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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**FORM 10-Q**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**(Mark One)**

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

**For the quarterly period ended September 30, 2021**

**or**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| ☐ | | | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** | | |

**For the transition period from          to**

**Commission file number: 001-33520**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**comScore, Inc.**

**(Exact name of registrant as specified in its charter)**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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|  |  |  |  |  |  |  |  |  |
| Delaware | | |  | | | 54-1955550 | | |
| (State or other jurisdiction of incorporation or organization) | | |  | | | (I.R.S. Employer Identification Number) | | |

**11950 Democracy Drive, Suite 600**

**Reston, Virginia 20190**

***(Address of Principal Executive Offices)***

**(703) 438-2000**

***(Registrant's Telephone Number, Including Area Code)***

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Title of Each Class | | |  | | | Trading Symbol | | |  | | | Name of Each Exchange on Which Registered | | |
| Common Stock, par value $0.001 per share | | |  | | | SCOR | | |  | | | NASDAQ Global Select Market | | |

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 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 ☑

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of November 4, 2021, there were 82,199,226 shares of the registrant's Common Stock outstanding.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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**COMSCORE, INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*We may make certain statements, including in this Quarterly Report on Form 10-Q, or 10-Q, including the information contained in* [*Item 2*](#ic950a4031fc64d9eac4d9330d38657e1_85)*, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the information incorporated by reference in this 10-Q, that constitute forward-looking statements within the meaning of federal and state securities laws. Forward-looking statements are all statements other than statements of historical fact. We attempt to identify these forward-looking statements by words such as "may," "will," "should," "could," "might," "expect," "plan," "anticipate," "believe," "estimate," "target," "goal," "predict," "intend," "potential," "continue," "seek" and other comparable words. Similarly, statements that describe our business strategy, goals, prospects, opportunities, outlook, objectives, plans or intentions are also forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance; expectations regarding the impact on our business of the coronavirus ("COVID-19") pandemic and global measures to mitigate the spread of the virus; macroeconomic trends that we expect may influence our business, including any recession or changes in consumer behavior resulting from the COVID-19 pandemic; plans for business continuity, financing and capital expenditures; expectations regarding liquidity, customer payments and compliance with debt and financing covenants and other payment obligations; expectations regarding enhanced commercial relationships and the development and introduction of new products; effects of restructuring, remote work arrangements and other employment actions; regulatory compliance and expected changes in the regulatory or privacy landscape affecting our business; expected impact of litigation and regulatory proceedings; and plans for stabilization, growth and future operations, as well as assumptions relating to the foregoing.*

*Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These statements are based on expectations and assumptions as of the date of this 10-Q regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause actual events or results to be materially different from any future events or results expressed or implied by these statements. These factors include those set forth in the following discussion and within* [*Item 1A*](#ic950a4031fc64d9eac4d9330d38657e1_124)*, "Risk Factors" of this 10-Q and elsewhere within this report; those identified within* [*Item 1A*](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001158172/000115817221000021/scor-20201231.htm#ided6989bcc374020961c421c465250ee_22)*, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020; those identified within* [*Item 1A*](http://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000109/scor-20210630.htm#i131879fafdef48ed8c5620bbd190ac30_127)*, "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021; and those identified in other documents that we file from time to time with the U.S. Securities and Exchange Commission, or SEC.*

*We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this 10-Q. You should carefully review the risk factors described in this 10-Q and in other documents that we file from time to time with the SEC. Except as required by applicable law, including the rules and regulations of the SEC, we undertake no obligation, and expressly disclaim any duty, to publicly update or revise forward-looking statements, whether as a result of any new information, future events or otherwise. Although we believe the expectations reflected in the forward-looking statements are reasonable as of the date of this 10-Q, our statements are not guarantees of future results, levels of activity, performance, or achievements, and actual outcomes and results may differ materially from those expressed in, or implied by, any of our statements.*

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**PART I. FINANCIAL INFORMATION**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **ITEM 1.** | | | ***FINANCIAL STATEMENTS*** | | |

**COMSCORE, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In thousands, except share and par value data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **As of** | | |  | | | **As of** | | |  |  |  |  |  |  |
|  | | | **September 30, 2021** | | |  | | | **December 31, 2020** | | |  |  |  |  |  |  |
|  | | | **(Unaudited)** | | |  | | |  | | |  |  |  |  |  |  |
| **Assets** | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Current assets: | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Cash and cash equivalents | | | $ | 15,940 |  |  | | | $ | 31,126 |  |  |  |  |  |  |  |
| Restricted cash | | | 794 | |  |  | | | 19,615 | |  |  |  |  |  |  |  |
| Accounts receivable, net of allowances of $1,215 and $2,757, respectively ($3,897 and $4,045 of accounts receivable attributable to related parties, respectively) | | | 81,461 | |  |  | | | 69,379 | |  |  |  |  |  |  |  |
| Prepaid expenses and other current assets ($907 and $1,496 attributable to related parties, respectively) | | | 13,662 | |  |  | | | 16,910 | |  |  |  |  |  |  |  |
| Total current assets | | | 111,857 | |  |  | | | 137,030 | |  |  |  |  |  |  |  |
| Property and equipment, net | | | 31,349 | |  |  | | | 30,973 | |  |  |  |  |  |  |  |
| Operating right-of-use assets | | | 30,175 | |  |  | | | 28,959 | |  |  |  |  |  |  |  |
| Goodwill | | | 417,104 | |  |  | | | 418,327 | |  |  |  |  |  |  |  |
| Intangible assets, net | | | 33,473 | |  |  | | | 52,340 | |  |  |  |  |  |  |  |
| Deferred tax assets | | | 2,790 | |  |  | | | 2,741 | |  |  |  |  |  |  |  |
| Other non-current assets | | | 9,888 | |  |  | | | 7,600 | |  |  |  |  |  |  |  |
| Total assets | | | $ | 636,636 |  |  | | | $ | 677,970 |  |  |  |  |  |  |  |
| **Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity** | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Current liabilities: | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Accounts payable ($8,065 and $2,817 attributable to related parties, respectively) | | | $ | 42,424 |  |  | | | $ | 36,640 |  |  |  |  |  |  |  |
| Accrued expenses ($3,858 and $835 attributable to related parties, respectively) | | | 40,078 | |  |  | | | 48,380 | |  |  |  |  |  |  |  |
| Contract liabilities ($3,715 and $3,538 attributable to related parties, respectively) | | | 51,116 | |  |  | | | 58,529 | |  |  |  |  |  |  |  |
| Customer advances | | | 8,949 | |  |  | | | 12,477 | |  |  |  |  |  |  |  |
| Warrants liability | | | 13,769 | |  |  | | | 2,831 | |  |  |  |  |  |  |  |
| Current operating lease liabilities | | | 7,327 | |  |  | | | 7,024 | |  |  |  |  |  |  |  |
| Secured term note | | | — | |  |  | | | 12,644 | |  |  |  |  |  |  |  |
| Other current liabilities ($3,953 and $— attributable to related parties, respectively) | | | 6,504 | |  |  | | | 5,750 | |  |  |  |  |  |  |  |
| Total current liabilities | | | 170,167 | |  |  | | | 184,275 | |  |  |  |  |  |  |  |
| Non-current operating lease liabilities | | | 37,515 | |  |  | | | 36,127 | |  |  |  |  |  |  |  |
| Non-current contract liabilities | | | 2,497 | |  |  | | | 4,156 | |  |  |  |  |  |  |  |
| Deferred tax liabilities | | | 1,515 | |  |  | | | 627 | |  |  |  |  |  |  |  |
| Senior secured convertible notes (related party) | | | — | |  |  | | | 192,895 | |  |  |  |  |  |  |  |
| Financing derivatives (related party) | | | — | |  |  | | | 11,300 | |  |  |  |  |  |  |  |
| Revolving line of credit | | | 16,000 | |  |  | | | — | |  |  |  |  |  |  |  |
| Other non-current liabilities ($6,358 and $6,120 attributable to related parties, respectively) | | | 23,726 | |  |  | | | 19,600 | |  |  |  |  |  |  |  |
| Total liabilities | | | 251,420 | |  |  | | | 448,980 | |  |  |  |  |  |  |  |
| Commitments and contingencies | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Convertible redeemable preferred stock, $0.001 par value; 82,527,609 and zero shares authorized, issued and outstanding as of September 30, 2021 and December 31, 2020, respectively; aggregate liquidation preference of $207,953 as of September 30, 2021 (related parties) | | | 187,885 | |  |  | | | — | |  |  |  |  |  |  |  |
| Stockholders' equity: | | |  | | |  | | |  | | |  |  |  |  |  |  |
| Preferred stock, $0.001 par value; 7,472,391 and 5,000,000 shares authorized as of September 30, 2021 and December 31, 2020, respectively; no shares issued or outstanding as of September 30, 2021 or December 31, 2020 | | | — | |  |  | | | — | |  |  |  |  |  |  |  |
| Common stock, $0.001 par value; 275,000,000 and 150,000,000 shares authorized as of September 30, 2021 and December 31, 2020, respectively; 88,964,022 shares issued and 82,199,226 shares outstanding as of September 30, 2021, and 79,703,342 shares issued and 72,938,546 shares outstanding as of December 31, 2020 | | | 82 | |  |  | | | 73 | |  |  |  |  |  |  |  |
| Additional paid-in capital | | | 1,655,288 | |  |  | | | 1,621,986 | |  |  |  |  |  |  |  |
| Accumulated other comprehensive loss | | | (10,367) | |  |  | | | (7,030) | |  |  |  |  |  |  |  |
| Accumulated deficit | | | (1,217,688) | |  |  | | | (1,156,055) | |  |  |  |  |  |  |  |
| Treasury stock, at cost, 6,764,796 shares as of September 30, 2021 and December 31, 2020 | | | (229,984) | |  |  | | | (229,984) | |  |  |  |  |  |  |  |
| Total stockholders' equity | | | 197,331 | |  |  | | | 228,990 | |  |  |  |  |  |  |  |
| Total liabilities, convertible redeemable preferred stock and stockholders' equity | | | $ | 636,636 |  |  | | | $ | 677,970 |  |  |  |  |  |  |  |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**COMSCORE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

**(Unaudited)**

**(In thousands, except share and per share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| Revenues *(1)* | | |  | | | $ | 92,487 |  |  | | | $ | 87,952 |  |  | | | $ | 270,476 |  |  | | | $ | 266,046 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of revenues *(1) (2) (3) (4)* | | |  | | | 49,179 | |  |  | | | 46,466 | |  |  | | | 153,267 | |  |  | | | 137,213 | |  |
| Selling and marketing *(2) (3) (4)* | | |  | | | 15,212 | |  |  | | | 17,131 | |  |  | | | 49,569 | |  |  | | | 52,351 | |  |
| Research and development *(2) (3) (4)* | | |  | | | 9,051 | |  |  | | | 9,501 | |  |  | | | 29,536 | |  |  | | | 29,402 | |  |
| General and administrative *(2) (3) (4)* | | |  | | | 16,895 | |  |  | | | 12,136 | |  |  | | | 45,609 | |  |  | | | 41,420 | |  |
| Amortization of intangible assets | | |  | | | 6,172 | |  |  | | | 6,750 | |  |  | | | 18,866 | |  |  | | | 20,514 | |  |
| Impairment of right-of-use and long-lived assets | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 4,671 | |  |
| Total expenses from operations | | |  | | | 96,509 | |  |  | | | 91,984 | |  |  | | | 296,847 | |  |  | | | 285,571 | |  |
| Loss from operations | | |  | | | (4,022) | |  |  | | | (4,032) | |  |  | | | (26,371) | |  |  | | | (19,525) | |  |
| Other income (expense), net | | |  | | | 5,713 | |  |  | | | 4,191 | |  |  | | | (9,069) | |  |  | | | 12,862 | |  |
| Gain (loss) from foreign currency transactions | | |  | | | 1,180 | |  |  | | | (2,012) | |  |  | | | 1,884 | |  |  | | | (2,152) | |  |
| Interest expense, net *(1)* | | |  | | | (169) | |  |  | | | (9,027) | |  |  | | | (7,569) | |  |  | | | (26,729) | |  |
| Loss on extinguishment of debt *(1)* | | |  | | | — | |  |  | | | — | |  |  | | | (9,629) | |  |  | | | — | |  |
| Income (loss) before income taxes | | |  | | | 2,702 | |  |  | | | (10,880) | |  |  | | | (50,754) | |  |  | | | (35,544) | |  |
| Income tax (provision) benefit | | |  | | | (722) | |  |  | | | (241) | |  |  | | | (2,166) | |  |  | | | 838 | |  |
| Net income (loss) | | |  | | | $ | 1,980 |  |  | | | $ | (11,121) |  |  | | | $ | (52,920) |  |  | | | $ | (34,706) |  |
| Net loss available to common stockholders | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | |  | | | $ | 1,980 |  |  | | | $ | (11,121) |  |  | | | $ | (52,920) |  |  | | | $ | (34,706) |  |
| Convertible redeemable preferred stock dividends *(1)* | | |  | | | (3,910) | |  |  | | | — | |  |  | | | (8,713) | |  |  | | | — | |  |
| Total net loss available to common stockholders | | |  | | | $ | (1,930) |  |  | | | $ | (11,121) |  |  | | | $ | (61,633) |  |  | | | $ | (34,706) |  |
| Net loss per common share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic and diluted | | |  | | | $ | (0.02) |  |  | | | $ | (0.16) |  |  | | | $ | (0.77) |  |  | | | $ | (0.49) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted-average number of shares used in per share calculation - Common Stock: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic and diluted | | |  | | | 82,185,009 | |  |  | | | 71,222,122 | |  |  | | | 79,951,857 | |  |  | | | 70,638,292 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Comprehensive income (loss): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | |  | | | $ | 1,980 |  |  | | | $ | (11,121) |  |  | | | $ | (52,920) |  |  | | | $ | (34,706) |  |
| Other comprehensive (loss) income: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency cumulative translation adjustment | | |  | | | (1,917) | |  |  | | | 2,750 | |  |  | | | (3,337) | |  |  | | | 1,441 | |  |
| Total comprehensive income (loss) | | |  | | | $ | 63 |  |  | | | $ | (8,371) |  |  | | | $ | (56,257) |  |  | | | $ | (33,265) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| *(1) Transactions with related parties are included in the line items above (refer to*[*Footnote 8*](#ic950a4031fc64d9eac4d9330d38657e1_73)*, Related Party Transactions, of the Notes to Condensed Consolidated Financial Statements for additional information).* | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *(2) Excludes amortization of intangible assets, which is presented as a separate line item.* | | | | | | | | | | | | | | | | | | | | | | | | | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(3) Stock-based compensation expense is included in the line items above as follows:* | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | | | | | | | |  | | |  | | | | | | | | |
|  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| Cost of revenues | | |  | | | $ | 231 |  |  | | | $ | 503 |  |  | | | $ | 1,554 |  |  | | | $ | 1,199 |  |
| Selling and marketing | | |  | | | 208 | |  |  | | | 625 | |  |  | | | 1,679 | |  |  | | | 1,954 | |  |
| Research and development | | |  | | | 170 | |  |  | | | 386 | |  |  | | | 1,162 | |  |  | | | 817 | |  |
| General and administrative | | |  | | | 2,425 | |  |  | | | 1,010 | |  |  | | | 6,761 | |  |  | | | 3,558 | |  |
| Total stock-based compensation expense | | |  | | | $ | 3,034 |  |  | | | $ | 2,524 |  |  | | | $ | 11,156 |  |  | | | $ | 7,528 |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(4) Lease cost, net of sublease income, is included in the line items above as follows:* | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | | | | | | | |  | | |  | | | | | | | | |
|  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| **Operating lease cost** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of revenues | | |  | | | $ | 778 |  |  | | | $ | 832 |  |  | | | $ | 2,385 |  |  | | | $ | 2,668 |  |
| Selling and marketing | | |  | | | 866 | |  |  | | | 911 | |  |  | | | 2,646 | |  |  | | | 3,055 | |  |
| Research and development | | |  | | | 586 | |  |  | | | 636 | |  |  | | | 1,802 | |  |  | | | 1,953 | |  |
| General and administrative | | |  | | | 427 | |  |  | | | 428 | |  |  | | | 1,293 | |  |  | | | 1,618 | |  |
| Total operating lease cost | | |  | | | $ | 2,657 |  |  | | | $ | 2,807 |  |  | | | $ | 8,126 |  |  | | | $ | 9,294 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Amortization of right-of-use assets** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of revenues | | |  | | | $ | 401 |  |  | | | $ | 311 |  |  | | | $ | 1,098 |  |  | | | $ | 884 |  |
| Selling and marketing | | |  | | | 61 | |  |  | | | 45 | |  |  | | | 165 | |  |  | | | 127 | |  |
| Research and development | | |  | | | 50 | |  |  | | | 47 | |  |  | | | 135 | |  |  | | | 135 | |  |
| General and administrative | | |  | | | 32 | |  |  | | | 22 | |  |  | | | 87 | |  |  | | | 63 | |  |
| Total amortization of right-of-use assets | | |  | | | $ | 544 |  |  | | | $ | 425 |  |  | | | $ | 1,485 |  |  | | | $ | 1,209 |  |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**COMSCORE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**

