

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2024

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: 001-40566

TABOOLA.COM LTD.

(Exact name of registrant as specified in its charter)

Israel  
(State or other jurisdiction of  
incorporation or organization)

Not Applicable  
(I.R.S. Employer  
Identification No.)

16 Madison Square West  
7th Floor  
New York, NY  
(Address of principal executive offices)

10010  
(Zip code)

212-206-7633  
(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
Ordinary shares, no par value	TBLA	The Nasdaq Global Market
Warrants to purchase Ordinary shares	TBLAW	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

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 30, 2024 the Registrant had outstanding 290,733,986 Ordinary shares and 45,198,702 Non-voting Ordinary shares.

		Page No.
<b>PART I.</b>	<b><u>FINANCIAL INFORMATION</u></b>	4
Item 1.	<u>Financial Statements (Unaudited)</u>	4
	<u>Consolidated Interim Balance Sheets</u>	4
	<u>Consolidated Interim Statements of Loss</u>	5
	<u>Consolidated Interim Statements of Comprehensive Loss</u>	6
	<u>Consolidated Interim Statements of Shareholders' Equity</u>	7
	<u>Consolidated Interim Statements of Cash Flows</u>	8
	<u>Notes to Consolidated Interim Financial Statements</u>	10
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4.	<u>Controls and Procedures</u>	42
<b>PART II.</b>	<b><u>OTHER INFORMATION</u></b>	43
Item 1.	<u>Legal Proceedings</u>	43
Item 1A.	<u>Risk Factors</u>	43
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
Item 3.	<u>Defaults upon Senior Securities</u>	44
Item 4.	<u>Mine Safety Disclosures</u>	44
Item 5.	<u>Other Information</u>	44
Item 6.	<u>Exhibits</u>	45
<u>Signatures</u>		45

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless otherwise stated or unless the context otherwise requires, the terms “Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Taboola” refer to Taboola.com Ltd., a company organized under the laws of the State of Israel, and its consolidated subsidiaries.

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**PART I – FINANCIAL INFORMATION**
**Item 1. Financial Statements**

TABOOLA.COM LTD.

**CONSOLIDATED INTERIM BALANCE SHEETS**

U.S. dollars in thousands, except share and per share data

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>Unaudited</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 178,534	\$ 176,108
Short-term investments	2,485	5,725
Restricted deposits	1,270	1,407
Trade receivables (net of allowance for credit losses of \$9,412 and \$10,207 as of March 31, 2024 and December 31, 2023, respectively) (1)	284,239	306,307
Prepaid expenses and other current assets	77,485	69,865
Total current assets	<u>544,013</u>	<u>559,412</u>
<b>NON-CURRENT ASSETS</b>		
Long-term prepaid expenses	27,351	39,602
Commercial agreement asset	289,451	289,451
Restricted deposits	4,216	4,247
Operating lease right of use assets	57,305	61,746
Property and equipment, net	72,587	72,155
Intangible assets, net	109,323	125,258
Goodwill	555,931	555,931
Total non-current assets	<u>1,116,164</u>	<u>1,148,390</u>
Total assets	<u>\$ 1,660,177</u>	<u>\$ 1,707,802</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade payables (2)	\$ 279,373	\$ 282,012
Short-term operating lease liabilities	19,141	20,264
Accrued expenses and other current liabilities	118,176	118,689
Current maturities of long-term loan	—	3,000
Total current liabilities	<u>416,690</u>	<u>423,965</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term loan, net of current maturities	145,455	142,164
Long-term operating lease liabilities	44,992	49,450
Warrants liability	6,168	6,129
Deferred tax liabilities, net	11,130	14,815
Other long-term liabilities	14,751	14,217
Total long-term liabilities	<u>222,496</u>	<u>226,775</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares with no par value- Authorized: 700,000,000 as of March 31, 2024 and December 31, 2023; 293,413,305 and 295,670,620 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Non-voting Ordinary shares with no par value- Authorized: 46,000,000 as of March 31, 2024 and December 31, 2023; 45,198,702 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Treasury Ordinary shares, at cost - 21,463,642 and 15,240,471 shares as of March 31, 2024 and December 31, 2023, respectively	(83,271)	(55,513)
Additional paid-in capital	1,280,715	1,262,093
Accumulated other comprehensive income	165	942
Accumulated deficit	(176,618)	(150,460)
Total shareholders' equity	<u>1,020,991</u>	<u>1,057,062</u>
Total liabilities and shareholders' equity	<u>\$ 1,660,177</u>	<u>\$ 1,707,802</u>

(1) Includes related party trade receivables of \$41,992 and of \$12,297, as of March 31, 2024 and December 31, 2023, respectively.

(2) Includes related party trade payables of \$61,137 and \$38,657, as of March 31, 2024 and December 31, 2023, respectively.

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

**CONSOLIDATED INTERIM STATEMENTS OF LOSS**

U.S. dollars in thousands, except share and per share data

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
Revenues (1)	\$ 414,008	\$ 327,686
Cost of revenues:		
Traffic acquisition cost (2)	275,120	211,946
Other cost of revenues	29,935	26,148
Total cost of revenues	305,055	238,094
Gross profit	108,953	89,592
Operating expenses:		
Research and development	36,249	31,985
Sales and marketing	67,608	60,569
General and administrative	23,329	25,836
Total operating expenses	127,186	118,390
Operating loss	(18,233)	(28,798)
Finance expenses, net	(3,638)	(3,154)
Loss before income taxes	(21,871)	(31,952)
Income tax benefit (expenses)	(4,287)	639
Net loss	\$ (26,158)	\$ (31,313)
Net loss per share attributable to Ordinary and Non-voting Ordinary shareholders, basic and diluted	\$ (0.08)	\$ (0.09)
Weighted-average shares used in computing net loss per share attributable to Ordinary and Non-voting Ordinary shareholders, basic and diluted	345,502,643	333,424,276

(1) Includes revenues from related party of \$52,124 and \$7,114, for the three months ended March 31, 2024 and 2023, respectively.

(2) Includes traffic acquisition cost to related party of \$73,611 and \$0, for the three months ended March 31, 2024 and 2023, respectively.

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

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

U.S. dollars in thousands

	Three months ended	
	March 31,	
	2024	2023
	<b>Unaudited</b>	
Net loss	\$ (26,158)	\$ (31,313)
Other comprehensive loss:		
Unrealized gains (losses) on available-for-sale marketable securities, net	(1)	327
Unrealized losses on derivative instruments, net	(776)	(656)
Other comprehensive loss	(777)	(329)
Comprehensive loss	\$ (26,935)	\$ (31,642)

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

**CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY**

U.S. dollars in thousands, except share and per share data

	<u>Non-voting Ordinary shares</u>		<u>Ordinary shares</u>		<u>Treasury Ordinary shares</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>					
Balance as of January 1, 2024	45,198,702	\$ —	295,670,620	\$ —	\$(55,513)	\$1,262,093	\$ (150,460)	\$ 942	\$ 1,057,062
Share-based compensation expenses	—	—	—	—	—	17,007	—	—	17,007
Repurchase of Ordinary shares	—	—	(6,223,171)	—	(27,758)	—	—	—	(27,758)
Exercise of options and vested RSUs	—	—	3,384,456	—	—	2,324	—	—	2,324
Connexity issuance of Holdback	—	—	581,400	—	—	—	—	—	—
Payments of tax withholding for share-based compensation	—	—	—	—	—	(709)	—	—	(709)
Other comprehensive loss	—	—	—	—	—	—	—	(777)	(777)
Net loss	—	—	—	—	—	—	(26,158)	—	(26,158)
Balance as of March 31, 2024 (unaudited)	<u>45,198,702</u>	<u>\$ —</u>	<u>293,413,305</u>	<u>\$ —</u>	<u>\$(83,271)</u>	<u>\$1,280,715</u>	<u>\$ (176,618)</u>	<u>\$ 165</u>	<u>\$ 1,020,991</u>

	<u>Non-voting Ordinary shares</u>		<u>Ordinary shares</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive loss</u>	<u>Total shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>				
Balance as of January 1, 2023	—	\$ —	254,133,863	\$ —	\$ 903,789	\$ (68,420)	\$ (834)	\$ 834,535
Share-based compensation expenses	—	—	—	—	16,734	—	—	16,734
Exercise of options and vested RSUs	—	—	3,581,421	—	1,764	—	—	1,764
Connexity issuance of Holdback	—	—	581,400	—	—	—	—	—
Issuance of Ordinary shares and Non-voting Ordinary shares related to Commercial agreement	45,198,702	—	39,525,691	—	288,063	—	—	288,063
Payments of tax withholding for share-based compensation	—	—	—	—	(791)	—	—	(791)
Other comprehensive loss	—	—	—	—	—	—	(329)	(329)
Net loss	—	—	—	—	—	(31,313)	—	(31,313)
Balance as of March 31, 2023 (unaudited)	<u>45,198,702</u>	<u>\$ —</u>	<u>297,822,375</u>	<u>\$ —</u>	<u>\$ 1,209,559</u>	<u>\$ (99,733)</u>	<u>\$ (1,163)</u>	<u>\$ 1,108,663</u>

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

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**U.S. dollars in thousands**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
<b>Cash flows from operating activities</b>		
Net loss	\$ (26,158)	\$ (31,313)
<b>Adjustments to reconcile net loss to net cash flows provided by operating activities:</b>		
Depreciation and amortization	25,321	22,601
Share-based compensation expenses	16,401	16,082
Net gain from financing expenses	(408)	(328)
Revaluation of the Warrants liability	39	(1,676)
Amortization of loan and credit facility issuance costs	354	500
Amortization of premium and accretion of discount on short-term investments, net	142	(281)
<b>Change in operating assets and liabilities:</b>		
Decrease in trade receivables, net (1)	22,068	44,362
Decrease in prepaid expenses and other current assets and long-term prepaid expenses	9,199	721
Decrease in trade payables (2)	(8,262)	(22,807)
Decrease in accrued expenses and other current liabilities and other long-term liabilities	(1,476)	(13,439)
Increase (decrease) in deferred taxes, net	(3,685)	2,790
Change in operating lease right of use assets	4,453	4,151
Change in operating lease liabilities	(5,593)	(3,839)
Net cash provided by operating activities	<u>32,395</u>	<u>17,524</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment, including capitalized internal-use software	(5,589)	(6,350)
Proceeds from business acquisition holdback liability	719	—
Investments in restricted deposits	—	(280)
Proceeds from maturities of short-term investments	3,265	41,940
Net cash provided by (used in) investing activities	<u>(1,605)</u>	<u>35,310</u>
<b>Cash flows from financing activities</b>		
Issuance costs	(456)	—
Exercise of options and vested RSUs	1,809	1,335
Payment of tax withholding for share-based compensation expenses	(709)	(791)
Repurchase of Ordinary shares	(27,758)	—
Payments on account of repurchase of Ordinary shares	(1,658)	—
Repayment of long-term loan	—	(750)
Net cash used in financing activities	<u>(28,772)</u>	<u>(206)</u>
Exchange rate differences on balances of cash and cash equivalents	408	328
Increase in cash and cash equivalents	2,426	52,956
Cash and cash equivalents - at the beginning of the period	176,108	165,893
Cash and cash equivalents - at end of the period	<u>\$ 178,534</u>	<u>\$ 218,849</u>

(1) Includes an increase in related party trade receivables of \$29,694 and \$617, for the three months ended March 31, 2024 and 2023, respectively.

