

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 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  
(State or other jurisdiction of  
incorporation or organization)

47-1161641  
(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)

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

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

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

As of November 10, 2023, 37,052,309 shares of the registrant's common stock were outstanding.

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

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## 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 ability to close on our Term Loan (as defined in Note 13) and our ability to obtain any 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);
- our identification of existing material weaknesses in our internal control over financial reporting;
- 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 macroeconomic and geopolitical factors, including the COVID-19 pandemic, the Russia-Ukraine conflict and related sanctions, the war in Israel, financial instability, inflation rates and the responses by central banking authorities to control inflation, monetary supply shifts and the threat of recession in the United States and around the world on our business operations and those of our existing and potential customers; 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 this Quarterly Report on Form 10-Q and our 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	
	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,070	\$ 184,423
Accounts receivable, net	49,691	56,001
Expenditures billable to clients	24,447	22,339
Prepaid expenses and other current assets	15,179	15,242
Total current assets	161,387	278,005
Property, equipment and improvements, net	11,595	5,291
Intangible assets, net	89,397	79,664
Goodwill	78,388	46,498
Long-term restricted cash	869	859
Other assets	17,787	14,435
Total assets	<u>\$ 359,423</u>	<u>\$ 424,752</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 40,512	\$ 36,738
Accrued media payments	84,346	102,064
Client advances	14,867	16,442
Deferred revenue	11,821	2,600
Contingent consideration, current	500	8,067
Other accrued liabilities	34,197	27,412
Total current liabilities	186,243	193,323
Convertible senior notes, non-current	138,416	137,767
Contingent consideration, non-current	317	—
Other non-current liabilities	15,744	13,811
Total liabilities	340,720	344,901
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, par value \$0.001 per share; 75,000,000 shares authorized; 37,082,144 and 36,321,222 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	37	36
Additional paid-in capital	460,827	451,162
Accumulated deficit	(442,071 )	(371,271 )
Accumulated other comprehensive loss	(90 )	(76 )
Total stockholders' equity	18,703	79,851
Total liabilities and stockholders' equity	<u>\$ 359,423</u>	<u>\$ 424,752</u>

*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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 35,133	\$ 37,196	\$ 93,363	\$ 105,838
Operating expenses:				
Cost of revenue	7,187	7,097	21,761	20,725
Sales and marketing	12,892	13,920	38,706	37,565
Research and development	10,410	11,784	32,456	32,735
General and administrative	21,082	2,502	57,504	27,127
Amortization	6,624	5,504	17,767	15,730
Total operating expenses	58,195	40,807	168,194	133,882
Loss from operations	(23,062)	(3,611)	(74,831)	(28,044)
Other income (expense), net	(2,456)	(1,249)	1,409	(3,666)
Loss before provision for income taxes	(25,518)	(4,860)	(73,422)	(31,710)
(Benefit from) provision for income taxes	(977)	26	(2,622)	(1,442)
Net loss	<u>\$ (24,541)</u>	<u>\$ (4,886)</u>	<u>\$ (70,800)</u>	<u>\$ (30,268)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.66)</u>	<u>\$ (0.13)</u>	<u>\$ (1.92)</u>	<u>\$ (0.84)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>36,991,650</u>	<u>36,202,496</u>	<u>36,810,878</u>	<u>35,924,413</u>
Comprehensive loss:				
Net loss	\$ (24,541)	\$ (4,886)	\$ (70,800)	\$ (30,268)
Foreign currency translation (loss) gain, net of income taxes	1,749	66	(14)	642
Total comprehensive loss	<u>\$ (22,792)</u>	<u>\$ (4,820)</u>	<u>\$ (70,814)</u>	<u>\$ (29,626)</u>

*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 September 30, 2023						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	
	Shares	Amount					
<b>Balance as of June 30, 2023</b>	36,889,862	\$ 37	\$ 458,385	\$ (417,530)	\$ (1,839)	\$ 39,053	
Common stock issued under employee stock plans	222,927	—	420	—	—	420	
Common stock withheld for employee taxes	(30,645)	—	(85)	—	—	(85)	
Stock-based compensation expense	—	—	2,107	—	—	2,107	
Net loss	—	—	—	(24,541)	—	(24,541)	
Other comprehensive loss	—	—	—	—	1,749	1,749	
<b>Balance as of September 30, 2023</b>	<u>37,082,144</u>	<u>\$ 37</u>	<u>\$ 460,827</u>	<u>\$ (442,071)</u>	<u>\$ (90)</u>	<u>\$ 18,703</u>	

	Nine Months Ended September 30, 2023						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	
	Shares	Amount					
<b>Balance as of December 31, 2022</b>	36,321,222	\$ 36	\$ 451,162	\$ (371,271)	\$ (76)	\$ 79,851	
Common stock issued under employee stock plans	816,690	1	1,062	—	—	1,063	
Common stock withheld for employee taxes	(191,568)	—	(1,088)	—	—	(1,088)	
Common stock issued as part of contingent consideration	135,800	—	756	—	—	756	
Stock-based compensation expense	—	—	8,935	—	—	8,935	
Net loss	—	—	—	(70,800)	—	(70,800)	
Other comprehensive loss	—	—	—	—	(14)	(14)	
<b>Balance as of September 30, 2023</b>	<u>37,082,144</u>	<u>\$ 37</u>	<u>\$ 460,827</u>	<u>\$ (442,071)</u>	<u>\$ (90)</u>	<u>\$ 18,703</u>	

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

	Three Months Ended September 30, 2022						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total	
	Shares	Amount					
<b>Balance as of June 30, 2022</b>	36,128,363	\$ 36	\$ 440,809	\$ (371,096)	\$ 472	\$ 70,221	
Common stock issued under employee stock plans	226,577	—	417	—	—	417	
Common stock withheld for employee taxes	(32,475)	—	(217)	—	—	(217)	
Stock-based compensation expense	—	—	5,172	—	—	5,172	
Net loss	—	—	—	(4,886)	—	(4,886)	
Other comprehensive gain	—	—	—	—	66	66	
<b>Balance as of September 30, 2022</b>	<u>36,322,465</u>	<u>\$ 36</u>	<u>\$ 446,181</u>	<u>\$ (375,982)</u>	<u>\$ 538</u>	<u>\$ 70,773</u>	

	Nine Months Ended September 30, 2022						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total	
	Shares	Amount					
<b>Balance as of December 31, 2021</b>	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	1,378,922	1	1,198	—	—	1,199	
Common stock withheld for employee taxes	(497,593)	—	(9,726)	—	—	(9,726)	
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	—	—	14,734	—	—	14,734	
Net loss	—	—	—	(30,268)	—	(30,268)	
Other comprehensive gain	—	—	—	—	642	642	
<b>Balance as of September 30, 2022</b>	<u>36,322,465</u>	<u>\$ 36</u>	<u>\$ 446,181</u>	<u>\$ (375,982)</u>	<u>\$ 538</u>	<u>\$ 70,773</u>	

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

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

	Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (70,800 )	\$ (30,268 )
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	20,154	16,494
Provision for credit losses	168	(113 )
Stock-based compensation expense	8,646	14,734
Gain on sale of energy group	(2,572 )	—
Change in fair value of contingent consideration	1,468	(23,076 )
Change in deferred taxes	(2,858 )	(2,078 )
Amortization of debt issuance costs	649	902
Amortization of right-of-use assets	1,127	632
Imputed non-cash interest (income) expense	(108 )	176
Changes in assets and liabilities:		
Accounts receivable	14,052	370
Expenditures billable to clients	(2,108 )	3,395
Prepaid expenses and other assets	1,224	(4,290 )
Other assets	(1,300 )	(4,568 )
Accounts payable	2,405	(15,298 )
Deferred revenue	(913 )	895
Accrued media payments	(17,718 )	20,136
Client advances	(1,567 )	2,240
Other accrued liabilities	4,714	(3,177 )
Other liabilities	(2,774 )	(1,736 )
Net cash used in operating activities	(48,111 )	(24,630 )
<b>Cash flows from investing activities:</b>		
Minority investment	—	(2,750 )
Proceeds from divestiture	504	—
Capital expenditures	(4,054 )	(3,777 )
Acquisitions, net of cash acquired	(50,195 )	(4,589 )
Net cash used in investing activities	(53,745 )	(11,116 )
<b>Cash flows from financing activities:</b>		
Payment of contingent consideration	(7,772 )	(14,376 )
Taxes paid related to net share settlement of equity awards	(1,088 )	(9,726 )
Proceeds from issuances of stock under employee stock plans, net	1,063	1,199
Settlement of deferred consideration for acquisitions	(2,690 )	—
Net cash used in financing activities	(10,487 )	(22,903 )
Net decrease in cash and cash equivalents and restricted cash	(112,343 )	(58,649 )
Cash and cash equivalents and restricted cash, beginning of period	185,282	255,577
Cash and cash equivalents and restricted cash, end of period	<u>\$ 72,939</u>	<u>\$ 196,928</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Non-cash investing and financing activities:		
Fair value of shares issued for acquisition of businesses and earn-out consideration	756	8,369
Stock-based compensation capitalized for software development	289	155
Lease liabilities arising from right-of-use assets	1,436	4,501
Fair value of shares received for consideration of energy group sale	2,021	—

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



**VERITONE, INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(in thousands, except share and per share data and percentages)**  
**(Unaudited)**

**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™, 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 nine months ended September 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.

***Correction of Immaterial Error***

During the third quarter of 2023, the Company recorded out of period adjustments related to prior periods associated with consolidation of foreign currency balances in its historical financial statements. The cumulative effect of the error generated during 2022 and during the six months ended June 30, 2023 was corrected during the three months ended September 30, 2023, resulting in a decrease in other income, net of \$2,443, an increase in benefit from provision for income taxes of \$257, and an increase in foreign currency translation loss, net of income taxes of \$2,187. The Company evaluated the aggregate effects of the errors to its previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon quantitative and qualitative factors, determined that the errors were not material to the previously issued financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2022 or for any

quarterly periods included therein. Additionally, the Company determined that the errors were not material for the previously issued financial statements for the interim periods for which financial statements were filed during 2023.

#### ***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 September 30, 2023, the Company had an accumulated deficit of \$442,071. 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. In August 2023, the Company entered into the Credit Facility (see Note 4), pursuant to which the Company may borrow up to \$30,000. As of September 30, 2023, the Company had not drawn any amounts under the Credit Facility. 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 nine months ended September 30, 2023, the Company used cash in operations of \$48,111, driven principally by the timing of payments for advertising customers and by the Company's net loss of \$70,800, and the Company used cash in investing activities of \$53,745, driven principally by its acquisition of Broadbean (see Note 3), and used cash in financing activities of \$10,487, driven principally by the settlement of contingent and deferred consideration for its 2022 and 2021 acquisitions. As of September 30, 2023, the Company had cash and cash equivalents of \$72,070, including \$58,002 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. The Company's management projects that the Company's ability to borrow up to \$30,000 on its Credit Facility, subject to the lender's approval of qualifying domestic receivables, or the availability of proceeds from the Company's Term Loan (see Note 13), if consummated, when combined with the Company's 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 certain transactions including barter transactions and the evaluation of its 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 factors including the COVID-19 pandemic, the wars in Ukraine and Israel, the global inflationary environment and rising interest rates. The war in Israel has also adversely impacted the Company's business operations because the Company has an office and personnel based in Tel Aviv, Israel. 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***

No individual customer accounted for 10% or more of the Company's revenue for the three months ended September 30, 2023 and one individual customer accounted for 10% or more of the Company's revenue for the three months ended September 30, 2022. One individual customer accounted for 10% or more of the Company's revenue for the nine months ended September 30, 2023 and 2022. One individual customer accounted for 10% or more of the Company's accounts receivable as of September 30, 2023 and one individual customer accounted for 10% or more of the Company's accounts receivable as of December 31, 2022.

#### ***Contract Balances***

Contract liabilities are recorded as deferred revenue when customer payments are received in advance of the Company meeting all the revenue recognition criteria. Deferred revenue includes prepaid subscription and revenue with performance obligations yet to be satisfied. The Company recognized \$2,081 of revenue during the nine months ended September 30, 2023 that was included in the deferred revenue balance as of December 31, 2022.

### **Remaining Performance Obligations**

As of September 30, 2023, the aggregate amount of the transaction prices under the Company's contracts allocated to the Company's remaining performance obligations was \$27,595, approximately 57% 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.

### **Seasonality**

The Company experiences seasonal fluctuations in its revenue and operating performance as a result of the utilization of its platform and associated revenues from its Software Products & Services. In particular, hiring solutions revenues have historically been higher in the second half of each fiscal year, consistent with the hiring cycles of the Company's larger customers. The Company also experiences seasonality as a result of factors such as the timing of large projects, the length and complexity of sales cycles, trends impacting the Company's target vertical markets and the Company's revenue recognition policies and any changes to those policies. Within a given quarter, a higher proportion of the Company's agreements are signed toward the end of such quarter. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

### **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 I 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 intended to 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 \$4,214 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, deferred tax assets and liabilities adjustments, and income taxes payable

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	<u>\$ 53,224</u>

\*\*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 and to the assembled workforce.

#### *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	<u>\$ 27,500</u>	

## 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 nine month periods ended September 30, 2023 and September 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 \$10,456 in revenue and \$1,992 of net income related to Broadbean since the acquisition date of June 13, 2023 through September 30, 2023 in the condensed consolidated statement of operations and comprehensive loss.

The unaudited pro forma financial information was as follows:

	<b>Nine Months Ended September 30, 2023</b>
Net revenue	\$ 108,426
Loss before provision for income taxes	(71,886 )
Net loss	(68,643 )

	<b>Three months ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2022</b>
Net revenue	\$ 44,986	\$ 130,051
Loss before provision for income taxes	(2,059 )	(23,338 )
Net loss	(3,722 )	(26,739 )

## 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 during the three months ended March 31, 2024, 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:

<b>VSL Acquisition Consideration</b>	<b>Amount</b>
Cash consideration at closing	\$ 1,700
Deferred consideration	252
Total	<u>\$ 1,952</u>

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:

<b>Allocation of VSL Acquisition Consideration**</b>	<b>Amount</b>
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	<u>\$ 1,952</u>

\*\*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 nine months ended September 30, 2022.

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

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

<b>VocaliD Acquisition Consideration</b>	<b>Amount</b>
Cash consideration at closing	\$ 1,609
Deferred consideration	1,785
Net working capital adjustment	(10)
Total	<u>\$ 3,384</u>

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	<u>\$ 3,384</u>

\*\*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 seller 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.

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 amount was reduced to \$3,500 (the "March 2022 Acquisition Earn-Out Amount") and the payment is now tied to the employment status of the seller through December 31, 2025, irrespective of the actual financial performance of the acquired company. Expense associated with this expected payment will be accrued ratably over the service period. 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.

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 nine months ended September 30, 2022.

The Company paid the first of two deferred cash payments of \$1,500 during the nine months ended September 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
<b>Total</b>	<b>\$ 5,881</b>

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
<b>Total assets acquired</b>	<b>4,923</b>
Accounts payable	18
Accrued expenses and other current liabilities	1,788
Operating lease liabilities, non-current	140
<b>Total liabilities assumed</b>	<b>1,946</b>
Identifiable net assets acquired	2,977
Goodwill	2,904
<b>Total purchase consideration</b>	<b>\$ 5,881</b>

\*\*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
<b>Total intangible assets</b>	<b>\$ 2,700</b>	

#### 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 \$2,021 as well as \$549 to be paid in



cash of which \$504 was paid during the three months ended September 30, 2023. The Energy Divestiture resulted in a pre-tax gain of \$2,572 for the nine months ended September 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, \$201,250 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 \$26,250 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 \$60,000 aggregate principal amount of the Convertible Notes at approximately 65% of par (the "Repurchase Transaction"). The Company has \$141,250 in aggregate principal amount of the Convertible Notes outstanding as of September 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 \$194,945, after deducting debt issuance costs. The total debt issuance costs incurred and recorded by the Company amounted to \$6,304, 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 nine months ended September 30, 2023, interest expense related to the Convertible Notes and amortization of the issuance costs was \$836 and \$2,503, respectively. For the three and nine months ended September 30, 2022, interest expense related to the Convertible Notes and amortization of the issuance costs was \$1,183 and \$3,544, respectively. The effective annual interest rate for the three and nine months ended September 30, 2023 and the three and nine months ended September 30, 2022 was approximately 2.42%. As of September 30, 2023, the if-converted value of the Convertible Notes did not exceed the outstanding principal amount. As of September 30, 2023, the total estimated fair value of the Convertible Notes was \$50,638, 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 \$18,616 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 \$276 in net proceeds from the unwinding of the capped calls.

