2023 related to costs to obtain a contract was $2.5 million and $5.0 million, respectively, and is included in operating expenses for the respective period.

Transaction Price Allocated to Future Performance Obligations

As of June 30, 2024, the total aggregate transaction price allocated to the unsatisfied performance obligations for subscription and support contracts was approximately $182.2 million, of which approximately $123.3 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 April 2029.

4. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2024 consist of the following:

	June 30, 2024		
Description	Contracted Maturity	Cost	Fair Market Value
		(in thousands)	
Cash	Demand	$ 24,125	$ 24,125
Money market funds	Demand	45	45
Total cash and cash equivalents		$ 24,170	$ 24,170

Cash and cash equivalents as of December 31, 2023 consist of the following:

	December 31, 2023		
Description	Contracted Maturity	Cost	Fair Market Value
		(in thousands)	
Cash	Demand	$ 18,571	$ 18,571
Money market funds	Demand	44	44
Total cash and cash equivalents		$ 18,615	$ 18,615

5. Net Loss per Share

The Company calculates basic and diluted net loss per common share by dividing the net loss by the weighted average number of common shares outstanding during the period. The Company has excluded other potentially dilutive shares, which includes the effects of the assumed exercise of any outstanding common stock options and the assumed vesting of restricted stock units, where the effect would be anti-dilutive.

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 June 30,		Six Months Ended June 30,	
(shares in thousands)	2024	2023	2024	2023
Options outstanding	2,094	2,939	2,094	2,939
Restricted stock units outstanding	7,615	6,198	7,615	6,198

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 Company's Chief Executive Officer 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted-average fair value of options granted during the period	$ —	$ 1.75	$ —	$ 1.75
Risk-free interest rate	—	3.4 - 4.8%	—	3.4 - 4.8%
Expected volatility	—	47.9 - 55.5%	—	47.9 - 55.5%
Expected dividend yield	—	—	—	—

As of June 30, 2024, there was $22.6 million of unrecognized stock-based compensation expense related to stock-based awards that is expected to be recognized over a weighted-average period of 2.27 years. The following table summarizes stock-based compensation expense as included in the consolidated statement of operations for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Stock-based compensation:				
Cost of subscription and support revenue	$ 122	$ 129	$ 228	$ 267
Cost of professional services and other revenue	71	92	111	192
Research and development	476	551	791	1,239
Sales and marketing	1,183	931	1,537	2,100
General and administrative	1,307	1,784	2,705	3,232
	$ 3,159	$ 3,487	$ 5,372	$ 7,030

The following is a summary of the stock option activity during the six months ended June 30, 2024.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2023	2,247,951	$ 7.73	7.11	$ —
Granted	—	—		
Exercised	—	—		—
Canceled	(153,746)	9.78		
Outstanding at June 30, 2024	2,094,205	$ 7.58	6.93	—
Exercisable at June 30, 2024	1,143,051	$ 7.98	5.47	$ —

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on June 30, 2024 of $2.37 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 six months ended June 30, 2024:

	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, 2023	5,102,268	$ 6.04	517,170	$ 4.54	5,619,438	$ 5.90
Granted	4,238,499	1.89	—	—	4,238,499	1.89
Vested and issued	(1,213,777)	6.54	—	—	(1,213,777)	6.54
Canceled	(1,012,110)	5.39	(17,186)	18.33	(1,029,296)	5.60
Unvested at June 30, 2024	7,114,880	$ 3.57	499,984	$ 4.06	7,614,864	$ 3.60

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 June 30, 2024 and December 31, 2023, 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.

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 June 30, 2024, 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 November 1, 2023, the Company entered into a loan modification agreement to an existing amended and restated loan and security agreement with a lender (collectively, the "Loan Agreement"). The Loan Agreement provides for up to a $30.0 million asset-backed 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 prime rate plus 225 basis points and (ii) for Secured Overnight Financing Rate ("SOFR") advances, the greater of (A) the SOFR 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 there is outstanding principal during any month, 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 November 1, 2026. The Company was in compliance with all applicable covenants under the Line of Credit as of June 30, 2024 and there were no borrowings outstanding as of June 30, 2024

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
North America	$ 30,246	$ 30,694	$ 61,210	$ 59,795
Europe	8,165	7,915	16,081	16,102
Japan	4,069	4,928	8,901	10,124
Asia Pacific	6,675	7,366	13,244	13,860
Other	92	85	292	170
Total revenue	$ 49,247	$ 50,988	$ 99,728	$ 100,051

North America is comprised of revenue from the United States, Canada and Mexico. Revenue from customers located in the United States was $27.7 million and $28.6 million for the three months ended June 30, 2024 and 2023, respectively. Revenue from customers located in the United States was $56.4 million and $55.5 million for the six months ended June 30, 2024 and 2023, respectively.

Other than the United States, no other country contributed more than 10% of the Company's total revenue for the three and six months ended June 30, 2024. Other than the United States and Japan, no other country contributed more than 10% of the Company's total revenue for the three and six months ended June 30, 2023.

11. Goodwill and intangible assets

During the three months ended June 30, 2024, indicators of potential impairment were identified, which included a continued decline in the Company's stock price and market capitalization.