(2) Includes an increase (decrease) in related party trade payables of \$(22,480) and \$4,628, for the three months ended March 31, 2024 and 2023, respectively.

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



**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Three months ended	
	March 31,	
	2024	2023
Unaudited		
<b>Supplemental disclosures of cash flow information:</b>		
<u>Cash paid during the year for:</u>		
Income taxes	\$ 3,243	\$ 4,258
Interest	\$ 3,610	\$ 5,067
<u>Non-cash investing and financing activities:</u>		
Purchase of property and equipment, including capitalized internal-use software	\$ 4,262	\$ 36
Share-based compensation included in capitalized internal-use software	\$ 606	\$ 652
Creation of operating lease right-of-use assets	\$ 12	\$ 5,045

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data****NOTE 1:- GENERAL**

- a. Taboola.com Ltd. (together with its subsidiaries, the “Company” or “Taboola”) was incorporated under the laws of the state of Israel on September 3, 2006.

Taboola is a technology company that powers recommendations across the Open Web with an artificial intelligence-based, algorithmic engine developed since the Company began operations in 2007. Taboola partners with websites, devices, and mobile apps (collectively referred to as “digital properties”), to recommend editorial content and advertisements on the Open Web. Digital properties use Taboola’s technology platforms to achieve their business goals, such as driving new audiences to their sites and apps or increasing engagement with existing audiences. Taboola also provides monetization opportunities to digital properties by surfacing paid recommendations by advertisers. Taboola is a business-to-business company with no competing consumer interests. Taboola empowers advertisers to leverage its proprietary AI-powered recommendation platform to reach targeted audiences utilizing effective, native ad-formats across digital properties. As part of the Company e-Commerce offerings, it also syndicates its retailer advertisers’ monetized product listings and links (clickable advertisements) into commerce content-oriented consumer experiences on both the Open Web and within the dominant traditional ad platforms. Taboola generates revenues when people (consumers) click on, purchase from or, in some cases, view the ads that appear within its recommendation platform. The Company’s customers are the advertisers, merchants and affiliate networks that advertise on the Company’s platform (“Advertisers”). Advertisers pay Taboola for those clicks, purchases or impressions, and Taboola shares a portion of the resulting revenue with the digital properties who display those ads.

- b. In November 2022, the Company announced it entered into a 30-year exclusive commercial agreement (the “Commercial agreement”) with Yahoo Inc. and affiliated entities (“Yahoo”), under which Taboola will power native advertising across all of Yahoo’s digital properties, expanding the Company’s native advertising offering. In connection with this transaction, and following approval by the Company’s shareholders on December 30, 2022, the articles of association of the Company were amended and restated (the “Articles”) in their entirety to include a Non-voting Ordinary share class with an authorized share capital of 46,000,000. On January 17, 2023 (the “Transaction closing date”), the Company closed the transaction related agreements, including the issuance of 39,525,691 Ordinary shares and 45,198,702 Non-voting Ordinary shares to Yahoo. Based on the closing share price, on January 17, 2023, of \$3.40 per share, the aggregate fair value of the issued shares amounted to \$288,063. As part of the Ordinary shares and Non-voting Ordinary shares issuance, the Company incurred \$1,388 of issuance expenses.

The Non-voting Ordinary shares are not entitled to vote on or receive notices with respect to any matter pursuant to our Articles and are not entitled to vote or to be counted for purposes of determining whether any vote required under the Articles has been approved by the requisite percentage of voting securities or to be counted towards any quorum required pursuant to the Articles. Except with respect to the voting rights and to the rights to receive notice of meetings of the shareholders, the Non-voting Ordinary shares have rights identical to the rights of Ordinary shares. In connection with the transaction, the Company and Yahoo entered into an Investor Rights Agreement, under which, inter alia, Yahoo is entitled, in certain circumstances, to cause the Company to register the Ordinary shares issued to Yahoo for resale under the Securities Act of 1933, as amended.

The Company accounts for the consideration paid to Yahoo (the “Commercial agreement asset”) as an up-front payment for traffic acquisition costs paid to the digital property partner, which is amortized over the shorter of respective contractual terms and the economic benefit period of the digital property arrangement.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 1:- GENERAL (Cont.)**

The Company and Yahoo are still in the Commercial agreement transition period (as defined in the Commercial agreement), consequently, the exclusivity period has not begun. For the three months ended March 31, 2024 and 2023, the Company did not record amortization expenses of the Commercial agreement asset.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES*****Basis of Presentation***

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States (“GAAP”), and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting and include the accounts of Taboola.com Ltd. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The consolidated balance sheet as of December 31, 2023, included herein, was derived from the audited consolidated financial statements as of that date, but does not include all of the disclosures, including certain notes required by GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

Therefore, these unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2023, filed with the SEC on February 28, 2024.

In the opinion of the Company’s management, the unaudited consolidated interim financial statements have been prepared on a basis consistent with the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair presentation of the Company’s unaudited interim consolidated financial statements. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results to be expected for the full year ending December 31, 2024, or any other future interim or annual period.

***Use of Estimates***

The preparation of the interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period and accompanying notes. Actual results could differ from those estimates.

The Company’s management regularly evaluates its estimates, primarily those related to: (1) revenue recognition criteria, including the determination of revenue reporting as gross versus net in the Company’s revenue arrangements, (2) allowances for credit losses, (3) operating lease assets and liabilities, including the incremental borrowing rate and terms and provisions of each lease (4) the useful lives of its Commercial agreement asset, property and equipment and capitalized software development costs, (5) income taxes, (6) assumptions used in the option pricing models to determine the fair value of share-based compensation (7) the fair value of financial assets and liabilities, including the fair value of marketable securities, Private Warrants and derivative instruments (8) the fair value of acquired intangible assets and goodwill annual impairment test, and (9) the recognition and disclosure of contingent liabilities.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances; the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

As of March 31, 2024, the impacts to the Company's business due to geopolitical developments, such as the wars in Israel and Ukraine and other active or possible hostilities, and macroeconomic factors, such as rising interest rates, inflation and changes in foreign currency exchange rates, continue to evolve. As events continue to evolve and additional information becomes available, the Company's estimates may change materially in future periods.

***Concentrations of Credit Risk***

The Company's trade receivables are geographically diversified and derived mainly from sales in the United States, Israel, Germany and United Kingdom. Concentration of credit risk with respect to trade receivables is limited by credit limits, ongoing credit evaluation and account monitoring procedures. The Company performs ongoing credit evaluations of its accounts receivables and establishes an allowance for expected losses as necessary.

As of March 31, 2024, the Company had a single customer representing 14.8% of the trade receivables balance. For the three months ended March 31, 2024, the same customer accounted for 12.6% of total revenues (see Note 12).

As of December 31, 2023, no single customer represented 10% or more of trade receivables. No single customer accounted for more than 10% of total revenue for the three months ended March 31, 2023.

***Significant Accounting Policies***

The Company's significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2023, as filed with the SEC on February 28, 2024. There have been no significant changes to these policies during the three months ended March 31, 2024, except as noted below.

***Reclassification***

Certain amounts in the corresponding prior periods have been reclassified to conform with the current period presentation. Such reclassifications did not affect net loss, changes in the shareholders' equity or cash flows.

***Recently Issued Accounting Pronouncements***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topics 740): Improvements to Income Tax Disclosures*, which expands the disclosure requirements for income taxes, primarily related to the rate reconciliation and income taxes paid. This ASU is effective for the fiscal years beginning after December 15, 2024. Early adoption permitted. The Company does not expect the adoption of this guidance will have a significant impact on its consolidated financial statement and related disclosures and will adopt the guidance effective January 1, 2025.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands the annual and interim disclosure requirements for public company reportable segments, primarily through enhanced information about the significant expenses. This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

## NOTE 3:- CASH AND CASH EQUIVALENTS

The following table presents for each reported period, the breakdown of cash and cash equivalents:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>Unaudited</b>	
Cash	\$ 97,730	\$ 99,811
Money market funds	75,666	72,510
Time deposits	5,138	3,787
Total Cash and cash equivalents	<u>\$ 178,534</u>	<u>\$ 176,108</u>

## NOTE 4:- FAIR VALUE MEASUREMENTS

The Company evaluates assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level to classify them for each reporting period. The Company did not have any transfers between fair value measurements levels during the three months ended March 31, 2024.

The following table sets forth the Company's assets and liabilities that were measured at fair value as of March 31, 2024 and December 31, 2023, by level within the fair value hierarchy:

<b>Description</b>	<b>Fair Value Hierarchy</b>	<b>Fair value measurements as of</b>	
		<b>March 31, 2024</b>	<b>December 31, 2023</b>
		<b>Unaudited</b>	
<b>Assets:</b>			
<u>Cash equivalents:</u>			
Money market funds	Level 1	\$ 75,666	\$ 72,510
<u>Short-term investments:</u>			
Corporate debt securities	Level 2	\$ 1,493	\$ 3,651
Commercial paper	Level 2	\$ 992	\$ 2,074
<u>Derivative instruments asset:</u>			
Derivative instruments designated as cash flow hedging instruments	Level 2	\$ 172	\$ 948
<b>Liabilities:</b>			
<u>Warrants liability:</u>			
Public Warrants	Level 1	\$ (4,082)	\$ (4,253)
Private Warrants	Level 3	\$ (2,086)	\$ (1,876)

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

The Company classifies its money market funds as Level 1 based on quoted market prices in active markets.

The Company classifies its short-term investments and derivative instruments within Level 2 as they are valued using inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded.

The Company measures the fair value for Warrants by using a quoted price for the Public Warrants, which are classified as Level 1, and a Black-Scholes simulation model for the Private Warrants, which are classified as Level 3, due to the use of unobservable inputs.

The key inputs into the Black-Scholes model for the Private Warrants were as follows:

<b>Input</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Risk-free interest rate	4.44% - 4.70%	4.04% - 4.28%
Expected term (years)	1.50 - 2.25	1.75 - 2.50
Expected volatility	69.1%	61.1% - 63.9%
Exercise price	\$ 11.50	\$ 11.50
Underlying share price	\$ 4.44	\$ 4.33

The Company's use of a Black-Scholes model required the use of subjective assumptions:

- The risk-free interest rate assumption was interpolated based on constant maturity U.S. Treasury rates over a term commensurate with the expected term of the Private Warrants.
- The expected term was based on the maturity of the Private Warrants of five years following June 29, 2021, the Business Combination date, and for certain Private Warrants the maturity was determined to be five years from the date of the October 1, 2020, ION initial public offering effective date.
- The expected volatility is based on the Company's share price volatility. For periods prior January 1, 2024, the expected share volatility assumption was based on the implied volatility from a set of comparable publicly-traded companies as determined based on size and proximity, as the Company did not have sufficient trading history.

