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 March 31, 2022

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.)**

281 Summer Street
Boston, MA 02210
(Address of principal executive offices)
(888) 882-1880
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of April 25, 2022, there were 41,552,088 shares of the registrant's common stock, $0.001 par value per share, outstanding.

BRIGHTCOVE INC.

Table of Contents

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)

	March 31, 2022	December 31, 2021
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 26,705	$ 45,739
Accounts receivable, net of allowance of $379 and $353 at March 31, 2022 and December 31, 2021, respectively	34,037	29,866
Prepaid expenses	10,740	7,792
Other current assets	11,099	10,833
Total current assets	82,581	94,230
Property and equipment, net	26,317	20,514
Operating lease right-of-use asset	23,655	24,891
Intangible assets, net	12,881	9,276
Goodwill	74,838	60,902
Other assets	6,612	6,655
Total assets	$ 226,884	$ 216,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 14,027	$ 11,039
Accrued expenses	22,851	20,925
Operating lease liability	2,950	2,600
Deferred revenue	64,110	62,057
Total current liabilities	103,938	96,621
Operating lease liability, net of current portion	21,920	22,801
Other liabilities	932	786
Total liabilities	$ 126,790	120,208
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; 41,685,163 and 41,384,643 shares issued at March 31, 2022 and December 31, 2021, respectively	42	41
Additional paid-in capital	304,506	298,793
Treasury stock, at cost; 135,000 shares	(871)	(871)
Accumulated other comprehensive loss	(905)	(662)
Accumulated deficit	(202,678)	(201,041)
Total stockholders' equity	100,094	96,260
Total liabilities and stockholders' equity	$ 226,884	$ 216,468

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

Brightcove Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,	
	2022	2021
	(in thousands, except share and per share data)	
Revenue:		
Subscription and support revenue	$ 51,601	$ 50,839
Professional services and other revenue	1,778	3,978
Total revenue	53,379	54,817
Cost of revenue:		
Cost of subscription and support revenue	16,982	15,678
Cost of professional services and other revenue	1,998	3,490
Total cost of revenue	18,980	19,168
Gross profit	34,399	35,649
Operating expenses:		
Research and development	8,237	8,284
Sales and marketing	18,288	16,149
General and administrative	8,089	7,059
Merger-related	594	—
Other expense (benefit)	1,149	(1,965)
Total operating expenses	36,357	29,527
(Loss) income from operations	(1,958)	6,122
Other (expense), net	(387)	(735)
(Loss) income before income taxes	(2,345)	5,387
(Benefit) provision for income taxes	(708)	257
Net (loss) income	$ (1,637)	$ 5,130
Net (loss) income per share—basic and diluted		
Basic	$ (0.04)	$ 0.13
Diluted	$ (0.04)	$ 0.12
Weighted-average shares—basic and diluted		
Basic	41,436	40,154
Diluted	41,436	42,480

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

Table of Contents

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net (loss) income	$ (1,637)	$ 5,130
Other comprehensive income:		
Foreign currency translation adjustments	(243)	(209)
Comprehensive (loss) income	$ (1,880)	$ 4,921

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 March 31, 2022	Three Months Ended March 31, 2021
	(in thousands, except share data)	
Shares of common stock issued		
Balance, beginning of period	41,384,643	40,152,021
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units	300,520	260,556
Balance, end of period	41,685,163	40,412,577
Shares of treasury stock		
Balance, beginning of period	(135,000)	(135,000)
Balance, end of period	(135,000)	(135,000)
Par value of common stock issued		
Balance, beginning of period	$ 41	$ 40
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units	—	—
Common stock issued upon acquisition	1	—
Balance, end of period	$ 42	$ 40
Value of treasury stock		
Balance, beginning of period	$ (871)	$ (871)
Balance, end of period	$ (871)	$ (871)
Additional paid-in capital		
Balance, beginning of period	$ 298,793	$ 287,059
Issuance of common stock upon exercise of stock options and pursuant to restricted stock units, net of tax	100	1,008
Stock-based compensation expense	3,627	2,336
Common stock issued upon acquisition	1,986	—
Balance, end of period	$ 304,506	$ 290,403
Accumulated deficit		
Balance, beginning of period	$ (201,041)	$ (206,438)
Net (loss) income	(1,637)	5,130
Balance, end of period	$ (202,678)	$ (201,308)
Accumulated other comprehensive loss		
Balance, beginning of period	$ (662)	$ (188)
Foreign currency translation adjustment	(243)	(209)
Balance, end of period	$ (905)	$ (397)
Total stockholders' equity	$ 100,094	$ 87,867