The Company reviewed its quantitative analysis for its definite-lived intangible assets as of October 31, 2023, that used undiscounted cash flow models, and determined that the assumptions used in the undiscounted cash flow model were still applicable as of June 30, 2024 and that there was no impairment on its definite-lived intangible assets. The Company's significant assumptions in the undiscounted cash flow models include, but are not limited to, its revenue growth rates assumption.

As the Company has one reporting unit all of its goodwill was allocated to that unit for the purpose of testing for impairment. To determine fair value of its one reporting unit, the Company engaged a third-party valuation expert and provided the valuation expert with projected financial information prepared by management. The Company took the income approach and used a discounted cash flow model as its valuation technique to measure the fair value of its reporting unit as of June 30, 2024. The result of the goodwill impairment test performed indicated that estimated fair value exceeded the carrying value of the reporting unit. As such, the Company concluded the reporting unit was not at risk of impairment as of the interim testing date.

Conditions that could trigger future impairment assessment include, but are not limited to, a significant adverse change in certain agreements, significant underperformance relative to historical or projected future operating results, an economic downturn in customers' industries, increased competition, a significant reduction in our stock price for a sustained period or a reduction of our market capitalization relative to net book value. These factors could have a negative material impact to the fair value of the Company's reporting unit and could result in a future impairment charge.

12. Restructuring and Other

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 incurred approximately $0.4 million in restructuring charges in the three months ended March 31, 2023. The restructuring charges reflected post-employment benefits, and the Company did not 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 as of March 31, 2023.

During the three months ended March 31, 2024, 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 incurred approximately $0.5 million and $2.1 million in restructuring charges in the three and six months ended June 30, 2024, respectively. 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 June 30, 2024, the restructuring charges are reflected in the *Condensed Consolidated Statements of Operations* as follows: $0.2 million - Cost of Revenue; $0.5 million - General and Administrative; $0.4 million – Research and Development; and $1.0 million – Sales and Marketing. The Company paid the entire amount as of June 30, 2024.

During the three months ended March 31, 2024, the Company incurred costs of approximately $0.2 million relating to mobility taxes owed. During the three months ended June 30, 2024 the Company did not incur in any additional costs relating to mobility taxes owed.

13. Gain on Sale of Assets

During the three months ended March 31, 2024, the Company sold a certain number of its patents to a third party for $6.0 million. The Company retains the perpetual right to use these patents for its current customers. The Company also retained the perpetual right to use these patents in its offerings to prospective customers, with certain time-limited exceptions. The Company has no obligation to maintain or develop the patents. The gain on the sale of patents is reflected within Sale of Patents in the *Condensed Consolidated Statements of Operations*.

During the three months ended June 30, 2024 the Company did not sell any additional patents.

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, 2023.

Company Overview

We are a global leader in cloud-based streaming technology and services with a vision to be the world's most trusted streaming technology company. Brightcove's software platform and suite of solutions include a breadth and depth of offerings that meet the needs of media and enterprise customers in a variety of industries across the globe with their use of streaming video, and serve as a guide in optimizing and maturing their streaming strategies. Leading companies across industries rely on our products, solutions, services, and industry expertise to grow their streaming businesses, monetize their content via streaming use-cases, expand and engage their audiences (both external and internal), and reduce the cost and complexity associated with storing, publishing, delivering, distributing, measuring, and monetizing content across streaming channels and devices.

With deep industry expertise and an understanding of how streaming video helps generate positive business outcomes, our proven platform combines functionality designed to meet the needs and goals of our customers with the additional flexibility for customers to customize solutions to meet their own unique requirements.

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 June 30, 2024 and 2023, we had 624 and 682 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 $100.1 million in the six months ended June 30, 2023 to $99.7 million in the six months ended June 30, 2024, due to a decrease in subscription and support revenue, offset by an increase in professional services revenue.

Included in the consolidated net loss for the six months ended June 30, 2024 was stock-based compensation expense, amortization of acquired intangible assets, and restructuring expense of $5.4 million, $1.8 million, and $2.3 million, respectively. Included in the consolidated net loss for the six months ended June 30, 2023 was merger-related expense, stock-based compensation expense, amortization of acquired intangible assets and restructuring expense of $0.2 million, $7.0 million, $2.0 million and $2.8 million, respectively.

For the three months ended June 30, 2024 and 2023, our revenue derived from customers located outside North America was 39% and 40%, respectively. For the six months ended June 30, 2024 and 2023, our revenue derived from customers located outside of North America was 38% and 40%, 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:

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Customers (at period end)		
Premium	1,958	2,131
Volume	486	560
Total customers (at period end)	2,444	2,691
Net revenue retention rate	92.7 %	94.5 %
Recurring dollar retention rate	83.9 %	87.4 %
Average annual subscription revenue per premium customer, excluding Starter edition customers (in thousands)	$ 98.5	$ 92.1
Average annual subscription revenue per premium customer for Starter edition customers only (in thousands)	$ 4.4	$ 3.9
Total backlog, excluding professional services engagements (in millions)	$ 182.2	$ 176.7
Total backlog to be recognized over next 12 months, excluding professional services engagements (in millions)	$ 123.3	$ 124.8

- *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 volume offerings include our Video Cloud Express customers and our Zencoder customers on month-to-month contracts and pay-as-you-go contracts. All other offerings are considered premium.