**(Unaudited)**

**(In thousands, except share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **Convertible Redeemable Preferred Stock** | | | | | | | | |  | | |  | | | **Common Stock** | | | | | | | | |  | | | **Additional Paid-In Capital** | | |  | | | **Accumulated Other Comprehensive Loss** | | |  | | | **Accumulated Deficit** | | |  | | | **Treasury stock, at cost** | | |  | | | **Total Stockholders' Equity** | | |
| **Shares** | | |  | | | **Amount** | | |  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| **Balance as of December 31, 2020** | | | **—** | |  |  | | | **$** | **—** |  |  | | |  | | | **72,938,546** | |  |  | | | **$** | **73** |  |  | | | **$** | **1,621,986** |  |  | | | **$** | **(7,030)** |  |  | | | **$** | **(1,156,055)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **228,990** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net loss | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (36,355) | |  |  | | | — | |  |  | | | (36,355) | |  |
| Convertible redeemable preferred stock, net of issuance costs | | | 82,527,609 | |  |  | | | 188,183 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Convertible redeemable preferred stock dividends | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (935) | |  |  | | | — | |  |  | | | (935) | |  |
| Interest paid in Common Stock | | | — | |  |  | | | — | |  |  | | |  | | | 4,165,781 | |  |  | | | 4 | |  |  | | | 10,808 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 10,812 | |  |
| Conversion shares issued as extinguishment cost on senior secured convertible notes | | | — | |  |  | | | — | |  |  | | |  | | | 3,150,000 | |  |  | | | 3 | |  |  | | | 9,605 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 9,608 | |  |
| Restricted stock units distributed | | | — | |  |  | | | — | |  |  | | |  | | | 442,051 | |  |  | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |
| Settlement of restricted stock unit liability | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | 7,117 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 7,117 | |  |
| Amortization of stock-based compensation | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | 1,358 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,358 | |  |
| Foreign currency translation adjustment | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (2,151) | |  |  | | | — | |  |  | | | — | |  |  | | | (2,151) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Payments for taxes related to net share settlement of equity awards | | | — | |  |  | | | — | |  |  | | |  | | | (10,231) | |  |  | | | — | |  |  | | | (37) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (37) | |  |
| **Balance as of March 31, 2021** | | | **82,527,609** | |  |  | | | **$** | **188,183** |  |  | | |  | | | **80,686,147** | |  |  | | | **$** | **81** |  |  | | | **$** | **1,650,837** |  |  | | | **$** | **(9,181)** |  |  | | | **$** | **(1,193,345)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **218,408** |  |
| Net loss | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (18,545) | |  |  | | | — | |  |  | | | (18,545) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Convertible redeemable preferred stock dividends | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (3,868) | |  |  | | | — | |  |  | | | (3,868) | |  |
| Adjustment to issuance costs on convertible redeemable preferred stock | | | — | |  |  | | | (298) | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Restricted stock units distributed | | | — | |  |  | | | — | |  |  | | |  | | | 1,486,344 | |  |  | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amortization of stock-based compensation | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | 1,895 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,895 | |  |
| Foreign currency translation adjustment | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 731 | |  |  | | | — | |  |  | | | — | |  |  | | | 731 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Payments for taxes related to net share settlement of equity awards | | | — | |  |  | | | — | |  |  | | |  | | | (414) | |  |  | | | — | |  |  | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |
| **Balance as of June 30, 2021** | | | **82,527,609** | |  |  | | | **$** | **187,885** |  |  | | |  | | | **82,172,077** | |  |  | | | **$** | **82** |  |  | | | **$** | **1,652,731** |  |  | | | **$** | **(8,450)** |  |  | | | **$** | **(1,215,758)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **198,621** |  |
| Net income | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,980 | |  |  | | | — | |  |  | | | 1,980 | |  |
| Convertible redeemable preferred stock dividends | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (3,910) | |  |  | | | — | |  |  | | | (3,910) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted stock units distributed | | | — | |  |  | | | — | |  |  | | |  | | | 28,989 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Amortization of stock-based compensation | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | 2,563 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 2,563 | |  |
| Foreign currency translation adjustment | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1,917) | |  |  | | | — | |  |  | | | — | |  |  | | | (1,917) | |  |
| Payments for taxes related to net share settlement of equity awards | | | — | |  |  | | | — | |  |  | | |  | | | (1,840) | |  |  | | | — | |  |  | | | (6) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (6) | |  |
| **Balance as of September 30, 2021** | | | **82,527,609** | |  |  | | | **$** | **187,885** |  |  | | |  | | | **82,199,226** | |  |  | | | **$** | **82** |  |  | | | **$** | **1,655,288** |  |  | | | **$** | **(10,367)** |  |  | | | **$** | **(1,217,688)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **197,331** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | | | | | | | |  | | |  | | | **Common Stock** | | | | | | | | |  | | | **Additional Paid-In Capital** | | |  | | |  | | | **Accumulated Other Comprehensive Loss** | | |  | | | **Accumulated Deficit** | | |  | | | **Treasury stock, at cost** | | |  | | | **Total Stockholders' Equity** | | |
|  | | |  | | |  | | |  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |  |  |  |
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| **Balance as of December 31, 2019** | | |  | | |  | | |  | | |  | | |  | | | **70,065,130** | |  |  | | | **$** | **70** |  |  | | | **$** | **1,609,358** |  |  | | |  | | | **$** | **(12,333)** |  |  | | | **$** | **(1,108,137)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **258,974** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net loss | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | (13,184) | |  |  | | | — | |  |  | | | (13,184) | |  |
| Foreign currency translation adjustment | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | (2,873) | |  |  | | | — | |  |  | | | — | |  |  | | | (2,873) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Restricted stock units distributed | | |  | | |  | | |  | | |  | | |  | | | 157,384 | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Payments for taxes related to net share settlement of equity awards | | |  | | |  | | |  | | |  | | |  | | | (15,597) | |  |  | | | — | |  |  | | | (65) | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (65) | |  |
| Amortization of stock-based compensation | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | 2,609 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 2,609 | |  |
| **Balance as of March 31, 2020** | | |  | | |  | | |  | | |  | | |  | | | **70,206,917** | |  |  | | | **$** | **70** |  |  | | | **$** | **1,611,902** |  |  | | |  | | | **$** | **(15,206)** |  |  | | | **$** | **(1,121,321)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **245,461** |  |
| Net loss | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | (10,401) | |  |  | | | — | |  |  | | | (10,401) | |  |
| Foreign currency translation adjustment | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | 1,564 | |  |  | | | — | |  |  | | | — | |  |  | | | 1,564 | |  |
| Restricted stock units distributed | | |  | | |  | | |  | | |  | | |  | | | 659,244 | |  |  | | | 1 | |  |  | | | 2,241 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 2,242 | |  |
| Payments for taxes related to net share settlement of equity awards | | |  | | |  | | |  | | |  | | |  | | | (1,086) | |  |  | | | — | |  |  | | | (3) | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (3) | |  |
| Amortization of stock-based compensation | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | 1,144 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,144 | |  |
| **Balance as of June 30, 2020** | | |  | | |  | | |  | | |  | | |  | | | **70,865,075** | |  |  | | | **$** | **71** |  |  | | | **$** | **1,615,284** |  |  | | |  | | | **$** | **(13,642)** |  |  | | | **$** | **(1,131,722)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **240,007** |  |
| Net loss | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | — | |  |  | | | (11,121) | |  |  | | | — | |  |  | | | (11,121) | |  |
| Foreign currency translation adjustment | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | | 2,750 | |  |  | | | — | |  |  | | | — | |  |  | | | 2,750 | |  |
| Exercise of Common Stock options | | |  | | |  | | |  | | |  | | |  | | | 75,000 | |  |  | | | — | |  |  | | | 142 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 142 | |  |
| Restricted stock units distributed | | |  | | |  | | |  | | |  | | |  | | | 374,952 | |  |  | | | — | |  |  | | | 823 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 823 | |  |
| Payments for taxes related to net share settlement of equity awards | | |  | | |  | | |  | | |  | | |  | | | (2,683) | |  |  | | | — | |  |  | | | (8) | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (8) | |  |
| Amortization of stock-based compensation | | |  | | |  | | |  | | |  | | |  | | | — | |  |  | | | — | |  |  | | | 1,361 | |  |  | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,361 | |  |
| **Balance as of September 30, 2020** | | |  | | |  | | |  | | |  | | |  | | | **71,312,344** | |  |  | | | **$** | **71** |  |  | | | **$** | **1,617,602** |  |  | | |  | | | **$** | **(10,892)** |  |  | | | **$** | **(1,142,843)** |  |  | | | **$** | **(229,984)** |  |  | | | **$** | **233,954** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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See accompanying Notes to Condensed Consolidated Financial Statements.

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**COMSCORE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |
| **Operating activities**: | | |  | | |  | | |  | | |  | | |
| Net loss | | |  | | | $ | (52,920) |  |  | | | $ | (34,706) |  |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |  | | |  | | |  | | |  | | |
| Change in fair value of warrants liability | | |  | | | 10,938 | |  |  | | | (5,765) | |  |
| Amortization of intangible assets | | |  | | | 18,866 | |  |  | | | 20,514 | |  |
| Loss on extinguishment of debt | | |  | | | 9,629 | |  |  | | | — | |  |
| Stock-based compensation expense | | |  | | | 11,156 | |  |  | | | 7,528 | |  |
| Depreciation | | |  | | | 11,873 | |  |  | | | 10,317 | |  |
| Non-cash interest expense on senior secured convertible notes (related party) | | |  | | | 4,692 | |  |  | | | 3,060 | |  |
| Non-cash operating lease expense | | |  | | | 3,952 | |  |  | | | 4,195 | |  |
| Accretion of debt discount | | |  | | | 1,620 | |  |  | | | 5,550 | |  |
| Deferred tax provision | | |  | | | 652 | |  |  | | | 254 | |  |
| Amortization expense of finance leases | | |  | | | 1,485 | |  |  | | | 1,209 | |  |
| Amortization of deferred financing costs | | |  | | | 346 | |  |  | | | 1,140 | |  |
|  | | |  | | |  | | |  | | |  | | |
| Bad debt (benefit) expense | | |  | | | (218) | |  |  | | | 1,664 | |  |
| Change in fair value of financing derivatives | | |  | | | (1,800) | |  |  | | | (6,887) | |  |
| Impairment of right-of-use and long-lived assets | | |  | | | — | |  |  | | | 4,671 | |  |
| Other | | |  | | | 712 | |  |  | | | — | |  |
| Changes in operating assets and liabilities: | | |  | | |  | | |  | | |  | | |
| Accounts receivable | | |  | | | (12,661) | |  |  | | | 10,675 | |  |
| Prepaid expenses and other assets | | |  | | | 283 | |  |  | | | (2,918) | |  |
| Accounts payable, accrued expenses and other liabilities | | |  | | | 6,632 | |  |  | | | (12,380) | |  |
| Contract liabilities and customer advances | | |  | | | (12,563) | |  |  | | | (5,180) | |  |
| Operating lease liabilities | | |  | | | (3,795) | |  |  | | | (4,784) | |  |
| Net cash used in operating activities | | |  | | | (1,121) | |  |  | | | (1,843) | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Investing activities**: | | |  | | |  | | |  | | |  | | |
| Capitalized internal-use software costs | | |  | | | (10,925) | |  |  | | | (11,428) | |  |
| Purchases of property and equipment | | |  | | | (744) | |  |  | | | (200) | |  |
| Net cash used in investing activities | | |  | | | (11,669) | |  |  | | | (11,628) | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Financing activities**: | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Principal payment and extinguishment costs on senior secured convertible notes (related party) | | |  | | | (204,014) | |  |  | | | — | |  |
| Principal payment and extinguishment costs on secured term note | | |  | | | (14,031) | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Proceeds from the exercise of stock options | | |  | | | — | |  |  | | | 142 | |  |
| Payments for dividends on convertible redeemable preferred stock (related parties) | | |  | | | (4,760) | |  |  | | | — | |  |
| Principal payments on finance leases | | |  | | | (1,475) | |  |  | | | (1,284) | |  |
| Principal payments on software license arrangements | | |  | | | (277) | |  |  | | | (258) | |  |
| Revolving line of credit issuance costs | | |  | | | (108) | |  |  | | | — | |  |
| Payments for taxes related to net share settlement of equity awards | | |  | | | (44) | |  |  | | | (76) | |  |
| Proceeds from borrowing on revolving line of credit | | |  | | | 16,000 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |
| Proceeds from issuance of convertible redeemable preferred stock, net of issuance costs (related parties) | | |  | | | 188,183 | |  |  | | | — | |  |
| Net cash used in financing activities | | |  | | | (20,526) | |  |  | | | (1,476) | |  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | | |  | | | (691) | |  |  | | | 8 | |  |
| Net decrease in cash, cash equivalents and restricted cash | | |  | | | (34,007) | |  |  | | | (14,939) | |  |
| Cash, cash equivalents and restricted cash at beginning of period | | |  | | | 50,741 | |  |  | | | 66,773 | |  |
| Cash, cash equivalents and restricted cash at end of period | | |  | | | $ | 16,734 |  |  | | | $ | 51,834 |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As of September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |
| Cash and cash equivalents | | |  | | | $ | 15,940 |  |  | | | $ | 32,221 |  |
| Restricted cash | | |  | | | 794 | |  |  | | | 19,613 | |  |
| Total cash, cash equivalents and restricted cash | | |  | | | $ | 16,734 |  |  | | | $ | 51,834 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2021** | | |  | | | **2020** | | |
| **Supplemental cash flow disclosures**: | | |  | | |  | | |  | | |  | | |
| Interest paid ($— and $18,360 attributable to related party, respectively) | | |  | | | $ | 980 |  |  | | | $ | 20,310 |  |
| Income taxes paid, net of refunds | | |  | | | 879 | |  |  | | | 764 | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Supplemental disclosures of non-cash investing and financing activities**: | | |  | | |  | | |  | | |  | | |
| Interest paid in Common Stock (related party) | | |  | | | $ | 10,812 |  |  | | | $ | — |  |
| Conversion shares issued as extinguishment cost on senior secured convertible notes (related party) | | |  | | | 9,608 | |  |  | | | — | |  |
| Settlement of restricted stock unit liability | | |  | | | 7,118 | |  |  | | | 3,065 | |  |
| Right-of-use assets obtained in exchange for operating lease liabilities | | |  | | | 5,211 | |  |  | | | 669 | |  |
| Convertible redeemable preferred stock dividends accrued but not yet paid (related parties) | | |  | | | 3,953 | |  |  | | | — | |  |
| Right-of-use assets obtained in exchange for finance lease liabilities | | |  | | | 2,041 | |  |  | | | 754 | |  |
| Change in accounts payable and accrued expenses related to capital expenditures | | |  | | | 494 | |  |  | | | 519 | |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**COMSCORE, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1.Organization**

comScore, Inc., together with its consolidated subsidiaries (collectively, "Comscore" or the "Company"), headquartered in Reston, Virginia, is a global information and analytics company that measures audiences, consumer behavior and advertising across media platforms.

Operating segments are defined as components of a business that can earn revenues and incur expenses for which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker ("CODM"). The Company's CODM is its Chief Executive Officer, who decides how to allocate resources and assess performance. The Company has one operating segment. A single management team reports to the CODM, who manages the entire business. The Company's CODM reviews consolidated results of operations to make decisions, allocate resources and assess performance and does not evaluate the profit or loss from any separate geography or product line.

***Management Changes***

On July 21, 2021, Gregory Fink resigned as the Company's Chief Financial Officer ("CFO") and Treasurer, effective August 31, 2021.

On October 19, 2021, the Company's Board of Directors appointed Jonathan Carpenter as CFO and Treasurer, effective November 29, 2021. Also on October 19, 2021, William Livek, the Company's current Chief Executive Officer and Executive Vice Chairman, was designated to serve as the interim principal financial officer until Mr. Carpenter's start date (November 29, 2021).

**2.Summary of Significant Accounting Policies**

***Basis of Presentation and Consolidation***

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned domestic and foreign subsidiaries. All intercompany transactions and balances are eliminated upon consolidation.

***Unaudited Interim Financial Information***

The interim Condensed Consolidated Financial Statements included in this quarterly report have been prepared by the Company and are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The interim Condensed Consolidated Financial Statements included herein reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. These interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company's Annual Report on [Form 10-K](https://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000021/scor-20201231.htm) for the year ended December 31, 2020 (the "2020 10-K"). The Condensed Consolidated Results of Operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2021 or thereafter. All references to September 30, 2021 and 2020 in the Notes to Condensed Consolidated Financial Statements are unaudited.

***Use of Estimates and Judgments in the Preparation of the Condensed Consolidated Financial Statements***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense during the reporting periods. Significant estimates and judgments are inherent in the analysis and the measurement of management's standalone selling price, principal versus agent revenue recognition, determination of performance obligations, determination of transaction price, including the determination of variable consideration and allocation of transaction price to performance obligations, deferred tax assets and liabilities, including the identification and quantification of income tax liabilities due to uncertain tax positions, the valuation and recoverability of goodwill, intangible and other long-lived assets, the determination of appropriate discount rates for lease accounting, the probability of exercising either lease renewal or termination clauses, the assessment of potential loss from contingencies, the fair value determination of financing-related liabilities and warrants, the allowance for doubtful accounts, and the valuation of options, performance-based and market-based stock awards. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances.

Due to the inherent uncertainty involved in making estimates, particularly in the current environment, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

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***Preferred Stock***

On January 7, 2021, the Company entered into separate Securities Purchase Agreements with each of Charter Communications Holding Company, LLC ("Charter"), Qurate Retail, Inc. ("Qurate") and Pine Investor, LLC ("Pine") (the "Securities Purchase Agreements"). The issuance of securities pursuant to the Securities Purchase Agreements (the "Transactions") and related matters were approved by the Company's stockholders on March 9, 2021 and completed on March 10, 2021. At the closing of the Transactions, the Company issued and sold (a) to Charter, 27,509,203 shares of Series B Convertible Preferred Stock ("Preferred Stock") in exchange for $68.0 million, (b) to Qurate, 27,509,203 shares of Preferred Stock in exchange for $68.0 million and (c) to Pine, 27,509,203 shares of Preferred Stock in exchange for $68.0 million. The shares were issued at a par value of $0.001. Net proceeds from the Transactions totaled $188.2 million after deducting issuance costs.

The holders of the Preferred Stock are entitled to cumulative annual dividends to be paid on June 30 of each year. The annual dividend accrues on a daily basis from and including the issuance date of such share, whether or not declared, at a rate of 7.5% per annum. In the event the annual dividends are not paid in cash on the annual payment date, the dividends shall continue to accrue at a dividend rate of 9.5%.

The Preferred Stock includes a change of control put option which allows the holders of the Preferred Stock to require the Company to repurchase such holders' shares in cash in an amount equal to the initial purchase price plus accrued dividends. The change of control put option was determined to be a derivative liability under ASC 815, *Derivatives and Hedging*. As of September 30, 2021, the probability of a change of control was determined to be remote, and the fair value of the change of control derivative was determined to be negligible.

The Preferred Stock is contingently redeemable upon certain deemed liquidation events, such as a change in control. Because a deemed liquidation event could constitute a redemption event outside of the Company's control, all shares of Preferred Stock have been presented outside of permanent equity in mezzanine equity on the Condensed Consolidated Balance Sheets. The instrument is initially recognized at fair value net of issuance costs. The Company reassesses whether the Preferred Stock is currently redeemable, or probable to become redeemable in the future, as of each reporting date. If the instrument meets either of these criteria, the Company will accrete the carrying value to the redemption value. The Preferred Stock has not been adjusted to its redemption amount as of September 30, 2021 because a deemed liquidation event is not considered probable.

All financial instruments that are classified as mezzanine equity are evaluated for embedded derivative features by evaluating each feature against the nature of the host instrument (e.g. more equity-like or debt-like). Features identified as embedded derivatives that are material are recognized separately as a derivative asset or liability in the consolidated financial statements.

Effective January 1, 2021, the Company early adopted Accounting Standards Update ("ASU") 2020-06, *Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40). This ASU simplifies accounting for convertible instruments, enhances disclosure requirements related to the terms and features of convertible instruments, and amends the guidance for the derivatives scope exception for contracts settled in an entity's own equity. This ASU removes from GAAP the separation models for (1) convertible debt with a Cash Conversion Feature and (2) convertible instruments with a Beneficial Conversion Feature. Upon adoption of this new ASU, entities will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock, unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC 815, or (2) a convertible debt instrument was issued at a substantial premium.