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

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

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Operating activities		
Net (loss) income	$ (1,637)	$ 5,130
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,061	2,163
Stock-based compensation	3,479	2,292
Provision for reserves on accounts receivable	106	71
Changes in assets and liabilities:		
Accounts receivable	(3,802)	(1,585)
Prepaid expenses and other current assets	(1,550)	(1,390)
Other assets	54	(919)
Accounts payable	347	(425)
Accrued expenses	(1,980)	(5,797)
Operating leases	705	(626)
Deferred revenue	1,527	482
Net cash used in operating activities	(690)	(604)
Investing activities		
Cash paid for acquisition, net of cash acquired	(13,176)	—
Purchases of property and equipment	(1,884)	(468)
Capitalized internal-use software costs	(2,882)	(1,054)
Net cash used in investing activities	(17,942)	(1,522)
Financing activities		
Proceeds from exercise of stock options	100	1,095
Deferred acquisition payments	—	(475)
Other financing activities	—	(87)
Net cash provided by financing activities	100	533
Effect of exchange rate changes on cash and cash equivalents	(502)	(727)
Net decrease in cash and cash equivalents	(19,034)	(2,320)
Cash and cash equivalents at beginning of period	45,739	37,472
Cash and cash equivalents at end of period	$ 26,705	$ 35,152
Supplemental disclosure of cash flow information		
Cash paid for operating lease liabilities	$ 796	$ 1,477
Cash paid for income taxes	$ 216	$ 314

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, 2021.

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, 2021 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 March 31, 2022 and 2021. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

2. Quarterly Update to Significant Accounting Policies

Allowance for Doubtful Accounts

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

		Allowance for Credit Losses (in thousands)
Balance as of December 31, 2021	$	353
Current provision for credit losses		106
Write-offs against allowance		(80)
Recoveries		—
Balance as of March 31, 2022	$	379

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

Other Expense (Benefit).

Other expense (benefit), 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 28, 2022 the CEO of the Company retired. Pursuant to a Transition Agreement that was entered into by the CEO and the Company in October 2021, the Company recorded $1.1 million of expense reflecting both wages and stock compensation in the first quarter of 2022.

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 $2.0 million 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

In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-10, Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance*,* which improves the transparency of government assistance received by requiring the disclosure of: (1) the types of government assistance received; (2) the accounting for such assistance; and (3) the effect of the assistance on an entity’s financial statements. The guidance is effective for annual periods beginning after December 15, 2021, with early adoption permitted. Effective January 1, 2022, the Company early adopted ASU 2021-10 on a prospective basis. Please see *Other Expense (Benefit)* section of these Notes to Condensed Consolidated Financial Statements for government assistance received by the Company in 2021.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. Effective January 1, 2022, the Company early adopted ASU 2021-08 on a prospective basis. The impact of adoption of this standard on the Company’s consolidated financial statements was not material.

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, 2021	$ 29,866	$ 2,375	$62,057	$ 114	$ 62,171
Balance at March 31, 2022	34,037	2,498	64,110	299	64,409

Revenue recognized for the three months ended March 31, 2022 from amounts included in deferred revenue at the beginning of the period was approximately $32.8 million. Revenue recognized during the three months ended March 31, 2021 from amounts included in deferred revenue at the beginning of the period was approximately $31.2 million. During the three months ended March 31, 2022, 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 $12.3 million as of March 31, 2022 and $12.2 million as of December 31, 2021. Amortization expense recognized for the three months ended March 31, 2022 related to costs to obtain a contract was $2.5 million. Amortization expense recognized for the three months ended March 31, 2021 related to costs to obtain a contract was $3.1 million.

Transaction Price Allocated to Future Performance Obligations

As of March 31, 2022, the total aggregate transaction price allocated to the unsatisfied performance obligations for subscription and support contracts was approximately $159.2 million, of which approximately $128.7 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 March 31, 2022 consist of the following:

	March 31, 2022		
Description	**Contracted Maturity**	**Cost**	**Fair Market Value**
Cash	Demand	$26,664	$ 26,664
Money market funds	Demand	41	41
Total cash and cash equivalents		$26,705	$ 26,705

Cash and cash equivalents as of December 31, 2021 consist of the following:

	December 31, 2021		
Description	**Contracted Maturity**	**Cost**	**Fair Market Value**
Cash	Demand	$45,698	$ 45,698
Money market funds	Demand	41	41
Total cash and cash equivalents		$45,739	$ 45,739