#### *Credit Facility*

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 as determined by ACS. 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. ACS will be a senior secured creditor. As of September 30, 2023, the Company had not drawn any funds under the Credit Facility.

**NOTE 5. NET LOSS PER SHARE**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Numerator</b>				
Net loss	\$ (24,541 )	\$ (4,886 )	\$ (70,800 )	\$ (30,268 )
<b>Denominator</b>				
Weighted-average common shares outstanding	36,991,650	36,202,496	36,810,878	35,924,413
Less: Weighted-average shares subject to repurchase	—	—	—	—
Denominator for basic and diluted net loss per share attributable to common stockholders	36,991,650	36,202,496	36,810,878	35,924,413
Basic and diluted net loss per share	\$ (0.66 )	\$ (0.13 )	\$ (1.92 )	\$ (0.84 )

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Common stock options, restricted stock units and performance stock units	11,058,562	10,635,480	10,909,888	10,484,633
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
	<u>15,398,135</u>	<u>16,607,461</u>	<u>15,249,461</u>	<u>16,456,614</u>

**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 September 30, 2023, the Company's cash and cash equivalents were as follows:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents
Cash	\$ 72,070	\$ —	\$ 72,070	\$ 72,070
Total	<u>\$ 72,070</u>	<u>\$ —</u>	<u>\$ 72,070</u>	<u>\$ 72,070</u>

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	<u>\$ 184,423</u>	<u>\$ —</u>	<u>\$ 184,423</u>	<u>\$ 184,423</u>

#### 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, except when the amount of the payout is determined to be fixed. 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 at the time of acquisition 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 nine months ended September 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.

On March 1, 2022, the Company completed the March 2022 Acquisition, in which it acquired 100% of an influencer-based management company. As part of the consideration, the seller may receive the March 2022 Acquisition Earnout of up to \$4,500 in cash. In July 2023, the Company entered into the March 2022 Acquisition Amendment. The March 2022 Acquisition Amendment provides that the March 2022 Acquisition Earnout was reduced to \$3,500 and payment of the March 2022 Acquisition Earn-Out Amount is now tied to employment status of the seller through December 31, 2025, irrespective of the actual financial performance of the acquired company. As the amount became fixed under the March 2022 Acquisition Amendment, the Company determined that the March 2022 Acquisition Earn-Out Amount should no longer be categorized as Level 3 within the fair value hierarchy at the time of the amendment.

As of September 30, 2023, the Company's contingent consideration liabilities current and non-current balances classified as Level 3 were as follows:

	Fair Value as of January 1, 2023	Changes in Fair Value	Amount Paid To Date	Fair Value as of September 30, 2023
Level 3:				
Contingent consideration, current	\$ 8,067	\$ 651	\$ (8,718)	\$ —
Total	<u>\$ 8,067</u>	<u>\$ 651</u>	<u>\$ (8,718)</u>	<u>\$ —</u>

As of December 31, 2022, the Company's contingent consideration liabilities current and non-current balances classified as Level 3 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	<u>\$ 51,586</u>	<u>\$ (22,703 )</u>	<u>\$ (20,816 )</u>	<u>\$ —</u>	<u>\$ 8,067</u>

#### *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 September 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 September 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.

Because these investments do not have readily determinable fair values, the Company has elected to measure these investment under ASC 321, *Investments – Equity Securities*, at cost minus impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. No impairment was recorded for the three and nine months ended September 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 nine months ended September 30, 2023.

#### **NOTE 7. GOODWILL AND INTANGIBLE ASSETS, NET**

##### *Goodwill*

The carrying amount of goodwill was \$78,388 as of September 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	(57 )
Balance at September 30, 2023	<u>\$ 78,388</u>

### 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:

	Weighted Average Remaining Useful Life (in years)	September 30, 2023			December 31, 2022		
		Gross Carrying Amount	Accumulate d Amortizatio n	Net Carrying Amount	Gross Carrying Amount	Accumulate d Amortizatio n	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	1.9	44,100	(22,352)	21,748	33,800	(15,512)	18,288
Customer and supplier relationships	4.2	99,000	(32,703)	66,297	81,800	(22,091)	59,709
Noncompete agreements	0.0	800	(800)	—	800	(800)	—
Trademarks and trade names	3.3	2,300	(948)	1,352	2,300	(633)	1,667
<b>Total</b>	<b>3.4</b>	<b>\$ 150,282</b>	<b>\$ (60,885)</b>	<b>\$ 89,397</b>	<b>\$ 122,782</b>	<b>\$ (43,118)</b>	<b>\$ 79,664</b>

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

2023 (three months)	\$	5,937
2024		23,972
2025		21,522
2026		16,589
2027		13,527
Thereafter		7,850
<b>Total</b>	<b>\$</b>	<b>89,397</b>

### Impairment Assessment

During the three months ended September 30, 2023, the Company experienced multiple adverse financial trends. As a result, the Company determined that an indicator of impairment was present and performed a quantitative goodwill impairment assessment as of September 30, 2023 using a market approach, which estimates fair value based on the Company's market capitalization and an estimate of a reasonable range of values of a control premium. The Company determined that goodwill was not impaired, as the estimated fair value of the Company's reporting units exceeded their carrying values. Additionally, as of September 30, 2023, the Company performed a quantitative analysis of the recoverability of each of the Company's asset groups. The result of the analyses was that the assets were not impaired, as the expected cash flows exceeded the carrying value for each asset group.

### NOTE 8. CONSOLIDATED FINANCIAL STATEMENTS DETAILS

#### Consolidated Balance Sheets Details

##### Cash and cash equivalents

As of September 30, 2023 and December 31, 2022, the Company had cash and cash equivalents of \$72,070 and \$184,423, respectively, including \$58,002 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	
	September 30, 2023	December 31, 2022
Accounts receivable — Managed Services <sup>(1)</sup>	\$ 19,769	\$ 27,670
Accounts receivable — Software Products & Services <sup>(2)</sup>	22,586	26,969
Accounts receivable — Other	8,544	2,181
	50,899	56,820
Less: allowance for expected credit losses	(1,208 )	(819 )
Accounts receivable, net	<u>\$ 49,691</u>	<u>\$ 56,001</u>

(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.

##### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
Prepaid assets	\$ 6,543	\$ 5,465
Other receivables	1,348	1,631
Other current assets	7,288	8,146
Prepaid expenses and other current assets	<u>\$ 15,179</u>	<u>\$ 15,242</u>

**Property, Equipment and Improvements, Net**

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

	September 30, 2023	As of December 31, 2022
Property and equipment	\$ 27,309	\$ 8,532
Leasehold improvements	1,593	250
	28,902	8,782
Less: accumulated depreciation	(17,307)	(3,491)
Property, equipment and improvements, net	<u>\$ 11,595</u>	<u>\$ 5,291</u>

Depreciation expense was \$1,233 and \$2,386 for the three and nine months ended September 30, 2023, respectively. Depreciation expense was \$320 and \$764 for the three and nine months ended September 30, 2022, respectively. Of the \$27,309 in property and equipment as of September 30, 2023, \$19,091 consisted of internal use software development costs placed in service and \$2,127 consisted of work in progress not yet placed in service for internal use software development costs. Depreciation of internal use software development costs was \$520 and \$1,144 for the three and nine months ended September 30, 2023, respectively. Depreciation of internal use software development costs was \$95 and \$175 for the three and nine months ended September 30, 2022, respectively.

**Accounts Payable**

Accounts payable consisted of the following:

	September 30, 2023	As of December 31, 2022
Accounts payable — Managed Services <sup>(1)</sup>	\$ 22,413	\$ 17,972
Accounts payable — Other	18,099	18,766
Accounts payable	<u>\$ 40,512</u>	<u>\$ 36,738</u>

<sup>(1)</sup>Accounts payable – Managed Services reflects the amounts due to media vendors for advertisements placed on behalf of the Company’s advertising clients.

**Other Accrued Liabilities**

Other accrued liabilities consisted of the following:

	September 30, 2023	As of December 31, 2022
Accrued compensation	\$ 4,409	\$ 4,882
Taxes payable	7,353	4,774
Current portion of operating lease liabilities	2,494	2,112
Accrued trade payables	18,471	14,724
Other	1,470	920
Other accrued liabilities	<u>\$ 34,197</u>	<u>\$ 27,412</u>



## Consolidated Statements of Operations and Comprehensive Loss Details

### Revenue

Revenue for the periods presented were comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Commercial Enterprise	\$ 33,657	\$ 36,184	\$ 88,891	\$ 103,174
Government & Regulated Industries	1,476	1,012	4,472	2,664
<b>Total revenue</b>	<b>\$ 35,133</b>	<b>\$ 37,196</b>	<b>\$ 93,363</b>	<b>\$ 105,838</b>

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 (inclusive of Broadbean 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 (inclusive of Broadbean), 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 September 30, 2023			Nine Months Ended September 30, 2023		
	Government &		Total	Government &		Total
	Commercial Enterprise	Regulated Industries		Commercial Enterprise	Regulated Industries	
<b>Total Software Products &amp; Services</b>	\$ 18,885	\$ 1,476	\$ 20,361	\$ 44,109	\$ 4,472	\$ 48,581
Managed Services						
Advertising	9,993	—	9,993	28,945	—	28,945
Licensing	4,779	—	4,779	15,837	—	15,837
<b>Total Managed Services</b>	<b>14,772</b>	<b>—</b>	<b>14,772</b>	<b>44,782</b>	<b>—</b>	<b>44,782</b>
<b>Total Revenue</b>	<b>\$ 33,657</b>	<b>\$ 1,476</b>	<b>\$ 35,133</b>	<b>\$ 88,891</b>	<b>\$ 4,472</b>	<b>\$ 93,363</b>

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Government &		Total	Government &		Total
	Commercial Enterprise	Regulated Industries		Commercial Enterprise	Regulated Industries	
<b>Total Software Products &amp; Services</b>	\$ 19,800	\$ 1,012	\$ 20,812	\$ 54,694	\$ 2,664	\$ 57,358
Managed Services						
Advertising	11,017	—	11,017	32,620	—	32,620
Licensing	5,367	—	5,367	15,860	—	15,860
<b>Total Managed Services</b>	<b>16,384</b>	<b>—</b>	<b>16,384</b>	<b>48,480</b>	<b>—</b>	<b>48,480</b>
<b>Total Revenue</b>	<b>\$ 36,184</b>	<b>\$ 1,012</b>	<b>\$ 37,196</b>	<b>\$ 103,174</b>	<b>\$ 2,664</b>	<b>\$ 105,838</b>

#### **Broadbean Revenue Recognition Policy**

Revenue for Broadbean is generated through various types of talent acquisition software solutions that principally consist of subscription-based talent acquisition products, subscription revenue for recruitment software-as-a-service (“SaaS”) solutions and access to the Broadbean’s online talent networks, transactional talent acquisition products, and other recruitment services. Subscription contracts do not provide customers with the right to take possession of the software supporting the applications and, as a result, are accounted for as service contracts. Subscription fee revenue from SaaS applications and access to Broadbean’s online talent networks, which makes up the majority of Broadbean’s revenues, are generally recognized ratably over the contractual term of the arrangement beginning on the date that service is made available to the customer. Broadbean does not offer financing alternatives to customers and there are no rights of return, warranties, or other variable consideration in contracts with customers. Payment terms are generally net 30 days. In most cases, Broadbean acts as a principal with respect to the goods and services it sells providing for gross revenue. In the certain cases where Broadbean is acting as an agent, net revenue is recognized. Broadbean reports revenue net of sales and other taxes collected from customers to be remitted to government authorities.

#### **Other Income (Expense), Net**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest expense, net	\$ (218)	\$ (1,305)	\$ (1,743)	\$ (3,670)
Gain on sale of energy group	—	—	2,572	—
Other	(2,238)	56	580	4
<b>Other income (expense), net</b>	<b>\$ (2,456)</b>	<b>\$ (1,249)</b>	<b>\$ 1,409</b>	<b>\$ (3,666)</b>

Other in the table above consists primarily of foreign exchange loss of \$2,294 for the three months ended September 30, 2023 and foreign exchange gain of \$526 for the nine months ended September 30, 2023.

#### **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 nine months ended September 30, 2023 was 3.8% and 3.6%, 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 domestic 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 nine months ended September 30, 2022 was (0.5%) and 4.5%, respectively. The change in

the effective tax rates for the three and nine months ended September 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 September 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 September 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 September 30, 2023 is reflective of the change in tax rate.

## **NOTE 9. LEASES, COMMITMENTS AND CONTINGENCIES**

### *Leases*

#### **Lease Costs**

As of September 30, 2023, on its condensed consolidated balance sheet the Company had right-of-use assets of \$2,039 recorded within other assets, the current portion of operating lease liabilities of \$2,493 recorded within other accrued liabilities, and the non-current portion of operating lease liabilities of \$770 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 \$820 and \$2,070 for the three and nine months ended September 30, 2023, respectively, and \$688 and \$2,009 for the three and nine months ended September 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 1.5 years and weighted average discount rate of 6.8%.

The total rent expense for all operating leases was \$612 and \$1,704 for the three and nine months ended September 30, 2023, respectively, and \$620 and \$1,882 for the three and nine months ended September 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 \$831 for the three and nine months ended September 30, 2023, respectively, and \$277 and \$831 for the three and nine months ended September 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 September 30, 2023 are as follows:

### Years ended December 31,

2023 (three months)	\$	715
2024		2,501
2025		326
Total future minimum lease payments, including short-term leases		3,542
Less: future minimum lease payments for short-term leases		(63 )
Less: imputed interest		(214 )
Present value of future minimum lease payments, excluding short-term leases	\$	3,265
Less: current portion of operating lease liabilities		(2,494 )
Non-current portion of operating lease liabilities		771

### Years ended December 31,

		Sublease Income
2023 (three months)	\$	301
2024		1,034
Total sublease income	\$	1,335

## 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023 and 2022, the Company issued an aggregate of 816,690 and 1,378,922 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023 and 2022, the Company granted options to purchase an aggregate of 288,893 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 nine months ended September 30, 2023 and 2022 are set forth in the table below:

	Nine Months Ended September 30,	
	2023	2022
Expected term (in years)	6.0 - 6.8	5.5 - 6.1
Expected volatility	91% - 100%	82% - 92%
Risk-free interest rate	3.6% - 4.1%	1.7% - 3.5%
Expected dividend yield	—	—

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

	Nine Months Ended September 30,	
	2023	2022
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	71% - 101%	67% - 119%
Risk-free interest rate	0.1% - 5.5%	0.1% - 3.0%
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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>Stock-based compensation expense by type of award:</i>				
Restricted stock units	\$ 1,084	\$ 3,509	\$ 4,476	\$ 9,999
Performance-based stock units	112	—	582	—
Stock options	759	1,226	2,811	4,001
Employee stock purchase plan	77	367	777	540
Common stock issued for services	—	—	—	39
Total stock-based compensation expense	<u>\$ 2,032</u>	<u>\$ 5,102</u>	<u>\$ 8,646</u>	<u>\$ 14,579</u>

*Stock-based compensation expense by operating expense grouping:*

Cost of revenue	\$ (5)	\$ 46	\$ 32	\$ 90
Sales and marketing	208	538	913	1,728
Research and development	953	1,532	3,622	3,783
General and administrative	876	2,986	4,079	8,978
Total stock-based compensation expense	<u>\$ 2,032</u>	<u>\$ 5,102</u>	<u>\$ 8,646</u>	<u>\$ 14,579</u>

Stock-based compensation capitalized for internal-use software was \$75 and \$70 for the three months ended September 30, 2023 and 2022, respectively. Stock-based compensation capitalized for internal-use software was \$289 and \$155 for the nine months ended September 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 nine months ended September 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 September 30, 2023	<u>269,119</u>	<u>\$ 5.87</u>

#### **Restricted Stock Units**

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

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022	1,048,834	\$ 15.28
Granted	1,274,512	\$ 4.70
Forfeited	(182,579)	\$ 19.09
Vested	(619,400)	\$ 15.86
Unvested at September 30, 2023	<u>1,521,367</u>	<u>\$ 6.85</u>

As of September 30, 2023, total unrecognized compensation cost related to restricted stock units was \$8,111, which is expected to be recognized over a weighted average period of 2.6 years.