  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 June 30, 2024 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 2024 and beyond as we continue to focus on the market for our premium solutions.

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

- *Recurring Dollar Retention Rate.* We assess our ability to retain customers using a metric we refer to as our recurring dollar retention rate. We calculate the recurring dollar retention rate by dividing the retained recurring value of subscription revenue for a period by the previous recurring value of subscription revenue for the same period. We define retained recurring value of subscription revenue as the committed subscription fees for all contracts that renew in a given period, including any increase or decrease in contract value. We define previous recurring value of subscription revenue as the recurring value from committed subscription fees for all contracts that expire in that same period. We typically calculate our recurring dollar retention rate on a monthly basis. Recurring dollar retention rate provides visibility into our ongoing revenue. It 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.

- *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.

Geopolitical Events

Worldwide economic uncertainties and negative trends, including financial and credit market fluctuations, uncertainty in the banking sector, rising interest rates, political unrest and social strife, such as continued Russian military action against Ukraine, and the current armed conflict in Israel and the Gaza Strip, a potential U.S. federal government shutdown, and other impacts from the macroeconomic environment have, and could continue to, affect our business, financial condition and results of operations. While we have continued to invest in business growth, our business is dependent on many factors and these macroeconomic conditions have caused and may in the future affect the rate of spending on software products and the demand for video to support virtual events.

Components of Consolidated Statements of Operations

Revenue

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

Our products are generally offered to customers on a subscription-based SaaS model, with varying levels of functionality, support, and usage entitlements that depend on the use case of our customers. Customer arrangements are typically one-year contracts, which include a subscription to our software, access to basic support and a pre-determined amount of usage entitlements. The pricing is based on the value of our software, the level of support, and the amount of usage entitlements. 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. We also offer enhanced support packages for an additional fee.

Our Video Cloud Express edition, which targets SMBs, and our Zencoder customers on month-to-month contracts or pay-as-you-go contracts, are considered volume customers. All other 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 six months of 2023 to the first six months of 2024. 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, over the long term, that research and development expenses will 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. 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, over the long term, 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.

Gain on Sale of Assets. During the three months ended March 31, 2024, we sold a certain number of our patents to a third party for $6.0 million. We retain the perpetual right to use these patents for our current customers. We also retained the perpetual right to use these patents in our offerings to prospective customers, with certain time-limited exceptions. We have no obligation to maintain or develop the patents.

Other Income (Expense), net

Other income (expense), net 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. and foreign net deferred tax assets at June 30, 2024 and December 31, 2023.

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 June 30, 2024 and 2023, we recorded $3.2 million and $3.5 million, respectively, of stock-based compensation expense. For the six months ended June 30, 2024 and 2023, we recorded $5.4 million and $7.0 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 six months ended June 30, 2024, the U.S. dollar increased in value as compared to the Japanese Yen, and our Japanese Yen-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. Please see Note 11 for a discussion of our evaluation of impairment of goodwill as of June 30, 2024.

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, 2023, which we filed with the Securities and Exchange Commission on February 22, 2024.

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, 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except share and per share data)			
Revenue:				
Subscription and support revenue	$ 47,397	$ 49,013	$ 95,366	$ 96,115
Professional services and other revenue	1,850	1,975	4,362	3,936
Total revenue	49,247	50,988	99,728	100,051
Cost of revenue:				
Cost of subscription and support revenue	17,277	16,603	34,084	34,868
Cost of professional services and other revenue	2,130	1,898	4,945	3,900
Total cost of revenue	19,407	18,501	39,029	38,768
Gross profit	29,840	32,487	60,699	61,283
Operating expenses:				
Research and development	8,975	10,345	17,824	20,211
Sales and marketing	17,080	19,034	33,534	38,499
General and administrative	8,822	9,405	18,366	19,469
Merger-related	—	45	—	190
Gain on sale of assets	—	—	(6,000)	—
Total operating expenses	34,877	38,829	63,724	78,369
Loss from operations	(5,037)	(6,342)	(3,025)	(17,086)
Other income (expense), net	49	422	11	(121)
Loss before income taxes	(4,988)	(5,920)	(3,014)	(17,207)
Provision for income taxes	257	317	657	744
Net loss	$ (5,245)	$ (6,237)	$ (3,671)	$ (17,951)

Overview of Results of Operations for the Three Months Ended June 30, 2024 and 2023

Total revenue decreased by 3%, or $1.7 million, in the three months ended June 30, 2024 compared to the three months ended June 30, 2023 due to a decrease in subscription and support revenue of 3% or $1.6 million, primarily due to a decrease in revenue from our premium offerings. Our revenue from premium offerings decreased by $1.7 million, or 3%, in the three months ended June 30, 2024 compared to the three months ended June 30, 2023 due to a decrease in the number of our customers, a decrease in usage-based fees outside of North America, and to a lesser extent, foreign exchange. Professional services and other revenue increased by 6%, or $0.1 million, in the three months ended June 30, 2024 compared to the three months ended June 30, 2023. 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.

