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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ____________

Commission File Number: 001-40644

Kaltura, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**20-8128326**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
860 Broadway **3rd Floor** **New York, New York**	**10003**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (646) 290-5445

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	KLTR	The Nasdaq Stock Market LLC
Preferred Stock Purchase Rights	N/A	(1)

(1) Attached to Common Stock

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 ☒

The number of shares of the registrant's common stock, par value $0.0001, outstanding as of August 2, 2022 was 131,225,371

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to statements regarding our future results of operations and financial position, industry and business trends, stock-based compensation, revenue recognition, business strategy, plans and market growth.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following risks and the other important factors discussed in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission (the "SEC") on February 25, 2022:

- We may not successfully execute or achieve the expected benefits of our 2022 Restructuring Plan (as defined below) and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations;
- Our business and operations have experienced rapid growth, and if we do not appropriately manage this growth and any future growth, or if we are unable to improve our systems, processes and controls, our business, financial condition, results of operations and prospects will be adversely affected;
- Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future. Our growth also makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful;
- We have a history of losses and may not be able to achieve or maintain profitability;
- The ongoing COVID-19 outbreak, and its variants, could adversely affect our business, financial condition and results of operations;
- The markets for our offerings are new and evolving and may develop more slowly or differently than we expect. Our future success depends on the growth and expansion of these markets and our ability to adapt and respond effectively to evolving market conditions;
- The loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, would adversely affect our business, financial condition, results of operations and growth prospects;
- If we are not able to keep pace with technological and competitive developments and develop or otherwise introduce new products and solutions and enhancements to our existing offerings, our offerings may become less marketable, less competitive or obsolete, and our business, financial condition and results of operations may be adversely affected;
- A version of our Media Services is licensed to the public under an open source license, which could negatively affect our ability to monetize our offerings and protect our intellectual property rights;

- The markets in which we compete are nascent and highly fragmented, and we may not be able to compete successfully against current and future competitors, some of whom have greater financial, technical, and other resources than we do. If we do not compete successfully, our business, financial condition and results of operations could be harmed;
- If we are unable to increase sales of our subscriptions to new customers, expand the offerings to which our existing customers subscribe, or expand the value of our existing customers' subscriptions, our future revenue and results of operations will be adversely affected;
- If our existing customers do not renew their subscriptions, or if they renew on terms that are less economically beneficial to us, it could have an adverse effect on our business, financial condition and results of operations;
- We recognize a significant portion of revenue from subscriptions over the term of the relevant subscription period, and as a result, downturns or upturns in sales are not immediately reflected in full in our results of operations;
- We typically provide service-level commitments under our customer agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, face contract termination with refunds of prepaid amounts or could experience a decrease in customer renewals in future periods, any of which would lower our revenue and adversely affect our business, financial condition and results of operations;
- We rely on third parties, including third parties outside the United States, for some of our software development, quality assurance, operations, and customer support;
- We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business;
- If we are not able to maintain and enhance awareness of our brand, especially among developers and IT operators, our business, financial condition and results of operations may be adversely affected;
- Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and entrepreneurial spirit we have worked to foster, which could adversely affect our business;
- Our failure to offer high quality customer support would have an adverse effect on our business, reputation and results of operations;
- The failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our offerings;
- The sales prices of our offerings may change, which may reduce our revenue and gross profit and adversely affect our financial results;
- We expect our revenue mix to vary over time, which could negatively impact our gross margin and results of operations;
- The length of our sales cycle can be unpredictable, particularly with respect to sales to large customers, and our sales efforts may require considerable time and expense;
- Our international operations and expansion expose us to risk;
- If we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be adversely affected;
- Currency exchange rate fluctuations affect our results of operations, as reported in our financial statements;
- A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks;

- If we are unable to consummate acquisitions at our historical rate and at acceptable prices, and to enter into other strategic transactions and relationships that support our long-term strategy, our growth rate and the trading price of our common stock could be negatively affected. These transactions and relationships also subject us to certain risks;

- A real or perceived bug, defect, security vulnerability, error, or other performance failure involving our platform, products or solutions could cause us to lose revenue, damage our reputation, and expose us to liability;

- If we or our third-party service providers experience a security breach, data loss or other compromise, including if unauthorized parties obtain access to our customers' data, our reputation may be harmed, demand for our platform, products and solutions may be reduced, and we may incur significant liabilities;

- Failure to protect our proprietary technology, or to obtain, maintain, protect and enforce sufficiently broad intellectual property rights therein, could substantially harm our business, financial condition and results of operations;

- Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new offerings could reduce our ability to compete and could adversely affect our business;

- Changes in laws and regulations related to the internet, changes in the internet infrastructure itself, or increases in the cost of internet connectivity and network access may diminish the demand for our offerings and could harm our business; and

- Political, economic, and military conditions in Israel could materially and adversely affect our business.

The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, references to "Kaltura," the "Company," "we," "us," and "our," refer to Kaltura, Inc. and its subsidiaries on a consolidated basis.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except share and per share data)
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,660	$ 143,949
Marketable securities	34,890	—
Trade receivables	32,209	17,509
Prepaid expenses and other current assets	7,488	5,110
Deferred contract acquisition and fulfillment costs, current	10,496	9,079
Total current assets	140,743	175,647
LONG-TERM ASSETS:		
Marketable securities	3,424	—
Property and equipment, net	12,221	9,503
Other assets, noncurrent	3,563	2,543
Deferred contract acquisition and fulfillment costs, noncurrent	22,696	22,621
Operating lease right-of-use assets	23,897	—
Intangible assets, net	1,526	1,909
Goodwill	11,070	11,070
Total noncurrent assets	78,397	47,646
TOTAL ASSETS	$ 219,140	$ 223,293
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term loans	$ 4,297	$ 2,794
Trade payables	8,024	6,480
Employees and payroll accruals	17,413	18,627
Accrued expenses and other current liabilities	14,546	18,496
Operating lease liabilities, current	1,346	—
Deferred revenue, current	51,904	51,689
Total current liabilities	97,530	98,086
LONG-TERM LIABILITIES:		
Deferred revenue, noncurrent	1,475	1,953
Long-term loans, net of current portion	32,900	35,795
Operating lease liabilities, noncurrent	22,066	—
Other liabilities, noncurrent	2,101	2,185
Total long-term liabilities	58,542	39,933
TOTAL LIABILITIES	$ 156,072	$ 138,019

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except share and per share data)
(unaudited)

	June 30, 2022	December 31, 2021
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 par value per share, 20,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 0 shares issued and outstanding as of June 30, 2022, and December 31, 2021	—	—
Common stock $0.0001 par value per share, 1,000,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 138,271,944 and 134,610,294 shares issued as of June 30, 2022 and December 31, 2021, respectively; 130,586,754 and 126,925,104 outstanding as of June 30, 2022 and December 31, 2021, respectively	13	13
Treasury stock – 7,685,190 shares of common stock, $0.0001 par value per share, as of June 30, 2022 and December 31, 2021	(4,881)	(4,881)
Additional paid-in capital	426,037	412,776
Accumulated other comprehensive loss	(1,194)	—
Accumulated deficit	(356,907)	(322,634)
Total stockholders' equity	63,068	85,274
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 219,140	$ 223,293

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Subscription	$ 37,972	$ 36,467	$ 74,989	$ 68,808
Professional services	4,006	5,136	8,705	10,508
Total revenue	41,978	41,603	83,694	79,316
Cost of revenue:				
Subscription	9,770	10,018	19,419	19,894
Professional services	5,519	5,604	11,315	11,309
Total cost of revenue	15,289	15,622	30,734	31,203
Gross profit	26,689	25,981	52,960	48,113
Operating expenses:				
Research and development	14,441	11,787	29,314	22,687
Sales and marketing	16,416	10,524	31,032	20,685
General and administrative	11,338	9,440	22,775	17,387
Other operating expenses	—	—	—	1,724
Total operating expenses	42,195	31,751	83,121	62,483
Operating loss	15,506	5,770	30,161	14,370
Financial expenses (income), net	(241)	(4,497)	(56)	653
Loss before provision for income taxes	15,265	1,273	30,105	15,023
Provision for income taxes	2,082	1,446	4,168	3,252
Net loss	17,347	2,719	34,273	18,275
Preferred stock accretion and cumulative undeclared dividends	—	3,412	—	6,672
Net loss attributable to common stockholders	$ 17,347	$ 6,131	$ 34,273	$ 24,947
Net loss per share attributable to common stockholders, basic	$ 0.13	$ 0.24	$ 0.27	$ 0.98
Net loss per share attributable to common stockholders, diluted	$ 0.13	$ 0.37	$ 0.27	$ 0.98
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic	129,745,162	25,768,411	128,794,256	25,538,010
Weighted-average shares used in computing net loss per share attributable to common stockholders, diluted	129,745,162	32,836,110	128,794,256	25,538,010

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(U.S. dollars in thousands, except for share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ 17,347	$ 2,719	$ 34,273	$ 18,275
Other comprehensive income:				
Net unrealized losses on cash flow hedges	1,572	—	1,049	—
Net unrealized losses on available-for-sale marketable securities	145	—	145	—
Other comprehensive loss	1,717	—	1,194	—
Comprehensive loss	$ 19,064	$ 2,719	$ 35,467	$ 18,275

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

KALTURA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE AND REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

U.S. dollars in thousands (except share data)

(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Number	Amount	Number	Amount				
Balance as of April 1, 2022	127,648,228	$ 13	7,685,190	$ (4,881)	$ 418,826	$ 523	$ (339,560)	$ 74,921
Stock-based compensation	—	—	—	—	6,145	—	—	6,145
Issuance of common stock upon exercise of stock options, and vesting of restricted stock units	2,938,526	*)—	—	—	1,066	—	—	1,066
Other comprehensive loss	—	—	—	—	—	(1,717)	—	(1,717)
Net loss	—	—	—	—	—	—	(17,347)	(17,347)
Balance as of June 30, 2022	130,586,754	$ 13	7,685,190	$ (4,881)	$ 426,037	$ (1,194)	$ (356,907)	$ 63,068

	Convertible preferred stock		Redeemable convertible preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Balance as of April 1, 2021	1,043,778	$ 1,921	15,806,333	$159,340	25,755,951	$ 2	7,685,190	$ (4,881)	$ 13,560	$ (278,839)	$ (270,158)
Stock-based compensation expenses	—	—	—	—	—	—	—	—	4,213	—	4,213
Issuance of common stock upon exercise of stock options	—	—	—	—	38,311	*)—	—	—	65	—	65
Net loss	—	—	—	—	—	—	—	—		(2,719)	(2,719)
Balance as of June 30, 2021	1,043,778	$ 1,921	15,806,333	$159,340	25,794,262	$ 2	7,685,190	$ (4,881)	$ 17,838	$ (281,558)	$ (268,599)

*) Represents an amount that is lower than $1

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

KALTURA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE AND REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

U.S. dollars in thousands (except share data)

(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Number	Amount	Number	Amount				
Balance as of January 1, 2022	126,925,104	$ 13	7,685,190	$ (4,881)	$ 412,776	$ —	$ (322,634)	$ 85,274
Stock-based compensation	—	—	—	—	11,897	—	—	11,897
Issuance of common stock upon exercise of stock options, and vesting of restricted stock units	3,661,650	*)—	—	—	1,364	—	—	1,364
Other comprehensive loss	—	—	—	—	—	(1,194)	—	(1,194)
Net loss	—	—	—	—	—	—	(34,273)	(34,273)
Balance as of June 30, 2022	130,586,754	$ 13	7,685,190	$ (4,881)	$ 426,037	$ (1,194)	$ (356,907)	$ 63,068

	Convertible preferred stock		Redeemable convertible preferred stock		Common stock		Treasury stock		Receivables on account of stock	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance as of January 1, 2021	1,043,778	$ 1,921	15,779,322	$158,191	25,467,922	$ 2	7,685,190	$ (4,881)	$ (882)	$ 8,388	$ (263,283)	$ (260,656)
Loan forgiveness	—	—	—	—	—	—	—	—	882	—	—	882
Stock-based compensation expenses	—	—	—	—	—	—	—	—	—	9,173	—	9,173
Issuance of common stock upon exercise of stock options	—	—	—	—	326,340	*)—	—	—	—	277	—	277
Issuance of preferred stock upon exercise of warrants	—	—	27,011	1,149	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(18,275)	(18,275)
Balance as of June 30, 2021	1,043,778	$ 1,921	15,806,333	$159,340	25,794,262	$ 2	7,685,190	$ (4,881)	$ —	$ 17,838	$ (281,558)	$ (268,599)

*) Represents an amount that is lower than $1

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands
(unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net loss	$ (34,273)	$ (18,275)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on sale of property and equipment	179	—
Depreciation and amortization	1,353	1,200
Stock-based compensation expenses	11,727	9,173
Amortization of deferred contract acquisition and fulfillment costs	5,066	3,165
Change in valuation of warrants to purchase preferred and common stock	—	(1,776)
Non-cash interest expenses	20	222
Non-cash expenses with respect to stockholders' loans	—	882
Changes in operating assets and liabilities:		
Increase in trade receivables	(14,700)	(6,612)
Decrease (increase) in prepaid expenses and other current assets and other assets, noncurrent	115	(1,945)
Increase in deferred contract acquisition and fulfillment costs	(6,517)	(9,719)
Increase (decrease) in trade payables	1,643	(177)
Increase (decrease) in accrued expenses and other current liabilities	(4,721)	3,112
Increase (decrease) in employees and payroll accruals	(1,214)	4,085
Decrease in other liabilities, noncurrent	(56)	(309)
Increase (decrease) in deferred revenue	(263)	11,279
Operating lease right-of-use assets and lease liabilities, net	(486)	—
Net cash used in operating activities	(42,127)	(5,695)
Cash flows from investing activities:		
Investment in available-for-sale marketable securities	(38,393)	—
Purchases of property and equipment	(761)	(956)
Capitalized internal-use software	(3,076)	(1,255)
Investment in restricted bank deposit	(1,850)	—
Purchase of intangible assets	—	(79)
Net cash used in investing activities	(44,080)	(2,290)
Cash flows from financing activities:		
Proceeds from long-term loans, net of debt issuance cost	—	41,915
Repayment of long-term loans	(1,500)	(28,833)
Principal payments on finance leases	(133)	(956)
Proceeds from exercise of stock options	754	277
Payment of debt issuance costs	(125)	—
Payment of deferred offering costs	—	(2,594)
Net cash provided by (used in) financing activities	(1,004)	9,809
Net increase (decrease) in cash, cash equivalents and restricted cash	(87,211)	1,824
Cash, cash equivalents and restricted cash at the beginning of the period	144,371	28,355
Cash, cash equivalents and restricted cash at the end of the period	$ 57,160	$ 30,179

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands
(unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Supplemental disclosure of non-cash activity:		
Purchase of property, equipment, internal-use software, and intangible asset in credit	$ 415	$ 1,534
Lease liabilities arising from right-of-use assets	$ 23,712	$ —
Capitalized stock-based compensation cost	$ 170	$ —
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 6,463	$ 543
Cash paid for interest	$ 880	$ 1,939
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet		
Cash and cash equivalents	$ 55,660	$ 29,772
Restricted cash included in other assets, noncurrent	1,500	407
Total cash, cash equivalents, and restricted cash	$ 57,160	$ 30,179

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

U.S. dollars in thousands (except share and per share data)

NOTE 1: GENERAL

Description of Business

Kaltura, Inc. (together with its subsidiaries, the "Company") was incorporated in October 2006 and commenced operations in January 2007. The Company's business operations are allocated between two main segments, Enterprise, Education, and Technology ("EE&T") and Media and Telecom ("M&T"). The Company has developed a platform for video creation, management, and collaboration. The Company's platform enables companies, educational institutions, and other organizations to cost-effectively launch advanced online video experiences, including for Over-the-top ("OTT") Television, Cloud TV, web video publishing, video-based teaching, learning and training, video-based marketing, and video-based collaboration. The Company's core offerings consist of various Software-as-a-Service ("SaaS") products and solutions and a Platform-as-a-Service ("PaaS").

NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting.

The condensed consolidated balance sheet as of December 31, 2021 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 U.S. GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2021, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

In management's opinion, other than the changes to accounting for leases as described in Note 6, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements with normal recurring adjustments necessary for the fair presentation of the Company's financial position as of June 30, 2022, and the Company's consolidated results of operations, convertible and redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for the three and six months ended June 30, 2022 and 2021. The results for the three and six months ended June 30, 2022, are not necessarily indicative of the results to be expected for the full year ending December 31, 2022, or any other future interim or annual period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company evaluates on an ongoing basis its assumptions, including those related to contingencies, income tax uncertainties, incremental borrowing rate for operating leases, fair value of financial assets and liabilities, including fair value of derivatives, fair value and useful life of intangible assets, as well as in estimates used in applying the revenue recognition policy. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and trade receivables.

The majority of the Company's cash, and cash equivalents and restricted cash are invested with major banks in the United States, Israel, and the United Kingdom. Such investments in the United States may be in excess of insured limits and they are not insured in other jurisdictions. In general, these investments may be redeemed upon demand and therefore bear minimal risk.

The Company's trade receivables are geographically dispersed and derived from sales to customers mainly in the United States, Europe, and Asia. Concentration of credit risk with respect to trade receivables is limited by credit limits, ongoing credit evaluation, and account monitoring procedures.

Major customer data as a percentage of total revenues:

The following table sets forth customers that represented 10% or more of the Company's total revenue in each of the periods set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Customer A (EE&T)	*) —	*) —	*) —	10.01 %

*) Represents an amount that is lower than 10% of the Company's total revenue.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are discussed in Note 2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on February 25, 2022. There have been no significant changes to these policies during the six months ended June 30, 2022 except as noted below.

Derivatives and Hedging

Derivatives are recognized at fair value as either assets or liabilities in the consolidated balance sheets in accordance with ASC Topic 815, "Derivatives and Hedging." The gain or loss of derivatives which are designated and qualify as hedging instruments in a cash flow hedge, is recorded under accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Derivatives are classified within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments.

Marketable Securities

The Company invests its excess cash primarily in short-term fixed income securities, including government and investment-grade debt securities and money market funds. Marketable securities with original maturities greater than three months from the date of purchase and remaining maturities less than one year are classified as short-term marketable securities. Marketable securities with remaining maturities greater than one year, as of the balance sheet date and that the Company intends to hold for greater than one year, are classified as long-term marketable securities. Marketable securities are carried at fair market value, with unrealized gains and losses considered to be temporary in nature reported in accumulated other comprehensive loss. Cost of securities sold is based on specific identification. The Company determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale. After considering its capital preservation objectives, as well as its liquidity requirements, the Company may sell securities prior to their stated maturities. The Company determines any realized gains or losses on the sale of marketable securities on a specific identification method and record such gains and losses as a component of financial expense (income), net.

The Company evaluates the investments periodically for possible other-than-temporary impairment. A decline in fair value below the amortized costs of debt securities is considered an other-than-temporary impairment if it has the intent to sell the security or it is more likely than not that it will be required to sell the security before recovery of the entire amortized cost basis. In those instances, an impairment charge equal to the difference between the fair value and the amortized cost basis is recognized in financial expenses (income), net. Regardless of its intent or requirement to sell a debt security, impairment is considered other-than-temporary if the Company does not expect to recover the entire amortized cost basis.

Recently Adopted Accounting Pronouncements

As an “emerging growth company”, the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Leases (Topic 842), which would require lessees to put all leases on their balance sheets, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to the existing practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use (“ROU”) asset for the right to use the underlying asset for the lease term.

The Company adopted the guidance on January 1, 2022 using a modified retrospective transition approach. It applied Topic 842 to all leases as of January 1, 2022 without adjusting the comparative periods presented. The Company elected certain practical expedients permitted under the transition guidance within the new guidance and carried forward the historical accounting relating to lease identification and classification, remaining lease terms, and initial direct costs. Upon adoption, the Company recognized operating lease right-of-use assets and corresponding lease liabilities of $823. The adoption of Topic 842 did not have a material impact to the Company’s results of operations or cash flows. See Note 7, Leases, for further information.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing a variety of exceptions within the framework of ASC 740. These exceptions include the exception to the incremental approach for intra-period tax allocation in the event of a loss from continuing operations and income or a gain from other items (such as other comprehensive income), and the exception to using general methodology for the interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. Early adoption is permitted. The Company adopted this guidance on January 1, 2022, and the adoption did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for the Company beginning January 1, 2023, and interim periods therein. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2016-13 will have on its consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities in accordance with Accounting Standards Codification Topic 606. ASU 2021-08 is effective for fiscal years beginning after December 15, 2023 and early adoption is permitted. While the Company is continuing to assess the timing of adoption and the potential impacts of ASU 2021-08, it does not expect ASU 2021-08 to have a material effect, if any, on its consolidated financial statements.

U.S. dollars in thousands (except share and per share data)

NOTE 3: REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following tables present disaggregated revenue by category:

	Three Months Ended June 30, 2022			
	Enterprise, Education and Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 28,280	93.0 %	$ 9,692	83.7 %
Professional services	2,123	7.0 %	1,883	16.3 %
	$ 30,403	100 %	$ 11,575	100 %

	Three Months Ended June 30, 2021			
	Enterprise, Education and Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 27,197	89.9 %	$ 9,270	81.6 %
Professional services	3,040	10.1 %	2,096	18.4 %
	$ 30,237	100 %	$ 11,366	100 %

	Six Months Ended June 30, 2022			
	Enterprise, Education and Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 55,882	92.9 %	$ 19,107	81.1 %
Professional services	4,248	7.1 %	4,457	18.9 %
	$ 60,130	100 %	$ 23,564	100 %

	Six Months Ended June 30, 2021			
	Enterprise, Education & Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 51,167	88.9 %	$ 17,641	81.1 %
Professional services	6,388	11.1 %	4,120	18.9 %
	$ 57,555	100 %	$ 21,761	100 %

The following tables summarizes revenue by region based on the billing address of customers:

	Three Months Ended June 30,			
	2022		2021	
	Amount	Percentage of revenue	Amount	Percentage of revenue
United States (“US”)	$ 23,572	56.2 %	$ 24,728	59.4 %
Europe, the Middle East and Africa ("EMEA")	13,816	32.9 %	12,436	29.9 %
Other	4,590	10.9 %	4,439	10.7 %
	$ 41,978	100 %	$ 41,603	100 %

	Six Months Ended June 30,			
	2022		2021	
	Amount	Percentage of revenue	Amount	Percentage of revenue
US	$ 46,886	56.0 %	$ 47,026	59.3 %
EMEA	27,640	33.0 %	24,824	31.3 %
Other	9,166	11.0 %	7,466	9.4 %
	$ 83,692	100 %	$ 79,316	100 %

Remaining Performance Obligations

Remaining performance obligations represent the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and contracted amounts that will be invoiced and recognized as revenue in future periods. As of June 30, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was $172,732, which consists of both billed consideration in the amount of $53,379 and unbilled consideration in the amount of $119,353 that the Company expects to recognize as revenue but that was not yet recognized on the balance sheet. The Company expects to recognize 62% of its remaining performance obligations as revenue over the next 12 months and the remainder thereafter.

Costs to Obtain a Contract

The following table represents a roll forward of costs to obtain a contract:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ 25,292	$ 20,177	$ 26,274	$ 17,683
Additions to deferred contract acquisition costs during the period	4,369	4,764	5,473	8,502
Amortization of deferred contract acquisition costs	(2,275)	(1,434)	(4,361)	(2,678)
Ending balance	$ 27,386	$ 23,507	$ 27,386	$ 23,507
Deferred contract acquisition costs, current	$ 8,902	$ 6,359	$ 8,902	$ 6,359
Deferred contract acquisition costs, noncurrent	18,484	17,148	18,484	17,148
Total deferred costs to obtain a contract	$ 27,386	$ 23,507	$ 27,386	$ 23,507

Costs to Fulfill a Contract

The following table represents a roll forward of costs to fulfill a contract:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ 5,641	$ 4,169	$ 5,427	$ 4,041
Additions to deferred costs to fulfill a contract during the period	512	849	1,084	1,217
Amortization of deferred costs to fulfill a contract	(347)	(247)	(705)	(487)
Ending balance	$ 5,806	$ 4,771	$ 5,806	$ 4,771
Deferred fulfillment costs, current	1,594	1,190	1,594	1,190
Deferred fulfillment costs, noncurrent	4,212	3,581	4,212	3,581
Total deferred costs to fulfill a contract	$ 5,806	$ 4,771	$ 5,806	$ 4,771

NOTE 4: MARKETABLE SECURITIES

The following is a summary of available-for-sale marketable securities as of June 30, 2022:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale – matures within one year:				
Corporate bonds	$ 9,718	$ —	$ (45)	$ 9,673
Municipal securities	910	—	(1)	909
U.S. Treasury	14,425	—	(74)	14,351
Commercial paper	9,957	—	—	9,957
	35,010	—	(120)	34,890
Available-for-sale – matures after one year:				
Corporate bonds	1,983	—	(15)	1,968
U.S. Treasury	1,466	—	(10)	1,456
	3,449	—	(25)	3,424
Total	$ 38,459	$ —	$ (145)	$ 38,314

Based on the available evidence, the Company concluded that the gross unrealized losses on the marketable securities as of June 30, 2022 are temporary in nature. There were no gains or losses from available-for-sale marketable securities that were reclassified out of accumulated other comprehensive income during the periods presented.

U.S. dollars in thousands (except share and per share data)

NOTE 5: FAIR VALUE MEASUREMENTS

In accordance with ASC 820, the Company measures its cash equivalents and marketable securities at fair value using the market approach valuation technique. Cash equivalents and marketable securities are classified within Level 1 or Level 2 because these assets are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Foreign currency derivative contracts are classified within the Level 2 value hierarchy, as the valuation inputs are based on quoted prices and market observable data of similar instruments.

Description	Fair Value Hierarchy	Fair Value Measurements As Of June 30, 2022	Fair Value Measurements As Of December 31, 2021
Measured at fair value on a recurring basis:			
Assets:			
Cash equivalents:			
Money market funds	Level 1	$ 22,709	$ —
Corporate bonds	Level 2	$ 354	$ —
Municipal securities	Level 2	$ 1,377	$ —
Short-term marketable securities:			
Corporate bonds	Level 2	$ 9,675	$ —
Municipal securities	Level 2	$ 908	$ —
U.S. Treasury	Level 2	$ 14,350	$ —
Commercial paper	Level 2	$ 9,957	$ —
Long-term marketable securities:			
Corporate bonds	Level 2	$ 1,968	$ —
U.S. Treasury	Level 2	$ 1,456	$ —
Derivative instruments asset included in prepaid expenses and other current assets:			
Options and forward contracts designated as hedging instruments	Level 2	$ 3	$ —
Liabilities:			
Derivative instruments liability included in accrued expenses and other current liabilities:			
Options and forward contracts designated as hedging instruments	Level 2	$ 1,052	$ —

Prior to the Company's initial public offering (the "IPO"), the warrants to purchase preferred and common stock were measured at fair value using Level 3 inputs upon issuance and at each reporting date. Inputs used to determine the estimated fair value of the warrants to purchase preferred and common stock as of the valuation date included expected term, the risk-free interest rate, volatility, and the fair value of underlying shares.

U.S. dollars in thousands (except share and per share data)

The following table sets forth a summary of the changes in the fair value of the warrants to purchase preferred and common stock:

	Six Months Ended June 30, 2021
Balance at January 1	$ 56,780
Reclassification of warrant to preferred stocks to mezzanine equity	(1,149)
Change in fair value of warrants	(1,776)
Balance at June 30, 2021	$ 53,855

On February 3, 2021, SVB Financial Group ("SVB") converted a Warrant to Purchase Stock issued on February 3, 2011 (the "Series C Warrant") into shares of the Company's Series C Convertible Preferred Stock pursuant to the cashless conversion mechanism described in the Series C Warrant. The conversion was exercised for all 31,414 shares covered by the Series C Warrant and resulted in the net issuance of 27,011 shares of the Company's Series C Convertible Preferred Stock. Pursuant to the terms of the Series C Warrant, the number of net shares issued was determined by dividing (a) the aggregate fair market value of the shares otherwise issuable upon exercise of the Series C Warrant minus the aggregate exercise price of such shares by (b) the fair market value of one share of the Company's Series C Convertible Preferred Stock.