The following table presents the changes in the fair value of Warrants liability:

<b>Input</b>	<b>Private Warrants</b>	<b>Public Warrants</b>	<b>Total Warrants</b>
Fair value as of December 31, 2023	\$ 1,876	\$ 4,253	\$ 6,129
Change from private to public holdings	(21)	21	—
Change in fair value	231	(192)	39
Fair value as of March 31, 2024 (unaudited)	\$ 2,086	\$ 4,082	\$ 6,168

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 5:- SHORT-TERM INVESTMENTS**

The following is a summary of available-for-sale marketable securities:

	<b>March 31, 2024</b>			
	<b>Unaudited</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Corporate debt securities	\$ 1,499	\$ —	\$ (6)	\$ 1,493
Commercial paper	993	—	(1)	992
<b>Total</b>	<b>\$ 2,492</b>	<b>\$ —</b>	<b>\$ (7)</b>	<b>\$ 2,485</b>

  

	<b>December 31, 2023</b>			
	<b>Unaudited</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Corporate debt securities	\$ 3,654	\$ —	\$ (3)	\$ 3,651
Commercial paper	2,077	—	(3)	2,074
<b>Total</b>	<b>\$ 5,731</b>	<b>\$ —</b>	<b>\$ (6)</b>	<b>\$ 5,725</b>

As of March 31, 2024, the Company had no significant unrealized losses related to marketable securities (which were accumulated in a period of less than 12 months) and determined the unrealized losses are not due to credit related losses, therefore, the Company did not record an allowance for credit losses for its available-for-sale marketable securities.

As of March 31, 2024, all of the Company's available-for-sale marketable securities were due within one year.

**NOTE 6:- DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Company enters into foreign currency forward contracts and put and call options with financial institutions to protect itself against the foreign exchange risks, mainly exposure to changes in the exchange rate of the New Israeli Shekel ("NIS") against the U.S dollar that are associated with forecasted future cash flows for up to twelve months. The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates; these derivative instruments are designated as cash flow hedges. The Company does not enter into derivative transactions for trading or speculative purposes.

As of March 31, 2024 and December 31, 2023, the notional amounts of the Company's derivative instruments designated as cash flow hedging instruments outstanding in U.S. dollars amounted to \$0 and \$39,347, respectively.

Gross notional amounts do not quantify risk or represent assets or liabilities of the Company but are used in the calculation of settlements under the contracts.

The Company records all cash flow hedging instruments on the consolidated balance sheets at fair value. The fair value of cash flow hedging instruments recorded as assets were \$172 and \$948, as of March 31, 2024 and December 31, 2023, respectively, which were recorded in prepaid expenses and other current assets in the consolidated interim balance sheet.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

**NOTE 6:- DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Cont.)**

The gains (losses) related to cash flow hedging instruments, recorded in the consolidated interim statements of loss, for the three months ended March 31, 2024 and 2023, were as follows:

	Three months ended	
	March 31,	
	2024	2023
	Unaudited	
Cost of revenues	\$ 15	\$ (28)
Research and development	174	(315)
Sales and marketing	43	(56)
General and administrative	35	(49)
<b>Total gains (losses) recognized in the consolidated statements of loss, net</b>	<b>\$ 267</b>	<b>\$ (448)</b>

***Effect of Foreign Currency Contracts on Accumulated Other Comprehensive Income (Loss)***

Net unrealized gains (losses) of foreign currency contracts designated as cash flow hedging instruments are recorded in accumulated other comprehensive income (loss).

The changes in unrealized gains (losses) on the Company's derivative instruments recorded in accumulated other comprehensive income (loss) were as follows:

	Three months ended	
	March 31,	
	2024	2023
	Unaudited	
Unrealized gains (losses) on derivative instruments at the beginning of the period	\$ 948	\$ (313)
Changes in fair value of derivative instruments	(509)	(1,104)
Reclassification of losses (gains) recognized in the consolidated interim statements of loss from accumulated other comprehensive income (loss)	(267)	448
Unrealized gains (losses) on derivative instruments at the end of the period (unaudited)	<b>\$ 172</b>	<b>\$ (969)</b>

All net deferred gains (losses) in accumulated other comprehensive income (loss) as of March 31, 2024, are expected to be recognized over the next twelve months as operating expenses in the same financial statement line item in the consolidated interim statements of loss to which the derivative relates.

**NOTE 7:- GOODWILL AND INTANGIBLE ASSETS, NET*****Goodwill***

There was no impairment or additions to goodwill during the three months ended March 31, 2024.



## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 7:- GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)

*Intangible Assets, Net*

Definite-lived intangible assets, net consist of the following:

	<b>Gross Fair Value</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
<b>March 31, 2024</b>			
Merchant/Network affiliate relationships	\$ 146,547	\$ (84,129)	\$ 62,418
Technology	74,193	(46,412)	27,781
Publisher relationships	42,933	(27,728)	15,205
Tradenames	24,097	(20,752)	3,345
Customer relationship	13,146	(12,572)	574
Total (unaudited)	<u>\$ 300,916</u>	<u>\$ (191,593)</u>	<u>\$ 109,323</u>
<b>December 31, 2023</b>			
Merchant/Network affiliate relationships	\$ 146,547	\$ (75,987)	\$ 70,560
Technology	74,193	(43,535)	30,658
Publisher relationships	42,933	(25,044)	17,889
Tradenames	24,097	(18,739)	5,358
Customer relationships	13,146	(12,353)	793
Total	<u>\$ 300,916</u>	<u>\$ (175,658)</u>	<u>\$ 125,258</u>

Amortization expenses for intangible assets were \$15,935 and \$15,969, for the three months ended March 31, 2024 and 2023, respectively.

The estimated future amortization expense of definite-lived intangible assets as of March 31, 2024, is as follows (unaudited):

<b>Year Ending December 31,</b>	
2024 (Remainder)	\$ 44,583
2025	51,407
2026	13,244
2027	89
Total	<u>\$ 109,323</u>

## NOTE 8:- FINANCING ARRANGEMENTS

*Long-term loan*

Concurrently with the closing of the Connexity Acquisition, on September 1, 2021, the Company entered into a \$300,000 senior secured term loan credit agreement (the "Credit Agreement"), among the Company, Taboola Inc., a wholly-owned Company's subsidiary (the "Borrower"), the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement provides for borrowings in an aggregate principal amount of up to \$300,000 (the "Facility").

The Facility was fully drawn at closing, net of issuance expenses of \$11,250, and the proceeds were used by the Company to finance a portion of the Connexity Acquisition.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 8:- FINANCING ARRANGEMENTS (Cont.)**

The Facility is subject to customary borrowing conditions. In accordance with the terms of the Credit Agreement, the Credit Agreement was amended on June 12, 2023, to replace LIBOR with SOFR and accordingly the Facility bears interest at a variable annual rate based on Term SOFR or Base Rate plus a fixed margin. The Facility will mature on the seventh anniversary of the closing date with the remaining principal amount due at maturity. Due to the Company's voluntary prepayments, the Company has satisfied in full and has no remaining obligations to make quarterly amortization payments under the Facility at a rate of 1.00% per annum. The Facility is mandatorily prepayable with a portion of the net cash proceeds of certain dispositions of assets, a portion of Taboola's excess cash flow and the proceeds of incurrences of indebtedness not permitted under the Credit Agreement.

The Credit Agreement also contains customary representations, covenants and events of default. Failure to meet the covenants beyond applicable grace periods could result in acceleration of outstanding borrowings and/or termination of the Facility. As of March 31, 2024, the Company was in compliance with the Facility covenants.

As of March 31, 2024, the Company's outstanding principal amount of debt under the Credit Agreement was \$152,735.

The Facility is guaranteed by the Company and all of its wholly-owned material subsidiaries, subject to certain exceptions set forth in the Credit Agreement (collectively, the "Guarantors"). The obligations of the Borrower and the Guarantors are secured by substantially all the assets of the Borrower and the Guarantors including shares of subsidiaries, subject to certain exceptions set forth in the Credit Agreement.

The total interest expenses, including issuance costs amortization, recognized in connection with the long-term loan were \$3,941 and \$5,473, for the three months ended March 31, 2024 and 2023, respectively. The long-term loan interest and issuance costs amortization, included as interest expenses, are recognized through the remaining term of the Credit agreement using the effective interest rate.

***Revolving Credit Agreement***

On August 9, 2022, the Company amended its Credit Agreement to provide for a five-year senior secured revolving credit facility (the "Revolving Credit Agreement"), among the Company, Taboola Inc., a wholly-owned Company's subsidiary (the "Borrower"), and the lenders party thereto, with Citibank N.A., as lead arranger and JPMorgan Chase Bank, N.A., as administrative agent. The Revolving Credit Agreement provides for revolving loans in an aggregate committed principal amount of up to \$90,000 (the "Revolving Loans").

Certain representations, events of default and covenants of the Revolving Credit Agreement are substantially the same as those in the Credit Agreement. However, the Revolving Credit Agreement contains a financial covenant requiring the Company to maintain a Total Net Leverage Ratio (as defined in the Revolving Credit Agreement) as at the last day of each fiscal quarter. Borrowings under the Revolving Credit Agreement are subject to customary conditions and will bear interest at a variable annual rate based on Term SOFR or Base Rate plus a fixed margin. The lenders under the Credit Agreement and the lenders under the Revolving Credit Agreement are secured by the same collateral, including substantially all the assets of the Borrower and the Guarantors (as defined in the Credit Agreement) including shares of subsidiaries, subject to certain exceptions in the governing documents.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data****NOTE 8:- FINANCING ARRANGEMENTS (Cont.)**

The proceeds of any Revolving Loans may be used for the working capital, capital expenditures and other general corporate purposes of Taboola and its subsidiaries and may also be used for Restricted Payments, Investments (including permitted acquisitions) and Restricted Debt Payments (each, as defined in the Credit Agreement) to the extent permitted under the Credit Agreement.

As of March 31, 2024, the Company was in compliance with the financial covenants and had no outstanding borrowings under the Revolving Credit Agreement.

As of March 31, 2024 and December 31, 2023, deferred financing costs associated with entering into the Revolving Credit Agreement in the total amount of \$830 and \$893, respectively, were included in short-term and long-term prepaid expenses in the Company's consolidated balance sheets.

The deferred financing costs are amortized on a straight-line basis over the term of the Revolving Credit Agreement. Deferred financing costs amortization amounted to \$63 and \$62, for the three months ended March 31, 2024 and 2023, respectively.

**NOTE 9:- SHAREHOLDERS' EQUITY AND SHARE INCENTIVE PLANS*****Share Capital***

Holders of Ordinary shares have the right to receive notice of, and to participate in, all general meetings of the Company, where each Ordinary share shall have one vote. Each holder has the right to receive dividends, if any, in proportion to their respective Ordinary share holdings. In the event of Taboola's liquidation, after satisfaction of liabilities to creditors, Company assets will be distributed to the holders of its Ordinary shares in proportion to their shareholdings.