In constant currency, our total revenue for the three months ended June 30, 2024 would have been approximately $50.0 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of $0.6 million. Constant currency is calculated as translating current period revenue denominated in foreign currencies at the exchange rates of the prior period of comparison.

Our gross profit decreased by $2.6 million, or 8%, in the three months ended June 30, 2024 compared to the three months ended June 30, 2023, primarily due to the decrease in usage-based fees in subscription and support revenue. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery and our revenue from premium offerings.

Loss from operations was $5.0 million in the three months ended June 30, 2024 compared to a loss of $6.3 million in the three months ended June 30, 2023. This is primarily due to a decrease in operating expenses of $4.0 million, offset by a decrease in gross profit of $2.6 million in the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

Revenue

Revenue by Product Line	Three Months Ended June 30, 2024 Amount	2024 Percentage of Revenue	2023 Amount	2023 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Premium	$ 48,939	99 %	$ 50,643	99 %	$ (1,704)	(3)%
Volume	308	1	345	1	(37)	(11)
Total	$ 49,247	100 %	$ 50,988	100 %	$ (1,741)	(3)%

During the three months ended June 30, 2024, revenue decreased by $1.7 million, or 3%, compared to the three months ended June 30, 2023, primarily due to a decrease in revenue from our premium offerings. The decrease in premium revenue of $1.7 million, or 3%, is the result of a decrease in the number of our customers, a decrease in usage-based fees outside of North America, and to a lesser extent, foreign exchange. In the three months ended June 30, 2024, volume revenue did not change materially compared to the three months ended June 30, 2023, as we continue to focus on the market for our premium solutions.

Revenue by Type	Three Months Ended June 30, 2024 Amount	2024 Percentage of Revenue	2023 Amount	2023 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$ 47,397	96 %	$ 49,013	97 %	$ (1,616)	(3)%
Professional services and other	1,850	4	1,975	3	(125)	(6)
Total	$ 49,247	100 %	$ 50,988	100 %	$ (1,741)	-3 %

During the three months ended June 30, 2024, subscription and support revenue decreased compared to the three months ended June 30, 2023 primarily due to a decrease in revenue from our premium offerings as described above. Professional services and other revenue decreased by $0.1 million, or 6%, 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 June 30, 2024 Amount	2024 Percentage of Revenue	2023 Amount	2023 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
North America	$ 30,246	61 %	$ 30,694	60 %	$ (448)	(1)%
Europe	8,165	17	7,915	16	250	3
Japan	4,069	8	4,928	10	(859)	(17)
Asia Pacific	6,675	14	7,366	14	(691)	(9)
Other	92	—	85	0	7	8
International subtotal	19,001	39	20,294	40	(1,293)	(6)
Total	$ 49,247	100 %	$ 50,988	100 %	$ (1,741)	(3)%

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

During the three months ended June 30, 2024, total revenue for North America decreased by $0.4 million, or 1%, compared to the three months ended June 30, 2023. During the three months ended June 30, 2024, total revenue outside of North America decreased by $1.3 million, or 6%, compared to the three months ended June 30, 2023. 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. 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

	Three Months Ended June 30,				Change	
	2024		2023			
Cost of Revenue	**Amount**	**Percentage of Related Revenue**	**Amount**	**Percentage of Related Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$ 17,277	36 %	$ 16,603	34 %	$ 674	4 %
Professional services and other	2,130	115	1,898	96	232	12
Total	$ 19,407	39 %	$ 18,501	36 %	$ 906	5 %

In the three months ended June 30, 2024, cost of subscription and support revenue increased $0.7 million, or 4%, compared to the three months ended June 30, 2023. The increase resulted primarily from an increase in amortization expense of $0.8 million and partner commission expense of $0.4 million, respectively, offset by a decrease in network hosting services expense of $0.6 million. The remaining increase was due to various other expenses that, in aggregate, increased by approximately $0.1 million.

In the three months ended June 30, 2024, cost of professional services and other revenue increased $0.2 million, or 12%, compared to the three months ended June 30, 2023. The increase resulted primarily from an increase in contractor expenses of $0.5 million, offset by a decrease in employee-related expenses of $0.3 million.

Gross Profit

	Three Months Ended June 30,				Change	
	2024		2023			
Gross Profit	**Amount**	**Percentage of Related Revenue**	**Amount**	**Percentage of Related Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$ 30,120	64 %	$ 32,410	66 %	$ (2,290)	(7)%
Professional services and other	(280)	(15)	77	4	(357)	(464)
Total	$ 29,840	61 %	$ 32,487	64 %	$ (2,647)	(8)%

The overall gross profit percentage was 61% and 64% for the three months ended June 30, 2024 and 2023, respectively. The decrease in gross profit percentage was due to the aforementioned decreases in subscription and support revenue. Subscription and support gross profit decreased $2.3 million, or 7%, compared to the three months ended June 30, 2023. Professional services and other gross profit decreased by$ 0.4 million, or 464%, compared to the three months ended June 30, 2023. 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 June 30,				Change	
	2024		2023			
Operating Expenses	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Research and development	$ 8,975	18 %	$ 10,345	20 %	$ (1,370)	(13)%
Sales and marketing	17,080	35	19,034	37	(1,954)	(10)
General and administrative	8,822	18	9,405	18	(583)	(6)
Merger-related	—	—	45	—	(45)	(100)
Total	$ 34,877	71 %	$ 38,829	75 %	$ (3,952)	(10)%

Research and Development. In the three months ended June 30, 2024, research and development expense decreased by $1.4 million, or 13%, compared to the three months ended June 30, 2023 primarily due to a decrease in employee-related expenses of $1.3 million and stock-based compensation expense of $0.1 million. We expect research and development costs in absolute dollars to remain relatively steady in the second half of 2024.