Upon the closing of the Company's IPO, the warrants to purchase preferred and common stock were converted into 7,067,699 shares of common stock. The final re-measurement of the warrants was based upon the publicly available stock price on the conversion date.

U.S. dollars in thousands (except share and per share data)

NOTE 6: DERIVATIVES AND HEDGING

The Company entered into forward, put and call option contracts to hedge certain forecasted payroll costs denominated in NIS against exchange rate fluctuations of the U.S. dollar for a period of up to twelve months. The Company recorded the cash flows associated with these derivatives under operating activities. The Company does not use derivative instruments for trading or speculative purposes.

Notional Amount of Foreign Currency Contracts

The Company had outstanding contracts designated as hedging instruments in the aggregate notional amount of $31,021 as of June 30, 2022. The fair value of the Company's outstanding contracts amounted to an asset of $3 and a liability of $1,052 as of June 30, 2022. These assets and liabilities were recorded under prepaid expenses and other current assets and accrued expenses and other current liabilities, respectively. Losses of $735 and $602 were reclassified from accumulated other comprehensive loss during the three and six months ended June 30, 2022, respectively. Such losses were reclassified from accumulated other comprehensive loss when the related expenses were incurred. The Company had no outstanding contracts designated as hedging instruments as of December 31, 2021.

Effect of Foreign Currency Contracts on the Condensed Consolidated Statements of Operations

The effect of foreign currency contracts on the condensed consolidated statements of operations during the three and six months ended June 30, 2022 were as follows:

Condensed Statement of Operations Location:	**Three Months Ended June 30, 2022**	**Six Months Ended June 30, 2022**
Cost of revenue	$ 124	$ 100
Research and development	373	308
Sales and marketing	107	88
General and administrative	131	106
Total	$ 735	$ 602

U.S. dollars in thousands (except share and per share data)

NOTE 7: LEASES

The Company leases its office facilities under non-cancelable agreements that expire at various dates through July 2027.

The Company determines if an arrangement is a lease at inception. As discussed in Note 2, operating lease right-of-use assets and liabilities are included on the Condensed Consolidated Balance Sheet beginning January 1, 2022. The Company currently has finance leases in an immaterial amount that will expire during the fourth quarter of 2022.

Operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. Operating lease right-of-use assets also include any prepaid lease payments and lease incentives. Certain lease agreements include rental payments adjusted periodically for the consumer price index ("CPI"). The right-of-use and lease liability were calculated using the initial CPI and will not be subsequently adjusted. Payments for variable lease costs are expensed as incurred and not included in the operating lease right-of-use assets and liabilities. For short-term leases with a term of 12 months or less, operating lease right-of-use assets and liabilities are not recognized and the Company records lease payments in the Condensed Consolidated Statements of Operations on a straight-line basis over the lease term. The Company combines its lease payments and fixed payments for non-lease components and account for them together as a single lease component.

The interest rate used to determine the present value of the future lease payments is the Company’s incremental borrowing rate, because the interest rate implicit in the Company’s leases is not readily determinable. The Company’s incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Many of the Company’s lease agreements provide one or more options to renew. When determining lease terms, the Company uses the non-cancellable period of the leases and does not assume renewals unless it is reasonably certain that the Company will exercise the renewal option. Operating lease expenses are recognized on a straight-line basis over the lease term.

On April 6, 2022, the Company entered into a new lease agreement as tenant related to a property in Israel (the "Lease"). The Lease provides that the Company will lease a new building containing approximately 5,926 square meters. The initial lease term is approximately 5.5 years with two options to extend of five years each. The Company believes that it is reasonably certain that it will exercise the option for the first extension period, and accordingly includes this extension period as part of the lease term. For accounting purposes under ASC 842, the Lease commenced on June 22, 2022, resulting in the recording of a $19,586 right-of-use operating lease asset and operating lease liability.

Components of operating lease expense were as follows:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Operating lease cost	$ 658	$ 1,283
Short-term lease cost	81	81
Variable lease cost	6	18
Total	$ 745	$ 1,382

Rent expense under the previous lease accounting standard were $599 and $1,202 during the three and six months ended June 30, 2021, respectively.

Supplementary cash flow information related to operating leases was as follows:

U.S. dollars in thousands (except share and per share data)

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Cash paid for operating leases	$ 876	$ 1,343

As of June 30, 2022, the weighted-average discount rate is 4.8% and the weighted-average remaining term is 9.50 years. Maturities of the Company's operating lease liabilities as of June 30, 2022 were as follows:

Year Ending December 31,	
2022 (Remainder)	$ 637
2023	3,446
2024	3,144
2025	3,203
2026	3,276
2027 and thereafter	14,680
Total operating lease payments	28,386
Less: imputed interest	4,974
Total operating lease liabilities	$ 23,412

As of December 31, 2021, the minimum lease payments under operating leases, including payments for leases which had not commenced, were as follows:

Year Ending December 31,	Rental of premises
2022	$ 1,317
2023	788
2024	806
2025	862
2026	919
2027	548
Total	$ 5,240

U.S. dollars in thousands (except share and per share data)

NOTE 8: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has entered into various non-cancelable agreements with third-party providers for use of mainly cloud and other services, under which it committed to minimum and fixed purchases through the year ending December 31, 2026. The following table presents details of the aggregate future non-cancelable purchase commitments under such agreements as of June 30, 2022:

Year Ending December 31,		
2022 (Remainder)	$	2,322
2023		12,084
2024		20,339
2025		13,000
2026		14,250
Total purchase commitment	$	61,995

Litigation

The Company is occasionally a party to claims or litigation in the normal course of the business. The Company does not believe that it is a party to any pending legal proceeding that is likely to have a material adverse effect on its business, financial condition, or results of operations.

NOTE 9: CONDENSED CONSOLIDATED BALANCE SHEET COMPONENTS

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

		June 30, 2022		**December 31, 2021**
Prepaid expenses	$	3,580	$	3,858
Government institutions		540		576
Derivative instrument		3		—
Restricted bank deposit		1,850		—
Other current assets		1,515		676
	$	7,488	$	5,110

U.S. dollars in thousands (except share and per share data)

Property and Equipment, net

Composition of property and equipment is as follows:

	June 30, 2022	December 31, 2021
Cost:		
Computers and peripheral equipment	$ 4,139	$ 3,668
Office furniture and equipment	379	745
Leasehold improvements	256	513
Finance leases of computers and peripheral equipment	253	253
Internal use software	10,174	6,980
	15,201	12,159
Accumulated depreciation	(2,980)	(2,656)
Depreciated cost	$ 12,221	$ 9,503

Depreciation expenses for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021 were $568, $332, $970 and $633, respectively.

Other assets, noncurrent

	June 30, 2022	December 31, 2021
Restricted cash	$ 1,500	$ 422
Severance pay fund	1,940	1,968
Other	123	153
	$ 3,563	$ 2,543

Accrued expenses and other current liabilities

	June 30, 2022	December 31, 2021
Accrued expenses	$ 5,661	$ 7,240
Accrued taxes	6,394	9,525
Derivative instruments	1,052	—
Other current liabilities	1,439	1,731
	$ 14,546	$ 18,496

U.S. dollars in thousands (except share and per share data)

NOTE 10: GOODWILL AND INTANGIBLE ASSETS

There was no goodwill activity during the periods presented.

The carrying amounts and accumulated amortization expenses of the intangible assets, as of June 30, 2022, and December 31, 2021, were as follows:

	June 30, 2022		December 31, 2021
	Weighted average remaining useful life (in years)	Balance	Balance
Gross carrying amount:			
Technology	2.75	$ 4,700	$ 4,700
Customer relationship	4.75	2,419	2,419
Tradename	0.92	980	980
		8,099	8,099
Accumulated amortization and impairments:			
Technology		(3,534)	(3,323)
Customer relationship		(2,178)	(2,049)
Tradename		(861)	(818)
		(6,573)	(6,190)
Intangible assets, net		$ 1,526	$ 1,909

During the three months ended June 30, 2022 and 2021, and the six months ended June 30, 2022 and 2021, the Company recorded amortization expenses in the amount of $168, $271, $383 and $567, respectively, included in cost of revenue and sales and marketing expenses in the statements of operations.

The estimated future amortization expense of intangible assets as of June 30, 2022, is as follows:

	December 31,
2022 (Remainder)	$ 285
2023	552
2024	478
2025	148
2026	50
2027	13
	$ 1,526

U.S. dollars in thousands (except share and per share data)

NOTE 11: INCOME TAXES

The Company recognized an income tax expense of $2,082, $1,446, $4,168 and $3,252 for the three and six months ended June 30, 2022, and 2021, respectively. The tax expense for these periods was primarily attributable to pre-tax foreign earnings. The Company’s effective tax rates of (14)%, (114)%, (14)% and (22)% for the three and six months ended June 30, 2022 and 2021, respectively, differ from the U.S. statutory tax rate primarily due to U.S. losses for which there is no benefit and the tax rate differences between the U.S. and foreign countries.

The Company has a full valuation allowance on its deferred tax assets. As a result, consistent with the prior year, the Company does not record a tax benefit on its losses because it is more likely than not that the benefit will not be realized.

NOTE 12: NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	$ 17,347	$ 2,719	$ 34,273	$ 18,275
Preferred stock accretion and cumulative dividends	—	3,412	—	6,672
Total loss attributable to common stockholders	$ 17,347	$ 6,131	$ 34,273	$ 24,947
Change in fair value of warrant liabilities	—	5,928	—	—
Total loss attributable to common stockholders, for diluted net loss per share	$ 17,347	$ 12,059	$ 34,273	$ 24,947
Denominator:				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic	129,745,162	25,768,411	128,794,256	25,538,010
Weighted average effect of warrants to purchase preferred and common stock	—	7,067,699	—	—
Weighted-average shares used in computing net loss per share attributable to common stockholders, diluted	129,745,162	32,836,110	128,794,256	25,538,010
Net loss per share attributable to common stockholders, basic	$ 0.13	$ 0.24	$ 0.27	$ 0.98
Net loss per share attributable to common stockholders, diluted	$ 0.13	$ 0.37	$ 0.27	$ 0.98

U.S. dollars in thousands (except share and per share data)

Instruments potentially exercisable for common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive are as follows:

	As of June 30,	
	2022	2021
Convertible and redeemable and convertible preferred stock	—	16,850,111
Warrants to purchase preferred and common stock	—	7,680,954
Outstanding stock options and RSUs	37,827,145	31,488,683
Total	37,827,145	56,019,748

NOTE 13: REPORTABLE SEGMENTS AND GEOGRAPHICAL INFORMATION

Reportable segments

ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The Company's CODM does not regularly review asset information by segments and, therefore, the Company does not report asset information by segment.

The Company organizes its operations in two segments: Enterprise, Education and Technology and Media and Telecom. The Enterprise, Education and Technology segment represents products related to industry solutions for education customers, and media services (except for Media and Telecom customers). The Media and Telecom segment primarily represents TV solutions that are sold to media and telecom operators.

The measurement of the reportable operating segments is based on the same accounting principles applied in these financial statements, which includes certain corporate overhead allocations.

	Three Months Ended June 30, 2022		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 30,403	$ 11,575	$ 41,978
Gross profit	$ 20,701	$ 5,988	$ 26,689
Operating expenses			42,195
Financial income, net			(241)
Provision for income taxes			2,082
Net loss			$ 17,347

U.S. dollars in thousands (except share and per share data)

	Three Months Ended June 30, 2021		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 30,237	$ 11,366	$ 41,603
Gross profit	$ 21,151	$ 4,830	$ 25,981
Operating expenses			31,751
Financial income, net			(4,497)
Provision for income taxes			1,446
Net loss			$ 2,719

	Six Months Ended June 30, 2022		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 60,130	$ 23,564	$ 83,694
Gross profit	$ 41,467	$ 11,493	$ 52,960
Operating expenses			83,121
Financial income, net			(56)
Provision for income taxes			4,168
Net loss			$ 34,273

U.S. dollars in thousands (except share and per share data)

	Six Months Ended June 30, 2021		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 57,555	$ 21,761	$ 79,316
Gross profit	$ 39,900	$ 8,213	$ 48,113
Operating expenses			62,483
Financial expenses, net			653
Provision for income taxes			3,252
Net loss			$ 18,275

Geographical information

See Note 3 for disaggregated revenue by geographic region.

U.S. dollars in thousands (except share and per share data)

NOTE 14: LONG-TERM LOAN

In January 2021, the Company refinanced all amounts outstanding under the existing loan agreements, terminated all outstanding commitments, and entered into a new credit agreement (the "Credit Agreement") with an existing lender, which provides for a new senior secured term loan facility in the aggregate principal amount of $40,000 (the "Term Loan Facility") and a new senior secured revolving credit facility in the aggregate principal amount of $10,000 (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Credit Facilities").

In June 2021, the Company entered into an amendment to the Credit Agreement (the "First Amendment"). Pursuant to the First Amendment, the Company borrowed an additional aggregate principal amount of $12,500 and increased commitments under the Revolving Credit Facility to $35,000.

In December 2021, the Company repaid in full its outstanding principal amount under the Revolving Credit Facility. As of June 30, 2022 and December 31, 2021, the total commitments under the Revolving Credit Facility are available for future borrowings.

