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, 2023

OR

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

For the transition period from ___to

Commission File Number: 001-38093

Veritone, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**47-1161641**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1615 Platte Street, 2nd Floor, Denver, CO 80202
(Address of principal executive offices, including zip code)

(888) 507-1737
(Registrant's telephone number, including area code)

2420 17th St., Office 3002, Denver, CO 80202
(Former name, former address and former fiscal year, if changed since last report))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	VERI	The NASDAQ Stock Market LLC

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 4, 2023, 36,998,228 shares of the registrant's common stock were outstanding.

VERITONE, INC.
QUARTERLY REPORT ON FORM 10-Q
June 30, 2023

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend that such forward-looking statements be subject to the safe harbors created thereby. All statements made in this Quarterly Report on Form 10-Q that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "anticipates," "believes," "seeks," "estimates," "expects," "intends," "continue," "can," "may," "plans," "potential," "projects," "should," "could," "will," "would" or similar expressions and the negatives of those expressions may identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements include, but are not limited to, any statements that refer to projections of our future financial condition and results of operations, capital needs and financing plans, competitive position, industry environment, potential growth and market opportunities, acquisition plans and strategies, compensation plans, governance structure and policies and/or the price of our common stock.

The forward-looking statements included herein represent our management's current expectations and assumptions based on information available as of the date of this report. These statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that may cause or contribute to such differences include, but are not limited to:

- our ability to expand our aiWARE SaaS business;
- declines or limited growth in the market for AI-based software applications and concerns over the use of AI that may hinder the adoption of AI technologies;
- our requirements for additional capital to support our business growth, and the availability of such capital on acceptable terms, if at all;
- our reliance upon a limited number of key customers for a significant portion of our revenue, including declines in key customers' usage of our products and other offerings;
- our ability to realize the intended benefits of our acquisitions and divestitures, including our ability to successfully integrate our recent acquisition of Broadbean (as defined in Note 3);
- fluctuations in our results over time;
- the impact of seasonality on our business;
- our ability to manage our growth, including through acquisitions and our further expansion into international markets;
- our ability to enhance our existing products and introduce new products that achieve market acceptance and keep pace with technological developments;
- actions by our competitors, partners and others that may block us from using the technology in our aiWARE platform, offering it for free to the public or making it cost prohibitive to continue to incorporate their technologies into our platform;
- interruptions, performance problems or security issues with our technology and infrastructure, or that of our third party service providers;
- the impact of the continuing economic disruption caused by the recent and potential future disruptions in access to bank deposits or lending commitments due to bank failures, COVID-19 pandemic and the Russian invasion of Ukraine on the business of the Company and that of our existing and potential customers;
- increasing interest rates, inflationary pressures and the threat of a recession in the United States and around the world; and
- any additional factors discussed in Item 1A (Risk Factors) of Part I of our Annual Report on Form 10-K for the year ended December 31, 2022 and our other filings with the Securities and Exchange Commission ("SEC"), including future SEC filings.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. You should carefully review these risks, as well as the additional risks described in other documents we file from time to time with the SEC. In light of the significant risks and uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking information, which speak only as of the date of this report.

Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements.

Except as required by law, we assume no obligation to update any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VERITONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share and share data)
(Unaudited)

	As of	
	June 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 62,674	$ 184,423
Accounts receivable, net	47,618	56,001
Expenditures billable to clients	22,269	22,339
Prepaid expenses and other current assets	19,861	15,242
Total current assets	152,422	278,005
Property, equipment and improvements, net	11,397	5,291
Intangible assets, net	96,866	79,664
Goodwill	78,355	46,498
Long-term restricted cash	865	859
Other assets	16,017	14,435
Total assets	$ 355,922	$ 424,752
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 30,821	$ 36,738
Accrued media payments	67,472	102,064
Client advances	14,170	16,442
Deferred revenue	12,742	2,600
Contingent consideration, current	—	8,067
Other accrued liabilities	36,135	27,412
Total current liabilities	161,340	193,323
Convertible senior notes, non-current	138,199	137,767
Other non-current liabilities	17,330	13,811
Total liabilities	316,869	344,901
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, par value $0.001 per share; 75,000,000 shares authorized; 36,899,862 and 36,321,222 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	37	36
Additional paid-in capital	458,385	451,162
Accumulated deficit	(417,530)	(371,271)
Accumulated other comprehensive loss	(1,839)	(76)
Total stockholders' equity	39,053	79,851
Total liabilities and stockholders' equity	$ 355,922	$ 424,752

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

VERITONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(in thousands, except per share and share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 27,967	$ 34,235	$ 58,230	$ 68,642
Operating expenses:				
Cost of revenue	7,765	6,705	14,574	13,628
Sales and marketing	13,124	12,576	25,814	23,645
Research and development	10,519	11,068	22,046	20,951
General and administrative	19,025	2,304	36,422	24,625
Amortization	5,714	5,211	11,143	10,226
Total operating expenses	56,147	37,864	109,999	93,075
Loss from operations	(28,180)	(3,629)	(51,769)	(24,433)
Other income (expense), net	3,510	(1,231)	3,865	(2,417)
Loss before provision for income taxes	(24,670)	(4,860)	(47,904)	(26,850)
Benefit from income taxes	(1,374)	(1,607)	(1,645)	(1,468)
Net loss	$ (23,296)	$ (3,253)	$ (46,259)	$ (25,382)
Net loss per share:				
Basic and diluted	$ (0.63)	$ (0.09)	$ (1.26)	$ (0.71)
Weighted average shares outstanding:				
Basic and diluted	36,848,602	36,083,515	36,718,994	35,782,766
Comprehensive loss:				
Net loss	$ (23,296)	$ (3,253)	$ (46,259)	$ (25,382)
Foreign currency translation (loss) gain, net of income taxes	(997)	386	(1,763)	576
Total comprehensive loss	$ (24,293)	$ (2,867)	$ (48,022)	$ (24,806)

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

VERITONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(Unaudited)

Three Months Ended June 30, 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of March 31, 2023	36,792,812	$ 37	$ 455,759	$ (394,234)	$ (842)	$ 60,720
Common stock issued under employee stock plans	126,857	—	—	—	—	—
Common stock withheld for employee taxes	(29,807)	—	(151)	—	—	(151)
Stock-based compensation expense	—	—	2,777	—	—	2,777
Net loss	—	—	—	(23,296)	—	(23,296)
Other comprehensive loss	—	—	—	—	(997)	(997)
Balance as of June 30, 2023	36,889,862	$ 37	$ 458,385	$ (417,530)	$ (1,839)	$ 39,053

Six Months Ended June 30, 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2022	36,321,222	$ 36	$ 451,162	$ (371,271)	$ (76)	$ 79,851
Common stock issued under employee stock plans	593,763	1	642	—	—	643
Common stock withheld for employee taxes	(160,923)	—	(1,003)	—	—	(1,003)
Common stock issued as part of contingent consideration	135,800	—	756	—	—	756
Stock-based compensation expense	—	—	6,828	—	—	6,828
Net loss	—	—	—	(46,259)	—	(46,259)
Other comprehensive loss	—	—	—	—	(1,763)	(1,763)
Balance as of June 30, 2023	36,889,862	$ 37	$ 458,385	$ (417,530)	$ (1,839)	$ 39,053

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

	Three Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance as of March 31, 2022	36,056,839	$ 36	$ 435,954	$ (367,843)	$ 86	$ 68,233
Common stock issued under employee stock plans	78,802	—	212	—	—	212
Common stock withheld for employee taxes	(7,278)	—	(72)	—	—	(72)
Stock-based compensation expense	—	—	4,715	—	—	4,715
Net loss	—	—	—	(3,253)	—	(3,253)
Other comprehensive gain	—	—	—	—	386	386
Balance as of June 30, 2022	36,128,363	$ 36	$ 440,809	$ (371,096)	$ 472	$ 70,221

	Six Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount				
Balance as of December 31, 2021	34,972,256	$ 35	$ 431,606	$ (345,037)	$ (104)	$ 86,500
Cumulative-effect of accounting change adopted as of January 1, 2022	—	—	—	(677)	—	(677)
Common stock issued under employee stock plans, net	1,152,345	1	781	—	—	782
Common stock withheld for employee taxes	(465,118)	—	(9,509)	—	—	(9,509)
Common stock issued for acquisition	116,550	—	1,929	—	—	1,929
Common stock issued as part of contingent consideration	352,330	—	6,440	—	—	6,440
Stock-based compensation expense	—	—	9,562	—	—	9,562
Net loss	—	—	—	(25,382)	—	(25,382)
Other comprehensive gain	—	—	—	—	576	576
Balance as of June 30, 2022	36,128,363	$ 36	$ 440,809	$ (371,096)	$ 472	$ 70,221

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

VERITONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net loss	$ (46,259)	$ (25,382)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,296	10,670
Provision for credit losses	(15)	472
Stock-based compensation expense	6,614	9,562
Gain on sale of energy group	(2,572)	—
Change in fair value of contingent consideration	651	(8,785)
Change in deferred taxes	(1,828)	(1,940)
Amortization of debt issuance costs	432	599
Amortization of right-of-use assets	649	531
Imputed non-cash interest (income) expense	(65)	65
Changes in assets and liabilities:		
Accounts receivable	16,308	35,545
Expenditures billable to clients	70	9,205
Prepaid expenses and other assets	(3,501)	(1,546)
Other assets	(1,613)	(4,950)
Accounts payable	(7,286)	(16,522)
Deferred revenue	8	(295)
Accrued media payments	(34,592)	(5,988)
Client advances	(2,264)	1,711
Other accrued liabilities	6,652	(4,278)
Other liabilities	(2,218)	(2,959)
Net cash used in operating activities	(58,533)	(4,285)
Cash flows from investing activities:		
Minority investment	—	(2,000)
Proceeds from divestiture	504	—
Capital expenditures	(2,697)	(2,258)
Acquisitions, net of cash acquired	(50,195)	(2,612)
Settlement of deferred consideration for acquisitions	(2,690)	—
Net cash used in investing activities	(55,078)	(6,870)
Cash flows from financing activities:		
Payment of contingent considerations	(7,772)	(14,376)
Taxes paid related to net share settlement of equity awards	(1,003)	(9,509)
Proceeds from issuances of stock under employee stock plans, net	643	782
Net cash used in financing activities	(8,132)	(23,103)
Net decrease in cash and cash equivalents and restricted cash	(121,743)	(34,258)
Cash and cash equivalents and restricted cash, beginning of period	185,282	255,577
Cash and cash equivalents and restricted cash, end of period	$ 63,539	$ 221,319
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activities:		
Shares issued for acquisition of businesses and earn-out consideration	756	8,369
Stock-based compensation capitalized for software development	214	88
Lease liabilities arising from right-of-use assets	1,436	4,501
Shares received for sale of energy group	2,021	—

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

NOTE 1. DESCRIPTION OF BUSINESS

Veritone, Inc., a Delaware corporation ("Veritone" and together with its subsidiaries, collectively, the "Company"), is a provider of artificial intelligence ("AI") computing solutions. The Company's proprietary AI operating system, aiWARE^{TM}, uses machine learning algorithms, or AI models, together with a suite of powerful applications, to reveal valuable insights from vast amounts of structured and unstructured data. The aiWARE platform offers capabilities that mimic human cognitive functions such as perception, prediction and problem solving, enabling users to quickly, efficiently and cost effectively transform unstructured data into structured data, and analyze and optimize data to drive business processes and insights. aiWARE is based on an open architecture that enables new AI models, applications and workflows to be added quickly and efficiently, resulting in a scalable and evolving solution that can be leveraged by organizations across a broad range of business sectors, serving commercial enterprises as well as government and regulated industries.

In addition, the Company operates a full-service advertising agency that leverages the Company's aiWARE technologies to provide differentiated Managed Services to its clients. The Company's advertising services include media planning and strategy, advertisement buying and placement, campaign messaging, clearance verification and attribution, and custom analytics, specializing in host-endorsed and influencer advertising across primarily radio, podcasting, streaming audio, social media and other digital media channels. The Company's advertising services also include its VeriAds Network, which is comprised of programs that enable broadcasters, podcasters and social media influencers to generate incremental advertising revenue. The Company also offers cloud-native digital content management solutions and licensing services, primarily to customers in the media and entertainment market. These offerings leverage the Company's aiWARE technologies, providing customers with unique capabilities to enrich and drive expanded revenue opportunities from their content.

On June 13, 2023, the Company acquired Broadbean (as defined in Note 3), a global leader of talent acquisition software-as-a-service technology. On August 11, 2022, the Company acquired certain assets of Vision Semantics Limited ("VSL"), a U.K.-based company focused on AI-powered video analytics and surveillance software solutions. On June 10, 2022, the Company acquired VocaliD, Inc. ("VocaliD"), a U.S.-based company that pioneered the creation of personalized synthetic voices. On March 1, 2022, the Company acquired an influencer-based management company. For further details on these acquisitions, refer to Note 3.

NOTE 2. PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial statements and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not contain all information and footnotes required by GAAP for annual financial statements. Such unaudited condensed consolidated financial statements and accompanying notes are based on the representations of the Company's management, who is responsible for their integrity and objectivity. The information included in this Form 10-Q should be read in conjunction with the information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023. Interim results for the three and six months ended June 30, 2023 are not necessarily indicative of the results the Company will have for the full year ending December 31, 2023.

The accompanying condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which are normal, recurring and necessary to fairly state the Company's financial position, results of operations and cash flows. All significant intercompany transactions have been eliminated in consolidation. The financial data and the other information disclosed in these notes to the condensed consolidated financial statements reflected in the three- and six- month periods presented are unaudited. The December 31, 2022 balance sheet included herein was derived from the audited financial statements but does not include all disclosures or notes required by GAAP for complete financial statements.

Liquidity and Capital Resources

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles assuming the Company will continue as a going concern. During the years ended December 31, 2022 and 2021, the Company generated cash flows from operations of $3,737 and $7,234, respectively, and incurred net losses of $25,557 and $64,672, respectively. As of June 30, 2023, the Company had an accumulated deficit of $417,530. Historically, the Company has satisfied its capital needs with the net proceeds from sales of equity securities, issuances of convertible debt, and the exercise of common stock options and warrants. If the Company needs to raise additional capital in order to continue to execute its business plan, there is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to the Company. During the six months ended June 30, 2023, the Company received net proceeds of $643 from the issuance of common stock under the Company's employee stock plans, and used $1,003 for taxes paid related to net share settlement of equity awards and $7,772 for payment of the 2022 earnout for PandoLogic (as defined herein).