5. Net (Loss) Income per Share

The Company calculates basic and diluted (loss) earnings per common share by dividing the (loss) earnings 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 March 31,	
(in thousands)	**2022**	**2021**
Net (loss) income	$ (1,637)	$ 5,130
Weighted average shares used in computing basic earnings per share	41,436	40,154
Effect of weighted average dilutive stock-based awards	—	2,326
Weighted average shares used in computing diluted earnings per share	41,436	42,480
Net (loss) income per share—basic and diluted		
Basic	$ (0.04)	$ 0.13
Diluted	$ (0.04)	$ 0.12

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 March 31, 2022	2021
Options outstanding	1,607	34
Restricted stock units outstanding	4,589	68

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 March 31, 2022	2021
Weighted-average fair value of options granted during the period	$ —	$ 10.55
Risk-free interest rate	—	1.00%
Expected volatility	—	47%
Expected life (in years)	—	6.3
Expected dividend yield	—	—

As of March 31, 2022, there was $39 million of unrecognized stock-based compensation expense related to stock-based awards that is expected to be recognized over a weighted-average period of 2.80 years. The following table summarizes stock-based compensation expense as included in the consolidated statement of operations for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31, 2022	2021
Stock-based compensation:	(in thousands)	
Cost of subscription and support revenue	$ 109	$ 157
Cost of professional services and other revenue	119	68
Research and development	722	322
Sales and marketing	943	737
General and administrative	1,337	1,008
Other expense (benefit)	249	—
	$ 3,479	$ 2,292

The following is a summary of the stock option activity during the three months ended March 31, 2022.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2021	1,681,477	$ 9.59		
Granted	—	—		
Exercised	(15,900)	6.31		$ 33,483
Canceled	(58,236)	11.78		
Outstanding at March 31, 2022	1,607,341	$ 9.54	5.72	$461,756
Exercisable at March 31, 2022	1,195,855	$ 9.05	5.14	$456,686

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on March 31, 2022 of $7.80 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 three months ended March 31, 2022:

	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, 2021	2,915,720	$ 11.66	1,021,172	$ 11.04	3,936,892	$ 11.50
Granted	1,943,905	7.24	—	—	1,943,905	7.24
Vested and issued	(72,113)	10.33	—	—	(72,113)	10.33
Canceled	(198,389)	10.62	(188,732)	12.96	(387,121)	11.76
Unvested at March 31, 2022	4,589,123	$ 8.34	832,440	$ 10.61	5,421,563	$ 9.97

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 March 31, 2022 and December 31, 2021, 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.

During the three months ended March 31, 2022, the Company recorded a benefit of $1.0 million in the U.S. for the release of a portion of the Company's valuation allowance. This release of the valuation allowance is related to the Wicket Acquisition completed in February 2022 and the creation of deferred tax liabilities in purchase accounting that serve as a source of income for the Company's pre-existing deferred tax assets.

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 March 31, 2022, 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 applicable covenants under the Line of Credit as of March 31, 2022 and there were no borrowings outstanding as of March 31, 2022.

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 March 31,	
	2022	2021
Revenue:		
North America	$ 29,461	$ 30,386
Europe	9,105	8,923
Japan	7,261	7,708
Asia Pacific	7,436	7,659
Other	116	141
Total revenue	$ 53,379	$ 54,817

North America is comprised of revenue from the United States, Canada and Mexico. Revenue from customers located in the United States was $27.7 million and $28.5 million for the three months ended March 31, 2022 and 2021, respectively.

Other than the United States and Japan, no other country contributed more than 10% of the Company’s total revenue during the three months ended March 31, 2022 and 2021.

As of March 31, 2022 and December 31, 2021, property and equipment at locations outside the U.S. was not material.

11. Business Combinations

Other Business Combinations

On February 1, 2022, the Company acquired 100% of the outstanding shares of Wicket Labs, Inc. (“Wicket Labs”) a provider of subscriber and content insights, in exchange for common stock of the Company and cash, (“Wicket Acquisition”). At the closing, the Company issued 212,507 unregistered shares of common stock of the Company valued at approximately $2.0 million and approximately $13.2 million in cash. Pursuant to the merger agreement, approximately $1.8 million of the cash consideration was held back to secure payment of any claims of indemnification for breaches or inaccuracies in the sellers’ representations and warranties, covenants and agreements.