Borrowings under the Credit Facilities are subject to interest, determined as follows: (a) Eurodollar loans accrue interest at a rate per annum equal to the Eurodollar rate plus a margin of 3.50% (the Eurodollar rate is calculated based on the Credit Agreement, subject to a 1.67% floor, divided by 1.00 minus the maximum effective reserve percentage for Eurocurrency funding), and (b) Alternate Base Rate ("ABR") loans accrue interest at a rate per annum equal to the ABR plus a margin of 2.50% (ABR is equal to the highest of (i) the prime rate and (ii) the Federal Funds Effective Rate plus 0.50%, subject to a 2.00% floor). As of June 30, 2022, the current rate of interest under the Credit Facilities was equal to a rate per annum of 5.17%, consisting of 1.67% (the 1-month LIBOR dollar rate as of June 30, 2022) and the margin of 3.50%.

The Term Loan Facility is payable in consecutive quarterly installments on the last day of each fiscal quarter in an amount equal to (i) $250 for installments payable on April 1, 2021, through December 31, 2021 (ii) $750 for installments payable on March 31, 2022 through December 31, 2022, and (iii) $1,500 for installments payable on and after March 31, 2023. The remaining unpaid balance on the Term Loan Facility is due and payable on January 14, 2024, together with accrued and unpaid interest on the principal amount to be paid to, but excluding, the payment date. Amounts outstanding under the Credit Facilities may be voluntarily prepaid at any time and from time to time, in whole or in part, without premium or penalty.

Under the terms of the Credit Facilities, the Company is obligated to maintain certain covenants as defined therein. As of June 30, 2022, the Company met these covenants.

The aggregate principal annual maturities according to the Credit Facilities agreements are as follows:

Year Ending December 31,		
2022 (Remainder)	$	1,500
2023		6,000
2024		30,000
	$	37,500

The carrying amounts of the loans approximate their fair value.

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U.S. dollars in thousands (except share and per share data)

NOTE 15: STOCKHOLDERS' EQUITY AND EQUITY INCENTIVE PLANS

Equity Incentive Plans

On January 1, 2022, the number of shares of common stock authorized for issuance under the 2021 Incentive Award Plan (the "2021 Plan") automatically increased by 6,346,255 shares pursuant to the terms of the 2021 Plan.

Stock Options

A summary of the Company's stock option activity with respect to options granted under the 2021 Plan is as follows:

	Number of Options	Weighted Average exercise price	Weighted remaining contractual term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2022	32,702,963	$ 3.98	8.34	$ 38,894
Granted	—	$ —		
Exercised	(2,708,716)	$ 0.50		$ 3,141
Forfeited	(1,168,779)	$ 3.65		
Outstanding as of June 30, 2022	28,825,468	$ 4.32	8.23	$ 11,109
Exercisable options at end of the period	16,859,320	$ 1.97	8.00	$ 10,789

RSUs

The following table summarizes the RSU activity with respect to the 2021 Plan for the six months ended June 30, 2022:

	RSUs Outstanding	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2021	4,924,417	$4.38
RSUs granted	5,997,192	$1.88
RSUs vested	(952,934)	$3.43
RSUs forfeited	(966,998)	$3.54
Unvested and Outstanding as of June 30, 2022	9,001,677	$3.00

U.S. dollars in thousands (except share and per share data)

Stock-Based Compensation Expense

The stock-based compensation expense by line item in the accompanying consolidated statement of operations is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Cost of revenue	$ 359	$ 185	$ 771	$ 466
Research and development	1,111	791	2,139	1,724
Sales and marketing	985	464	1,911	1,204
General and administrative	3,604	2,773	6,906	5,779
Total expenses	$ 6,059	$ 4,213	$ 11,727	$ 9,173

As of June 30, 2022, there were $56,135 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Company's equity incentive plans. These costs are expected to be recognized over a weighted-average period of approximately two and a half years.

Shares Reserved for Future Issuance

The Company has the following common stock reserved for future issuance under the 2021 Plan:

	June 30, 2022
Outstanding options	28,825,468
Outstanding RSUs	9,001,677
Outstanding warrants to common stock	613,255
Shares reserved under 2021 Plan	4,487,002
Total	42,927,402

U.S. dollars in thousands (except share and per share data)

NOTE 16: SELECTED STATEMENTS OF OPERATIONS DATA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Financial income:				
Interest income	$ 166	$ —	$ 172	$ —
Remeasurement of warrants to fair value	—	5,928	—	1,776
Foreign currency translation adjustments, net	773	—	1,304	—
	939	5,928	1,476	1,776
Financial expenses:				
Bank fees	50	172	76	481
Interest expense	489	611	987	1,462
Foreign currency translation adjustments, net	—	499	—	274
Other	159	149	357	212
	698	1,431	1,420	2,429
Financial expenses (income), net	$ (241)	$ (4,497)	$ (56)	$ 653

NOTE 17: ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component, net of tax, during the periods presented:

	Net Unrealized Losses on Available-for-Sale Securities Instruments	Net Unrealized Losses on Derivatives Designated as Hedging Instruments	Total
Balance as of December 31, 2021;	$ —	$ —	$ —
Other comprehensive loss before reclassifications	(145)	(1,680)	(1,825)
Net realized losses reclassified from accumulated other comprehensive income	—	631	631
Other comprehensive loss	(145)	(1,049)	(1,194)
Balance as of June 30, 2022	$ (145)	$ (1,049)	$ (1,194)

There was no accumulated other comprehensive loss activity during the three and six months ended June 30, 2021.

NOTE 18: SUBSEQUENT EVENTS

Restructuring Plan

On August 7, 2022, the Board of Directors of the Company approved a cost-reduction and re-organization plan that includes, among other things, downsizing around 10% of the Company's current employees (the "Plan"). The total cost reduction on an annualized basis from this headcount downsizing is expected to be approximately $18,000. The Plan is focused on realigning the Company's operations to further increase efficiency and productivity and better realize synergies by merging the Company's segments together. In connection with the Plan, the Company expects to incur net pre-tax charges of approximately $1,000, primarily for severance and related costs, all of which will be expensed in the second half of 2022.

Rights Agreement

On August 7, 2022, the Board of Directors of the Company approved and declared a dividend distribution of one preferred stock purchase right (each, a "Right") for each share of common stock, of the Company outstanding at the close of business on August 22, 2022. Each Right will entitle the registered holder thereof, after the Rights become exercisable and until August 6, 2023 (or the earlier redemption, exchange, or termination of the Rights), to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.0001 per share (the "Series A Preferred"), of the Company at a price of $13.00 per one one-thousandth of a share of the Series A Preferred. The complete terms of the Rights are set out in a Rights Agreement, dated August 7, 2022, between the Company and American Stock Transfer & Trust Company, LLC as rights agent (the “Rights Agreement”).

The Board of Directors of the Company adopted the Rights Agreement to protect stockholders from coercive of otherwise unfair takeover tactics. The Rights will cause substantial dilution to any person or group that acquires beneficial ownership of 10% (20% in the case of a passive institutional investor) or more of the common stock without the approval of the Board of Directors of the Company. The Rights are designed to promote the fair and equal treatment of all stockholders of the Company and ensure that the Board remains in the best position to discharge its fiduciary duties to the Company and its stockholders. Neither the Rights Agreement nor the Rights should interfere with any merger, tender or exchange offer or other business combination approved by the Board of Directors of the Company.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022 (the "2021 10-K"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A, "Risk Factors" of our 2021 10-K and other factors set forth in Part II, Item 1A, "Risk Factors" and other parts of this Quarterly Report on Form 10-Q.

Overview

Our mission is to power any video experience, for any organization. Our Video Experience Cloud powers live, real-time, and on-demand video for webinars, events, virtual classrooms, and video sites. We also offer robust Application Programming Interfaces ("APIs") and Software Development Kits ("SDKs") for developers and industry solutions for education and media and telecom. Our Video Experience Cloud is used by leading brands across all industries, reaching millions of users, at home, at school and at work, for communication, collaboration, marketing, sales, customer care, learning, and entertainment experiences. With our flexible offerings, customers can experience the benefits of video across a wide range of use cases, while customizing their deployments to meet their individual, dynamic needs.

Our business was founded in 2006. We launched our Media Services and Video Content Management System in 2008 and initially offered it as an Online Video Platform for online publishers and media companies. Since then, we have capitalized on our flexible and extendable platform architecture to expand into new products, industry solutions, and use cases:

- 2009: Brought to market our LMS Video solution and began selling to educational institutions
- 2011: Released our Video Sites product and started selling to enterprises
- 2013: Expanded into live video
- 2014: Launched our TV Content Management System for media and telecom companies, following the acquisition of Tvinci Ltd., a leading provider of an OTT TV platform
- 2017: Launched our Lecture Capture solution
- 2018: Acquired certain of the assets of Rapt Media, Inc., an interactive personalized video startup
- 2020: Added real time conferencing capabilities to our Media Services following the acquisition of Newrow, Inc., a video conferencing and collaboration platform
- 2020: Released our Webinars, Events, and Virtual Classroom products
- 2021 & 2022: Expanded the capabilities of our Webinars, Events, and Virtual Classroom products, and fitted them to also address low-touch and self-serve sales

We generate revenue primarily through the sale of SaaS and PaaS subscriptions, and additional revenue from term license subscriptions. We also generate revenue through the sale of professional services associated with the implementation of deployments for new and existing customers.

We organize our business into two reporting segments: (i) Enterprise, Education, and Technology ("EE&T"); and (ii) Media and Telecom ("M&T"). These segments share a common underlying platform consisting of our API-based architecture, as well as unified product development, operations, and administrative resources.

- **Enterprise, Education & Technology**: Includes revenues from all of our products, industry solutions for education customers, and Media Services (except for media and telecom customers), as well as associated professional services for those offerings. These solutions are generally sold through our EE&T sales teams. Subscription revenues are primarily generated on a per full-time equivalent basis for on-demand and live products and solutions, per host basis for real-time-conferencing products and solutions, and per participant basis for the Events product (which intersects on-demand, live, and real-time-conferencing video). Contracts are generally 12 to 24 months in length. Billing is primarily done on an annual basis.

- **Media & Telecom**: Includes revenues from our TV Solution and Media Services for media and telecom customers, as well as associated professional services for those offerings. These offerings are generally sold through our media and telecom sales team. Revenues are generated on a per end-subscriber basis for telecom customers, and on a per video play basis for media customers. Contracts are generally two to five years in length. Billing is generally done on a quarterly or annual basis. It generally takes from six to 12 months to implement M&T offerings. The upfront resources required for implementation of our Media & Telecom solutions generally exceed those of our other offerings, resulting in a longer period from initial booking to go-live and a higher proportion of professional services revenue as a percentage of overall revenue. Additionally, a higher proportion of revenue comes from customers who choose to license our offerings through private cloud and on-premise deployments, which also impacts our gross margin. In the long-term, we expect the margins for this segment to improve due to the following: increasing the ratio of subscription revenue to professional services with scale, improved efficiencies of both production and professional services costs, and an increase in the proportion of revenues from media customers, which generally entail simpler deployments compared to telecom customers.

In August 2022, our Board of Directors approved a strategic restructuring program (the “2022 Restructuring Plan”) to streamline the Company's operations in order to support the Company's investment in critical growth areas. The 2022 Restructuring Plan is expected to include, among other things, a workforce reduction of approximately 10% of our employees. In connection with the 2022 Restructuring Plan, we expect to incur pre-tax charges of approximately $1.0 million, primarily for severance and related costs. All such charges are expected to be expensed in the second half of 2022, and all of those charges are expected to be in cash. The Plan is expected to be substantially completed in 2022. Based on the current profile and trends of the EE&T and M&T segments, including how their sales cycles, deployment cycles, and margins have continuously trended to be more similar, we have decided to merge the two segments together. Going forward we will have a single horizontal structure with mostly cross-company functions that run product development, marketing, sales, and professional services.

Reflected below is a summary of reportable segment revenue and reportable segment gross profit for the three and six months ended June 30, 2022 and 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Revenue				
Enterprise, Education & Technology	$ 30,403	$ 30,237	$ 60,130	$ 57,555
Media & Telecom	11,575	11,366	23,564	21,761
Total Revenue	$ 41,978	$ 41,603	$ 83,694	$ 79,316
Gross Profit				
Enterprise, Education & Technology	20,701	21,151	41,467	39,900
Media & Telecom	5,988	4,830	11,493	8,213
Total Gross Profit	$ 26,689	$ 25,981	$ 52,960	$ 48,113

We employ a land and expand strategy in which our customers increase their usage of our offerings and/or purchase additional offerings over time. Our performance in expanding within our existing customer base is reflected by our Net Dollar Retention Rate (as defined below). For the three months ended June 30, 2022 and 2021, our Net Dollar Retention Rate was 100% and 121%, respectively. We grew our average annualized recurring revenue, or ARR, per customer by 6% in the three months ended June 30, 2022, compared to the three months ended June 30, 2021, which reflects our ability to land new customers with higher spending levels and increase revenue from our existing customers.

For any given year, a large majority of our revenue comes from existing customers, with whom we are in active dialogue and tend to have visibility into their expected usage of our offerings.

We focus our selling efforts on large organizations and sell our solutions primarily through direct sales teams and account teams.

Impact of COVID-19

In December 2019, an outbreak of the COVID-19 disease was first identified and began to spread across the globe. In March 2020, the World Health Organization declared COVID-19 a pandemic, impacting many countries around the world, including where our end users and customers are located and the United States, Israel, United Kingdom, and Singapore where we have larger business operations. As a result of the COVID-19 pandemic, government authorities around the world have from time to time ordered schools and businesses to close, imposed restrictions on non-essential activities, and required people to remain at home while instilling significant limitations on traveling and social gatherings.

In response to the pandemic, in the first quarter of 2020, we temporarily closed all of our offices, enabled our entire work force to work remotely, and implemented travel restrictions for non-essential business. In the second quarter of 2020 we reopened select offices, however most of our employees continued to work remotely, a majority of whom continue to do so as of the date of this Quarterly Report on Form 10-Q. The changes we have implemented to date have not materially affected and are not expected to materially affect our ability to operate our business, including our financial reporting systems.

Prior to the pandemic, the market demand for our solutions was growing at a robust rate, with numerous tailwinds for long-term growth, and that demand accelerated as a result of the pandemic. We believe that new and potential customers will continue to increase their use of video solutions across existing use cases such as remote working, teaching, marketing, and customer care, as well as nascent but growing use cases such as tele-services.