As a result of the adoption, no embedded features were identified requiring bifurcation under the new model, other than the change of control redemption feature. The Company adopted the standard using the modified retrospective approach. The standard had no impact on the senior secured convertible notes (the "Notes") issued by the Company prior to adoption and, as a result, there was no cumulative adjustment recorded upon adoption.

***Loss on Extinguishment of Debt***

The Company applies the provisions of Accounting Standards Codification ("ASC") 470, *Debt*, to determine whether amendments to, or repayments of, its debt agreements should be accounted for as a modification or extinguishment event. Loss on extinguishment of debt represents the difference between the carrying value of the Company's debt instruments and any consideration paid to its creditors in the form of cash or shares of the Company's Common Stock on the extinguishment date.

In March 2021, the Company recorded a $9.6 million loss on debt extinguishment related to the payoff of the Notes and a foreign secured promissory note (the "Secured Term Note") on March 10, 2021. These transactions are described in [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

***Cloud Computing Implementation Costs***

Certain costs incurred for implementation, setup, and other upfront activities in a hosting arrangement that is a service contract are capitalized during the application development stage. Upgrades and enhancements are capitalized if they will result in additional functionality. Amortization of capitalized costs is recorded on a straight-line basis over the term of the associated hosting arrangement, inclusive of reasonably certain renewal periods.

During the third quarter of 2021, the Company completed its implementation of a new cloud-based Enterprise Resource Planning ("ERP") system. The Company capitalized $6.8 million of eligible implementation costs in connection with its development and testing of the ERP system. These capitalized implementation costs are classified within other non-current assets in the Condensed Consolidated Balance Sheets. As

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of September 30, 2021 and December 31, 2020, capitalized implementation costs, net of accumulated amortization, were $6.5 million and $3.2 million, respectively.

The Company determined the expected period of benefit of the capitalized implementation costs was five years. Amortization costs are classified within general and administrative expense in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The Company recorded $0.3 million of amortization expense for the three and nine months ended September 30, 2021.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended September 30,** | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
| *(In thousands)* | | |  |  |  |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| Change in fair value of warrants liability | | |  |  |  |  | | | $ | 5,582 |  |  | | | $ | 1,872 |  |  | | | $ | (10,938) |  |  | | | $ | 5,765 |  |
| Change in fair value of financing derivatives | | |  |  |  |  | | | — | |  |  | | | 2,200 | |  |  | | | 1,800 | |  |  | | | 6,887 | |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | |  |  |  |  | | | 131 | |  |  | | | 119 | |  |  | | | 69 | |  |  | | | 210 | |  |
| **Total other income (expense), net** | | |  |  |  |  | | | **$** | **5,713** |  |  | | | **$** | **4,191** |  |  | | | **$** | **(9,069)** |  |  | | | **$** | **12,862** |  |

***Loss Per Share***

The Company uses the two-class method to calculate net loss per share. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. Under the two-class method, earnings for the period are allocated between common stockholders and participating security holders based on their respective rights to receive dividends as if all undistributed book earnings for the period were distributed.

Basic loss per share is computed by dividing net loss attributable to only the common stockholders by the weighted-average number of common shares outstanding for the period. Diluted loss per share includes the effect of potential common shares, such as the Company's Preferred Stock, Notes, warrants, stock options, restricted stock units and deferred stock units, to the extent the effect is dilutive. In periods with a net loss available to common stockholders, the anti-dilutive effect of these potential common shares is excluded and diluted net loss per share is equal to basic net loss per share.

The following is a summary of the Common Stock equivalents for the securities outstanding during the respective periods that have been excluded from the computation of diluted net loss per common share, as their effect would be anti-dilutive:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |  |  |
|  | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |  |  |  | | |  | | |
| Preferred stock | | |  | | | 82,527,609 | |  |  | | | — | |  |  | | | 61,895,707 | |  |  | | | — | |  |  |  |  | | |  | | |
| Warrants | | |  | | | 5,457,026 | |  |  | | | 5,875,890 | |  |  | | | 5,457,026 | |  |  | | | 6,593,391 | |  |  |  |  | | |  | | |
| Stock options, restricted stock units and deferred stock units | | |  | | | 4,865,544 | |  |  | | | 3,582,666 | |  |  | | | 5,065,139 | |  |  | | | 4,062,147 | |  |  |  |  | | |  | | |
| Senior secured convertible notes | | |  | | | — | |  |  | | | 6,519,655 | |  |  | | | 1,629,914 | |  |  | | | 6,519,655 | |  |  |  |  | | |  | | |
| **Total** | | |  | | | 92,850,179 | |  |  | | | 15,978,211 | |  |  | | | 74,047,786 | |  |  | | | 17,175,193 | |  |  |  |  | | |  | | |

For the three and nine months ended September 30, 2021, dividends to holders of the Preferred Stock, including those both paid and accrued, totaled $3.9 million and $8.7 million, respectively. These dividends have been included in calculating the total loss available to common stockholders used in the calculation of basic and diluted loss per share.

***Allowance for Doubtful Accounts***

The Company generally grants uncollateralized credit terms to its customers and maintains an allowance for doubtful accounts to reserve for uncollectible receivables. Allowances are based on management's judgment, which considers historical collection experience adjusted for current conditions or expected future conditions based on reasonable and supportable forecasts, a specific review of all significant outstanding receivables, an assessment of company-specific credit conditions and general economic conditions. Management considered the impact of the COVID-19 pandemic, including customer payment delays and requests from customers to revise contractual payment terms, in determining the Company's allowance for doubtful accounts.

The table below summarizes the change in balance of the allowance for doubtful accounts:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
| *(In thousands)* | | |  | | | **2021** | | |  | | | **2020** | | |
| **Beginning Balance** | | |  | | | $ | (2,757) |  |  | | | $ | (1,919) |  |
| Bad debt benefit (expense) | | |  | | | 218 | |  |  | | | (1,664) | |  |
| Recoveries | | |  | | | (147) | |  |  | | | (162) | |  |
| Write-offs | | |  | | | 1,471 | |  |  | | | 982 | |  |
| **Ending Balance** | | |  | | | $ | (1,215) |  |  | | | $ | (2,763) |  |

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***Income Taxes***

The Company anticipates the Transactions will trigger limitations on its net operating loss carryforwards under Section 382 of the Internal Revenue Code. As such, the amount of net operating loss carryforwards the Company can use in the future to offset U.S. federal and state taxable income may be limited, resulting in the expiration of a portion of the carryforwards prior to use. Due to the Company's valuation allowance position in the U.S., the required revaluation of its deferred tax assets related to these limited U.S. federal and state net operating loss carryforwards did not have a material impact on the Condensed Consolidated Financial Statements or related disclosures.

***Impairment of Right-of-use ("ROU") and Long-lived Assets***

In March 2020, the Company concluded the carrying value of certain facility lease ROU and other long-lived assets may not be recoverable. In its assessment, the Company considered changes in the real estate market related to the COVID-19 pandemic, that led to an increase in the estimated marketing time, and a reduction of expected receipts, for properties on the market for sublease. The Company performed a quantitative asset impairment test using a discounted cash flow model. Certain ROU and related leasehold improvements failed the asset impairment test; and as a result the Company recorded a $4.7 million non-cash impairment charge.

Although the Company believes that the carrying values of its long-lived assets are appropriately stated as of September 30, 2021, future changes in strategy or market conditions, significant technological developments or significant changes in legal or regulatory factors could significantly impact these judgments and require adjustments to recorded asset balances.

***Other Accounting Standards Recently Adopted***

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (Topic 740), which simplifies the accounting for income taxes primarily by eliminating certain exemptions. The amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. An entity is permitted to early adopt any removed or modified disclosures upon issuance of the update and to delay adoption of the additional disclosures until their effective date. The Company adopted the new standard effective January 1, 2021, which had no impact on the Condensed Consolidated Financial Statements or related disclosures.

**3.Revenue Recognition**

The following table presents the Company's revenue disaggregated by solution group, geographical market and timing of transfer of products and services. The Company has one reportable segment in accordance with ASC 280, *Segment Reporting*; as such, the disaggregation of revenue below reconciles directly to its unique reportable segment.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
| *(In thousands)* | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| **By solution group**: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Ratings and Planning | | |  | | | $ | 62,127 |  |  | | | $ | 62,718 |  |  | | | $ | 190,351 |  |  | | | $ | 190,018 |  |
| Analytics and Optimization | | |  | | | 22,485 | |  |  | | | 17,432 | |  |  | | | 57,950 | |  |  | | | 49,827 | |  |
| Movies Reporting and Analytics | | |  | | | 7,875 | |  |  | | | 7,802 | |  |  | | | 22,175 | |  |  | | | 26,201 | |  |
| **Total** | | |  | | | $ | 92,487 |  |  | | | $ | 87,952 |  |  | | | $ | 270,476 |  |  | | | $ | 266,046 |  |
| **By geographical market**: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| United States | | |  | | | $ | 81,187 |  |  | | | $ | 77,672 |  |  | | | $ | 236,593 |  |  | | | $ | 232,345 |  |
| Europe | | |  | | | 6,312 | |  |  | | | 6,401 | |  |  | | | 20,025 | |  |  | | | 20,301 | |  |
| Canada | | |  | | | 1,914 | |  |  | | | 1,689 | |  |  | | | 5,475 | |  |  | | | 5,262 | |  |
| Latin America | | |  | | | 1,947 | |  |  | | | 1,178 | |  |  | | | 5,227 | |  |  | | | 4,675 | |  |
| Other | | |  | | | 1,127 | |  |  | | | 1,012 | |  |  | | | 3,156 | |  |  | | | 3,463 | |  |
| **Total** | | |  | | | $ | 92,487 |  |  | | | $ | 87,952 |  |  | | | $ | 270,476 |  |  | | | $ | 266,046 |  |
| **By timing of revenue recognition**: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Products and services transferred over time | | |  | | | $ | 72,660 |  |  | | | $ | 67,828 |  |  | | | $ | 210,432 |  |  | | | $ | 208,321 |  |
| Products and services transferred at a point in time | | |  | | | 19,827 | |  |  | | | 20,124 | |  |  | | | 60,044 | |  |  | | | 57,725 | |  |
| **Total** | | |  | | | $ | 92,487 |  |  | | | $ | 87,952 |  |  | | | $ | 270,476 |  |  | | | $ | 266,046 |  |

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***Contract Balances***

The following table provides information about receivables, contract assets, contract liabilities and customer advances from contracts with customers:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As of** | | |  | | | **As of** | | |
| *(In thousands)* | | |  | | | **September 30, 2021** | | |  | | | **December 31, 2020** | | |
| Accounts receivable, net | | |  | | | $ | 81,461 |  |  | | | $ | 69,379 |  |
| Current and non-current contract assets | | |  | | | 4,333 | |  |  | | | 4,037 | |  |
|  | | |  | | |  | | |  | | |  | | |
| Current contract liabilities | | |  | | | 51,116 | |  |  | | | 58,529 | |  |
| Current customer advances | | |  | | | 8,949 | |  |  | | | 12,477 | |  |
| Non-current contract liabilities | | |  | | | 2,497 | |  |  | | | 4,156 | |  |

Significant changes in the current contract liabilities balance are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |
| *(In thousands)* | | | **2021** | | |  | | | **2020** | | |
| Revenue recognized that was included in the opening contract liabilities balance | | | $ | (46,734) |  |  | | | $ | (49,784) |  |
| Cash received or amounts billed in advance and not recognized as revenue | | | 41,160 | |  |  | | | 40,212 | |  |

For the nine months ended September 30, 2021, the Company recognized $1.7 million in revenue from balances included in non-current contract liabilities at the beginning of the year. For the nine months ended September 30, 2020, the Company recorded $3.8 million in amounts billed in advance, but not yet recognized as revenue, within non-current contract liabilities. There were no other significant changes in the non-current contract liabilities balance during the nine months ended September 30, 2021 or 2020.

***Transaction Price Allocated to the Remaining Performance Obligations***

As of September 30, 2021, approximately $195.0 million of revenue is expected to be recognized from remaining performance obligations that are unsatisfied (or partially unsatisfied) for non-cancelable contracts with an original expected duration of longer than one year. The Company expects to recognize revenue on approximately 19% of these remaining performance obligations during the remainder of 2021, approximately 46% in 2022, and approximately 19% in 2023, with the remainder recognized thereafter.

***Costs to Obtain or Fulfill a Contract***

For the three months ended September 30, 2021 and 2020, amortized and expensed contract costs were zero and $0.2 million, respectively. For the nine months ended September 30, 2021 and 2020, amortized and expensed contract costs were $2.7 million and $0.9 million, respectively.

**4.Debt**

***Senior Secured Convertible Notes and Financing Derivatives***

During 2018, the Company entered into certain agreements with funds affiliated with or managed by Starboard Value LP (collectively, "Starboard"), pursuant to which the Company issued and sold to Starboard a total of $204.0 million in Notes, which initially accrued interest at 6.0%, as well as warrants to purchase shares of the Company's Common Stock, par value $0.001 per share, in exchange for $100.0 million in cash and 4,000,000 shares of Common Stock. The warrants were exercised in full by Starboard on April 3, 2019 for 323,448 shares of Common Stock.

The Notes contained, among other features, an interest rate reset feature which the Company determined represented an embedded derivative that must be bifurcated and accounted for separately from the Notes. This feature reset the interest rate on the Notes based on the trading price of the Company's Common Stock. In January 2019, the interest rate reset to 12.0% where it was scheduled to remain through the contractual maturity of the Notes on January 16, 2022.

Interest on the Notes was payable on a quarterly basis in arrears, at the option of the Company, in cash, or, subject to certain conditions, through the issuance by the Company of additional shares of Common Stock ("PIK Interest Shares"). On January 25, 2021, the Company paid quarterly accrued interest of $6.1 million through the issuance of 2,802,454 PIK Interest Shares. The interest paid was classified within other non-current liabilities in the Condensed Consolidated Balance Sheets as of December 31, 2020.

In connection with the Transactions described in [Footnote 2](#ic950a4031fc64d9eac4d9330d38657e1_37), *Summary of Significant Accounting Policies*, the Company used cash proceeds of $204.0 million from the issuance of shares of its Preferred Stock to extinguish the Notes and related financing derivatives on March 10, 2021. The Company also issued 3,150,000 additional shares to Starboard (the "Conversion Shares"), as additional creditor consideration, which were valued at $9.6 million based on the $3.05 closing price of the Company's Common Stock on March 9, 2021. Lastly, the Company paid interest accrued of $4.7 million for the period from January 1, 2021 to March 10, 2021 through the issuance of 1,363,327 PIK Interest Shares.

The Company adjusted the interest rate reset feature to its fair value on March 10, 2021 immediately prior to extinguishment. The fair value of the interest reset derivative was estimated to be $9.5 million using a discounted cash flow method based on projected incremental cash flows

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through contractual maturity of the Notes and a credit-adjusted discount rate of 20.0%. The fair value of other financing derivatives embedded within the Notes was determined to be negligible.

The Company recorded a loss on extinguishment of the Notes of $9.3 million for the three months ended March 31, 2021. The loss was comprised of a write-off of unamortized deferred financing costs and issuance discount of $9.2 million and issuance of Conversion Shares of $9.6 million, offset by the derecognition of the interest rate reset derivative liability valued at $9.5 million.

***Secured Term Note***

On December 31, 2019, the Company's wholly owned subsidiary, Rentrak B.V., entered into an agreement with several third parties (collectively the "Noteholder") for the Secured Term Note in exchange for gross proceeds of $13.0 million. The Secured Term Note was scheduled to mature on December 31, 2021, was cash collateralized, and had an annual interest rate of 9.75% that was payable monthly in arrears.

The Secured Term Note included a redemption feature which, upon the occurrence of certain fundamental transactions, would require the Company to redeem the Secured Term Note in full, plus accrued interest, and remit a prepayment premium equal to the remaining contractual interest cash flows (the "interest make-whole redemption"). The Company determined this feature represented an embedded derivative that must be bifurcated and accounted for separately from the Secured Term Note.

In connection with the Transactions described in [Footnote 2](#ic950a4031fc64d9eac4d9330d38657e1_37), *Summary of Significant Accounting Policies*, the Company used restricted cash from its balance sheet to extinguish the Secured Term Note and interest make-whole redemption on March 10, 2021, of which $13.0 million and $1.0 million were for principal repayments and settlement of the interest make-whole redemption, respectively.

The Company recorded a loss on extinguishment of the Secured Term Note of $0.3 million for the three months ended March 31, 2021. The loss was due to the write-off of unamortized deferred financing costs. Changes in the fair value of the interest make-whole redemption were recorded to other income (expense), net and settlement did not impact loss on debt extinguishment.

***Revolving Credit Agreement***

On May 5, 2021, the Company entered into a senior secured revolving credit agreement (the "Revolving Credit Agreement") among the Company, as borrower, certain subsidiaries of the Company, as guarantors, Bank of America N.A., as administrative agent (in such capacity, the "Agent"), and the lenders from time to time party thereto. The Revolving Credit Agreement has a maturity of three years from the closing date of the agreement.

The Revolving Credit Agreement provides a borrowing capacity equal to $25.0 million. The Company may also request the issuance of letters of credit under the Revolving Credit Agreement in an aggregate amount up to $5.0 million, which reduces the amount of available borrowings by the amount of such issued and outstanding letters of credit. The amount the Company is able to borrow is subject to compliance with the financial covenants, satisfaction of various conditions precedent to borrowing and other provisions of the Revolving Credit Agreement.

Borrowings under the Revolving Credit Agreement are made at the Eurodollar Rate and bear interest at a rate per annum equal to the Eurodollar Rate (as defined in the Revolving Credit Agreement) plus an applicable rate equal to 2.25%. The Revolving Credit Agreement also provides for an unused commitment fee equal to 0.25% of the unused commitments at such time. To the extent that a payment default exists and is continuing, at the election of the Required Lenders (as defined in the Revolving Credit Agreement), all amounts outstanding under the Revolving Credit Agreement will bear interest at 2.00% per annum above the rate and margin otherwise applicable thereto. The Company is able to repay any amounts borrowed prior to the maturity date without any premium or penalty other than customary LIBOR breakage costs.

The Revolving Credit Agreement is guaranteed by the Company and its domestic subsidiaries (other than Excluded Subsidiaries (as defined in the Revolving Credit Agreement)) and is secured by a first lien security interest in substantially all assets of the Company and its domestic subsidiaries (other than Excluded Subsidiaries), subject to certain customary exclusions.

The Revolving Credit Agreement contains the following financial covenants, including the maintenance of certain financial ratios:

•    a minimum Consolidated EBITDA (as defined in the Revolving Credit Agreement) of not less than $20.0 million for the most recently ended four fiscal quarter period, tested as of the last day of each fiscal quarter ending before June 30, 2022; and

•    a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Revolving Credit Agreement) of not less than 1.25 to 1.0 for the most recently ended four fiscal quarter period, tested as of the last day of each fiscal quarter ending on or after June 30, 2022.