The Wicket Acquisition was accounted for using the purchase method of accounting in accordance with Accounting Standards Codification 805 — *Business Combinations*. Accordingly, the results of operations of the acquired company have been included in the accompanying condensed consolidated financial statements since the date of acquisition. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of the Wicket Acquisition, and using assumptions that the Company’s management believes are reasonable given the information currently available. The Company is in the process of completing its valuation of its intangible assets, accounts receivable, deferred revenue and the valuation of the acquired deferred tax assets and liabilities. The final allocations of the purchase price to intangible assets, accounts receivable, deferred revenue, goodwill and any deferred tax assets and liabilities may differ materially from the information presented in these unaudited condensed consolidated financial statements.

During the three months ended March 31, 2022 the Company incurred $0.6 million of merger-related costs related to the Wicket Acquisition.

The excess of the purchase price over the estimated amounts of net assets as of the effective date of the acquisition was allocated to goodwill in accordance with the accounting guidance. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the Wicket Acquisition. These benefits include the acquired workforce and opportunities to expand the Company's offerings in target market segments that use subscriber and content insights to make decisions. The goodwill is expected to be non-deductible for tax purposes.

The total purchase price for the Wicket Acquisition has been allocated as follows:

Cash	$ 53
Accounts receivable and other assets	782
Identifiable intangible assets	4,382
Goodwill	13,936
Deferred revenue	(1,033)
Deferred tax liabilities	(1,009)
Other liabilities	(96)
Total estimated purchase price	$17,015

The following are the identifiable intangible assets acquired and their respective useful lives, as determined based on preliminary valuations:

	Amount	Useful Life
Developed technology	$4,200	6
Customer relationships	182	5
Total	$4,382	

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the transaction, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital.

The estimated remaining amortization expense for 2022 and for each of the five succeeding years and thereafter is as follows:

Year Ending December 31,	Amount
2022	$ 614
2023	736
2024	736
2025	736
2026	736
2027 and thereafter	824
Total	$4,382

Pro forma results of operations for the Wicket Acquisition have not been presented because the effect of the acquisition is not material to the Company's consolidated financial results. Revenue and earnings attributable to acquired operations since the date of the acquisition are included in the Company's consolidated statements of operations.

The changes in the carrying amount of goodwill for the three months ended March 31, 2022 were as follows:

Balance as of January 1, 2022	$60,902
Wicket acquisition	13,936
Balance as of March 31, 2022	$74,838

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, 2021.

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; and (4) 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; (3) Brightcove Enterprise Video Suite, provides an enterprise-class platform for internal communications, employee training, live streaming, marketing and ecommerce videos; and (4) Brightcove CorpTV™, provides a new way to deliver marketing videos, product announcements, training programs, and other live and on-demand content in a branded experience for companies.

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 March 31, 2022 and 2021 we had 678 and 652 employees, respectively.

We generate revenue by offering our products to customers on a subscription-based, software as a service, or SaaS, model. Our revenue decreased from $54.8 million in the three months ended March 31, 2021 to $53.4 million in the three months ended March 31, 2022, due to a decrease in professional services and other revenue.

Included in the consolidated net loss for the three months ended March 31, 2022 was stock-based compensation expense and amortization of acquired intangible assets of $3.5 million and $817, respectively. Included in the consolidated net income for the three months ended March 31, 2021 was stock-based compensation expense and amortization of acquired intangible assets of $2.3 million and $766, respectively.

For the three months ended March 31, 2022 and 2021, our revenue derived from customers located outside North America was 45% and 44%, 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:

	Three Months Ended March 31,	
	2022	2021
Customers (at period end)		
Premium	2,299	2,273
Volume	832	1,039
Total customers (at period end)	3,131	3,312
Net revenue retention rate	97.8%	98.8%
Recurring dollar retention rate	91%	85%
Average annual subscription revenue per premium customer, excluding Starter edition customers (in thousands)	$ 96.5	$ 97.0
Average annual subscription revenue per premium customer for Starter edition customers only (in thousands)	$ 4.6	$ 4.3
Total backlog, excluding professional services engagements (in millions)	$ 159.2	$ 147.6
Total backlog to be recognized over next 12 months, excluding professional services engagements (in millions)	$ 128.7	$ 117.1

- *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, our Brightcove Engage customers, our Brightcove CorpTV™ 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 2022 and beyond as we continue to focus on the market for our premium solutions.

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

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

While the future trends of the COVID-19 pandemic remain uncertain, we have not experienced a significant disruption during the pandemic. We will continue to monitor COVID-19's effect on our employees, customers, vendors and the regions we operate in.

In late February 2022, Russian military forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is likely. Subsequent to the invasion, the U.S. and other countries imposed economic sanctions against officials, individuals, regions, and industries in Russia, Ukraine and Belarus. We do not have operations or customers in Russia or Ukraine and none of our material vendors source their services to us from Russia or Ukraine. We will continue to monitor the situation and comply with any sanctions and restrictions imposed by the U.S. government.