On December 30, 2022, in connection with the Yahoo transaction, the Company's shareholders approved an amendment and restatement to the Articles to include a Non-voting Ordinary share class with an authorized share capital of 46,000,000. In January 2023 the Company issued 45,198,702 Non-voting Ordinary shares to Yahoo. The Non-voting Ordinary shares are not entitled to vote, except in limited circumstances as provided in the Articles. Other than the voting rights, the rights to receive notice of meetings of shareholders and limited circumstances as described in the Company's Articles, the Non-voting Ordinary shares will have rights identical to the rights of Ordinary shares as described above (see Note 1b).

***Share Buyback Program***

The Company's board of directors authorized a share buyback program of the Company's outstanding Ordinary shares, which commenced in June 2023 and does not have an expiration date (the "Buyback Program"). In 2023, the Company's board of directors authorized up to \$80,000 of buybacks under the Buyback Program. In February 2024, the Company's board of directors authorized up to \$100,000 for use under the Buyback Program, including any remaining authority from the 2023 board of directors authorization, subject to satisfying required conditions under the Israeli Companies Law and the Companies Regulations (Reliefs for Corporations, Which Securities Are Listed on Foreign Stock Exchanges) 2000. As permitted by the Buyback Program, share repurchases may be made from time to time, in privately negotiated transactions or in the open market, including through trading plans, at the discretion of the Company's management and as permitted by securities laws and other legal requirements. The Buyback Program does not obligate the Company to repurchase any specific number of shares and the number of shares repurchased may depend upon market and economic conditions and other factors. The Buyback Program may be discontinued, modified or suspended at any time.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 9:- SHAREHOLDERS' EQUITY AND SHARE INCENTIVE PLANS (Cont.)**

During the three months ended March 31, 2024, the Company repurchased 6,223,171 Ordinary shares at an average price of \$4.44 per share (excluding broker and transaction fees of \$156). As of March 31, 2024, the Company had remaining authorization under the Buyback Program to repurchase Ordinary shares up to an aggregate amount of \$92,131, subject to satisfying required conditions under the Companies Law and Companies Regulations.

As of March 31, 2024, the Company repurchased an additional 181,585 Ordinary shares, not yet settled, in the amount of \$800.

**Share Incentive Plans**

- a. In addition to the Buyback Program detailed above, the Company utilizes a net issuance mechanism to satisfy tax withholding obligations related to equity-based compensation on behalf of its directors, officers and other employees (the "Net Issuances"). In April 2024, subsequent to the balance sheet date, the Company satisfied the required conditions, as set forth in the Israeli Companies Law and the Companies Regulations, to conduct future repurchases of its Ordinary shares under the Buyback Program and Net Issuances in an aggregate amount up to \$100,000, which amount was partly utilized under our previous Israeli court authorization. The Company's board of directors have the authority to determine the amount to be utilized for Net Issuances and Ordinary share repurchases.

For the three months ended March 31, 2024 and 2023, the Company utilized the net issuance mechanism in connection with equity-based compensation for certain Office Holders, which resulted in a tax withholding payment by the Company of \$709 and \$791, respectively, which were recorded as a reduction of additional paid-in capital.

- b. The following is a summary of share option activity and related information for the three months ended March 31, 2024 (including employees, directors, officers and consultants of the Company):

	<b>Outstanding Share Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Aggregate Intrinsic Value</b>
Balance as of January 1, 2024	29,291,285	\$ 3.35	5.27	\$ 57,118
Exercised	(1,312,222)	1.81	—	3,260
Forfeited	(338,892)	2.77	—	—
Balance as of March 31, 2024 (unaudited)	27,640,171	\$ 3.43	5.26	\$ 55,360
Exercisable as of March 31, 2024 (unaudited)	23,742,117	\$ 2.93	4.96	\$ 51,989

During the three months ended March 31, 2024, the Company did not grant options.

The aggregate intrinsic value in the table above represents the total intrinsic value that would have been received by the option holders had all option holders exercised their options on the last date of the period.

As of March 31, 2024, unrecognized share-based compensation cost related to unvested share options was \$11,227, which is expected to be recognized over a weighted-average period of 1.3 years.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 9:- SHAREHOLDERS' EQUITY AND SHARE INCENTIVE PLANS (Cont.)

- c. The following is a summary of the RSU activity and related information for the three months ended March 31, 2024:

	<b>Outstanding Restricted Shares Unit</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance as of January 1, 2024	23,479,308	\$ 5.13
Granted	12,783,639	4.74
Vested (*)	(2,072,234)	5.48
Forfeited	(388,211)	4.99
Balance as of March 31, 2024 (unaudited)	<u>33,802,502</u>	<u>\$ 4.96</u>

(\*) A portion of the shares that vested were netted out to satisfy the tax obligations of the recipients. During the three months ended March 31, 2024, a total of 152,349 RSUs were canceled to satisfy tax obligations, resulting in net issuance of 152,347 shares.

The total release date fair value of RSUs was \$9,722, during the three months ended March 31, 2024.

As of March 31, 2024, unrecognized share-based compensation cost related to unvested RSUs was \$146,030, which is expected to be recognized over a weighted-average period of 2.9 years.

The total share-based compensation expense related to all of the Company's share-based awards recognized for the three months ended March 31, 2024 and 2023, was comprised as follows:

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
Cost of revenues	\$ 1,011	\$ 1,044
Research and development	6,378	5,844
Sales and marketing	4,323	4,285
General and administrative	4,689	4,909
Total share-based compensation expense	<u>\$ 16,401</u>	<u>\$ 16,082</u>

## NOTE 10:- INCOME TAXES

The Company's effective tax rate is highly dependent upon the geographic distribution of its worldwide earnings or losses and tax regulations. The Company's effective tax rates were (19.0%) and 2.0% for the three months ended March 31, 2024 and 2023, respectively. The negative effective tax rate for the three months ended March 31, 2024, results primarily from valuation allowance as well as, tax expenses in foreign jurisdictions, partially offset by tax benefits associated with acquired intangible assets mainly in the US.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 11:- COMMITMENTS AND CONTINGENCIES*****Commercial Commitments***

In the ordinary course of the business, the Company enters into agreements with certain digital properties, under which, in some cases it agrees to pay them a guaranteed amount, generally per thousand page views on a monthly basis. These agreements could cause a gross loss on digital property accounts in which the guarantee is higher than the actual revenue generated. These contracts generally range in duration from 2 to 5 years, though some can be shorter or longer.

***Non-cancelable Purchase Obligations***

In the normal course of business, the Company enters into non-cancelable purchase commitments with various parties to purchase primarily software and IT related-based services. As of March 31, 2024, the Company had outstanding non-cancelable purchase obligations in the amount of \$30,590.

***Legal Proceedings***

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes, or claims. The Company investigates these claims as they arise and records a provision, as necessary. Provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. Although claims are inherently unpredictable, the Company is currently not aware of any matters that, it believes would individually or taken together, have a material adverse effect on its business, financial position, results of operations, or cash flows.

**NOTE 12:- RELATED PARTY TRANSACTIONS**

The Company is a party to certain transaction-related agreements with Yahoo, pursuant to which the Company issued 39,525,691 Ordinary shares and 45,198,702 Non-voting Ordinary shares to Yahoo, and granting Yahoo the right to appoint one representative to the Company's board of directors, resulting in Yahoo to become a principal shareholder effective the Transaction closing on January 17, 2023 (see Note 1b).

The Company and its affiliates are parties to several agreements in the ordinary course of business with Yahoo and its affiliates. Revenues from the related party are derived from Yahoo's advertiser spend on our network, for which Yahoo is the billing entity. Traffic acquisition cost to the related party is compensation for placing Taboola's platform on Yahoo's digital property. In connection with these agreements, for the three months ended March 31, 2024 and 2023, the Company recorded revenues from Yahoo in the amount of \$52,124 and \$7,114, respectively. In addition, the Company recorded traffic acquisition costs related to Yahoo for the three months ended March 31, 2024 and 2023, in the amount of \$73,611 and \$0, respectively. Certain traffic acquisition costs for the three months ended March 31, 2024, noted herein, are unaffiliated with the Yahoo revenues recognized during the three months ended March 31, 2024.

As of March 31, 2024, in regards to Yahoo, the Company's balances of trade receivables were \$41,992, and its balances of trade payables were \$61,137, associated with the revenues presented on both a gross and net basis.

The Company and Yahoo, pursuant to the Omnibus Agreement entered into on November 28, 2022, each agreed to pay certain expenses in connection with the transaction and each party agreed to reimburse the other for some or all of these expenses. Under these arrangements, the Company recognized expenses of \$522 and \$0, net during the three months ended March 31, 2024 and 2023, respectively.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 13:- GEOGRAPHIC INFORMATION**

The following table represents total revenue by geographic area based on the Advertisers' billing address:

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
Israel	\$ 31,465	\$ 45,498
United States	193,362	114,775
Germany	35,697	31,375
United Kingdom	20,074	17,948
Rest of the world	133,410	118,090
Total	<u>\$ 414,008</u>	<u>\$ 327,686</u>

**NOTE 14:- NET LOSS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

	<b>Three months ended March 31,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Ordinary shares</b>	<b>Non-voting Ordinary shares</b>	<b>Ordinary shares</b>	<b>Non-voting Ordinary shares</b>
	<b>Unaudited</b>			
<u>Numerator:</u>				
Net loss attributable to Ordinary shareholders, basic and diluted	\$ (22,736)	\$ (3,422)	\$ (27,870)	\$ (3,443)
<u>Denominator:</u>				
Weighted-average shares used in computing net loss per share attributable to Ordinary shareholders, basic and diluted	300,303,941	45,198,702	296,763,107	36,661,169
Net loss per share attributable to Ordinary and Non-voting Ordinary shareholders, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>

The potential shares of Ordinary shares that were excluded from the computation of diluted net loss per share attributable to Ordinary shareholders for the periods presented because including them would have been anti-dilutive are as follows:

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
Warrants	12,349,990	12,349,990
RSUs	26,734,790	28,550,688
Outstanding share options	21,839,078	28,449,625
Issuable Ordinary shares related to Business Combination under holdback arrangement	968,992	1,704,406
Total	<u>61,892,850</u>	<u>71,054,709</u>

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

*You should read the following discussion and analysis of our financial condition and results of operations together with Taboola’s accompanying unaudited consolidated interim financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q for the three months ended March 31, 2024 (the “Quarterly Report”) and audited consolidated financial statements and the related notes appearing in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”) filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 28, 2024. Some of the information contained in this discussion and analysis is set forth in our 2023 Form 10-K, including information with respect to Taboola’s plans and strategy for Taboola’s business, and includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in Part I, Item 1A “Risk Factors” in our 2023 Form 10-K and “Note Regarding Forward-Looking Statements” in our 2023 Form 10-K and elsewhere herein, Taboola’s actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Throughout this section, unless otherwise noted or the context requires otherwise, “we,” “us,” “our” and the “Company” refer to Taboola and its consolidated subsidiaries, and in references to monetary amounts, “dollars” and “\$” refer to U.S. Dollars, and “NIS” refers to New Israeli Shekels.*

### Overview

Taboola is a technology company that powers recommendations across the Open Web with an artificial intelligence, or AI-based, algorithmic engine that we have developed since the Company began operations in 2007. Taboola has also expanded more directly into e-Commerce, allowing its partners with digital properties the ability to use its platforms to display advertising suited to the audiences of those partners’ web sites or other digital services.