During the six months ended June 30, 2023, the Company used cash in operations of $58,533, driven principally by the timing of payments for advertising customers and by the Company's net loss of $46,259, and the Company used cash in investing activities of $55,078, driven principally by its acquisition of Broadbean (see Note 3). As of June 30, 2023, the Company had cash and cash equivalents of $62,674, including $52,699 of cash received from advertising customers for future payments to vendors. Absent any other action, management determined that the Company would require additional liquidity to continue its operations over the next twelve months. In August 2023, the Company obtained the Credit Facility (see Note 13) and initiated cost reductions, which management projects, when combined with its cash and cash equivalents, will allow the Company to meet its anticipated cash requirements for the next twelve months.

Use of Accounting Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the accompanying condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The principal estimates relate to the accounting recognition and presentation of revenue, allowance for credit losses, purchase accounting, impairment of long-lived assets, the valuation of contingent consideration, the valuation of non-cash consideration received in barter transactions and evaluation of realizability, and the valuation of stock awards and stock warrants and income taxes, where applicable.

There has been uncertainty and disruption in the global economy and financial markets due to the COVID-19 pandemic, the war in Ukraine, the recent inflationary environment and rising interest rates. The Company is not aware of any specific event or circumstance that would require an update to its estimates or assumptions or a revision of the carrying value of its assets or liabilities as of the date of filing of this Quarterly Report on Form 10-Q.

These estimates and assumptions may change as new events occur and additional information is obtained. As a result, actual results could differ materially from these estimates and assumptions.

Significant Customers

One individual customer accounted for 10% or more of the Company's revenue for the three months ended June 30, 2023 and 2022. One individual customer accounted for 10% or more of the Company's revenue for the six months ended June 30, 2023 and 2022. One individual customer accounted for 10% or more of the Company's accounts receivable as of June 30, 2023 and one individual customer accounted for 10% or more of the Company's accounts receivable as of December 31, 2022.

Remaining Performance Obligations

As of June 30, 2023, the aggregate amount of the transaction prices under the Company's contracts allocated to the Company's remaining performance obligations was $30,607, approximately 31% of which the Company expects to recognize as revenue over the next twelve months, and the remainder thereafter. This aggregate amount excludes amounts allocated to remaining performance obligations under contracts that have an original duration of one year or less and variable consideration that is allocated to remaining performance obligations. Excluded based on this policy are balances related to hiring solutions representing gross purchase orders to be satisfied in less than one year. Revenues will be recognized net of costs to fulfill these orders.

Segment Information

The Company operates as one reportable segment. The Company reports segment information based on the internal reporting used by the chief operating decision maker for making decisions and assessing performance as the source of the Company's reportable segments.

Significant Accounting Policies

There have been no material changes in the Company's significant accounting policies from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2022, other than those associated with the recently adopted guidance on accounting for expected credit losses as further described in Note 8.

Recently Adopted Accounting Pronouncements

In September 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* which requires measurement and recognition of expected credit losses for financial assets held. This standard was effective for the Company beginning in the first quarter of fiscal year 2023. The Company adopted this guidance on January 1, 2023 and the impact of the adoption was not material to our condensed consolidated financial statements as credit losses are not expected to be significant based on historical collection trends, the financial condition of payment partners, and external market factors.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, in order to align the recognition of a contract liability with the definition of a performance obligation. The Company adopted this guidance on January 1, 2023. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

NOTE 3. BUSINESS COMBINATIONS AND DIVESTITURE

Broadbean Acquisition

On June 13, 2023, the Company acquired Broadbean, a global leader of talent acquisition software-as-a-service technology, pursuant to a securities and asset purchase agreement whereby the Company acquired (i) 100% of the issued and outstanding share capital of (a) Broadbean Technology Pty Ltd ACN 116 011 959 / ABN 79 116 011 959, a limited company incorporated under the laws of Australia ("Broadbean Australia"), (b) Broadbean Technology Limited, a limited company incorporated under the laws of England and Wales ("Broadbean UK"), (c) Broadbean, Inc., a Delaware corporation ("Broadbean Inc.") and (d) CareerBuilder France S.A.R.L., a limited liability company organized (*société à responsabilité limitée*) under the laws of France, and (ii) certain assets and liabilities related thereto (the foregoing clauses (i) and (ii) together, "Broadbean"). The acquisition is expected to significantly strengthen Veritone's AI-driven human resources product suite, building on the Company's previous acquisition of PandoLogic.

The total purchase consideration was $53,224 (the "Broadbean Acquisition Consideration"), which consisted of cash payments of $53,224 at closing. The Company incurred $3,214 in acquisition-related expenses and has recorded them in general and administrative expenses in the condensed consolidated statement of operations and comprehensive loss. The Broadbean Acquisition Consideration is preliminary and subject to net working capital adjustments that the Company expects to finalize and settle in the measurement period. The final settlement amount may vary materially as amounts are finalized and ultimately agreed to by the parties.

The following table summarizes the fair value of the Broadbean Acquisition Consideration:

Preliminary Broadbean Acquisition Consideration		**Amount**
Cash consideration at closing	$	53,224

The preliminary allocation of the Broadbean Acquisition Consideration to tangible and intangible assets acquired and liabilities assumed is based on estimated fair values and is as follows:

Preliminary Allocation of Broadbean Acquisition Consideration**		**Amount**
Cash and cash equivalents	$	3,029
Accounts receivable, net		7,910
Prepaid expenses and other current assets		1,008
Property, equipment and improvements, net		4,348
Intangible assets		27,500
Other assets		1,115
Total assets acquired		44,910
Accounts payable		1,369
Deferred revenue		10,134
Other accrued liabilities		4,565
Other non-current liabilities		7,565
Total liabilities assumed		23,633
Identifiable net assets acquired		21,277
Goodwill		31,947
Total purchase consideration	$	53,224

**The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities is recorded as goodwill. Goodwill is primarily attributable to opportunities to cross-sell into our Commercial Enterprise customer base.

Identifiable Intangible Assets

The identifiable intangible assets acquired consisted of the customer relationships and developed technology with estimated useful lives of four to five years. The Company amortizes the fair value of these intangible assets on a straight-line basis over their respective useful lives.

Developed technology relates to Broadbean's internally developed software. The Company valued the developed technology using the relief- from- royalty method under the income approach. This method is based on the application of a royalty rate to forecasted revenue that is expected to be generated by the existing developed technology. The economic useful life was determined based on the technology cycle related to the developed technology, as well as the timing of cash flows over the forecast period. Customer relationships relate to the sales of products and services to Broadbean's existing customer base. The Company valued the customer relationships using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the existing customer relationships less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on historical customer turnover rates, as well as the timing of cash flows over the forecast period.

The valuation of the intangible assets acquired along with their estimated useful lives, is as follows:

	Estimated Fair Value	Estimated Useful Lives (in years)
Customer relationships	$ 17,200	5
Developed technology	10,300	4
Total intangible assets	$ 27,500	

Taxes

In connection with the acquisition of Broadbean, a net deferred tax liability of $7,059 was established primarily relating to non-goodwill intangible assets and recorded within other non-current liabilities on the Company's condensed consolidated balance sheet. The amount of tax-deductible goodwill as of the purchase date is $3,755. The allocation of purchase consideration to deferred tax assets and liabilities and income taxes payable is preliminary as the Company continues to evaluate certain balances, estimates and assumptions during the measurement period (up to one year from the acquisition date).

Unaudited Pro Forma Results

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Broadbean as if the companies were combined for the three and six month periods ended June 30, 2023 and June 30, 2022, respectively. The unaudited pro forma financial information for all periods presented included the business combination accounting effects resulting from this acquisition, including adjustments to reflect recognition of intangible asset amortization. The unaudited pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of January 1, 2022 or the results that may occur in the future.

The Company recognized $1,716 in revenue and $276 of net income related to Broadbean since the acquisition date of June 13, 2023 through June 30, 2023 in the condensed consolidated statement of operations and comprehensive loss.

The unaudited pro forma financial information was as follows:

	Three months ended June 30, 2023	Six Months Ended June 30, 2023
Net revenue	$ 34,735	$ 73,293
Loss before provision for income taxes	(26,801)	(48,824)
Net loss	(22,314)	(44,102)

	Three months ended June 30, 2022	Six Months Ended June 30, 2022
Net revenue	$ 42,506	$ 85,065
Loss before provision for income taxes	(1,918)	(21,281)
Net loss	(1,970)	(23,018)

VSL Acquisition

On August 11, 2022, the Company acquired certain assets of VSL, a U.K.-based company focused on AI-powered video analytics and surveillance software solutions, pursuant to an asset purchase agreement.

The total purchase consideration was $1,952 (the "VSL Acquisition Consideration"), which consisted of cash payments of $1,700 at closing and deferred cash payments to be made in 2023 totaling $300, which deferred payments were estimated to have a fair value of $252 as of the acquisition date. The Company incurred $272 in acquisition-related expenses and has recorded them in general and administrative expenses in the condensed consolidated statement of operations and comprehensive loss.

The following table summarizes the fair value of the VSL Acquisition Consideration:

VSL Acquisition Consideration	**Amount**
Cash consideration at closing	$ 1,700
Deferred consideration	252
Total	$ 1,952

The allocation of the VSL Acquisition Consideration to tangible and intangible assets acquired and liabilities assumed is based on estimated fair values and is as follows:

Allocation of VSL Acquisition Consideration**	**Amount**
Accounts receivable, net	$ 57
Property, equipment and improvements, net	13
Intangible assets	1,500
Total assets acquired	1,570
Accrued expenses and other current liabilities	32
Total liabilities assumed	32
Identifiable net assets acquired	1,538
Goodwill	414
Total purchase consideration	$ 1,952

**The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities is recorded as goodwill. Goodwill is primarily attributable to the assembled workforce. All goodwill generated from the acquisition is tax deductible.

Identifiable Intangible Assets

The identifiable intangible assets acquired consisted of developed technology valued at $1,500 with estimated useful lives of three years. The Company amortizes the fair value of these intangible assets on a straight-line basis over their respective useful lives.

The fair value of the intangible assets has been estimated using a cost approach. Under the cost approach, the replacement cost is used to estimate the value of the asset. The key assumptions include the Company's estimates of the direct and indirect costs required to replace the asset.

VocaliD Acquisition

On June 10, 2022, the Company acquired 100% of VocaliD, a U.S.-based company that specializes in the creation of personalized synthetic voices, pursuant to a stock purchase agreement.

The total purchase consideration was $3,384 (the "VocaliD Acquisition Consideration"), which consisted of cash payments of $1,609 at closing and deferred cash payments to be made in 2023 totaling $2,000, which deferred payments were estimated to have a fair value of $1,785 as of the acquisition date, and a net working capital adjustment reducing the purchase price by $10. The Company incurred $200 in acquisition-related expenses and has recorded them in general and administrative expenses in the condensed consolidated statement of operations and comprehensive loss during the six months ended June 30, 2022.

The Company paid the first of two deferred cash payments of $1,000 during the six months ended June 30, 2023.

The following table summarizes the fair value of the VocaliD Acquisition Consideration:

VocaliD Acquisition Consideration		**Amount**
Cash consideration at closing	$	1,609
Deferred consideration		1,785
Net working capital adjustment		(10)
Total	$	3,384

The allocation of the VocaliD Acquisition Consideration to tangible and intangible assets acquired and liabilities assumed is based on estimated fair values and is as follows:

Allocation of VocaliD Acquisition Consideration**		**Amount**
Cash	$	216
Intangible assets		2,700
Total assets acquired		2,916
Accounts payable		6
Accrued expenses and other current liabilities		33
Deferred tax liability		663
Total liabilities assumed		702
Identifiable net assets acquired		2,214
Goodwill		1,170
Total purchase consideration	$	3,384

**The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities is recorded as goodwill. Goodwill is primarily attributable to the assembled workforce. The transaction is treated as a non-taxable stock acquisition for income tax purposes and none of the goodwill generated from the acquisition was tax deductible.

Identifiable Intangible Assets

The identifiable intangible assets acquired consisted of developed technology valued at $2,700 with estimated useful lives of three years. The Company amortizes the fair value of these intangible assets on a straight-line basis over their respective useful lives.

The fair value of the intangible assets has been estimated using a cost approach. Under the cost approach, the replacement cost is used to estimate the value of the asset. The key assumptions include the Company's estimates of the direct and indirect costs required to replace the asset.

March 2022 Acquisition

On March 1, 2022, the Company acquired 100% of an influencer-based management company, which is a California limited liability company, pursuant to a securities purchase agreement dated as of March 1, 2022 (the "March 2022 Acquisition"). The entity is an influencer management company that works with a select group of social media influencers to create content and custom marketing campaigns for brand partners and agencies.

The total purchase consideration was $5,881 (the "March 2022 Acquisition Consideration"), which consisted of a cash payment of $1,500 at closing, $1,929 for the fair value of the Company's 116,550 shares of common stock, and deferred cash payments to be made in 2023 and 2024 totaling $3,000, which deferred payments were estimated to have a fair value of $2,707 on the acquisition date. The total purchase price was decreased by $976 for the settlement of a preexisting receivable and increased by $684 to adjust for the cash on hand at the time of the transaction closing and a net working capital adjustment of $37. In addition, the sellers may receive up to $4,500 in contingent earnout consideration based on achieving certain milestones tied to the entity's financial performance in fiscal 2022 and 2023, which amount will be paid in cash (the "March 2022 Acquisition Earnout"). The fair value of the March 2022 Acquisition Earnout was estimated to be $3,015 as of March 1, 2022, all of which was deemed to be compensation to the seller which will be recognized as compensation expense over the earnout period in the general and administrative expenses on the condensed consolidated statement of operations and comprehensive loss. The Company entered into an agreement that amended the terms of the March 2022 Acquisition Earnout in July 2023. For further details on this amendment, refer to Note 13. The Company incurred $270 in acquisition-related expenses and has recorded them in general and administrative expenses in the condensed consolidated statement of operations and comprehensive loss during the six months ended June 30, 2022.

The Company paid the first of two deferred cash payments of $1,500 during the six months ended June 30, 2023.