#### **Performance-Based Stock Options**

The activity during the nine months ended September 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	(73,768)	\$ 5.69		
Outstanding at September 30, 2023	3,681,911	\$ 11.27	6.7 years	\$ 0
Exercisable at September 30, 2023	<u>3,681,911</u>	\$ 11.27	6.7 years	\$ 0

The aggregate intrinsic value of the options exercised during the nine months ended September 30, 2023 and 2022 was \$5 and \$275, respectively. No performance-based stock options were granted during the nine months ended September 30, 2023 and 2022 and no performance-based stock options vested during the nine months ended September 30, 2023.

#### **Stock Options**

The activity during the nine months ended September 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	288,893	\$ 5.02		
Exercised	(19,312)	\$ 4.99		
Forfeited	(319,734)	\$ 17.59		
Expired	(226,777)	\$ 15.15		
Outstanding at September 30, 2023	<u>5,590,855</u>	\$ 13.84	4.8 years	\$ 96
Exercisable at September 30, 2023	<u>4,761,782</u>	\$ 14.09	4.2 years	\$ 96

The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2023 and 2022 was \$3.99 and \$8.59 per share, respectively. The aggregate intrinsic value of the stock options exercised during the nine months ended September 30, 2023 and 2022 was \$12 and \$274, respectively. The total grant date fair value of stock options vested during the nine months ended September 30, 2023 and 2022 was \$4,524 and \$4,204, respectively. At September 30, 2023, total unrecognized compensation expense related to stock options was \$6,803 and is expected to be recognized over a weighted average period of 2.5 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 nine months ended September 30, 2023, a total of 169,770 shares of common stock were purchased under the ESPP. As of September 30, 2023 and December 31, 2022, accrued employee contributions for future purchases under the ESPP totaled \$167 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 nine months ended September 30, 2023, the Company recorded a research and development expense of \$167 and \$495, respectively for consulting fees and reimbursements for reasonable and documented expenses; \$397 and \$1,028, respectively for variable consultant performance bonus expense; and \$235 and \$582 in stock-based compensation expense for the Steel Holdings Consulting PSUs.

There were no other related party transactions during the nine months ended September 30, 2023.

#### **NOTE 13. SUBSEQUENT EVENTS**

##### ***New Board Member***

On November 6, 2023, the Board increased the size of the Board from five to six members and appointed Michael Zilis as a member of the Board, effective November 8, 2023, to serve as a Class II director until the Company's 2025 annual meeting of stockholders and until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Mr. Zilis was also appointed to serve as a member of the Audit Committee and Compensation Committee of the Board. The Board has determined that Mr. Zilis is an independent director under the listing standards of the NASDAQ Stock Market LLC ("Nasdaq") and meets the additional independence requirements of Nasdaq with respect to members of the Audit Committee and Compensation Committee.

##### ***Term Loan***

On November 7, 2023, Veritone entered into a commitment letter with certain funds managed by Highbridge Capital Management, LLC and with certain other lenders (collectively, the "Lenders"), pursuant to which the Lenders have committed, subject to the terms and conditions contained therein, to establish a senior secured term loan facility in an aggregate principal amount of \$77.5 million (the "Term Loan") and to provide the entire principal amount of the Term Loan. The full amount of the Term Loan must be drawn on the closing date of the Term Loan (the "Closing Date") and may not be reborrowed.

The proceeds of the Term Loan would be used (i) to repurchase an aggregate \$50.0 million principal amount of Veritone's existing Convertible Notes held by the Lenders for total consideration of \$37.5 million, (ii) for general corporate purposes and (iii) to pay fees and

out-of-pocket expenses in connection with the Term Loan. The Convertible Notes would be repurchased, on the Closing Date, at a price equal to 75% of the principal amount of the Convertible Notes repurchased plus any accrued and unpaid interest on such notes as of the Closing Date.

Veritone will be the borrower under the Term Loan and all amounts under the Term Loan will be guaranteed by each of its direct and indirect material subsidiaries (Veritone and the guarantors, collectively being the "Credit Parties"). The Term Loan will generally be secured by a first-priority perfected security interest in and lien on substantially all tangible and intangible property of the Credit Parties and a pledge of equity interests held by the Credit Parties. The Term Loan will have certain customary default provisions, representations and warranties and affirmative and negative covenants, including a covenant to maintain unrestricted cash and cash equivalents of at least \$15.0 million at all times.

The Term Loan will accrue interest at a rate of Term SOFR plus 8.50%, with a 3.00% floor for Term SOFR, payable quarterly. A default interest rate of an additional 3.00% per annum will apply on all outstanding obligations after the occurrence of an event of default.

The Term Loan will have a term of four years and will require quarterly amortization payments of 2.50% of the principal amount, commencing in June 2024, with the balance of the Term Loan payable on the scheduled maturity date. Veritone may, subject to certain conditions, elect to make any amortization payment in shares of its common stock. If Veritone elects to make any amortization payment in shares of its common stock, the principal amount will be proportionately prepaid over a 15 trading day period with the shares of common stock valued at a price per share equal to 95% of the volume weighted average price on each trading day during the 15 trading day period ending on the trading day immediately preceding the applicable date; provided that Veritone will pay any such amortization in cash if the common stock would be valued at less than the "Minimum Price", as computed pursuant to Nasdaq Rule 5635(d), plus \$0.0125.

The Term Loan will require mandatory prepayments from the net cash proceeds received by the Credit Parties for among other things (i) certain asset sales, but only to the extent net cash proceeds therefrom exceed \$10.0 million, and (ii) insurance recoveries on loss of property that are not otherwise reinvested in other assets of the Credit Parties. The Term Loan will also require prepayment in full if \$30.0 million or more of aggregate principal amount of the Convertible Notes are outstanding on August 14, 2026. Veritone may elect to prepay the Term Loans, in whole or in part, in cash, subject to a make-whole premium during the first year of the Term Loan, 14.0% prepayment premium during the second year of the Term Loan, and 7.0% premium during the third year of the Term Loan. Veritone may also prepay the Term Loan in shares of common stock, subject to a 13.0% prepayment premium, if the closing price of the common stock exceeds certain price thresholds for any 20 trading days during a 30 consecutive trading day period and subject to certain other conditions. If Veritone elects to prepay the Term Loan with shares of common stock, the principal amount will be proportionately prepaid over a 15-trading day period with the shares of common stock valued at price per share equal to 95% of the volume weighted average price of the common stock on the applicable prepayment date.

Veritone has agreed to issue warrants (the "Warrants") to the Lenders to purchase up to 3,008,540 shares of its common stock. Veritone has agreed to issue a total of 20% of the Warrants to the Lenders in connection with the entry into the commitment letter, with the remaining 80% conditioned on the closing of the Term Loan. The Warrants will be exercisable for a period of five years following the closing of the Term Loan at a price per share of \$2.576.

Pursuant to the Commitment Letter, Veritone will agree to enter into a registration rights agreement at or prior to the closing of the Term Loan for the resale of the shares of common stock issued pursuant to the terms of the Term Loan and the Warrants.

As of September 30, 2023, the Company held \$72.1 million of unrestricted cash and cash equivalents. The Commitment Letter provides that the closing of the Term Loan is conditioned on, among other things, Veritone having unrestricted cash and cash equivalents of at least \$55.0 million immediately prior to the funding of the Term Loan on the closing date and satisfaction of certain other conditions. The Commitment Letter will expire on December 15, 2023 if the Term Loan has not been consummated on or prior to that date. The Lenders will select a third party to serve as the sole administrative agent, collateral agent, and documentation agent in connection with the Term Loan.



## 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 any updates thereto set forth in this Quarterly Report on Form 10-Q 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 nine months ended September 30, 2023, we generated revenue of \$35.1 million and \$93.4 million, respectively, as compared to \$37.2 million and \$105.8 million during the three and nine months ended September 30, 2022, respectively. Our Software Products & Services revenue was \$20.4 million during the three months ended September 30, 2023 as compared with \$20.8 million for the same period in 2022, while our Managed Services revenue was \$14.8 million during the three months ended September 30, 2023 as compared with the \$16.4 million for the same period in 2022. Our Software Products & Services revenue was \$48.6 million during the nine months ended September 30, 2023 as compared with \$57.4 million for the same period in 2022, while our Managed Services revenue was \$44.8 million during the nine months ended September 30, 2023 as compared with the \$48.5 million for the same period in 2022. During the three and nine months ended September 30, 2023 our largest customer represented less than 10% and 12%, respectively, of our consolidated revenue and during the three and nine months ended September 30, 2022 that same customer represented 31% and 25%, respectively, of our consolidated revenue.

### Recent Developments

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 headcount and various cost reduction initiatives during the nine months ended September 30, 2023, completed the sale of our energy group to GridBeyond Limited (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 September 30, 2023, we have executed over \$24 million of net annualized strategic cost reduction initiatives announced in the first quarter of 2023, exceeding the net annualized savings target for 2023.

On November 7, 2023, we entered into a commitment letter with certain funds managed by Highbridge Capital Management, LLC and certain other lenders to provide a senior secured term loan facility in an aggregate principal amount of \$77.5 million (the “Term Loan”). We expect to use the proceeds of the Term Loan to repurchase an aggregate \$50.0 million principal amount of our existing 1.75% convertible senior notes due 2026 held by the lenders at a purchase price of \$37.5 million plus accrued and unpaid interest and for general corporate purposes.

The Term Loan will have a term of four years, accrue interest at a rate of Term SOFR plus 8.50%, with a 3.00% floor for Term SOFR, payable quarterly, and will require quarterly amortization payments of 2.5% of the principal amount, commencing in June 2024. We may, subject to certain conditions and limitations, elect to make any amortization payment in shares of our common stock. We may prepay the term loan, subject to payment of a premium, at any time and is required to prepay the term loan on certain customary events. We may also, subject to certain conditions and limitations, elect to prepay portions of the Term Loan in shares of our common stock.

We have agreed to issue warrants to the lenders to purchase up to 3,008,540 shares of Common Stock, with 20% of the warrants to be issued for entry into the commitment letter and the remaining 80% conditioned on the closing of the Term Loan. We expect the Term Loan to close in the fourth quarter and to replace our credit facility with Alterna Capital Solutions, LLC. For more information on the Term Loan and warrants, see Note 13. Subsequent Events to our condensed consolidated financial statements included in this Quarterly Report.

We have operations and an office in Israel, and as a result of the war with Hamas there, a number of our employees and family members of our employees have been conscripted into military service. In addition, our hiring solutions are sold to businesses that experience performance fluctuations based on factors including the demand for labor and the economic health of current and prospective employers. To the extent that economic uncertainty or attenuated economic conditions cause our current and potential customers to freeze or reduce their headcount, demand for our products and services has been, and may continue to be, negatively affected.

### **Opportunities, Challenges and Risks**

During the nine months ended September 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 parts of our consumption-based 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 near and long-term value in the government and regulated industries and content creation and distribution across the global media and entertainment industry.

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, of our aiWARE platform across the entire U.S. Department of Justice and progress with the Chief Digital and Artificial Intelligence Officer and Department of Defense. 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. 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 planned to reduce their consumption of our HR Solutions further. Overall, our revenues from Amazon during the nine months ended September 30, 2023 declined as compared to the prior year and represented approximately 12% of our consolidated revenue during the nine months ended September 30, 2023 compared to 25% of our consolidated revenue in the comparable prior year period. 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 67% during the nine months ended September 30, 2023 as compared to the prior year. To reduce this risk, we continue to aggressively invest in existing and growing new customers.

As a result of the recent pullback in the macroeconomic environment caused by high inflation, rising interest rates, and geopolitical factors such as the Russia-Ukraine conflict and the war in Israel, some of our customers reduced consumption-based and advertising spending across our Commercial Enterprise customer base, including our hiring solutions and managed services in the first three quarters of 2023 when compared to the same period in the prior year. As of September 30, 2023, our total Software Products & Services customers declined to 3,536, which was a decrease of 7% compared to the third quarter of 2022 on a pro forma basis giving effect to the acquisition of Broadbean as if it occurred on January 1, 2022. The decrease in customers was largely driven by planned migration of legacy CareerBuilder customers off the Broadbean software platform. While we anticipate these trends to continue in the fourth quarter of 2023, we expect the overall impact will not be as severe as it was in the first three quarters of 2023. However, we still expect to 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 September 30, 2023, we had executed over \$24 million of net annualized strategic cost reductions. As a result of our efforts to diversify our customer base and increase sales within our existing customer base, we increased our sales and marketing spending in the near term as compared to the trailing twelve months; however, these increased investments were partially 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.

Historically, we have pursued an opportunistic strategy of acquiring companies to help accelerate our organic growth. Our acquisition strategy has been 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. While 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, there is no certainty our historical or future acquisitions will achieve these objectives. Conversely, we may pursue opportunistic sales of certain business operations that are not strategic to us long-term, such as the Energy Divestiture.

During the three and nine months ended September 30, 2023, we reported net loss of \$24.5 million and \$70.8 million, respectively, compared to a net loss of \$4.9 million and \$30.3 million during the three and nine months ended September 30, 2022, respectively. During the three and nine months ended September 30, 2023, we reported a non-GAAP net loss of \$7.9 million and \$30.5 million, respectively as compared to a non-GAAP net loss of \$5.7 million and \$18.1 million during the three and nine months ended September 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, 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.

During the nine months ended September 30, 2023 and 2022, more than 90% of our revenue was derived from customers located in the United States. Since our acquisition of Broadbean in June 2023, we have seen an increase in revenue from customers outside the United States and 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. 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 uncertainty as a result of macroeconomic and geopolitical factors, including the ongoing impact of the global economy following the COVID-19 pandemic, labor shortages, inflation rates and the responses by central banking authorities to control inflation, monetary supply shifts, recession risks, disruptions from the Russia-Ukraine conflict and related sanctions, and the recent war in Israel. In particular, business operations at our Tel Aviv office location where we do development work on our hiring solutions products have been, and may continue to be, impacted by the war in Israel. A small portion of our Israel-based employees, and a number of their family members, have been conscripted into military service. 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 have uncertainty 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 through the third 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, reduced 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 fourth quarter 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 September 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, and Part II, Item 1A (Risk Factors) of this Quarterly Report on Form 10-Q.

