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, 2021

OR

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

For the transition period from to

Commission File Number: 001-35429

BRIGHTCOVE INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**20-1579162** **(I.R.S. Employer Identification No.)**

290 Congress Street
Boston, MA 02210
(Address of principal executive offices)

(888) 882-1880
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**BCOV**	**The NASDAQ Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of October 21, 2021, there were 41,090,876 shares of the registrant’s common stock, $0.001 par value per share, outstanding.

BRIGHTCOVE INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Such forward-looking statements include any expectation of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results; statements related to adding employees; statements related to potential benefits of acquisitions; statements related to future capital expenditures; statements related to future economic conditions or performance; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in Item 1A of Part I of this Quarterly Report on Form 10-Q, and the risks discussed in our other Securities and Exchange Commission, or SEC, filings. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Forward-looking statements in this Quarterly Report on Form 10-Q may include statements about:

- our ability to achieve profitability;
- our competitive position and the effect of competition in our industry;
- our ability to retain and attract new customers;
- our ability to penetrate existing markets and develop new markets for our services;
- our ability to retain or hire qualified accounting and other personnel;
- our ability to successfully integrate acquired businesses;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our ability to maintain the security and reliability of our systems;
- our estimates with regard to our future performance and total potential market opportunity;
- our estimates regarding our anticipated results of operations, future revenue, bookings growth, capital requirements and our needs for additional financing; and
- our goals and strategies, including those related to revenue and bookings growth.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Brightcove Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2021	December 31, 2020
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 45,285	$ 37,472
Accounts receivable, net of allowance of $443 and $648 at September 30, 2021 and December 31, 2020, respectively	28,138	29,305
Prepaid expenses	8,965	5,760
Other current assets	11,411	12,978
Total current assets	93,799	85,515
Property and equipment, net	18,777	15,968
Operating lease right-of-use asset	5,668	8,699
Intangible assets, net	8,213	10,465
Goodwill	60,902	60,902
Other assets	6,491	5,254
Total assets	$ 193,850	$ 186,803
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 11,007	$ 10,456
Accrued expenses	21,082	25,397
Operating lease liability	2,176	4,346
Deferred revenue	61,739	58,741
Total current liabilities	96,004	98,940
Operating lease liability, net of current portion	3,734	5,498
Other liabilities	1,536	2,763
Total liabilities	$ 101,274	107,201
Commitments and contingencies *(Note 8)*		
Stockholders' equity:		
Undesignated preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 41,175,854 and 40,152,021 shares issued at September 30, 2021 and December 31, 2020, respectively	41	40
Additional paid-in capital	295,464	287,059
Treasury stock, at cost; 135,000 shares	(871)	(871)
Accumulated other comprehensive loss	(600)	(188)
Accumulated deficit	(201,458)	(206,438)
Total stockholders' equity	92,576	79,602
Total liabilities and stockholders' equity	$ 193,850	$ 186,803

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

Brightcove Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share and per share data)			
Revenue:				
Subscription and support revenue	$ 49,226	$ 46,338	$ 148,667	$ 136,613
Professional services and other revenue	2,937	2,746	9,785	7,050
Total revenue	52,163	49,084	158,452	143,663
Cost of revenue:				
Cost of subscription and support revenue	16,406	15,735	46,840	50,290
Cost of professional services and other revenue	2,247	2,363	8,205	6,349
Total cost of revenue	18,653	18,098	55,045	56,639
Gross profit	33,510	30,986	103,407	87,024
Operating expenses:				
Research and development	7,902	8,215	24,041	26,199
Sales and marketing	18,451	14,813	52,730	42,370
General and administrative	7,345	6,694	21,822	19,633
Merger-related	45	—	300	5,768
Other (benefit) expense	—	—	(1,965)	—
Total operating expenses	33,743	29,722	96,928	93,970
(Loss) income from operations	(233)	1,264	6,479	(6,946)
Other (expense) income, net	(319)	204	(937)	(291)
(Loss) income before income taxes	(552)	1,468	5,542	(7,237)
Provision for income taxes	468	154	562	597
Net (loss) income	$ (1,020)	$ 1,314	$ 4,980	$ (7,834)
Net (loss) income per share—basic and diluted				
Basic	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)
Diluted	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)
Weighted-average shares—basic and diluted				
Basic	40,934,689	39,682,337	40,570,817	39,319,703
Diluted	40,934,689	40,645,982	42,237,438	39,319,703

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Net (loss) income	$ (1,020)	$ 1,314	$4,980	$ (7,834)
Other comprehensive income:				
Foreign currency translation adjustments	(238)	345	(412)	44
Comprehensive (loss) income	$ (1,258)	$ 1,659	$4,568	$ (7,790)

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

Brightcove Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share data)			
Shares of common stock issued				
Balance, beginning of period	40,946,572	39,543,991	40,152,021	39,042,787
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units	229,282	387,256	1,023,833	888,460
Balance, end of period	41,175,854	39,931,247	41,175,854	39,931,247
Shares of treasury stock				
Balance, beginning of period	(135,000)	(135,000)	(135,000)	(135,000)
Balance, end of period	(135,000)	(135,000)	(135,000)	(135,000)
Par value of common stock issued				
Balance, beginning of period	$ 41	$ 39	$ 41	$ 39
Issuance of common stock upon exercise of stock options	—	—	—	—
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units	—	1	—	1
Balance, end of period	$ 41	$ 40	$ 41	$ 40
Value of treasury stock				
Balance, beginning of period	$ (871)	$ (871)	$ (871)	$ (871)
Balance, end of period	$ (871)	$ (871)	$ (871)	$ (871)
Additional paid-in capital				
Balance, beginning of period	$ 292,775	$ 281,255	$ 287,059	$ 276,365
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units, net of tax	194	794	825	792
Stock-based compensation expense	2,495	2,072	7,580	6,964
Balance, end of period	$ 295,464	$ 284,121	$ 295,464	$ 284,121
Accumulated deficit				
Balance, beginning of period	$ (200,438)	$ (209,773)	$ (206,438)	$ (200,625)
Net income (loss)	(1,020)	1,314	4,980	(7,834)
Balance, end of period	$ (201,458)	$ (208,459)	$ (201,458)	$ (208,459)
Accumulated other comprehensive loss				
Balance, beginning of period	$ (362)	$ (1,086)	$ (188)	$ (785)
Foreign currency translation adjustment	(238)	345	(412)	44
Balance, end of period	$ (600)	$ (741)	$ (600)	$ (741)
Total stockholders' equity	$ 92,576	$ 74,090	$ 92,576	$ 74,090

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

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(in thousands)	
Operating activities		
Net income (loss)	$ 4,980	$ (7,834)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,284	6,497
Stock-based compensation	7,234	6,724
Provision for reserves on accounts receivable	246	461
Changes in assets and liabilities:		
Accounts receivable	710	(1,433)
Prepaid expenses and other current assets	(914)	(6,414)
Other assets	(1,273)	(1,247)
Accounts payable	79	104
Accrued expenses	(4,402)	3,410
Operating leases	(903)	(13)
Deferred revenue	2,707	8,667
Net cash provided by operating activities	14,748	8,922
Investing activities		
Purchases of property and equipment	(1,625)	(2,163)
Capitalized internal-use software costs	(4,657)	(5,108)
Net cash used in investing activities	(6,282)	(7,271)
Financing activities		
Proceeds from exercise of stock options	2,200	1,207
Deferred acquisition payments	(475)	—
Proceeds from debt	—	10,000
Debt paydown	—	(5,000)
Other financing activities	(1,375)	(448)
Net cash provided by financing activities	350	5,759
Effect of exchange rate changes on cash and cash equivalents	(1,003)	163
Net increase in cash and cash equivalents	7,813	7,573
Cash and cash equivalents at beginning of period	37,472	22,759
Cash and cash equivalents at end of period	$ 45,285	$ 30,332
Supplemental disclosure of cash flow information		
Cash paid for operating lease liabilities	$ 3,505	$ 5,087
Cash paid for income taxes	$ 681	$ 993

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

Brightcove Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(in thousands, except share and per share data, unless otherwise noted)

1. Business Description and Basis of Presentation

Business Description

Brightcove Inc. (the "Company") is a leading global provider of cloud services for video which enable its customers to publish and distribute video to Internet-connected devices quickly, easily and in a cost-effective and high-quality manner.