The following table summarizes the fair value of the March 2022 Acquisition Consideration:

March 2022 Acquisition Consideration		Amount
Cash consideration at closing	$	1,500
Equity consideration at closing		1,929
Deferred consideration		2,707
Acquired cash		684
Settlement of pre-existing receivable		(976)
Net working capital adjustment		37
Total	$	5,881

The allocation of the March 2022 Acquisition Consideration to tangible and intangible assets acquired and liabilities assumed is based on estimated fair values and is as follows:

Allocation of March 2022 Acquisition Consideration**		Amount
Cash	$	715
Accounts receivable		1,088
Prepaid and other current assets		120
Property and equipment		53
Intangible assets		2,700
Other assets		247
Total assets acquired		4,923
Accounts payable		18
Accrued expenses and other current liabilities		1,788
Operating lease liabilities, non-current		140
Total liabilities assumed		1,946
Identifiable net assets acquired		2,977
Goodwill		2,904
Total purchase consideration	$	5,881

**The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities is recorded as goodwill. Goodwill is primarily attributable to opportunities to cross-sell into our Commercial Enterprise customer base. For income tax purposes, the Company elected to treat the transaction as an asset acquisition. As such, the goodwill generated from the acquisition is tax deductible.

Identifiable Intangible Assets

The identifiable intangible assets acquired consisted of the influencer network, trade name and brand relationships with estimated useful lives of three to ten years. The Company amortizes the fair value of these intangible assets on a straight-line basis over their respective useful lives.

The fair value of the intangible assets has been estimated using an income approach. Under the income approach, the after-tax cash flows associated with the asset are discounted to present value. The key assumptions include the Company's estimates of the projected cash flows and discount rates.

The valuation of the intangible assets acquired along with their estimated useful lives, is as follows:

		Estimated Fair Value	Estimated Useful Lives (in years)
Influencer network	$	1,200	5
Trade name		200	10
Brand relationships		1,300	3
Total intangible assets	$	2,700	

Energy Group Divestiture

On June 30, 2023, the Company completed the sale of its energy group (the “Energy Divestiture”) to GridBeyond Limited, an Ireland-based privately held company (“GridBeyond”) that delivers AI-powered energy solutions, pursuant to an asset purchase agreement. The Company received 4,160,644 shares of Series B Preference Shares in GridBeyond valued at approximately $2.0 million plus $0.5 million in cash. The Energy Divestiture resulted in a pre-tax gain of $2.6 million for the three and six months ended June 30, 2023. The Energy Divestiture does not meet the criteria of discontinued operations because the disposal does not have a major effect on the Company’s operations and financial results.

NOTE 4. DEBT

Convertible Senior Notes

In November 2021, the Company issued, at par value, $201.3 million aggregate principal amount of 1.75% convertible senior notes due 2026 (the “Convertible Notes”). The issuance included the full exercise of an option granted by the Company to the initial purchasers of the Convertible Notes to purchase an additional $26.25 million aggregate principal amount of Convertible Notes. The Convertible Notes were issued pursuant to and are subject to the terms and conditions of an indenture, which is referred to as the Indenture, between the Company and U.S. Bank National Association, as trustee. The Convertible Notes were offered and sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. In December 2022, the Company repurchased $60.0 million aggregate principal amount of the Convertible Notes at approximately 65% of par (the “Repurchase Transaction”). After giving effect to the Repurchase Transaction, the Company has $141.25 million in aggregate principal amount of the Convertible Notes remaining outstanding as of June 30, 2023.

The Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 1.75% per year. Interest accrues from November 19, 2021 and is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2022. The Convertible Notes will mature on November 15, 2026, unless earlier converted, redeemed, or repurchased in accordance with the terms of the Convertible Notes.

Holders of the Convertible Notes may convert all or any portion of their Convertible Notes at their option at any time prior to the close of business on the business day immediately preceding May 15, 2026, only under the following conditions: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate for the Convertible Notes on each such trading day; (3) if the Company calls such Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the applicable redemption date; or (4) upon the occurrence of specified corporate events. On or after May 15, 2026, holders may convert all or any portion of their Convertible Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company’s election.

The conversion rate for the Convertible Notes initially is 27.2068 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $36.76 per share of common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or following the Company’s issuance of a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with such a corporate event or who elects to convert its Convertible Notes called (or deemed called) for redemption during the related redemption period, as the case may be.

The Company may not redeem the Convertible Notes prior to November 20, 2024. The Company may redeem for cash all or any portion of the Convertible Notes (subject to certain limitations), at its option, on or after November 20, 2024 if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.

If the Company undergoes a fundamental change prior to the maturity date, subject to certain conditions, holders may require the Company to repurchase for cash all or any portion of their Convertible Notes. The fundamental change repurchase price will be equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Convertible Notes are the Company's senior unsecured obligations and rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment with all existing and future liabilities of the Company that are not so subordinated; effectively junior to any of secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) and any preferred equity of the Company's current or future subsidiaries.

The net proceeds from the issuance of the Convertible Notes were approximately $194.9 million, after deducting debt issuance costs. The total debt issuance costs incurred and recorded by the Company amounted to $6.3 million, which were recorded as a reduction to the face amount of the Convertible Notes and are being amortized to interest expense using the effective interest method over the contractual term of the Convertible Notes. The Convertible Notes are recorded as a liability within convertible senior notes, non-current.

For the three and six months ended June 30, 2023, interest expense related to the Convertible Notes and amortization of the issuance costs was $0.8 million and $1.7 million, respectively. For the three and six months ended June 30, 2022, interest expense related to the Convertible Notes and amortization of the issuance costs was $1.2 million and $2.4 million, respectively. The effective annual interest rate for the three and six months ended June 30, 2023 and the three and six months ended June 30, 2022 was approximately 2.42%. As of June 30, 2023, the if-converted value of the Convertible Notes did not exceed the outstanding principal amount. As of June 30, 2023, the total estimated fair value of the Convertible Notes was $97.8 million, which was determined based on a market approach using actual bids and offers of the Convertible Notes in an over-the-counter market during the period. The Company considers these assumptions to be Level 2 inputs in accordance with the fair value hierarchy described in Note 6.

Capped Calls

In connection with the pricing of the Convertible Notes, with the full exercise by the initial purchasers of their option to purchase additional Convertible Notes in November 2021, the Company used approximately $18.6 million of the net proceeds from the issuance of the Convertible Notes to enter into privately negotiated capped call transactions, which are referred to as the capped calls, with various financial institutions.

The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of shares of the Company's common stock underlying the Convertible Notes. The capped call transactions are expected generally to reduce the potential dilution to the Company's common stock upon conversion of the Convertible Notes and/or offset some or all of any cash payments the Company is required to make in excess of the principal amount of converted Convertible Notes, as the case may be, in the event that the market price per share of the Company's common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions, which initially corresponds to the conversion price of the Convertible Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Convertible Notes. If, however, the market price per share of the Company's common stock, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the capped call transactions. The initial cap price of the capped calls is $48.55 per share of common stock, which represents a premium of 75% over the last reported sale price of the Company's common stock of $27.74 per share on November 16, 2021, and is subject to certain customary adjustments under the terms of the capped calls; provided that the cap price will not be reduced to an amount less than the strike price of $35.76 per share.

The capped call transactions are separate transactions and are not part of the terms of the Convertible Notes. The capped calls meet the criteria for classification as equity and, as such, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within stockholders' equity.

In connection with the Repurchase Transaction, the Company entered into transactions in December 2022 to unwind a portion of the capped calls. As a result, the Company received $0.3 million in net proceeds from the proceeds of the unwinding of the capped calls.

NOTE 5. NET LOSS PER SHARE

The following table presents the computation of basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator				
Net loss	$ (23,296)	$ (3,253)	$ (46,259)	$ (25,382)
Denominator				
Weighted-average common shares outstanding	36,848,602	36,084,113	36,718,994	35,783,067
Less: Weighted-average shares subject to repurchase	—	(598)	—	(301)
Denominator for basic and diluted net loss per share attributable to common stockholders	36,848,602	36,083,515	36,718,994	35,782,766
Basic and diluted net loss per share	$ (0.63)	$ (0.09)	$ (1.26)	$ (0.71)

The Company reported net losses for all periods presented and, as such, all potentially dilutive shares of common stock would have been antidilutive for such periods. The table below presents the weighted-average securities (in common equivalent shares) outstanding during the periods presented that have been excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Common stock options, restricted stock units and performance stock units	10,949,114	10,266,921	10,850,896	10,143,835
Warrants to purchase common stock	496,612	496,612	496,612	496,612
Common stock issuable in connection with convertible senior notes	3,842,961	5,475,369	3,842,961	5,475,369
	15,288,687	16,238,902	15,190,469	16,115,816

NOTE 6. FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs that may be used to measure fair value. Level 1 and Level 2 are considered observable and Level 3 is considered unobservable, as follows:

•Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities;

•Level 2—inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

•Level 3—unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash and Cash Equivalents

The Company's money market funds are categorized as Level 1 within the fair value hierarchy. As of June 30, 2023, the Company's cash and cash equivalents were as follows:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents
Cash	$ 62,674	$ —	$ 62,674	$ 62,674
Total	$ 62,674	$ —	$ 62,674	$ 62,674

As of December 31, 2022, the Company's cash and cash equivalents balances were as follows:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents
Cash	$ 183,381	$ —	$ 183,381	$ 183,381
Level 1:				
Money market funds	1,042	—	1,042	1,042
Total	$ 184,423	$ —	$ 184,423	$ 184,423

Contingent Consideration

On September 14, 2021, the Company acquired 100% of PandoLogic, Ltd. ("PandoLogic"), a company incorporated under the laws of the state of Israel, pursuant to an Agreement and Plan of Merger dated as of July 21, 2021 (the "PandoLogic Merger Agreement"). The total purchase consideration for PandoLogic included up to $65,000 in contingent consideration based on achieving certain earnouts tied to financial performance of PandoLogic in fiscal 2021 and 2022, which amount will be paid in a combination of cash and common stock (the "PandoLogic Earnout").

All of the Company's contingent consideration liabilities are categorized as Level 3 within the fair value hierarchy. Contingent consideration for the PandoLogic acquisition was valued at the time of acquisition using Monte Carlo simulation models. These models incorporate contractual terms and assumptions regarding financial forecasts for PandoLogic, discount rates, and volatility of forecasted revenue. The value of the Company's contingent consideration would increase if a lower discount rate was used and would decrease if a higher discount rate was used. Similarly, a higher revenue volatility assumption would increase the value of the contingent consideration, and a lower revenue volatility assumption would decrease the value of the contingent consideration. Contingent consideration for the March 2022 Acquisition was valued using a simple probability of achievement model, with the probability of achievement based on management's forecasted outcomes for 2022 and 2023 fiscal year results for the acquired entity. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's management with the assistance of a third-party valuation specialist when deemed necessary.

In September 2022, the Company and PandoLogic entered into an amendment to the PandoLogic Merger Agreement. This amendment provides that the 2022 PandoLogic Earnout would be no less than $10,825, irrespective of the actual financial performance of PandoLogic for the 2022 PandoLogic Earnout period. All of the 2022 PandoLogic Earnout was paid during the six months ended June 30, 2023 in a combination of cash consideration and stock consideration, with the number of shares paid equal to that stock consideration portion of the earnout amount divided by a price per share of $20.53 in accordance with the terms of the PandoLogic Merger Agreement.

As of June 30, 2023, the Company's contingent consideration liabilities current and non-current balances were as follows:

	Fair Value as of January 1, 2023	Changes in Fair Value	Amount Paid To Date	Fair Value as of June 30, 2023
Level 3:				
Contingent consideration, current	$ 8,067	$ 21,466	$ (29,533)	$ —
Contingent consideration, non-current	—	—	—	—
Total	$ 8,067	$ 21,466	$ (29,533)	$ —

As of December 31, 2022, the Company's contingent consideration liabilities current and non-current balances were as follows:

	Fair Value as of January 1, 2022	Changes in Fair Value	Amount Paid To Date	Reclass from Non-current to Current	Fair Value as of December 31, 2022
Level 3:					
Contingent consideration, current	$ 20,053	$ (22,703)	$ (20,816)	$ 31,533	$ 8,067
Contingent consideration, non-current	31,533	—	—	(31,533)	—
Total	$ 51,586	$ (22,703)	$ (20,816)	$ —	$ 8,067

Stock Warrants

All of the Company's outstanding stock warrants are categorized as Level 3 within the fair value hierarchy. Stock warrants are equity classified and have been recorded at their fair value using either a probability weighted expected return model, the Monte Carlo simulation model or the Black-Scholes option-pricing model. These models incorporate contractual terms, maturity, risk-free interest rates and volatility. The value of the Company's stock warrants would increase if a higher risk-free interest rate was used and would decrease if a lower risk-free interest rate was used. Similarly, a higher volatility assumption would increase the value of the stock warrants, and a lower volatility assumption would decrease the value of the stock warrants. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's management with the assistance of a third-party valuation specialist.

Investments

The Company holds a strategic investment in a technology company that was determined to not have a readily determinable fair value. This investment is carried at cost of $2,750 on the Company's condensed consolidated balance sheet within other assets as of June 30, 2023 and December 31, 2022 and is categorized as Level 2 within the fair value hierarchy. As part of the Energy Divestiture, the Company acquired a strategic investment in GridBeyond that was determined not to have a readily determinable fair value. This investment is carried at a cost equal to its initial estimated fair value of $2,021 on the Company's condensed consolidated balance sheet within other assets as of June 30, 2023, with that initial estimated fair value based on third party valuation at the time of this transaction and is categorized as Level 3 within the fair value hierarchy. The Company monitors these investments to determine whether an other-than-temporary decline in value indicates that impairment charges may be required. No impairment was recorded for the three and six months ended June 30, 2023. The Company re-measures its investments if there is an observable transaction in a class of security similar to the Company's investments and there were no such re-measurements for the three and six months ended June 30, 2023.

NOTE 7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The carrying amount of goodwill was $78,355 as of June 30, 2023 and $46,498 as of December 31, 2022.