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, Brightcove CorpTV™, 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 three months of 2021 to the first three months of 2022. 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 Expense (Benefit). Reflects other operating benefits, costs that do not directly relate to the operating activities listed above.

Other (Expense) Income, net

Other (expense) income 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, 2021. We maintain net deferred tax liabilities for temporary differences related to our Japanese subsidiary.

During the three months ended March 31, 2022, we recorded a non-recurring benefit of $1.0 million in the U.S. for the release of a portion of our valuation allowance. This release of the valuation allowance is related to the Wicket Acquisition completed in February 2022 and the creation of deferred tax liabilities in purchase accounting that serve as a source of income for our pre-existing deferred tax assets.

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 March 31, 2022 and 2021, we recorded $3.5 million and $2.3 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, 2021, which we filed with the Securities and Exchange Commission on February 18, 2022.

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, 2021.

	Three Months Ended March 31,	
	2022	2021
	(in thousands, except share and per share data)	
Revenue:		
Subscription and support revenue	$ 51,601	$ 50,839
Professional services and other revenue	1,778	3,978
Total revenue	53,379	54,817
Cost of revenue:		
Cost of subscription and support revenue	16,982	15,678
Cost of professional services and other revenue	1,998	3,490
Total cost of revenue	18,980	19,168
Gross profit	34,399	35,649
Operating expenses:		
Research and development	8,237	8,284
Sales and marketing	18,288	16,149
General and administrative	8,089	7,059
Merger-related	594	—
Other (benefit) expense	1,149	(1,965)
Total operating expenses	36,357	29,527
(Loss) income from operations	(1,958)	6,122
Other (expense), net	(387)	(735)
(Loss) income before income taxes	(2,345)	5,386
(Benefit) provision for income	(708)	257
Net (loss) income	$ (1,637)	$ 5,130
Net (loss) income per share—basic and diluted		
Basic	$ (0.04)	$ 0.13
Diluted	$ (0.04)	$ 0.12
Weighted-average shares—basic and diluted		
Basic	41,436	40,154
Diluted	41,436	42,480

Overview of Results of Operations for the Three Months Ended March 31, 2022 and 2021

Total revenue decreased by 3%, or $1.4 million, in the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to a decrease in professional services and other revenue by 55% or $2.2 million. Professional services and other revenue will vary from period to period depending on the number of implementations and other projects that are in process.

Subscription and support revenue remained relatively unchanged. Our revenue from premium offerings decreased by $1.3 million, or 2%, in the three months ended March 31, 2022 compared to the three months ended March 31, 2021. 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.

The U.S. dollar has strengthened against the Japanese Yen and the Euro when compared against exchange rates during the prior year period of comparison. In constant currency, our total revenue for the three months ended March 31, 2022 would have been approximately $54.6 million. The majority of the effect of revenue in constant currency was in revenues denominated in Japanese Yen of $0.7 million and Euro of $0.3 million. Constant currency is calculated as translating current period revenue denominated in foreign currencies at the exchange rates of the prior period of comparison.

Our gross profit decreased by $1.3 million, or 4%, in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to a decrease in revenue and an increase in the cost of subscription and support revenue. Our ability to continue to maintain our overall gross profit will depend primarily on our ability to continue controlling our costs of delivery.

Loss from operations was $2.0 million in the three months ended March 31, 2022 compared to a net income from operations of $6.1 million in the three months ended March 31, 2021. This is primarily due to a decrease in revenue of $1.4 million, the decrease in gross profit of $1.7 million and an increase in operating expenses in the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase in operating expenses is primarily the result of the current period's merger-related and other expenses, in aggregate, of $1.3 million as compared to a benefit of approximately $2.0 million in the prior year.

Revenue

	Three Months Ended March 31,				Change	
	2022		2021			
Revenue by Product Line	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Premium	$52,772	99%	$54,022	99%	$(1,250)	(2)%
Volume	607	1	795	1	(188)	(24)
Total	$53,379	100%	$54,817	100%	$(1,438)	(3)%

During the three months ended March 31, 2022, revenue decreased by $1.4 million, or 3%, compared to the three months ended March 31, 2021, primarily due to a decrease in revenue from our premium offerings. The decrease in premium revenue of $1.3 million, or 2%, is primarily the result of a 55% decrease in professional services and other revenue. In the three months ended March 31, 2022, volume revenue decreased by $188, or 24%, compared to the three months ended March 31, 2021, as we continue to focus on the market for our premium solutions.