The Company is headquartered in Boston, Massachusetts and was incorporated in the state of Delaware on August 24, 2004.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and related notes, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2020 contained in the Company's Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position for the three months ended September 30, 2021 and 2020. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

2. Quarterly Update to Significant Accounting Policies

Stock-Based Compensation

On March 25, 2021, the Board adopted, the Brightcove Inc. 2021 Stock Incentive Plan (the "2021 Plan") which was approved by the shareholders on May 11, 2021. The maximum number of shares of stock reserved and available for issuance under the 2021 Plan is 6,200,000 shares. Any awards under the Plan and under the Company's existing 2012 Stock Incentive Plan (the "2012 Plan") and the Company's Amended and Restated 2004 Stock Option and Incentive Plan that are forfeited, canceled or otherwise terminated (other than by exercise) will be added back to the shares of stock available for issuance under the 2021 Plan and may be issued as awards thereunder.

The 2021 Plan is designed to enable the flexibility to grant equity awards to our officers, employees, non-employee directors and consultants and to ensure that we can continue to grant equity awards to eligible recipients at levels determined to be appropriate by the Board and/or the Compensation Committee. The 2021 Plan replaces the 2012 Plan and therefore there will be no future grants issued under the 2012 Plan.

Allowance for Doubtful Accounts

The following details the changes in the Company's reserve allowance for estimated credit losses for accounts receivable for the period:

	Allowance for Credit Losses (in thousands)
Balance as of December 31, 2020	$ 648
Current provision for credit losses	303
Write-offs against allowance	(451)
Recoveries	(57)
Balance as of September 30, 2021	$ 443

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

Other (Benefit) Expense.

Other (benefit) expense, reflects other operating costs (or benefits) that do not directly relate to research and development, sales and marketing, general and administrative, and merger related.

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act which was amended by the Consolidated Appropriations Act in December of 2020 (the "CARES Act"). The CARES Act provides numerous tax provisions and other stimulus measures, including the creation of certain refundable employee retention credits. In the first quarter of 2021, the Company recognized a benefit of $1,965 from the CARES Act related to employee retention credits. The Company recognizes such government relief when it is reasonably assured that it qualifies for the relief, the underlying expense has been incurred and it is probable that the Company will receive it. Credits associated with government relief are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expense the related costs for which the relief is intended to compensate.

Recently Issued and Adopted Accounting Pronouncements

ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 amends ASC 740 to simplify the accounting for income taxes by removing certain exceptions for investments, intraperiod allocations and interim calculations, and adding guidance to reduce complexity in the accounting standard under the FASB's simplification initiative. Upon adoption, the amendments in ASU 2019-12 are applied on a prospective basis to all periods presented. The Company adopted the new guidance under ASU 2019-12 in the first quarter of 2021 with no material impact.

3. Revenue from Contracts with Customers

The Company primarily derives revenue from the sale of its online video platform, which enables its customers to publish and distribute video to Internet-connected devices quickly, easily and in a cost-effective and high-quality manner. Revenue is derived from three primary sources: (1) the subscription to its technology and related support; (2) hosting, bandwidth and encoding services; and (3) professional services, which include initiation, set-up and customization services.

The following summarizes the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers.

	Accounts Receivable, net	Contract Assets (current)	Deferred Revenue (current)	Deferred Revenue (non-current)	Total Deferred Revenue
Balance at December 31, 2020	$ 29,305	$ 2,078	$58,741	$ 811	$ 59,552
Balance at September 30, 2021	28,138	2,311	61,739	50	61,789

Revenue recognized for the three and nine months ended September 30, 2021 from amounts included in deferred revenue at the beginning of the period was approximately $8.2 million and $54.9 million, respectively. During the three and nine months ended September 30, 2021, the Company did not recognize a material amount of revenue from performance obligations satisfied or partially satisfied in previous periods.

The assets recognized for costs to obtain a contract were $12.0 million as of September 30, 2021 and $13.3 million as of December 31, 2020. Amortization expense recognized for the three and nine months ended September 30, 2021 related to costs to obtain a contract was $3.3 million and $9.6 million, respectively. Amortization expense recognized for the three and nine months ended September 30, 2020 related to costs to obtain a contract was $2.0 million and $5.5 million, respectively.

Transaction Price Allocated to Future Performance Obligations

As of September 30, 2021, the total aggregate transaction price allocated to the unsatisfied performance obligations for subscription and support contracts was approximately $148.6 million, of which approximately $115.0 million is expected to be recognized over the next 12 months. The Company expects to recognize substantially all of the remaining unsatisfied performance obligations by December 2024.

4. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2021 consist of the following:

	September 30, 2021		
Description	Contracted Maturity	Cost	Fair Market Value
Cash	Demand	$45,244	$ 45,244
Money market funds	Demand	41	41
Total cash and cash equivalents		$45,285	$ 45,285

Cash and cash equivalents as of December 31, 2020 consist of the following:

	December 31, 2020		
Description	Contracted Maturity	Cost	Fair Market Value
Cash	Demand	$37,431	$ 37,431
Money market funds	Demand	41	41
Total cash and cash equivalents		$37,472	$ 37,472

5. (Loss) Earnings per Share

The Company calculates basic and diluted earnings (loss) per common share by dividing the earnings (loss) amount by the number of common shares outstanding during the period. The calculation of diluted earnings per common share includes the effects of the assumed exercise of any outstanding stock options and the assumed vesting of shares of restricted stock awards, where dilutive.

The following table set forth the computations of basic and diluted (loss) earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2021	2020	2021	2020
Net (loss) income	$ (1,020)	$ 1,314	$ 4,980	$ (7,834)
Weighted average shares used in computing basic earnings per share	40,934,689	39,682,337	40,570,817	39,319,703
Effect of weighted average dilutive stock-based awards	—	963,645	1,666,621	—
Weighted average shares used in computing diluted earnings per share	40,934,689	40,645,982	42,237,438	39,319,703
Net (loss) income per share—basic and diluted				
Basic	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)
Diluted	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)

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The following outstanding common shares have been excluded from the computation of dilutive (loss) earnings per share as of the periods indicated because such securities are anti-dilutive:

(shares in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Options outstanding	1,803	1,570	147	2,234
Restricted stock units outstanding	3,185	155	56	3,264

6. Stock-based Compensation

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Weighted-average fair value of options granted during the period	$ 6.29	$ 4.86	$ 7.51	$ 4.01
Risk-free interest rate	1.14%	0.33%	1.16%	0.76%
Expected volatility	48%	47%	48%	46%
Expected life (in years)	6.2	5.9	6.2	6.1
Expected dividend yield	—	—	—	—

As of September 30, 2021, there was $23.6 million of unrecognized stock-based compensation expense related to stock-based awards that is expected to be recognized over a weighted-average period of 2.28 years. The following table summarizes stock-based compensation expense as included in the consolidated statement of operations for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Stock-based compensation:				
Cost of subscription and support revenue	$ 157	$ 139	$ 501	$ 452
Cost of professional services and other revenue	113	63	299	233
Research and development	408	142	1,261	839
Sales and marketing	583	768	2,082	2,440
General and administrative	1,072	896	3,091	2,760
	$ 2,333	$ 2,008	$ 7,234	$ 6,724

The following is a summary of the stock option activity during the nine months ended September 30, 2021.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2020	2,110,486	$ 9.19		
Granted	92,905	16.05		
Exercised	(254,502)	8.65		$ 2,724
Canceled	(145,930)	10.17		
Outstanding at September 30, 2021	1,802,959	$ 9.56	5.94	$ 4,177
Exercisable at September 30, 2021	1,313,116	$ 8.96	5.23	$ 3,522

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on September 30, 2021 of $11.54 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

The following table summarizes the restricted stock unit activity for our service-based awards ("S-RSU") and our performance-based awards ("P-RSU") during the nine months ended September 30, 2021:

	S-RSU Shares	Weighted Average Grant Date Fair Value	P-RSU Shares	Weighted Average Grant Date Fair Value	Total RSU Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2020	2,000,416	$ 10.40	1,587,801	$ 10.30	3,588,217	$ 10.35
Granted	1,039,266	14.44	64,011	12.65	1,103,277	14.33
Vested and issued	(546,818)	9.11	(181,910)	8.74	(728,728)	9.01
Canceled	(411,567)	11.38	(365,909)	9.50	(777,476)	10.49
Unvested at September 30, 2021	2,081,297	$ 12.56	1,103,993	$ 10.97	3,185,290	$ 12.00

7. Income Taxes

The income tax expense relates principally to the Company's foreign operations.