		Goodwill
Balance at December 31, 2022	$	46,498
Broadbean acquisition	$	31,947
Foreign currency translation/other		(90)
Balance at June 30, 2023	$	78,355

Intangible Assets

The following table sets forth the Company's finite-lived intangible assets resulting from business acquisitions and other purchases, which continue to be amortized:

		June 30, 2023			December 31, 2022		
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Software and technology	0.0	$ 3,582	$ (3,582)	$ —	$ 3,582	$ (3,582)	$ —
Licensed technology	0.0	500	(500)	—	500	(500)	—
Developed technology	2.1	44,100	(19,793)	24,307	33,800	(15,512)	18,288
Customer and supplier relationships	4.4	99,000	(27,898)	71,102	81,800	(22,091)	59,709
Noncompete agreements	0.0	800	(800)	—	800	(800)	—
Trademarks and trade names	3.5	2,300	(843)	1,457	2,300	(633)	1,667
Total	3.6	$ 150,282	$ (53,416)	$ 96,866	$ 122,782	$ (43,118)	$ 79,664

The following table presents future amortization of the Company's finite-lived intangible assets as of June 30, 2023:

2023 (six months)	$	13,406
2024		23,972
2025		21,522
2026		16,589
2027		13,527
Thereafter		7,850
Total	$	96,866

NOTE 8. CONSOLIDATED FINANCIAL STATEMENTS DETAILS

Consolidated Balance Sheets Details

Cash and cash equivalents

As of June 30, 2023 and December 31, 2022, the Company had cash and cash equivalents of $62,674 and $184,423, respectively, including $52,699 and $93,118, respectively, of cash received from advertising customers for future payments to vendors.

Accounts Receivable, Net and Allowance for Credit Losses

Accounts receivable consisted of the following:

	As of June 30, 2023	As of December 31, 2022
Accounts receivable — Managed Services[(1)]	$ 22,539	$ 27,670
Accounts receivable — Software Products & Services[(2)]	19,967	26,969
Accounts receivable — Other	5,910	2,181
	48,416	56,820
Less: allowance for expected credit losses	(798)	(819)
Accounts receivable, net	$ 47,618	$ 56,001

(1) Accounts receivable – Managed Services reflects the amounts due from the Company's advertising customers.

(2) Accounts receivable – Software Products & Services reflects the amounts due from the Company's hiring solutions customers.

Allowance for Credit Losses Accounting

The Company maintains an allowance for expected credit losses in order to record accounts receivable at their net realizable value. Inherent in the assessment of the allowance for credit losses are certain judgments and estimates relating to, among other things, the Company's customers' access to capital, customers' willingness and ability to pay, general economic conditions and the ongoing relationship with customers. The Company calculates the expected credit losses on a pool basis for those receivables that have similar risk characteristics aligned with the types of accounts receivable listed in the accounts receivable table above. Allowances have been recorded for receivables believed to be uncollectible, including amounts for the resolution of potential credit and other collection issues. The allowance for expected credit losses is determined by analyzing the Company's historical write-offs and the current aging of receivables. Adjustments to the allowance may be required in future periods depending on how issues considered such as the financial condition of customers and the general economic climate may change or if the financial condition of the Company's customers were to deteriorate resulting in an impairment of their ability to make payments. The Company has not historically had material write-offs due to uncollectible accounts receivable.

Property, Equipment and Improvements, Net

Property, equipment and improvements, net consisted of the following:

	As of June 30, 2023	As of December 31, 2022
Property and equipment	$ 15,680	$ 8,532
Leasehold improvements	266	250
	15,946	8,782
Less: accumulated depreciation	(4,549)	(3,491)
Property, equipment and improvements, net	$ 11,397	$ 5,291

Depreciation expense was $675 and $1,153 for the three and six months ended June 30, 2023, respectively. Depreciation expense was $245 and $444 for the three and six months ended June 30, 2022, respectively. Of the $15,680 in property and equipment as of June 30, 2023, $2,410 consisted of work in progress not yet placed in service for internal use software development costs. Depreciation of internal use software development costs was $342 and $624 for the three and six months ended June 30, 2023, respectively. Depreciation of internal use software development costs was $42 and $83 for the three and six months ended June 30, 2022, respectively.

Accounts Payable

Accounts payable consisted of the following:

	As of	
	June 30, 2023	December 31, 2022
Accounts payable — Managed Services[(1)]	$ 15,576	$ 17,972
Accounts payable — Other	15,245	18,766
Total	$ 30,821	$ 36,738

[(1)] Accounts payable – Managed Services reflects the amounts due to media vendors for advertisements placed on behalf of the Company's advertising clients.

Consolidated Statements of Operations and Comprehensive Loss Details

Revenue

Revenue for the periods presented were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Commercial Enterprise	$ 26,366	$ 33,364	$ 55,234	$ 66,990
Government & Regulated Industries	1,601	871	2,996	1,652
Total revenue	$ 27,967	$ 34,235	$ 58,230	$ 68,642

The Company serves two customer groups: (1) Commercial Enterprise, which today consists of customers in the commercial sector, including media and entertainment customers, advertising customers, content licensing customers and Hiring Solutions customers; and (2) Government & Regulated Industries, which today consists of customers in the government and regulated industries sectors, including state, local and federal government, legal, and compliance customers.

Software Products & Services consists of revenue generated from the Company's aiWARE platform and Hiring Solutions' talent acquisition solutions, any related support and maintenance services, and any related professional services associated with the deployment and or implementation of such solutions.

Managed Services consists of revenues generated from content licensing customers and advertising agency customers and related services.

The table below illustrates the presentation of our revenues based on the above definitions:

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Commercial Enterprise	Government & Regulated Industries	Total	Commercial Enterprise	Government & Regulated Industries	Total
Total Software Products & Services	$ 12,492	$ 1,601	$ 14,093	$ 25,224	$ 2,996	$ 28,220
Managed Services						
Advertising	8,417	—	8,417	18,952	—	18,952
Licensing	5,457	—	5,457	11,058	—	11,058
Total Managed Services	13,874	—	13,874	30,010	—	30,010
Total Revenue	$ 26,366	$ 1,601	$ 27,967	$ 55,234	$ 2,996	$ 58,230

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	Commercial Enterprise	Government & Regulated Industries	Total	Commercial Enterprise	Government & Regulated Industries	Total
Total Software Products & Services	$ 17,508	$ 871	$ 18,379	$ 34,894	$ 1,652	$ 36,546
Managed Services						
Advertising	10,635	—	10,635	21,603	—	21,603
Licensing	5,221	—	5,221	10,493	—	10,493
Total Managed Services	15,856	—	15,856	32,096	—	32,096
Total Revenue	$ 33,364	$ 871	$ 34,235	$ 66,990	$ 1,652	$ 68,642

Other Income (Expense), Net

Other income (expense), net for the periods presented was comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest expense, net	$ (720)	$ (1,183)	$ (1,525)	$ (2,365)
Gain on sale of energy group	2,572	—	2,572	—
Other	1,658	(48)	2,818	(52)
Other income (expense), net	$ 3,510	$ (1,231)	$ 3,865	$ (2,417)

Other in the table above consists primarily of foreign exchange gain of $1.7 million $2.8 million for the three and six months ended June 30, 2023, respectively.

Provision for Income Taxes

In accordance with ASC 740-270, *Income Taxes*, the provision or benefit from income taxes for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the Company updates the estimate of the annual effective tax rate, and if the estimated tax rate changes, the Company records a cumulative adjustment. A separate estimated annual effective tax rate is applied for jurisdictions where an entity anticipates an ordinary loss or has an ordinary loss for the year to date for which no tax benefit can be recognized.

The Company's effective tax rate for the three and six months ended June 30, 2023 was 5.6% and 3.4%, respectively. The difference between the effective tax rate and the U.S. federal statutory rate of 21% is primarily due to a valuation allowance established on the Company's federal and state net deferred tax assets, as well as the impact of foreign operations subject to tax in foreign jurisdictions. The Company's effective tax rate for the three and six months ended June 30, 2022 was 33.1% and 5.5%, respectively. The change in the effective tax rates for the three and six months ended June 30, 2023 as compared to the comparable prior year periods is primarily due to the impact of taxes on foreign operations and valuation allowances against domestic net deferred tax assets.

As of June 30, 2023, the Company continues to provide a valuation allowance against federal and state deferred tax assets that are not expected to be realizable. The Company continues to evaluate the realizability of deferred tax assets and the related valuation allowance. If the Company's assessment of the deferred tax assets or the corresponding valuation allowance were to change, the Company would record the related adjustment to income during the period in which the determination is made. The tax benefit for the three months ended June 30, 2023 includes a $347 tax benefit relating to a change to beginning of the year valuation allowance. With the acquisition of Broadbean, the Company acquired deferred tax liabilities that provide a source of taxable income that allows for the release of valuation allowance related to the Company's deferred tax assets.

As a result of the Broadbean acquisition, the Company expects to be subject to taxation in France and Australia, in addition to already being subject to taxation in the United States, Israel, and the United Kingdom. The United States, Israel, and the United Kingdom comprise the majority of the Company's operations. In general, the U.S. federal statute of limitations is three years. However, the Internal Revenue Service may still adjust a tax loss or credit carryover in the year the tax loss or credit carryover is utilized. As such, the Company's U.S. federal tax returns and state tax returns are open for examination since inception. The Israeli statute of limitations period is generally four years commencing at the end of the year in which the return was filed. The UK statute of limitations period is typically twelve months following the date on which the return is filed. The Company is not currently under examination from income tax authorities in the jurisdictions in which the Company does business.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act ("IRA") which, among other things, implements a 15% corporate alternative minimum tax based on the adjusted financial statement income for certain large corporations and a 1% excise tax on net share repurchases. The minimum tax and excise tax, if applicable, are effective for fiscal years beginning after December 31, 2022. The Company does not expect the IRA to have a material impact on its financial position, results of operations or cash flows. The Company will continue to monitor additional future guidance from the IRS.

The main corporation tax rate for UK corporations increases from 19% to 25% for the financial year beginning April 1, 2023. The tax provision for the year ended June 30, 2023 is reflective of the change in tax rate.

NOTE 9. LEASES, COMMITMENTS AND CONTINGENCIES

Leases

Lease Costs

As of June 30, 2023, on its condensed consolidated balance sheet the Company had right-of-use assets of $2,539 recorded within other assets, the current portion of operating lease liabilities of $2,640 recorded within other accrued liabilities, and the non-current portion of operating lease liabilities of $1,329 recorded within other non-current liabilities. As of December 31, 2022, on its condensed consolidated balance sheet the Company had right-of-use assets of $1,755 recorded within other assets, the current portion of operating lease liabilities of $2,112 recorded within other accrued liabilities, and the non-current portion of operating lease liabilities of $1,510 recorded within other non-current liabilities.

The Company made cash payments for its operating leases of $644 and $1,281 for the three and six months ended June 30, 2023, respectively, and $669 and $1,321 for the three and six months ended June 30, 2022, all of which were included in cash flows from operating activities within the condensed consolidated statements of cash flows. The Company's operating leases have a weighted average remaining lease term of 1.7 years and weighted average discount rate of 6.9%.

The total rent expense for all operating leases was $546 and $1,092 for the three and six months ended June 30, 2023, respectively, and $756 and $1,262 for the three and six months ended June 30, 2022, respectively, with short-term leases making up an immaterial portion of such expenses. For its sublease, the Company recorded sublease income of $277 and $554 for the three and six months ended June 30, 2023, respectively, and $277 and $554 for the three and six months ended June 30, 2022, respectively

Lease Commitments

Future undiscounted lease payments for the Company's operating lease liabilities, a reconciliation of these payments to its operating lease liabilities, and related sublease income at June 30, 2023 are as follows:

Years ended December 31,		
2023 (six months)	$	1,497
2024		2,494
2025		326
Total future minimum lease payments, including short-term leases		4,317
Less: future minimum lease payments for short-term leases		(84)
Less: imputed interest		(264)
Present value of future minimum lease payments, excluding short-term leases	$	3,969
Less: current portion of operating lease liabilities		(2,640)
Non-current portion of operating lease liabilities		1,329

Years ended December 31,		**Sublease Income**
2023 (six months)	$	602
2024		1,034
Total sublease income	$	1,636

Purchase Consideration

In connection with the March 2022 Acquisition, the Company committed to make purchase consideration payments of $1,500 within ten days of the first anniversary of the closing date of the acquisition and an additional $1,500 within ten days of the second anniversary of the closing date of the acquisition. The first payment of $1,500 was made during the six months ended June 30, 2023. In connection with the VocaliD acquisition, the Company committed to make purchase consideration payments of $1,000 on the first anniversary of the closing date of the acquisition and an additional $1,000 on the 18-month anniversary of the closing date of the acquisition. The first payment of $1,000 was made during the six months ended June 30, 2023. In connection with the VSL acquisition, the Company committed to make a purchase consideration payment of $300 on the 18-month anniversary of the closing date of the acquisition. Refer to Note 3 for further details.

Other Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. The Company currently is not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's results of operations, financial position or cash flows.

NOTE 10. STOCKHOLDERS' EQUITY

Common Stock Issuances

During the six months ended June 30, 2023 and 2022, the Company issued an aggregate of 593,763 and 1,152,345 shares of its common stock, respectively, in connection with the exercise of stock options, issuance of stock awards and vesting of restricted stock units under its stock incentive plans and stock purchases under its Employee Stock Purchase Plan (the "ESPP").

During the six months ended June 30, 2023 and 2022, the Company issued a total of 135,800 and 352,330 shares of its common stock, respectively, in connection with the contingent consideration arrangement related to the acquisition of PandoLogic. During the six months ended June 30, 2022, the Company issued a total of 116,550 shares of its common stock in connection with the March 2022 Acquisition.

NOTE 11. STOCK PLANS

Stock-Based Compensation

During the six months ended June 30, 2023 and 2022, the Company granted options to purchase an aggregate of 233,466 and 291,850 shares of its common stock that are subject to time-based vesting conditions, respectively.

The Company valued these stock options using the Black-Scholes Merton option pricing model. The assumptions used to compute the grant date fair values of the stock options granted during the six months ended June 30, 2023 and 2022 are set forth in the table below:

	Six Months Ended June 30,	
	2023	2022
Expected term (in years)	6.0 - 6.8	6.1
Expected volatility	91% - 100%	82% - 91%
Risk-free interest rate	3.6% - 3.9%	1.7% - 2.3%
Expected dividend yield	—	—

The assumptions used in calculating the fair values of purchase rights granted under the ESPP during the six months ended June 30, 2023 and 2022 are set forth in the table below:

	Six Months Ended June 30,	
	2023	2022
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	71% - 101%	71% - 98%
Risk-free interest rate	0.1% - 4.8%	0.2% - 3.5%
Expected dividend yield	—	—

The Company's stock-based compensation expense by type of award and by operating expense grouping are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock-based compensation expense by type of award:				
Restricted stock units	$ 1,224	$ 3,058	$ 3,392	$ 6,490
Performance-based stock units	142	—	470	—
Stock options	1,081	1,502	2,052	2,775
Employee stock purchase plan	250	81	700	173
Common stock issued for services	—	20	—	39
Total stock-based compensation expense	$ 2,697	$ 4,661	$ 6,614	$ 9,477
Stock-based compensation expense by operating expense grouping:				
Cost of revenue	$ 17	$ 24	$ 37	$ 44
Sales and marketing	529	727	705	1,190
Research and development	1,127	1,247	2,669	2,251
General and administrative	1,024	2,663	3,203	5,992
Total stock-based compensation expense	$ 2,697	$ 4,661	$ 6,614	$ 9,477

Stock-based compensation capitalized for internal-use software was $80 and $54 for the three months ended June 30, 2023 and 2022, respectively. Stock-based compensation capitalized for internal-use software was $214 and $85 for the six months ended June 30, 2023 and 2022, respectively.