Additionally, the Revolving Credit Agreement contains restrictive covenants that limit the Company's ability to, among other things, incur additional indebtedness, incur additional liens, make investments and loans, enter into mergers and acquisitions, make or declare dividends and other payments, enter into certain contracts, sell assets and engage in transactions with affiliates. The Revolving Credit Agreement is also subject to customary events of default, including a change in control. If an event of default occurs and is continuing, the Agent or the Required Lenders may accelerate any amounts outstanding and terminate lender commitments. The Company is in compliance with the covenants under the Revolving Credit Agreement as of September 30, 2021.

As of September 30, 2021, the Company had outstanding borrowings of $16.0 million, and issued and outstanding letters of credit of $2.9 million, under the Revolving Credit Agreement, with remaining borrowing capacity of $6.1 million.

In October 2021, additional outstanding letters of credit totaling $0.4 million were transferred under the Revolving Credit Agreement, which left a remaining borrowing capacity of $5.7 million.

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***Failed Sale-Leaseback Transaction***

In June 2019, the Company entered into a sale-leaseback arrangement with a vendor to provide $4.3 million in cash proceeds for previously acquired computer and other equipment. The arrangement was repayable over a 24-month term for total consideration of $4.8 million, with control of the equipment transferring to the vendor at the end of the leaseback term. The leaseback would have been classified as a financing lease. The transaction was deemed a failed sale-leaseback and was accounted for as a financing arrangement. Repayments were allocated between interest expense and a reduction of the financing liability, and the assets continued to depreciate over their useful lives.

In June 2021, the Company extended the sale-leaseback arrangement for an additional 24-month term. The leaseback extension continued to meet the criteria to be accounted for as a financing arrangement. The present value of cash flows after the extension differed by more than 10% from the present value of the remaining cash flows immediately prior to the extension. Therefore, the Company concluded the extension should be accounted for as an extinguishment of the existing financing liability. The fair value of the new financing liability as of September 30, 2021 is $0.8 million, which was estimated using an income approach and a discount rate of 7.5%.

The financing liability is included within other current and other non-current liabilities on the Condensed Consolidated Balance Sheet as of September 30, 2021, with $0.4 million classified as current and $0.4 million classified as non-current.

Remaining future cash payments related to the financing liability under the failed sale-leaseback transaction total $0.8 million as of September 30, 2021, and are scheduled to be paid in monthly installments through June 2023.

***Uses and Sources of Liquidity and Management's Plans***

The Company's primary need for liquidity is to fund working capital requirements and capital expenditures of its business. The Company has secured the following long-term financing in order to increase its available working capital:

•On June 26, 2019, the Company issued 2,728,513 shares of Common Stock and four series of warrants in a private placement to CVI Investments, Inc. ("CVI") in exchange for gross cash proceeds of $20.0 million. For additional information, refer to [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity.*

*•*On March 10, 2021, in connection with the Transactions described in [Footnote 2](#ic950a4031fc64d9eac4d9330d38657e1_37), *Summary of Significant Accounting Policies*, the Company issued 82,527,609 shares of Preferred Stock in exchange for gross proceeds of $204.0 million. The proceeds from the Transactions were used to repay the Notes. In addition, the Company repaid the Secured Term Note and certain transaction-related expenses with cash from its balance sheet.

Repayment of the Notes and the Secured Term Note strengthened the Company's financial position and resulted in the termination of the affirmative and negative covenants set forth in those instruments, including covenants requiring maintenance of certain minimum cash balances. In addition, repayment eliminated the 12.0% annual interest payable under the Notes, which was replaced by a 7.5% annual dividend payable on the Preferred Stock.

On May 5, 2021, the Company entered into the Revolving Credit Agreement. As described above, the Revolving Credit Agreement contains financial covenants that require the Company to maintain minimum Consolidated EBITDA for periods through March 31, 2022 and a minimum Fixed Charge Coverage Ratio for periods after March 31, 2022 (each term as defined in the Revolving Credit Agreement). As of the date these financial statements are issued, the Company is in compliance with its covenants under the Revolving Credit Agreement, and based on management's current plans, the Company does not anticipate a breach of these covenants that would result in an event of default under the Revolving Credit Agreement. The Company's plans include consideration of various liquidity options, including renegotiating existing covenants, postponing dividends or other payments, improving financial performance, refinancing the Company's existing debt or issuing new debt, or raising additional capital from new or existing investors. The Company believes its plans will provide adequate sources of funding to satisfy its estimated liquidity needs for at least one year after the date that these financial statements are issued. However, the Company cannot predict with certainty the outcome of its actions to generate liquidity or whether such actions would generate the expected liquidity as currently planned.

**5.Convertible Redeemable Preferred Stock and Stockholders' Equity**

***2021 Issuance of Preferred Stock***

On March 10, 2021, in connection with the Transactions described in [Footnote 2](#ic950a4031fc64d9eac4d9330d38657e1_37), *Summary of Significant Accounting Policies,* the Company issued 82,527,609 shares of Preferred Stock in exchange for gross cash proceeds of $204.0 million. The shares were issued at a par value of $0.001. Net proceeds from the Transactions totaled $188.2 millionafter deducting issuance costs.

The Transactions and related agreements include the following rights:

Registration Rights

On the Closing Date, the Company entered into a Registration Rights Agreement (the "RRA") with the holders of the Preferred Stock (together with any other party that may become a party to the RRA), pursuant to which, among other things, and on the terms and subject to certain limitations set forth therein, the Company was obligated to file a registration statement registering the sale or distribution of shares of Preferred Stock or Common Stock held by any holder, including any shares of Common Stock acquired by any holder pursuant to the conversion of the Preferred Stock, and any other securities issued or issuable with respect to any such shares of Common Stock or Preferred Stock by way of share

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split, share dividend, distribution, recapitalization, merger, exchange, replacement or similar event or otherwise (the "Registrable Securities"). In addition, pursuant to the RRA, the holders have the right to require the Company, subject to certain limitations, to effect a sale of any or all of their Registrable Securities by means of an underwritten offering or an underwritten block trade or bought deal.

On August 30, 2021, the Company filed a registration statement on Form S-3 with respect to the Registrable Securities. The registration statement on Form S-3 became effective on September 21, 2021.

Conversion Provisions

The Preferred Stock is convertible at the option of the holders at any time into a number of shares of Common Stock based on a conversion rate set in accordance with the Certificate of Designations of the Preferred Stock. The conversion rate is calculated as the product of (i) the conversion factor and (ii) the quotient of (A) the sum of the initial purchase price and accrued dividends with respect to each share of Preferred Stock divided by (B) the initial purchase price. The conversion right is subject to certain anti-dilution adjustments and customary provisions related to partial dividend periods. As of September 30, 2021, each share of Preferred Stock was convertible into 1.019375 shares of Common Stock.

At any time after the fifth anniversary of the Closing Date, the Company may elect to convert all of the outstanding shares of Preferred Stock into shares of Common Stock if (i) the closing sale price of the Company's Common Stock is greater than 140% of the conversion price as of such time, as may be adjusted pursuant to the Certificate of Designations, for certain periods, and (ii) the pro rata share of an aggregate of $100.0 million in dividends has been paid with respect to each share of Preferred Stock that was outstanding on the Closing Date and remains outstanding.

As of September 30, 2021, no shares of Preferred Stock have been converted into Common Stock.

Voting Rights

The holders of the Preferred Stock are entitled to vote as a single class with the holders of the Common Stock, with a vote equal to the number of shares of Common Stock into which the Preferred Stock could be converted, except that the conversion rate for this purpose will be equal to the product of the applicable conversion factor and 0.98091271. Each holder of Preferred Stock is subject to a voting threshold, which limits such holder's voting rights in the event that the holder's Preferred Stock represents voting rights that exceed 16.66% of the Company's Common Stock (including the Preferred Stock on an as-converted basis).

Dividend Rights

The holders of Preferred Stock are entitled to participate in all dividends declared on the Common Stock on an as-converted basis and are also entitled to a cumulative dividend at the rate of 7.5% per annum, payable annually in arrears and subject to increase under certain specified circumstances. In addition, after January 1, 2022, such holders are entitled to request, and the Company will take all actions reasonably necessary to pay, a one-time dividend ("Special Dividend") equal to the highest dividend that the Company's Board of Directors ("Board") determines can be paid at the applicable time (or a lesser amount agreed upon by the holders), subject to additional conditions and limitations set forth in a Stockholders Agreement entered into by the Company and the holders on the Closing Date (the "Stockholders Agreement"). As set forth in the Stockholders Agreement, the Company may be obligated to obtain debt financing in order to effectuate the Special Dividend.

On June 30, 2021, in accordance with the Certificate of Designations of the Preferred Stock, the Company paid cash dividends totaling $4.8 million to the holders of the Preferred Stock, representing dividends accrued for the period from the Closing Date through June 29, 2021. The next scheduled dividend payment date for the Preferred Stock is June 30, 2022. For the three and nine months ended September 30, 2021, dividends to holders of the Preferred Stock, including those both paid and accrued, totaled $3.9 million and $8.7 million, respectively.

Anti-Dilution Adjustments

The Preferred Stock is subject to anti-dilution adjustment upon the occurrence of certain events, including issuance of certain dividends or distributions to holders of Common Stock, split or combination of Common Stock, reclassification of Common Stock into a greater or lesser number of shares, or certain repurchases of Common Stock, subject to limitations set forth in the Certificate of Designations.

Liquidation Preference and Change of Control Provisions

The Preferred Stock ranks senior to the Common Stock with respect to dividend rights and rights on the distribution of assets in the event of a liquidation, dissolution or winding up of the affairs of the Company, and ranks junior to secured and unsecured indebtedness. The Preferred Stock has a liquidation preference equal to the higher of (i) the initial purchase price, increased by accrued dividends per share, and (ii) the amount per share of Preferred Stock that a holder would have received if such holder, immediately prior to such liquidation, dissolution or winding up of the affairs of the Company, converted such share into Common Stock.

The Preferred Stock includes a change of control put option which allows the holders of the Preferred Stock to require the Company to repurchase such holders' shares at a purchase price equal to the initial purchase price, increased by accrued dividends. The change of control put option was determined to be a derivative liability under ASC 815, *Derivatives and Hedging*. As of September 30, 2021, the probability of a change of control was determined to be remote, and the fair value of the change of control derivative was determined to be negligible. To the extent the holders of the Preferred Stock do not exercise the put option in a covered change of control, the Company has the right to redeem the remaining Preferred Stock at a redemption price equal to the initial purchase price, increased by accrued dividends.

As described above, the Preferred Stock is contingently redeemable upon certain deemed liquidation events, such as a change in control. Because a deemed liquidation event could constitute a redemption event outside of the Company's control, all shares of Preferred Stock have been presented outside of permanent equity in mezzanine equity on the Condensed Consolidated Balance Sheets.

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***2019 Issuance and Sale of Common Stock and Warrants***

On June 23, 2019, the Company entered into a Securities Purchase Agreement with CVI, pursuant to which CVI agreed to purchase (i) 2,728,513 shares of Common Stock (the "Initial Shares"), at a price of $7.33 per share and (ii) Series A Warrants, Series B-1 Warrants, Series B-2 Warrants and Series C Warrants, for aggregate gross proceeds of $20.0 million (the "Private Placement"). The Private Placement closed on June 26, 2019 (the "CVI Closing Date"). The Series B-1 Warrants and Series B-2 Warrants expired on January 29, 2020 and August 3, 2020, respectively.

The Series C Warrants were exercised on October 10, 2019. As a result of this exercise, the Company issued 2,728,513 shares of Common Stock to CVI on October 14, 2019. In addition, the number of shares issuable under the Company's Series A Warrants was increased by 2,728,513.

The Series A Warrants are exercisable by the holders for a period of five years from the CVI Closing Date and are currently exercisable into 5,457,026 shares of Common Stock, which is equal to the Initial Shares plus the number of shares issued pursuant to the exercise of the Series C Warrants (described above). The exercise price for the Series A Warrants was $12.00 upon issuance but was subsequently adjusted, as described below. The Series A Warrants may be exercised for cash or through a net settlement feature under certain circumstances.

The exercise price for the Series A Warrants is subject to anti-dilution adjustment in certain circumstances, including upon certain issuances of capital stock. Upon the issuance of the Preferred Stock, the Company adjusted the exercise price of the Series A Warrants from $12.00 to $2.4719 per share, the closing price of the Transactions.

CVI will not have the right to exercise any warrant that would result in CVI beneficially owning more than 4.99% of the outstanding Common Stock after giving effect to such exercise. CVI has the right, in its discretion, to raise this threshold up to 9.99% with 60 days' notice to the Company. In addition, if and to the extent the exercise of any warrants would, together with the issuances of the Initial Shares and the shares issued pursuant to the exercise of any other warrants, result in the issuance of 20.0% or more of the outstanding Common Stock of the Company on the CVI Closing Date (the "Exchange Cap"), the Company intends to, in lieu of issuing such shares, settle the obligation to issue such shares in cash.

Management determined each warrant to be a freestanding financial instrument that qualifies for liability treatment as a result of net cash settlement features associated with the Exchange Cap provision or upon a change in control. Each warrant is initially measured at fair value and classified as a current liability on the Condensed Consolidated Balance Sheet, with subsequent changes in fair value recorded in earnings. To determine the fair value of each warrant, management utilized an option pricing model supplemented with Monte Carlo analyses in periods with multiple warrants outstanding where certain features resulted in additional valuation complexity.

The estimated fair value of the Series A Warrants as of September 30, 2021 was $13.8 million. Refer to [Footnote 6](#ic950a4031fc64d9eac4d9330d38657e1_67), *Fair Value Measurements*, for information on the Level 3 inputs utilized for the determination of the fair value of the warrants.

**6.Fair Value Measurements**

The Company's financial instruments measured at fair value in the accompanying Condensed Consolidated Balance Sheets on a recurring basis consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **As of** | | | | | | | | | | | | | | | | | | | | |  | | | **As of** | | | | | | | | | | | | | | | | | | | | |
|  | | | **September 30, 2021** | | | | | | | | | | | | | | | | | | | | |  | | | **December 31, 2020** | | | | | | | | | | | | | | | | | | | | |
| *(In thousands)* | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Assets**: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Money market funds *(1)* | | | $ | 2,929 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,929 |  |  | | | $ | 11,928 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 11,928 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| **Liabilities**: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Warrants issued: *(2)* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Series A | | | $ | — |  |  | | | $ | — |  |  | | | $ | 13,769 |  |  | | | $ | 13,769 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,831 |  |  | | | $ | 2,831 |  |
| Financing derivatives: no hedging designation *(3)* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate reset | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 11,300 | |  |  | | | 11,300 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Secured term note: *(4)* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest make-whole derivative | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 871 | |  |  | | | 871 | |  |
| **Total liabilities** | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **13,769** |  |  | | | **$** | **13,769** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **15,002** |  |  | | | **$** | **15,002** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

*(1) Level 1 cash equivalents are invested in money market funds that are intended to maintain a stable net asset value of $1.00 per share by investing in liquid, high quality U.S. dollar-denominated money market instruments with maturities less than three months.*

*(2) The fair values of the warrants are derived from techniques which utilize inputs, certain of which are significant and unobservable, that result in classification as Level 3 fair value measurements.*

*(3) The fair values of the financing derivatives are derived from techniques which utilize inputs, certain of which are significant and unobservable, that result in classification as Level 3 fair value measurements. Extinguishment of the Notes on March 10, 2021 resulted in derecognition of the interest rate reset derivative liability.*

*(4) The fair value of the embedded derivative within the Secured Term Note is derived from techniques which utilize inputs, certain of which are significant and unobservable, that result in classification as Level 3 fair value measurements. Extinguishment of the Secured Term Note on March 10, 2021 resulted in settlement of the interest make-whole derivative liability.*

There were no changes to the Company's valuation methodologies during the three and nine months ended September 30, 2021 or 2020.

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The following tables present the changes in the Company's recurring Level 3 fair valued instruments for the nine months ended September 30, 2021 and 2020, respectively:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(In thousands)* | | | **Interest Make-whole Derivative Liability** | | |  | | | **Financing Derivative Liabilities** | | |  | | | **Warrants Liability** | | |
| **Balance as of December 31, 2020** | | | $ | 871 |  |  | | | $ | 11,300 |  |  | | | $ | 2,831 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Total losses (gains) included in other income (expense), net *(1)* | | | 150 | |  |  | | | (1,800) | |  |  | | | 10,938 | |  |
| Settlement or derecognition upon extinguishment of host debt *(2)* | | | (1,021) | |  |  | | | (9,500) | |  |  | | | — | |  |
| **Balance as of September 30, 2021** | | | $ | — |  |  | | | $ | — |  |  | | | $ | 13,769 |  |

*(1) All losses and gains were recorded in other income (expense), net in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).*

*(2) Refer to* [*Footnote 4*](#ic950a4031fc64d9eac4d9330d38657e1_52)*, Debt for additional information on the extinguishment of the Notes and Secured Term Note.*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(In thousands)* | | |  | | | **Financing Derivative Liabilities** | | |  | | | **Warrants Liability** | | |
| **Balance as of December 31, 2019** | | |  | | | $ | 21,587 |  |  | | | $ | 7,725 |  |
|  | | |  | | |  | | |  | | |  | | |
| Total gains included in other income (expense), net *(1)* | | |  | | | (6,887) | |  |  | | | (5,765) | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Balance as of September 30, 2020** | | |  | | | $ | 14,700 |  |  | | | $ | 1,960 |  |

*(1) Represents $5.6 million gain due to change in fair value of interest rate reset derivative liability, $0.1 million gain due to change in fair value of make-whole change of control redemption, $1.2 million gain due to change in fair value of qualifying change of control redemption derivative liability, $5.6 million gain due to change in fair value of the Series A Warrant, and $0.2 million gain due to change in fair value of the Series B-2 Warrant. All gains were recorded in other income (expense), net in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).*

The following table displays the valuation technique and the significant inputs, certain of which are unobservable, for the Company's Level 3 liabilities that existed at the end of the current reporting period, as of September 30, 2021 and December 31, 2020 that are measured at fair value on a recurring basis:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | | **Fair Value Measurements** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | | **Significant Valuation Technique** | | | | | |  | | | **Significant Valuation Inputs** | | | | | |  | | | **September 30, 2021** | | |  | | | **December 31, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  |  |
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| Warrants liability | | |  | | | Option pricing model | | | | | |  | | | Stock price | | | | | |  | | | $3.90 | | |  | | | $2.49 | | |
|  | | |  | | |  | | | | | |  | | | Exercise price | | | | | |  | | | $2.47 | | |  | | | $12.00 | | |
|  | | |  | | |  | | | | | |  | | | Volatility | | | | | |  | | | 90.0% | | |  | | | 80.0% | | |
|  | | |  | | |  | | | | | |  | | | Term | | | | | |  | | | 2.74 years | | |  | | | 3.49 years | | |
|  | | |  | | |  | | | | | |  | | | Risk-free rate | | | | | |  | | | 0.5% | | |  | | | 0.2% | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  |  |
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The fair value of the Company's warrants liability is estimated using an option pricing model. The primary sensitivity in the valuation of the warrants liability is driven by the Common Stock price at the measurement date and the estimated volatility of the Common Stock over the remaining term.