The Company is required to compute income tax expense in each jurisdiction in which it operates. This process requires the Company to project its current tax liability and estimate its deferred tax assets and liabilities, including net operating loss ("NOL") and tax credit carry-forwards. In assessing the ability to realize the net deferred tax assets, management considers whether it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

The Company has provided a valuation allowance against its remaining U.S. net deferred tax assets as of September 30, 2021 and December 31, 2020, based upon the level of historical U.S. losses and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of these deductible differences.

8. Commitments and Contingencies

Legal Matters

The Company, from time to time, is party to litigation arising in the ordinary course of business. Management does not believe that the outcome of these claims will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company based on the status of proceedings at this time.

Guarantees and Indemnification Obligations

The Company typically enters into indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses and costs incurred by the indemnified party, generally the Company's customers, in connection with patent, copyright, trade secret, or other intellectual property or personal right infringement claims by third parties with respect to the Company's technology. The term of these indemnification agreements is generally perpetual after execution of the agreement. Based on when customers first subscribe for the Company's service, the maximum potential amount of future payments the Company could be required to make under certain of these indemnification agreements is unlimited, however, more recently the Company has typically limited the maximum potential value of such potential future payments in relation to the value of the contract. Based on historical experience and information known as of September 30, 2021, the Company has not incurred any costs for the above guarantees and indemnities. The Company has received requests for indemnification from customers in connection with patent infringement suits brought against the customer by a third party. To date, the Company has not agreed that the requested indemnification is required by the Company's contract with any such customer.

In certain circumstances, the Company warrants that its products and services will perform in all material respects in accordance with its standard published specification documentation in effect at the time of delivery of the licensed products and services to the customer for the warranty period of the product or service. To date, the Company has not incurred significant expense under its warranties and, as a result, the Company believes the estimated fair value of these agreements is immaterial.

9. Debt

On December 28, 2020, the Company entered into an amended and restated loan and security agreement with a lender (the "Loan Agreement") providing for up to a $30.0 million asset-based line of credit (the "Line of Credit"). Borrowings under the Line of Credit are secured by substantially all of the Company's assets, excluding its intellectual property. Outstanding amounts under the Line of Credit accrue interest at a rate as follows: (i) for prime rate advances, the greater of (A) the prime rate and (B) 4%, and (ii) for LIBOR advances, the greater of (A) the LIBOR rate plus 225 basis points and (B) 4%. Under the Loan Agreement, the Company must comply with certain financial covenants, including maintaining a minimum asset coverage ratio. If the outstanding principal during any month is at least $15.0 million, the Company must also maintain a minimum net income threshold based on non-GAAP operating measures. Failure to comply with these covenants, or the occurrence of an event of default, could permit the lenders under the Line of Credit to declare all amounts borrowed under the Line of Credit, together with accrued interest and fees, to be immediately due and payable. The Line of Credit agreement will expire on December 28, 2023. The Company was in compliance with all covenants under the Line of Credit as of September 30, 2021 and there were no borrowings outstanding as of September 30, 2021.

10. Segment Information

Geographic Data

Total revenue from unaffiliated customers by geographic area, based on the location of the customer, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
North America	$29,420	$27,515	$ 89,204	$ 78,553
Europe	9,689	8,435	28,159	25,323
Japan	6,185	5,688	19,263	17,344
Asia Pacific	6,746	7,211	21,421	21,795
Other	123	235	405	648
Total revenue	$52,163	$49,084	$158,452	$143,663

North America is comprised of revenue from the United States, Canada and Mexico. Revenue from customers located in the United States was $27.6 million and $25.6 million for the three months ended September 30, 2021 and 2020, respectively. Revenue from customers located in the United States was $83.6 million and $72.5 million for the nine months ended September 30, 2021 and 2020, respectively.

Other than the United States and Japan, no other country contributed more than 10% of the Company's total revenue during the three and nine months ended September 30, 2021 and 2020.

As of September 30, 2021 and December 31, 2020, property and equipment at locations outside the U.S. was not material.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(in thousands, except share and per share data, unless otherwise noted)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2020.

Company Overview

We are a leading global provider of cloud-based services for video. We were incorporated in Delaware in August 2004. With our Emmy®-winning technology and award-winning services, we help our customers realize the potential of video to address business-critical challenges. Customers rely on our suite of products, services, and expertise to reduce the cost and complexity associated with publishing, distributing, measuring and monetizing video across devices.

We sell five core video products that help our customers use video to further their businesses in meaningful ways: (1) Video Cloud, our flagship product and the world's leading online video platform, enables our customers to quickly and easily distribute high-quality video to Internet-connected devices; (2) Brightcove Live, our industry-leading solution for live streaming, delivers high-quality viewer experiences at scale; (3) Brightcove Beacon, a purpose-built application that enables companies to launch premium OTT video experiences quickly and cost effectively, across devices and with the flexibility of multiple monetization models; (4) Brightcove Player, an exceptionally fast, cloud-based technology for creating and managing video experiences; and (5) Zencoder, a powerful, cloud-based video encoding technology.

Customers can complement their use of our core products with modular technologies that provide enhanced capabilities such as (1) innovative ad insertion and video stitching through Brightcove SSAI; (2) efficient publication of videos to Facebook, Twitter, and YouTube through Brightcove Social; (3) an app for creating marketing campaigns with insightful data and industry benchmarks through Brightcove Campaign; (4) simple streaming of video communications to an app through Brightcove Engage; and (5) create branded video experience by accessing templates with built-in best practices through Brightcove Gallery.

We have also brought to market several video solutions, which are comprised of a suite of video technologies that address specific customer use-cases and needs: (1) Virtual Events Experience helps brands to transform events into customized virtual experiences; (2) Brightcove Video Marketing Suite, enables marketers to use video to drive brand awareness, engagement and conversion; and (3) Brightcove Enterprise Video Suite, provides an enterprise-class platform for internal communications, employee training, live streaming, marketing and ecommerce videos.

Our philosophy for the next few years will continue to be to invest in our product strategy and development, sales, and go-to-market activities to support our long-term revenue growth. We believe these investments will help us address some of the challenges facing our business such as demand for our products by existing and potential customers, rapid technological change in our industry, increased competition and resulting price sensitivity. These investments include support for the expansion of our infrastructure within our hosting facilities, the hiring of additional technical and sales personnel, the innovation of new features for existing products and the development of new products. We believe this strategy will help us retain our existing customers, increase our average annual subscription revenue per premium customer and lead to the acquisition of new customers. Additionally, we believe customer growth will enable us to achieve economies of scale which will reduce our cost of goods sold, research and development and general and administrative expenses as a percentage of total revenue.

As of September 30, 2021 and 2020 we had 693 and 616 employees, respectively.

We generate revenue by offering our products to customers on a subscription-based, software as a service, or SaaS, model. Our revenue grew from $143.7 million in the nine months ended September 30, 2020 to $158.5 million in the nine months ended September 30, 2021, due to an increase in the average annual subscription revenue per premium customer.

Included in the consolidated net income for the nine months ended September 30, 2021 was stock-based compensation expense and amortization of acquired intangible assets of $7.2 million, and $2.3 million, respectively. Included in the consolidated net loss for the nine months ended September 30, 2020 was merger-related expense, stock-based compensation expense, and amortization of acquired intangible assets of $5.8 million, $6.7 million, and $2.6 million, respectively.