Sales and Marketing. In the three months ended June 30, 2024, sales and marketing expense decreased by $2.0 million, or 10%, compared to the three months ended June 30, 2023 primarily due to a decrease in employee-related expenses, agency expenses, and marketing programs expenses of $1.4 million, $0.3 million, and $0.4 million, respectively. These decreases were offset by various other expenses that, in aggregate, increased by approximately $0.1 million. We expect sales and marketing expense in absolute dollars to decrease during the remainder of 2024.

General and Administrative. In the three months ended June 30, 2024, general and administrative expense decreased by $0.6 million, or 6%, compared to the three months ended June 30, 2023 primarily due to decreases in employee-related expenses and stock-based compensation expense of $0.2 million and $0.5 million, respectively. These decreases were offset by various other expenses that, in aggregate, increased by approximately $0.1 million. We expect general and administrative expenses in absolute dollars to increase modestly during the remainder of 2024.

Merger-Related. In the three months ended June 30, 2024, merger-related expenses decreased by $0.1 million, or 100%, due to costs incurred in connection with merger-related activities incurred in 2023 which did not recur in 2024.

Overview of Results of Operations for the Six Months Ended June 30, 2024 and 2023

Total revenue decreased by 0%, or $0.3 million, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023 due to a decrease in subscription and support revenue of 1% or $749, primarily due to a decrease in revenue from our premium offerings. Our revenue from premium offerings decreased by $250, or 0%, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Professional services and other revenue increased by 11%, or $0.4 million, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023. 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.

In constant currency, our total revenue for the six months ended June 30, 2024 would have been approximately $101.0 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of $1.1 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 $0.6 million, or 1%, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023, 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 and our revenue from premium offerings.

Loss from operations was $3.0 million in the six months ended June 30, 2024 compared to a loss from operations of $17.1 million in the six months ended June 30, 2023. This is primarily due to a decrease in operating expenses of $14.6 million, offset by a decrease in gross profit of $0.6 million in the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Revenue

	Six Months Ended June 30,					
	2024		2023		Change	
Revenue by Product Line	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Premium	$ 99,129	99 %	$ 99,379	99 %	$ (250)	0 %
Volume	599	1	672	1	(73)	(11)
Total	$ 99,728	100 %	$ 100,051	100 %	$ (323)	0 %

During the six months ended June 30, 2024, revenue decreased by $0.3 million, or 0%, compared to the six months ended June 30, 2023, primarily due to a decrease in revenue from our premium offerings. The decrease in premium revenue of $0.3 million, or 0%, is the result of a decrease in the number of our customers and in the average revenue per premium customer. In the six months ended June 30, 2024, volume revenue did not change materially compared to the six months ended June 30, 2023, as we continue to focus on the market for our premium solutions.

Revenue by Type	Six Months Ended June 30, 2024 Amount	2024 Percentage of Revenue	2023 Amount	2023 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$ 95,366	96 %	$ 96,115	96 %	$ (749)	(1)%
Professional services and other	4,362	4	3,936	4	426	11
Total	$ 99,728	100 %	$ 100,051	100 %	$ (323)	0 %

During the six months ended June 30, 2024, subscription and support revenue decreased by $0.7 million, or 1%, compared to the six months ended June 30, 2023, due to the aforementioned decrease in revenue premium offerings. Professional services and other revenue increased by $0.4 million, or 11%, 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	Six Months Ended June 30, 2024 Amount	2024 Percentage of Revenue	2023 Amount	2023 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
North America	$ 61,210	61 %	$ 59,795	60 %	$ 1,415	2 %
Europe	16,081	17	16,102	16	(21)	0
Japan	8,901	9	10,124	10	(1,223)	(12)
Asia Pacific	13,244	13	13,860	14	(616)	(4)
Other	292	—	170	0	122	72
International subtotal	38,518	39	40,256	40	(1,738)	(4)
Total	$ 99,728	100 %	$ 100,051	100 %	$ (323)	0 %

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 six months ended June 30, 2024, total revenue for North America increased by $1.4 million, or 2%, compared to the six months ended June 30, 2023. During the six months ended June 30, 2024, total revenue outside of North America decreased by $1.7 million, or 4%, compared to the six months ended June 30, 2023. The decrease in revenue in Japan was primarily driven by the strengthening of the U.S. dollar against the Japanese Yen. The decrease in Asia Pacific was due 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	Six Months Ended June 30, 2024 Amount	2024 Percentage of Related Revenue	2023 Amount	2023 Percentage of Related Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$ 34,084	36 %	$ 34,868	36 %	$ (784)	(2)%
Professional services and other	4,945	113	3,900	99	1,045	27
Total	$ 39,029	39 %	$ 38,768	39 %	$ 261	1 %

In the six months ended June 30, 2024, cost of subscription and support revenue decreased $0.8 million, or 2%, compared to the six months ended June 30, 2023. The decrease resulted primarily from a decrease in content delivery network expenses and network hosting services of $0.9 million and $1.8 million, respectively. These decreases were offset by an increase in amortization of capitalized internal-use software development of $1.6 million. The remaining decrease was due to various other expenses which, in aggregate, decreased by $0.3 million.