While the potential economic impact brought by, and the duration of, any pandemic, epidemic, or outbreak of an infectious disease, including COVID-19 and its variants, is difficult to assess or predict, the widespread pandemic related to COVID-19 and its variants has resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity.

For additional information, see Part I, Item 1A. "Risk Factors—Risks Related to Our Business and Industry—The ongoing COVID-19 pandemic could adversely affect our business, financial condition and results of operations" in our 2021 10-K.

Key Factors Affecting Our Performance

Expansion of our Platform

We believe our platform is ideally suited for expansion across solutions, industries, and use cases. For example, in 2020, we entered the real-time conferencing market with the introduction of our Webinars, Meetings, and Virtual Classroom products, focusing on learning, training, and marketing. In 2021 and 2022 we expanded the capabilities of our Events product to support a broader range of event types and use cases and fitted them to also address low-touch and self-serve sales. We believe these products present a significant long-term opportunity, and we intend to harness our growing presence with them. Additionally, we will continue to invest in new video products for training, communication and collaboration, sales, marketing, and customer care, as we extend our platform into more industries.

Acquiring New Customers

We are focused on continuing to grow the number of customers that use our solutions. Additionally, we are investing in low-touch and self-serve offerings that can be sold by inside-sales teams or completely online, as well as in distribution channels. We believe this will enable us to efficiently acquire smaller customers across all industries – beyond enterprises into SMEs, beyond universities into K-12 schools, beyond tier 1 media and telecom companies to tier 2 and 3 media and telecom companies, and beyond providing Media Services to large technology companies to also addressing smaller technology firms and startups.

Increasing Revenue from Existing Customers

We are focused on increasing sales within our existing customer base through increased usage of our platform and the cross-selling of additional products and solutions. We especially see an upsell opportunity in introducing to our existing customers the new products that we launched in the most recent years: Webinars, Events, and Virtual Classrooms. For the three months ended June 30, 2022, our Net Dollar Retention Rate was 100%. In order for us to increase revenue within our customer base, we will also need to maintain engineering-level customer support and continue to introduce new products and features as well as innovative new use cases that are tailored to our customers' needs.

Continued Investment in Growth

Although we have invested significantly in our business to date, we believe that we still have a significant market opportunity ahead of us. We intend to continue to make investments to support the growth and expansion of our business and to increase revenue. We believe there is a significant opportunity to continue our growth. We expect that our cost of revenue and operating expenses will fluctuate over time.

Key Financial and Operating Metrics

We measure our business using both financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time, and technology investments, and assess the near-term and long-term performance of our business. The key financial and operating metrics we use are:

	Three Months Ended June 30,	
	2022	2021
	(in thousands, except percentages)	
Annualized Recurring Revenue	$ 150,950	$ 145,431
Net Dollar Retention Rate	100 %	121 %
Remaining Performance Obligations	$ 172,732	$ 156,323

Annualized Recurring Revenue

We use Annualized Recurring Revenue as a measure of our revenue trend and an indicator of our future revenue opportunity from existing recurring customer contracts. We calculate ARR by annualizing our recurring revenue for the most recently completed fiscal quarter. Recurring revenues are generated from SaaS and PaaS subscriptions, as well as term licenses for software installed on the customer's premises ("On-Prem"). For the SaaS and PaaS components, we calculate ARR by annualizing the actual recurring revenue recognized for the latest fiscal quarter. For the On-Prem components for which revenue recognition is not ratable across the license term, we calculate ARR for each contract by dividing the total contract value (excluding professional services) as of the last day of the specified period by the number of days in the contract term and then multiplying by 365. Recurring revenue excludes revenue from one-time professional services and setup fees. ARR is not adjusted for the impact of any known or projected future customer cancellations, upgrades or downgrades, or price increases or decreases.

The amount of actual revenue that we recognize over any 12-month period is likely to differ from ARR at the beginning of that period, sometimes significantly. This may occur due to new bookings, cancellations, upgrades or downgrades, pending renewals, professional services revenue, foreign exchange rate fluctuations and acquisitions or divestitures. ARR should be viewed independently of revenue as it is an operating metric and is not intended to be a replacement or forecast of revenue. Our calculation of ARR may differ from similarly titled metrics presented by other companies.

Net Dollar Retention Rate

Our Net Dollar Retention Rate, which we use to measure our success in retaining and growing recurring revenue from our existing customers, compares our recognized recurring revenue from a set of customers across comparable periods. We calculate our Net Dollar Retention Rate for a given period as the recognized recurring revenue from the latest reported fiscal quarter from the set of customers whose revenue existed in the reported fiscal quarter from the prior year (the numerator), divided by recognized recurring revenue from such customers for the same fiscal quarter in the prior year (denominator). For annual periods, we report Net Dollar Retention Rate as the arithmetic average of the Net Dollar Retention Rate for all fiscal quarters included in the period. We consider subdivisions of the same legal entity (for example, divisions of a parent company or separate campuses that are part of the same state university system) to be a single customer for purposes of calculating our Net Dollar Retention Rate. Our calculation of Net Dollar Retention Rate for any fiscal period includes the positive recognized recurring revenue impacts of selling new services to existing customers and the negative recognized recurring revenue impacts of contraction and attrition among this set of customers. Our Net Dollar Retention Rate may fluctuate as a result of a number of factors, including the growing level of our revenue base, the level of penetration within our customer base, expansion of products and features, and our ability to retain our customers. Our calculation of Net Dollar Retention Rate may differ from similarly titled metrics presented by other companies.

Remaining Performance Obligations

Remaining Performance Obligations represents the amount of contracted future revenue that has not yet been delivered, including both subscription and professional services revenues. Remaining Performance Obligations consists of both deferred revenue and contracted non-cancelable amounts that will be invoiced and recognized in future periods. As of June 30, 2022, our Remaining Performance Obligations was $172.7 million, which consists of both billed consideration in the amount of $53.4 million and unbilled consideration in the amount of $119.4 million that we expect to invoice and recognize in future periods. We expect to recognize 62% of our Remaining Performance Obligations as revenue over the next 12 months and the remainder thereafter, in each case, in accordance with our revenue recognition policy.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that Adjusted EBITDA, a non-GAAP financial measure, is useful in evaluating the performance of our business.

We define EBITDA as net profit (loss) before interest expense, net, provision for income taxes and depreciation and amortization expenses. Adjusted EBITDA is defined as EBITDA (as defined above), adjusted for the impact of certain non-cash and other items that we believe are not indicative of our core operating performance, such as non-cash stock-based compensation expenses and other operating expenses.

Adjusted EBITDA is a supplemental measure of our performance, is not defined by or presented in accordance with GAAP, and should not be considered in isolation or as an alternative to net profit (loss) or any other performance measure prepared in accordance with GAAP. Adjusted EBITDA is presented because we believe that it provides useful supplemental information to investors and analysts regarding our operating performance and is frequently used by these parties in evaluating companies in our industry. By presenting Adjusted EBITDA, we provide a basis for comparison of our business operations between periods by excluding items that we do not believe are indicative of our core operating performance. We believe that investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations. Additionally, our management uses Adjusted EBITDA as a supplemental measure of our performance because it assists us in comparing the operating performance of our business on a consistent basis between periods, as described above.

Although we use EBITDA and Adjusted EBITDA, as described above, EBITDA and Adjusted EBITDA, have significant limitations as analytical tools. Some of these limitations include:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- such measures do not reflect our tax expense or the cash requirements to pay our taxes;
- although depreciation and amortization expense and non-cash stock-based compensation expense are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measures differently than we do, thereby further limiting their usefulness as comparative measures.

Due to these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using these non-GAAP measures only supplementally. Adjusted EBITDA includes an adjustment for non-cash stock-based compensation expenses. It is reasonable to expect that this item will occur in future periods. However, we believe this adjustment is appropriate because the amount recognized can vary significantly from period to period, does not directly relate to the ongoing operations of our business, and complicates comparisons of our internal operating results between periods and with the operating results of other companies over time. Each of the normal recurring adjustments and other adjustments described above help to provide management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations. Nevertheless, because of the limitations described above, management does not view EBITDA, or Adjusted EBITDA in isolation and also uses other measures, such as revenue, operating loss, and net loss, to measure operating performance.

The following table reconciles EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial performance measure, which is net loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Net loss	$ (17,347)	$ (2,719)	$ (34,273)	$ (18,275)
Financial expenses, net [(a)]	(241)	(4,497)	(56)	653
Provision for income taxes	2,082	1,446	4,168	3,252
Depreciation and amortization	736	603	1,353	1,200
EBITDA	(14,770)	(5,167)	(28,808)	(13,170)
Non-cash stock-based compensation expense	6,059	4,213	11,727	9,173
Other operating expenses [(b)]	—	—	—	1,724
Facility exit and transition costs [(c)]	214	—	214	—
Adjusted EBITDA	$ (8,497)	$ (954)	$ (16,867)	$ (2,273)

(a) The three months ended June 30, 2022 and 2021, and the six months ended June 30, 2022, and 2021, include $0, $(5,928), $0 and $(1,776) respectively, of remeasurement of warrants to fair value, and $489, $611, $987 and $1,462 respectively, of interest expenses.

(b) Other operating expenses in the six months ended June 30, 2021 consisted of expenses related to the forgiveness of loans to certain of our directors and executive officers in connection with the public filing of the registration statement in connection with our initial public offering.

(c) Facility exit and transition costs for the three and six months ended June 30, 2022 include losses from sale of fixed assets and other costs associated with moving to our temporary office in Israel.

Components of Our Results of Operations

Revenue

Subscriptions

Our revenues are mainly comprised of revenue from SaaS and PaaS subscriptions. SaaS and PaaS subscriptions provide access to our Video Experience Cloud which powers all types of video experiences: live, real-time, and on-demand video. We provide access to our platform either as a cloud-based service, which represent most of our SaaS and PaaS subscriptions, or, less commonly, as a term license to software installed on the customer's premises. Revenue from SaaS and PaaS subscriptions is recognized ratably over the time of the subscription, beginning from the date on which the customer is granted access to our Video Experience Cloud. Revenue from the sale of a term license is recognized at a point in time in which the license is delivered to the customer. Revenue from post-contract services ("PCS") included in On-Prem deals is recognized ratably over the period of the PCS.

Professional Services

Our revenue also includes professional services, which consist of consulting, integration and customization services, technical solution services and training related to our video experience. In some of our arrangements, professional services are accounted for as a separate performance obligation, and revenue is recognized upon rendering of the service.

In some of our SaaS and PaaS subscriptions, we determined that the professional services are solely set up activities that do not transfer goods or services to the customer and therefore are not accounted for as a separate performance obligation and are recognized ratably over the time of the subscription.

Cost of Revenue

Cost of subscription revenue consists primarily of employee-related costs including payroll, benefits and stock-based compensation expense for operations and customer support teams, costs of cloud hosting providers and other third-party service providers, amortization of capitalized software development costs and acquired technology and allocated overhead costs.

Cost of professional services consists primarily of personnel costs of our professional services organization, including payroll, benefits, and stock-based compensation expense, allocated overhead costs and other third-party service providers.

The costs associated with providing professional services are significantly higher as a percentage of related revenue than the costs associated with delivering our subscriptions due to the labor costs of providing professional services. As such, the implementation and professional services costs relating to an arrangement with a new customer are more significant than the costs to renew an existing customer's license and support arrangement.

Cost of revenue decreased in absolute dollars from the three and six months ended June 30, 2021 to the three and six months ended June 30, 2022. For the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, our cost of revenue was $15,622, $15,289, $31,203 and $30,734, respectively.

Gross Margins

Gross margins have been and will continue to be affected by a variety of factors, including the average sales price of our products and services, volume growth, the mix of revenue between SaaS and PaaS subscriptions, software licenses, maintenance and support and professional services, onboarding of new media and telecom customers, hosting of major virtual events and changes in cloud infrastructure and personnel costs.

For the three months ended June 30, 2022 and 2021, our gross margins were 64% (74% for subscriptions and (38)% for professional services) and 62% (73% for subscriptions and (9)% for professional services), respectively. For the six months ended June 30, 2022 and 2021, our gross margins were 63% (74% for subscriptions and (30)% for professional services) and 61% (71% for subscriptions and (8)% for professional services), respectively.

For our EE&T segment, gross margins for the three months ended June 30, 2022 and 2021, were 68% (76% for subscription and (38)% for professional services), and 70% (76% for subscription and 13% for professional services), respectively. For the six months ended June 30, 2022 and 2021, our gross margins were 69% (77% for subscriptions and (37)% for professional services) and 69% (76% for subscriptions and 19% for professional services), respectively.

For our M&T segment, gross margins for the three months ended June 30, 2022 and 2021 were 52% (69% for subscriptions and (37)% for professional services) and 42% (61% for subscriptions and (41)% for professional services), respectively. For the six months ended June 30, 2022 and 2021, our gross margins were 49% (66% for subscription and (23)% for professional services) and 38% (58% for subscription and (49)% for professional services), respectively.

Research and Development

Our research and development expenses consist primarily of costs incurred for personnel-related expenses for our technical staff, including salaries and other direct personnel-related costs. Additional expenses include consulting and professional fees for third-party development resources.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of personnel related costs for our sales and marketing functions, including salaries and other direct personnel-related costs. Additional expenses include marketing program costs and amortization of acquired customer relationships intangible assets.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel-related costs for our executive, finance, human resources, information technology, and legal functions, including salaries and other direct personnel-related costs. We expect general and administrative expense to increase on an absolute dollar basis for the foreseeable future as we continue to increase investments to support our growth and as a result of our operation as a public company.

We allocate overhead costs such as rent, utilities, and supplies to all departments based on relative headcount to each operating expense category.

Financial Expenses (Income), Net

Financial expenses (income), net consists of interest expense accrued or paid on our indebtedness, net of interest income earned on our cash and cash equivalents and marketable securities. Financial expenses (income), net also includes foreign exchange gains and losses. We expect interest expenses to vary each reporting period depending on the amount of outstanding indebtedness and prevailing interest rates.

We expect interest income will vary in each reporting period depending on our average cash balances and marketable securities during the period and applicable interest rates.