For the nine months ended September 30, 2021 and 2020, our revenue derived from customers located outside North America was 44% and 45%, respectively. We expect the percentage of total net revenue derived from outside North America to increase in future periods as we continue to expand our international operations.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

The following table includes our key metrics for the periods presented:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Customers (at period end)		
Premium	2,265	2,267
Volume	940	1,114
Total customers (at period end)	3,205	3,381
Net revenue retention rate	97.1%	93.8%
Recurring dollar retention rate	88%	88%
Average annual subscription revenue per premium customer, excluding Starter edition customers (in thousands)	$ 93.9	$ 87.3
Average annual subscription revenue per premium customer for Starter edition customers only (in thousands)	$ 4.6	$ 4.5
Total backlog, excluding professional services engagements (in millions)	$ 148.6	$ 144.2
Total backlog to be recognized over next 12 months, excluding professional services engagements (in millions)	$ 115.0	$ 109.6

- *Number of Customers*. We define our number of customers at the end of a particular quarter as the number of customers generating subscription revenue at the end of the quarter. We believe the number of customers is a key indicator of our market penetration, the productivity of our sales organization and the value that our products bring to our customers. We classify our customers by including them in either premium or volume offerings. Our premium offerings include our premium Video Cloud customers (Enterprise and Pro editions), our Zencoder customers (other than Zencoder customers on month-to-month contracts and pay-as-you-go contracts), our SSAI customers, our Player customers, our OTT Flow customers (OTT Flow is our partner-based OTT platform, which preceded Brightcove Beacon), our Virtual Event Experience customers, our Video Marketing Suite customers, our Enterprise Video Suite customers, our Brightcove Beacon customers, Brightcove Engage customers and our Brightcove Campaign customers. Our volume offerings include our Video Cloud Express customers and our Zencoder customers on month-to-month contracts and pay-as-you-go contracts.

  Our go-to-market focus and growth strategy is to expand our premium customer base, as we believe our premium customers represent a greater opportunity for our solutions. Premium customers decreased compared to the prior period due to some customers deciding to switch to in-house solutions or other third-party solutions and some customers acquired in the Ooyala acquisition deciding not to switch to our solution. Volume customers decreased in recent periods primarily due to our discontinuation of the promotional Video Cloud Express offering. As a result, we have experienced attrition of this base level offering without a corresponding addition of customers. We expect customers using our volume offerings to continue to decrease in 2021 and beyond as we continue to focus on the market for our premium solutions.

- *Net Revenue Retention Rate*. We assess our ability to retain and expand customers using a metric we refer to as our net revenue retention rate. We calculate the net revenue retention rate by dividing: (a) the current annualized recurring revenue for premium customers that existed twelve months prior by (b) the annualized recurring revenue for all premium customers that existed twelve months prior. We define annualized recurring revenue for premium customers as the aggregate annualized contract value from our premium customer base, measured as of the end of a given period. We typically calculate our net revenue retention rate on a quarterly basis. For annual periods, we report net revenue retention rate as the average of the net revenue retention rate for all fiscal quarters included in the period. By dividing the retained recurring revenue by the base recurring revenue, we measure our success in retaining and growing installed revenue from the specific cohort of customers we served at the beginning of the period. The recurring dollar retention rate focuses on contracts up for renewal in a given quarter and only captures expansion/upsells at time of renewal, and is more susceptible to swings than the net revenue retention rate. Accordingly, we plan to continue to report the net revenue retention rate and discontinue reporting recurring dollar retention rate after December 31, 2021.

- *Recurring Dollar Retention Rate*. We assess our ability to retain customers using a metric we refer to as our recurring dollar retention rate. We calculate the recurring dollar retention rate by dividing the retained recurring value of subscription revenue for a period by the previous recurring value of subscription revenue for the same period. We define retained recurring value of subscription revenue as the committed subscription fees for all contracts that renew in a given period, including any increase or decrease in contract value. We define previous recurring value of subscription revenue as the recurring value from committed subscription fees for all contracts that expire in that same period. We typically calculate our recurring dollar retention rate on a monthly basis. Recurring dollar retention rate provides visibility into our ongoing revenue.
- *Average Annual Subscription Revenue Per Premium Customer*. We define average annual subscription revenue per premium customer as the total subscription revenue from premium customers for an annual period, excluding professional services revenue, divided by the average number of premium customers for that period. We believe that this metric is important in understanding subscription revenue for our premium offerings in addition to the relative size of premium customer arrangements. As our Starter edition has a price point of $199 or $499 per month, we disclose the average annual subscription revenue per premium customer separately for Starter edition customers and all other premium customers.
- *Backlog*. We define backlog as the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied, excluding professional service engagements. We believe that this metric is important in understanding future business performance.

COVID-19 Update

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

Components of Consolidated Statements of Operations

Revenue

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

Video Cloud is offered in two product lines. The first product line is comprised of our premium product editions. All premium editions include functionality to publish and distribute video to Internet-connected devices, with higher levels of premium editions providing additional features and functionality. Customer arrangements are typically one-year contracts, which include a subscription to Video Cloud, basic support and a pre-determined amount of video streams, bandwidth, transcoding and storage. We also offer gold, platinum and platinum plus support to our premium customers for an additional fee. The pricing for our premium editions is based on the value of our software, as well as the number of users, accounts and usage, which is comprised of video streams, bandwidth, transcoding and storage. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements. The second product line is comprised of our volume product edition. Our volume editions target small and medium-sized businesses, or SMBs. The volume editions provide customers with the same basic functionality that is offered in our premium product editions but have been designed for customers who have lower usage requirements and do not typically require advanced features and functionality. We discontinued the lower level pricing options for the Express edition of our volume offering and expect the total number of customers using the Express edition to continue to decrease. Customers who purchase the volume editions generally enter into month-to-month agreements. Volume customers are generally billed on a monthly basis and pay via a credit card.

Virtual Events Experience, Brightcove Live and Brightcove Player are offered to customers on a subscription basis. Customer arrangements are typically one-year contracts, which include a subscription to Virtual Events Experience, Brightcove Live or the Brightcove Player, basic support and a pre-determined amount of video streams, bandwidth, transcoding, and storage and only video streams for Brightcove Player. We also offer gold, platinum, and platinum plus support to our Virtual Events Experience, Brightcove Live and Brightcove Player customers for an additional fee. The pricing for these products is based on the value of our software, as well as, the number of users, accounts and usage. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements.

Zencoder is offered to customers on a subscription basis, with either committed contracts or pay-as-you-go contracts. The pricing is based on usage, which is comprised of minutes of video processed. The committed contracts include a fixed number of minutes of video processed. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements. Zencoder customers are considered premium customers other than Zencoder customers on month-to-month contracts or pay-as-you-go contracts, which are considered volume customers.

Brightcove Beacon and Brightcove Campaign are each offered to customers on a subscription basis, with varying levels of functionality, usage entitlements and support based on the size and complexity of a customer's needs. Customer arrangements are typically one-year contracts.

Video Marketing Suite and Enterprise Video Suite are offered to customers on a subscription basis in Starter, Pro and Enterprise editions. The Pro and Enterprise customer arrangements are typically one-year contracts, which typically include a subscription to Video Cloud, Gallery, Brightcove Social (for Video Marketing Suite customers) or Brightcove Live (for Enterprise Video Suite customers), basic support and a pre-determined amount of video streams or plays (for Video Marketing Suite customers), viewers (for Enterprise Video Suite customers), bandwidth and storage or videos. We also generally offer gold support or platinum support to these customers for an additional fee, which includes extended phone support. The pricing for our Pro and Enterprise editions is based on the number of users, accounts and usage, which is comprised of video streams or plays, viewers, bandwidth and storage or videos. Should a customer's usage exceed the contractual entitlements, the contract will provide the rate at which the customer must pay for actual usage above the contractual entitlements, or will require the customer to upgrade its package upon renewal. The Starter edition provides customers with the same basic functionality that is offered in our Pro and Enterprise editions but has been designed for customers who have lower usage requirements and do not typically seek advanced features and functionality. Customers who purchase the Starter edition may enter into one-year agreements or month-to-month agreements. Starter customers with month-to-month agreements are generally billed on a monthly basis and pay via a credit card.

All Brightcove Beacon, OTT Flow, Brightcove Campaign, Brightcove Live, SSAI, Player, Virtual Events Experience, Video Marketing Suite and Enterprise Video Suite customers are considered premium customers.

Professional Services and Other Revenue — Professional services and other revenue consists of services such as implementation, software customizations and project management for customers who subscribe to our premium editions. These arrangements are priced either on a fixed fee basis with a portion due upon contract signing and the remainder due when the related services have been completed, or on a time and materials basis.