We think of ourselves as a search engine, but in reverse — instead of expecting people to search for information, we recommend information to people or enable our partners to use our technology. You’ve seen us before: we partner with websites, devices, and mobile apps, which we collectively refer to as digital properties, to recommend editorial content and advertisements on the Open Web, outside of the closed ecosystems of the walled gardens such as Facebook, Google, and Amazon.

Digital properties use our technology platforms to achieve their business goals, such as driving new audiences to their sites and apps, or increasing engagement on site — and we don’t charge them for these services. We also provide a meaningful monetization opportunity to digital properties by surfacing paid recommendations by Advertisers. Unlike walled gardens, we are a business-to-business, or B2B, company with no competing consumer interests. We only interact with consumers through our partners’ digital properties, hence we do not compete with our partners for user attention. Our motivations are aligned. When our partners win, we win, and we grow together.

We empower Advertisers to leverage our proprietary AI-powered recommendation platform to reach targeted audiences utilizing effective, native ad formats across digital properties. We generate revenues primarily when people (consumers) click on, purchase from or, in some cases, view the ads that appear within our partners’ digital experiences via our recommendation platform. Advertisers pay us for those clicks, purchases or impressions, and we share the resulting revenue with the digital properties who display those ads and generate those clicks and downstream consumer actions.

Our powerful recommendation platform was built to address a technology challenge of significant complexity: predicting which recommendations users would be interested in, without explicit intent data or social media profiles. Search advertising platforms have access, at a minimum, to users’ search queries which indicate intent, while social media advertising platforms have access to rich personal profiles created by users. In contrast, we base our recommendations on an extensive dataset of context and user behavior derived from the intersection of thousands of digital properties and millions of recommended items, including ads and editorial content.



## **Key Factors and Trends Affecting our Performance**

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and those referred to in Part II, Item 1A, “*Risk Factors*.”

### **Business and Macroeconomic Conditions**

Global economic and geopolitical conditions have been increasingly volatile due to factors such as inflation, rising interest rates, supply chain disruptions and the wars in Israel and Ukraine. The economic uncertainty resulting from these factors negatively impacted advertising demand and our yields in 2022 in particular. Further, the impacts of inflation, which have continued to persist so far through 2024, has increased the costs of equipment and labor needed to operate our business, negatively impacting our business in 2022 and 2023. While these factors have stabilized over recent quarters, we entered 2024 with a lower revenue and Adjusted EBITDA run rate. We do not currently expect additional impact from these factors during 2024, though we continue to monitor macroeconomic conditions closely.

### **Maintaining and Growing Our Digital Property Partners**

We engage with a diverse network of digital property partners, substantially all of which have contracts with us containing either an evergreen term or an exclusive partnership with us for multi-year terms at inception. These agreements typically require that our code be integrated on the digital property web page because of the nature of providing both editorial and paid recommendations. This means that in the vast majority of our business, we do not bid for ad placements, as traditionally happens in the advertising technology space, but rather see all users that visit the pages on which we appear. Due to our multi-year exclusive contracts and high retention rates, our supply is relatively consistent and predictable. We had approximately 12,000, 15,000 and 16,000 digital property partners in the fourth quarters of 2023, 2022 and 2021, respectively. In 2023, we saw a decrease in the number of long-tail digital property partners on our network, partially due to our own efforts to clean up our network and reduce low performing networks. Despite the decrease in the number of digital property partners on the network, our overall volume of page views went up over 10% from Q4 2021 to Q4 2023, demonstrating that the decrease in the number of digital property partners in our network was driven by smaller digital property partners and more than offset by the addition of larger digital property partners.

Historically, we have had a strong record of growing the revenue generated from our digital property partners. We grow our digital property partner relationships in four ways. First, we grow the revenue from these partnerships by increasing our yield over time. We do this by improving our algorithms, expanding our Advertiser base and increasing the amount of data that helps target our ads. Second, we continuously innovate with new product offerings and features that increase revenue. Third, we innovate by launching new advertising formats. Fourth, we work closely with our digital property partners to find new placements and page types where we can help them drive more revenue.

For the majority of our digital properties partners, we have two primary models for sharing revenue with digital property partners. The most common model is a straight revenue share model. In this model, we agree to pay our partner a percentage of the revenue that we generate from advertisements placed on their digital properties. The second model includes guarantees. Under this model, we pay our partners the greater of a fixed percentage of the revenue we generate and a guaranteed amount per thousand page views. In the past, we have and may continue to be required to make significant payments under these guarantees.

## **Growing Our Advertiser Client Base**

We have a large and growing network of Advertisers, across multiple verticals. We had approximately 17,000, 18,000 and 15,000 Advertiser clients working with us directly, or through advertising agencies, worldwide during the fourth quarters of 2023, 2022 and 2021, respectively. The decline from 2022 to 2023 was primarily driven by a channel partner that had a large number of small advertisers that they reduced in 2023. A large portion of our revenue comes from Advertisers with specific performance goals, such as obtaining subscribers for email newsletters or acquiring leads for product offerings. These performance Advertisers use our service when they obtain a sufficient return on ad spend to justify their ad spend. We grow the revenue from performance Advertisers in three ways. First, we improve the performance of our network by developing new product features, improving our algorithms and optimizing our supply. Second, we secure increased budgets from existing Advertisers by offering new ad formats and helping them achieve additional goals. Third, we grow our overall Advertiser base by bringing on new Advertisers that we have not worked with previously.

## **Improving Network Yield**

One way that we grow our revenue is by increasing the yield on our network, which is a general term for the revenue that we make per advertising placement. Because we generally fill close to 100% of advertising impressions available, yield is generally not affected by changing fill rates, but rather is impacted in four ways. First, we increase our yield by improving the algorithms that select the right ad for a particular user in a particular context. These algorithms are based on Deep Learning technology and are a key competitive advantage. Second, we continuously innovate and develop new product offerings and features for Advertisers, which help increase their success rates on our network and improve yield. Third, as we grow our Advertiser base and mix of Advertisers, including adding Advertisers able to pay higher rates, our yields increase because of increasing competitive pressure in our auction. Finally, we increase our yield by optimizing the way we work with digital properties, including changing formats and placements. Increasing yield drives higher revenues on all digital property partners. Increasing yield also generally increases margins for ex-TAC Gross Profit, a non-GAAP measure, for those digital property partners to whom we are paying guarantees. In periods of slower growth or periods of economic stress advertising demand may decline causing a decrease in yields despite our efforts.

## **Product and Research and Development**

We view research and development expenditures as investments that help grow our business over time. These investments, which are primarily in the form of employee salaries and related expenditures and hardware infrastructure, can be broken into two categories. This first category includes product innovations that extend the capabilities of our current product offerings and help us expand into completely new markets. This includes heavy investment in AI (specifically Deep Learning) in the form of server purchases and expenses for data scientists. This category of investment is important to maintain the growth of the business but can also generally be adjusted up or down based on management's perception of the potential value of different investment options. The second category of investments are those that are necessary to maintain our core business. These investments include items such as purchasing servers and other infrastructure necessary to handle increasing loads of recommendations that need to be served, as well as the people necessary to maintain the value delivered to our customers and digital property partners, such as investments in code maintenance for our existing products. This type of investment scales at a slower rate than the growth of our core business.

## **Managing Seasonality**

The global advertising industry has historically been characterized by seasonal trends that also apply to the digital advertising ecosystem in which we operate. In particular, Advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the year-end holiday shopping season, and relatively less in the first quarter. We expect these seasonality trends to continue, and our operating results will be affected by those trends with revenue and margins being seasonally strongest in the fourth quarter and seasonally weakest in the first quarter.

## Privacy Trends and Government Regulation

We are subject to U.S. and international laws and regulations regarding privacy, data protection, digital advertising and the collection of user data. In addition, large Internet and technology companies such as Google and Apple are making their own decisions as to how to protect consumer privacy, which impacts the entire digital ecosystem. Because we power editorial recommendations, digital properties typically embed our code directly on their web pages. This makes us less susceptible to impact by many of these regulations and industry trends because we are able to drop first party cookies. In addition, because of this integration on our partners' pages, we have rich contextual information to use to further refine the targeting of our recommendations.

## Yahoo Partnership

In November 2022, we announced we had entered into a 30-year exclusive commercial agreement with Yahoo, under which we will power native advertising across all of Yahoo's digital properties, expanding our native advertising offering. In January 2023 we closed on the various related agreements, including the issuance of 39,525,691 Ordinary shares and 45,198,702 Non-voting Ordinary shares to Yahoo.

## Key Financial and Operating Metrics

We regularly monitor a number of metrics in order to measure our current performance and project our future performance. These metrics aid us in developing and refining our growth strategies and making strategic decisions.

(dollars in thousands, except per share data)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
Revenues	\$ 414,008	\$ 327,686
Gross profit	\$ 108,953	\$ 89,592
Net loss	\$ (26,158)	\$ (31,313)
EPS diluted (1)	\$ (0.08)	\$ (0.09)
Ratio of net loss to gross profit	(24.0%)	(35.0%)
Cash flow provided by operating activities	\$ 32,395	\$ 17,524
Cash, cash equivalents, short-term deposits and investments	\$ 181,019	\$ 274,431
<b>Non-GAAP Financial Data (2)</b>		
ex-TAC Gross Profit	\$ 138,888	\$ 115,740
Adjusted EBITDA	\$ 23,489	\$ 10,122
Non-GAAP Net Income (Loss)	\$ 3,832	\$ (4,101)
Ratio of Adjusted EBITDA to ex-TAC Gross Profit	16.9%	8.7%
Free Cash Flow	\$ 26,806	\$ 11,174

(1) The weighted-average shares used in the computation of the diluted EPS for the three months ended March 31, 2024 and 2023 are 345,502,643 and 333,424,276, respectively. The weighted-average shares for the three months ended March 31, 2024 and 2023 include 45,198,702 Non-voting Ordinary shares.

(2) Refer to "Non-GAAP Financial Measures" below for an explanation and reconciliation to GAAP metrics.

**Non-GAAP Financial Measures**

We are presenting the following non-GAAP financial measures because we use them, among other things, as key measures for our management and board of directors in managing our business and evaluating our performance. We believe they also provide supplemental information that may be useful to investors. The use of these measures may improve comparability of our results over time by adjusting for items that may vary from period to period or not be representative of our ongoing operations.

These non-GAAP measures are subject to significant limitations, including those identified below. In addition, other companies may use similarly titled measures but calculate them differently, which reduces their usefulness as comparative measures. Non-GAAP measures should not be considered in isolation or as a substitute for GAAP measures. They should be considered as supplementary information in addition to GAAP operating, liquidity and financial performance measures.

***ex-TAC Gross Profit***

We calculate ex-TAC Gross Profit as gross profit adjusted to add back other cost of revenues.