### **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 provide 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 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, interest income, interest expense, foreign currency gains and losses, acquisition and due diligence costs, gain on sale of energy group, contribution of business held for sale, variable consultant performance bonus expense, and severance and executive transition costs. The results for non-GAAP net income (loss), are presented below for the three and nine months ended September 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 income (loss)

(in thousands)

	Three Months Ended September 30,					
	2023			2022		
	Core Operations <sup>(1)</sup>	Corporate <sup>(2)</sup>	Total	Core Operations <sup>(1)</sup>	Corporate <sup>(2)</sup>	Total
<b>Net income (loss)</b>	\$ (10,689)	\$ (13,852)	\$ (24,541)	\$ (7,921)	\$ 3,035	\$ (4,886)
(Benefit from) provision for income taxes	(3,163)	2,186	(977)	20	6	26
Depreciation and amortization	7,857	—	7,857	5,650	174	5,824
Stock-based compensation expense	1,446	586	2,032	2,944	2,158	5,102
Change in fair value of contingent consideration	—	816	816	—	(14,291)	(14,291)
Interest expense, net	—	218	218	—	1,305	1,305
Foreign currency impact	2,318	(24)	2,294	—	—	—
Acquisition and due diligence costs	—	3,177	3,177	—	839	839
Variable consultant performance bonus expense	397	—	397	—	—	—
Severance and executive transition costs	770	15	785	337	28	365
<b>Non-GAAP Net Income (Loss)</b>	<u>\$ (1,064)</u>	<u>\$ (6,878)</u>	<u>\$ (7,942)</u>	<u>\$ 1,030</u>	<u>\$ (6,746)</u>	<u>\$ (5,716)</u>

(in thousands)

	Nine Months Ended September 30,					
	2023			2022		
	Core Operations <sup>(1)</sup>	Corporate <sup>(2)</sup>	Total	Core Operations <sup>(1)</sup>	Corporate <sup>(2)</sup>	Total
<b>Net loss</b>	\$ (38,464)	\$ (32,336)	(70,800)	\$ (22,172)	\$ (8,096)	\$ (30,268)
(Benefit from) provision for income taxes	(4,409)	1,787	(2,622)	(826)	(616)	(1,442)
Depreciation and amortization	19,429	724	20,153	16,054	440	16,494
Stock-based compensation expense	5,710	2,936	8,646	7,612	6,967	14,579
Change in fair value of contingent consideration	—	1,467	1,467	—	(23,076)	(23,076)
Interest expense, net	9	1,734	1,743	—	3,670	3,670
Foreign currency impact	(459)	(67)	(526)	—	—	—
Acquisition and due diligence costs	—	8,253	8,253	—	1,608	1,608
Gain on sale of energy group	—	(2,572)	(2,572)	—	—	—
Contribution of business held for sale <sup>(3)</sup>	1,789	—	1,789	—	—	—
Variable consultant performance bonus expense	1,028	—	1,028	—	—	—
Severance and executive transition costs	2,271	647	2,918	337	28	365
<b>Non-GAAP Net Income (Loss)</b>	<u>\$ (13,096)</u>	<u>\$ (17,427)</u>	<u>\$ (30,523)</u>	<u>\$ 1,005</u>	<u>\$ (19,075)</u>	<u>\$ (18,070)</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 September 30, 2023, our total loss from operations increased to \$22.9 million compared to \$3.6 million in the corresponding prior year period. For the nine months ended September 30, 2023, our total loss from operations increased to \$74.7 million compared to \$28.0 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 nine months ended September 30, 2023 and 2022.

*(dollars in thousands)*

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022
Revenue	\$	35,133	\$	37,196	\$	93,363	\$	105,838
Cost of revenue		7,187		7,097		21,761		20,725
Non-GAAP gross profit		27,946		30,099		71,602		85,113
Non-GAAP gross margin		79.5 %		80.9 %		76.7 %		80.4 %

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Revenue	\$	35,133	\$	37,196	\$	93,363	\$	105,838
Cost of revenue		7,187		7,097		21,761		20,725
Non-GAAP gross profit		27,946		30,099		71,602		85,113
GAAP cost of revenue		7,187		7,097		21,761		20,725
Stock-based compensation expense		5		(46)		(32)		(90)
Non-GAAP cost of revenue		7,192		7,051		21,729		20,635
GAAP sales and marketing expenses		12,892		13,920		38,706		37,565
Stock-based compensation expense		(208)		(538)		(913)		(1,728)
Contribution of business held for sale <sup>(2)</sup>		—		—		(484)		—
Severance and executive transition costs		(207)		(86)		(710)		(86)
Non-GAAP sales and marketing expenses		12,477		13,296		36,599		35,751
GAAP research and development expenses		10,410		11,784		32,456		32,735
Stock-based compensation expense		(953)		(1,532)		(3,622)		(3,783)
Contribution of business held for sale <sup>(2)</sup>		—		—		(1,117)		—
Severance and executive transition costs		(188)		(198)		(868)		(198)
Non-GAAP research and development expenses		9,269		10,054		26,849		28,754
GAAP general and administrative expenses		21,082		2,502		57,504		27,127
Depreciation		(1,233)		(320)		(2,386)		(764)
Stock-based compensation expense		(876)		(2,986)		(4,079)		(8,978)
Change in fair value of contingent consideration		(816)		14,291		(1,467)		23,076
Variable consultant performance bonus expense		(397)		—		(1,028)		—
Contribution of business held for sale <sup>(2)</sup>		—		—		(188)		—
Acquisition and due diligence costs		(3,177)		(839)		(8,253)		(1,608)
Severance and executive transition costs		(390)		(81)		(1,340)		(81)
Non-GAAP general and administrative expenses		14,193		12,567		38,763		38,772
GAAP amortization		(6,624)		(5,504)		(17,767)		(15,730)
GAAP loss from operations		(23,062)		(3,611)		(74,831)		(28,044)
Total non-GAAP adjustments <sup>(1)</sup>		15,064		(2,161)		44,254		9,970
Non-GAAP loss from operations		(7,998)		(5,772)		(30,577)		(18,074)
GAAP other income (expense), net		(2,456)		(1,249)		1,409		(3,666)
Gain on sale of energy group		—		—		(2,572)		—
Foreign currency impact		2,294		—		(526)		—
Interest expense, net		218		1,305		1,743		3,670
Non-GAAP other expense, net		56		56		54		4
GAAP loss before income taxes		(25,518)		(4,860)		(73,422)		(31,710)
Total non-GAAP adjustments <sup>(1)</sup>		17,576		(856)		42,899		13,640
Non-GAAP loss before income taxes		(7,942)		(5,716)		(30,523)		(18,070)
(Benefit from) provision for income taxes		(977)		26		(2,622)		(1,442)
GAAP net loss		(24,541)		(4,886)		(70,800)		(30,268)
Total non-GAAP adjustments <sup>(1)</sup>		16,599		(830)		40,277		12,198
Non-GAAP net loss	\$	(7,942)	\$	(5,716)	\$	(30,523)	\$	(18,070)
Shares used in computing non-GAAP basic and diluted net loss per share		36,992		36,202		36,811		35,924
Shares used in computing non-GAAP diluted net income (loss) per share		36,992		36,202		36,811		35,924
Non-GAAP basic and diluted net loss per share	\$	(0.21)	\$	(0.16)	\$	(0.83)	\$	(0.50)
Non-GAAP diluted net loss per share	\$	(0.21)	\$	(0.16)	\$	(0.83)	\$	(0.50)

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 <sup>(1)</sup>	Jun 30, 2022 <sup>(1)</sup>	Sept 30, 2022 <sup>(1)</sup>	Dec 31, 2022 <sup>(1)</sup>	Mar 31, 2023 <sup>(1)</sup>	Jun 30, 2023 <sup>(1)</sup>	Sept 30, 2023	
Pro Forma Software Revenue (in 000's) <sup>(2)</sup>	\$ 26,319	\$ 26,650	\$ 28,603	\$ 35,612	\$ 22,423	\$ 20,860	\$ 20,361	
Total Software Products & Services Customers <sup>(3)</sup>	3,673	3,718	3,787	3,824	3,773	3,705	3,536	
Annual Recurring Revenue (SaaS) (in 000's) <sup>(4)</sup>	\$ 48,392	\$ 44,465	\$ 43,925	\$ 46,248	\$ 45,453	\$ 47,720	\$ 47,756	
Annual Recurring Revenue (Consumption) (in 000's) <sup>(5)</sup>	\$ 87,445	\$ 85,901	\$ 85,091	\$ 71,754	\$ 67,242	\$ 60,229	\$ 50,803	
Total New Bookings (in 000's) <sup>(6)</sup>	\$ 16,643	\$ 22,009	\$ 23,793	\$ 26,342	\$ 22,794	\$ 8,388	\$ 15,501	
Gross Revenue Retention <sup>(7)</sup>	>90%	>90%	>90%	>90%	>90%	>90%	>90%	

<sup>(1)</sup> All of the supplemental financial information for this period is presented on a Pro Forma basis inclusive of Broadbean.

<sup>(2)</sup> "Pro Forma Software Revenue" is a non-GAAP measure that represents Software Products & Services revenue on a Pro Forma basis.

<sup>(3)</sup> "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.

<sup>(4)</sup> "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.

<sup>(5)</sup> "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 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 (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.

<sup>(6)</sup> "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.

<sup>(7)</sup> "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	Sept 30, 2023
Avg billings per active Managed Services client (in 000's) <sup>(1)</sup>	\$ 684	\$ 736	\$ 747	\$ 823	\$ 771	\$ 576	\$ 630
Revenue during quarter (in 000's) <sup>(2)</sup>	\$ 10,735	\$ 9,625	\$ 10,035	\$ 11,074	\$ 9,337	\$ 6,876	\$ 9,117

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 nine months ended September 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.

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 35,133	\$ 37,196	\$ 93,363	\$ 105,838
Operating expenses:				
Cost of revenue	7,187	7,097	21,761	20,725
Sales and marketing	12,892	13,920	38,706	37,565
Research and development	10,410	11,784	32,456	32,735
General and administrative	21,082	2,502	57,504	27,127
Amortization	6,624	5,504	17,767	15,730
Total operating expenses	58,195	40,807	168,194	133,882
Loss from operations	(23,062)	(3,611)	(74,831)	(28,044)
Other income (expense), net	(2,456)	(1,249)	1,409	(3,666)
Loss before provision for income taxes	(25,518)	(4,860)	(73,422)	(31,710)
(Benefit from) provision for income taxes	(977)	26	(2,622)	(1,442)
Net loss	\$ (24,541)	\$ (4,886)	\$ (70,800)	\$ (30,268)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Cost of revenue	20.5	19.1	23.3	19.6
Sales and marketing	36.7	37.4	41.5	35.5
Research and development	29.6	31.7	34.8	30.9
General and administrative	60.0	6.7	61.6	25.6
Amortization	18.9	14.9	19.0	14.9
Total operating expenses	165.7	109.7	180.2	126.4
Loss from operations	(65.7)	(9.7)	(80.2)	(26.4)
Other income (expense), net	(7.0)	(3.4)	1.5	(3.5)
Loss before provision for income taxes	(72.7)	(13.1)	(78.7)	(29.9)
(Benefit from) provision for income taxes	(2.8)	0.1	(2.8)	(1.4)
Net loss	(69.9)	(13.1)	(75.9)	(28.5)

*Three and Nine Months Ended September 30, 2023 Compared with Three and Nine Months Ended September 30, 2022*

**Revenue**

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Commercial Enterprise	Government & Regulated	Total	Commercial Enterprise	Government & Regulated	Total
	Software Products & Services	\$ 18,885	\$ 1,476	\$ 20,361	\$ 44,109	\$ 4,472
Managed Services	14,772	—	14,772	44,782	—	44,782
<b>Revenue</b>	<b>\$ 33,657</b>	<b>\$ 1,476</b>	<b>\$ 35,133</b>	<b>\$ 88,891</b>	<b>\$ 4,472</b>	<b>\$ 93,363</b>

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Commercial Enterprise	Government & Regulated	Total	Commercial Enterprise	Government & Regulated	Total
	Software Products & Services	\$ 19,800	\$ 1,012	\$ 20,812	\$ 54,694	\$ 2,664
Managed Services	16,384	—	16,384	48,480	—	48,480
<b>Revenue</b>	<b>\$ 36,184</b>	<b>\$ 1,012</b>	<b>\$ 37,196</b>	<b>\$ 103,174</b>	<b>\$ 2,664</b>	<b>\$ 105,838</b>

**Commercial Enterprise**

Commercial Enterprise Software Products & Services revenue decreased \$0.9 million or 5% in the three months ended September 30, 2023 compared to the corresponding prior year period and decreased \$10.6 million or 19% in the nine months ended September 30, 2023 compared to the corresponding prior year period, with the decreases largely driven by decreased revenue from Amazon, partially offset by revenue from the acquisition of Broadbean in June 2023. Commercial Enterprise Managed Services decreased \$1.6 million or 10% in the three months ended September 30, 2023 compared to the corresponding prior year period and decreased \$3.7 million or 8% in the nine months ended September 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.

**Government & Regulated Industries**

Government & Regulated Industries Software Products & Services revenue increased \$0.5 million or 46% in the three months ended September 30, 2023 compared to the corresponding prior year period and increased \$1.8 million or 67% in the nine months ended September 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 September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Cost of revenue	\$ 7,187	\$ 7,097	\$ 90	1.3 %	\$ 21,761	\$ 20,725	\$ 1,036	5.0 %
Sales and marketing	12,892	13,920	(1,028 )	(7.4 )%	38,706	37,565	1,141	3.0 %
Research and development	10,410	11,784	(1,374 )	(11.7 )%	32,456	32,735	(279 )	(0.9 )%
General and administrative	21,082	2,502	18,580	742.6 %	57,504	27,127	30,377	112.0 %
Amortization	6,624	5,504	1,120	20.3 %	17,767	15,730	2,037	12.9 %
Total operating expenses	<u>\$ 58,195</u>	<u>\$ 40,807</u>	<u>\$ 17,388</u>	42.6 %	<u>\$ 168,194</u>	<u>\$ 133,882</u>	<u>\$ 34,312</u>	25.6 %

**Cost of Revenue.** Cost of revenue increased by \$0.1 million in the three months ended September 30, 2023 compared to the corresponding prior year period and increased by \$1.0 million in the nine months ended September 30, 2023 compared with the corresponding prior year period, primarily due to a shift in the mix of revenues from higher margin Software Products & Services products to lower margin Managed Services products.

**Sales and Marketing.** Sales and marketing expenses decreased by \$1.0 million in the three months ended September 30, 2023 compared to the corresponding prior year period, primarily due to cost reduction initiatives announced in the first quarter of 2023 and reduced advertising spend, partially offset by increased sales and marketing expense as a result of the acquisition of Broadbean. Sales and marketing increased by \$1.1 million in the nine months ended September 30, 2023 compared with the corresponding prior year period, 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 37% and 42% in the three and nine months ended September 30, 2023, respectively, from 37% and 36% in the corresponding prior year periods.

**Research and Development.** Research and development expenses decreased by \$1.4 million or 12% in the three months ended September 30, 2023 and by \$0.3 million or 1% in the nine months ended September 30, 2023 compared with the corresponding prior year periods principally due to an increase in capitalized costs for internal use software and decrease in personnel-related costs due to cost reduction initiatives announced in the first quarter of 2023, partially offset by increased costs for the Steel Holdings Consulting Agreement. As a percentage of revenue, research and development expenses increased to 30% and 35% in the three and nine months ended September 30, 2023, from 32% and 31% in the corresponding prior year periods.

**General and Administrative.** General and administrative expenses increased by \$18.6 million or 743% in the three months ended September 30, 2023 compared with the corresponding prior year period principally due to a non-cash benefit of \$14.3 million recognized during the three months ended September 30, 2022 associated with a change in the estimated fair value of contingent consideration. General and administrative expenses increased by \$30.4 million or 112% in the nine months ended September 30, 2023 compared with the corresponding prior year period principally due to a non-cash benefit of \$23.1 million recognized in the prior year associated with a change in the estimated fair value of contingent consideration, coupled with the increase in accounting and legal fees. As a percentage of revenue, general and administrative expenses increased to 60% and 62% in the three and nine months ended September 30, 2023, respectively, from 7% and 26% in the corresponding prior year periods.

**Amortization Expense.** Amortization expense increased in the three and nine months ended September 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 expense, net for the three months ended September 30, 2023 was comprised primarily of foreign exchange loss of \$2.3 million and interest expense, net of \$0.2 million. Other expense, net for the three months ended September 30, 2022 was \$1.2 million due primarily to interest expense. Other income, net for the nine months ended September 30, 2023 was comprised primarily of a gain on the sale of the energy group of \$2.6 million and foreign exchange gain of \$0.5 million, offset by interest expense, net of \$1.7 million. Other expense, net for the nine months ended September 30, 2022 was \$3.7 million due primarily to interest expense.