In the six months ended June 30, 2024, cost of professional services and other revenue increased $1.0 million, or 27%, compared to the six months ended June 30, 2023. The increase resulted primarily from an increase in contractor expenses and employee-related expenses of $1.3 million and $0.2 million, respectively. These increases were offset by various other expenses that, in aggregate, decreased by $0.5 million.

Gross Profit

	Six Months Ended June 30,					
	2024		2023		Change	
Gross Profit	**Amount**	**Percentage of Related Revenue**	**Amount**	**Percentage of Related Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$ 61,282	64 %	$ 61,247	64 %	$ 35	0 %
Professional services and other	(583)	(13)	36	1	(619)	nm
Total	$ 60,699	61 %	$ 61,283	61 %	$ (584)	(1)%

nm: not meaningful

The overall gross profit percentage was 61% and 61% for the six months ended June 30, 2024 and 2023, respectively. Subscription and support gross profit did not change materially compared to the six months ended June 30, 2023. Professional services and other gross profit decreased by $0.6 million compared to the six months ended June 30, 2023. The negative professional services and other gross profit of $0.6 million for the six months ended June 30, 2024 was driven by the utilization and efficiency of our services resources. 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

	Six Months Ended June 30,					
	2024		2023		Change	
Operating Expenses	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Research and development	$ 17,824	18 %	$ 20,211	20 %	$ (2,387)	(12)%
Sales and marketing	33,534	34	38,499	38	(4,965)	(13)
General and administrative	18,366	18	19,469	19	(1,103)	(6)
Merger-related	—	—	190	—	(190)	(100)
Gain on sale of assets	(6,000)	(6)	—	0	(6,000)	nm
Total	$ 63,724	64 %	$ 78,369	77 %	$ (14,645)	(19)%

nm: not meaningful

Research and Development. In the six months ended June 30, 2024, research and development expense decreased by $2.4 million, or 12%, compared to the six months ended June 30, 2023 primarily due to a decrease in employee-related expenses of $1.5 million, which includes a decrease of $0.6 million of restructuring charges, as well as a decrease in stock-based compensation expense and contractor expenses of $0.5 million and $0.2 million, respectively. The remaining decrease was due to various other expenses which, in aggregate, decreased by approximately $191. We expect research and development costs in absolute dollars to remain steady in the second half of 2024.

Sales and Marketing. In the six months ended June 30, 2024, sales and marketing expense decreased by $5.0 million, or 13%, compared to the six months ended June 30, 2023 primarily due to a decrease in employee-related expenses, stock-based compensation expense, agency expenses, marketing programs expenses, travel, and contractor expenses of $2.5 million, $0.6 million, $0.5 million, $0.6 million, $0.4 million and $0.5 million, respectively. The $2.5 million decrease in employee-related expenses reflects a decrease of $0.2 million in restructuring charges. These decreases were offset by various other expenses which, in aggregate, increased by $0.1 million. We expect sales and marketing expense in absolute dollars to decrease in the second half of 2024.

General and Administrative. In the six months ended June 30, 2024, general and administrative expense decreased by $1.1 million, or 6%, compared to the six months ended June 30, 2023 primarily due to decreases in stock-based compensation and contractor expenses of $0.5 million and $0.7 million, respectively. These decreases were offset by various other expenses that, in aggregate, increased by approximately $0.1 million. We expect general and administrative expenses in absolute dollars to increase modestly during the remainder of 2024.

Merger-Related. In the six months ended June 30, 2024, merger-related expenses decreased by $0.2, or 100%, due to costs incurred in connection with merger-related activities in 2023 which did not recur in 2024.

Gain on Sale of Assets. In the six months ended June 30, 2024, we sold a number of our patents for $6.0 million.

Liquidity and Capital Resources

Cash and cash equivalents.

Our cash and cash equivalents at June 30, 2024 were held for working capital purposes and were invested primarily in cash. We do not enter into investments for trading or speculative purposes. At June 30, 2024 and December 31, 2023, we had $12.2 million and $8.3 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, 2024, we received $6.0 million of cash consideration for the sale of patents. During the quarter ended June 30, 2023, cash flows used in operating activities were impacted by the placement of Silicon Valley Bank into Federal Deposit Insurance Corporation receivership. We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated working capital and capital expenditure needs over at least the next 12 months.

Condensed Consolidated Statements of Cash Flow Data	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(in thousands)	
Cash flows provided by (used in) operating activities	$ 6,048	$ (1,822)
Cash flows provided by (used in) investing activities	$ 814	$ (8,561)
Cash flows used in financing activities	$ (239)	$ (1,956)

Accounts receivable, net.