Provision for Income Taxes

We are subject to taxes in the United States as well as other tax jurisdictions or countries in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may be subject to current U.S. income tax. Due to cumulative losses, we maintain a valuation allowance against our deferred tax assets. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets. Realization of our U.S. deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. Our effective tax rate is affected 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.

Results of Operations

The following tables summarize key components of our results of operations for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

	Three Months Ended June 30,		Period-over-Period Change		Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage	2022	2021	Dollar	Percentage
	(in thousands, except percentages)				(in thousands, except percentages)			
Revenue:								
Enterprise, Education & Technology	$ 30,403	$ 30,237	$ 166	1 %	$ 60,130	$ 57,555	$ 2,575	4 %
Media & Telecom	11,575	11,366	209	2 %	23,564	21,761	1,803	8 %
Total revenue	41,978	41,603	375	1 %	83,694	79,316	4,378	6 %
Cost of revenue	15,289	15,622	(333)	(2)%	30,734	31,203	(469)	(2)%
Total gross profit	26,689	25,981	708	3 %	52,960	48,113	4,847	10 %
Operating expenses:								
Research and development expenses	14,441	11,787	2,654	23 %	29,314	22,687	6,627	29 %
Sales and marketing expenses	16,416	10,524	5,892	56 %	31,032	20,685	10,347	50 %
General and administrative expenses	11,338	9,440	1,898	20 %	22,775	17,387	5,388	31 %
Other operating expenses	—	—	—		—	1,724	(1,724)	(100)%
Total operating expenses	42,195	31,751	10,444	33 %	83,121	62,483	20,638	33 %
Loss from operations	15,506	5,770	9,736	169 %	30,161	14,370	15,791	110 %
Financial expenses (income), net	(241)	(4,497)	4,256	(95)%	(56)	653	(709)	(109)%
Loss before provision for income taxes	15,265	1,273	13,992	1099 %	30,105	15,023	15,082	100 %
Provision for income taxes	2,082	1,446	636	44 %	4,168	3,252	916	28 %
Net loss	$ 17,347	$ 2,719	$ 14,628	538 %	$ 34,273	$ 18,275	$ 15,998	88 %

Segments

We manage and report operating results through two reportable segments:

- **Enterprise, Education & Technology** (72% and 73% of revenue for the three and six months ended June 30, 2022 and 2021, respectively): Our EE&T segment represents revenues from all of our products, industry solutions for education customers, and Media Services (except for M&T customers), as well as associated professional services for those offerings.

- **Media & Telecom** (28% and 27% of revenue for the three and six months ended June 30, 2022 and 2021, respectively): Our M&T segment primarily represents revenues from our TV Solution and Media Services sold to media and telecom customers.

Comparison of the three months ended June 30, 2022 and 2021

Enterprise, Education & Technology

The following table presents our EE&T segment revenue and gross profit (loss) for the periods indicated:

	Three Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Enterprise, Education & Technology revenue:				
Subscription revenue	$ 28,280	$ 27,197	$ 1,083	4 %
Professional services revenue	2,123	3,040	(917)	(30)%
Total Enterprise, Education & Technology revenue	$ 30,403	$ 30,237	$ 166	1 %
Enterprise, Education & Technology gross profit:				
Subscription gross profit	$ 21,515	$ 20,765	$ 750	4 %
Professional services gross profit (loss)	(814)	386	(1,200)	(311)%
Total Enterprise, Education & Technology gross profit	$ 20,701	$ 21,151	$ (450)	(2)%

Enterprise, Education & Technology Revenue

Total EE&T revenue increased by $0.2 million, or 1%, to $30.4 million for the three months ended June 30, 2022, from $30.2 million for the three months ended June 30, 2021. The increase is mainly attributable to $1.6 million increase in revenue generated from new customers, partially offset by a $1.4 million decrease in revenue generated from existing customers. The decrease in revenue from existing customers also embodies an approximate revenue reduction of $0.4 million as a result of currency headwinds that occurred during the quarter.

EE&T subscription revenue increased by $1.1 million, or 4%, to $28.3 million for the three months ended June 30, 2022, from $27.2 million for the three months ended June 30, 2021.

EE&T professional services revenue decreased by $0.9 million, or 30%, to $2.1 million for the three months ended June 30, 2022, from $3.0 million for the three months ended June 30, 2021. The decrease is mainly due to fewer large-scale virtual events of the type that typically require substantial professional services.

Enterprise, Education & Technology Gross Profit

EE&T gross profit decreased by $0.5 million, or 2%, to $20.7 million for the three months ended June 30, 2022, from $21.2 million for the three months ended June 30, 2021. This decrease was mainly due to increased costs associated with providing professional services, leading to a 2% decrease in gross margin to 68% for the three months ended June 30, 2022 from 70% for the three months ended June 30, 2021.

EE&T subscription gross profit increased by $0.8 million, or 4%, to $21.5 million for the three months ended June 30, 2022, from $20.8 million for the three months ended June 30, 2021.

EE&T professional services gross profit decreased by $1.2 million, or 311%, to a gross loss of $(0.8) million for the three months ended June 30, 2022, from a gross profit of $0.4 million for the three months ended June 30, 2021.

Media & Telecom

The following table presents our M&T segment revenue and gross profit for the periods indicated:

	Three Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Media & Telecom revenue:				
Subscription revenue	$ 9,692	$ 9,270	$ 422	5 %
Professional services revenue	1,883	2,096	(213)	(10)%
Total Media & Telecom revenue	$ 11,575	$ 11,366	$ 209	2 %
Media & Telecom gross profit:				
Subscription gross profit	$ 6,688	$ 5,683	$ 1,005	18 %
Professional services gross loss	(700)	(853)	153	18 %
Total Media & Telecom gross profit	$ 5,988	$ 4,830	$ 1,158	24 %

Media & Telecom Revenue

M&T revenue increased by $0.2 million, or 2%, to $11.6 million for the three months ended June 30, 2022, from $11.4 million for the three months ended June 30, 2021. The increase is mainly attributable to a $1.0 million increase in revenue from new customers, partially offset by a $0.8 million decrease in revenue from existing customers. The decrease in revenue from existing customers also embodies an approximate revenue reduction of $0.1 million as a result of currency headwinds that occurred during the quarter.

M&T subscription revenue increased by $0.4 million, or 5%, to $9.7 million for the three months ended June 30, 2022, from $9.3 million for the three months ended June 30, 2021.

M&T professional services revenue decreased by $0.2 million, or 10%, to $1.9 million for the three months ended June 30, 2022, from $2.1 million for the three months ended June 30, 2021.

Media & Telecom Gross Profit

M&T gross profit increased by $1.2 million, or 24%, to $6.0 million for the three months ended June 30, 2022, from $4.8 million for the three months ended June 30, 2021. This increase was mainly due to a $0.2 million increase in revenue, and a 10% increase in gross margin to 52% for the three months ended June 30, 2022 from 42% for the three months ended June 30, 2021. The increase in gross margin was attributable primarily to improvement in production costs and higher efficiency of our operations teams leading to lower compensation costs as a percentage of revenue.

M&T subscription gross profit increased by $1.0 million, or 18%, to $6.7 million for the three months ended June 30, 2022, from $5.7 million for the three months ended June 30, 2021.

M&T professional services gross loss decreased by $0.2 million, or 18%, to $0.7 million for the three months ended June 30, 2022, from $0.9 million for the three months ended June 30, 2021.

Operating Expenses

Research and Development expenses

	Three Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 11,249	$ 9,610	$ 1,639	17 %
Subcontractors and consultants	1,245	901	344	38 %
IT related	1,193	712	481	68 %
Other	754	564	190	34 %
Total research and development expenses	$ 14,441	$ 11,787	$ 2,654	23 %

Research and development expenses increased by $2.7 million, or 23%, to $14.4 million for the three months ended June 30, 2022, from $11.8 million for the three months ended June 30, 2021. The increase was primarily due to a $1.6 million increase in compensation expenses, which mainly related to higher headcount and increased stock-based compensation expenses, and a $0.5 million increase in IT related expenses.

Sales and Marketing expenses

	Three Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation & commission	$ 13,205	$ 8,903	$ 4,302	48 %
Marketing expenses	1,475	812	663	82 %
Travel and entertainment	504	28	476	1700 %
Other	1,232	781	451	58 %
Total sales and marketing expenses	$ 16,416	$ 10,524	$ 5,892	56 %

Sales and marketing expenses increased by $5.9 million, or 56%, to $16.4 million for the three months ended June 30, 2022, from $10.5 million for the three months ended June 30, 2021. The increase was primarily due to a $3.7 million increase in compensation related to higher headcount, a $0.7 million increase in amortization of deferred commission expenses driven by higher bookings, and a $0.7 million increase related to additional marketing expenses.

General and Administrative expenses

	Three Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 7,788	$ 7,188	$ 600	8 %
Professional fees and insurance	1,652	793	859	108 %
Subcontractors and consultants	290	266	24	9 %
Travel and entertainment	136	40	96	240 %
Other	1,472	1,153	319	28 %
Total general and administrative expenses	$ 11,338	$ 9,440	$ 1,898	20 %

General and administrative expenses increased by $1.9 million, or 20%, to $11.3 million for the three months ended June 30, 2022, from $9.4 million for the three months ended June 30, 2021. The increase was primarily due to a $0.6 million increase in compensation related to higher headcount and increased stock-based compensation expenses and a $0.9 million increase in professional fees and insurance to support our operation as a public company.

Financial Expenses (income), net

Financial income, net decreased by $4.3 million, or 95%, to $(0.2) million for the three months ended June 30, 2022, from $(4.5) million for the three months ended June 30, 2021. The decrease was primarily due to a $5.9 million remeasurement of warrants to fair value recorded in the three months ended June 30, 2021, offset by income of $1.3 million related to exchange rate differences, $0.2 million interest income associated with our investments, a decrease of $0.1 million in interest expenses due to repayment of our Revolving Credit Facility during the fourth quarter of 2021, and a decrease of $0.1 million related to bank fees.

Provision for Income Taxes

Provision for income taxes increased by $0.6 million, or 44%, to $2.1 million for the three months ended June 30, 2022, from $1.4 million for the three months ended June 30, 2021, primarily due to increased tax liability related to income generated by our subsidiaries organized under the laws of Israel and the United Kingdom.

Comparison of the six months ended June 30, 2022 and 2021

Enterprise, Education & Technology

The following table presents our EE&T segment revenue and gross profit (loss) for the periods indicated:

	Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Enterprise, Education & Technology revenue:				
Subscription revenue	$ 55,882	$ 51,167	$ 4,715	9 %
Professional services revenue	4,248	6,388	(2,140)	(34)%
Total Enterprise, Education & Technology revenue	$ 60,130	$ 57,555	$ 2,575	4 %
Enterprise, Education & Technology gross profit:				
Subscription gross profit	$ 43,035	$ 38,696	$ 4,339	11 %
Professional services gross profit (loss)	(1,568)	1,204	(2,772)	(230)%
Total Enterprise, Education & Technology gross profit	$ 41,467	$ 39,900	$ 1,567	4 %

Enterprise, Education & Technology Revenue

Total EE&T revenue increased by $2.6 million, or 4%, to $60.1 million for the six months ended June 30, 2022, from $57.6 million for the six months ended June 30, 2021. The increase is mainly attributable to a $2.9 million increase in revenue from new customers partially offset by a $0.4 million decrease in revenue from existing customers.

EE&T subscription revenue increased by $4.7 million, or 9%, to $55.9 million for the six months ended June 30, 2022, from $51.2 million for the six months ended June 30, 2021.

EE&T professional services revenue decreased by $2.1 million, or 34%, to $4.2 million for the six months ended June 30, 2022 from $6.4 million for the six months ended June 30, 2021. The decrease is mainly due to fewer large-scale virtual events of the type that typically require substantial professional services.

Enterprise, Education & Technology Gross Profit

EE&T gross profit increased by $1.6 million, or 4%, to $41.5 million for the six months ended June 30, 2022, from $39.9 million for the six months ended June 30, 2021. This increase was mainly due to a $2.6 million increase in revenue as the gross margins remained consistent during the periods.

EE&T subscription gross profit increased by $4.3 million, or 11%, to $43.0 million for the six months ended June 30, 2022, from $38.7 million for the six months ended June 30, 2021.

EE&T professional services gross profit decreased by $2.8 million, or 230%, to a gross loss of $(1.6) million for the six months ended June 30, 2022, from a gross profit of $1.2 million for the six months ended June 30, 2021.

Media & Telecom

The following table presents our M&T segment revenue and gross profit for the periods indicated:

	Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Media & Telecom revenue:				
Subscription revenue	$ 19,107	$ 17,641	$ 1,466	8 %
Professional services revenue	4,457	4,120	337	8 %
Total Media & Telecom revenue	$ 23,564	$ 21,761	$ 1,803	8 %
Media & Telecom gross profit:				
Subscription gross profit	12,534	10,218	$ 2,316	23 %
Professional services gross loss	(1,041)	(2,005)	964	48 %
Total Media & Telecom gross profit	$ 11,493	$ 8,213	$ 3,280	40 %

Media & Telecom Revenue

M&T revenue increased by $1.8 million, or 8%, to $23.6 million for the six months ended June 30, 2022, from $21.8 million for the six months ended June 30, 2021. The increase is mainly attributable to a $2.0 million increase in revenue from new customers, partially offset by $0.2 million decrease in revenue from existing customers.

M&T subscription revenue increased by $1.5 million, or 8%, to $19.1 million for the six months ended June 30, 2022, from $17.6 million for the six months ended June 30, 2021.

M&T professional services revenue increased by $0.3 million, or 8%, to $4.5 million for the six months ended June 30, 2022, from $4.1 million for the six months ended June 30, 2021.

Media & Telecom Gross Profit

M&T gross profit increased by $3.3 million, or 40%, to $11.5 million for the six months ended June 30, 2022, from $8.2 million for the six months ended June 30, 2021. This increase was mainly due to a $1.8 million increase in revenue, and an increase in gross margin to 49% for the six months ended June 30, 2022 from 38% for the six months ended June 30, 2021. The increase in gross margin was attributable primarily to improvement in production costs and higher efficiency of our operations teams leading to lower compensation costs as a percentage of revenue.