Equity Award Activity Under Stock Plans

Performance Stock Units

On January 4, 2023, the Company entered into a consulting agreement (the "Steel Holdings Consulting Agreement") with Steel Holdings, LLC, an affiliate of Chad Steelberg, our former Chief Executive Officer and current Chairman of the Company's Board of Directors (the "Board"), as further described in Note 12. In connection with the Steel Holdings Consulting Agreement, on January 11, 2023, the Compensation Committee of the Board (the "Compensation Committee") approved a grant of 118,460 performance stock units (the "Steel Holdings Consulting PSUs") that vest upon the achievement of certain performance milestones. The Steel Holdings Consulting PSUs will expire 6 months after the Steel Holdings Consulting Agreement terminates.

On March 16, 2023, the Compensation Committee approved a grant of 170,402 target performance stock units to be granted to the Company's named executive officers (the "Senior Executive PSUs"). The awards have a grant date of March 31, 2023 and will vest based on the achievement of revenue and non-GAAP net income targets (each equally weighted) for 2023, which achievement shall then be modified (up to a 20% increase or decrease) based on the Company's relative total shareholder return over a three-year performance period (the "TSR Modifier"), as compared with the S&P Software and Services Select Industry Index. Based on the Company's performance, the Company's named executive officers may earn from 0% to 200% of the target number of shares of the Senior Executive PSUs. The Senior Executive PSUs, to the extent earned, will vest on the date the Board certifies the TSR Modifier for the three-year performance period ending December 31, 2025 and the number of Senior Executive PSUs that will vest as of such certification, all of which will occur within 90 days of the end of the performance period ending December 31, 2025. Compensation costs recognized on the Senior Executive PSUs are adjusted, as applicable, for performance above or below the target specified in the award.

The Company's performance stock unit activity for the six months ended June 30, 2023 was as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022	—	N/A
Granted	288,862	$ 5.88
Vested	(19,743)	$ 5.94
Unvested at June 30, 2023	269,119	$ 5.87

Restricted Stock Units

The Company's restricted stock unit activity for the six months ended June 30, 2023 was as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022	1,048,834	$ 15.28
Granted	821,753	$ 5.42
Forfeited	(89,718)	$ 23.89
Vested	(485,889)	$ 15.17
Unvested at June 30, 2023	1,294,980	$ 9.81

As of June 30, 2023, total unrecognized compensation cost related to restricted stock units was $9,175, which is expected to be recognized over a weighted average period of 2.2 years.

Performance-Based Stock Options

The activity during the six months ended June 30, 2023 related to stock options that are subject to performance-based vesting conditions tied to the achievement of stock price goals by the Company was as follows:

	Options	Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	3,762,679	$ 11.15		
Exercised	(7,000)	$ 6.11		
Expired	(63,367)	$ 5.67		
Outstanding at June 30, 2023	3,692,312	$ 11.26	7.0 years	$ 0
Exercisable at June 30, 2023	3,692,312	$ 11.26	7.0 years	$ 0

The aggregate intrinsic value of the options exercised during the six months ended June 30, 2023 and 2022 was $5 and $271, respectively. No performance-based stock options were granted during the six months ended June 30, 2023 and 2022 and no performance-based stock options vested during the six months ended June 30, 2023.

Stock Options

The activity during the six months ended June 30, 2023 related to all other stock options was as follows:

	Options	Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	5,867,785	$ 14.53		
Granted	233,466	$ 5.29		
Exercised	(12,979)	$ 6.11		
Forfeited	(142,642)	$ 22.87		
Expired	(155,622)	$ 12.92		
Outstanding at June 30, 2023	5,790,008	$ 14.01	5.2 years	$ 616
Exercisable at June 30, 2023	4,737,474	$ 14.20	4.5 years	$ 545

The weighted average grant date fair value of stock options granted during the six months ended June 30, 2023 and 2022 was $4.19 and $12.00 per share, respectively. The aggregate intrinsic value of the stock options exercised during the six months ended June 30, 2023 and 2022 was $10 and $264, respectively. The total grant date fair value of stock options vested during the six months ended June 30, 2023 and 2022 was $3,202 and $2,032, respectively. At June 30, 2023, total unrecognized compensation expense related to stock options was $9,442 and is expected to be recognized over a weighted average period of 2.6 years.

The aggregate intrinsic values in the tables above represent the difference between the fair market value of the Company's common stock and the average option exercise price of in-the-money options, multiplied by the number of such stock options.

Employee Stock Purchase Plan

During the six months ended June 30, 2023, a total of 87,895 shares of common stock were purchased under the ESPP. As of June 30, 2023 and December 31, 2022, accrued employee contributions for future purchases under the ESPP totaled $531 and $595, respectively.

NOTE 12. RELATED PARTY TRANSACTIONS

On January 4, 2023, the Company entered into the Steel Holdings Consulting Agreement with Steel Holdings, LLC, effective as of January 1, 2023. Steel Holdings, LLC is an entity affiliated with Chad Steelberg, our current Chairman of the Board and former Chief Executive Officer effective as of December 31, 2022. Under the Steel Holdings Consulting Agreement, the Company retained Mr. Steelberg as a consultant to provide ongoing Chief Executive Officer transition services and to manage and oversee the further development of the Company’s aiWARE platform. During the three and six months ended June 30, 2023, the Company recorded a research and development expense of $174 and $329, respectively for consulting fees and reimbursements for reasonable and documented expenses; $237 and $631, respectively for variable consultant performance bonus expense; and $19 and $347 in stock-based compensation expense for the Steel Holdings Consulting PSUs.

There were no other related party transactions during the six months ended June 30, 2023.

NOTE 13. SUBSEQUENT EVENTS

In July 2023, the Company entered into an amendment to the March 2022 Acquisition securities purchase agreement (the “March 2022 Acquisition Amendment”). The March 2022 Acquisition Amendment provides that the March 2022 Acquisition earnout amounts totaling $3,500 (the “March 2022 Acquisition Earn-Out Amount”) are now tied to employment status of the seller through December 31, 2025, irrespective of the actual financial performance of the acquired company. In exchange for the March 2022 Acquisition Earn-Out Amount, the March 2022 Acquisition Amendment further provides that certain restrictive operational covenants and obligations of the Company terminated immediately as of the date of the March 2022 Acquisition Amendment.

In August 2023, the Company entered into a three year credit agreement with Alterna Capital Solutions, LLC (“ACS”) pursuant to which the Company may borrow up to $30,000 (the “Credit Facility”). Loans under the Credit Facility are secured by certain domestic receivables and other assets. The Credit Facility bears interest at the greater of Prime rate plus 1% or 9.5%, and minimum annual interest of $250 if no funds are drawn under the Credit Facility in a given year. Under the terms of the Credit Facility, the Company will pay a one-time facility fee of $450 in advance, and is subject to certain prepayment penalties if the Credit Facility is terminated early. ACS will be a senior secured creditor.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read together with and is qualified in its entirety by reference to the condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under "Risk Factors," set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 and our other filings with the Securities and Exchange Commission ("SEC"), including future SEC filings. . See "Special Note Regarding Forward-Looking Statements."

Overview

Veritone, Inc., collectively with our subsidiaries, referred to as "Veritone," "Company," "we," "our," and "us," is a provider of Artificial Intelligence ("AI") solutions, powered by our proprietary AI operating system, aiWARE™, to deliver differentiated products and solutions to our Commercial Enterprise and Government & Regulated Industries customers. Our Software Products & Services consist of revenues generated from Commercial Enterprise and Government & Regulated Industries customers using our aiWARE platform and hiring solutions, any related support and maintenance services, and any related professional services associated with the deployment and/or implementation of such solutions. Our Managed Services consist of revenues generated from Commercial Enterprise customers using our content licensing services, advertising agency, influencer management and related services.

During the three and six months ended June 30, 2023, we generated revenue of $28.0 million and $58.2 million, respectively, as compared to $34.2 million and $68.6 million during the three and six months ended June 30, 2022, respectively. Our Software Products & Services revenue was $14.1 million during the three months ended June 30, 2023 as compared with $18.4 million for the same period in 2022, while our Managed Services revenue was $13.9 million during the three months ended June 30, 2023 as compared with the $15.9 million for the same period in 2022. Our Software Products & Services revenue was $28.2 million during the six months ended June 30, 2023 as compared with $36.5 million for the same period in 2022, while our Managed Services revenue was $30.0 million during the six months ended June 30, 2023 as compared with the $32.0 million for the same period in 2022. During the three and six months ended June 30, 2023 our largest customer represented 15% and 17%, respectively, of our consolidated revenue and during the three and six months ended June 30, 2022 that same customer was our largest customer and represented 14% and 22%, respectively, of our consolidated revenue.

Recent Developments

In June 2023, we closed the acquisition of Broadbean (as defined below), a global leader of talent acquisition software-as-a-service technology, pursuant to a securities and asset purchase agreement whereby the Company acquired (i) 100% of the issued and outstanding share capital of (a) Broadbean Technology Pty Ltd ACN 116 011 959 / ABN 79 116 011 959, a limited company incorporated under the laws of Australia ("Broadbean Australia"), (b) Broadbean Technology Limited, a limited company incorporated under the laws of England and Wales ("Broadbean UK"), (c) Broadbean, Inc., a Delaware corporation ("Broadbean Inc.") and (d) CareerBuilder France S.A.R.L., a limited liability company organized (*société à responsabilité limitée*) under the laws of France, and (ii) certain assets and liabilities related thereto (the foregoing clauses (i) and (ii) together, "Broadbean"). The aggregate purchase consideration consisted of cash of $53.2 million, subject to customary working capital and other adjustments.

On June 30, 2023, we completed the sale of our energy group (the "Energy Divestiture") to GridBeyond Limited, an Ireland-based privately held company ("GridBeyond") that delivers AI-powered energy solutions pursuant to an asset purchase agreement. We received 4,160,644 shares of Series B Preference Shares in GridBeyond valued at approximately $2.0 million plus $0.5 million in cash. We recognized a pre-tax gain on the Energy Divestiture of $2.6 million.

On January 31, 2023, we announced strategic cost reduction initiatives with the aim of achieving net annualized savings of $12 to $15 million over the course of fiscal 2023. As part of this initiative, we engaged in a headcount reduction during the first quarter of 2023, completed the Energy Divestiture and we have begun and further intend to reduce and consolidate expenses tied to software, outside services, and cloud-based processing throughout 2023. As of June 30, 2023, we have executed on $17 million of net annualized strategic cost reduction initiatives announced in the first quarter of 2023, exceeding the net annualized savings target for 2023.

Opportunities, Challenges and Risks

During the six months ended June 30, 2023 and 2022, we derived our revenue primarily through our Commercial Enterprise customers, and secondarily through our Government & Regulated Industries customers.

We are a leader in AI-based Software Products & Services. Our proprietary AI operating system, aiWARE, uses machine learning algorithms, or AI models, together with a suite of powerful applications, to reveal valuable insights from vast amounts of structured and unstructured data. Historically, we have derived a large portion of our Software Product & Services revenue from applications we internally developed from our aiWARE platform and actively sold across various customers. While management believes there is a substantial opportunity to increase revenue longer term, current economic conditions have negatively impacted our business operations and financial results, and there is no certainty that any future investments, which could be significant and include future potential acquisitions, will result in significant enterprise revenue realization or revenue growth when compared with historical revenue. Nevertheless, we continue to see significant opportunities for growth in Software Products & Services and our aiWARE platform sales to existing and newly acquired customers, and where our AI solutions could add tremendous value in content creation and distribution, including in the news, television and film industries.

We believe there are significant near and long-term revenue and growth opportunities from our Software Products & Services. In June 2023, we completed the acquisition of Broadbean, a leader in subscription-based talent acquisition software-as-a-service which has approximately 3,000 subscription-based customers based throughout the world, integrated with over 100 applicant tracking systems ("ATS") and has direct access to over 2,500 job boards globally. The acquisition of Broadbean was strategic to our HR Solutions growth, as we plan in the near term to offer our existing product offerings to Broadbean's 3,000 customers, including programmatic advertising capabilities. Over the long term, we plan to utilize our AI capabilities to analyze complex data sets through direct access to these ATS. In Government & Regulated Industries markets, we see growth opportunities with customer adoption of our products and services related to AI technologies and with our official Authorization to Operate ("ATO"), of our aiWARE platform across the entire U.S. Department of Justice and progress with the Chief Digital and Artificial Intelligence Officer ("CDAO") and Department of Defense ("DOD"). However, many enterprise-level opportunities with Government & Regulated Industries customers can involve long sales cycles, during which we must invest significant time and resources without a guarantee of success. We may seek to acquire businesses with deep relationships and greater scale within the U.S. government and within regulated industries to further accelerate our pursuit of the growth opportunities we see in this market.

Growing our existing and new Software Products & Services customer base is critical for our success. During the six months ended June 30, 2023, Total Software Products & Services Customers was over 3,700, inclusive of Broadbean. Since the second quarter of 2022, we have experienced large variances from the consumption of our HR Solutions when compared to the prior year periods from our largest customer, Amazon. In May 2023, Amazon informed us that they plan to reduce their consumption of our HR Solutions further. Overall, our revenues from Amazon during the six months ended June 30, 2023 declined as compared to the prior year, and represented approximately 17% of our consolidated revenue in the first half of 2023 compared to 22% of our consolidated revenue in the first half of 2022. Offsetting this decline was non-Amazon Software Products & Services revenue, which grew as compared to the prior year, driven in part by Government & Regulated Industries revenue growth of 81% during the six months ended June 30, 2023 as compared to the prior year. To reduce this risk, we continue to aggressively invest in existing and growing new customers.