#### **Non-GAAP Gross Profit**

For the three months ended September 30, 2023, our total loss from operations increased to \$22.9 million compared to \$3.6 million in the corresponding prior year period. For the nine months ended September 30, 2023, our total loss from operations increased to \$74.7 million

compared to \$28.0 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:

<i>(dollars in thousands)</i>	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Revenue	\$ 35,133	\$ 37,196	\$ (2,063 )	(5.5 )%	\$ 93,363	\$ 105,838	\$ (12,475 )	(11.8 )%
Cost of revenue	7,187	7,097	90	1.3 %	21,761	20,725	1,036	5.0 %
Non-GAAP gross profit	27,946	30,099	(2,153 )	(7.2 )%	71,602	85,113	(13,511 )	(15.9 )%
Non-GAAP gross margin	79.5 %	80.9 %			76.7 %	80.4 %		

The decrease in non-GAAP gross profit and non-GAAP gross margin in the three and nine months ended September 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 \$72.1 million as of September 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 September 30, 2023 as compared with December 31, 2022 was primarily due to cash used by operating activities of \$48.1 million, investments paid during the nine months ended September 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”) under which we are initially able to borrow, at our discretion and throughout the term, up to \$30,000 against certain domestic receivables (the “Credit Facility”), subject to the lender’s approval of such domestic receivables. The Credit Facility bears interest at the greater of Prime rate plus 1 percent or 9.5%, and minimum annual interest of \$250 is due if no funds are drawn in a given year. ACS will be a senior secured creditor. The Credit Facility provides additional financial flexibility and liquidity on our balance sheet. As of September 30, 2023, we had not drawn any amounts under the Credit Facility.

On November 7, 2023, we entered into a commitment letter with certain lenders to provide a senior secured term loan facility in an aggregate principal amount of \$77.5 million. We expect to use the proceeds of the Term Loan to repurchase an aggregate \$50.0 million principal amount of our existing 1.75% convertible senior notes due 2026 held by the lenders at a purchase price of \$37.5 million plus accrued and unpaid interest and for general corporate purposes. We expect the Term Loan to close in the fourth quarter and to replace our Credit Facility with Alterna Capital Solutions, LLC. For more information on the Term Loan, see Note 13. Subsequent Events to our condensed consolidated financial statements included in this Quarterly Report.

We believe that our ability to borrow up to \$30,000 under the Credit Facility, subject to the lender’s approval of qualifying domestic receivables, or the availability of proceeds from our Term Loan, if consummated, when combined with our cash and cash equivalents, will allow us to meet our anticipated cash requirements for the next twelve months.

#### Cash Flows

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2023	2022
Cash used in operating activities	\$ (48,111 )	\$ (24,630 )
Cash used in investing activities	(53,745 )	(11,116 )
Cash used in financing activities	(10,487 )	(22,903 )
Net decrease in cash, cash equivalents and restricted cash	\$ (112,343 )	\$ (58,649 )

#### Operating Activities

Our operating activities used cash of \$48.1 million in the nine months ended September 30, 2023, due primarily to our net loss of \$70.8 million, adjusted by \$26.7 million in non-cash expenses, including \$20.2 million in depreciation and amortization and \$8.6 million in stock-based compensation expense, as well as the net working capital decrease of \$4.0 million, primarily due to decreases in accrued media payments of \$17.7 million, partially offset by decreases in accounts receivable of \$14.1 million.

Our operating activities used cash of \$24.6 million in the nine months ended September 30, 2022, due primarily to our net loss of \$30.3 million, adjusted by \$7.5 million in non-cash expenses, including \$16.5 million in depreciation and amortization and \$14.7 million in stock-based compensation expense, offset in part by \$23.1 million from a change in the fair value of contingent consideration, \$2.1 million from a changes in deferred taxes and the net working capital decrease of \$1.9 million.

#### *Investing Activities*

Our investing activities for the nine months ended September 30, 2023 used cash of \$53.7 million primarily for \$50.2 million in cash paid for the Broadbean acquisition net of cash acquired and \$4.0 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 nine months ended September 30, 2022 used cash of \$11.1 million primarily for \$4.6 million to fund a portion of the consideration for our acquisitions, \$3.8 million in capital expenditures and for an equity investment of \$2.8 million in a strategic partner.

#### *Financing Activities*

Our financing activities for the nine months ended September 30, 2023 used cash of \$10.5 million, consisting of \$7.8 million to pay the 2022 earnout for PandoLogic, \$2.7 million in deferred consideration primarily related to the March 2022 Acquisition and the VocaliD acquisition, and \$1.1 million to pay taxes paid related to the net share settlement of equity awards, offset by \$1.1 million in proceeds received from the exercise of stock options and purchases of shares under our ESPP.

Our financing activities for the nine months ended September 30, 2022 used cash of \$22.9 million, consisting of \$14.4 million to pay the 2021 earnout for PandoLogic and \$9.7 million to pay taxes paid related to the net share settlement of equity awards, partially offset by \$1.2 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 September 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 and the Credit Facility. 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 September 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 September 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 September 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 Weaknesses 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 this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, management identified a material weakness in internal control over financial reporting relating to the consolidation process and review of financial statements specifically pertaining to the Company's design of controls to determine the proper accounting for certain foreign exchange transactions and translation between Veritone, Inc. and certain foreign subsidiaries. This material weakness did not result in any identified material misstatements to the financial statements. However, 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. While the adjustments identified were not material to the financial statements for the three and nine months ended September 30, 2023 and there were no changes to previous periods, based on the volatility of the foreign currency exchange rates and cumulative materiality of the outstanding intercompany balance, the calculated amounts could have resulted in a material misstatement to our annual or interim condensed consolidated financial statements that would 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 Weaknesses 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. In order to remediate the material weakness relating to the consolidation process, including the proper accounting of foreign exchange transactions between the Company and its foreign subsidiaries, management plans to implement financial reporting control changes to address the material weakness, evaluate the adequacy of resources surrounding its consolidation process and train individuals in the proper accounting treatment for foreign currency transactions and consolidation under US GAAP. This training is expected to be completed in the fourth quarter of 2023. 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 September 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. Other than as set forth below, there have been no material changes to the risks described in such Annual Report on Form 10-K.

***We entered into a Commitment Letter for a \$77.5 million aggregate principal amount senior secured term loan facility, which we expect to close in the fourth quarter of 2023. If the Term Loan does not close, we anticipate we will require additional liquidity to continue our operations for the next twelve months.***

As of September 30, 2023, we had \$72.1 million in cash and cash equivalents, and in August 2023, we entered into a three-year credit agreement with Alterna Capital Solutions, LLC ("ACS") under which we are initially able to borrow, at our discretion and throughout the term, up to \$30.0 million against certain domestic receivables (the "Credit Facility"), subject to the lender's approval of such domestic receivables. There were no amounts outstanding under the Credit Facility as of September 30, 2023. In November 2023, we entered into a Commitment Letter for a \$77.5 million aggregate principal amount Term Loan, of which we will use \$37.5 million to repurchase \$50.0 million of our existing Convertible Notes and the remainder will be used for general corporate purposes. We intend to replace our Credit Facility with Alterna Capital Solutions, LLC with the Term Loan. We believe that our ability to borrow up to \$30,000 under the Credit Facility, subject to the lender's approval of qualifying domestic receivables, and the net proceeds from the Term Loan, if consummated, when combined with our cash and cash equivalents, will allow us to meet our anticipated cash requirements for the next twelve months. If we are unable to borrow up to the full \$30.0 million under the Credit Facility or the Term Loan does not close, however, we anticipate we will require additional liquidity to continue our operations over the next twelve months.

In determining our cash requirements for the next twelve months, our estimates regarding our operating expense and capital expenditure requirements are based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate. Moreover, it is particularly difficult to estimate with certainty our future expenses given the dynamic nature of our business and widespread macroeconomic and geopolitical uncertainties, including labor shortages, inflation rates and the responses by central banking authorities to control inflation such as higher interest rates, monetary supply shifts, disruptions in access to bank deposits or lending commitments due to bank failures and the threat of recession in the United States and around the world, as well as disruptions from the Russia-Ukraine conflict and the war in Israel. As a result, we may have to delay, reduce the scope of, suspend or eliminate one or more of our product offerings or lines of business.

We expect to close the Term Loan in the fourth quarter of 2023. As a result of closing the Term Loan, we will incur increased interest expense. Also, we have agreed to issue warrants to purchase up to 3,008,540 shares at an exercise price of \$2.576 per share and, subject to certain conditions and limitations, we may elect to pay portions of our Term Loan and interest payments with shares of our common stock. These issuances of common stock may be dilutive to our stockholders.

If we are unable to borrow up to the full \$30.0 million under the Credit Facility or do not close the Term Loan, we believe we will require additional liquidity to continue our operations over the next twelve months. However, there can be no assurance that we will be able to obtain additional financing or on terms acceptable to us or at all. If we do raise additional funds through future issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve debt service obligations and restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Also, market volatility, including as a result of the macroeconomic and geopolitical factors discussed above, could adversely increase our need to access capital and likewise, adversely impact our ability to access capital as and when needed. Our failure to raise capital or on acceptable terms would have a negative impact on our ability to continue to support our business growth, scale our infrastructure, develop product enhancements and respond to business challenges, and we may have to delay, reduce the scope of, suspend or eliminate one or more of our product offerings or programs. Any of the above events could significantly harm our business, financial condition, results of operations, prospects and ability to compete, and cause the price of our common stock to decline.



***We have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us, materially and adversely affect our business and operating results and expose us to potential litigation.***

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 our annual or interim consolidated financial statements will not be prevented or detected and corrected on a timely basis. We have previously identified multiple material weaknesses in our internal control over financial reporting.

During the preparation of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, management identified a material weakness in internal control over financial reporting relating to the consolidation process and review of financial statements specifically pertaining to the Company's design of controls to determine proper accounting for certain foreign exchange transactions and translation between Veritone, Inc. and certain foreign subsidiaries. This material weakness did not result in any identified material misstatements to the financial statements. However, 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. While the adjustments identified were not material to the financial statements for the three and nine months ended September 30, 2023 and there were no changes to previous periods, based on the volatility of the foreign currency exchange rates and cumulative materiality of the outstanding intercompany balance, the calculated amounts could have resulted in a material misstatement to our annual or interim condensed consolidated financial statements that would 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 our financial reporting processes. Our business process automated and manual controls that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted. These control deficiencies were a result of user access and change management processes over certain IT systems. 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 our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis. Management is taking remediation actions with respect to this material weakness 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.

During the preparation of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, management identified that a material weakness in internal control over financial reporting existed relating to the appropriate oversight and sufficient review of the work performed by third-party specialists on our behalf and the coordination of work being performed by more than one specialist. Such third-party specialists were used in the preparation of (i) our valuation of contingent consideration, (ii) our valuation of certain identified intangible assets and (iii) our purchase price allocation pursuant to ASC 805, Business Combinations, in connection with our acquisition of PandoLogic Ltd. The material weakness resulted in the restatement of the unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2022 and immaterial misstatements to the consolidated financial statements for the year ended December 31, 2021. Additionally, this material weakness could have resulted in a misstatement of certain accounting estimates or disclosures that would have resulted in a material misstatement of our annual consolidated financial statements that would not have been prevented or detected on a timely basis. We concluded this material weakness had been remediated as of December 31, 2022.

To further remediate the 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. If we are not able to remediate the existing material weaknesses, or if we identify any new material weaknesses in the future, we may be unable to maintain compliance with the requirements of securities laws, stock exchange listing rules, or debt instrument covenants regarding timely filing of information; we could lose access to sources of capital or liquidity; and investors may lose confidence in our financial reporting and our stock price may decline as a result. Though we are taking steps to remediate the existing material weaknesses, we cannot be assured that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weakness or avoid potential future material weaknesses.

As a result of the material weaknesses described above and other related matters raised or that may in the future be identified, we face potential for adverse regulatory consequences, including investigations, penalties or suspensions by the SEC or NASDAQ, litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and material weakness in our internal control over financial reporting and the preparation of our consolidated financial statements. As of the date of this filing, we have no knowledge of any such regulatory consequences, litigation, claim or dispute. However, we can provide no assurance that such regulatory consequences, litigation, claim or dispute will not arise in the future. Any such regulatory consequences, litigation, claim or dispute, whether successful or not, could subject us to additional costs, divert the attention of our

management, or impair our reputation. Each of these consequences could have a material adverse effect on our business, results of operations and financial condition.

***Our business has been and may continue to be negatively affected by macroeconomic and geopolitical factors, including economic disruption caused by the COVID-19 pandemic, the Russia-Ukraine conflict and related sanctions, the war in Israel, inflation rates and the responses by central banking authorities to control inflation, monetary supply shifts and the threat of recession in the United States and around the world.***

Global economic and business activities continue to face widespread macroeconomic and geopolitical uncertainties, including labor shortages, inflation rates and the responses by central banking authorities to control inflation such as higher interest rates, monetary supply shifts, disruptions in access to bank deposits or lending commitments due to bank failures, the ongoing impact of the COVID-19 pandemic, and the threat of recession in the United States and around the world, as well as disruptions from the Russia-Ukraine conflict and the war in Israel. We continue to actively monitor the impact of these macroeconomic factors on our financial condition, liquidity, operations, suppliers, industry and workforce, and instituted certain cost saving measures for the during the second half of 2022 and the first nine months of 2023 as a result of these factors. 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 and other global economic conditions, including any new disruptions, have and may again negatively impact our business. For example, we have operations and an office in Israel, and as a result of the war with Hamas there, a number of our employees and family members of our employees have been conscripted into military service. In addition, our hiring solutions are sold to businesses that experience performance fluctuations based on factors including the demand for labor and the economic health of current and prospective employers. To the extent that economic uncertainty or attenuated economic conditions cause our current and potential customers to freeze or reduce their headcount, demand for our products and services has been, and may continue to be negatively affected. Adverse economic conditions have also caused and could continue to 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. For instance, beginning in March 2022, we experienced a reduction in hiring consumption from our largest customer, Amazon, and found that advertisers reduced spending across our managed services when compared to the same periods in the prior year. 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 current and potential customers may elect to decrease their software and technology solutions budgets by deferring or reconsidering product purchases, which could 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.

**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†	<a href="#">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).</a>
3.1	<a href="#">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).</a>
3.2	<a href="#">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).</a>
10.1	<a href="#">Ledgered ABL Agreement, dated August 8, 2023, by and among Veritone, Inc., Veritone One, Inc., Table Rock Management, LLC, Pandologic, Inc., Veritone Enterprises, LLC, Veritone Digital, Inc. d/b/a T3 Media and Alterna Capital Solutions, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 14, 2023).</a>
10.2	<a href="#">Commercial Guarantee, dated August 8, 2023, by Veritone Alpha, Inc., Performance Bridge Media, Inc., Machine Box, Inc., Veritone Politics, LLC, VocaliD, Inc. and Broadbean, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 14, 2023).</a>
10.3†	<a href="#">Commitment Letter, dated November 7, 2023, by and among Veritone, Inc., certain funds managed by Highbridge Capital Management, LLC and other lenders party thereto.</a>
31.1	<a href="#">Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.</a>
31.2	<a href="#">Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.</a>
32.1+	<a href="#">Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and 18 U.S.C. Section 1350.</a>
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 September 30, 2023, has been formatted in Inline XBRL.

† The Company has omitted portions of the referenced exhibit 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, schedules and annexes to the Securities and Exchange Commission 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.

November 14, 2023

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



HIGHBRIDGE TACTICAL CREDIT MASTER  
FUND, L.P.  
C/O HIGHBRIDGE CAPITAL MANAGEMENT,  
LLC

HIGHBRIDGE TACTICAL CREDIT  
INSTITUTIONAL FUND, L.P.  
C/O HIGHBRIDGE CAPITAL MANAGEMENT,  
LLC

CONTEXT PARTNERS MASTER FUND, L.P.

RIVERVIEW GROUP LLC

TENOR OPPORTUNITY MASTER FUND LTD.