**7.Accrued Expenses**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As of** | | |  | | | **As of** | | |
| *(In thousands)* | | |  | | | **September 30, 2021** | | |  | | | **December 31, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |
| Accrued data costs | | |  | | | $ | 16,848 |  |  | | | $ | 19,375 |  |
| Payroll and payroll-related | | |  | | | 10,904 | |  |  | | | 14,653 | |  |
|  | | |  | | |  | | |  | | |  | | |
| Professional fees | | |  | | | 3,113 | |  |  | | | 4,848 | |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Other | | |  | | | 9,213 | |  |  | | | 9,504 | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Total accrued expenses** | | |  | | | $ | 40,078 |  |  | | | $ | 48,380 |  |

**8.Related Party Transactions**

***Transactions with WPP plc***

As of September 30, 2021 (based on public filings), WPP plc and its affiliates ("WPP") owned 11,319,363 shares of the Company's outstanding Common Stock, representing 13.8% of the outstanding Common Stock. The Company provides WPP, in the normal course of business, services amongst its different product lines and receives various services from WPP supporting the Company's data collection efforts.

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The Company's results from transactions with WPP, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
| *(In thousands)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| Revenues | | | $ | 3,467 |  |  | | | $ | 3,109 |  |  | | | $ | 10,080 |  |  | | | $ | 10,069 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of revenues | | | 2,580 | |  |  | | | 2,461 | |  |  | | | 9,673 | |  |  | | | 7,200 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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The Company has the following balances related to transactions with WPP, as reflected in the Condensed Consolidated Balance Sheets:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As of** | | |  | | | **As of** | | |
| *(In thousands)* | | |  | | | **September 30, 2021** | | |  | | | **December 31, 2020** | | |
| **Assets** | | |  | | |  | | |  | | |  | | |
| Accounts receivable, net | | |  | | | $ | 3,889 |  |  | | | $ | 4,045 |  |
| Prepaid expenses and other current assets | | |  | | | 907 | |  |  | | | 1,496 | |  |
|  | | |  | | |  | | |  | | |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |
| Accounts payable | | |  | | | $ | 1,313 |  |  | | | $ | 2,817 |  |
| Accrued expenses | | |  | | | 382 | |  |  | | | 835 | |  |
| Contract liabilities | | |  | | | 3,677 | |  |  | | | 3,538 | |  |
| Other non-current liabilities | | |  | | | 1,012 | |  |  | | | — | |  |

***Transactions with Charter, Qurate and Pine***

Charter, Qurate and Pine each hold 33.3% of the outstanding shares of Preferred Stock, which are entitled to convert into shares of Common Stock and to vote as a single class with the holders of the Common Stock as described in [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity*. In addition, Charter, Qurate and Pine each designated two directors to the Company's Board in accordance with the Stockholders Agreement.

As of September 30, 2021, Charter, Qurate and Pine each owned 27,509,203 shares of the Company's outstanding Preferred Stock. On June 30, 2021, in accordance with the Certificate of Designations of the Preferred Stock, the Company made cash dividend payments totaling $4.8 million to the holders of the Preferred Stock, representing dividends accrued for the period from the Closing Date through June 29, 2021. As of September 30, 2021, accrued dividends to the holders of Preferred Stock totaled $4.0 million.

Concurrent with the closing of the Transactions on March 10, 2021, the Company entered into a ten-year Data License Agreement ("DLA") with Charter Communications Operating, LLC ("Charter Operating"), an affiliate of Charter. Under the DLA, Charter Operating will bill the Company for license fees according to a payment schedule that gradually increases from $10.0 million in the first year of the term to $32.3 million in the tenth year of the term. The Company recognizes expense for the license fees ratably over the term. A portion of the annual license fees is allocated to a base license comparable to the Company's prior license with Charter Operating. The remaining fees are allocated to the additional data sets contemplated by the DLA and the designation and related endorsement of the Company as Charter Operating's preferred data measurement partner for the term.

The Company's results from transactions with Charter and its affiliates, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), are detailed below:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(In thousands)* | | | **Three Months Ended September 30, 2021** | | |  | | | **Nine Months Ended September 30, 2021** | | |
| Revenues | | | $ | 487 |  |  | | | $ | 1,366 |  |
| Cost of revenues | | | 5,529 | |  |  | | | 16,471 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |

The Company has the following liability balances related to transactions with Charter and its affiliates, as reflected in the Condensed Consolidated Balance Sheet:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As of** | | |  |  |
| *(In thousands)* | | |  | | | **September 30, 2021** | | |  |  |
|  | | |  | | |  | | |  |  |
|  | | |  | | |  | | |  |  |
|  | | |  | | |  | | |  |  |
| Accounts payable | | |  | | | $ | 6,697 |  |  |  |
| Accrued expenses | | |  | | | 3,476 | |  |  |  |
|  | | |  | | |  | | |  |  |
| Other non-current liabilities | | |  | | | 5,346 | |  |  |  |

The Company recognized revenues of $0.2 million and $0.6 million from transactions with Qurate and its affiliates in the normal course of business during the three and nine months ended September 30, 2021, respectively, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company had no transactions, other than the issuance of shares of Preferred Stock and related matters, with Pine for the three and nine months ended September 30, 2021.

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***Transactions with Starboard***

In 2018, the Company entered into certain agreements with Starboard, then a beneficial owner of more than 5.0% of the Company's outstanding Common Stock. Refer to [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*, for further information regarding these agreements and the Company's issuance of Notes to Starboard in 2018. As a result of these agreements and the transactions contemplated thereby, Starboard ceased to be a beneficial owner of more than 5.0% of the Company's outstanding Common Stock in January 2018. In addition, pursuant to a prior agreement with Starboard, the Company provided Starboard the right to designate certain members to the Company's Board. As of December 31, 2018, Starboard had no remaining right to designate any directors to the Board. As of September 30, 2021, there were no directors remaining on the Board who were designated by Starboard.

In the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), the Company recorded interest expense, inclusive of non-cash accretion of issuance discount and deferred financing costs, related to the Notes of $6.6 million during the nine months ended September 30, 2021; and $8.4 million and $24.8 million during the three and nine months ended September 30, 2020, respectively. The Company recorded no interest expense related to the Notes during the three months ended September 30, 2021.

In connection with the extinguishment of the Notes on March 10, 2021, the Company issued 3,150,000 Conversion Shares to Starboard valued at $9.6 million as discussed in [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*, which amount was included as a component of loss on extinguishment of debt in the Condensed Consolidated Statement of Operations and Comprehensive Loss.

The Company had no outstanding balances related to Starboard as of September 30, 2021. The outstanding balances for the Notes, related financing derivatives, and other non-current liabilities as of December 31, 2020 are reflected in the Condensed Consolidated Balance Sheets.

**9.Commitments and Contingencies**

***Contingencies***

The Company is involved in various legal proceedings from time to time. The Company establishes reserves for specific legal proceedings when management determines that the likelihood of an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. The Company has also identified certain other legal matters where an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. In these cases, the Company does not establish a reserve until it can reasonably estimate the loss. Legal fees related to contingencies are expensed as incurred. The outcomes of legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to the Company's operating results and cash flows for a particular period.

***Privacy Class Action Litigation***

On September 11, 2017, the Company and a wholly owned subsidiary, Full Circle Studies, Inc., ("Full Circle"), received demand letters on behalf of named plaintiffs and all others similarly situated alleging that the Company and Full Circle collected personal information from users under the age of 13 without verifiable parental consent in violation of Massachusetts law and the federal Children's Online Privacy Protection Act. The letters alleged that the Company and Full Circle collected such personal information by embedding advertising software development kits in applications created or developed by The Walt Disney Company. The letters sought monetary damages, attorneys' fees and damages under Massachusetts law. On June 4, 2018, the plaintiffs filed amended complaints with the U.S. District Court for the Northern District of California adding the Company and Full Circle as defendants in a purported class action (captioned *Rushing, et al v. The Walt Disney Company, et al.,* Case No. 3:17-cv-04419-JD) against Disney, Twitter and other defendants, alleging violations of California's constitutional right to privacy and intrusion upon seclusion law, New York's deceptive trade practices statute, and Massachusetts' deceptive trade practices and right to privacy statutes. The complaints alleged damages in excess of $5.0 million, with any award to be apportioned among the defendants. On February 26, 2020, the Company and Full Circle reached an agreement with the plaintiffs to settle the complaints in full, with no admission of liability, in return for injunctive relief and payment of the plaintiffs' attorneys' fees, to be covered by the Company's insurance. The settlement received preliminary court approval on September 24, 2020. The settlement received final court approval on April 12, 2021.

***Other Matters***

In addition to the matters described above, the Company is, and may become, a party to a variety of legal proceedings from time to time that arise in the normal course of the Company's business. While the results of such legal proceedings cannot be predicted with certainty, management believes that, based on current knowledge, the final outcome of any such current pending matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows. Regardless of the outcome, legal proceedings can have an adverse effect on the Company because of defense costs, diversion of management resources and other factors.

***Indemnification***

The Company has entered into indemnification agreements with each of the Company's directors and certain officers, and the Company's amended and restated certificate of incorporation requires it to indemnify each of its officers and directors, to the fullest extent permitted by Delaware law, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Company. The Company has paid and may in the future pay legal counsel fees incurred by current and former directors and officers who are involved in legal proceedings that require indemnification.

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Similarly, certain of the Company's commercial contracts require it to indemnify contract counterparties under specified circumstances, and the Company may incur legal counsel fees and other costs in connection with these obligations.

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**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 the related Notes to Condensed Consolidated Financial Statements included in Part I,* [*Item 1*](#ic950a4031fc64d9eac4d9330d38657e1_16) *of this Quarterly Report on Form 10-Q, or 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events in future periods may differ materially from those anticipated or implied in these forward-looking statements as a result of many factors, including those discussed under* [*Item 1A*](https://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000021/scor-20201231.htm#ided6989bcc374020961c421c465250ee_22)*, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 10-K"), under* [*Item 1A*](#ic950a4031fc64d9eac4d9330d38657e1_124)*, "Risk Factors" in this 10-Q and elsewhere in this 10-Q. See also "*[*Cautionary Note Regarding Forward-Looking Statements*](#ic950a4031fc64d9eac4d9330d38657e1_10)*" at the beginning of this 10-Q.*

**Overview**

We are a global information and analytics company that measures advertising, content, and the consumer audiences of each, across media platforms. We create our products using a global data platform that combines information on digital platforms (connected (Smart) televisions, mobile devices, tablets and computers), television ("TV"), over the top devices ("OTT"), direct to consumer applications, and movie screens with demographics and other descriptive information. We have developed proprietary data science that enables measurement of person-level and household-level audiences, removing duplicated viewing across devices and over time. This combination of data and methods enables a common standard for buyers and sellers to transact on advertising. This helps companies across the media ecosystem better understand and monetize their audiences and develop marketing plans, content and products to more efficiently and effectively reach those audiences. Our ability to unify behavioral and other descriptive data enables us to provide audience ratings, advertising verification, and granular consumer segments that describe hundreds of millions of consumers. Our customers include digital publishers, television networks, movie studios, content owners, brand advertisers, agencies and technology providers.

The information we analyze crosses geographies, types of content and activities, including websites, mobile and OTT applications ("apps"), video games, television and movie programming, electronic commerce ("e-commerce") and advertising.

**Management Changes**

On July 21, 2021, Gregory Fink resigned as our Chief Financial Officer ("CFO") and Treasurer, effective August 31, 2021.

On October 19, 2021, our Board of Directors appointed Jonathan Carpenter as CFO and Treasurer, effective November 29, 2021. Also on October 19, 2021, William Livek, our current Chief Executive Officer and Executive Vice Chairman, was designated to serve as the interim principal financial officer until Mr. Carpenter's start date (November 29, 2021).

**Results of Operations**

The following table sets forth selected Condensed Consolidated Statements of Operations data as a percentage of total revenues for each of the periods indicated. Percentages may not add due to rounding.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2021** | | | | | | | | |  | | | **2020** | | | | | | | | |  | | | **2021** | | | | | | | | |  | | | **2020** | | | | | | | | |  |  |  | | |  | | |  |  |  |
| *(In thousands)* | | | **Dollars** | | |  | | | **% of Revenue** | | |  | | | **Dollars** | | |  | | | **% of Revenue** | | |  | | | **Dollars** | | |  | | | **% of Revenue** | | |  | | | **Dollars** | | |  | | | **% of Revenue** | | |  |  |  | | |  | | |  | |  |
| Revenues | | | $ | 92,487 |  |  | | | 100.0 | | % |  | | | $ | 87,952 |  |  | | | 100.0 | | % |  | | | $ | 270,476 |  |  | | | 100.0 | | % |  | | | $ | 266,046 |  |  | | | 100.0 | | % |  |  |  | | |  | | |  | |  |
| Cost of revenues | | | 49,179 | |  |  | | | 53.2 | | % |  | | | 46,466 | |  |  | | | 52.8 | | % |  | | | 153,267 | |  |  | | | 56.7 | | % |  | | | 137,213 | |  |  | | | 51.6 | | % |  |  |  | | |  | | |  | |  |
| Selling and marketing | | | 15,212 | |  |  | | | 16.4 | | % |  | | | 17,131 | |  |  | | | 19.5 | | % |  | | | 49,569 | |  |  | | | 18.3 | | % |  | | | 52,351 | |  |  | | | 19.7 | | % |  |  |  | | |  | | |  | |  |
| Research and development | | | 9,051 | |  |  | | | 9.8 | | % |  | | | 9,501 | |  |  | | | 10.8 | | % |  | | | 29,536 | |  |  | | | 10.9 | | % |  | | | 29,402 | |  |  | | | 11.1 | | % |  |  |  | | |  | | |  | |  |
| General and administrative | | | 16,895 | |  |  | | | 18.3 | | % |  | | | 12,136 | |  |  | | | 13.8 | | % |  | | | 45,609 | |  |  | | | 16.9 | | % |  | | | 41,420 | |  |  | | | 15.6 | | % |  |  |  | | |  | | |  | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | |  |
| Amortization of intangible assets | | | 6,172 | |  |  | | | 6.7 | | % |  | | | 6,750 | |  |  | | | 7.7 | | % |  | | | 18,866 | |  |  | | | 7.0 | | % |  | | | 20,514 | |  |  | | | 7.7 | | % |  |  |  | | |  | | |  | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | |  |
| Impairment of right-of-use and long-lived assets | | | — | |  |  | | | — | | % |  | | | — | |  |  | | | — | | % |  | | | — | |  |  | | | — | | % |  | | | 4,671 | |  |  | | | 1.8 | | % |  |  |  | | |  | | |  | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | |  |
| Total expenses from operations | | | 96,509 | |  |  | | | 104.3 | | % |  | | | 91,984 | |  |  | | | 104.6 | | % |  | | | 296,847 | |  |  | | | 109.7 | | % |  | | | 285,571 | |  |  | | | 107.3 | | % |  |  |  | | |  | | |  | |  |
| Loss from operations | | | (4,022) | |  |  | | | (4.3) | | % |  | | | (4,032) | |  |  | | | (4.6) | | % |  | | | (26,371) | |  |  | | | (9.7) | | % |  | | | (19,525) | |  |  | | | (7.3) | | % |  |  |  | | |  | | |  | |  |
| Other income (expense), net | | | 5,713 | |  |  | | | 6.2 | | % |  | | | 4,191 | |  |  | | | 4.8 | | % |  | | | (9,069) | |  |  | | | (3.4) | | % |  | | | 12,862 | |  |  | | | 4.8 | | % |  |  |  | | |  | | |  | |  |
| Gain (loss) from foreign currency transactions | | | 1,180 | |  |  | | | 1.3 | | % |  | | | (2,012) | |  |  | | | (2.3) | | % |  | | | 1,884 | |  |  | | | 0.7 | | % |  | | | (2,152) | |  |  | | | (0.8) | | % |  |  |  | | |  | | |  | |  |
| Interest expense, net | | | (169) | |  |  | | | (0.2) | | % |  | | | (9,027) | |  |  | | | (10.3) | | % |  | | | (7,569) | |  |  | | | (2.8) | | % |  | | | (26,729) | |  |  | | | (10.0) | | % |  |  |  | | |  | | |  | |  |
| Loss on extinguishment of debt | | | — | |  |  | | | — | | % |  | | | — | |  |  | | | — | | % |  | | | (9,629) | |  |  | | | (3.6) | | % |  | | | — | |  |  | | | — | | % |  |  |  | | |  | | |  | |  |
| Income (loss) before income taxes | | | 2,702 | |  |  | | | 2.9 | | % |  | | | (10,880) | |  |  | | | (12.4) | | % |  | | | (50,754) | |  |  | | | (18.8) | | % |  | | | (35,544) | |  |  | | | (13.4) | | % |  |  |  | | |  | | |  | |  |
| Income tax (provision) benefit | | | (722) | |  |  | | | (0.8) | | % |  | | | (241) | |  |  | | | (0.3) | | % |  | | | (2,166) | |  |  | | | (0.8) | | % |  | | | 838 | |  |  | | | 0.3 | | % |  |  |  | | |  | | |  | |  |
| Net income (loss) | | | $ | 1,980 |  |  | | | 2.1 | | % |  | | | $ | (11,121) |  |  | | | (12.6) | | % |  | | | $ | (52,920) |  |  | | | (19.6) | | % |  | | | $ | (34,706) |  |  | | | (13.0) | | % |  |  |  | | |  | | |  | |  |

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***Revenues***

Our products and services are organized around solution groups that address customer needs. Accordingly, we evaluate revenue around three solution groups:

•Ratings and Planning provides measurement of the behavior and characteristics of audiences of content and advertising across television and digital platforms including connected (Smart) televisions, computers, tablets, mobile devices, and other connected devices. These products and services are designed to help customers find the most relevant viewing audience, whether that viewing is linear, non-linear, online or on-demand.

•Analytics and Optimization includes custom solutions, activation, lift and survey-based products that provide end-to-end solutions for planning, optimization and evaluation of advertising campaigns and brand protection.

•Movies Reporting and Analytics measures movie viewership and box office results by capturing movie ticket sales in real time or near real time and includes box office analytics, trend analysis and insights for movie studios and movie theater operators worldwide.

We categorize our revenue along these solution groups; however, our cost structure is tracked at the corporate level and not by our solution groups. These costs include, but are not limited to, employee costs, purchased data, operational overhead, data storage and technology that supports multiple solution groups.