M&T subscription gross profit increased by $2.3 million, or 23%, to $12.5 million for the six months ended June 30, 2022, from $10.2 million for the six months ended June 30, 2021.

M&T professional services gross loss decreased by $1.0 million, or 48%, to $1.0 million for the six months ended June 30, 2022, from $2.0 million for the six months ended June 30, 2021.

Operating Expenses

Research and Development expenses

	Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 22,641	$ 18,559	$ 4,082	22 %
Subcontractors and consultants	2,515	1,792	723	40 %
IT related	2,675	1,383	1,292	93 %
Other	1,483	953	530	56 %
Total research and development expenses	$ 29,314	$ 22,687	$ 6,627	29 %

Research and development expenses increased by $6.6 million, or 29%, to $29.3 million for the six months ended June 30, 2022, from $22.7 million for the six months ended June 30, 2021. The increase was primarily due to a $4.1 million increase in compensation expenses, which mainly related to higher headcount and increased stock-based compensation expenses, and a $1.3 million increase in IT related expenses.

Sales and Marketing expenses

	Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation & commission	$ 25,266	$ 17,553	$ 7,713	44 %
Marketing expenses	2,769	1,506	1,263	84 %
Travel and entertainment	693	67	626	934 %
Other	2,304	1,559	745	48 %
Total sales and marketing expenses	$ 31,032	$ 20,685	$ 10,347	50 %

Sales and marketing expenses increased by $10.3 million, or 50%, to $31.0 million for the six months ended June 30, 2022, from $20.7 million for the six months ended June 30, 2021. The increase was primarily due to a $6.5 million increase in compensation related to higher headcount, a $1.2 million increase in amortization of deferred commission expenses driven by higher bookings, and a $0.7 million increase related to additional marketing expenses.

General and Administrative expenses

	Six Months Ended June 30,		Period-over-Period Change	
	2022	2021	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 15,871	$ 13,736	$ 2,135	16 %
Professional fees and insurance	3,290	1,165	2,125	182 %
Subcontractors and consultants	570	424	146	34 %
Travel and entertainment	201	52	149	287 %
Other	2,843	2,010	833	41 %
Total general and administrative expenses	$ 22,775	$ 17,387	$ 5,388	31 %

General and administrative expenses increased by $5.4 million, or 31%, to $22.8 million for the six months ended June 30, 2022, from $17.4 million for the six months ended June 30, 2021. The increase was primarily due to a $2.1 million increase in compensation related to higher headcount and increased stock-based compensation expenses and a $2.1 million increase in professional fees and insurance to support our operation as a public company.

Other Operating Expenses

Other operating expenses were $1.7 million during the six months ended June 30, 2021, and mainly related to the forgiveness of loans to certain of our directors and executive officers immediately prior to the public filing of the registration statement for our IPO, including related tax gross-up amounts payable by us to such directors and executive officers. We did not incur other operating expenses during the six months ended June 30, 2022.

Financial Expenses (Income), net

Financial expenses (income), net decreased by $0.7 million, or 109%, to $(0.1) million for the six months ended June 30, 2022, from $0.7 million for the six months ended June 30, 2021. The decrease was primarily due to a $1.8 million remeasurement of warrants to fair value recorded in the six months ended June 30, 2021, offset by $1.6 million income related to exchange rate differences, $0.5 million lower interest expenses due to repayment of our Revolving Credit Facility during the fourth quarter of 2021 and $0.1 million related to bank fees.

Provision for Income Taxes

Provision for income taxes increased by $0.9 million, or 28%, to $4.2 million for the six months ended June 30, 2022, from $3.3 million for the six months ended June 30, 2021, primarily due to increased tax liability related to income generated by our subsidiaries organized under the laws of Israel and the United Kingdom.

Liquidity and Capital Resources

Overview

Since our inception, we have financed our operations primarily through net cash provided by operating activities, equity issuances, and borrowings under our long-term debt arrangements. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. Our principal sources of liquidity are expected to be our cash on hand and borrowings available under our Revolving Credit Facility. During December 2021, we repaid in full the outstanding principal balance under our Revolving Credit Facility. Therefore, as of June 30, 2022, we had no balance outstanding under the Revolving Credit Facility and the total revolving commitment of $35.0 million is available for future borrowings.

We believe that our net cash provided by operating activities, cash on hand, and availability under our Revolving Credit Facility will be adequate to meet our operating, investing, and financing needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue growth, the timing and extent of investments to support such growth, the expansion of sales and marketing activities, increases in general and administrative costs and many other factors as described under Part I, Item 1A. "Risk Factors" of our 2021 10-K and "—Key Factors Affecting Our Performance."

If necessary, we may borrow funds under our Revolving Credit Facility to finance our liquidity requirements, subject to customary borrowing conditions. To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all. In particular, the widespread pandemic related to COVID-19 and its variants has resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when desired, our business, financial condition and results of operations could be adversely affected.

Credit Facilities

In January 2021, we entered into a new credit agreement (as amended, the "Credit Agreement") with one of our existing lenders, which provides for a new senior secured term loan facility in the aggregate principal amount of $40.0 million (the "Term Loan Facility") and a new senior secured revolving credit facility in the aggregate principal amount of $10.0 million (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Credit Facilities"). In June 2021, we entered into an amendment to the Credit Agreement (the "First Amendment") to, among other things, increase commitments under the Revolving Credit Facility to $35.0 million, and make certain other changes to certain covenants and definitions. The amount available for borrowing under the Revolving Credit Facility is limited to a borrowing base, which is equal to the product of (a) 800% (which will automatically reduce to 350% on the date the Term Loan Facility is repaid in full), multiplied by (b) monthly Recurring Revenue for the most recently ended monthly period, multiplied by (c) the Retention Rate (in each case, as defined in the Credit Agreement). The Revolving Credit Facility includes a sub-facility for letters of credit in the aggregate availability amount of $10.0 million and a swingline sub-facility in the aggregate availability amount of $5.0 million, each of which reduces borrowing availability under the Revolving Credit Facility.

Borrowings under the Credit Facilities are subject to interest, determined as follows: (a) Eurodollar loans accrue interest at a rate per annum equal to the Eurodollar rate determined for such day plus a margin of 3.50% (the Eurodollar rate is calculated as described in the Credit Agreement, subject to a 1.00% floor, divided by 1.00 minus the maximum effective reserve percentage for Euro currency funding), and (b) Alternate Base Rate ("ABR") loans accrue interest at a rate per annum equal to the ABR plus a margin of 2.50% (ABR is equal to the highest of (i) the prime rate and (ii) the Federal Funds Effective Rate plus 0.50%, subject to a 2.00% floor). In addition to paying interest on the principal amounts outstanding under the Credit Facilities, we are required to pay a commitment fee under the Revolving Credit Facility on unused amounts at a rate of 0.25% per annum. We are also required to pay customary letter of credit and agency fees.

We are required to prepay amounts outstanding under the Term Loan Facility with 100% of the net cash proceeds of any indebtedness incurred by us or any of our subsidiaries other than certain permitted indebtedness. In addition, we are required to prepay amounts outstanding under the Credit Facilities with the net cash proceeds of any Asset Sale or Recovery Event (each as defined in the Credit Agreement), subject to certain limited reinvestment rights.

Amounts outstanding under the Credit Facilities may be voluntarily prepaid at any time and from time to time, in whole or in part, without premium or penalty. All voluntary prepayments (other than ABR loans borrowed under the Revolving Credit Facility) must be accompanied by accrued and unpaid interest on the principal amount being prepaid and customary "breakage" costs, if any, with respect to prepayments of Eurodollar loans.

The Term Loan Facility is payable in consecutive quarterly installments on the last day of each fiscal quarter in an amount equal to (x) $250,000 for installments payable on March 31, 2021 through December 31, 2021, (y) $750,000 for installments payable on March 31, 2022 through December 31, 2022, and (z) $1.5 million for installments payable on and after March 31, 2023. The remaining unpaid balance on the Term Loan Facility is due and payable on January 14, 2024, together with accrued and unpaid interest on the principal amount to be paid to, but excluding, the payment date. Borrowings under the Revolving Credit Facility do not amortize and are due and payable on January 14, 2024.

Our obligations under the Credit Facilities are currently guaranteed by Kaltura Europe Limited, and are required to be guaranteed by all of our future direct and indirect subsidiaries other than certain excluded subsidiaries and immaterial foreign subsidiaries. Our obligations and those of Kaltura Europe Limited are, and the obligations of any future guarantors are required to be, secured by a first priority lien on substantially all of our respective assets.

The Credit Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability, and the ability of our subsidiaries, to:

- create, issue, incur, assume, become liable in respect of or suffer to exist any debt or liens;
- consummate any merger, consolidation or amalgamation, or liquidate, wind up or dissolve, or dispose of all or substantially all of our or their respective property or business;
- dispose of property or, in the case of our subsidiaries, issue or sell any shares of such subsidiary's capital stock;
- repay, prepay, redeem, purchase, retire or defease subordinated debt;
- declare or pay dividends or make certain other restricted payments;
- make certain investments;
- enter into transactions with affiliates;
- enter into new lines of business; and
- make certain amendments to our or their respective organizational documents or certain material contracts.

The Credit Agreement also contains certain financial covenants that require us to maintain (i) a minimum amount of Annualized Recurring Revenue (as defined in the Credit Agreement) as of the last day of each fiscal quarter (which minimum amount increases through the fiscal quarter ending December 31, 2023) (the "ARR Covenant"), and (ii) Liquidity (as defined in the Credit Agreement) of at least $10 million as of the last day of any calendar month. We were in compliance with these covenants as of June 30, 2022.

The Credit Agreement also contains certain customary representations and warranties and affirmative covenants, and certain reporting obligations. In addition, the lenders under the Credit Facilities will be permitted to accelerate all outstanding borrowings and other obligations, terminate outstanding commitments and exercise other specified remedies upon the occurrence of certain events of default (subject to certain grace periods and exceptions), which include, among other things, payment defaults, breaches of representations and warranties, covenant defaults, certain cross-defaults and cross-accelerations to other indebtedness, certain events of bankruptcy and insolvency, certain judgments and Change of Control events. "Change of Control" is defined as (a) any "person" or "group" (as defined in Sections 13(d) and 14(d) of the Exchange Act) becoming the beneficial owner of 40% or more of the ordinary voting power for the election of our directors, (b) during any 24-month period, a majority of the members of our board of directors ceasing to be composed of individuals (i) who were members thereof on the first day of such period, (ii) whose election or nomination thereto was approved by individuals referred to in the foregoing clause constituting at least a majority of such board, or (iii) whose election or nomination thereto was approved by individuals referred to in the foregoing clauses (i) and (ii) constituting at least a majority of such board; or (c) at any time, if we cease to own and control 100% of each class of outstanding capital stock of each guarantor free and clear of all liens (other than certain permitted liens).

In December 2021, we repaid in full the outstanding principal balance under our Revolving Credit Facility. As of June 30, 2022, we had no balance outstanding under the Revolving Credit Facility and the total revolving commitment of $35.0 million remains available for future borrowings.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in thousands)	
Net cash used in operating activities	$ (42,127)	$ (5,695)
Net cash used in investing activities	(44,080)	(2,290)
Net cash provided by (used in) financing activities	(1,004)	9,809
Net increase (decrease) in cash, cash equivalents, and restricted cash	(87,211)	1,824
Cash, cash equivalents, and restricted cash at beginning of period	144,371	28,355
Cash, cash equivalents and restricted cash at end of period	$ 57,160	$ 30,179

Operating Activities

Net cash flows used in operating activities increased by $36.4 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021.

Net cash used in operating activities of $42.1 million for six months ended June 30, 2022, was primarily due to $34.3 million incremental net loss, adjusted for non-cash charges of $18.2 million, and net cash outflows of $26.2 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of $1.4 million, stock-based compensation expenses of $11.7 million and amortization of deferred contract acquisitions and fulfillment costs of $5.1 million. The main drivers of net cash outflows were derived from the changes in operating assets and liabilities and were related to an increase of trade receivables of $14.7 million, decrease in deferred revenue of $0.3 million, increase of deferred contract acquisition and fulfillment cost of $6.5 million, decrease in trade payables of $1.6 million, an aggregate decrease in employees accruals, and accrued expenses and other liabilities of $5.9 million and an increase of $0.1 million in prepaid expenses and other current assets and other assets, noncurrent.

Net cash used in operating activities of $5.7 million for the six months ended June 30, 2021, was primarily due to $15.6 million in incremental net loss, adjusted for non-cash charges of $10.7 million, and net cash outflow of $1.8 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of remeasurement of warrants to fair value of $4.2 million, stock-based compensation expenses of $5.0 million, loan forgiveness of $0.9 million, and depreciation and amortization of $0.6 million. The main drivers of net cash outflows were derived from an increase in trade receivables of $6.7 million, an increase in deferred contract acquisition and fulfillment costs of $2.6 million, and an increase in prepaid expenses and other current assets of $1.9 million, partially offset by an increase in deferred revenue of $5.4 million and an aggregate increase in employee accruals, accrued expenses and other current liabilities and trade payables of $4.0 million.

Investing Activities

Net cash flows used in investing activities increased by $41.8 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Net cash used in investing activities of $44.1 million for the six months ended June 30, 2022 was related to $3.1 million of capitalized internal use software, investment in available-for-sale marketable securities of $38.4 million, and $0.8 million of capital expenditures.

Net cash used in investing activities of $2.3 million for the six months ended June 30, 2021 was related to capitalized internal-use software of $1.3 million and capital expenditures of $1.0 million.

Financing Activities

Net cash flows used in financing activities decreased by $10.8 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Net cash used in financing activities of $1.0 million for the six months ended June 30, 2022 was primarily due to repayment of long-term loans of $1.5 million, repayment of finance lease liabilities of $0.1 million, and payment of debt issuance costs of $0.1 million, offset by $0.8 million due to proceeds from the exercise of stock options.