We believe that ex-TAC Gross Profit is useful because traffic acquisition cost, or TAC, is what we must pay digital properties to obtain the right to place advertising on their websites, and we believe focusing on ex-TAC Gross Profit better reflects the profitability of our business. We use ex-TAC Gross Profit as part of our business planning, for example in decisions regarding the timing and amount of investments in areas such as infrastructure.

Limitations on the use of ex-TAC Gross Profit include the following:

- Traffic acquisition cost is a significant component of our cost of revenues but is not the only component; and
- ex-TAC Gross Profit is not comparable to our gross profit and by definition ex-TAC Gross Profit presented for any period will be higher than our gross profit for that period.

The following table provides a reconciliation of revenues and gross profit to ex-TAC Gross Profit:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(dollars in thousands)	
Revenues	\$ 414,008	\$ 327,686
Traffic acquisition cost	275,120	211,946
Other cost of revenues	29,935	26,148
Gross profit	\$ 108,953	\$ 89,592
Add back: Other cost of revenues	29,935	26,148
ex-TAC Gross Profit	\$ 138,888	\$ 115,740

**Adjusted EBITDA and Ratio of Adjusted EBITDA to ex-TAC Gross Profit**

We calculate Adjusted EBITDA as net income (loss) before finance income (expenses), net, income tax expenses, depreciation and amortization, further adjusted to exclude share-based compensation including Connexity holdback compensation expenses and other noteworthy income and expense items such as M&A costs and restructuring costs which may vary from period-to-period.

We believe that Adjusted EBITDA is useful because it allows us and others to measure our performance without regard to items such as share-based compensation expense, depreciation and amortization, and interest expense and other items that can vary substantially depending on our financing and capital structure, and the method by which assets are acquired. We use Adjusted EBITDA and GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors. We may also use Adjusted EBITDA as a metric for determining payment of cash or other incentive compensation.

Limitations on the use of Adjusted EBITDA include the following:

- Although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA excludes share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect, to the extent applicable for a period presented: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or if applicable principal payments on debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us; and
- The expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(dollars in thousands)	
Net loss	\$ (26,158)	\$ (31,313)
Adjusted to exclude the following:		
Finance expenses, net	3,638	3,154
Income tax expenses (benefit)	4,287	(639)
Depreciation and amortization	25,321	22,601
Share-based compensation expenses	13,756	13,527
Holdback compensation expenses (1)	2,645	2,555
Other costs (2)	—	237
Adjusted EBITDA	<u>\$ 23,489</u>	<u>\$ 10,122</u>

(1) Represents share-based compensation due to holdback of Ordinary shares issuable under compensatory arrangements relating to Connexity acquisition.

(2) The three months ended March 31, 2023 includes one-time costs related to the Commercial agreement.

We calculate Ratio of Adjusted EBITDA to ex-TAC Gross Profit as Adjusted EBITDA divided by ex-TAC Gross Profit.

We believe that the Ratio of Adjusted EBITDA to ex-TAC Gross Profit is useful because TAC is what we must pay digital properties to obtain the right to place advertising on their websites, and we believe focusing on ex-TAC Gross Profit better reflects the profitability of our business.

The following table provides a reconciliation of ratio of net loss to gross profit and Ratio of Adjusted EBITDA to ex-TAC Gross Profit:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(dollars in thousands)	
Gross profit	\$ 108,953	\$ 89,592
Net loss	\$ (26,158)	\$ (31,313)
Ratio of net loss to gross profit	(24.0%)	(35.0%)
ex-TAC Gross Profit	\$ 138,888	\$ 115,740
Adjusted EBITDA	\$ 23,489	\$ 10,122
Ratio of Adjusted EBITDA margin to ex-TAC Gross Profit	16.9%	8.7%

***Non-GAAP Net Income (Loss)***

We calculate Non-GAAP Net Income (Loss) as net income (loss) adjusted to exclude revaluation of our Warrants liability, share-based compensation expense including Connexity holdback compensation expenses, M&A costs and amortization of acquired intangible assets, foreign currency exchange rate gains (losses), net, and other noteworthy items that change from period to period and related tax effects.

We believe that Non-GAAP Net Income (Loss) is useful because it allows us and others to measure our operating performance and trends without regard to items such as the revaluation of our Warrants liability, share-based compensation expense, cash and non-cash M&A costs including amortization of acquired intangible assets, foreign currency exchange rate (gains) losses, net and other noteworthy items that change from period to period and related tax effects. These items can vary substantially depending on our share price, acquisition activity, the method by which assets are acquired and other factors.

Limitations on the use of Non-GAAP Net Income (Loss) include the following:

- Non-GAAP Net Income (Loss) excludes share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Non-GAAP Net Income (Loss) will generally be more favorable than our net income (loss) for the same period due to the nature of the items being excluded from its calculation; and
- Non-GAAP Net Income (Loss) is a performance measure and should not be used as a measure of liquidity.

The following table reconciles net income (loss) to Non-GAAP Net Income (Loss) for the periods shown:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(dollars in thousands)	
Net loss	\$ (26,158)	\$ (31,313)
Amortization of acquired intangibles	15,935	15,969
Share-based compensation expenses	13,756	13,527
Holdback compensation expenses (1)	2,645	2,555
Other costs (2)	—	237
Revaluation of Warrants	39	(1,676)
Foreign currency exchange rate losses (3)	1,041	429
Income tax effects	(3,426)	(3,829)
<b>Non-GAAP Net Income (Loss)</b>	<b>\$ 3,832</b>	<b>\$ (4,101)</b>

(1) Represents share-based compensation due to holdback of Ordinary shares issuable under compensatory arrangements relating to Connexity acquisition.

(2) The three months ended March 31, 2023, includes one-time costs related to the Commercial agreement.

(3) Represents foreign currency exchange rate gains or losses related to the remeasurement of monetary assets and liabilities to the Company's functional currency using exchange rates in effect at the end of the reporting period.

**Free Cash Flow**

We calculate Free Cash Flow as Net cash flow provided by operating activities minus purchases of property, plant and equipment, including capitalized internal-use software.

We believe that Free Cash Flow is useful to provide management and others with information about the amount of cash generated from our operations that can be used for strategic initiatives, including investing in our business, making strategic acquisitions, and strengthening our balance sheet. We expect our Free Cash Flow to fluctuate in future periods as we invest in our business to support our plans for growth.

Limitations on the use of Free Cash Flow include the following:

- It should not be inferred that the entire Free Cash Flow amount is available for discretionary expenditures. For example, cash is still required to satisfy other working capital needs, including short-term investment policy, restricted cash, repayment of loan and intangible assets;
- Free Cash Flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities; and
- This metric does not reflect our future contractual commitments.

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(dollars in thousands)	
Net cash provided by operating activities	\$ 32,395	\$ 17,524
Purchases of property and equipment, including capitalized internal-use software	(5,589)	(6,350)
Free Cash Flow	<u>\$ 26,806</u>	<u>\$ 11,174</u>

**Components of Our Results of Operations****Revenues**

All of our Revenues are generated from Advertisers with whom we enter into commercial arrangements, defining the terms of our service and the basis for our charges. Generally, our charges are based on a CPC, CPM or CPA basis. For campaigns priced on a CPC basis, we recognize these Revenues when a user clicks on an advertisement we deliver. For campaigns priced on a CPM basis, we recognize these Revenues when an advertisement is displayed. For campaigns priced on a performance-based CPA basis, the Company generates revenue when a user makes an acquisition.

**Cost of revenues**

Our cost of revenue primarily includes traffic acquisition cost and also includes other cost of revenue.



### ***Traffic acquisition cost***

Traffic acquisition cost, or TAC, consists primarily of cost related to digital property compensation for placing our platform on their digital property and cost for advertising impressions purchased from real-time advertising exchanges and other third parties. Traffic acquisition cost also includes up-front payments, incentive payments, or bonuses paid to the digital property partners, which are amortized over the shorter of respective contractual terms and the economic benefit period of the digital property arrangement. For the majority of our digital properties partners, we have two primary compensation models for digital properties. The most common model is a revenue share model. In this model, we agree to pay a percentage of our revenue generated from advertisements placed on the digital properties. The second model includes guarantees. Under this model, we pay the greater of a percentage of the revenue generated or a committed guaranteed amount per thousand page views (“Minimum guarantee model”). Actual compensation is settled on a monthly basis. Expenses under both the revenue share model as well as the Minimum guarantee model are recorded as incurred, based on actual revenues generated by us at the respective month.

### ***Other cost of revenues***

Other cost of revenues includes data center and related costs, depreciation expense related to hardware supporting our platform, amortization expense related to capitalized internal-use software and acquired technology, digital and services taxes, personnel costs, and allocated facilities costs. Personnel costs include salaries, bonuses, share-based compensation, and employee benefit costs, and are primarily attributable to our operations group, which supports our platform and our Advertisers.

### ***Gross profit***

Gross profit, calculated as revenues less cost of revenues, has been, and will continue to be, affected by various factors, including fluctuations in the amount and mix of revenue and the amount and timing of investments to expand our digital properties partners and Advertisers base. We hope to increase both our Gross profit in absolute dollars and as a percentage of revenue through enhanced operational efficiency and economies of scale.

### ***Research and development***

Research and development expenses consist primarily of personnel costs, including salaries, bonuses, share-based compensation and employee benefits costs, allocated facilities costs, professional services and depreciation. We expect research and development expenses to increase in future periods to support our growth, including continuing to invest in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

### ***Sales and marketing***

Sales and marketing expenses consist of payroll and other personnel related costs, including salaries, share-based compensation, employee benefits, and travel for our sales and marketing departments, advertising and promotion, rent and depreciation and amortization expenses, particularly related to the acquired intangibles. We expect to increase selling and marketing expenses to support the overall growth in our business.

### ***General and administrative***

General and administrative expenses consist of payroll and other personnel related costs, including salaries, share-based compensation, employee benefits and expenses for executive management, legal, finance and others. In addition, general and administrative expenses include fees for professional services and occupancy costs. We expect our general and administrative expense to increase as we scale up headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

**Finance income (expenses), net**

Finance income (expenses), net, primarily consists of interest income (expense) including amortization of loan and credit facility issuance costs, Warrants liability fair value adjustments, gains (losses) from foreign exchange fluctuations and bank fees.

**Income tax benefit (expenses)**

The statutory corporate tax rate in Israel was 23% for the three months ended March 31, 2024 and 2023, although we are entitled to certain tax benefits under Israeli law.

Pursuant to the Israeli Law for Encouragement of Capital Investments-1959 (the "Investments Law") and its various amendments, under which we have been granted "Privileged Enterprise" status, we were granted a tax exemption status for the years 2018 and 2019.

For 2021 and subsequent tax years, we adopted The "Preferred Technology Enterprises" ("PTE") Incentives Regime (Amendment 73 to the Investment Law) granting a 12% tax rate in central Israel on income deriving from benefited intangible assets, subject to a number of conditions being fulfilled, including a minimal amount or ratio of annual research and development expenditure and research and development employees, as well as having at least 25% of annual income derived from exports to large markets. PTE is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion.

As of March 31, 2024, we have an accumulated tax loss carry-forward of approximately \$68.7 million in Israel. The tax loss can be offset indefinitely. Non-Israeli subsidiaries are taxed according to the tax laws in their respective jurisdictions.