Additionally, as a result of the recent pullback in the macroeconomic environment caused by high inflation, rising interest rates and recent and potential future disruptions in access to bank deposits or lending commitments due to bank failures, some of our customers reduced advertising spending across our managed services in the first half of 2023 when compared to the same period in the prior year. While we anticipate this trend to continue in the second half of 2023, we do expect the overall impact will not be as severe as it was in the first half of 2023. In addition, in the event of a recession in the second half of 2023, we may see additional declines in existing and new customers consumption of our Software Products & Services. To mitigate these risks, we have been investing aggressively in existing customers and acquiring new customers. In addition, in January 2023 we announced certain cost reduction initiatives and as of June 30, 2023, we have executed on $17 million of net annualized strategic cost reductions. In light of recent events, including the current economic pressures in the US economy and our largest customer, Amazon, reducing spending across our HR Solutions platform, we plan to take further cost reduction efforts over the remainder of the 2023. As a result of our efforts to diversify our customer base and increase sales within our existing customer base, we intend to continue to increase our sales and marketing spending in the near term as compared to the trailing twelve months; however, these increased investments will be somewhat offset by our 2023 cost initiatives.

We believe our Software Products & Services will extend the capabilities of many third-party software platforms and products that are widely used today. For example, we believe that, when integrated with aiWARE, our hiring solutions customers will be given greater visibility and transparency in their hiring processes. In addition, we have historically integrated aiWARE across many platforms, including Alteryx, Snowflake and the NVIDIA® CUDA® GPU-based platform, enabling dramatic increases in aiWARE's processing speed and providing a wide range of new use cases for our technology. We are in the process of developing and marketing more specific use cases for these and future integrations, which we believe will open up new markets for our products and accelerate our long-term revenue growth opportunities.

Our non-GAAP gross margin is impacted significantly by the mix of our Software Products & Services and our Managed Services revenue in any given period because our Managed Services revenue typically has a lower overall non-GAAP gross margin than our Software Products & Services revenue. Our non-GAAP gross profit (see "Non-GAAP Financial Measures" below) is also dependent upon our ability to grow our revenue by expanding our customer base and increasing business with existing customers, and to manage our costs by negotiating favorable economic terms with cloud computing providers such as AWS and Microsoft Azure. While we are focused on continuing to improve our non-GAAP gross profit, our ability to attract and retain customers to grow our revenue will be highly dependent on our ability to implement and continually improve upon our technology and services and improve our technology infrastructure and operations as we experience increased network capacity constraints due to our growth.

We believe our operating results and performance are, and will continue to be, driven by various factors that affect our industry. Our ability to attract, grow and retain customers for our aiWARE platform is highly sensitive to rapidly changing technology and is dependent on our ability to maintain the attractiveness of our platform, content and services to our customers. Our future revenue and operating growth will rely heavily on our ability to grow and retain our Software Products & Services customer base, continue to develop and deploy quality and innovative AI-driven applications and enterprise-level offerings, provide unique and attractive content and advertising services to our customers, continue to grow in newer markets such as Government & Regulated Industries, expand aiWARE into larger and more expansive enterprise engagements and manage our corporate overhead costs. While we believe we will be successful in these endeavors, we cannot guarantee that we will succeed in generating substantial long term operating growth and profitability.

We expect to continue pursuing a strategy of acquiring companies to help accelerate our organic growth. We believe there are strategic acquisition targets that can accelerate our entry into and expand our existing market share in key strategic markets, as well as our ability to grow our business. As a result, we are continuing to prioritize corporate development efforts throughout 2023. Our acquisition strategy is threefold: (i) to increase the scale of our business in markets we are in today, (ii) to accelerate growth in new markets and product categories, including expanding our existing engineering and sales resources, and (iii) to accelerate the adoption of aiWARE as the universal AI operating system through venture or market-driven opportunities.

During the three and six months ended June 30, 2023, we reported net loss of $23.3 million and $46.3 million, respectively, compared to a net loss of $3.3 million and $25.4 million during the three and six months ended June 30, 2022, respectively. During the three and six months ended June 30, 2023, we reported a non-GAAP net loss of $13.0 million and $22.6 million, respectively as compared to a non-GAAP net loss of $7.2 million and $12.4 million during the three and six months ended June 30, 2022, respectively. To continue to grow our revenue, we plan to continue to make targeted investments in people, namely software engineers and sales personnel. In 2022, we made substantial investments in our existing employee base and our corporate infrastructure, including new ERP and workforce systems to help us better manage the scale and growth of our business. However, considering the current challenging macro-economic environment in the first half of 2023, we have made and are continuing to make significant cost reductions to our operating structure to better streamline our business and prioritization around our growth and corresponding investments.

In the six months ended June 30, 2023 and 2022, substantially all of our revenue was derived from customers located in the United States. We believe that there is a substantial opportunity for us to expand our service offerings and customer base in countries outside of the United States and we expect material revenues outside of the United States in the second half of 2023 from Broadbean. In the long term, we plan to expand our business further internationally in places such as Europe, Asia Pacific and Latin America, and as a result, we expect to continue to incur significant incremental upfront expenses associated with these expansion opportunities.

Impact of the Current Global Economic Conditions

Global economic and business activities continue to face widespread macroeconomic uncertainties, including the ongoing impact of COVID-19, labor shortages, inflation and monetary supply shifts, recession risks and disruptions from the Russia-Ukraine conflict. The extent of the impact of these factors on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, and the impact on our customers, partners and employees, all of which are uncertain and cannot be predicted. These global economic conditions and any continued or new disruptions caused by these conditions may negatively impact our business in a number of ways. For example, our hiring solutions are sold to businesses whose financial conditions fluctuate based on general economic and business conditions, particularly the overall demand for labor and the economic health of current and prospective employers. In fiscal 2021, the COVID-19 pandemic forced certain technology and ecommerce companies, like Amazon, to increase hiring to meet increased demand. This, in turn, increased the overall consumption and use of our hiring solutions, and corresponding revenue. In fiscal 2022 and continuing in the first quarter of fiscal 2023, with the easing of COVID-19 restrictions and higher inflation worldwide, demand for certain ecommerce services declined. As a result, companies adversely impacted by this shift in consumer behavior, including Amazon, experienced a decline in the demand for hiring and the consumption of our hiring solutions and corresponding revenue declined.

To the extent that economic uncertainty or attenuated economic conditions cause our customers and potential customers to freeze or reduce their headcount, and reduce their advertising spending, demand for our products and services may be negatively affected in the second half of 2023 and beyond. These adverse economic conditions could also result in reductions in sales of our applications, longer sales cycles, reductions in contract duration and value, slower adoption of new technologies and increased price competition. In addition, economic recessions have historically resulted in overall reductions in spending on software and technology solutions as well as pressure from customers and potential customers for extended billing terms. If economic, political, or market conditions deteriorate, or if there is uncertainty around these conditions, our customers and potential customers may elect to decrease their software and technology solutions budgets by deferring or reconsidering product purchases, which would limit our ability to grow our business and negatively affect our operating results. Any of these events would likely have an adverse effect on our business, operating results and financial position.

Due to the nature of our business, the effect of these macroeconomic conditions may not be fully reflected in our results of operations until future periods. We have assessed the potential credit deterioration of our customers due to changes in the macroeconomic environment and have determined that no additional allowance for credit losses was necessary due to credit deterioration as of June 30, 2023. The most significant risks to our business and results of operations are discussed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2022.

Non-GAAP Financial Measures and Key Performance Indicators

In evaluating our cash flows and financial performance, we use certain non-GAAP financial measures, including Pro Forma Software Revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP net income (loss), and non-GAAP net income (loss) per share. We also provides certain key performance indicators ("KPIs"), including Total Software Products & Services Customers, Annual Recurring Revenue, Annual Recurring Revenue (SaaS), Annual Recurring Revenue (Consumption),Total New Bookings and Gross Revenue Retention.

"Pro Forma" information provided in this current report on Form 10-Q represents our historical information combined with the historical information of Broadbean (as defined below) for the applicable period on a pro forma basis as if we had acquired Broadbean on January 1, 2022.

Pro Forma Software Revenue represents Software Products & Services revenue on a Pro Forma basis. Non-GAAP gross margin is defined as Non-GAAP gross profit divided by revenue. Non-GAAP net loss (pro forma) is the Company's net loss excluding the items set forth below. Non-GAAP net income (loss) and non-GAAP net income (loss) per share is the Company's net income (loss) and net income (loss) per share, adjusted to exclude interest expense, provision for income taxes, depreciation expense, amortization expense, stock-based compensation expense, changes in fair value of warrant liability, changes in fair value of contingent consideration, a reserve for state sales taxes, charges related to a facility sublease, gain on sale of asset, warrant expense, acquisition and due diligence costs, and severance and executive search costs. The results for non-GAAP net income (loss), are presented below for the three and six months ended June 30, 2023 and 2022. The items excluded from these non-GAAP financial measures, as well as a breakdown of GAAP net loss, non-GAAP net income (loss) and these excluded items between our Core Operations and Corporate, are detailed in the reconciliation below. In addition, we have provided supplemental non-GAAP measures of gross profit, operating expenses, loss from operations, other (expense) income, net, and loss before income taxes, excluding the items excluded from non-GAAP net loss as noted above, and reconciling such non-GAAP measures to the most directly comparable GAAP measures.

We present these non-GAAP financial measures because management believes such information to be important supplemental measures of performance that are commonly used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management also uses this information internally for forecasting and budgeting. These non-GAAP financial measures are not calculated and presented in accordance with GAAP and should not be considered as an alternative to net income (loss), operating income (loss) or any other financial measures so calculated and presented, nor as an alternative to cash flow from operating activities as a measure of liquidity. Other companies (including our competitors) may define these non-GAAP financial measures differently. These non-GAAP measures may not be indicative of our historical operating results or predictive of potential future results. Investors should not consider this supplemental non-GAAP financial information in isolation or as a substitute for analysis of our results as reported in accordance with GAAP.

Reconciliation of GAAP net loss to Non-GAAP net loss

(in thousands)

	Three Months Ended June 30,					
	2023			2022		
	Core Operations(1)	Corporate(2)	Total	Core Operations(1)	Corporate(2)	Total
Net income (loss)	$ (15,205)	$ (8,091)	$ (23,296)	$ (8,230)	$ 4,977	$ (3,253)
Benefit from income taxes	(742)	(632)	(1,374)	(964)	(643)	(1,607)
Depreciation and amortization	5,818	571	6,389	5,306	150	5,456
Stock-based compensation expense	1,929	768	2,697	2,685	1,976	4,661
Change in fair value of contingent consideration	—	—	—	—	(13,830)	(13,830)
Interest expense, net	—	720	720	—	1,183	1,183
Foreign currency impact	(1,631)	(28)	(1,659)	—	—	—
Acquisition and due diligence costs	—	4,271	4,271	—	207	207
Gain on sale of energy group	—	(2,572)	(2,572)	—	—	—
Contribution of business held for sale (3)	872	—	872	—	—	—
Variable consultant performance bonus expense	237	—	237	—	—	—
Severance and executive transition costs	474	215	689	—	—	—
Non-GAAP Net Loss	$ (8,248)	$ (4,778)	$ (13,026)	$ (1,203)	$ (5,980)	$ (7,183)

(in thousands)

	Six Months Ended June 30,					
	2023			2022		
	Core Operations(1)	Corporate(2)	Total	Core Operations(1)	Corporate(2)	Total
Net loss	$ (27,775)	$ (18,484)	$ (46,259)	$ (14,251)	$ (11,131)	$ (25,382)
Benefit from income taxes	(1,246)	(399)	(1,645)	(846)	(622)	(1,468)
Depreciation and amortization	11,572	724	12,296	10,404	266	10,670
Stock-based compensation expense	4,264	2,350	6,614	4,668	4,809	9,477
Change in fair value of contingent consideration	—	651	651	—	(8,785)	(8,785)
Interest expense, net	9	1,516	1,525	—	2,365	2,365
Foreign currency impact	(2,777)	(43)	(2,820)	—	—	—
Acquisition and due diligence costs	—	5,076	5,076	—	769	769
Gain on sale of energy group	—	(2,572)	(2,572)	—	—	—
Contribution of business held for sale (3)	1,789	—	1,789	—	—	—
Variable consultant performance bonus expense	631	—	631	—	—	—
Severance and executive transition costs	1,501	632	2,133	—	—	—
Non-GAAP Net Loss	$ (12,032)	$ (10,549)	$ (22,581)	$ (25)	$ (12,329)	$ (12,354)

(1) Core operations consists of our consolidated Software Products & Services and Managed Services that include our content licensing and advertising services, and their supporting operations, including direct costs of sales as well as operating expenses for sales, marketing and product development and certain general and administrative costs dedicated to these operations.

(2) Corporate consists of general and administrative functions such as executive, finance, legal, people operations, fixed overhead expenses (including facilities and information technology expenses), other income (expenses) and taxes, and other expenses that support the entire company, including public company driven costs.

(3) Contribution of business held for sale relates to the net loss for the periods presented for our energy group that we divested during the second quarter of 2023. We have not recast Non-GAAP Net Loss for periods ended prior to March 31, 2023 because the change in business strategy to divest the business occurred in the first quarter of 2023 and the prior period contributions were costs to operate the continuing business when incurred in the prior periods. The historical amounts would not have a major effect on prior period results.

For the three months ended June 30, 2023, our total loss from operations increased to $28.2 million compared to $3.7 million in the corresponding prior year period. For the six months ended June 30, 2023, our total loss from operations increased to $51.8 million compared to $24.4 million in the corresponding prior year period. The following tables set forth the calculation of our non-GAAP gross profit and non-GAAP gross margin, followed by a reconciliation of non-GAAP to GAAP financial information presented in our condensed consolidated financial statements for three and six months ended June 30, 2023 and 2022.