Revenues for the three months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Variance** | | |  | | | **% Variance** | | |
| Ratings and Planning | | | $ | 62,127 |  |  | | | 67.2 | | % |  | | | $ | 62,718 |  |  | | | 71.3 | | % |  | | | $ | (591) |  |  | | | (0.9) | | % |
| Analytics and Optimization | | | 22,485 | |  |  | | | 24.3 | | % |  | | | 17,432 | |  |  | | | 19.8 | | % |  | | | 5,053 | |  |  | | | 29.0 | | % |
| Movies Reporting and Analytics | | | 7,875 | |  |  | | | 8.5 | | % |  | | | 7,802 | |  |  | | | 8.9 | | % |  | | | 73 | |  |  | | | 0.9 | | % |
| Total revenues | | | $ | 92,487 |  |  | | | 100.0 | | % |  | | | $ | 87,952 |  |  | | | 100.0 | | % |  | | | $ | 4,535 |  |  | | | 5.2 | | % |

Revenues increased by $4.5 million, or 5.2%, for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

Ratings and Planning revenue is comprised of revenue from our digital, TV, and cross-platform products. Ratings and Planning revenue decreased by $0.6 million for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. The decrease was driven by lower revenue from our syndicated digital and cross-platform products, offset by higher revenue from our TV products. Syndicated digital revenue was lower primarily due to our smaller customers who continue to be impacted by ongoing industry changes in ad buying and consolidations. While retention of syndicated digital enterprise customers remained high, revenue from our syndicated digital products represented 46% and 48% of our Ratings and Planning revenue in the third quarter of 2021 and 2020, respectively. Cross-platform revenue was lower due to fewer deliveries of data in 2021 versus 2020. TV revenues were higher due to new partnerships, increased agency adoption and higher deliveries of custom TV data.

Analytics and Optimization revenue increased by $5.1 million in the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. The increase was related to higher revenue across all product offerings, including activation, custom solutions, lift and survey. Activation experienced double-digit year-over-year growth as we continued to bring new solutions to market.

Movies Reporting and Analytics revenue increased by $0.1 million for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. The nominal increase in revenue was due to the continued reopening of theaters in markets worldwide. Based on this trend, we believe revenue from the movies business should continue to experience sequential quarterly increases as consumers return to theaters.

Revenues for these three solution groups for the nine months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Variance** | | |  | | | **% Variance** | | |
| Ratings and Planning | | | $ | 190,351 |  |  | | | 70.4 | | % |  | | | $ | 190,018 |  |  | | | 71.4 | | % |  | | | $ | 333 |  |  | | | 0.2 | | % |
| Analytics and Optimization | | | 57,950 | |  |  | | | 21.4 | | % |  | | | 49,827 | |  |  | | | 18.8 | | % |  | | | 8,123 | |  |  | | | 16.3 | | % |
| Movies Reporting and Analytics | | | 22,175 | |  |  | | | 8.2 | | % |  | | | 26,201 | |  |  | | | 9.8 | | % |  | | | (4,026) | |  |  | | | (15.4) | | % |
| Total revenues | | | $ | 270,476 |  |  | | | 100.0 | | % |  | | | $ | 266,046 |  |  | | | 100.0 | | % |  | | | $ | 4,430 |  |  | | | 1.7 | | % |

Revenues increased by $4.4 million, or 1.7%, for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

Ratings and Planning revenue increased by $0.3 million for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The increase was driven by higher TV revenue and services related to our international cross-platform offering, partially offset by lower revenue from our syndicated digital products. TV revenues were higher due to new partnerships, increased agency adoption and additional TV data deliveries as part of an expanded relationship with an enterprise customer. We also recorded $2.4 million in revenue for certain cross-platform services delivered in Europe related to the renewal of a multi-year agreement. Syndicated digital revenue was lower

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primarily due to our smaller and international customers who continue to be impacted by ongoing industry changes in ad buying and consolidations. While retention of syndicated digital enterprise customers remained high, revenue from our syndicated digital products represented 45% and 49% of our Ratings and Planning revenue for the nine months ended September 30, 2021 and 2020, respectively.

Analytics and Optimization revenue increased by $8.1 million in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The increase was related to higher revenue across all product offerings, including activation, custom solutions, lift and survey. Activation experienced double-digit year-over-year growth as we continued to bring new solutions to market.

Movies Reporting and Analytics revenue decreased by $4.0 million in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The decrease was primarily driven by lower revenues during the first quarter of 2021, which reflected the full impact of the COVID-19 pandemic and its effect on theater closures, movie releases and consumer behavior worldwide. Based on more recent trends, we believe revenue from the movies business should experience sequential quarterly increases as consumers return to theaters.

***Cost of Revenues***

Cost of revenues consists primarily of expenses related to producing our products, operating our network infrastructure, the recruitment, maintenance and support of our consumer panels and amortization of capitalized fulfillment costs. These expenses include employee costs for salaries, benefits, stock-based compensation and other related personnel costs of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes costs to obtain multichannel video programming distributor ("MVPD") data sets and panel, census based and other data sets used in our products as well as operational costs associated with our data centers, including depreciation expense associated with computer equipment and internally developed software that supports our panels and systems. Additionally, cost of revenues includes allocated overhead, lease expense and other facilities-related costs.

Cost of revenues for the three months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | | | | | | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Data costs | | | $ | 18,466 |  |  | | | 20.0 | | % |  | | | $ | 16,943 |  |  | | | 19.3 | | % |  | | | $ | 1,523 |  |  | | | 9.0 | | % |
| Employee costs | | | 9,942 | |  |  | | | 10.7 | | % |  | | | 9,693 | |  |  | | | 11.0 | | % |  | | | 249 | |  |  | | | 2.6 | | % |
| Systems and bandwidth costs | | | 6,207 | |  |  | | | 6.7 | | % |  | | | 6,152 | |  |  | | | 7.0 | | % |  | | | 55 | |  |  | | | 0.9 | | % |
| Lease expense and depreciation | | | 5,003 | |  |  | | | 5.4 | | % |  | | | 4,259 | |  |  | | | 4.8 | | % |  | | | 744 | |  |  | | | 17.5 | | % |
| Panel costs | | | 3,935 | |  |  | | | 4.3 | | % |  | | | 4,674 | |  |  | | | 5.3 | | % |  | | | (739) | |  |  | | | (15.8) | | % |
| Sample and survey costs | | | 1,856 | |  |  | | | 2.0 | | % |  | | | 1,051 | |  |  | | | 1.2 | | % |  | | | 805 | |  |  | | | 76.6 | | % |
| Technology | | | 1,390 | |  |  | | | 1.5 | | % |  | | | 1,421 | |  |  | | | 1.6 | | % |  | | | (31) | |  |  | | | (2.2) | | % |
| Professional fees | | | 1,126 | |  |  | | | 1.2 | | % |  | | | 1,307 | |  |  | | | 1.5 | | % |  | | | (181) | |  |  | | | (13.8) | | % |
| Royalties and resellers | | | 1,008 | |  |  | | | 1.1 | | % |  | | | 550 | |  |  | | | 0.6 | | % |  | | | 458 | |  |  | | | 83.3 | | % |
| Other | | | 246 | |  |  | | | 0.3 | | % |  | | | 416 | |  |  | | | 0.5 | | % |  | | | (170) | |  |  | | | (40.9) | | % |
| Total cost of revenues | | | $ | 49,179 |  |  | | | 53.2 | | % |  | | | $ | 46,466 |  |  | | | 52.8 | | % |  | | | $ | 2,713 |  |  | | | 5.8 | | % |

Cost of revenues increased by $2.7 million, or 5.8%, for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. Data costs increased by $1.5 million primarily due to new data licensing costs to increase our data footprint and data rights. Sample and survey costs increased $0.8 million primarily due to higher sales and deliveries of digital marketing solutions. Lease expense and depreciation increased $0.7 million due to higher depreciation driven by previously capitalized internal-use software costs. Offsetting these increases was a decrease in panel costs of $0.7 million primarily due to lower recruitment and support costs for our mobile panels.

Cost of revenues for the nine months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | | | | | | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Data costs | | | $ | 55,706 |  |  | | | 20.6 | | % |  | | | $ | 47,669 |  |  | | | 17.9 | | % |  | | | $ | 8,037 |  |  | | | 16.9 | | % |
| Employee costs | | | 30,925 | |  |  | | | 11.4 | | % |  | | | 29,835 | |  |  | | | 11.2 | | % |  | | | 1,090 | |  |  | | | 3.7 | | % |
| Systems and bandwidth costs | | | 20,382 | |  |  | | | 7.5 | | % |  | | | 17,944 | |  |  | | | 6.7 | | % |  | | | 2,438 | |  |  | | | 13.6 | | % |
| Lease expense and depreciation | | | 14,775 | |  |  | | | 5.5 | | % |  | | | 12,393 | |  |  | | | 4.7 | | % |  | | | 2,382 | |  |  | | | 19.2 | | % |
| Panel costs | | | 11,614 | |  |  | | | 4.3 | | % |  | | | 14,622 | |  |  | | | 5.5 | | % |  | | | (3,008) | |  |  | | | (20.6) | | % |
| Sample and survey costs | | | 5,227 | |  |  | | | 1.9 | | % |  | | | 3,728 | |  |  | | | 1.4 | | % |  | | | 1,499 | |  |  | | | 40.2 | | % |
| Technology | | | 4,367 | |  |  | | | 1.6 | | % |  | | | 4,284 | |  |  | | | 1.6 | | % |  | | | 83 | |  |  | | | 1.9 | | % |
| Professional fees | | | 3,885 | |  |  | | | 1.4 | | % |  | | | 3,149 | |  |  | | | 1.2 | | % |  | | | 736 | |  |  | | | 23.4 | | % |
| Royalties and resellers | | | 2,701 | |  |  | | | 1.0 | | % |  | | | 1,919 | |  |  | | | 0.7 | | % |  | | | 782 | |  |  | | | 40.8 | | % |
| Other | | | 3,685 | |  |  | | | 1.4 | | % |  | | | 1,670 | |  |  | | | 0.6 | | % |  | | | 2,015 | |  |  | | | 120.7 | | % |
| Total cost of revenues | | | $ | 153,267 |  |  | | | 56.7 | | % |  | | | $ | 137,213 |  |  | | | 51.6 | | % |  | | | $ | 16,054 |  |  | | | 11.7 | | % |

Cost of revenues increased by $16.1 million, or 11.7%, for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. Data costs increased by $8.0 million primarily due to new data licensing costs to increase our data footprint and data rights.

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Systems and bandwidth costs increased $2.4 million primarily due to increases in cloud-based data storage and bandwidth capacity. Lease expense and depreciation increased $2.4 million primarily due to higher depreciation driven by previously capitalized internal-use software costs. Other expenses increased by $2.0 million primarily due to the recognition of $2.4 million in license costs associated with the delivery of our cross-platform products in Europe in connection with the multi-year agreement described above. Sample and survey costs increased $1.5 million primarily due to higher sales and deliveries of digital marketing solutions. Employee costs increased $1.1 million as we allocated more employee resources towards support of our products and operating infrastructure. Offsetting these increases was a decrease in panel costs of $3.0 million primarily due to lower recruitment and support costs for our mobile panels.

***Selling and Marketing***

Selling and marketing expenses consist primarily of employee costs for salaries, benefits, commissions, stock-based compensation and other related costs for personnel associated with sales and marketing activities. It also includes costs related to online and offline advertising, industry conferences, promotional materials, public relations, other sales and marketing programs and allocated overhead, which is comprised of lease expense and other facilities-related costs, and depreciation expense generated by general purpose equipment and software.

Selling and marketing expenses for the three months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 12,519 |  |  | | | 13.5 | | % |  | | | $ | 14,280 |  |  | | | 16.2 | | % |  | | | $ | (1,761) |  |  | | | (12.3) | | % |
| Lease expense and depreciation | | | 918 | |  |  | | | 1.0 | | % |  | | | 1,136 | |  |  | | | 1.3 | | % |  | | | (218) | |  |  | | | (19.2) | | % |
| Professional fees | | | 480 | |  |  | | | 0.5 | | % |  | | | 736 | |  |  | | | 0.8 | | % |  | | | (256) | |  |  | | | (34.8) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | 1,295 | |  |  | | | 1.4 | | % |  | | | 979 | |  |  | | | 1.1 | | % |  | | | 316 | |  |  | | | 32.3 | | % |
| Total selling and marketing expenses | | | $ | 15,212 |  |  | | | 16.4 | | % |  | | | $ | 17,131 |  |  | | | 19.5 | | % |  | | | $ | (1,919) |  |  | | | (11.2) | | % |

Selling and marketing expenses decreased by $1.9 million, or 11.2%, for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. Employee costs decreased $1.8 million primarily due to lower commission expense and a decrease in employee headcount.

Selling and marketing expenses for the nine months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 41,696 |  |  | | | 15.4 | | % |  | | | $ | 42,762 |  |  | | | 16.1 | | % |  | | | $ | (1,066) |  |  | | | (2.5) | | % |
| Lease expense and depreciation | | | 2,967 | |  |  | | | 1.1 | | % |  | | | 3,806 | |  |  | | | 1.4 | | % |  | | | (839) | |  |  | | | (22.0) | | % |
| Professional fees | | | 1,562 | |  |  | | | 0.6 | | % |  | | | 1,999 | |  |  | | | 0.8 | | % |  | | | (437) | |  |  | | | (21.9) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | 3,344 | |  |  | | | 1.2 | | % |  | | | 3,784 | |  |  | | | 1.4 | | % |  | | | (440) | |  |  | | | (11.6) | | % |
| Total selling and marketing expenses | | | $ | 49,569 |  |  | | | 18.3 | | % |  | | | $ | 52,351 |  |  | | | 19.7 | | % |  | | | $ | (2,782) |  |  | | | (5.3) | | % |

Selling and marketing expenses decreased by $2.8 million, or 5.3%, for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. Employee costs decreased $1.1 million primarily due to lower commission expense and a decrease in employee headcount. Lease and depreciation expense decreased $0.8 million primarily due to lower rent as we reduced our office footprint and sublet two locations during 2020.

***Research and Development***

Research and development expenses include product development costs, consisting primarily of employee costs for salaries, benefits, stock-based compensation and other related costs for personnel associated with research and development activities, third-party expenses to develop new products and third-party data costs and allocated overhead, which is comprised of lease expense and other facilities-related costs, and depreciation expense related to general purpose equipment and software.

Research and development expenses for the three months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 6,788 |  |  | | | 7.3 | | % |  | | | $ | 7,189 |  |  | | | 8.2 | | % |  | | | $ | (401) |  |  | | | (5.6) | | % |
| Technology | | | 1,042 | |  |  | | | 1.1 | | % |  | | | 1,076 | |  |  | | | 1.2 | | % |  | | | (34) | |  |  | | | (3.2) | | % |
| Lease expense and depreciation | | | 741 | |  |  | | | 0.8 | | % |  | | | 894 | |  |  | | | 1.0 | | % |  | | | (153) | |  |  | | | (17.1) | | % |
| Professional fees | | | 354 | |  |  | | | 0.4 | | % |  | | | 253 | |  |  | | | 0.3 | | % |  | | | 101 | |  |  | | | 39.9 | | % |
| Other | | | 126 | |  |  | | | 0.1 | | % |  | | | 89 | |  |  | | | 0.1 | | % |  | | | 37 | |  |  | | | 41.6 | | % |
| Total research and development expenses | | | $ | 9,051 |  |  | | | 9.8 | | % |  | | | $ | 9,501 |  |  | | | 10.8 | | % |  | | | $ | (450) |  |  | | | (4.7) | | % |

Research and development expenses decreased by $0.5 million, or 4.7%, for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. Employee costs decreased $0.4 million primarily due to a decrease in employee headcount.

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Research and development expenses for the nine months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 22,060 |  |  | | | 8.2 | | % |  | | | $ | 21,786 |  |  | | | 8.2 | | % |  | | | $ | 274 |  |  | | | 1.3 | | % |
| Technology | | | 3,275 | |  |  | | | 1.2 | | % |  | | | 3,225 | |  |  | | | 1.2 | | % |  | | | 50 | |  |  | | | 1.6 | | % |
| Lease expense and depreciation | | | 2,438 | |  |  | | | 0.9 | | % |  | | | 3,120 | |  |  | | | 1.2 | | % |  | | | (682) | |  |  | | | (21.9) | | % |
| Professional fees | | | 1,352 | |  |  | | | 0.5 | | % |  | | | 874 | |  |  | | | 0.3 | | % |  | | | 478 | |  |  | | | 54.7 | | % |
| Other | | | 411 | |  |  | | | 0.2 | | % |  | | | 397 | |  |  | | | 0.1 | | % |  | | | 14 | |  |  | | | 3.5 | | % |
| Total research and development expenses | | | $ | 29,536 |  |  | | | 10.9 | | % |  | | | $ | 29,402 |  |  | | | 11.1 | | % |  | | | $ | 134 |  |  | | | 0.5 | | % |

Research and development expenses increased by $0.1 million, or 0.5%, for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. Professional fees increased $0.5 million due to increased consulting fees. Employee costs increased $0.3 million primarily due to higher stock-based compensation expense. Offsetting these increases was a decrease in lease and depreciation expense of $0.7 million primarily due to lower rent as we reduced our office footprint and sublet two locations during 2020.

***General and Administrative***

General and administrative expenses consist primarily of employee costs for salaries, benefits, stock-based compensation and other related costs, and related expenses for executive management, finance, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of lease expense and other facilities-related costs, depreciation expense related to general purpose equipment and software, amortization of cloud-computing implementation costs, Board of Directors compensation and expenses incurred for other general corporate purposes.

General and administrative expenses for the three months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 8,809 |  |  | | | 9.5 | | % |  | | | $ | 6,659 |  |  | | | 7.6 | | % |  | | | $ | 2,150 |  |  | | | 32.3 | | % |
| Professional fees | | | 5,323 | |  |  | | | 5.8 | | % |  | | | 2,339 | |  |  | | | 2.7 | | % |  | | | 2,984 | |  |  | | | 127.6 | | % |
| Technology | | | 908 | |  |  | | | 1.0 | | % |  | | | 567 | |  |  | | | 0.6 | | % |  | | | 341 | |  |  | | | 60.1 | | % |
| Lease expense and depreciation | | | 394 | |  |  | | | 0.4 | | % |  | | | 494 | |  |  | | | 0.6 | | % |  | | | (100) | |  |  | | | (20.2) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | 1,461 | |  |  | | | 1.6 | | % |  | | | 2,077 | |  |  | | | 2.4 | | % |  | | | (616) | |  |  | | | (29.7) | | % |
| Total general and administrative expenses | | | $ | 16,895 |  |  | | | 18.3 | | % |  | | | $ | 12,136 |  |  | | | 13.8 | | % |  | | | $ | 4,759 |  |  | | | 39.2 | | % |

General and administrative expenses increased by $4.8 million, or 39.2%, for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. Professional fees increased $3.0 million primarily driven by increased consulting and audit fees in 2021 related to implementation support for our new enterprise resource planning ("ERP") system, and higher legal fees. Employee costs increased $2.2 million primarily due to severance expense related to the departure of our former CFO in August 2021, and higher stock-based compensation expense. Offsetting these increases was a decrease in other expense of $0.6 million primarily due to lower bad debt expense in 2021 as compared to an increase in our allowance in the third quarter of 2020 as a result of the COVID-19 pandemic.