Cost of Revenue

Cost of subscription, support and professional services revenue primarily consists of costs related to supporting and hosting our product offerings and delivering our professional services. These costs include salaries, benefits, incentive compensation and stock-based compensation expense related to the management of our data centers, our customer support team and our professional services staff. In addition to these expenses, we incur third-party service provider costs such as data center and content delivery network, or CDN, expenses, allocated overhead, depreciation expense and amortization of capitalized internal-use software development costs and acquired intangible assets. We allocate overhead costs such as rent, utilities and supplies to all departments based on relative headcount. As such, general overhead expenses are reflected in cost of revenue in addition to each operating expense category. The costs associated with providing professional services are significantly higher as a percentage of related revenue than the costs associated with delivering our subscription and support services due to the labor costs of providing professional services.

Cost of revenue increased in absolute dollars from the first nine months of 2020 to the first nine months of 2021. In future periods we expect our cost of revenue will increase in absolute dollars as our revenue increases. Cost of revenue as a percentage of revenue could fluctuate from period to period depending on the number of our professional services engagements and any associated costs relating to the delivery of subscription services and the timing of significant expenditures. To the extent that our customer base grows, we intend to continue to invest additional resources in expanding the delivery capability of our products and other services. The timing of these additional expenses could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue, in any particular quarterly or annual period.

Operating Expenses

We classify our operating expenses as follows:

Research and Development. Research and development expenses consist primarily of personnel and related expenses for our research and development staff, including salaries, benefits, incentive compensation and stock-based compensation, in addition to the costs associated with contractors and allocated overhead. We have focused our research and development efforts on expanding the functionality and scalability of our products and enhancing their ease of use, as well as creating new product offerings. We expect research and development expenses to increase in absolute dollars as we intend to continue to periodically release new features and functionality, expand our product offerings, continue the localization of our products in various languages, upgrade and extend our service offerings, and develop new technologies. Over the long term, we believe that research and development expenses as a percentage of revenue will decrease, but will vary depending upon the mix of revenue from new and existing products, features and functionality, as well as changes in the technology that our products must support, such as new operating systems or new Internet-connected devices.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing staff, including salaries, benefits, incentive compensation, commissions, stock-based compensation and travel costs, amortization of acquired intangible assets, in addition to costs associated with marketing and promotional events, corporate communications, advertising, other brand building and product marketing expenses and allocated overhead. Our sales and marketing expenses have increased in absolute dollars in each of the last three years. We intend to continue to invest in sales and marketing and expand the sale of our product offerings within our existing customer base, build brand awareness and sponsor additional marketing events. Accordingly, we expect sales and marketing expense to continue to be our most significant operating expense in future periods. Over the long term, we believe that sales and marketing expense as a percentage of revenue will decrease, but will vary depending upon the mix of revenue from new and existing customers and from small, medium-sized and enterprise customers, as well as changes in the productivity of our sales and marketing programs.

General and Administrative. General and administrative expenses consist primarily of personnel and related expenses for executive, legal, finance, information technology and human resources functions, including salaries, benefits, incentive compensation and stock-based compensation. General and administrative expenses also include the costs associated with professional fees, insurance premiums, other corporate expenses and allocated overhead. Over the long term, we believe that general and administrative expenses as a percentage of revenue will decrease.

Merger-related. Merger-related costs consist of expenses related to mergers and acquisitions, integration costs and general corporate development activities.

Other (Benefit) Expense. Reflects other operating benefits, costs that do not directly relate to the operating activities listed above.

Other Income (Expense), net

Other income (expense) consists primarily of interest income earned on our cash, cash equivalents, and foreign exchange gains and losses.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our taxes in each of the jurisdictions in which we operate. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have provided a valuation allowance against our existing U.S. net deferred tax assets at December 31, 2020. We maintain net deferred tax liabilities for temporary differences related to our Japanese subsidiary.

Stock-Based Compensation Expense

Our cost of revenue, research and development, sales and marketing, and general and administrative expenses include stock-based compensation expense. Stock-based compensation expense represents the grant date fair value of outstanding stock options and restricted stock awards, which is recognized as expense over the respective stock option and restricted stock award service periods. For the three months ended September 30, 2021 and 2020, we recorded $2.3 million and $2.0 million, respectively, of stock-based compensation expense. We expect stock-based compensation expense to increase in absolute dollars in future periods.

Foreign Currency Translation

With regard to our international operations, we frequently enter into transactions in currencies other than the U.S. dollar. As a result, our revenue, expenses and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, Australian dollar, and Japanese yen. In periods when the U.S. dollar declines in value as compared to the foreign currencies in which we conduct business, our foreign currency-based revenue and expenses generally increase in value when translated into U.S. dollars. We expect the percentage of total net revenue derived from outside North America to increase in future periods as we continue to expand our international operations.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

We consider the assumptions and estimates associated with revenue recognition, income taxes, business combinations, intangible assets and goodwill to be our critical accounting policies and estimates.

For a detailed explanation of the judgments made in these areas, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020, which we filed with the Securities and Exchange Commission on February 24, 2021.

Results of Operations

The following tables set forth our results of operations for the periods presented. The data has been derived from the unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q which, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the interim periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results. This information should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share and per share data)			
Revenue:				
Subscription and support revenue	$ 49,226	$ 46,338	$ 148,667	$ 136,613
Professional services and other revenue	2,937	2,746	9,785	7,050
Total revenue	52,163	49,084	158,452	143,663
Cost of revenue:				
Cost of subscription and support revenue	16,406	15,735	46,840	50,290
Cost of professional services and other revenue	2,247	2,363	8,205	6,349
Total cost of revenue	18,653	18,098	55,045	56,639
Gross profit	33,510	30,986	103,407	87,024
Operating expenses:				
Research and development	7,902	8,215	24,041	26,199
Sales and marketing	18,451	14,813	52,730	42,370
General and administrative	7,345	6,694	21,822	19,633
Merger-related	45	—	300	5,768
Other (benefit) expense	—	—	(1,965)	—
Total operating expenses	33,743	29,722	96,928	93,970
(Loss) income from operations	(233)	1,264	6,479	(6,946)
Other (expense) income, net	(319)	204	(937)	(291)
(Loss) income before income taxes	(552)	1,468	5,542	(7,237)
Provision for income taxes	468	154	562	597
Net (loss) income	$ (1,020)	$ 1,314	$ 4,980	$ (7,834)
Net (loss) income per share—basic and diluted				
Basic	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)
Diluted	$ (0.02)	$ 0.03	$ 0.12	$ (0.20)
Weighted-average shares—basic and diluted				
Basic	40,934,689	39,682,337	40,570,817	39,319,703
Diluted	40,934,689	40,645,982	42,237,438	39,319,703

Overview of Results of Operations for the Three Months Ended September 30, 2021 and 2020

Total revenue increased by 6%, or $3.1 million, in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 due to an increase in subscription and support revenue of 6%, or $2.9 million, primarily due to an increase in average revenue per premium customer of 6.9%. Professional services and other revenue also increased by 7% or $191. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process. In addition, our revenue from premium offerings grew by $3.3 million, or 7%, in the three months ended September 30, 2021 compared to the three months ended September 30, 2020. Our ability to continue to provide the product functionality and performance that our customers require will be a major factor in our ability to continue to increase revenue.

Our gross profit increased by $2.5 million, or 8%, in the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to an increase in revenue and our transition of acquired Ooyala customers to our technology during 2020, which resulted in reduced costs. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery.

Loss from operations was $0.2 million in the three months ended September 30, 2021 compared to a loss from operations of $1.3 million in the three months ended September 30, 2020. This is primarily due to an increase in revenue of $3.1 million and the improvement of gross profit on subscription and support revenue in the three months ended September 30, 2021 compared to the three months ended September 30, 2020.

Revenue

Revenue by Product Line	Three Months Ended September 30, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Premium	$51,466	99%	$48,175	98%	$3,291	7%
Volume	697	1	909	2	(212)	(23)
Total	$52,163	100%	$49,084	100%	$3,079	6%

During the three months ended September 30, 2021, revenue increased by $3.1 million, or 6%, compared to the three months ended September 30, 2020, primarily due to an increase in revenue from our premium offerings. The increase in premium revenue of $3.3 million, or 7%, is primarily the result of increased premium subscription offerings to our customers as the average annual subscription revenue per premium customer increased 6.9% compared to the prior period. In the three months ended September 30, 2021, volume revenue decreased by $212, or 23%, compared to the three months ended September 30, 2020, as we continue to focus on the market for our premium solutions.