WHITEBOX ADVISORS LLC, on behalf of certain  
managed funds

SILVERBACK ASSET MANAGEMENT, LLC, on  
behalf of certain managed funds

**PRIVATE AND CONFIDENTIAL**

**November 7, 2023**

**Veritone, Inc.**  
2420 17<sup>th</sup> Street, Office 3002  
Denver, Colorado

Commitment Letter

Ladies and Gentlemen:

You have informed Highbridge Tactical Credit Master Fund, L.P. (“**Highbridge TCF**”), Highbridge Tactical Credit Institutional Fund, Ltd (“**Highbridge ERSA**” and together with Highbridge TCF, “**Highbridge**”), Context Partners Master Fund, L.P. (“**Context**”), Whitebox Relative Value Partners, LP (“**Whitebox RVP**”), Whitebox GT Fund, LP (“**Whitebox GT**”), Whitebox Multi-Strategy Partners, LP (“**Whitebox Multi**”), Pandora Select Partners, LP (“**Pandora**”), Riverview Group LLC (“**Riverview**”), Tenor Opportunity Master Fund Ltd. (“**Tenor**”), Silverback Convertible Master Fund Limited (“**Silverback Convertible**”), Blackwell Partners LLC\_Series B (“**Blackwell**”), KASAD 2, L.P. (“**KASAD**”) and Silverback Opportunistic Credit Master Fund Limited (collectively with Highbridge TCF, Highbridge ERSA, Context, Riverview, Whitebox RVP, Whitebox GT, Whitebox Multi, Pandora, Riverview, Tenor, Silverback Convertible, Blackwell and KASAD, the “**Commitment Parties**”, “**we**” or “**us**”) that Veritone, Inc. (“**you**” or the “**Company**”) intends to establish a credit facility having the terms set forth in **Annex B** and consisting of a \$77.5 million senior secured term loan facility (the “**Credit Facility**”). The proceeds of the Credit Facility shall be used (i) to repurchase an aggregate \$50.0 million principal amount of existing convertible senior notes of the Company pursuant to that certain Indenture, dated as of November 19, 2021, by and among the Company and U.S Bank National Association, as Trustee (the “**2026 Convertible Senior Notes**”) as more fully described on **Annex C** hereto, (ii) for general corporate purposes, and (iii) to pay fees and out-of-pocket expenses in connection with the Credit Facility.

Each of the Commitment Parties is pleased to advise you of its commitment to severally, and not jointly, provide the portion of the principal amount of the Credit Facility set forth opposite

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such Commitment Party's name on *Annex C* hereto, subject to the terms and conditions set forth in this letter and in the term sheet set forth on *Annex B* hereto (the "*Term Sheet*") (this letter collectively with *Annexes A, B, and C*, the "*Commitment Letter*"); capitalized terms used but not defined herein shall have the meanings given to them in the attached *Annex B*. Our commitments are subject solely to the conditions set forth in the Term Sheet.

It is agreed that a third party selected by the Commitment Parties will act as sole administrative agent, collateral agent and documentation agent in connection with the Credit Facility (in such capacities, the "*Administrative Agent*"), with all fees and expenses of the Administrative Agent (including, without limitation, any fees and expenses of counsel to the Administrative Agent) paid by Company. It is understood and agreed that no other agents or co-agents and no arrangers, co-arrangers, bookrunners, managers, or co-managers will be appointed, no other titles will be awarded, and no compensation (other than compensation expressly contemplated by this Commitment Letter) will be paid to any Lender or any other person by you or any of your affiliates in order to obtain any commitment to participate in the Credit Facility, unless you and we shall so agree.

Notwithstanding anything in this Commitment Letter (including each of the annexes attached hereto), the Credit Documents or any other letter agreement or other undertaking concerning the financing of the Credit Facility to the contrary, the terms of the Loan Documents shall be in a form such that they do not impair the availability or funding of the Credit Facility on the Initial Funding Date if the conditions set forth in the Term Sheet are satisfied (it being understood that to the extent any security interest in any collateral is not or cannot be provided and/or perfected on the Initial Funding Date (other than the pledge and perfection of the security interest in the equity interests of each of the Company's direct wholly-owned U.S. subsidiaries and other assets pursuant to which a lien may be perfected by the filing of a financing statement under the Uniform Commercial Code or any filings with the U.S. Patent and Trademark Office) after your use of commercially reasonable efforts to do so or without undue burden or expense, then the provision and/or perfection of a security interest in such Collateral shall not constitute a condition precedent to the availability of the Credit Facility on the Initial Funding Date, but instead shall be required to be delivered within 60 days after the Initial Funding Date (or such later date after the Initial Funding Date as we shall agree) pursuant to arrangements to be mutually agreed by the us and the Company acting reasonably) (the foregoing provision, the "*Certain Funds Provision*").

By executing this Commitment Letter, Company agrees on its behalf and on behalf of its affiliates that from the date hereof until the date which is 30 days after the date hereof, Company and its affiliates (i) will cease any discussion with other potential financing providers (other than financing sources for the Credit Facility) and will not directly or indirectly engage in discussion with, provide any information to, or transmit any letter of intent, indicative terms or other document or response to any person or entity other than the Commitment Parties in connection with soliciting or receiving from such financing provider, person or entity a proposal, commitment, exclusivity arrangement or definitive agreement to provide debt or equity financing (including any modification, extension, or continuation of existing credit facilities), and (ii) will not enter into any definitive agreement for a debt or equity financing (including any modification, extension, or continuation of existing credit facilities, but not including definitive agreements for the Credit Facility), in either the case of clause (i) or clause (ii) above, that is in lieu of, inconsistent with, or

reasonably expected to interfere with the Credit Facility if the Commitment Parties are ready, willing and able to provide the proceeds of the Credit Facility on the terms and conditions substantially as set forth in this Commitment Letter.

The terms of this Commitment Letter are intended as an outline of certain of the material terms of the Credit Facility, but do not include all of the terms, conditions, covenants, representations, warranties, default clauses and other provisions that will be contained in the Loan Documents. The Loan Documents shall include, in addition, provisions that are customary or typical for financings of this type.

By executing this Commitment Letter, you agree to (i) within 45 days of the execution of this Commitment Letter, (x) issue to the Commitment Parties (and, as applicable, one or more of the funds managed, advised or sub-advised by the Commitment Parties and/or for which they act as trading manager) warrants having the terms of the Warrants set forth in the Term Sheet with respect to twenty percent (20%) of the aggregate number of shares of Common Stock to be represented by Warrants as set forth in the Term Sheet and (y) execute a registration rights agreement as contemplated by the Term Sheet with the Commitment Parties (and, as applicable, one or more of the funds managed, advised or sub-advised by the Commitment Parties and/or for which they act as trading manager), and (ii) reimburse the Commitment Parties from time to time on demand for all reasonable out-of-pocket fees and expenses (including, but not limited to, the reasonable fees, disbursements and other charges of legal counsel to the Commitment Parties (limited to a single special counsel and UK local counsel to the Commitment Parties) and search fees, due diligence expenses, appraisal, environmental and audit costs and expenses, and advisor and consultant fees and expenses) incurred in connection with the Credit Facility, the preparation of the definitive documentation therefor and the other transactions contemplated hereby, and in the case of clause (ii), in an amount not to exceed \$550,000 for any such fees and expenses accrued through (and inclusive of) the Initial Funding Date. To avoid doubt, the warrants issued pursuant to clause (i) shall form a part of the Warrants to be issued as set forth in the Term Sheet and shall not be in addition to such Warrants. You agree that your obligations to make the payments and execute the agreements in this paragraph shall survive the termination of this Commitment Letter or any commitment or undertaking hereunder and shall be effective regardless of whether any of the other transactions contemplated hereby are consummated.

In addition, in connection with arrangements such as this, it is our policy to receive indemnification. You agree to the provisions with respect to indemnity and other matters set forth in *Annex A*, which is incorporated by reference into this Commitment Letter.

We hereby notify you that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "*Act*") and the requirements of 31 C.F.R. §1010.230 (the "*Beneficial Ownership Regulation*"), each Lender is required to obtain, verify and record information that identifies each borrower and guarantor under the Credit Facility, which information includes the name and address and other information of each such person or entity that will allow each Lender to identify each such person or entity in accordance with the Act and the Beneficial Ownership Regulation. This notice is given in accordance with the requirements of the Act and is effective for each Lender.



Please note that this Commitment Letter may not be disclosed to any third party or circulated or referred to publicly without our prior written consent except, after providing written notice to the Commitment Parties, pursuant to a subpoena or order issued by a court of competent jurisdiction or by a judicial, administrative or legislative body or committee; provided, however, that we hereby consent to disclosure of this Commitment Letter (x) to the officers, directors, agents and advisors of the Company who are directly involved in the consideration of the Credit Facility to the extent such persons agree to hold the same in confidence, (y) as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof to the extent permitted by law), and (z) pursuant to a filing on Form 8-K or Form 10-Q with the U.S. Securities and Exchange Commission; provided that the Company may elect to file the Commitment Letter as an exhibit to its Form 10-K for the year ended December 31, 2023. You agree (i) to publicly file a Current Report on Form 8-K no later than 9:30 a.m., New York City time, on November 8, 2023 (the “**Announcement 8-K**”) that will disclose all material information regarding the terms of this Commitment Letter and the Credit Facility and all other confidential information communicated to us or any of our affiliates to the extent that you believe such confidential information constitutes material non-public information, and (ii) that, upon the public filing of the Announcement 8-K, we and our affiliates will not be under any contractual obligation to refrain from trading in any securities issued by you or any of your affiliates.

We will use all confidential information provided to us by or on behalf of you hereunder for the purpose of providing the services which are the subject of this Commitment Letter and in connection with the evaluation, closing, administration and enforcement of the Credit Facility, and shall treat confidentially all such information and shall not publish, disclose or otherwise divulge, such information; provided that nothing herein shall prevent us and any of our affiliates from disclosing any such information (a) pursuant to the order of any court or administrative agency or in any pending legal, judicial or administrative proceeding, or otherwise as required by applicable law, rule or regulation or compulsory legal process based on the advice of counsel (in which case we agree (except with respect to any audit or examination conducted by bank accountants or any regulatory authority exercising examination or regulatory authority), to the extent practicable and not prohibited by applicable law, rule or regulation, to inform you promptly thereof prior to disclosure), (b) upon the request or demand of any regulatory authority having jurisdiction over us or any of our affiliates (in which case we agree (except with respect to any audit or examination conducted by bank accountants or any regulatory authority exercising examination or regulatory authority), to the extent practicable and not prohibited by applicable law, rule or regulation, to inform you promptly thereof prior to disclosure), (c) to the extent that such information becomes publicly available other than by reason of improper disclosure by us or any of our affiliates or any related parties thereto in violation of any confidentiality obligations owing to you, the Company or any of your or its respective affiliates (including those set forth in this paragraph), (d) to the extent that such information is received by us or any of our affiliates from a third party that is not, to our knowledge, subject to any contractual or fiduciary confidentiality obligations owing to you, the Company or any of your or its respective affiliates or related parties, (e) to the extent that such information is independently developed by us or any of our affiliates without the use of any confidential information and without violating the terms of this Commitment Letter, (f) to our affiliates and to our and their respective directors, officers, employees, legal counsel, independent auditors, professionals and other experts or agents who need to know such information in connection with the Credit Facility and who are informed of the confidential nature of such information and are or have been advised of their obligation to keep information of this type

confidential,(g) to potential or prospective lenders, participants or assignees and to any direct or indirect contractual counterparty to any swap or derivative transaction relating to you or any of your subsidiaries, in each case who agree to be bound by the terms of this paragraph (or language substantially similar to this paragraph); provided that the disclosure of any such information to us or any lenders or prospective lenders or participants or prospective participants referred to above shall be made subject to the acknowledgment and acceptance by such lender or prospective lender or participant or prospective participant that such information is being disseminated on a confidential basis (on substantially the terms set forth in this paragraph or as is otherwise reasonably acceptable to you and us, including, without limitation, as agreed in any marketing materials) in accordance with our standard syndication processes or customary market standards for dissemination of such type of information, or (h) for purposes of enforcing our rights hereunder in any legal proceedings and for purposes of establishing a defense in any legal proceedings. The provisions of this paragraph shall survive the termination of this Commitment Letter; provided that our and our affiliates', if any, obligations under this paragraph shall terminate automatically and be superseded by the confidentiality provisions in the Loan Documents upon the execution thereof. Notwithstanding the foregoing, no notice, consultation or other compliance with this paragraph shall be required if we are requested or required to disclose confidential information pursuant to a broad or routine audit, examination or request for information by any legal, judicial, governmental, administrative, or regulatory authority that is not specific to the confidential information provided hereunder.

In the ordinary course of its activities, the Commitment Parties and or our affiliates may actively trade the debt and equity securities (or related derivative securities) of the Company and other companies which may be the subject of the arrangements contemplated by this letter, including any of their respective affiliates, and may at any time hold long and short positions in such securities. The Commitment Parties or our affiliates may also co-invest with, make direct investments in, and invest or co-invest client monies in or with funds or other investment vehicles managed by other parties, and such funds or other investment vehicles may trade or make investments in securities or other debt obligations of the Company or other companies which may be the subject of the arrangements contemplated by this letter and any of their respective affiliates.

The Commitment Parties may have economic interests that conflict with those of the Company. You agree that the Commitment Parties will each act under this letter as an independent contractor and that nothing in this Commitment Letter or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any Commitment Party, on the one hand, and the Company and its shareholders or its affiliates, on the other hand. You acknowledge and agree that (i) the transactions contemplated by this Commitment Letter are arm's-length commercial transactions between the Commitment Parties, on the one hand, and the Company, on the other hand, (ii) in connection therewith and with the process leading to such transaction the Commitment Parties are each acting solely as a principal and not the agent or fiduciary of the Company, its management, shareholders, creditors or any other person, (iii) the Commitment Parties have not assumed an advisory or fiduciary responsibility in favor of the Company with respect to the transactions contemplated hereby or the process leading thereto or any other obligation to the Company except the obligations expressly set forth in this Commitment Letter and (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company further acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and

the process leading thereto. The Company agrees that it will not claim that the Commitment Parties have rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

The provisions of the immediately preceding four paragraphs shall remain in full force and effect regardless of whether any definitive documentation for the Credit Facility shall be executed and delivered, and notwithstanding the termination of this Commitment Letter or any commitment or undertaking hereunder.

Each of the parties hereto agrees that this Commitment Letter is a binding and enforceable agreement with respect to the subject matter contained herein (it being understood and agreed that the availability and funding of the Credit Facility is subject to conditions precedent), including the good faith negotiation of the Credit Documents by the parties hereto in a manner consistent with this Commitment Letter. Promptly following the execution of this Commitment Letter, the parties hereto shall proceed with the negotiation in good faith of the Credit Documents.

This Commitment Letter may not be assigned by the Company without the prior written consent of each other party hereto (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. The Commitment Parties may assign their respective commitments hereunder, in whole or in part (including, for example, the commitment to provide the Credit Facility), to (i) any of their respective affiliates, (ii) any fund, investor, entity or account that is managed, sponsored or advised by any person managing, sponsoring or advising any of the Commitment Parties or (iii) any Commitment Party (any such person, an "*Eligible Assignee*"). This Commitment Letter may not be amended or any term or provision hereof or thereof waived or modified except by a written agreement signed and delivered by each of the parties hereto. Notwithstanding anything set forth herein to the contrary, (a) no Commitment Party shall be relieved, released or novated from its obligations hereunder (including its obligation to fund any portion of the Commitment on the Initial Funding Date) in connection with any assignment or other transfer until after the initial funding of the Credit Facility on the Initial Funding Date, (b) no such assignment or other transfer shall become effective with respect to any portion of the Commitment until the initial funding of the Credit Facility on the Initial Funding Date, and (c) unless the Company agrees in writing, each Commitment Party shall retain exclusive control over all rights and obligations with respect to its portion of the Commitment, including all rights with respect to consents, waivers, modifications, supplements and amendments, until the Initial Funding Date has occurred.

Our commitment hereunder shall terminate upon the first to occur of (i) at our election, a material breach by the Company under this Commitment Letter, and (ii) December 15, 2023 unless the closing of the Credit Facility, on the terms and subject to the conditions contained herein, shall have been consummated on or before such date.