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

Cash flows provided by operating activities.

Cash provided by operating activities consists primarily of net 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 provided by operating activities during the six months ended June 30, 2024 was $6.0 million. The cash provided by operating activities primarily resulted from net non-cash charges of $9.4 million, including the gain on sale of assets of $6.0 million, net changes in our operating assets and liabilities of $0.3 million, and a net loss of $3.7 million. Net non-cash expenses mainly consisted of $10.1 million for depreciation and amortization and $5.4 million for stock-based compensation. Cash outflows resulting from changes in our operating assets and liabilities consisted primarily of an increase in prepaid expenses and other current assets of $1.0 million, a decrease in accounts payable of $7.5 million, and a decrease in operating leases of $0.3 million. These cash outflows were offset by decreases in accounts receivable and other assets of $5.1 million and $1.0 million, respectively, and increases in accrued expenses and deferred revenue, of $2.4 million and $0.6 million, respectively. The increase in cash flow provided by operating activities in the six months ended June 30, 2024 compared to the prior period is primarily due to the gain on sale of assets of $6.0 million.

Cash flows provided by investing activities.

Cash provided by investing activities during the six months ended June 30, 2024 was $0.8 million, consisting primarily of a gain in the sale of assets of $6.0 million, offset by $4.0 million in cash used for the capitalization of internal-use software costs and $1.2 million in cash used for capital expenditures to support the business. The increase in cash flows provided by investing activities is primarily due to the gain on the sale of assets in 2024.

Cash flows used in financing activities.

Cash used in financing activities for the six months ended June 30, 2024 was $0.2 million, primarily from deferred acquisition payments and other financing activities.

Credit facility.

On November 1, 2023, we entered into a loan modification agreement to our existing amended and restated loan and security agreement with a lender (the "Loan Agreement"), for the extension of the maturity date of amounts due under our Second Restated Loan Agreement with the lender until three years from the date of 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 June 30, 2024. As we have not currently drawn on the Line of Credit, there are no amounts outstanding as of June 30, 2024.

Net operating loss carryforwards.

As of December 31, 2023, we had federal net operating losses of approximately $154.0 million, of which $108.3 million are available to offset future taxable income, if any, through 2037, and $45.7 million are available to offset future taxable income indefinitely. As of December 31, 2023, we had state net operating losses of approximately $76.5 million, of which $73.4 million are available to offset future taxable income, if any, through 2041, and $3.1 million are available to offset future taxable income indefinitely. We also had federal and state research and development tax credits of $10.7 million and $6.3 million, respectively, which expire in various amounts through 2043. The net operating loss and tax credit amounts are subject to annual limitations under Section 382 change of ownership rules under 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 June 30, 2024 and December 31, 2023.

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 2022 and 2023, we renewed and amended agreements with our primary providers of content delivery network services, hosting and other support services. The terms of the agreements comprised, respectively: 1) a minimum commitment of $93.2 million over three years and 2) a minimum commitment of $6.6 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, 2023 are summarized in our Annual Report on Form 10-K for the year ended December 31, 2023.

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 increased foreign exchange rate fluctuations, inflationary pressures, interest rate increases or other factors could also adversely impact our ability to access capital as and when needed.

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

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

Financial instruments

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

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, 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 June 30,	
	2024	2023
Revenues generated in locations outside the United States	44 %	44 %
Revenues in currencies other than the United States dollar (1)	23 %	25 %
Expenses in currencies other than the United States dollar (1)	16 %	18 %

	Six Months Ended June 30,	
	2024	2023
Revenues generated in locations outside the United States	44 %	45 %
Revenues in currencies other than the United States dollar (1)	24 %	25 %
Expenses in currencies other than the United States dollar (1)	17 %	17 %

(1) Percentage of revenues and expenses denominated in foreign currency for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
	Revenues	Expenses	Revenues	Expenses
Euro	6 %	1 %	6 %	1 %
British pound	6	5	6	6
Japanese Yen	8	2	10	2
Other	3	8	3	9
Total	23 %	16 %	25 %	18 %

	Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	Revenues	Expenses	Revenues	Expenses
Euro	6 %	1 %	6 %	1 %
British pound	6	5	6	6
Japanese Yen	9	2	10	2
Other	3	9	3	8
Total	24 %	17 %	25 %	17 %

As of June 30, 2024 and December 31, 2023, we had $5.7 million and $6.6 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 six months ended June 30, 2024 the U.S. dollar has weakened by approximately 2%, and 2% compared to the British pound and euro, and strengthened by approximately 11.4% against the Japanese Yen, compared to the six months ended June 30, 2023. Relative to foreign currency exposures existing at June 30, 2024, 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 six months ended June 30, 2024, we estimated that a 20% unfavorable movement in foreign currency exchange rates would have decreased revenues by $4.7 million, decreased expenses by $3.7 million and decreased operating income by $1.0 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 June 30, 2024.

Interest rate risk

We had cash and cash equivalents totaling $24.2 million at June 30, 2024. 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 June 30, 2024. 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 June 30, 2024, 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 June 30, 2024, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weakness in internal control over financial reporting described below.