General and administrative expenses for the nine months ended September 30, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
| *(In thousands)* | | | **2021** | | |  | | | **% of Revenue** | | |  | | | **2020** | | |  | | | **% of Revenue** | | |  | | | **$ Change** | | |  | | | **% Change** | | |
| Employee costs | | | $ | 24,710 |  |  | | | 9.1 | | % |  | | | $ | 20,191 |  |  | | | 7.6 | | % |  | | | $ | 4,519 |  |  | | | 22.4 | | % |
| Professional fees | | | 11,889 | |  |  | | | 4.4 | | % |  | | | 9,704 | |  |  | | | 3.6 | | % |  | | | 2,185 | |  |  | | | 22.5 | | % |
| Technology | | | 2,119 | |  |  | | | 0.8 | | % |  | | | 1,683 | |  |  | | | 0.6 | | % |  | | | 436 | |  |  | | | 25.9 | | % |
| Lease expense and depreciation | | | 1,285 | |  |  | | | 0.5 | | % |  | | | 1,606 | |  |  | | | 0.6 | | % |  | | | (321) | |  |  | | | (20.0) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | 5,606 | |  |  | | | 2.1 | | % |  | | | 8,236 | |  |  | | | 3.1 | | % |  | | | (2,630) | |  |  | | | (31.9) | | % |
| Total general and administrative expenses | | | $ | 45,609 |  |  | | | 16.9 | | % |  | | | $ | 41,420 |  |  | | | 15.6 | | % |  | | | $ | 4,189 |  |  | | | 10.1 | | % |

General and administrative expenses increased by $4.2 million, or 10.1%, for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. Employee costs increased $4.5 million primarily due to higher stock-based compensation expense, and due to severance expense related to the departure of our former CFO in August 2021. Professional fees increased by $2.2 million primarily driven by increased consulting and audit fees in 2021 related to implementation support for our new ERP system. Offsetting these increases was a decrease in other expense of $2.6 million primarily due to lower bad debt expense in 2021 as compared to an increase in our allowance throughout 2020 as a result of the COVID-19 pandemic.

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***Loss on Extinguishment of Debt***

Loss on extinguishment of debt represents the difference between the carrying value of our debt instruments and any consideration paid to our creditors in the form of cash or shares of our Common Stock on the extinguishment date.

In the first quarter of 2021, we recorded a $9.6 million loss on debt extinguishment related to the payoff of the senior secured convertible notes (the "Notes") and the secured promissory note (the "Secured Term Note") on March 10, 2021. The primary drivers of the extinguishment loss were the write-off of unamortized deferred financing costs and issuance discounts, the issuance of additional shares of Common Stock in connection with the extinguishment, and the derecognition of the interest rate reset derivative liability on the Notes. These components are described in [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

***Impairment of Right-of-use and Long-lived Assets***

In the first quarter of 2020, we recorded a $4.7 million impairment charge related to our facility lease right-of-use assets and associated leasehold improvements for certain properties on the market for sublease. The impairment charge was driven by changes in our projected undiscounted cash flows for certain properties, primarily as a result of changes in the real estate market related to the COVID-19 pandemic, that led to an increase in the estimated marketing time and a reduction of expected receipts.

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

Other income (expense), net represents income and expenses incurred that are generally not recurring in nature or are not part of our regular operations. The following is a summary of other income (expense), net for the three and nine months ended September 30, 2021 and 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |
| *(In thousands)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |  |
| Change in fair value of warrants liability | | | $ | 5,582 |  |  | | | $ | 1,872 |  |  | | | $ | (10,938) |  |  | | | $ | 5,765 |  |  |
| Change in fair value of financing derivatives | | | — | |  |  | | | 2,200 | |  |  | | | 1,800 | |  |  | | | 6,887 | |  |  |
| Other | | | 131 | |  |  | | | 119 | |  |  | | | 69 | |  |  | | | 210 | |  |  |
| Total other income (expense), net | | | $ | 5,713 |  |  | | | $ | 4,191 |  |  | | | $ | (9,069) |  |  | | | $ | 12,862 |  |  |

The change in other income (expense), net for the three and nine months ended September 30, 2021 as compared to 2020 was largely driven by changes in the fair value of our warrants liability, and gains from the change in fair value of our financing derivatives. The gain on the warrants liability for the three months ended September 30, 2021 was due primarily to a decrease in the trading price of our Common Stock during the third quarter. The loss on the warrants liability for the nine months ended September 30, 2021 was due primarily to the exercise price adjustment described in [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity*, and an increase in the trading price of our Common Stock during the current year*.* The gain on the financing derivatives was primarily due to the passage of time as our remaining future interest obligations declined over the term of the Notes prior to their extinguishment in March 2021.

***Interest Expense, Net***

Interest expense, net consists of interest income and interest expense. Interest income primarily consists of interest earned from our cash and cash equivalent balances. Interest expense relates to interest on our Notes, Secured Term Note, Revolving Credit Agreement, sale-leaseback agreement, and our finance leases.

During the three months ended September 30, 2021 and 2020, we incurred interest expense, net of $0.2 million and $9.0 million, respectively, and $7.6 million and $26.7 million during the nine months ended September 30, 2021 and 2020, respectively. The decrease in interest expense for the three and nine months ended September 30, 2021 as compared to 2020 was primarily due to the extinguishment of the Notes and the Secured Term Note in March 2021, as described in [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt.*

***Gain (Loss) From Foreign Currency Transactions***

Our foreign currency transactions are recorded as a result of fluctuations in the exchange rate between the transactional currency and the functional currency of foreign subsidiary transactions. Our international currency exposures that relate to the translation to U.S. Dollars are in a net liability position and our international currency exposures that relate to the translation from U.S. Dollars are in a net asset position. For the three and nine months ended September 30, 2021, the gain from foreign currency transactions was $1.2 million and $1.9 million, respectively. The gain was primarily driven by fluctuations in the Chilean Peso against the U.S. Dollar and Euro and the U.S. Dollar and Canadian Dollar against the Euro exchange rates. For the three and nine months ended September 30, 2020, the loss from foreign currency transactions was $2.0 million and $2.2 million, respectively. The losses were primarily driven by fluctuations in the Chilean Peso against the U.S. Dollar and Euro, and the U.S. Dollar against the Euro exchange rates.

***Income Tax (Provision) Benefit***

A valuation allowance has been established against our net U.S. federal and state deferred tax assets and certain foreign deferred tax assets, including net operating loss carryforwards. As a result, our income tax position is primarily related to foreign tax activity and U.S. deferred taxes for tax deductible goodwill and other indefinite-lived liabilities.

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During the three and nine months ended September 30, 2021, we recorded an income tax provision of $(0.7) million and $(2.2) million, respectively, resulting in an effective tax rate of 26.7% and 4.3%, respectively. During the three months ended September 30, 2020, we recorded an income tax provision of $(0.2) million, resulting in an effective tax rate of 2.2%. During the nine months ended September 30, 2020, we recorded an income tax benefit $0.8 million, resulting in an effective tax rate of (2.4)%. These effective tax rates differ from the U.S. federal statutory rate primarily due to the effects of certain permanent items, foreign tax rate differences, and increases in the valuation allowance against our domestic deferred tax assets. The increase in the tax provision during 2021 as compared to 2020 was primarily due to an increase in U.S. deferred tax expense for tax deductible goodwill and an increase in estimated foreign tax expense in 2021.

The COVID-19 pandemic has a global reach, and many countries have introduced measures that provide relief to taxpayers in a variety of ways. We continue to evaluate new legislation as it is introduced, but none of these measures had an impact on our income tax (provision) benefit for the three and nine months ended September 30, 2021.

***Recent Accounting Pronouncements***

For a discussion of recent accounting pronouncements, refer to [Footnote 2](#ic950a4031fc64d9eac4d9330d38657e1_37), *Summary of Significant Accounting Policies*.

**Liquidity and Capital Resources**

The following table summarizes our cash flows for each of the periods identified:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
| *(In thousands)* | | |  | | | **2021** | | |  | | | **2020** | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net cash used in operating activities | | |  | | | $ | (1,121) |  |  | | | $ | (1,843) |  |  | | |  | | |
| Net cash used in investing activities | | |  | | | (11,669) | |  |  | | | (11,628) | |  |  | | |  | | |
| Net cash used in financing activities | | |  | | | (20,526) | |  |  | | | (1,476) | |  |  | | |  | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | | |  | | | (691) | |  |  | | | 8 | |  |  | | |  | | |
| Net decrease in cash, cash equivalents and restricted cash | | |  | | | (34,007) | |  |  | | | (14,939) | |  |  | | |  | | |

Overview

Our principal uses of cash consist of cash paid for data, payroll and other operating expenses, including expenses incurred in prior periods; payments related to investments in equipment, primarily to support our consumer panels and technical infrastructure required to deliver our products and services and support our customers; service of our debt and lease facilities; and, beginning in 2021, our dividend payment obligations.

As of September 30, 2021, our principal sources of liquidity consisted of cash, cash equivalents and restricted cash totaling $16.7 million, including $0.8 million in restricted cash, as well as amounts available to us under our Revolving Credit Agreement, as described below.

Our principal sources of liquidity have historically been our cash and cash equivalents, as well as cash flow generated from operations. Our operating losses and interest payments on our Notes and Secured Term Note, as well as the scheduled maturity of the Notes in January 2022, resulted in a need to secure long-term financing to extinguish the Notes and increase working capital.

On March 10, 2021, we entered into separate Securities Purchase Agreements with each of Charter Communications Holding Company, LLC ("Charter"), Qurate Retail, Inc. ("Qurate") and Pine Investor, LLC ("Pine") (the "Transactions"). At the closing of the Transactions, we issued and sold (a) to Charter, 27,509,203 shares of Series B Convertible Preferred Stock ("Preferred Stock") in exchange for $68.0 million, (b) to Qurate, 27,509,203 shares of Preferred Stock in exchange for $68.0 million and (c) to Pine, 27,509,203 shares of Preferred Stock in exchange for $68.0 million. On June 30, 2021, in accordance with the Certificate of Designations of the Preferred Stock, we paid cash dividends totaling $4.8 million to the holders of the Preferred Stock, representing dividends accrued for the period from March 10, 2021 through June 29, 2021. As of September 30, 2021, accrued dividends for the Preferred Stock totaled $4.0 million.

The proceeds from the Transactions were used to repay the Notes. See "Senior Secured Convertible Notes" below. In connection with the closing, we also repaid the Secured Term Note and certain transaction-related expenses with cash from our balance sheet. See "Secured Term Note" below. For additional information on the Transactions and related debt extinguishments, refer to [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt* and [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity.*

On May 5, 2021, we entered into a senior secured revolving credit agreement (the "Revolving Credit Agreement") among the Company, as borrower, certain of our subsidiaries as guarantors, Bank of America N.A., as administrative agent, and the lenders from time to time party thereto. The Revolving Credit Agreement provides a borrowing capacity equal to $25.0 million. During the third quarter of 2021, we borrowed $16.0 million under the Revolving Credit Agreement. In addition to these borrowings, we had issued and outstanding letters of credit totaling $2.9 million under the Revolving Credit Agreement as of September 30, 2021, leaving a remaining borrowing capacity of $6.1 million.

In October 2021, we transferred additional outstanding letters of credit totaling $0.4 million under the Revolving Credit Agreement, which left a remaining borrowing capacity of $5.7 million.

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Pandemic Impact

The COVID-19 pandemic and related government mandates and restrictions have had a significant impact on the media, advertising and entertainment industries in which we operate. To date, the COVID-19 pandemic has had some impact on our business, including with respect to the execution of new and renewal contracts, the impact of closed movie theaters on our customers, customer payment delays and requests to modify contractual payment terms. These conditions have negatively impacted our revenue and cash flows, particularly in our Movies Reporting and Analytics business, and could continue to have an impact in future periods.

It is possible that long-term changes in consumer behavior will impact our customers' operations, and thus their demand for our services and ability to pay, even after the spread of COVID-19 has been contained and businesses are permitted to resume normal operations. While we have taken actions to mitigate the impact of the COVID-19 pandemic, control costs and improve our working capital balance, these steps may not be successful or adequate if customer demand or cash collection efforts are further impacted by the COVID-19 pandemic or other factors.

Preferred Stock

On March 10, 2021, in connection with the Securities Purchase Agreements described above, we issued 82,527,609 shares of Preferred Stock in exchange for gross cash proceeds of $204.0 million. The shares were issued at a par value of $0.001. Net proceeds from the Transactions totaled $188.2 millionafter deducting issuance costs. Shares of Preferred Stock are convertible into Common Stock as described in [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity*. As of September 30, 2021, each share of Preferred Stock was convertible into 1.019375 shares of Common Stock.

The holders of Preferred Stock are entitled to participate in all dividends declared on the Common Stock on an as-converted basis and are also entitled to a cumulative dividend at the rate of 7.5% per annum, payable annually in arrears and subject to increase under certain specified circumstances. In addition, after January 1, 2022, such holders are entitled to request, and we must take all actions reasonably necessary to pay, a one-time special dividend on the Preferred Stock equal to the highest dividend that our Board of Directors determines can be paid at the applicable time (or a lesser amount agreed by the holders), subject to additional conditions and limitations described in [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity*. We may be obligated to obtain debt financing in order to effectuate the special dividend, which could significantly impact our financial position and liquidity depending on the timing and scope of the dividend payment and related financing. Moreover, this obligation could lead us to refinance or terminate the Revolving Credit Agreement prior to its maturity, due to its restrictions on our ability to incur additional debt.

Revolving Credit Agreement

On May 5, 2021, we entered into the Revolving Credit Agreement, which matures on May 5, 2024. The Revolving Credit Agreement provides a borrowing capacity equal to $25.0 million. We may also request the issuance of letters of credit under the Revolving Credit Agreement in an aggregate amount up to $5.0 million, which reduces the amount of available borrowings by the amount of such issued and outstanding letters of credit.

The amount we are able to borrow under the Revolving Credit Agreement is subject to compliance with the financial covenants, satisfaction of various conditions precedent to borrowing and other provisions of the Revolving Credit Agreement. Notably, the Revolving Credit Agreement contains financial covenants that require us to maintain minimum Consolidated EBITDA for periods through March 31, 2022 and a minimum Fixed Charge Coverage Ratio for periods after March 31, 2022 (each term as defined in the Revolving Credit Agreement). As of September 30, 2021, we were in compliance with our covenants under the Revolving Credit Agreement, and based on our current plans, we do not anticipate a breach of these covenants that would result in an event of default under the Revolving Credit Agreement. Our plans include consideration of various liquidity options, including renegotiating existing covenants, postponing dividends or other payments, improving our financial performance, refinancing our existing debt or issuing new debt, or raising additional capital from new or existing investors.

As of September 30, 2021, issued and outstanding letters of credit under the Revolving Credit Agreement totaled $2.9 million. In addition, during the third quarter of 2021, we borrowed $16.0 million under the Revolving Credit Agreement, leaving a remaining borrowing capacity of $6.1 million. In October 2021, additional outstanding letters of credit totaling $0.4 million were transferred under the Revolving Credit Agreement, leaving a remaining borrowing capacity of $5.7 million. The borrowed funds were used to reduce our accounts payable balances, primarily related to expenses incurred in prior periods, and support our working capital position. While we continue to take steps to reduce our outstanding trade payables and improve our working capital position, our liquidity could be negatively affected if we are unable to generate sufficient cash from operations to meet our financial obligations as they come due.

For additional information on the Revolving Credit Agreement, refer to [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

Sale of Common Stock and Warrants

On June 23, 2019, we entered into a Securities Purchase Agreement with CVI pursuant to which we sold to CVI for aggregate gross proceeds of $20.0 million (i) 2,728,513 shares of Common Stock and (ii) Series A Warrants, Series B-1 Warrants, Series B-2 Warrants and Series C Warrants to initially purchase up to 11,654,033 shares of Common Stock (the "Private Placement"). On October 14, 2019, we issued 2,728,513 shares of Common Stock to CVI upon exercise by CVI of the Series C Warrants. As a result of this exercise, the number of shares issuable under our Series A Warrants was increased by 2,728,513. On January 29, 2020, the Series B-1 Warrants expired unexercised. On August 3, 2020, the Series B-2 Warrants expired unexercised.

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For additional information on the Private Placement and the adjustment to the exercise price of our Series A Warrants in connection with the Transactions (which adjustment could reduce the cash proceeds we receive upon exercise of the Series A Warrants), refer to [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity*.

Senior Secured Convertible Notes

On January 16, 2018, we entered into certain agreements with funds affiliated with or managed by Starboard Value LP (collectively "Starboard"), pursuant to which we issued and sold to Starboard $150.0 million in Notes in exchange for $85.0 million in cash and 2,600,000 shares of Common Stock. On May 17, 2018, we issued and sold to Starboard $50.0 million of Notes in exchange for $15.0 million in cash and 1,400,000 shares of Common Stock. Later in 2018 we issued an aggregate of $4.0 million in Notes to Starboard, bringing the total balance of Notes as of December 31, 2020 to $204.0 million. The proceeds from the Transactions were used to repay the Notes issued to Starboard, resulting in termination of related covenants under the Notes, including limitations on indebtedness and liens and maintenance of certain minimum cash balances that had limited our financial flexibility in prior periods.

For additional information on the Notes, refer to [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

Secured Term Note

On December 31, 2019, our wholly owned subsidiary, Rentrak B.V., entered into an agreement with several third parties for the Secured Term Note in exchange for gross proceeds of $13.0 million. The Secured Term Note had an annual interest rate of 9.75% payable monthly in cash. In connection with the Transactions, we repaid the Secured Term Note and certain transaction-related expenses with cash from our balance sheet.

For additional information on the Secured Term Note, refer to [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

Restricted Cash

Restricted cash represents outstanding letters of credit and security deposits for subleased office space. As of December 31, 2020, restricted cash also represented our requirement to collateralize the Secured Term Note. As of September 30, 2021 and December 31, 2020, we had $0.8 million and $19.6 million of restricted cash, respectively. Repayment of the Secured Term Note resulted in the termination of the collateralization requirement thereunder, and no cash was restricted relating to the Secured Term Note as of September 30, 2021. We also transferred outstanding letters of credit totaling $2.9 million under the Revolving Credit Agreement, which further reduced our restricted cash balance as this facility does not require letters of credit to be cash collateralized. In October 2021, additional outstanding letters of credit totaling $0.4 million were transferred under the Revolving Credit Agreement, and as a result we no longer have restricted cash related to outstanding letters of credit.