(dollars in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
Revenue	$ 27,967	$ 34,235	$ 58,230	$ 68,642
Cost of revenue	7,765	6,705	14,574	13,628
Non-GAAP gross profit	20,202	27,530	43,656	55,014
Non-GAAP gross margin	72.2 %	80.4 %	75.0 %	80.1 %

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenue	$ 27,967	$ 34,235	$ 58,230	$ 68,642
Cost of revenue	7,765	6,705	14,574	13,628
Non-GAAP gross profit	20,202	27,530	43,656	55,014
GAAP cost of revenue	7,765	6,705	14,574	13,628
Stock-based compensation expense	(17)	(24)	(37)	(44)
Non-GAAP cost of revenue	7,748	6,681	14,537	13,584
GAAP sales and marketing expenses	13,124	12,576	25,814	23,645
Stock-based compensation expense	(529)	(727)	(705)	(1,190)
Contribution of business held for sale [2]	(221)	—	(484)	—
Severance and executive transition costs	(190)	—	(503)	—
Non-GAAP sales and marketing expenses	12,184	11,849	24,122	22,455
GAAP research and development expenses	10,519	11,068	22,046	20,951
Stock-based compensation expense	(1,127)	(1,247)	(2,669)	(2,251)
Contribution of business held for sale [2]	(559)	—	(1,117)	—
Severance and executive transition costs	(151)	—	(680)	—
Non-GAAP research and development expenses	8,682	9,821	17,580	18,700
GAAP general and administrative expenses	19,025	2,304	36,422	24,625
Depreciation	(675)	(245)	(1,153)	(444)
Stock-based compensation expense	(1,024)	(2,663)	(3,203)	(5,992)
Change in fair value of contingent consideration	—	13,830	(651)	8,785
Variable consultant performance bonus expense	(237)	—	(631)	—
Contribution of business held for sale [2]	(92)	—	(188)	—
Acquisition and due diligence costs	(4,271)	(207)	(5,076)	(769)
Severance and executive transition costs	(348)	—	(950)	—
Non-GAAP general and administrative expenses	12,378	13,019	24,570	26,205
GAAP amortization	(5,714)	(5,211)	(11,143)	(10,226)
GAAP loss from operations	(28,180)	(3,629)	(51,769)	(24,433)
Total non-GAAP adjustments [1]	15,155	(3,506)	29,190	12,131
Non-GAAP loss from operations	(13,025)	(7,135)	(22,579)	(12,302)
GAAP other income (expense), net	3,510	(1,231)	3,865	(2,417)
Gain on sale of energy group	(2,572)	—	(2,572)	
Foreign currency impact	(1,659)	—	(2,820)	—
Interest expense, net	720	1,183	1,525	2,365
Non-GAAP other expense, net	(1)	(48)	(2)	(52)
GAAP loss before income taxes	(24,670)	(4,860)	(47,904)	(26,850)
Total non-GAAP adjustments [1]	11,644	(2,323)	25,323	14,496
Non-GAAP loss before income taxes	(13,026)	(7,183)	(22,581)	(12,354)
Benefit from income taxes	(1,374)	(1,607)	(1,645)	(1,468)
GAAP net loss	(23,296)	(3,253)	(46,259)	(25,382)
Total non-GAAP adjustments [1]	10,270	(3,930)	23,678	13,028
Non-GAAP net loss	$ (13,026)	$ (7,183)	$ (22,581)	$ (12,354)
Shares used in computing non-GAAP basic and diluted net loss per share	36,849	36,084	36,719	35,783
Shares used in computing non-GAAP diluted net income (loss) per share	36,849	36,084	36,719	35,783
Non-GAAP basic and diluted net loss per share	$ (0.35)	$ (0.20)	$ (0.61)	$ (0.35)
Non-GAAP diluted net loss per share	$ (0.35)	$ (0.20)	$ (0.61)	$ (0.35)

[1] Adjustments are comprised of the adjustments to GAAP cost of revenue, sales and marketing expenses, research and development expenses and general and administrative expenses and other (expense) income, net (where applicable) listed above.

[2] Contribution of business held for sale relates to the net loss for the periods presented for our energy group that we divested during Q2 2023. We have not recast Non-GAAP Net Loss for periods ended prior to March 31, 2023 because the change in business strategy to divest the business occurred in Q1 2023 and the prior period contributions were costs to operate the continuing business when incurred in the prior periods. The historical amounts would not have a major effect on prior period results.

Supplemental Financial Information

We are providing the following unaudited supplemental financial information regarding our Software Products & Services and Managed Services as a lookback of the prior year to explain our recent historical and year-over-year performance.

The supplemental financial information for our Software Products & Services includes: (i) Pro Forma Software Revenue, (ii) Total Software Products & Services Customers, (iii) Annual Recurring Revenue, (iv) Total New Bookings, and (iv) Gross Revenue Retention, in each case as defined in the footnotes to the table below. The supplemental financial information for our Managed Services includes: (i) average billings per active Managed Services client, and (ii) revenue.

Software Products & Services Supplemental Financial Information

The following table sets forth the results for each of our Software Products & Services supplemental financial information.

	Quarter Ended					
	Mar 31, 2022	Jun 30, 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023
Pro Forma Software Revenue (in 000's) [1]	$ 26,319	$ 26,650	$ 28,603	$ 35,612	$ 22,423	$ 20,860
Total Software Products & Services Customers [2]	3,673	3,718	3,787	3,824	3,773	3,705
Annual Recurring Revenue (SaaS) (in 000's) [3]	$ 48,392	$ 44,465	$ 43,925	$ 46,248	$ 45,453	$ 47,720
Annual Recurring Revenue (Consumption) (in 000's) [4]	$ 87,445	$ 85,901	$ 85,091	$ 71,754	$ 67,242	$ 60,229
Total New Bookings (in 000's) [5]	$ 16,643	$ 22,009	$ 23,793	$ 26,342	$ 22,794	$ 8,388
Gross Revenue Retention [6]	>90%	>90%	>90%	>90%	>90%	>90%

(1) "Software Revenue - Pro Forma" is a non-GAAP measure that represents Software Products & Services revenue on a Pro Forma basis.

(2) "Total Software Products & Services Customers" includes Software Products & Services customers as of the end of each respective quarter set forth above with net revenues in excess of $10 and also excludes any customers categorized by us as trial or pilot status. In prior periods, we provided "Ending Software Customers," which represented Software Products & Services customers as of the end of each fiscal quarter with trailing twelve-month revenues in excess of $2,400 for both Veritone, Inc. and PandoLogic Ltd. and/or deemed by the Company to be under an active contract for the applicable periods. Total Software Products & Services Customers is not comparable to Ending Software Customers. Total Software Products & Services Customers includes customers based on revenues in the last month of the quarter rather than on a trailing twelve month basis. Total Software Products & Services Customers includes customers based on revenues in the last month of the quarter rather than on a trailing twelve month basis and excludes any customers that are on trial or pilot status with us rather than including customers with active contracts. Management uses Total Software Products & Services Customers and we believe Total Software Products & Services Customers are useful to investors because it more accurately reflects our total customers for our Software Products & Services customers inclusive of Broadbean.

(3) "Annual Recurring Revenue (SaaS)" represents an annualized calculation of monthly recurring revenue during the last month of the applicable quarter for all Total Software Products & Services customers, in each case on a Pro Forma basis. In prior periods, we provided "Average Annual Revenue," which was calculated as the aggregate of trailing twelve-month Software Products & Services revenue divided by the average number of customers over the same period for both Veritone, Inc. and PandoLogic Ltd.. Annual Recurring Revenue is not comparable to Average Annual Revenue (SaaS). Annual Recurring Revenue (SaaS) includes only subscription-based SaaS revenue, is not averaged among active customers and uses a calculation of recurring revenue as described above instead of annual revenue. Management uses "Annual Recurring Revenue (SaaS)" and we believe Annual Recurring Revenue (SaaS) is useful to investors because Broadbean significantly increases our mix of subscription-based SaaS revenues as compared to Consumption revenues and the split between the two allows the reader to delineate between predictable recurring SaaS revenues and more volatile Consumption revenues.

(4) "Annual Recurring Revenue (Consumption)" represents the trailing twelve months of all non-recurring and/or consumption based revenue for all active Total Software Products & Services customers. In prior periods, we provided "Average Annual Revenue," which was calculated as the aggregate of trailing twelve-month Software Products & Services revenue divided by the average number of customers over the same period for both Veritone, Inc. and PandoLogic Ltd.. Annual Recurring Revenue (Consumption) is not comparable to Average Annual Revenue. Annual Recurring Revenue (Consumption) includes only non-recurring and/or consumption-based revenue, is not averaged among active customers and uses a calculation of recurring revenue as described above instead of annual revenue. Management uses "Annual Recurring Revenue (Consumption)" and we believe Annual Recurring Revenue (Consumption) is useful to investors because Broadbean significantly increases our mix of subscription-based SaaS revenues as compared to Consumption revenues and the split between the two allows the reader to delineate between predictable recurring SaaS revenues and more volatile Consumption revenues.

(5) "Total New Bookings" represents the total fees payable during the full contract term for new contracts received in the quarter (including fees payable during any cancellable portion and an estimate of license fees that may fluctuate over the term), excluding any variable fees under the contract (e.g., fees for cognitive processing, storage, professional services and other variable services), in each case on a Pro Forma basis.

(6) "Gross Revenue Retention" represents calculate our dollar-based gross revenue retention rate as of the period end by starting with the revenue from Software Products & Services Customers as of the 3 months in the prior year quarter to such period, or Prior Year Quarter Revenue. We then deduct from the Prior Year Quarter Revenue any revenue from Software Products & Services Customers who are no longer customers as of the current period end, or Current Period Ending Software Customer Revenue. We then divide the total Current Period Ending Software Customer Revenue by the total Prior Year Quarter Revenue to arrive at our dollar-based gross retention rate, which is the percentage of revenue from all Software Products & Services Customers from our Software Products & Services as of the year prior that is not lost to customer churn. All numbers used to determine Gross Revenue Retention are calculated on a Pro Forma basis.

Managed Services Supplemental Financial Information

The following table sets forth the results for each of the key performance indicators for Managed Services.

	Quarter Ended					
	Mar 31, 2022	Jun 30, 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023
Avg billings per active Managed Services client (in 000's) [7]	$ 684	$ 736	$ 747	$ 823	$ 771	$ 576
Revenue during quarter (in 000's) [8]	$ 10,735	$ 9,625	$ 10,035	$ 11,074	$ 9,337	$ 6,876

[7] Avg billings per active Managed Services customer for each quarter reflects the average quarterly billings per active Managed Services customer over the twelve-month period through the end of such quarter for Managed Services clients that are active during such quarter.
[8] Managed Services revenue and metrics exclude content licensing and media services.

We have experienced and may continue to experience volatility in revenue from our Managed Services due to a number of factors, including: (i) the timing of new large customer agreements; (ii) loss of customers who choose to replace our services with new providers or by bringing their advertising placement in-house; (iii) customers who experience reductions in their advertising budgets due to issues with their own businesses; and (iv) the seasonality of the campaigns for certain large customers. We have historically generated a significant portion of our revenue from a few major customers. As we continue to grow and diversify our customer base, we expect that our dependency on a limited number of large customers will be minimized.

Results of Operations

The following tables set forth our results of operations for the three and six months ended June 30, 2023 and 2022, in dollars and as a percentage of our revenue for those periods. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

(dollars in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
Revenue	$ 27,967	$ 34,235	$ 58,230	$ 68,642
Operating expenses:				
Cost of revenue	7,765	6,705	14,574	13,628
Sales and marketing	13,124	12,576	25,814	23,645
Research and development	10,519	11,068	22,046	20,951
General and administrative	19,025	2,304	36,422	24,625
Amortization	5,714	5,211	11,143	10,226
Total operating expenses	56,147	37,864	109,999	93,075
Loss from operations	(28,180)	(3,629)	(51,769)	(24,433)
Other income (expense), net	3,510	(1,231)	3,865	(2,417)
Loss before provision for income taxes	(24,670)	(4,860)	(47,904)	(26,850)
(Benefit from) provision for income taxes	(1,374)	(1,607)	(1,645)	(1,468)
Net loss	$ (23,296)	$ (3,253)	$ (46,259)	$ (25,382)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Cost of revenue	27.8	19.6	25.0	19.9
Sales and marketing	46.9	36.7	44.3	34.4
Research and development	37.6	32.3	37.9	30.5
General and administrative	68.0	6.7	62.5	35.9
Amortization	20.4	15.3	19.1	14.9
Total operating expenses	200.7	110.6	188.9	135.5
Loss from operations	(100.7)	(10.6)	(88.9)	(35.5)
Other income (expense), net	12.6	(3.6)	6.6	(3.5)
Loss before provision for income taxes	(88.1)	(14.2)	(82.3)	(39.0)
(Benefit from) provision for income taxes	(4.9)	(4.7)	(2.8)	(2.1)
Net loss	(83.2)	(9.5)	(79.4)	(36.9)

Three and Six Months Ended June 30, 2023 Compared with Three and Six Months Ended June 30, 2022

Revenue

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Commercial Enterprise	Government & Regulated	Total	Commercial Enterprise	Government & Regulated	Total
Software Products & Services	$ 12,492	$ 1,601	$ 14,093	$ 25,224	$ 2,996	$ 28,220
Managed Services	13,874	—	13,874	30,010	—	30,010
Revenue	$ 26,366	$ 1,601	$ 27,967	$ 55,234	$ 2,996	$ 58,230

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	Commercial Enterprise	Government & Regulated	Total	Commercial Enterprise	Government & Regulated	Total
Software Products & Services	$ 17,508	$ 871	$ 18,379	$ 34,894	$ 1,652	$ 36,546
Managed Services	15,856	—	15,856	32,096	—	32,096
Revenue	$ 33,364	$ 871	$ 34,235	$ 66,990	$ 1,652	$ 68,642

Commercial Enterprise

Commercial Enterprise Software Products & Services revenue decreased $5.0 million or 29% in the three months ended June 30, 2023 compared to the corresponding prior year period and decreased $9.7 million or 28% in the six months ended June 30, 2023 compared to the corresponding prior year period, with the decreases largely driven by the loss of certain one-time software revenue during the second quarter of 2022 which did not recur in 2023, partially offset by revenue from the acquisition of Broadbean in June 2023. Commercial Enterprise Managed Services decreased $2.0 million or 13% in the three months ended June 30, 2023 compared to the corresponding prior year period and decreased $2.1 million or 6% in the six months ended June 30, 2023 compared to the corresponding prior year period, with the decreases driven primarily due to decreases in advertising revenue driven by the current economic environment, partially offset by growth in content licensing.

Government & Regulated Industries

Government & Regulated Industries Software Products & Services revenue increased $0.7 million or 84% in the three months ended June 30, 2023 compared to the corresponding prior year period and increased $1.4 million or 81% in the six months ended June 30, 2023 compared to the corresponding prior year period, with the increases driven by new and existing customer growth. Government & Regulated Industries Software Products & Services revenue from customers in certain markets, particularly government, is often project-based and is impacted by the timing of projects. As such, we expect that our revenue from these markets could fluctuate significantly from period to period.