Revenue by Type	Three Months Ended September 30, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$49,226	94%	$46,338	96%	$2,888	6%
Professional services and other	2,937	6	2,746	4	191	7
Total	$52,163	100%	$49,084	100%	$3,079	6%

During the three months ended September 30, 2021, subscription and support revenue increased by $2.9 million, or 6%, compared to the three months ended September 30, 2020. The increase was primarily related to an increase in the average annual subscription revenue per premium customer of 6.9% during the three months ended September 30, 2021 compared to the three months ended September 30, 2020. In addition, professional services and other revenue increased by $191, or 7%, compared to the corresponding quarter in the prior year. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process.

Revenue by Geography	Three Months Ended September 30, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
North America	$29,420	56%	$27,515	56%	$1,905	7%
Europe	9,689	19	8,435	17	1,254	15
Japan	6,185	12	5,688	12	497	9
Asia Pacific	6,746	13	7,211	15	(465)	(6)
Other	123	—	235	—	(112)	(48)
International subtotal	22,743	44	21,569	44	1,174	5
Total	$52,163	100%	$49,084	100%	$3,079	6%

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

During the three months ended September 30, 2021, total revenue for North America increased $1.9 million, or 7%, compared to the three months ended September 30, 2020. In the three months ended September 30, 2021, total revenue outside of North America increased $1.2 million, or 5%, compared to the three months ended September 30, 2020. The increase in revenue from international regions is primarily related to increases in revenue in Europe.

Cost of Revenue

Cost of Revenue	Three Months Ended September 30, 2021 Amount	2021 Percentage of Related Revenue	2020 Amount	2020 Percentage of Related Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$16,406	33%	$15,735	34%	$ 671	4%
Professional services and other	2,247	77	2,363	86	(116)	(5)
Total	$18,653	36%	$18,098	37%	$ 555	3%

In the three months ended September 30, 2021, cost of subscription and support revenue increased by $671, or 4%, compared to the three months ended September 30, 2020. The increase resulted primarily from the 6% increase in subscription and support revenue in the three months ended September 30, 2021 compared to the three months ended September 30, 2020. In the three months ended September 30, 2021, cost of professional services and other revenue decreased by $116, or 5%, compared to the three months ended September 30, 2020. This decrease corresponds to a decrease in contractor expenses of $216 in the three months ended September 30, 2021, compared to the three months ended September 30, 2020.

Gross Profit

Gross Profit	Three Months Ended September 30, 2021 Amount	2021 Percentage of Related Revenue	2020 Amount	2020 Percentage of Related Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Subscription and support	$32,820	67%	$30,603	66%	$2,217	7%
Professional services and other	690	23	383	14	307	80%
Total	$33,510	64%	$30,986	63%	$2,524	8%

The overall gross profit percentage was 64% for the three months ended September 30, 2021 compared to 63% for the three months ended September 30, 2020. Subscription and support gross profit increased $2.2 million, or 7%, compared to the three months ended September 30, 2020. The increase in gross profit dollars for subscription and support revenue was due to incremental costs from the acquisition of Ooyala in the three months ended September 30, 2020 which did not recur in the three months ended September 30, 2021.

Operating Expenses

Operating Expenses	Three Months Ended September 30, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Research and development	$ 7,902	15%	$ 8,215	17%	$ (313)	(4)%
Sales and marketing	18,451	35	14,813	30	3,638	25
General and administrative	7,345	14	6,694	14	651	10
Merger-related	45	—	—	—	45	N/A
Total	$33,743	65%	$29,722	61%	$4,021	14%

Research and Development. In the three months ended September 30, 2021, research and development expense decreased by $313 or 4%, compared to the three months ended September 30, 2020 primarily due to a decrease in rent and contractor expenses of $315 and $292 respectively. These decreases were offset by an increase in stock-based compensation of $267, as well as various other expenses that, in the aggregate, increased by approximately $27. We expect our research and development expense as a percentage of revenue to remain relatively unchanged.

Sales and Marketing. In the three months ended September 30, 2021, sales and marketing expense increased by $3.6 million, or 25%, compared to the three months ended September 30, 2020, primarily due to an increase in marketing campaigns, employee-related, and commission expenses of $1.8 million, $1.6 million, and $1.2 million, respectively. These increases were offset by a decrease in rent and contractor expenses of $435 and $627, respectively. The remaining decrease was due to various other expenses that, in aggregate, decreased by approximately $46. We expect that our sales and marketing expense will increase in absolute dollars for the remainder of 2021 as compared to the prior period as we will continue to invest in these activities to support revenue growth.

General and Administrative. In the three months ended September 30, 2021, general and administrative expense increased by $651, or 10%, compared to the three months ended September 30, 2020, primarily due to increases in outside professional services, employee- related, and stock-based compensation expenses of $244, $193, and $176, respectively. The remaining increase was due to various other expenses that, in aggregate, increased by approximately $38. In future periods, we expect general and administrative expense to remain relatively unchanged.

Merger-Related. In the three months ended September 30, 2021, merger-related expenses remained relatively unchanged, compared to the three months ended September 30, 2020.

Overview of Results of Operations for the Nine Months Ended September 30, 2021 and 2020

Total revenue increased by 10%, or $14.8 million, in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to an increase in subscription and support revenue of 9%, or $12.1 million, primarily due to an increase in revenue from our premium offerings. Professional services and other revenue also increased by 39%, or $2.7 million, compared to the corresponding period in the prior year. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process. Our revenue from premium offerings grew by $15.3 million, or 11%, in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. Our ability to continue to provide the product functionality and performance that our customers require will be a major factor in our ability to continue to increase revenue.

Our gross profit increased by $16.4 million, or 19%, in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, due to an increase in revenue and an improvement in subscription and support gross profit. The increase in revenue is due to an increase in our average revenue per premium customer. The improvement in subscription and support gross profit was primarily due to transition of acquired Ooyala customers to our technology during 2020, which reduced costs. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery.

Income from operations was $6.5 million in the nine months ended September 30, 2021 compared to a loss from operations of $6.9 million in the nine months ended September 30, 2020. This is primarily due to the aforementioned increase in revenue of $14.8 million and decreases in costs of revenue of $1.6 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Revenue

	Nine Months Ended September 30,					
	2021		2020		Change	
Revenue by Product Line	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Premium	$156,182	99%	$140,904	98%	$15,278	11%
Volume	2,270	1	2,759	2	(489)	(18)
Total	$158,452	100%	$143,663	100%	$14,789	10%

During the nine months ended September 30, 2021, revenue increased by $14.8 million, or 10%, compared to the nine months ended September 30, 2020, primarily due to an increase in revenue from our premium offerings, which consists of subscription and support revenue as well as professional services. The increase in premium revenue of $15.3 million, or 11%, is primarily the result of an 8% increase in average annual subscription revenue per premium customer during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This increase in average annual subscription revenue per premium customer is primarily due to premium customers ordering more of our products.

During the nine months ended September 30, 2021, volume revenue decreased by $489 or 18%, compared to the nine months ended September 30, 2020, as we continue to focus on the market for our premium solutions.

	Nine Months Ended September 30,				Change	
	2021		2020			
Revenue by Type	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$148,667	94%	$136,613	95%	$12,054	9%
Professional services and other	9,785	6	7,050	5	2,735	39
Total	$158,452	100%	$143,663	100%	$14,789	10%

During the nine months ended September 30, 2021, subscription and support revenue increased by $12.1 million, or 9%, compared to the nine months ended September 30, 2020. The increase was primarily related to an 8% increase in average annual subscription revenue per premium customer.

In addition, professional services and other revenue increased by $2.7 million, or 39%, compared to the corresponding period in the prior year. This increase was driven by one particular project that was completed in the three months ended March 31, 2021. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process.