The following table provides consolidated statements of loss data for the periods indicated:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
(dollars in thousands)		
Revenues	\$ 414,008	\$ 327,686
Cost of revenues:		
Traffic acquisition cost	275,120	211,946
Other cost of revenues	29,935	26,148
<b>Total cost of revenues</b>	<b>305,055</b>	<b>238,094</b>
Gross profit	108,953	89,592
Operating expenses:		
Research and development	36,249	31,985
Sales and marketing	67,608	60,569
General and administrative	23,329	25,836
<b>Total operating expenses</b>	<b>127,186</b>	<b>118,390</b>
Operating loss	(18,233)	(28,798)
Finance expenses, net	(3,638)	(3,154)
Loss before income taxes	(21,871)	(31,952)
Income tax benefit (expenses)	(4,287)	639
<b>Net loss</b>	<b>\$ (26,158)</b>	<b>\$ (31,313)</b>

### **Comparison of the three months ended March 31, 2024 and 2023**

Revenues increased by \$86.3 million, or 26.3%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. New digital property partners contributed approximately \$143.2 million of new Revenues on a 12-month run rate basis calculated based on their first full month on the network, a majority of which is related to Yahoo supply. Existing digital property partners, including the growth of new digital property partners (beyond the revenue contribution determined based on the run-rate revenue generated by the partners when they are first on-boarded) decreased by approximately \$56.9 million. This decrease was primarily driven by lower advertiser rates on existing digital property partners due to spend being served on new Yahoo supply added to the network.

Gross profit increased by \$19.4 million, or 21.6%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Ex-TAC Gross Profit, a non-GAAP measure, increased by \$23.1 million, or 20.0%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily due to new digital property partners, a majority of which is related to Yahoo supply.

Total cost of revenues increased by \$67.0 million, or 28.1%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Traffic acquisition cost increased by \$63.2 million, or 29.8%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Traffic acquisition cost increased at a rate higher than revenue primarily due to a mix shift to lower margin digital properties and decreased yield on digital properties with guarantee obligations.

The cost of guarantees (total payments due under guarantee arrangements in excess of amounts the Company would otherwise be required to pay under revenue sharing arrangements) as a percentage of traffic acquisition costs were approximately 17% and 19% for the three months ended March 31, 2024 and March 31, 2023, respectively.

Other cost of revenues increased by \$3.8 million, or 14.5%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily as a result of a \$3.3 million increase in depreciation expenses related to new product innovation and hosting expenses.

Research and development expenses increased by \$4.3 million, or 13.3%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily attributable to \$3.4 million increase in employee and subcontractor headcount and related costs, including share-based compensation expenses, reflecting our continued effort to enhance our product offerings and a \$0.3 million increase in depreciation expenses.

Sales and marketing expenses increased by \$7.0 million, or 11.6%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily attributable to \$5.0 million increase in employee and subcontractor headcount and related costs, including share-based compensation expenses, supporting our growth, \$1.8 million increase in other marketing activities.

General and administrative expenses decreased by \$2.5 million, or 9.7%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, a result of a decrease of \$1.6 million in employee and subcontractors related costs, including share-based compensation expenses, \$1.3 million decrease in insurance and legal consultants expenses related to regulatory matters and \$0.9 million decrease in credit losses expenses, partially offset by an increase of \$1.1 million in rent and other expenses.

Finance expenses, net decreased by \$0.5 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, mainly attributable to \$1.7 million Warrants liability devaluation in the three months ended March 31, 2023, compared to less than \$0.1 million in the three months ended March 31, 2024 and a \$0.6 million increase in foreign currency exchange rate losses partially offset by a decrease of \$1.9 million in interest expense due to the voluntary repayments of a portion of the long-term loan in 2023.

Income tax benefit (expenses) decreased by \$4.9 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Our effective tax rate is affected primarily by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, such as share-based compensation, and changes in our valuation allowance.

### **Liquidity and Capital Resources**

Our primary cash needs are for working capital, personnel costs, contractual obligations, including payments to digital property partners, office leases and software and information technology costs, capital expenditures for servers and capitalized software development, payment of interest and required principal payments on our long-term loan and other commitments. We fund these cash needs primarily from cash generated from operations, as well as from cash and cash equivalents on our balance sheet when required. For the three months ended March 31, 2024 and 2023, we generated cash from operations of \$32.4 million and \$17.5 million, respectively.

As part of our growth strategy, we have made and expect to continue to make significant investments in research and development and in our technology platform. We also plan to selectively consider possible future acquisitions that are attractive opportunities we deem strategic and value-enhancing. To fund our growth, depending on the magnitude and timing of our growth investments and the size and structure of any possible future acquisition, we may supplement our available cash from operations with issuances of equity or debt securities and/or make other borrowings, which could be material.

As of March 31, 2024 and December 31, 2023, we had \$178.5 million and \$176.1 million of cash and cash equivalents, respectively, \$2.5 million and \$5.7 million of short-term investments, respectively, and \$5.5 million and \$5.7 million in short and long-term restricted deposits, respectively, used, mainly, as security for our lease commitments. Cash and cash equivalents consist of cash in banks and highly liquid marketable securities investments and money market funds, with an original maturity of three months or less at the date of purchase and are readily convertible to known amounts of cash. Short-term investments generally consist of bank deposits, U.S. government treasuries, commercial paper, corporate debt securities, and U.S. agency bonds.

We believe that this, together with net proceeds from our engagements with Advertisers and digital property partners, will provide us with sufficient liquidity to meet our working capital and capital expenditure needs for at least the next 12 months. In the future, we may be required to obtain additional equity or debt financing in order to support our continued capital expenditures and operations. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our business, growth, and results of operations.

On August 9, 2022 we entered into an incremental revolving credit facility amendment to our existing senior secured credit agreement (the “Amended Credit Agreement”). The Amended Credit Agreement provides for borrowings in an aggregate principal amount of up to \$90 million (the “Revolving Facility”). The proceeds of the Revolving Facility can be used to finance working capital needs and general corporate purposes. Borrowings under the Revolving Facility are subject to customary borrowing conditions and will bear interest at a variable annual rate based on Term SOFR or Base Rate plus a fixed margin. The Amended Credit Agreement also contains customary representations, covenants and events of default as well as a financial covenant, which places a limit on our allowable net leverage ratio. As of March 31, 2024, we had no outstanding borrowings under the Revolving Facility.

As of March 31, 2024, our outstanding principal amount of debt under our long-term loan was \$152.7 million with the remaining principal amount due at maturity on September 1, 2028.

### **Share Buyback Program**

Our board of directors authorized a share buyback program for the repurchase of our outstanding Ordinary shares, which commenced in June 2023 and does not have an expiration date (the “Buyback Program”). In 2023, our board of directors authorized up to \$80.0 million of buybacks under the Buyback Program. In February 2024, our board of directors authorized up to \$100.0 million for use under the Buyback Program, including any remaining authority from the 2023 board of directors authorization, subject to satisfying required conditions under the Israeli Companies Law and the Companies Regulations (Reliefs for Corporations, Which Securities Are Listed on Foreign Stock Exchanges), 2000. As permitted by the Buyback Program, share repurchases may be made from time to time, in privately negotiated transactions or in the open market, including through trading plans intended to comply with Rule 10b5-1, at the discretion of our management and as permitted by securities laws and other legal requirements, including Rule 10b-18 of the Exchange Act. The Buyback Program does not obligate the Company to repurchase any specific number of shares and the number of shares repurchased may depend upon market and economic conditions and other factors. The Buyback Program may be discontinued, modified or suspended at any time.

During the three months ended March 31, 2024, we repurchased 6.2 million Ordinary shares at an average price of \$4.44 per share (excluding broker and transaction fees of \$0.2 million). As of March 31, 2024 the Company had remaining authorization from our board of directors to repurchase Ordinary shares up to an aggregate amount of \$92.1 million, subject to satisfying required conditions under the Israeli Companies Law and the Companies Regulations. See Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Note 9 of Notes to the Unaudited Consolidated Interim Financial Statements.

Our future capital requirements and the adequacy of available funds will depend on many factors, including the risks and uncertainties set forth in our 2023 Form 10-K under Item 1A. “Risk Factors,” and in our subsequent filings with the SEC.

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	
<b>Cash Flow Data:</b>		
Net cash provided by operating activities	\$ 32,395	\$ 17,524
Net cash provided by (used in) investing activities	(1,605)	35,310
Net cash used in financing activities	(28,772)	(206)
Exchange rate differences on balances of cash and cash equivalents	408	328
Increase in cash and cash equivalents	<u>\$ 2,426</u>	<u>\$ 52,956</u>

### ***Operating Activities***

During the three months ended March 31, 2024, net cash provided by operating activities was \$32.4 million, an increase of \$14.9 million, compared to \$17.5 million for the same period in 2023. The \$32.4 million was related to our net loss of \$26.8 million adjusted by non-cash charges of \$41.8 million and positive changes in working capital of \$17.4 million.

The \$41.8 million of non-cash charges consisted of depreciation and amortization of \$25.3 million and share-based compensation expense related to vested equity awards of \$16.4 million.

The \$17.4 million increase in cash resulting from changes in working capital primarily consisted of a \$22.8 million decrease in trade receivables, net, a \$9.2 million decrease in prepaid expenses and other assets, partially offset by a \$8.3 million decrease in trade payables, a \$3.7 million decrease in deferred taxes, net, and a \$1.5 million decrease in accrued expenses and other liabilities.

Net cash provided by operating activities of \$17.5 million for the three months ended March 31, 2023 was related to our net loss of \$31.3 million adjusted by non-cash charges of \$36.8 million and positive changes in working capital of \$12.0 million.

The \$36.8 million of non-cash charges primarily consisted of depreciation and amortization of \$22.6 million and share-based compensation expense related to vested equity awards of \$16.1 million, partially offset by \$1.7 million of Warrants liability devaluation.

The \$12.0 million increase in cash resulting from changes in working capital primarily consisted of a \$44.4 million decrease in trade receivables, net and an increase in deferred taxes, net of \$2.8 million, partially offset by a decrease in trade payables of \$22.8 million and a decrease in accrued expenses and other liabilities of \$13.4 million.

### ***Investing Activities***

During the three months ended March 31, 2024, net cash used in investing activities was \$1.6 million, a decrease of \$36.9 million, compared to \$35.3 million in net cash provided in the same period in 2023. Net cash used in investing activities for the three months ended March 31, 2024 primarily consisted of \$5.6 million purchase of property and equipment, including capitalized internal-use software partially offset by \$3.3 million proceeds from maturities of short-term investments.

Net cash provided by investing activities of \$35.3 million for the three months ended March 31, 2023 primarily consisted of \$41.9 million proceeds from maturities of short-term investments partially offset by \$6.4 million purchase of property and equipment, including capitalized internal-use software.

### ***Financing Activities***

During the three months ended March 31, 2024, net cash used in financing activities was \$28.8 million, an increase of \$28.6 million, compared to \$0.2 million net cash used in the same period in 2023. Net cash used in financing activities for the three months ended March 31, 2024 primarily consisted of \$27.8 million repurchase of Ordinary shares.