Net cash provided by financing activities of $9.8 million for the six months ended June 30, 2021, was primarily due to proceeds from long term loan loans of $42.0 million offset by $28.9 million loan repayments, deferred offering costs of $2.6 million, and principal payments of finance lease liabilities of $1.0 million.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating and finance leases, purchase obligations with third-party providers for the use of cloud hosting and other services and outstanding debt. There were no material changes to our commitments and contractual obligations during the six months ended June 30, 2022 from the commitments and contractual obligations disclosed in Part II, Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," of our 2021 10-K other than the operating lease agreement we entered into in April 2022 for an office space in Israel. For further information on our commitments and contractual obligations, refer to Note 7, Note 8 and Note 14 of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the anticipated impact of COVID-19. As events continue to evolve and additional information becomes available, our estimates and assumptions may change materially in future periods.

Our critical accounting policies and estimates were disclosed in Part II, Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," of our 2021 10-K. There have been no significant changes to these policies and estimates during the six months ended June 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in exchange rates, interest rates and inflation. All of these market risks arise in the ordinary course of business, as we do not engage in speculative trading activities. The following analysis provides additional information regarding these risks.

Foreign Currency and Exchange Risk

Our revenue and expenses are primarily denominated in U.S. dollars. Our functional currency is the U.S. dollar. Our sales are mainly denominated in U.S. dollars and Euros. A significant portion of our operating costs are in Israel, consisting principally of salaries and related personnel expenses, and facility expenses, which are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS and Euros. Furthermore, we anticipate that a significant portion of our expenses will continue to be denominated in NIS.

To reduce the impact of foreign currency exchange risks associated with forecasted future cash flows and certain existing assets and liabilities and the volatility in our consolidated statements of operations, we established a hedging program, starting March 2022. Currently, our hedging activity relates to U.S. dollar/NIS exchange rate exposure. We do not intend to enter into derivative instruments for trading or speculative purposes. We account for our derivative instruments as either assets or liabilities and carry them at fair value in the condensed consolidated balance sheets. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. Our hedging activities are expected to reduce but not eliminate the impact of currency exchange rate movements.

A hypothetical 10% change in foreign currency exchange rates applicable to our business would have had an impact on our results for the six months ended June 30, 2022, of $2.3 million due to NIS (after considering cash-flow hedges) and $2.1 million due to Euros.

Interest Rate Risk

As of June 30, 2022, we had outstanding floating rate debt obligations of $37.2 million (consisting of the outstanding principal balance under our credit facilities). Accordingly, fluctuations in market interest rates may increase or decrease our interest expense which will, in turn, increase or decrease our net income and cash flow. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities. At this time, we do not use derivative instruments to mitigate our interest rate risk. A hypothetical 10% change in interest rates during the periods presented would not have a material impact on our results for the six months ended June 30, 2022.

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we do not believe inflation has had a material effect on our historical results of operations and financial condition. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset higher costs through price increases or other corrective measures, and our inability or failure to do so could adversely affect our business, financial condition, and results of operations.

Item 4. Controls and Procedures.

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2022, due to the material weakness described below, our disclosure controls and procedures were not effective at the reasonable assurance level.

Material Weaknesses

In connection with the preparation of the consolidated financial statements included in our final prospectus dated July 20, 2021, filed with the SEC in accordance with Rule 424(b) of the Securities Act on July 22, 2021, we concluded that there was a material weakness in our internal control over financial reporting. In particular, we concluded that we did not have effective controls over the estimation of fair value in connection with stock-based compensation expenses and re-measurement of liabilities in connection with warrants to purchase preferred and common stock. As a result, we restated our consolidated financial statements as of and for the year ended December 31, 2020.

Remediation Activities

Management has been actively engaged in remediating the above-described material weakness since March 2021. During the second quarter of 2022, we continued to evaluate and improve our controls over the estimation of fair value in connection with stock-based compensation. The remediation measures we have implemented include hiring additional dedicated and experienced technical resources to strengthen our corporate oversight over financial reporting and controls associated with complex accounting matters. We also conducted an evaluation of the tools and external service providers we utilize in connection with the estimation of fair value. In addition, following the IPO, we utilize the market price of our publicly-traded common stock in our calculation of fair value in connection with stock-based compensation expenses. The re-measurement of liabilities in connection with warrants to purchase our preferred and common stock was not relevant to our financial reporting during the second quarter of 2022.

We believe we have made substantial improvements in the effectiveness of our internal controls over the estimation of fair value in connection with stock-based compensation, and we have not identified any additional material weaknesses in our internal control over financial reporting. We will not be able to conclude whether the steps we are taking will fully remediate the material weakness in our internal control over the estimation of fair value in connection with stock-based compensation until we have completed our remediation efforts and subsequently evaluated their effectiveness.

Changes in internal control over financial reporting

Other than as described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2022 that have 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 involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

Item 1A. Risk Factors.

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, "Risk Factors" of our 2021 10-K. Except as set forth below, there have been no material changes from the risk factors previously disclosed in our 2021 10-K.

We may not successfully execute or achieve the expected benefits of our 2022 Restructuring Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations.

On August 7, 2022, our board of directors approved the 2022 Restructuring Plan designed to position the Company for long-term profitable growth. The plan includes the release of approximately 10% of our employees. The 2022 Restructuring Plan is based on our current estimates, assumptions and forecasts, which are subject to known and unknown risks and uncertainties, including assumptions regarding cost savings, cash burn rate, access to restricted cash, gross profit improvements, and effectiveness of our reduced marketing spend. Accordingly, we may not be able to fully realize the cost savings, enhanced liquidity and other benefits anticipated from the 2022 Restructuring Plan. Additionally, implementation of the 2022 Restructuring Plan and any other cost-saving initiatives may be costly and disruptive to our business, the expected costs and charges may be greater than we have forecasted, and the estimated cost savings may be lower than we have forecasted. In addition, our initiatives could result in personnel attrition beyond our planned reduction in headcount or reduce employee morale, which could in turn adversely impact productivity, including through a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods, or our ability to attract highly skilled employees. Unfavorable publicity about us or the 2022 Restructuring Plan could result in reputational harm and could diminish confidence in our brand and business. The 2022 Restructuring Plan has required, and may continue to require, a significant amount of management’s and other employees’ time and focus, which may divert attention from effectively operating and growing our business.

We are subject to various governmental export control, trade sanctions, and import laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

In some cases, our software is subject to export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce, the Israeli Control of Products and Services Decree (Engagement in Encryption), 5735-1974, and the Israeli Law of Regulation of Security Exports, 5767-2007, and our business must also be conducted in compliance with applicable trade and economic sanctions laws and regulations, including those administered and enforced by OFAC, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council and other relevant sanctions authorities (collectively, "Trade Controls"). As such, a license may be required to export or re-export our products, or provide related services, to certain countries and end users, as well as for certain end uses. Further, our offerings that incorporate encryption functionality may be subject to special controls applying to encryption items and/or certain reporting requirements. We have certain customer and third party relationships in Russia, Belarus and Ukraine. In response to the conflict between Russia and Ukraine, the U.S. government and the governments of other jurisdictions in which we operate, such as the European Union, have imposed enhanced export controls on certain products and sanctions on certain industry sectors and parties in Russia, and may impose additional controls and sanctions in the future. These and any additional sanctions and export controls, as well as any responses from Russia, could adversely impact our operations and negatively impact our business in the region, including our ability to provide services to or receive payments from our customers in Russia.

Our global operations expose us to the risk of violating, or being accused of violating, Trade Controls. While we have procedures in place designed to ensure our compliance with Trade Controls, we cannot guarantee that these procedures will be successfully followed, and failure to comply could subject us to both civil and criminal penalties, including substantial fines, disgorgement of profits, possible incarceration of responsible individuals for willful violations, possible loss of our export or import privileges, and reputational harm. Further, the process for obtaining necessary licenses may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities. Trade Controls are complex and dynamic regimes, and monitoring and ensuring compliance can be challenging, particularly given that our offerings are widely distributed throughout the world and are available for download without registration. Although we have no knowledge that our activities have resulted in violations of Trade Controls, any failure by us or our partners to comply with applicable laws and regulations would have negative consequences for us, including reputational harm, government investigations, and penalties. Investigations of alleged violations can be expensive and disruptive.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our offerings or the ability of our customers or end users to implement our offerings in those countries. Changes in our offerings or changes in export and import regulations in such countries may create delays in the introduction of our offerings into international markets, prevent our end-customers with international operations from deploying our offerings globally or, in some cases, prevent or delay the export or import of our offerings to certain countries, governments, or persons altogether. Any change in import laws or regulations, Trade Controls or related legislation, shift in the enforcement or scope of existing import or Trade Controls laws or regulations, or change in the countries, governments, persons, or technologies targeted by such import or Trade Controls laws or regulations, could result in decreased use of our offerings by, or in our decreased ability to export or sell our offerings to, existing or potential customers with international operations. Any decreased use of our offerings or limitation on our ability to export to or sell our offerings in international markets could adversely affect our business, financial condition and results of operations, and our ability to execute our growth strategy.

Our stockholder rights plan, or "poison pill," includes terms and conditions that could discourage a takeover or other transaction that stockholders may consider favorable.

On August 7, 2022, our Board of Directors approved and adopted a Rights Agreement, dated as of August 7, 2022 (the "Rights Agreement"), by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent. Pursuant to the Rights Agreement, the Board declared a dividend of one preferred stock purchase right (each, a "Right") for each share of our common stock outstanding at the close of business on August 22, 2022. Each Right will entitle the registered holder thereof, after the Rights become exercisable and until August 6, 2023 (or the earlier redemption, exchange, or termination of the Rights), to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.0001 per share (the "Series A Preferred"), of the Company at a price of $13.00 per one one-thousandth of a share of the Series A Preferred. The complete terms of the Rights are set out in the Rights Agreement.

The Rights have certain anti-takeover effects, including potentially discouraging a takeover that stockholders may consider favorable. The Rights Agreement will cause substantial dilution to any person or group that acquires beneficial ownership of 10% (20% in the case of a passive institutional investor) or more of the Company's common stock without the approval of the Board of Directors. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult or discourage a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board of Directors. The Rights Agreement is not intended to interfere with any merger, tender or exchange offer or other business combination approved by the Board. The Rights Agreement also does not prevent the Board from considering any offer that it considers to be in the best interest of its stockholders.

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

Recent Sales of Unregistered Securities; Purchases of Equity Securities by the Issuer or Affiliated Purchaser

None.

Use of Proceeds

On July 23, 2021, we completed our IPO, in which we issued and sold 15,000,000 shares of our common stock at a price to the public of $10.00 per share. On August 6, 2021, we issued and sold an additional 2,250,000 shares of our common stock at a price of $10.00 per share in connection with the underwriters' exercise in full of their option to purchase additional shares of our common stock. All shares sold were registered pursuant to a registration statement on Form S-1 (File No. 333-253699), as amended (the "Registration Statement"), declared effective by the SEC on July 20, 2021. Other than as reported in Part I, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in our 2021 10-K, there has been no material change in the expected use of the net proceeds from our IPO as described in the Registration Statement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated below.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Kaltura, Inc.	8-K	001-40644	3.1	07/23/2021	
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of Kaltura, Inc.	8-K	001-40644	3.1	08/08/2022	
3.3	Amended and Restated Bylaws of Kaltura, Inc.	8-K	001-40644	3.2	07/23/2021	
4.1	Specimen Common Stock Certificate of Kaltura, Inc.	S-1/A	333-253699	4.1	03/23/2021	
4.2	Sixth Amended and Restated Investor Rights Agreement, dated as of July 22, 2016, by and among Kaltura, Inc. and each of the investors listed on Exhibit A thereto, as amended.	S-1/A	333-253699	4.2	03/23/2021	
4.3	Warrant to Purchase Shares of Common Stock, dated as of March 26, 2020, issued by Kaltura, Inc. to Zarom Holding Limited, as amended	S-1/A	333-253699	4.7	03/23/2021	
4.4	Rights Agreement, dated as of August 7, 2022, between Kaltura, Inc. and American Stock Transfer & Trust Company, LLC	8-K	001-40644	4.1	08/08/2022	

10.1	Employment Agreement, dated as of May 1, 2012, by and between Kaltura Ltd. and Ron Yekutiel, as amended.	8-K	001-40644	10.1	04/05/2022	
10.2	Consulting Agreement by and between Kaltura, Inc. and Ron Yekutiel, effective January 1, 2018, as amended.	8-K	001-40644	10.2	04/05/2022	
10.3	Consulting Agreement by and between Kaltura Europe Limited and Ron Yekutiel, effective May 1, 2014, as amended.	8-K	001-40644	10.3	04/05/2022	
10.4	Employment Agreement, dated as of June 18, 2017, by and between Kaltura Ltd. and Yaron Garmazi, as amended.	8-K	001-40644	10.4	04/05/2022	
10.5	Employment Agreement, dated as of April 1, 2018, by and between Kaltura Ltd. and Michal Tsur, as amended.	8-K	001-40644	10.5	04/05/2022	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**

101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover Page Interactive Data File (as formatted as Inline XBRL and contained in Exhibit 101)	*

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KALTURA, INC.

Date: August 10, 2022	By:	/s/ Ron Yekutiel
		Ron Yekutiel
		Chairman and Chief Executive Officer
		(Principal Executive Officer)
Date: August 10, 2022	By:	/s/ Yaron Garmazi
		Yaron Garmazi
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Ron Yekutiel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kaltura, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [Omitted];

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

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

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

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

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

Date: August 10, 2022

By: /s/ Ron Yekutiel

Ron Yekutiel
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Yaron Garmazi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kaltura, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [Omitted];

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

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

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

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

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

Date: August 10, 2022

By: /s/ Yaron Garmazi

Yaron Garmazi
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Kaltura, Inc. (the "Company") for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022	By:	/s/ Ron Yekutiel
		Ron Yekutiel
		Chairman and Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Kaltura, Inc. (the "Company") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022	By:	/s/ Yaron Garmazi
		Yaron Garmazi
		Chief Financial Officer
		(Principal Financial and Accounting Officer)