Material Weakness in Internal Control

We identified a material weakness in our internal control related to ineffective information technology general controls, or ITGCs, in the areas of user access and program change management over our key accounting and reporting information technology, or IT, system. As a result, the related business process controls (specifically, the IT application controls and IT-dependent manual controls) that are dependent on the ineffective ITGCs, or that use data produced from the system impacted by the ineffective ITGCs, were also ineffective.

The material weakness identified above did not result in any material misstatements in our financial statements or disclosures, and there were no changes to previously released financial results. Our management concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q, present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

Remediation of Material Weakness

Our management is committed to maintaining a strong internal control environment. In response to the identified material weakness above, management intends to take comprehensive actions to remediate the material weakness in internal control over financial reporting.

The remediation actions include: (i) implementing additional training and awareness of ITGC policies with a focus on user access; (ii) increasing the extent of oversight and verification checks in the operation of user access and program change management controls and processes; and (iii) deploying tools and processes to support monitoring of user access and program change management.

We believe that these actions, when fully implemented, will remediate the material weakness. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We will continue to assess the effectiveness of our internal control over financial reporting and we intend to remediate the known material weakness prior to the end of the fiscal year 2024.

Changes in Internal Control over Financial Reporting

Except as described above, 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.

Inherent Limitation on the Effectiveness of Internal Control

Our management, including our Principal Executive Officer and Principal Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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, 2023, 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.*

We depend on the experience and expertise of our executive officers, senior management team and key technical employees, and the loss of any key employee could have an adverse effect on our business, financial condition and results of operations.

Our success depends upon the continued service of our executive officers, senior management team and key technical employees, as well as our ability to continue to attract and retain additional highly qualified personnel. Each of our executive officers, senior management team, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of any member of our senior management team or key personnel might significantly delay or prevent the achievement of our business objectives and could materially harm our business and our customer relationships. On April 10, 2024, Robert Noreck stepped down from his position as our Chief Financial Officer ("CFO") upon our Board's election of John Wagner as CFO. Mr. Noreck will serve as a consultant, assisting with the transition of his responsibilities until September 30, 2024, at which time Mr. Noreck's services to us will terminate. Leadership transitions can be inherently difficult to manage, and if we have an inadequate transition of our CFO, it may cause disruption to our business, including to our relationships with customers, vendors and employees. In addition, because of the nature of our business, the loss of any significant number of our existing engineering, project management and sales personnel could have an adverse effect on our business, financial condition and results of operations.

We have identified a material weakness in our internal controls over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. During the six months ended June 30, 2024, we identified a material weakness in our internal control related to ineffective information technology general controls ("ITGCs") in the areas of user access and program change management over our key accounting and reporting information technology ("IT") system. As a result, the related business process controls (specifically, the IT application controls and IT-dependent manual controls) that are dependent on the ineffective ITGCs, or that use data produced from the system impacted by the ineffective ITGCs, were also ineffective. Although the material weakness identified above did not result in any material misstatements in our consolidated financial statements during the period covered by this report and there were no changes to previously released financial results, our management concluded that these control deficiencies constitute a material weakness and that our internal control over financial reporting was not effective as of June 30, 2024.

Our management, under the oversight of the Audit Committee of our Board of Directors and in consultation with outside advisors, has begun evaluating and implementing measures designed to remediate the material weakness. In particular, we are taking steps intended to remediate this material weakness by (i) implementing additional training and awareness of ITGC policies with a focus on user access; (ii) increasing the extent of oversight and verification checks in the operation of user access and program change management controls and processes; and (iii) deploying tools and processes to support monitoring of user access and program change management. The above controls need to operate for a sufficient period of time so that management can conclude that our controls are operating effectively. As such, the material weakness will not be considered remediated until management has concluded through the implementation of these remediation measures and testing that these controls are effective. However, we cannot assure you that the measures we are taking will be sufficient to remediate the material weakness or avoid the identification of additional material weaknesses in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our periodic reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted, terminated or modified a Rule 10b5-1 trading arrangement or any "non-Rule 10b5-1 trading agreement" (as defined in Item 408(c) of Regulation S-K).

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ITEM 6. EXHIBITS

Exhibits	
3.1 (1)	Eleventh Amended and Restated Certificate of Incorporation.
3.2 (2)	Amended and Restated By-Laws.
4.1 (3)	Form of Common Stock certificate of the Registrant.
10.1† (4)	Amended and Restated Form of Director and Officer Indemnification Agreement.
10.2† (5)	Employment Agreement, dated April 8, 2024 by and between the Registrant and John Wagner.
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.
(4) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2024, and incorporated herein by reference.
(5) Filed as Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2024, and incorporated herein by reference.
^ Furnished herewith.
† Indicates a management contract or any compensatory plan, contract or arrangement.

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: August 8, 2024 By: /s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2024 By: /s/ John Wagner

John Wagner
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: August 8, 2024

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, John Wagner, 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: August 8, 2024

By: /s/ John Wagner

John Wagner
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 June 30, 2024 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: August 8, 2024

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 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), John Wagner, 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: August 8, 2024

By: /s/ John Wagner

John Wagner
Chief Financial Officer
(Principal Financial Officer)