Operating Expenses

(dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Cost of revenue	$ 7,765	$ 6,705	$ 1,060	15.8 %	$ 14,574	$ 13,628	$ 946	6.9 %
Sales and marketing	13,124	12,576	548	4.4 %	25,814	23,645	2,169	9.2 %
Research and development	10,519	11,068	(549)	(5.0)%	22,046	20,951	1,095	5.2 %
General and administrative	19,025	2,304	16,721	725.7 %	36,422	24,625	11,797	47.9 %
Amortization	5,714	5,211	503	9.7 %	11,143	10,226	917	9.0 %
Total operating expenses	$ 56,147	$ 37,864	$ 18,283	48.3 %	$ 109,999	$ 93,075	$ 16,924	18.2 %

Cost of Revenue. The increase in cost of revenue in the three and six months ended June 30, 2023 compared with the corresponding prior year periods was due primarily to a shift in the mix of revenues from higher margin Software Products & Services products to lower margin Managed Services products.

Sales and Marketing. The increase in sales and marketing expenses in the three and six months ended June 30, 2023 compared with the corresponding prior year periods was primarily due to increases in personnel-related costs from the addition of new sales and marketing resources. As a percentage of revenue, sales and marketing expenses increased to 47% and 44% in the three and six months ended June 30, 2023, respectively, from 37% and 34% in the corresponding prior year periods.

Research and Development. Research and development expenses decreased by $0.5 million or 5% in the three months ended June 30, 2023 compared with the corresponding prior year period principally due to a $0.5 million increase in capitalized costs for internal use software and decrease in personnel-related costs of $0.4 million due to cost reduction initiatives announced in the first quarter of 2023, partially offset by increased costs for the Steel Holdings Consulting Agreement. Research and development expenses increased by $1.1 million or 5% in the six months ended June 30, 2023 compared with the corresponding prior year period principally due to an increase in personnel-related costs from the addition of new engineering resources and costs for the Steel Holdings Consulting Agreement. As a percentage of revenue, research and development expenses increased to 38% for both the three and six months ended June 30, 2023, from 32% and 31% in the corresponding prior year periods.

General and Administrative. General and administrative expenses increased by $16.7 million or 726% in the three months ended June 30, 2023 compared with the corresponding prior year period principally due to a non-cash benefit of $13.8 million recognized during the three months ended June 30, 2022 associated with a change in the estimated fair value of contingent consideration as well as a $3.1 million increase in accounting and legal fees, primarily due to the Broadbean acquisition. General and administrative expenses increased by $11.8 million or 48% in the six months ended June 30, 2023 compared with the corresponding prior year period principally due to a non-cash benefit of $9.4 million recognized in the first half of 2022 associated with a change in the estimated fair value of contingent consideration, coupled with the $3.1 million increase in accounting and legal fees, primarily due to the Broadbean acquisition. As a percentage of revenue, general and administrative expenses increased to 68% and 63% in the three and six months ended June 30, 2023, respectively, from 7% and 36% in the corresponding prior year periods.

Amortization Expense. Amortization expense increased in the three and six months ended June 30, 2023 compared with the corresponding prior year period due to the addition of amortization expense related to our 2022 and 2023 acquisitions.

Other Income (Expense), Net

Other income, net for the three months ended June 30, 2023 was comprised primarily of a gain on the sale of the energy group of $2.6 million and foreign exchange gain of $1.7 million, offset by interest expense, net of $0.7 million. Other expense, net for the three months ended June 30, 2022 was $1.2 million due primarily to interest expense. Other income, net for the six months ended June 30, 2023 was comprised primarily of a gain on the sale of the energy group of $2.6 million and foreign exchange gain of $2.8 million, offset by interest expense, net of $1.5 million. Other expense, net for the six months ended June 30, 2022 was $2.4 million due primarily to interest expense.

Non-GAAP Gross Profit

For the three months ended June 30, 2023, our total loss from operations increased to $28.2 million compared to $3.7 million in the corresponding prior year period. For the six months ended June 30, 2023, our total loss from operations increased to $51.8 million compared to $24.4 million in the corresponding prior year period. As noted above, our non-GAAP gross profit is calculated as our revenue less our cost of revenue, as follows:

(dollars in thousands)	**Three Months Ended June 30,**				**Six Months Ended June 30,**			
	2023	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Revenue	$ 27,967	$ 34,235	$ (6,268)	(18.3)%	$ 58,230	$ 68,642	$ (10,412)	(15.2)%
Cost of revenue	7,765	6,705	1,060	15.8 %	14,574	13,628	946	6.9 %
Non-GAAP gross profit	20,202	27,530	(7,328)	(26.6)%	43,656	55,014	(11,358)	(20.6)%
Non-GAAP gross margin	72.2 %	80.4 %			75.0 %	80.1 %		

The decrease in non-GAAP gross profit and non-GAAP gross margin in the three and six months ended June 30, 2023 compared with the corresponding prior year periods was due primarily to decreases in revenue compared to the corresponding prior year periods.

Liquidity and Capital Resources

We have historically financed our business through the sale of equity and debt securities. Our principal sources of liquidity are our cash and cash equivalents, which totaled $62.7 million as of June 30, 2023, compared with total cash and cash equivalents of $184.4 million as of December 31, 2022. The decrease in our cash and cash equivalents as of June 30, 2023 as compared with December 31, 2022 was primarily due to cash used by operating activities of $58.5 million, investments paid during the six months ended June 30, 2023, and the payment of the PandoLogic 2022 earnout.

In August 2023, we entered into a three year credit agreement with Alterna Capital Solutions, LLC ("ACS") whereby we are initially able to borrow, at our discretion and throughout the term up to $30,000 against certain domestic receivables (the "Credit Facility"). The Credit Facility bears interest at the greater of Prime rate plus 1 percent or 9.5% and minimum annual interest of $250 if no funds are drawn in a given year. Under the terms of the Credit Facility, we pay a one-time fee of $450 in advance, and are subject to certain penalties if the Credit Facility is terminated early. ACS will be a senior secured creditor. The Credit Facility provides additional financial flexibility and liquidity on our balance sheet.

Cash Flows

A summary of cash flows from our operating, investing and financing activities is shown in the table below.

(in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash used in operating activities	$ (58,533)	$ (4,285)
Cash used in investing activities	(55,078)	(6,870)
Cash used in financing activities	(8,132)	(23,103)
Net decrease in cash, cash equivalents and restricted cash	$ (121,743)	$ (34,258)

Operating Activities

Our operating activities used cash of $58.5 million in the six months ended June 30, 2023, due primarily to our net loss of $46.3 million, adjusted by $16.2 million in non-cash expenses, including $12.3 million in depreciation and amortization and $6.6 million in stock-based compensation expense, as well as the net working capital decrease of $28.4 million, primarily due to decreases in accrued media payments of $34.6 million, partially offset by decreases in accounts receivable of $16.3 million.

Our operating activities used cash of $4.3 million in the six months ended June 30, 2022, due primarily to our net loss of $25.4 million, adjusted by $11.1 million in non-cash expenses, including $10.7 million in depreciation and amortization and $9.6 million in stock-based compensation expense, offset in part by $8.8 million from a change in the fair value of contingent consideration, $1.9 million from a changes in deferred taxes and the net working capital increase of $10.0 million, primarily due to decreases in our accounts receivable of $35.6 million.

Investing Activities

Our investing activities for the six months ended June 30, 2023 used cash of $55.1 million primarily for $50.2 million in cash paid for the Broadbean acquisition net of cash acquired and $2.7 million in deferred consideration primarily related to the March 2022 Acquisition and the VocaliD acquisition, and $2.7 million in capital expenditures, with these uses of cash partially offset by $0.5 million in proceeds from the Energy Divestiture.

Our investing activities for the six months ended June 30, 2022 used cash of $6.9 million primarily for $2.6 million to fund a portion of the consideration for the March 2022 acquisition and the VocaliD acquisition, $2.3 million in capital expenditures and for an equity investment of $2.0 million in a strategic partner.

Financing Activities

Our financing activities for the six months ended June 30, 2023 used cash of $8.1 million, consisting of $7.8 million to pay the 2022 earnout for PandoLogic and $1.0 million to pay taxes paid related to the net share settlement of equity awards, partially offset by $0.6 million in proceeds received from the exercise of stock options and purchases of shares under our ESPP.

Our financing activities for the six months ended June 30, 2022 used cash of $23.1 million, consisting of $14.4 million to pay the 2021 earnout for PandoLogic and $9.5 million to pay taxes paid related to the net share settlement of equity awards, partially offset by $0.8 million in proceeds received from the exercise of stock options and purchases of shares under our ESPP.

Contractual Obligations and Known Future Cash Requirements

As of June 30, 2023, our only debt obligations were the Convertible Notes issued in the fourth quarter of fiscal year 2021, net of amounts repurchased in 2022. The remaining principal on the Convertible Notes of $141.25 million will mature on November 15, 2026, unless earlier converted, redeemed or repurchased in accordance with the terms of the Convertible Notes.

As of June 30, 2023, we have future cash requirements to pay $2.8 million in purchase consideration commitments related to the VSL acquisition, the VocaliD acquisition and the March 2022 Acquisition that will be paid in 2023 and in 2024. We have no other present agreements or commitments with respect to any material acquisitions of businesses or technologies or any other material capital expenditures.

We have generated significant losses since inception; however, we do expect to begin generating profits on a non-GAAP basis in the foreseeable future. We believe that our current cash and cash equivalents balance, combined with available borrowing under the Credit Facility, will be sufficient to fund our operations in the ordinary course of business for at least the next twelve months from the date of this filing. We have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our condensed consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an on-going basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Our critical accounting estimates reflecting management’s estimates and judgments are described in our Annual Report on Form 10-K for the year ended December 31, 2022. We have reviewed recently adopted accounting pronouncements and determined that the adoption of such pronouncements is not expected to have a material impact, if any, on our condensed consolidated financial statements. Accordingly, there have been no material changes to critical accounting policies and estimates as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by Item 305 of Regulation S-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of June 30, 2023. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives of ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to enable timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms promulgated by the SEC. Our management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and there is no assurance that our disclosure controls and procedures will operate effectively under all circumstances. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2023, our disclosure controls and procedures were not effective at the reasonable assurance level due to the following material weakness in internal control over financial reporting.

Material Weakness in Internal Control over Financial Reporting

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 the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

During the preparation of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, management identified a material weakness in internal control over financial reporting relating to information technology general controls (“ITGCs”) in the areas of user access and change-management over certain information technology (“IT”) systems that support the Company’s financial reporting processes. In addition, the Company’s business process automated and manual controls that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted. Although this material weakness did not result in any identified misstatements to the financial statements and there were no changes to previously released financial results, this material weakness could have resulted in a material misstatement to the Company's annual or interim condensed consolidated financial statements that would not be prevented or detected on a timely basis.

Remediation of Material Weakness in Internal Control Over Financial Reporting

In order to remediate the material weakness relating to ITGCs, management is taking remediation actions including: (i) developing and enhancing IT compliance oversight capabilities with specific focus over identification and execution of appropriate ITGCs; (ii) developing a training program addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access and change management over IT systems impacting financial reporting; (iii) developing and maintaining documentation of underlying ITGCs to promote knowledge transfer upon personnel and function changes; and (iv) implementing an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes. Management has also hired additional staff to oversee the implementation and testing of these remediation actions. To further remediate the existing material weakness identified herein, the management team, including the Chief Executive Officer and Chief Financial Officer, have reaffirmed and re-emphasized the importance of internal controls, control consciousness and a strong control environment. We are committed to maintaining a strong control environment and believe that these remediation efforts represent continued improvement in our control environment. We also expect to continue to review, optimize and enhance our financial reporting controls and procedures. A material weakness will not be considered remediated until the applicable remediated control operates for a sufficient period of time and management has concluded, through testing, that this enhanced control is operating effectively.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2023, we completed the acquisition of Broadbean. Prior to the acquisition, Broadbean was a privately-held company and was not subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements applicable to public reporting companies. As part of our ongoing integration activities, we are continuing to incorporate our controls and procedures into Broadbean and to augment our company-wide controls to reflect the risks that may be inherent in acquisitions of privately-held companies.

Other than our integration of the Broadbean business and the remediation efforts described above, there have been no changes in our internal control over financial reporting during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures 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 or error, 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 also is 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. Because of the 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

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations, financial position or cash flows. Regardless of the outcome, any litigation could have an adverse impact on us due to defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2022 contains a discussion of the material risks associated with our business. There have been no material changes to the risks described in such Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
2.1	Securities and Asset Purchase Agreement, dated as of May 27, 2023, by and among Veritone, Inc., Veritone UK Ltd., CareerBuilder, LLC, CareerBuilder International Holding B.V. and CareerBuilder France Holding, LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 31, 2023).
3.1	Third Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 23, 2017).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 23, 2017).
10.1*	Veritone, Inc. 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 14, 2023).
31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1+	Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, has been formatted in Inline XBRL.

* Indicates a management contract or compensatory plan or arrangement.

† The exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K under the Securities Act. The Company agrees to furnish supplementally a copy of all omitted exhibits and schedules to the SEC upon request.

+ The certifications furnished as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Subsection 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the Registrant's filings under the Securities Act, irrespective of any general incorporation language contained in any such filing.

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.

	Veritone, Inc.	
August 9, 2023	By:	/s/ Michael L. Zemetra Michael L. Zemetra Executive Vice President, Chief Financial Officer and Treasurer *(Principal Financial and Accounting Officer)*

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Ryan Steelberg, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Veritone, 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(s) 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; and

5.The registrant's other certifying officer(s) 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 9, 2023

By: /s/ Ryan Steelberg
Ryan Steelberg
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Michael L. Zemetra, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Veritone, 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(s) 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; and

5.The registrant’s other certifying officer(s) 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 9, 2023	By:	/s/ Michael L. Zemetra
		Michael L. Zemetra
		Executive Vice President, Chief Financial Officer and Treasurer
		(Principal Financial and Accounting Officer)

EXHIBIT 32.1

**CERTIFICATIONS PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

Each of the undersigned hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934,as amended (the “Exchange Act”), and 18 U.S.C. Section 1350, in his capacity as an officer of Veritone, Inc., that, to his knowledge, the Quarterly Report on Form 10-Q of Veritone, Inc. for the period ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Veritone, Inc.

Date: August 9, 2023	By:	/s/ Ryan Steelberg Ryan Steelberg President and Chief Executive Officer *(Principal Executive Officer)*
Date: August 9, 2023	By:	/s/ Michael L. Zemetra Michael L. Zemetra Executive Vice President, Chief Financial Officer and Treasurer *(Principal Financial and Accounting Officer)*

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to Veritone, Inc. and will be retained by Veritone, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.