	Three Months Ended March 31,				Change	
	2022		2021			
Revenue by Type	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
Subscription and support	$51,601	97%	$50,839	93%	$ 762	1%
Professional services and other	1,778	3	3,978	7	(2,200)	(55)
Total	$53,379	100%	$54,817	100%	$(1,438)	-3%

During the three months ended March 31, 2022, subscription and support revenue remained relatively unchanged compared to the three months ended March 31, 2021. In addition, professional services and other revenue decreased by $2.2 million, or 55%, 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.

	Three Months Ended March 31,				Change	
	2022		2021			
Revenue by Geography	**Amount**	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**	**Amount**	**%**
	(in thousands, except percentages)					
North America	$29,461	55%	$30,386	56%	$ (925)	(3)%
Europe	9,105	17	8,923	16	182	2
Japan	7,261	14	7,708	14	(447)	(6)
Asia Pacific	7,436	14	7,659	14	(223)	(3)
Other	116	—	141	—	(25)	(18)
International subtotal	23,918	45	24,431	44	(513)	(2)
Total	$53,379	100%	$54,817	100%	$(1,438)	(3)%

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

During the three months ended March 31, 2022, total revenue for North America decreased $925, or 3%, compared to the three months ended March 31, 2021. In the three months ended March 31, 2022, total revenue outside of North America decreased $513, or 2%, compared to the three months ended March 31, 2021. The decrease in revenue from international regions is primarily related to decrease in revenue in Japan which was due to unfavorable changes in exchange rates as compared to the prior year period of comparison.

Cost of Revenue

	Three Months Ended March 31,				Change	
	2022		2021			
Cost of Revenue	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue	Amount	%
	(in thousands, except percentages)					
Subscription and support	$16,982	33%	$15,678	31%	$ 1,304	8%
Professional services and other	1,998	112	3,490	88	(1,492)	(43)
Total	$18,980	36%	$19,168	35%	$ (188)	(1)%

In the three months ended March 31, 2022, cost of subscription and support revenue increased by $1.3 million, or 8%, compared to the three months ended March 31, 2021. The increase resulted primarily from an increase in content delivery network and third-party software expenses compared in the three months ended March 31, 2022 compared to the three months ended March 31, 2021. In the three months ended March 31, 2022, cost of professional services and other revenue decreased by $1.5 million, or 43%, compared to the three months ended March 31, 2021. This decrease corresponds to the 55% decrease professional services and other revenue in the three months ended March 31, 2022, compared to the three months ended March 31, 2021.

Gross Profit

	Three Months Ended March 31,				Change	
	2022		2021			
Gross Profit	Amount	Percentage of Related Revenue	Amount	Percentage of Related Revenue	Amount	%
	(in thousands, except percentages)					
Subscription and support	$34,619	67%	$35,161	69%	$ (542)	(2)%
Professional services and other	(220)	(12)	488	12	(708)	(145)%
Total	$34,399	64%	$35,649	65%	$(1,250)	(4)%

The overall gross profit percentage was 64% for the three months ended March 31, 2022 compared to 65% for the three months ended March 31, 2021. Subscription and support gross profit remained relatively unchanged compared to the three months ended March 31, 2021. Professional services and other gross profit decreased $708, or 145%. The decrease in gross profit dollars for professional services and other revenue was due to the 55% decrease in professional services and other revenue.

Operating Expenses

Operating Expenses	Three Months Ended March 31, 2022 Amount	2022 Percentage of Revenue	2021 Amount	2021 Percentage of Revenue	Change Amount	Change %
	(in thousands, except percentages)					
Research and development	$ 8,237	15%	$ 8,284	15%	$ (47)	(1)%
Sales and marketing	18,288	34	16,149	29	2,139	13
General and administrative	8,089	15	7,059	13	1,030	15
Merger-related	594	1	—	—	594	N/A
Other (benefit) expense	1,149	2	(1,965)	(4)	3,114	(158)
Total	$36,357	68%	$29,527	54%	$6,830	23%

Research and Development. In the three months ended March 31, 2022, research and development remained relatively unchanged compared to the three months ended March 31, 2021. We expect our research and development expense as a percentage of revenue to remain relatively unchanged.

Sales and Marketing. In the three months ended March 31, 2022, sales and marketing expense increased by $2.1 million, or 13%, compared to the three months ended March 31, 2021, primarily due to an increase in employee-related, contractor, and rent expenses of $1.5 million, $282, and $305, respectively. We expect that our sales and marketing expense will increase in absolute dollars for the remainder of 2022 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 March 31, 2022, general and administrative expense increased by $1.0 million, or 15%, compared to the three months ended March 31, 2021, primarily due to increases in agency, employee-related, and stock-based compensation expenses of $212, $285, and $330, respectively. The remaining increase was due to various other expenses that, in aggregate, increased by approximately $200. In future periods, we expect general and administrative expense to remain relatively unchanged.