In addition, please note that the Commitment Parties do not provide accounting, tax or legal advice. Notwithstanding anything herein to the contrary, the Company (and each employee, representative or other agent of the Company) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this potential transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Company

relating to such tax treatment and tax structure. However, any information relating to the tax treatment or tax structure shall remain subject to the confidentiality provisions hereof (and the foregoing sentence shall not apply) to the extent reasonably necessary to enable the parties hereto, their respective affiliates, and their respective affiliates' directors and employees to comply with applicable securities laws. For this purpose, "**tax treatment**" means U.S. federal or state income tax treatment, and "**tax structure**" is limited to any facts relevant to the U.S. federal income tax treatment of the transactions contemplated by this Commitment Letter but does not include information relating to the identity of the parties hereto or any of their respective affiliates.

This Commitment Letter may be executed in any number of counterparts, each of which when executed shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Commitment Letter by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof. Any party delivering an executed counterpart of this Commitment Letter via facsimile or other electronic transmission shall, at our request, also deliver to us or our counsel a manually executed original, but the failure to do so does not affect the validity, enforceability or binding effect of this Commitment Letter.

**THIS COMMITMENT LETTER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.** Each of the parties hereto agrees that any suit or proceeding arising in respect to this arrangement or any matter referred to in this Commitment Letter will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in the City of New York and each of the parties hereto agrees to submit to the jurisdiction of, and to venue in, such courts. **ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING IN CONNECTION WITH OR AS A RESULT OF EITHER OUR COMMITMENT OR ANY MATTER REFERRED TO IN THIS COMMITMENT LETTER IS HEREBY WAIVED BY EACH OF THE PARTIES HERETO.** The provisions of this paragraph shall remain in full force and effect regardless of whether any definitive documentation for the Credit Facility shall be executed and delivered, and notwithstanding the termination of this Commitment Letter or any commitment or undertaking hereunder.

**THIS COMMITMENT LETTER REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SPECIFIC MATTERS HEREOF, SETS FORTH THE ENTIRE UNDERSTANDING OF THE PARTIES HERETO, SUPERSEDES ANY PRIOR AGREEMENTS AMONG THE PARTIES HERETO WITH RESPECT TO THE CREDIT FACILITIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

[Remainder of page intentionally left Blank]

Please confirm that the foregoing is in accordance with your understanding by signing and returning to the Commitment Parties the enclosed copy of this Commitment Letter, together, if not previously executed and delivered, on or before the close of business on November 8, 2023, whereupon this Commitment Letter shall become a binding agreement between us. If not signed and returned as described in the preceding sentence by such date, this offer will terminate on such date. We look forward to working with you on this matter.

*[Signatures on Next Page]*

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Very truly yours,

**Highbridge Tactical Credit Master Fund, L.P.**

**By: Highbridge Capital Management, LLC as Trading Manager and not in its individual capacity**

By: /s/ Steve Ardovini

Name: Steve Ardovini

Title: Managing Director

Head of Operations

HIGHBRIDGE CAPITAL MANAGEMENT, LLC

**Highbridge Tactical Credit Institutional Fund, Ltd.**

**By: Highbridge Capital Management, LLC as Trading Manager and not in its individual capacity**

By: /s/ Steve Ardovini

Name: Steve Ardovini

Title: Managing Director

Head of Operations

HIGHBRIDGE CAPITAL MANAGEMENT, LLC

*[Signature Page to the Commitment Letter]*

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**CONTEXT PARTNERS MASTER FUND, L.P.**

By: /s/ Charles E. Carnegie  
Name: Charles E. Carnegie  
Title: Managing Member  
Context Capital Management, LLC  
General Partner

**RIVERVIEW GROUP LLC**

By: [Removed]  
By: [Removed]

By: /s/ [Removed]  
Name: [Removed]  
Title: [Removed]

**TENOR OPPORTUNITY MASTER FUND LTD.**

By: /s/ Daniel Kochav  
Name: Daniel Kochav  
Title: Director

*[Signature Page to the Commitment Letter]*

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**WHITEBOX RELATIVE VALUE PARTNERS, LP**

By: Whitebox Advisors LLC its Investment  
Manager

By: /s/ Andrew Thau  
Name: Andrew Thau  
Title: Senior Legal Analyst

**WHITEBOX GT FUND, LP**

By: Whitebox Advisors LLC its Investment  
Manager

By: /s/ Andrew Thau  
Name: Andrew Thau  
Title: Senior Legal Analyst

**WHITEBOX MULTI-STRATEGY PARTNERS, LP**

By: Whitebox Advisors LLC its Investment  
Manager

By: /s/ Andrew Thau  
Name: Andrew Thau  
Title: Senior Legal Analyst

**PANDORA SELECT PARTNERS, LP**

By: Whitebox Advisors LLC its Investment  
Manager

By: /s/ Andrew Thau  
Name: Andrew Thau  
Title: Senior Legal Analyst

*[Signature Page to the Commitment Letter]*

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**Blackwell Partners, LLC\_Series B**

By: Silverback Asset Management, LLC  
Its Trading Manager

By: /s/ Laura Kleber  
Name: Laura Kleber  
Title: CCO

**Silverback Opportunistic Credit Master  
Fund Limited**

By: Silverback Asset Management, LLC  
Its Trading Manager

By: /s/ Laura Kleber  
Name: Laura Kleber  
Title: CCO

*[Signature Page to the Commitment Letter]*

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**Silverback Convertible Master Fund Limited**

By: Silverback Asset Management, LLC  
Its Trading Manager

By: /s/ Laura Kleber  
Name: Laura Kleber  
Title: CCO

**KASAD 2, LP**

By: Silverback Asset Management, LLC  
Its Trading Manager

By: /s/ Laura Kleber  
Name: Laura Kleber  
Title: CCO

*[Signature Page to the Commitment Letter]*

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**ACCEPTED AS OF THE DATE ABOVE:**

**VERITONE, INC.**

By: /s/ Ryan Steelberg

Name: Ryan Steelberg

Title: Chief Executive Officer

*[Signature Page to the Commitment Letter]*

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Annex A

*In the event that the Commitment Parties, or any of their respective affiliates, officers, partners, directors or equivalents, agents, employees and controlling persons or any Eligible Assignee, as the case may be, (each of the foregoing, an “**Indemnified Person**”), becomes involved in any capacity in any action, proceeding or investigation brought by or against any person or entity, including any of your affiliates, shareholders, partners, members, or other equity holders, in connection with or as a result of either this arrangement or any matter referred to in this Commitment Letter (a “**Proceeding**”), you agree to (i) reimburse such Indemnified Person for its reasonable and documented legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith and (ii) indemnify and hold each Indemnified Person harmless against any and all losses, claims, damages, penalties, expenses or liabilities to any person or entity arising in connection with or as a result of any Proceeding, whether brought by you, your affiliates or any third party **and without regard to the exclusive or contributory negligence of any Indemnified Person**, in each case, except to the extent that such have been found by a final, non-appealable judgment of a court of competent jurisdiction to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnified Person in performing the services that are the subject of this Commitment Letter or material breach by any Indemnified Person of the terms of this Commitment Letter. Your reimbursement, indemnity and contribution obligations under this paragraph shall be in addition to any liability that you may otherwise have and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of you, any Indemnified Person, any such affiliate and any such person. You also agree that neither any Indemnified Person nor any of its affiliates, partners, directors, agents, employees or controlling persons shall have any liability **based on its or their exclusive or contributory negligence or otherwise** to you or any person or entity asserting claims on behalf of or in right of you or any other person or entity in connection with or as a result of either this arrangement or any matter referred to in this Commitment Letter, except to the extent that any losses, claims, damages, penalties, liabilities or expenses incurred by you have been found by a final, non-appealable judgment of a court of competent jurisdiction to have resulted directly from the bad faith, gross negligence or willful misconduct of such Indemnified Person in performing the services that are the subject of this Commitment Letter or material breach by any Indemnified Person of the terms of this Agreement; provided, however, that in no event shall such Indemnified Person or such other parties have any liability for any indirect, consequential or punitive damages in connection with or as a result of such Indemnified Person’s or such other parties’ activities related to this Commitment Letter. **Any right to trial by jury with respect to any action or proceeding arising in connection with or as a result of either this arrangement or any matter referred to in this Commitment Letter is hereby waived by the parties hereto. You agree that any suit or proceeding arising in respect to this arrangement or any matter referred to in this Commitment Letter will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in the City of New York and you agree to submit to the jurisdiction of, and to venue in, such courts. The provisions of this Annex A shall survive any termination or completion of the arrangement provided by this Commitment Letter, and this Commitment Letter shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws.***

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Annex B

Term Sheet

(attached)

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**TERM SHEET**  
DATED NOVEMBER 7, 2023

CONFIDENTIAL  
SENIOR SECURED CREDIT FACILITY

eritone, Inc., a Delaware corporation (the “**Company**”).

Each of the direct and indirect material subsidiaries of the Company (collectively, the “**Guarantors**” and together with the Company, the “**Credit Parties**”).

**Agent:** A third party selected by the Commitment Parties (in such capacity, “**Agent**”).

Highbridge TCF, Highbridge ERSA, Context Partners Master Fund, L.P., Whitebox Relative Value Partners, LP, Whitebox GT Fund, LP, Whitebox Multi-Strategy Partners, LP, Pandora Select Partners, LP, Riverview Group LLC, Tenor Opportunity Master Fund Ltd., Silverback Convertible Master Fund Limited, Blackwell Partners LLC\_Series B, KASAD 2, L.P. and Silverback Opportunistic Credit Master Fund Limited (each, a “**Lender**” and, collectively, the “**Lenders**”).

**Amount:** \$77,500,000 senior secured term loan facility (the “**Term Loan Facility**”) and such amount, the “**Total Facility Amount**”.

**Use of Proceeds:** Amounts funded under the Credit Facility on the Initial Funding Date shall be used (i) to repurchase an aggregate \$50,000,000 principal amount of existing convertible senior notes of the Company issued pursuant to that certain Indenture, dated as of November 19, 2021, by and among the Company and U.S. Bank National Association, as Trustee (the “**2026 Convertible Senior Notes**”) as more fully described on **Annex C** to the Commitment Letter, (ii) for general corporate purposes, and (iii) to pay fees and out-of-pocket expenses in connection with the Credit Facility. The repurchase of the 2026 Convertible Senior Notes will be documented through a customary note purchase agreement.

**Completion Date:** The date on which the conditions set forth herein are satisfied (or waived by the Commitment Parties in writing) and the initial funding under the Credit Facility shall take place.

**Maturity Date:** The date that is 4 years after the Initial Funding Date (the “**Maturity Date**”).

**Interest Rates:** All rates shall be calculated on a 360-day basis:

**Current/Cash-Pay Rate:** A floating rate of Term SOFR + 8.50%, with a 3.00% floor for Term SOFR, payable up to quarterly for Term SOFR borrowings.

**Default Rate:** 3.00% in addition to the Current/Cash-Pay Rate payable on demand.

The full amount of the Term Loan Facility must be drawn in a single drawing on the Initial Funding Date. Amounts repaid under the Term Loan Facility may not be reborrowed.

**Repayment:** The loans under the Term Loan Facility (the “**Term Loans**”) shall be repayable in equal consecutive quarterly installments on March 10, June 10, September 10 and December 10 of each year in an annual amount equal to 10% of the principal amount of the Term Loans (commencing on June 10, 2024), with the final balance of the Term Loans payable on the Maturity Date.

Subject to the conditions and limitations below, the Company may make any amortization payment in shares of the Company’s common stock, par value \$0.001 per share (the “**Common Stock**”), by delivering notice to the Lenders of the Company’s intent to make

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such amortization payment in shares of Common Stock no less than 17 trading days prior to the applicable amortization payment date.

The number of shares of Common Stock issuable in respect of each amortization payment shall be determined over the fifteen (15) consecutive trading day period starting on the ending on the trading day immediately preceding the applicable amortization payment date (such period, the “*Amortization Averaging Period*”). On each trading day during the Amortization Averaging Period (each, an “*Amortization Averaging Day*”), one fifteenth (1/15<sup>th</sup>) of the aggregate principal amount subject to such amortization payment will be equitized into shares of Common Stock at a price per share equal to 95% of the volume weighted average price of the Common Stock on such trading day (such price per share, the “*Amortization Equitization Price*”). If the Amortization Equitization Price on any Amortization Averaging Day is less than the sum of (i) \$0.0125 and (ii) the “*Minimum Price*”, as computed pursuant to Nasdaq Rule 5635(d), as of the date when the Commitment Letter is executed (the “*Minimum Price*”), the aggregate principal amount to be equitized on such day shall instead be paid in cash. Settlement of any shares of Common Stock issuable with respect to any Amortization Averaging Day shall occur within one standard settlement cycle following the fifth, tenth and fifteenth trading day of such Amortization Averaging Period (or immediately following any termination of the Amortization Averaging Period for any reason), assuming such day is treated as the trade date for such settlement.

The Company’s ability to make any amortization payment in shares of Common Stock is subject to the following conditions and limitations:

- The Equity Payment Conditions described below are satisfied throughout the entirety of the Amortization Averaging Period. In the event that any of the Equity Payment Conditions are not satisfied at any point during an Amortization Averaging Period, the Amortization Averaging Period shall immediately terminate, with the date of such failure constituting part of the Amortization Averaging Period only if such failure of the Equity Payment Conditions occurs after the end of trading on such day, and the Company shall pay all remaining, un-equitized principal amounts subject to such amortization payment in cash.
- The Company may not exercise its option to make any amortization payment in shares of Common Stock if the applicable Amortization Averaging Period would overlap with any Equitization Averaging Period (as defined below) resulting from an Optional Equitization (as defined below).

**Prepayments:** Following the Initial Funding Date, the Borrower and each of its subsidiaries shall be required to make the following mandatory prepayments (subject to certain exceptions and materiality thresholds to be negotiated in the definitive Credit Documents (as defined below)):

(i)*Asset Sales:* Prepayments in the amount equal to sixty percent (60%) net after-tax cash proceeds of the sale or other disposition of any property or assets of any Credit Party or its respective subsidiaries in excess of \$10,000,000 in the aggregate during the term of the Credit Facility, other than net cash proceeds of sales or other dispositions of inventory in the ordinary course of business.

(ii)*Insurance Proceeds:* Prepayments in the amount of all of the net cash proceeds of condemnation/insurance on account of any loss or taking of any property or assets of any Credit Party or its respective subsidiaries, other than net cash proceeds that are reinvested in other assets useful in the business of the Credit Parties within a time period to be negotiated in the Credit Documents.

(iii)*Incurrence of Indebtedness:* Prepayments in an amount equal to all of the net cash proceeds received from the incurrence of indebtedness by any Credit Party or its respective subsidiaries (other than indebtedness expressly permitted pursuant to the Credit Documents).

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(iv) *Convertible Senior Notes Trigger*. Prepayment in an amount equal to all of the outstanding Term Loans as at such date if \$30,000,000 or more of aggregate principal amount of 2026 Convertible Senior Notes are outstanding on August 14, 2026.

(v) *Equitization*. Prepayments in the amounts and manner, and at the times, set forth under “Optional Equitization” below.

**repayments:** The Company may prepay the Term Loans, in whole or in part, in cash subject to payment of any applicable Prepayment Premium as described below.

**Premium:** Voluntary prepayments of the Term Loan Facility in cash shall be subject to the premium set forth in the chart below (the “*Prepayment Premium*”):

Months	Prepayment Premium
0-12	Make Whole Premium
13-24	14.00%
25-36	7.00%
Thereafter	0%

“*Make-Whole Premium*” means, with respect to any prepayment on any date, the present value (which shall not be less than zero) of an amount equal to: (a) 14.00% of the aggregate principal amount of the Term Loan subject to such prepayment, replacement or acceleration (as applicable); plus (b) any required remaining scheduled interest that would have accrued on such Term Loan from such date of prepayment, replacement or acceleration (as applicable) to and excluding the first anniversary of the Initial Funding Date, calculated using the then-applicable Current/Cash Pay Rate (but excluding the Default Rate, if applicable), discounted at a rate equal to the sum of (i) the treasury rate for a security maturing on the 12 month anniversary of the Initial Funding Date plus (ii) 50 basis points.

Mandatory prepayments of the Term Loan Facility in cash shall be subject to a premium equal to the lesser of (x) 10.00% and (y) the Prepayment Premium that would be applicable to a voluntary prepayment of the Term Loan Facility on such date.