	Nine Months Ended September 30,				Change	
	2021		2020			
Revenue by Geography	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
North America	$ 89,204	56%	$ 78,553	55%	$10,651	14%
Europe	28,159	18	25,323	18	2,836	11
Japan	19,263	12	17,344	12	1,919	11
Asia Pacific	21,421	14	21,795	15	(374)	(2)
Other	405	—	648	—	(243)	(38)
International subtotal	69,248	44	65,110	45	4,138	6
Total	$158,452	100%	$143,663	100%	$14,789	10%

During the nine months ended September 30, 2021, total revenue for North America increased $10.7 million, or 14%, compared to the nine months ended September 30, 2020. The increase was due to revenue from our premium offerings.

During the nine months ended September 30, 2021, total revenue outside of North America increased $4.1 million, or 6%, compared to the nine months ended September 30, 2020. The increase in revenue from international regions is primarily related to increased sales of our premium offerings to existing customers in Japan and Europe.

Cost of Revenue

	Nine Months Ended September 30,				Change	
	2021		2020			
Cost of Revenue	**Amount**	**Percentage of Related Revenue**	**Amount**	**Percentage of Related Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$46,840	32%	$50,290	37%	$(3,450)	(7)%
Professional services and other	8,205	84	6,349	90	1,856	29
Total	$55,045	35%	$56,639	39%	$(1,594)	(3)%

In the nine months ended September 30, 2021, cost of subscription and support revenue decreased $3.5 million, or 7%, compared to the nine months ended September 30, 2020. The decrease resulted primarily from incremental costs from the acquisition of Ooyala in the nine months ended September 30, 2020 which did not recur in the nine months ended September 30, 2021.

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In the nine months ended September 30, 2021, cost of professional services and other revenue increased $1.9 million, or 29%, compared to the nine months ended September 30, 2020. This increase corresponds to an increase in contractor expenses of $1.7 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Gross Profit

	Nine Months Ended September 30,					
	2021		2020		Change	
Gross Profit	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue	Amount	%
	(in thousands, except percentages)					
Subscription and support	$101,827	68%	$86,323	63%	$15,504	18%
Professional services and other	1,580	16	701	10	879	125
Total	$103,407	65%	$87,024	61%	$16,383	19%

The overall gross profit percentage was 65% and 61% for the nine months ended September 30, 2021 and 2020, respectively. Subscription and support gross profit increased $15.5 million, or 18%, compared to the nine months ended September 30, 2020. It is likely that gross profit, as a percentage of revenue, will fluctuate quarter by quarter due to the timing and mix of subscription and support revenue and professional services and other revenue, and the type, timing and duration of service required in delivering certain projects.

Operating Expenses

	Nine Months Ended September 30,					
	2021		2020		Change	
Operating Expenses	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	%
	(in thousands, except percentages)					
Research and development	$24,041	15%	$26,199	18%	$ (2,158)	(8)%
Sales and marketing	52,730	33	42,370	29	10,360	24
General and administrative	21,822	14	19,633	14	2,189	11
Merger-related	300	0	5,768	4	(5,468)	(95)
Other (benefit) expense	(1,965)	(1)	—	—	(1,965)	N/A
Total	$96,928	61%	$93,970	65%	$ 2,958	3%

Research and Development. In the nine months ended September 30, 2021, research and development expense decreased by $2.2 million, or 8%, compared to the nine months ended September 30, 2020 primarily due to a decrease in employee-related and rent expenses of $1.6 million and $1.0 million, respectively. These decreases were partially offset by an increase in stock-based compensation expense of $423.

Sales and Marketing. In the nine months ended September 30, 2021, sales and marketing expense increased by $10.4 million, or 24%, compared to the nine months ended September 30, 2020 primarily due to increases in marketing campaigns, commission and employee-related expenses of $4.7 million, $4.1 million, and $3.8 million, respectively. These increases were offset by decreases in rent, contractor and travel expenses of $1.2 million, $550 and $404, respectively.

General and Administrative. In the nine months ended September 30, 2021, general and administrative increased by $2.2 million or 11%, compared to the nine months ended September 30, 2020 primarily due to increases in outside accounting and legal fees, employee-related, stock-based compensation, and contractor expenses of $995, $669, $330 and $297, respectively.

Merger-Related. In the nine months ended September 30, 2021, merger-related expenses decreased $5.5 million due to costs incurred in connection with general merger and related activities in 2020 which did not recur in the current period.

Other (benefit) expense. On March 27, 2020, in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act, which was amended by the Consolidated Appropriations Act in December of 2020 (the “CARES Act”). The CARES Act provides numerous tax provisions and other stimulus measures, including the creation of certain employee retention credits. In the first quarter of 2021, we recognized a benefit of $1,965 from the CARES Act related to employee retention credits. The benefit was recorded as Other (benefit) expense.

Liquidity and Capital Resources

Cash and cash equivalents.

Our cash and cash equivalents at September 30, 2021 were held for working capital purposes and were invested primarily in cash. We do not enter into investments for trading or speculative purposes. At September 30, 2021 and December 31, 2020, we had $14.5 million and $17.1 million, respectively, of cash and cash equivalents held by subsidiaries in international locations, including subsidiaries located in Japan and the United Kingdom. These earnings can be repatriated to the United States tax-free but could still be subject to foreign withholding taxes.

Condensed Consolidated Statements of Cash Flow Data	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(in thousands)	
Cash flows provided by operating activities	$14,748	$ 8,922
Cash flows used in investing activities	$ (6,282)	$(7,271)
Cash flows provided by financing activities	$ 350	$ 5,759

Accounts receivable, net.

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

Cash flows provided by operating activities.

Cash provided by operating activities consists primarily of net income adjusted for certain non-cash items including depreciation and amortization, stock-based compensation expense, the provision for bad debts and the effect of changes in working capital and other activities. Cash provided by operating activities during the nine months ended September 30, 2021 was $14.7 million. The cash flow provided by operating activities primarily resulted from net income of $5 million and net non-cash charges of $13.7 million, offset by net changes in our operating assets and liabilities of $4.0 million. Net non-cash expenses mainly consisted of $6.3 million for depreciation and amortization and $7.2 million for stock-based compensation. Cash outflows resulting from changes in our operating assets and liabilities consisted primarily of a decrease in accrued expenses of $4.4 million, an increase in other assets of $1.3 million, an increase in prepaid expenses and other current assets of $914, a decrease in operating leases of $903, offset by an increase in deferred revenue of $2.7 million and a decrease in accounts receivable of $710. In summary, cash provided by operating activities has increased when compared to the prior period due to an increase in net income, offset by decreases in working capital.

Cash flows used in investing activities.

Cash used in investing activities during the nine months ended September 30, 2021 was $6.3 million, consisting primarily of $4.7 million for the capitalization of internal-use software costs and $1.6 million in capital expenditures to support the business.

Cash flows provided by financing activities.

Cash provided by financing activities for the nine months ended September 30, 2021 was $350, consisting primarily of $2.2 million in proceeds from the exercise of stock options, offset by $475 deferred acquisition payments and $1.4 million in other financing activities. Other financing activities reflects the repurchase of stock withheld for taxes for Section 16 executives' vesting.

Credit facility.

On December 28, 2020, we entered into an amended and restated loan and security agreement with a lender (the "Loan Agreement") providing for up to a $30.0 million asset-based line of credit (the "Line of Credit"). Borrowings under the Line of Credit are secured by substantially all of our assets, excluding our intellectual property. We were in compliance with all covenants under the Line of Credit as of September 30, 2021. As we have not drawn on the Line of Credit, there are no amounts outstanding as of September 30, 2021.

Net operating loss carryforwards.

As of December 31, 2020, we had federal and state net operating losses of approximately $161.8 million and $82.4 million, respectively, which are available to offset future taxable income, if any, through 2039. We had federal and state net operating losses of approximately $23.9 million and $1.7 million, respectively, which are available to offset future taxable income, if any, indefinitely. We had federal and state research and development tax credits of $7.8 million and $4.8 million, respectively, which expire in various amounts through 2039. Our net operating loss and tax credit amounts are subject to annual limitations under Section 382 change of ownership rules of the U.S. Internal Revenue Code of 1986, as amended.

In assessing our ability to utilize our net deferred tax assets, we considered whether it is more likely than not that some portion or all of our net deferred tax assets will not be realized. Based upon the level of our historical U.S. losses and future projections over the period in which the net deferred tax assets are deductible, at this time, we believe it is more likely than not that we will not realize the benefits of these deductible differences. Accordingly, we have provided a valuation allowance against our U.S. deferred tax assets as of September 30, 2021 and December 31, 2020.