***Operating Activities***

Our primary source of cash provided by operating activities is revenues generated from sales of our products and services. Our primary uses of cash from operating activities include personnel costs and costs related to data and infrastructure used to develop and maintain our products and services.

Cash used in operating activities is calculated by adjusting our net loss for changes in working capital, as well as by excluding non-cash items such as: depreciation, non-cash operating lease expense, amortization expense of finance leases and intangible assets, impairment of right-of-use assets, stock-based compensation, deferred tax provision, change in the fair value of financing derivatives and warrants liability, loss on extinguishment of debt, non-cash interest expense on the Notes, accretion of debt discount, and amortization of deferred financing costs.

Net cash used in operating activities for the nine months ended September 30, 2021 was $1.1 million, compared to net cash used of $1.8 million for the nine months ended September 30, 2020. The decrease in cash used in operating activities was primarily attributable to a decrease in the cash interest paid on the Notes in 2021 of $18.4 million compared to 2020 (interest of $10.8 million on the Notes was paid in shares of Common Stock in 2021). Offsetting the reduction in cash interest paid was a net decrease in operating assets and liabilities of $22.1 million for the nine months ended September 30, 2021 as compared to a net decrease of $14.6 million for the nine months ended September 30, 2020. The decrease in operating assets and liabilities was primarily due to increases in our accounts receivable balances in 2021 compared to 2020 relating to timing of collections and invoicing on custom projects.

***Investing Activities***

Cash used in investing activities primarily consists of payments related to capitalized internal-use software costs, purchases of computer and network equipment to support our technical infrastructure, and furniture and equipment. The extent of these investments will be affected by our ability to expand relationships with existing customers, grow our customer base and introduce new digital formats, as well as constraints on cash expenditures due to our financial position and the current economic environment.

Net cash used in investing activities for the nine months ended September 30, 2021 was $11.7 million compared to net cash used in investing activities of $11.6 million for the nine months ended September 30, 2020. The nominal increase in cash used in investing activities was due to an increase in cash paid for computer equipment, offset by a decrease in payments for capitalized internally developed software.

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***Financing Activities***

Net cash used in financing activities during the nine months ended September 30, 2021 was $20.5 million compared to net cash used in financing activities of $1.5 million during the nine months ended September 30, 2020. The increase in cash used in financing activities was primarily due to the repayment of the Notes and the Secured Term Note in March 2021, and payment of $4.8 million in cash dividends to the holders of the Preferred Stock in June 2021. These increases in cash used were partially offset by cash proceeds of $204.0 million from the issuance of the Preferred Stock discussed above (net of $15.8 million in related transaction costs) and cash proceeds of $16.0 million from borrowing under the Revolving Credit Agreement.

***Contractual Payment Obligations***

We have certain long-term contractual arrangements that have fixed and determinable payment obligations including unconditional purchase obligations with MVPDs, operating and financing leases, and data storage and bandwidth arrangements.

We have data licensing agreements with a number of MVPDs for set-top box data. These agreements have remaining terms from one to ten years. As of September 30, 2021, the total fixed payment obligation related to these agreements is $373.4 million.

We have both operating and financing leases related to corporate office space and equipment. Our leases have remaining terms from one to seven years. As of September 30, 2021, the total fixed payment obligation related to these agreements is $64.3 million.

We have an agreement for cloud-based data storage and bandwidth to help process and store our data. The remaining term for this agreement is three years. As of September 30, 2021, the total fixed payment obligation related to this agreement is $22.1 million.

***Future Capital Requirements***

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors, including the timing of cash collections from our customers, data costs and other trade payables, service of our debt and lease facilities and dividend payment obligations, and expenses from ongoing compliance efforts and legal matters. As discussed above, we have experienced delays in customer payments and requests to modify contractual terms in connection with the COVID-19 pandemic and related government mandates and restrictions. To the extent that our existing cash, cash equivalents and operating cash flow, together with savings from repayment of the Notes and Secured Term Note and cost-reduction initiatives undertaken by our management, are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. We may also be required to raise additional funds in order to pay a special dividend to holders of our Preferred Stock, as described above. Our history of net losses, as well as disruption and volatility in global capital and credit markets, could impact our ability to access capital resources on terms acceptable to us or allowable under applicable financing arrangements, or at all. If we issue additional equity securities in order to raise additional funds, pay dividends or for other purposes, further dilution to existing stockholders may occur.

***Off-Balance Sheet Arrangements***

We have no material off-balance sheet arrangements (as defined in Item 303 of Regulation S-K) as of September 30, 2021.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, including (with respect to the three and nine months ended September 30, 2021) the ongoing and potential impacts of the COVID-19 pandemic and related government mandates and restrictions. Actual results may differ from these estimates.

Our critical accounting policies are those that are both material to the presentation of our financial condition and results of operations and require management's most subjective and complex judgments. Other than our accounting policies related to the accounting for the Preferred Stock, and application of Accounting Standards Codification ("ASC") 470, *Debt* related to extinguishment of the Notes and Secured Term Note, there have been no material changes or updates to our critical accounting policies and estimates during the three and nine months ended September 30, 2021 as compared to the critical accounting policies and estimates disclosed in our [2020 10-K](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001158172/000115817221000021/scor-20201231.htm).

***Preferred Stock***

On March 10, 2021, in connection with the Transactions described above, we issued 82,527,609 shares of Preferred Stock in exchange for gross cash proceeds of $204.0 million. The shares were issued at a par value of $0.001. Net proceeds from the Transactions totaled $188.2 million after deducting issuance costs.

The Preferred Stock is contingently redeemable upon certain deemed liquidation events, such as a change in control. Because a deemed liquidation event could constitute a redemption event outside of our control, all shares of Preferred Stock have been presented outside of permanent equity in mezzanine equity on the Condensed Consolidated Balance Sheets. The instrument is initially recognized at fair value net of issuance costs. We reassess whether the Preferred Stock is currently redeemable, or probable to become redeemable in the future, as of each

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reporting date. If the instrument meets either of these criteria, we will accrete the carrying value to the redemption value. The Preferred Stock has not been adjusted to its redemption amount as a deemed liquidation event is not considered probable.

All financial instruments that are classified as mezzanine equity are evaluated for embedded derivative features by evaluating each feature against the nature of the host instrument (e.g. more equity-like or debt-like). Features identified as embedded derivatives that are material are recognized separately as a derivative asset or liability in the consolidated financial statements.

Effective January 1, 2021, we early-adopted Accounting Standards Update ("ASU") 2020-06, *Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40). This ASU simplifies accounting for convertible instruments, enhances disclosure requirements related to the terms and features of convertible instruments, and amends the guidance for the derivatives scope exception for contracts settled in an entity's own equity. This ASU removes from GAAP the separation models for (1) convertible debt with a Cash Conversion Feature and (2) convertible instruments with a Beneficial Conversion Feature. Upon adoption of this new ASU, entities will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock, unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC 815, or (2) a convertible debt instrument was issued at a substantial premium.

As a result of the adoption, no embedded features were identified requiring bifurcation under the new model, other than the change of control redemption feature. We adopted the standard using the modified retrospective approach. The standard had no impact on the Notes and, as a result, there was no cumulative adjustment recorded upon adoption.

***Loss on Extinguishment of Debt***

We apply the provisions of ASC 470, *Debt*, to determine whether amendments to, or repayments of, our debt agreements should be accounted for as a modification or extinguishment event. Loss on extinguishment of debt represents the difference between the carrying value of our debt instruments and any consideration paid to our creditors in the form of cash or shares of our Common Stock on the extinguishment date.

In March 2021, we recorded a $9.6 million loss on debt extinguishment related to the payoff of the Notes and the Secured Term Note on March 10, 2021. These transactions are described in [Footnote 4](#ic950a4031fc64d9eac4d9330d38657e1_52), *Debt*.

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| **ITEM 3.** | | | ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*** | | |

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We have outstanding warrants that are subject to market risk. We also have interest rate risk for amounts outstanding under our Revolving Credit Agreement, and we have foreign currency exchange rate risk from our global operations.

**Warrants liability financial instrument risk**

As a result of having $13.8 million in liability related to outstanding warrants as of September 30, 2021, which warrants are exercisable for shares of Common Stock under certain conditions, we are subject to market risk. The value of the warrants is impacted by changes in the market price of our Common Stock.

As of September 30, 2021, a 10% increase in the market price of our Common Stock would result in a $1.8 million increase in the fair value of the Series A Warrants, while a 10% decrease in the market price of our Common Stock would result in a $1.8 million decrease in the fair value of the Series A Warrants.

For further information on our outstanding warrants, refer to [Footnote 5](#ic950a4031fc64d9eac4d9330d38657e1_58), *Convertible Redeemable Preferred Stock and Stockholders' Equity.*

**Interest rate risk**

Our borrowings, including letters of credit, under the Revolving Credit Agreement bear interest at a variable rate per annum equal to the Eurodollar Rate (as defined in the Revolving Credit Agreement) plus an applicable rate equal to 2.25%. As a result, we are subject to interest rate risk, and our interest obligation on outstanding borrowings will fluctuate with movements in the Eurodollar Rate. We are able to repay any amounts borrowed under the Revolving Credit Agreement prior to the maturity date without any premium or penalty other than customary breakage costs. As of September 30, 2021, our exposure to interest rate risk was not material.

**Foreign currency risk**

For additional discussion of the market risk associated with our foreign currency risk, refer to [Item 7A](https://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000021/scor-20201231.htm#ided6989bcc374020961c421c465250ee_73), "Quantitative and Qualitative Disclosures About Market Risk" within the 2020 10-K.

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| **ITEM 4.** | | | ***CONTROLS AND PROCEDURES*** | | |

**Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation required by the Securities Exchange Act of 1934 (the "Exchange Act"), under the supervision and with the participation of our principal executive officer and our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of September 30, 2021. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of September 30, 2021, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

Under Exchange Act Rules 13a-15(d) and 15d-15(d), management is required to evaluate, with the participation of our principal executive officer and our principal financial officer, any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Except as described below, there were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the third quarter of 2021, we completed our implementation of a new enterprise resource planning ("ERP") system. This implementation resulted in changes to our reporting processes and our internal control over financial reporting, by automating certain manual procedures and standardizing business processes and reporting across the organization. We will continue to monitor our internal control over financial reporting under the new system, including evaluating the operating effectiveness of related key controls.

**Inherent Limitation on the Effectiveness of Internal Controls**

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. As noted above, we intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but we cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting in future periods.

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**PART II. OTHER INFORMATION**

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| **ITEM 1.** | | | ***LEGAL PROCEEDINGS*** | | |

For a discussion of material legal proceedings in which we are involved, please refer to [Footnote 9](#ic950a4031fc64d9eac4d9330d38657e1_79), *Commitments and Contingencies* of the Notes to Condensed Consolidated Financial Statements included in Part I, [Item 1](#ic950a4031fc64d9eac4d9330d38657e1_16) of this 10-Q, which is incorporated herein by reference.

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| **ITEM 1A.** | | | ***RISK FACTORS*** | | |

*An investment in our Common Stock involves a substantial risk of loss. In addition to the information in this report, you should carefully consider the risks discussed in* [*Item 1A*](https://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000021/scor-20201231.htm#ided6989bcc374020961c421c465250ee_22)*, "Risk Factors" of our 2020 10-K and* [*Item 1A*](http://www.sec.gov/ix?doc=/Archives/edgar/data/1158172/000115817221000109/scor-20210630.htm#i131879fafdef48ed8c5620bbd190ac30_127)*, "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Q2 2021 10-Q") before you decide whether to invest in our stock. The risks identified below and in our 2020 10-K and Q2 2021 10-Q could materially and adversely affect our business, financial condition and operating results. In that case, the trading price of our Common Stock could decline, and you could lose part or all of your investment. The risks described below and in our 2020 10-K and Q2 2021 10-Q are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and operating results, and may result in the loss of part or all of your investment.*

***Our credit facility may impact our ability to operate our business and secure additional financing in the future, and any failure to meet our debt obligations could adversely affect our business and financial condition.***

On May 5, 2021, we entered into a senior secured revolving credit agreement (the "Revolving Credit Agreement") with a borrowing capacity of $25.0 million. As of the date of this 10-Q, we had borrowings and letters of credit outstanding under the Revolving Credit Agreement totaling $19.3 million. Amounts outstanding under the Revolving Credit Agreement bear interest at a rate per annum equal to the Eurodollar Rate (as defined in the Revolving Credit Agreement) plus 2.25%. In addition, the Revolving Credit Agreement provides for an unused commitment fee equal to 0.25% of the unused commitments. The Revolving Credit Agreement matures on May 5, 2024.

Servicing our indebtedness under the Revolving Credit Agreement could divert resources from other priorities, including investment in our products and operations and satisfaction of our outstanding trade payables. If our cash flow from operations is inadequate to allow us to pay the interest and principal on our debt when due and meet our other financial obligations, we could face substantial liquidity challenges.

Under the Revolving Credit Agreement, we are subject to restrictive covenants limiting our ability to, among other things, incur additional indebtedness, permit additional liens, make investments and loans, enter into mergers and acquisitions, make or declare dividends and other payments, enter into certain contracts, sell assets, and engage in transactions with affiliates. These covenants could limit our operating flexibility and cause us to forego attractive business opportunities, which could hurt our customer relationships and put us at a competitive disadvantage. The covenants also could prevent us from securing additional financing in the future, including to fund our operations, satisfy liabilities, or pay dividends to the holders of our Preferred Stock.

In addition, we are subject to financial covenants under the Revolving Credit Agreement, including a requirement to maintain minimum Consolidated EBITDA for periods through March 31, 2022 and a minimum Consolidated Fixed Charge Coverage Ratio for periods after March 31, 2022 (each term as defined in the Revolving Credit Agreement). While we are currently in compliance with these covenants, there is no guarantee that we will be able to achieve our plans and remain in compliance in future periods. Moreover, our ability to comply with the covenants could be affected by economic, financial, competitive, regulatory and other factors beyond our control, including changes in consumer behavior or government mandates stemming from the COVID-19 pandemic.

If we fail to meet our financial covenants or other obligations under the Revolving Credit Agreement, the lender(s) may accelerate any amounts outstanding under the Revolving Credit Agreement and may terminate their commitments to extend further credit. This could have important consequences for our company, including requiring us to restructure or refinance our debt (which we may be unable to do on acceptable terms or at all), dispose of assets or, potentially, enter into liquidation or bankruptcy.

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| **ITEM 2.** | | | ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*** | | |

**(a)** ***Unregistered Sales of Equity Securities during the Three Months Ended September 30, 2021***

None.

**(b)** ***Use of Proceeds from Sale of Registered Equity Securities***

None.

**(c)** ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

None.

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| **ITEM 3.** | | | ***DEFAULTS UPON SENIOR SECURITIES*** | | |

Not applicable.

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| **ITEM 4.** | | | ***MINE SAFETY DISCLOSURES*** | | |

Not applicable.

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| **ITEM 5.** | | | ***OTHER INFORMATION*** | | |

Not applicable.

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| **ITEM 6.** | | | ***EXHIBITS*** | | |

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| **Exhibit No.** | | |  | | | **Exhibit Document** | | |
|  | | |  | | |  | | |
| 3.1 | | |  | | | [Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended, filed June 12, 2007) (File No. 333-141740)](http://www.sec.gov/Archives/edgar/data/1158172/000095013307002643/x30988a3exv3w3.htm) | | |
|  | | |  | | |  | | |
| 3.2 | | |  | | | [Certificate of Amendment of Amended and Restated Certificate of Incorporation of comScore, Inc. (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, filed June 4, 2018) (File No. 333-225400)](http://www.sec.gov/Archives/edgar/data/1158172/000115817218000091/certificateofamendmentauth.htm) | | |
|  | | |  | | |  | | |
| 3.3 | | |  | | | [Certificate of Designation of Series A Junior Participating Preferred Stock of comScore, Inc., as filed with the Secretary of State of the State of Delaware on February 9, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed February 9, 2017) (File No. 001-33520)](http://www.sec.gov/Archives/edgar/data/1158172/000119312517035566/d341700dex31.htm) | | |
|  | | |  | | |  | | |
| 3.4 | | |  | | | [Certificate of Elimination of Designation of Series A Junior Participating Preferred Stock of comScore, Inc., as filed with the Secretary of State of the State of Delaware on September 29, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed October 4, 2017) (File No. 001-33520)](http://www.sec.gov/Archives/edgar/data/1158172/000119312517303026/d458683dex31.htm) | | |
|  | | |  | | |  | | |
| 3.5 | | |  | | | [Certificate of Amendment to Amended and Restated Certificate of Incorporation of comScore, Inc., dated March 10, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed March 15, 2021) (File No. 001-33520)](http://www.sec.gov/Archives/edgar/data/1158172/000119312521081567/d120882dex31.htm) | | |
|  | | |  | | |  | | |
| 3.6 | | |  | | | [Certificate of Designations of Series B Convertible Preferred Stock, par value $0.001, of comScore, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed March 15, 2021) (File No. 001-33520)](http://www.sec.gov/Archives/edgar/data/1158172/000119312521081567/d120882dex32.htm) | | |
|  | | |  | | |  | | |
| 3.7 | | |  | | | [Amended and Restated Bylaws of comScore, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2018, filed August 10, 2018) (File No. 001-33520)](http://www.sec.gov/Archives/edgar/data/1158172/000115817218000160/exhibit32-amendedandrestat.htm) | | |
|  | | |  | | |  | | |
| 10.1+\* | | |  | | | [Separation and General Release Agreement, dated as of July 21, 2021, by and between comScore, Inc. and Gregory Fink](exhibit101-separationandge.htm) | | |
|  | | |  | | |  | | |
| 31.1+ | | |  | | | [Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](exhibit311-certificationof.htm) | | |
|  | | |  | | |  | | |
| 31.2+ | | |  | | | [Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](exhibit312-certificationof.htm) | | |
|  | | |  | | |  | | |
| 32.1+ | | |  | | | [Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](exhibit321-certificationof.htm) | | |
|  | | |  | | |  | | |
| 32.2+ | | |  | | | [Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](exhibit322-certificationof.htm) | | |
|  | | |  | | |  | | |
| 101.INS | | |  | | | 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 - the cover page iXBRL tags are embedded within the Inline XBRL document | | |
|  | | |  | | |  | | |

+Filed or furnished herewith

\*Management contract or compensatory plan or arrangement

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**SIGNATURE**

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

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|  | | | COMSCORE, INC. | | | | | | | | | | | |
|  | | |  | | |  | | | | | | | | |
|  | | | By: | | | /s/ William P. Livek | | | | | | | | |
|  | | |  | | | William P. Livek | | | | | | | | |
|  | | |  | | | Chief Executive Officer and Executive Vice Chairman | | | | | | | | |
|  | | |  | | | (Principal Executive Officer, Principal Financial Officer and Duly Authorized Officer) | | | | | | | | |

November 9, 2021

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