Merger-Related. In the three months ended March 31, 2022, merger-related expense increased by $594 primarily due to the Wicket Acquisition. There was no merger-related expense in the three months ended March 31, 2021.

Other expense (benefit). On March 28, 2022 our CEO retired. Pursuant to a Transition Agreement that was entered into by the previous CEO and the Company in October 2021, the CEO, upon retirement, would be paid his annual base compensation through December 31, 2022 and his 2022 annual bonus, the bonus amount to be determined by the Company's 2022 performance. In accordance with generally accepted accounting principles we determined that the remaining base compensation and the current estimate of the 2022 annual bonus should be accrued and the expense recognized as of March 28, 2022. The total of $1.1 million is reflected in Accrued Expenses on the Company's *Condensed Consolidated Balance Sheets*. The $1.1 million in expense also reflects $0.2 million of stock-based compensation expense as a result of the modification of certain awards pursuant to the Transition Agreement.

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 $2.0 million from the CARES Act related to employee retention credits. The benefit was recorded as Other (benefit) expense.

(Benefit) Provision for Income Taxes. We recorded an income tax benefit of $708 in the three months ended March 31, 2022 as compared to income tax expense of $257 in the prior period. The benefit is due to the release of $1.0 million of our valuation allowance as a result of deferred tax liabilities resulting from the Wicket Acquisition, which was a non-tax deductible transaction. The benefit of $1.0 million was offset by state and foreign tax expense provisions.

Liquidity and Capital Resources

Cash and cash equivalents.

Our cash and cash equivalents at March 31, 2022 were held for working capital purposes and were invested primarily in cash. We do not enter into investments for trading or speculative purposes. At March 31, 2022 and December 31, 2021, we had $13.0 million and $13.8 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. On February 1, 2022, we acquired 100% of the outstanding shares of Wicket Labs, in exchange for 212,507 unregistered shares of our common stock valued at approximately $2 million and approximately $13.2 million in cash. Approximately $1.8 million of the cash consideration was held back to secure payment of any claims of indemnification for breaches or inaccuracies in the Sellers' representations and warranties, covenants and agreements. We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated working capital and capital expenditure needs over at least the next 12 months.

Condensed Consolidated Statements of Cash Flow Data	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(in thousands)	
Cash flows used in operating activities	$ (690)	$ (604)
Cash flows used in investing activities	$ (17,942)	$ (1,522)
Cash flows provided by financing activities	$ 100	$ 533

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 used in operating activities during the three months ended March 31, 2022 was $690. The cash used in operating activities primarily resulted from net loss of $1.6 million and net changes in our operating assets and liabilities of $4.7 million, offset by net non-cash charges of $5.6 million. Net non-cash expenses mainly consisted of $2.1 million for depreciation and amortization and $3.5 million for stock-based compensation. Cash outflows resulting from changes in our operating assets and liabilities consisted primarily of an increase in accounts receivable of $3.8 million, and increase in prepaid expenses and other current assets of $1.6 million, and a decrease in accrued expenses of $2.0 million, offset by an increase in deferred revenue of $1.5 million, an increase in operating leases of $705, and an increase in accounts payable of $347. In summary, cash used in operating activities has increased when compared to the prior period due to a net loss, and decreases in working capital.

Cash flows used in investing activities.

Cash used in investing activities during the three months ended March 31, 2022 was $17.9 million, consisting primarily of $13.2 million for cash paid for the acquisition of Wicket Labs, $2.9 million for the capitalization of internal-use software costs and $1.9 million in capital expenditures to support the business.

Cash flows provided by financing activities.

Cash provided by financing activities for the three months ended March 31, 2022 was $100, consisting of proceeds from the exercise of stock options.

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 March 31, 2022. As we have not drawn on the Line of Credit, there are no amounts outstanding as of March 31, 2022.

Net operating loss carryforwards.

As of December 31, 2021, we had federal and state net operating losses of approximately $161.8 million and $89.2 million, respectively, which are available to offset future taxable income, if any, through 2037 and 2041, respectively. We had federal and state net operating losses of approximately $37.6 million and $3.1 million, respectively, which are available to offset future taxable income, if any, indefinitely. We had federal and state research and development tax credits of $9.0 million and $5.5 million, respectively, which expire in various amounts through 2041. 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 March 31, 2022 and December 31, 2021.