Net cash used in financing activities of \$0.2 million for the three months ended March 31, 2023, consisted of \$0.8 million payment of tax withholding for share-based compensation and \$0.8 million repayment of the current portion of long-term loan, offset by \$1.3 million proceeds received from share option exercises and vested RSUs.

### Contractual Obligations

The following table discloses aggregate information about material contractual obligations and the periods in which they are due as of March 31, 2024. Future events could cause actual payments to differ from these estimates.

	Contractual Obligations by Period					
	2024	2025	2026	2027	2028	Thereafter
	(dollars in thousands)					
Debt Obligations (1)	\$ —	\$ —	\$ —	\$ —	\$ 152,735	\$ —
Operating Leases (2)	16,770	17,672	14,320	10,087	5,607	8,264
Non-cancellable purchase obligations (3)	24,814	3,465	2,025	286	—	—
Total Contractual Obligations	\$ 41,584	\$ 21,137	\$ 16,345	\$ 10,373	\$ 158,342	\$ 8,264

(1) Due to our voluntary prepayments, we have no remaining obligations to make quarterly amortization payments under our long-term loan.

(2) Represents future minimum lease commitments under non-cancellable operating lease agreements.

(3) Primarily represents non-cancelable amounts for contractual commitments in respect of software and information technology.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty. The table above does not reflect any reduction for prepaid obligations as of March 31, 2024.

As of March 31, 2024, we have a provision related to unrecognized tax benefit liabilities totaling \$8.8 million and other provisions related to severance pay and contribution plans, which have been excluded from the table above as we do not believe it is practicable to make reliable estimates of the periods in which payments for these obligations will be made.

### Other Commercial Commitments

In the ordinary course of our business, we enter into agreements with certain digital properties, under which, in some cases we agree to pay them a guaranteed amount, generally per thousand page views on a monthly basis. These agreements could cause a gross loss on digital property accounts in which the guarantee is higher than the actual revenue generated. These contracts generally range in duration from 2 to 5 years, though some can be shorter or longer. These contracts are not included in the table above.

**Recent Accounting Pronouncements**

During the period covered by this report, there were no material recent accounting pronouncements impacting our accounting policies that are not already discussed in our 2023 Form 10-K.

**Critical Accounting Estimates**

Our discussion and analysis of financial condition results of operations are based upon our consolidated interim financial statements included elsewhere in this report. The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances and we evaluate these estimates on an ongoing basis. Actual results may differ from those estimates.

Our critical accounting policies are those that materially affect our consolidated financial statements and involve difficult, subjective or complex judgments by management. There have been no material changes to our critical accounting policies and estimates of and for the year ended December 31, 2023, included in our 2023 Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk****Foreign Currency Exchange Risk**

A 10% increase or decrease of the NIS, Euro, British pound sterling, or the Japanese yen against the U.S. dollar would have impacted the consolidated statements of loss as follows:

	<b>Operating loss impact</b>			
	<b>three months ended</b>			
	<b>March 31,</b>			
	<b>2024</b>		<b>2023</b>	
<b>(dollars in thousands)</b>				
	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>
NIS/USD	\$ (458)	\$ 458	\$ (841)	\$ 841
EUR/USD	\$ 757	\$ (757)	\$ 204	\$ (204)
GBP/USD	\$ (461)	\$ 461	\$ (481)	\$ 481
JPY/USD	\$ 306	\$ (306)	\$ 354	\$ (354)

To reduce the impact of foreign exchange risks associated with forecasted future cash flows related to payroll expenses and other personnel related costs denominated in NIS and their volatility, we have established a hedging program and use derivative financial instruments, specifically foreign currency forward contracts, call and put options, to manage exposure to foreign currency risks. These derivative instruments are designated as cash flow hedges.



### **Interest Rate Risk**

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change.

Our cash, cash equivalents, and short-term investments are held mainly for working capital purposes. The primary objectives of our investment activities are the preservation of capital and the fulfillment of liquidity needs. We do not enter into investments for trading or speculative purposes. Such interest-earning instruments carry a degree of interest rate risk. Changes in interest rates affect the interest earned on our cash and cash equivalents and short-term investments, and the market value of those securities.

As of March 31, 2024, we had approximately \$152.7 million of outstanding borrowings under our long-term loan with a variable interest rate. See Liquidity and Capital Resources for information regarding our incremental revolving credit facility amendment.

Fluctuations in interest rates may impact the level of interest expense recorded on future borrowings. We do not enter into derivative financial instruments, including interest rate swaps, to effectively hedge the effect of interest rate changes or for speculative purposes.

### **Inflation Risk**

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations, other than its impact on the general economy. However, if our costs, in particular labor, sales and marketing, information system, technology and utilities costs, were to become subject to significant inflationary pressures, we might not be able to effectively mitigate such higher costs. Our inability or failure to do so could adversely affect our business, financial condition, and results of operations.

### **Credit Risk**

Credit risk with respect to accounts receivable is generally not significant, as we routinely assess the creditworthiness of our partners and Advertisers. Historically, we generally have not experienced any material losses related to receivables from Advertisers. We do not require collateral. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in our accounts receivable.

As of March 31, 2024, we had a single customer representing 14.8% of the trade receivables balance. For the three months ended March 31, 2024, we had a single customer accounted for 12.6% of total revenues. As of December 31, 2023, no single customer represented 10% or more of trade receivables. No single customer accounted for more than 10% of total revenue for the three months ended March 31, 2023. See Notes 2 and 12 of Notes to the Unaudited Consolidated Interim Financial Statements.

As of March 31, 2024, we maintained cash balances primarily in banks in the United States, the United Kingdom and Israel. In the United States and United Kingdom, the Company deposits are maintained with commercial banks, which are insured by the U.S. Federal Deposit Insurance Corporation ("FDIC") and Financial Services Compensation Scheme ("FSCS"), which is authorized by the Bank of England (acting in its capacity as the Prudential Regulation Authority), respectively. In Israel, commercial banks do not have government-sponsored deposit insurance. Historically we have not experienced losses related to these balances and believe our credit risk in this area is reasonable. As of March 31, 2024, we maintained cash balances with U.S. and United Kingdom banks that significantly exceed FDIC and FSCS insurance limits and expect we will continue to do so. We regularly monitor bank financial strength and other factors in determining where to maintain cash deposits but may not be able to fully mitigate the risk of possible bank failures.

Our short-term investments, which were \$2.5 million as of March 31, 2024, are investments in marketable securities with high credit ratings as required by our investment policy and are not insured or guaranteed.

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk across a number of major financial institutions. However, failure of one or more of these financial institutions is possible and could result in losses.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in the Company’s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

### **Changes in Internal Control**

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION****Item 1. Legal Proceedings**

From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our consolidated business prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

**Item 1A. Risk Factors**

Investing in our Ordinary shares involves a high degree of risk. We describe risks associated with our business in Part I, Item 1A: “Risk Factors” of our 2023 Form 10-K. Each of the risks described in those Risk Factors may be relevant to decisions regarding an investment in or ownership of our Ordinary shares. The occurrence of any such risks could have a significant adverse effect on our reputation, business, financial condition, revenue, results of operations, growth, or ability to accomplish our strategic objectives, and could cause the trading price of our Ordinary shares to decline. You should carefully consider such risks and the other information contained in this report, including our condensed consolidated interim financial statements and related notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations, before making investment decisions related to our Ordinary shares.

There are no additional material changes to the Risk Factors in our 2023 Form 10-K of which we are currently aware; but our Risk Factors cannot anticipate and fully address all possible risks of investing in our Ordinary shares, the risks of investing in our Ordinary shares may change over time, and additional risks and uncertainties that we are not aware of, or that we do not consider to be material, may emerge. Accordingly, you are advised to consider additional sources of information and exercise your own judgment in addition to the information we provide.

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

The following table presents Ordinary shares repurchased pursuant to our Ordinary share buyback program for the three months ended March 31, 2024.

<b>Period</b>	<b>(a) Total Number of Shares Repurchased</b>	<b>(b) Average Price Paid Per Share <sup>(1)</sup></b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program <sup>(2)</sup></b>
January 1 - January 31, 2024	2,530,691	\$ 4.24	2,530,691	\$ 14,120,274
February 1 - February 29, 2024	1,888,295	\$ 4.77	1,888,295	\$ 100,000,000
March 1 - March 31, 2024	1,804,185	\$ 4.36	1,804,185	\$ 92,130,860

(1) Excludes broker and transaction fees.

(2) Our board of directors authorized a share buyback program of our outstanding Ordinary shares, which commenced in June 2023 and does not have an expiration date (the “Buyback Program”). In 2023, our board of directors authorized up to \$80.0 million of buybacks under the Buyback Program. In February 2024, our board of directors authorized up to \$100.0 million for use under the Buyback Program, including any remaining authority from the 2023 board of directors authorization, subject to satisfying required conditions under the Israeli Companies Law and the Companies Regulations (Reliefs for Corporations, Which Securities Are Listed on Foreign Stock Exchanges) 2000. The Buyback Program permits us to purchase our Ordinary shares from time to time in the open market, including through trading plans intended to comply with Rule 10b5-1 under the Exchange Act, in privately negotiated transactions or otherwise. The timing and amount of any share buybacks will be subject to market conditions and other factors determined by the Company. The Company may suspend, modify or discontinue the program at any time in its sole discretion without prior notice.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

**Rule 10b5-1 Trading Plans**

Each of the following trading plans are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

On March 12, 2024 the trustee on behalf of a family trust established by Eldad Maniv, President and Chief Operating Officer, adopted a 10b5-1 trading plan providing for the potential sale of up to 2,000,000 Ordinary shares of the Company. The duration of the plan is until the earlier of December 13, 2024 or the completion of all transactions subject to the plan.

On March 14, 2024 Kristy Sundjaja, Chief People Officer, adopted a 10b5-1 trading plan providing for the potential sale of up to 120,000 Ordinary shares of the Company. The duration of the plan is until the earlier of July 31, 2025 or the completion of all transactions subject to the plan.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Exhibit Description</b>
<a href="#">31.1</a>	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
<a href="#">31.2</a>	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
<a href="#">32</a>	Section 1350 Certifications
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on this 8th day of May 2024.

By: /s/ Stephen C. Walker  
Name: Stephen C. Walker  
Title: Chief Financial Officer

I, Adam Singolda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Taboola.com Ltd.;
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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: May 8, 2024

By: /s/ Adam Singolda  
Adam Singolda  
Chief Executive Officer  
(Principal Executive Officer)

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I, Stephen C. Walker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Taboola.com Ltd.;
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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: May 8, 2024

By: /s/ Stephen C. Walker  
Stephen C. Walker  
Chief Financial Officer  
(Principal Financial Officer)

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**Certification**  
**Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes- Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Taboola.com Ltd. (the "Company"), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: May 8, 2024

By: /s/ Adam Singolda  
Adam Singolda  
Chief Executive Officer  
*(Principal Executive Officer)*

By: /s/ Stephen C. Walker  
Stephen C. Walker  
Chief Financial Officer  
*(Principal Financial Officer)*

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