Contractual Obligations and Commitments

Our principal commitments consist primarily of obligations under our leases for our office as well as content delivery network services, hosting and other support services. Other than these lease obligations and contractual commitments, we do not have commercial commitments under lines of credit, standby repurchase obligations or other such debt arrangements.

Our contractual obligations as of December 31, 2020 are summarized in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see *Recently Issued and Adopted Accounting Standards* in Note 2 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any special purpose entities or off-balance sheet arrangements.

Anticipated Cash Flows

We expect to incur significant operating costs, particularly related to services delivery costs, sales and marketing and research and development, for the foreseeable future in order to execute our business plan. We anticipate that such operating costs, as well as planned capital expenditures will constitute a material use of our cash resources. As a result, our net cash flows will depend heavily on the level of future sales, changes in deferred revenue and our ability to manage infrastructure costs.

We believe our existing cash and cash equivalents and credit facility will be sufficient to meet our working capital and capital expenditures for at least the next 12 months. Our future working capital requirements will depend on many factors, including the rate of our revenue growth, our introduction of new products and enhancements, and our expansion of sales and marketing and product development activities. To the extent that our cash and cash equivalents, and cash flow from operating activities are insufficient to fund our future activities, we may need to raise additional funds through bank credit arrangements or public or private equity or debt financings. We also may need to raise additional funds in the event we determine in the future to acquire businesses, technologies and products that will complement our existing operations. In the event funding is required, we may not be able to obtain bank credit arrangements or equity or debt financing on terms acceptable to us or at all. Market volatility resulting from the COVID-19 coronavirus pandemic or other factors could also adversely impact our ability to access capital as and when needed.

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

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

Financial instruments

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

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, Australian dollar and Japanese yen. Except for revenue transactions in Japan, we enter into transactions directly with substantially all of our foreign customers.

Percentage of revenues and expenses in foreign currency is as follows:

	Three Months Ended September 30,	
	2021	2020
Revenues generated in locations outside the United States	47%	48%
Revenues in currencies other than the United States dollar (1)	29%	29%
Expenses in currencies other than the United States dollar (1)	18%	17%

	Nine Months Ended September 30,	
	2021	2020
Revenues generated in locations outside the United States	47%	50%
Revenues in currencies other than the United States dollar (1)	29%	30%
Expenses in currencies other than the United States dollar (1)	17%	16%

(1) Percentage of revenues and expenses denominated in foreign currency for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Revenues	Expenses	Revenues	Expenses
Euro	8%	2%	8%	1%
British pound	6	5	6	6
Japanese Yen	12	3	12	3
Other	3	8	3	7
Total	29%	18%	29%	17%

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Revenues	Expenses	Revenues	Expenses
Euro	8%	1%	8%	1%
British pound	6	5	6	6
Japanese Yen	12	3	12	3
Other	3	8	4	6
Total	29%	17%	30%	16%

As of September 30, 2021 and December 31, 2020, we had $7.5 million and $9.0 million, respectively, of receivables denominated in currencies other than the U.S. dollar. We also maintain cash accounts denominated in currencies other than the local currency, which exposes us to foreign exchange rate movements.

In addition, although our foreign subsidiaries have intercompany accounts that are eliminated upon consolidation, these accounts expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany accounts are recorded in our consolidated statements of operations under “other income (expense), net”, while exchange rate fluctuations on long-term intercompany accounts are recorded as a component of other comprehensive income (loss), as they are considered part of our net investment.

Currently, our largest foreign currency exposures are the euro and British pound primarily because our European operations have a higher proportion of our local currency denominated expenses, in addition to the Japanese Yen as result of our ongoing operations in Japan. Relative to foreign currency exposures existing at September 30, 2021, a 10% unfavorable movement in foreign currency exchange rates would expose us to losses in earnings or cash flows or significantly diminish the fair value of our foreign currency financial instruments. For the nine months ended September 30, 2021, we estimated that a 10% unfavorable movement in foreign currency exchange rates would have decreased revenues by $4.5 million, decreased expenses by $2.6 million and decreased operating income by $1.9 million. The estimates used assume that all currencies move in the same direction at the same time and the ratio of non-U.S. dollar denominated revenue and expenses to U.S. dollar denominated revenue and expenses does not change from current levels. Since a portion of our revenue is deferred revenue that is recorded at different foreign currency exchange rates, the impact to revenue of a change in foreign currency exchange rates is recognized over time, and the impact to expenses is more immediate, as expenses are recognized at the current foreign currency exchange rate in effect at the time the expense is incurred. All of the potential changes noted above are based on sensitivity analyses performed on our financial results as of September 30, 2021.

Interest rate risk

We had cash and cash equivalents totaling $45.3 million at September 30, 2021. Cash and cash equivalents were invested primarily in cash and are held for working capital purposes. We do not use derivative financial instruments in our investment portfolio. Declines in interest rates, however, would reduce future interest income. We did not incur interest expense in the three months ended September 30, 2021. An unfavorable movement of 10% in the interest rate on the Line of Credit would not have had a material effect on interest expense.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2021, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We, from time to time, are party to litigation arising in the ordinary course of business. Management does not believe that the outcome of these claims will have a material adverse effect on our consolidated financial position, results of operations or cash flows based on the status of proceedings at this time.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described in our annual report on Form 10-K for the fiscal year ended December 31, 2020, under the heading "Part I — Item 1A. Risk Factors," together with the additional risk factor included below and all of the other information in this Quarterly Report on Form 10-Q. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in our other public filings. The trading price of our common stock could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

If we do not successfully manage the transition associated with the planned retirement of our Chief Executive Officer ("CEO") and the appointment of a new CEO, it could be viewed negatively by our customers and shareholders and could have an adverse impact on our business.

Jeff Ray plans to step down from his position as the Company's CEO and as a member of the Board effective on the earlier of December 31, 2022 or the date that we hire a new CEO. Mr. Ray will remain as our CEO until such date and, once a new CEO is hired, will remain with the company as an advisor, assisting with the leadership transition, until December 31, 2022. The Board has an active search process underway to select the next CEO from internal and external candidates. Such leadership transitions can be inherently difficult to manage, and an inadequate transition of our CEO may cause disruption to our business, including to our relationships with customers, vendors and employees. In addition, if we are unable to attract and retain a qualified candidate to become our permanent CEO in a timely manner, our ability to meet our financial and operational goals and strategic plans may be adversely impacted, as well as our financial performance. It may also make it more difficult to retain and hire key employees.

ITEM 5. OTHER INFORMATION

Our policy governing transactions in our securities by directors, officers and employees permits our officers, directors and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. We have been advised that our Chief Legal Officer, David Plotkin, has entered into a trading plan in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. However, we undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan.

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ITEM 6. EXHIBITS

Exhibits

3.1 (1)	Eleventh Amended and Restated Certificate of Incorporation.
3.2 (2)	Amended and Restated By-Laws.
4.1 (3)	Form of Common Stock certificate of the Registrant.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1^	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

(1) Filed as Exhibit 3.2 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
(2) Filed as Exhibit 3.3 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
(3) Filed as Exhibit 4.1 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
^ Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	BRIGHTCOVE INC. *(Registrant)*
Date: October 27, 2021	By: /s/ Jeff Ray
	Jeff Ray *Chief Executive Officer* (*Principal Executive Officer*)
Date: October 27, 2021	By: /s/ Robert Noreck
	Robert Noreck *Chief Financial Officer* (*Principal Financial Officer*)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jeff Ray, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brightcove Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2021

By: /s/ Jeff Ray
Jeff Ray
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Robert Noreck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brightcove Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2021

By: /s/ Robert Noreck
Robert Noreck
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Brightcove Inc. for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jeff Ray, as Chief Executive Officer of Brightcove Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Brightcove Inc.

Date: October 27, 2021	By: /s/ Jeff Ray
	Jeff Ray
	Chief Executive Officer
	(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Brightcove Inc. for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Robert Noreck, as Chief Financial Officer of Brightcove Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Brightcove Inc.

Date: October 27, 2021	By: /s/ Robert Noreck
	Robert Noreck
	Chief Financial Officer
	(Principal Financial Officer)