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, 2021 are summarized in our Annual Report on Form 10-K for the year ended December 31, 2021.

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.

Table of Contents

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 March 31,	
	2022	2021
Revenues generated in locations outside the United States	48%	48%
Revenues in currencies other than the United States dollar (1)	29%	29%
Expenses in currencies other than the United States dollar (1)	16%	17%

(1) Percentage of revenues and expenses denominated in foreign currency for the three ended March 31, 2022 and 2021:

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
	Revenues	Expenses	Revenues	Expenses
Euro	7%	0%	7%	0%
British pound	5	6	6	6
Japanese Yen	14	2	14	3
Other	3	8	2	8
Total	29%	16%	29%	17%

As of March 31, 2022 and December 31, 2021, we had $7.8 million and $8.3 million, respectively, of receivables denominated in currencies other than the U.S. dollar. We also maintain cash accounts denominated in currencies other than the local currency, which exposes us to foreign exchange rate movements.

In addition, although our foreign subsidiaries have intercompany accounts that are eliminated upon consolidation, these accounts expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany accounts are recorded in our consolidated statements of operations under “other (expense) income, net”, while exchange rate fluctuations on long-term intercompany accounts are recorded as a component of other comprehensive (loss) income, 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 March 31, 2022, 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 three months ended March 31, 2022, we estimated that a 10% unfavorable movement in foreign currency exchange rates would have decreased revenues by $1.6 million, decreased expenses by $900 and decreased operating income by $700. 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 March 31, 2022.

Interest rate risk

We had cash and cash equivalents totaling $26.7 million at March 31, 2022. 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 March 31, 2022. An unfavorable movement of 10% in the interest rate on the Line of Credit would not have had a material effect on interest expense.

Inflation Risk

We do not believe that inflation has had a material effect on our business. However, if our costs, in particular personnel, sales and marketing and hosting costs, were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2022, 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 March 31, 2022, 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, 2021, 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.

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or the software industry may harm us. The U.S. and other key international economies have been affected from time to time by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, inflation and overall uncertainty with respect to the economy, including with respect to tariff and trade issues. In particular, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector, uncertainty over the future of the Euro zone and volatility in the value of the pound sterling and the Euro, including instability surrounding Brexit, and instability resulting from the ongoing conflict between Russia and Ukraine. The effect of the conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions that may be imposed against governmental or other entities in, for example, Russia, have in the past contributed and may in the future contribute to disruption, instability and volatility in the global markets. We have operations, as well as current and potential new customers in Europe. If economic conditions in Europe and other key markets for our platform continue to remain uncertain or deteriorate further, it could adversely affect our customers' ability or willingness to subscribe to our platform, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, all of which could harm our operating results.

More recently, inflation rates in the U.S. have increased to levels not seen in several years, which may result in decreased demand for our products and services, increases in our operating costs including our labor costs, constrained credit and liquidity, reduced government spending and volatility in financial markets. The Federal Reserve has raised, and may again raise, interest rates in response to concerns over inflation risk. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other government agencies, related to the COVID-19 pandemic and concerns over inflation risk. A sharp rise in interest rates could have an adverse impact on the fair market value of certain securities in our portfolio, which could adversely affect our financial results.

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.

Table of Contents

ITEM 6. EXHIBITS

Exhibits	
3.1 (1)	Eleventh Amended and Restated Certificate of Incorporation.
3.2 (2)	Amended and Restated By-Laws.
4.1 (3)	Form of Common Stock certificate of the Registrant.
10.1 (4)	Employment Agreement, dated February 8, 2022 by and between the Company and Marc DeBevoise
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	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

(1) Filed as Exhibit 3.2 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
(2) Filed as Exhibit 3.3 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
(3) Filed as Exhibit 4.1 to Amendment No. 5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 6, 2012, and incorporated herein by reference.
(4) Filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 9, 2022, 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: April 27, 2022	By:
	/s/ Marc DeBevoise
	Marc DeBevoise *Chief Executive Officer* *(Principal Executive Officer)*
Date: April 27, 2022	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, Marc DeBevoise, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 27, 2022

By:
/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

**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: April 27, 2022

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 March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marc DeBevoise, as Chief Executive Officer of Brightcove Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Brightcove Inc.

Date: April 27, 2022

By:
/s/ Marc DeBevoise

Marc DeBevoise
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Brightcove Inc. for the quarterly period ended March 31, 2022 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: April 27, 2022

By:
/s/ Robert Noreck

Robert Noreck
Chief Financial Officer
(Principal Financial Officer)