**uitization:** The Company may, in the Company’s sole discretion, prepay the Term Loans up to the aggregate principal amounts set forth below, together with the payment of a 13.00% prepayment premium on such amounts (the “*Equitization Premium*”), in shares of Common Stock (each, a “*Optional Equitization*”) if the closing price per share of the Common Stock on the Nasdaq Stock Market (“*Nasdaq*”) exceeds the applicable Threshold Price set forth below for any 20 trading days, whether or not consecutive, during any 30 consecutive trading day period occurring entirely after the Initial Funding Date (the “*Threshold Price Condition*”):

Aggregate Principal Amount	Threshold Price
\$7,500,000	\$3.91
\$10,000,000	\$4.50
\$20,000,000	\$5.50

To exercise any Optional Equitization, the Company shall provide written notice to the Lenders of the occurrence of any Optional Equitization and the aggregate principal amount to be prepaid pursuant to such event no more than two trading days after the applicable Threshold Price Condition has been satisfied.

The number of shares of Common Stock issuable in each Optional Equitization shall be determined over the fifteen (15) consecutive trading day period starting on the second trading day after notice of the Optional Equitization is delivered to the Lenders (as it may be extended, the “*Equitization Averaging Period*”), which period shall be subject to extension as described below. On each trading day during the Equitization Averaging Period (each, an “*Equitization Averaging Day*”), one fifteenth (1/15<sup>th</sup>) of the aggregate



principal amount subject to such Optional Equitization (plus the Equitization Premium) will be equitized into shares of Common Stock at a price per share equal to 95% of the volume weighted average price of the Common Stock on such trading day (such price per share, the “*Equitization Price*”). If the Equitization Price on any Equitization Averaging Day is less than 75% of the applicable Threshold Price, such trading day shall no longer constitute an Equitization Averaging Day and (i) the Equitization Averaging Period shall be extended to the next trading day immediately following the end of the Equitization Averaging Period prior to such extension, provided that the Equitization Averaging Period shall be extended by no more than ten (10) trading days in the aggregate, and (ii) if the Equitization Averaging Period has already been extended by ten (10) trading days in the aggregate pursuant to clause (i), then the Equitization Averaging Period shall end and any remaining aggregate principal amount shall remain outstanding. Settlement of any shares of Common Stock issuable with respect to any equitization occurring on any Equitization Averaging Day shall occur within one standard settlement cycle, assuming such Equitization Averaging Day is treated as the trade date for such settlement.

Each Optional Equitization is subject to the following conditions and limitations:

- The Optional Equitization at each Threshold Price shall not be exercised for more than the applicable aggregate principal amount listed above.
- The Optional Equitization with regard to only one Threshold Price Condition may be triggered at any time.
- If the Threshold Price Conditions with regard to multiple Threshold Prices have been satisfied based on the trading price of the Common Stock, the Optional Equitization with respect to the lowest such Threshold Price shall occur before the Optional Equitization with regard to any other Threshold Price.
- The Equity Payment Conditions described below are satisfied throughout the entirety of the Equitization Averaging Period. In the event that any of the Equity Payment Conditions are not satisfied at any point during any Equitization Averaging Period, the Equitization Averaging Period shall immediately terminate, with the date of such failure constituting part of the Equitization Averaging Period only if such failure of the Equity Payment Conditions occurs after the end of trading on such day, and the Company shall pay all remaining, un-equitized principal amounts subject to such Optional Equitization (together with all applicable Equitization Premiums) in cash and the Optional Equitization with regard to the applicable Threshold Price shall be deemed to be completed with regard to the applicable aggregate principal amount paid in shares of Common Stock or cash.
- The Company may not exercise an Optional Equitization if the applicable Equitization Averaging Period would overlap with any Amortization Averaging Period.

**ent Conditions:** The Equity Payment Conditions will include the following:

- No default or event of default shall have occurred and remain ongoing.
  - One or more registration statements registering the resale of all shares of Common Stock issuable pursuant to the terms of the Credit Facility (without regard to any limitation on issuance) shall be effective, with a current prospectus covering such resales available for use.
  - No failure by the Company to file current public information (as contemplated by Rule 144) shall have occurred and be continuing.
  - The Common Stock remains listed, and the shares of Common Stock to be issued have been approved for listing, on Nasdaq.
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- Trading in shares of Common Stock has not been suspended on Nasdaq, nor has any such suspension or any delisting of the common stock by threatened in writing by Nasdaq or any action been taken by the Company for the voluntary delisting or deregistration of the Common Stock.
- The Company shall have timely delivered all shares of Common Stock required to be delivered upon any exercise of the Warrants (as defined below), and, following any applicable payment in shares of Common Stock, the Company shall have sufficient shares of Common Stock authorized and reserved to allow for the settlement of any exercise of the Warrants.
- No public announcement of any pending, proposed or intended change of control shall have occurred that has not been abandoned, terminated or consummated.
- The shares of Common Stock to be issued have been duly authorized and are validly issued, fully paid and non-assessable.
- The shares of Common Stock can be issued to each Lender in compliance with beneficial ownership limitations to be specified in the Credit Facility (to be no less than 4.9%, and initially set at, 9.9%).
- Delivery of the Common Stock occurs through DTC into the existing CUSIP for the Common Stock with no DTC chill or halt in effect.
- No dispute shall exist between the Company, the Lenders, Nasdaq and FINRA regarding any of the terms of the payment in shares of Common Stock.
- The Company is not (and has not provided information to the Lender that would put the Lender) in possession of any material, non-public information regarding the Company or the Common Stock (i) at the time any election to make a payment in shares of Common Stock or (ii) at any time during the applicable measurement period.

**Loan Principles:** The definitive documentation for the Credit Facility (the “*Credit Documents*”) will contain those conditions to borrowing, mandatory prepayments, representations, warranties, covenants and events of default set forth in, and will otherwise be consistent with, this Term Sheet and will be based on a precedent credit agreement to be mutually agreed among the Company and Highbridge; provided that the Credit Documents shall give due regard to (i) the location of the business of the Credit Parties and their subsidiaries and their respective jurisdictions of organization (including as to representations, warranties, covenants and events of default that are customary and specific to the regulatory regimes of such jurisdictions) and (ii) the operational and strategic requirements of the Credit Parties and their respective subsidiaries in light of their consolidated capital structure, size, industry and practices.

All obligations of the Company and Guarantors under the Credit Documents shall be secured by a first-priority (subject only to customary permitted liens) perfected lien on and security interest in all now owned and hereafter acquired tangible and intangible assets of the Company and the Guarantors, including all equity interests owned by the Company or any Guarantor and all cash and cash equivalents held by the Credit Parties (the “*Collateral*”).

**Covenant:** The Company shall at all times maintain minimum Liquidity of \$15,000,000. “*Liquidity*” shall be defined as unrestricted cash and cash equivalents (as determined under U.S. GAAP) of the Credit Parties that is deposited in accounts subject to control agreements granting “control” over such accounts to the Agent (or a substantially similar arrangement in the applicable jurisdiction).

**Covenants:** Customary and appropriate for transactions of this type (to be applicable to Borrower and its subsidiaries and subject to exceptions and materiality thresholds

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to be agreed in the definitive documents), and limited to delivery of monthly, quarterly, and annual financial statements and other information, delivery of notices of events of default and other material events, maintenance of existence, payment of taxes and claims, maintenance of properties and insurance, books and records, inspections, lender meetings, environmental, further assurances, compliance with laws, delivery of other information reasonably required by the Agent or a Lender, compliance with and policies regarding sanctions, anti-terrorism, anti-money laundering (“*AML*”), anti-bribery and corruption (“*ABC*”), foreign corrupt practices act (“*FCPA*”), and data privacy.

**venants:** Customary and appropriate for transactions of this type (to be applicable to Borrower and its subsidiaries and subject to exceptions and materiality thresholds to be agreed in the definitive documents), and limited to limitations on use of proceeds, indebtedness, liens, guarantees, negative pledges, restricted payments and voluntary redemptions or prepayments of subordinated, junior lien and other Junior Debt, investments, fundamental changes, disposition of assets, acquisitions, sale-leasebacks, transactions with affiliates, conduct of business, changes to material contracts and organizational documents, fiscal year, accounting policies, and deposit accounts, in each case, with customary exceptions to be agreed in the Credit Documents; *provided*, that (x) the indebtedness covenant shall not permit material debt other than (1) the Credit Facility and (2) unsecured indebtedness or indebtedness secured on a junior lien basis to the Term Loan Facility not to exceed an amount to be agreed (the “*Junior Debt*”), which shall be used to repurchase convertible senior notes under the 2026 Convertible Senior Note Facility and shall be subject to the following terms and conditions: (i) such Junior Debt shall not mature until the date that 91 days outside the latest Maturity Date of the Term Loan Facility and shall not have a shorter weighted average life to maturity than the Term Loan Facility; (ii) no Junior Debt shall be secured by any lien on any property or asset other than the Collateral or be guaranteed by any person other than the Guarantors; (iii) no Junior Debt shall require any mandatory prepayment or amortization; and (iv) lien subordination of any such Junior Debt shall be subject to a intercreditor agreement reasonably satisfactory to Highbridge, (v) the restricted payment covenant will only permit tax distributions, payment of administrative expenses of the Company and other distributions in the ordinary course of business and (vi) the covenants shall contain customary and appropriate restrictions on investments in and transfer to subsidiaries of the Borrower which are not Guarantors.

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Customary and appropriate for transactions of this type (to be applicable to Borrower and its subsidiaries), and limited to: organizational status and good standing; power and authority, qualification, execution, delivery, binding effect and enforceability of the Credit Documents; with respect to the Credit Documents, no violation of, or conflict with, law, organizational documents or agreements; compliance with law (including PATRIOT ACT, anti-money laundering laws, FCPA and OFAC); litigation; margin regulations; material governmental approvals; Investment Company Act; accurate and complete disclosure; accuracy of financial statements; no Material Adverse Effect; no event of default; taxes; ERISA; subsidiaries; intellectual property; environmental laws; labor matters; use of proceeds; ownership of properties; creation and perfection of liens and other security interests; and consolidated solvency of the Company and its subsidiaries on the Initial Funding Date; subject, in the case of each of the foregoing representations and warranties, to customary qualifications and limitations for materiality to be provided in the Credit Documents consistent with the Documentation Principles.

“*Material Adverse Effect*” means, with respect to the Credit Parties, (a) a material adverse change in, or a material adverse effect on, the operations, business, properties or financial

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condition of such Persons, taken as a whole, (b) a material impairment of the ability of such persons, taken as a whole, to perform their respective payment obligations under the Credit Documents, (c) a material impairment of the rights and remedies of the Agent or any Lender under the Credit Documents, or (d) a material impairment of the legality, validity, binding effect or enforceability against any Credit Party of any material Credit Document to which it is a party).

**fault:** Customary and appropriate for transactions of this type (subject to exceptions, grace periods and materiality thresholds to be agreed in the definitive documents), and limited to payment default, cross-default to other indebtedness, breach of covenants, breach of representations, bankruptcy/insolvency defaults, judgment default, employee benefit plans, change of control, invalidity of guarantees, impairment of security in the Collateral, and delisting of Common Stock.

**itions and**

**ts:** The availability of the Credit Facility set forth in this Commitment Letter shall be subject solely to the satisfaction of the following conditions:

- Definitive loan documentation governing the Credit Facility (collectively, the “**Credit Documents**”) reasonably satisfactory to Highbridge, to the extent applicable, satisfactory legal opinions, customary closing certificates, a customary solvency certificate, corporate records, documents from public officials, officers’ certificates and third-party consents (if any) shall have been delivered;
  - Subject to the Certain Funds Provision, all documents and instruments required to create and perfect the Agent’s security interest in the Collateral shall have been executed and delivered to the Agent (including customary lien searches in each relevant jurisdiction) and, if applicable, be in proper form for filing;
  - Since the date of this Commitment Letter, no fact, circumstance, occurrence, change or event has occurred that constitutes, or would reasonably be expected to have, individually or in the aggregate, a material adverse change in, or a material adverse effect on, the operations, business, properties or financial condition of such Persons, taken as a whole;
  - Each Specified Representation shall be true and correct in all material respects (or in all respects in the case of any such representation or warranty qualified by materiality or “material adverse effect”) (“**Specified Representations**”) means the representations and warranties to be included in the Credit Documents relating to organizational power and authority of the Borrower and Guarantors as to execution, delivery and performance of the Credit Documents; due organization of the Borrower and the Guarantors; the due authorization, execution, and delivery of the Credit Documents by the Borrower and Guarantors; validity and enforceability of the applicable Credit Documents against the Borrower and Guarantors; no conflicts of the Credit Documents (limited to the execution and delivery of the Credit Documents by the Borrower and Guarantors, incurrence of the indebtedness thereunder and the granting of the guarantees and the security interests in respect thereof) with charter documents of the Borrower and Guarantors; the solvency of the Borrower and its subsidiaries on a consolidated basis on the Initial Funding Date after giving effect to the transactions contemplated hereunder; Federal Reserve margin regulations; Investment Company Act; use of proceeds of the Credit Facility on the Initial Funding Date not violating the PATRIOT Act, OFAC or FCPA; and creation, validity and perfection of security interests (subject to the Certain Funds Provision);
  - The Agent shall have received, so long as requested in writing at least ten business days prior to the Initial Funding Date, at least three days prior to the Initial Funding Date, (a) all documentation and other information required by regulatory
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authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the PATRIOT Act and (b) a certification regarding beneficial ownership required by 31 C.F.R. § 1010.230; Payment of all fees and expenses required to be paid on the Initial Funding Date pursuant to the Commitment Letter and Fee Letter shall have been paid out of the proceeds of amounts funded under the Credit Facilities, with respect to expenses to the extent invoiced at least three (3) days prior to the Initial Funding Date;

•Immediately prior to giving effect to the borrowings under the Credit Facility on the Initial Funding Date and the use of proceeds thereof, the sum of the Company's unrestricted cash and cash equivalents on hand (as determined under GAAP) shall be at least \$55 million.

On the Initial Funding Date, the Lenders shall earn and be granted, pro rata based on their funded amounts, warrants (the "**Warrants**") to purchase an aggregate number of shares of Common Stock equal to (i) \$7,750,000 divided by (ii) the Minimum Price as of the date of this Commitment Letter. The Warrants will be exercisable for a period of five years following the Initial Funding Date at a price per share of Common Stock equal to the Minimum Price as of the date of this Commitment Letter. The Warrants will be detachable, immediately exercisable by cashless exercise (not for cash) and freely transferable, subject to compliance with applicable law, and will be in a form satisfactory to the Lenders.

The Warrants will also contain the following rights (all in a form satisfactory to the Lenders):

- Settlement of any exercise within the then applicable standard settlement cycle, with "buy-in", liquidated damages and exercise revocations provisions for failures to deliver within the standard settlement cycle.
- Customary anti-dilution adjustments, including full protection against future dividends (with no permitted dividend amount).
- Change in control protection (other than for a change in control for which the consideration consists solely of public equity securities) based on the Black-Scholes valuation of the Warrants at the greater of the 30-day realized volatility or 100% assumed volatility.
- Beneficial ownership blocker provisions shall be no less than 4.9%, and initially fixed at, 9.9% ownership.

**Rights:** On the Initial Funding Date, the Company and the Lenders will enter into a registration rights agreement in a form satisfactory to the Lenders pursuant to which the Company will provide the Lenders with resale shelf registration rights with regard to any shares of Common Stock issuable pursuant to the Credit Facility and the Warrants. The initial shelf registration statement registering the resale of such shares of Common Stock shall be filed by the Company within 30 days following the Initial Funding Date.

Law: State of New York.

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Annex C

**Commitments under the Credit Facility**

[Redacted pursuant to Item 601(a)(5) of Regulation S-K]

**Bond Repurchase Schedule**

[Redacted pursuant to Item 601(a)(5) of Regulation S-K]

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**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: November 14, 2023

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

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**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: November 14, 2023

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

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**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 September 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: November 14, 2023

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

Date: November 14, 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.

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