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, 2024

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: 001-40349

DoubleVerify Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**82-2714562** (I.R.S. Employer Identification Number)

462 Broadway
New York, NY, 10013
(Address of Principal Executive Offices)

(212) 631-2111
(Registrant's telephone number)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Common Stock, par value $0.001 per share	DV	New York Stock Exchange

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

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

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

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

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

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

As of October 25, 2024, there were 169,165,009 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DoubleVerify Holdings, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2024

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Part I
FINANCIAL INFORMATION (Unaudited)

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Quarterly Report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, savings and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "plan," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct.

You should read the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of our Annual Report on Form 10-K for the year ended December 31, 2023 and filed with the Securities and Exchange Commission ("SEC"), on February 28, 2024, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this report. There may be other factors not presently known to us or which we currently consider to be immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report and in the Annual Report on Form 10-K for the year ended December 31, 2023. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

"DoubleVerify," "the DV Authentic Ad," "Authentic Brand Suitability," "DV Pinnacle" and other trademarks of ours appearing in this report are our property and we deem them particularly important to the marketing activities conducted by each of our businesses. Solely for convenience, the trademarks, service marks and trade names referred to in this report are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, service marks and trade names. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Unless the context otherwise requires, the terms "DoubleVerify," "we," "us," "our," and the "Company," as used in this report refer to DoubleVerify Holdings, Inc. and its consolidated subsidiaries.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except per share data)	As of September 30, 2024	As of December 31, 2023
Assets:		
Current assets		
Cash and cash equivalents	$ 311,910	$ 310,131
Short-term investments	50,686	—
Trade receivables, net of allowances for doubtful accounts of $9,983 and $9,442 as of September 30, 2024 and December 31, 2023, respectively	193,303	206,941
Prepaid expenses and other current assets	23,609	15,930
Total current assets	579,508	533,002
Property, plant and equipment, net	67,421	58,020
Operating lease right-of-use assets, net	70,432	60,470
Goodwill	437,646	436,008
Intangible assets, net	119,654	140,883
Deferred tax assets	31,732	13,077
Other non-current assets	5,960	1,571
Total assets	$ 1,312,353	$ 1,243,031
Liabilities and Stockholders' Equity:		
Current liabilities		
Trade payables	$ 13,376	$ 12,932
Accrued expenses	46,541	44,264
Operating lease liabilities, current	10,761	9,029
Income tax liabilities	696	5,833
Current portion of finance lease obligations	2,528	2,934
Other current liabilities	14,295	8,863
Total current liabilities	88,197	83,855
Operating lease liabilities, non-current	79,571	71,563
Finance lease obligations	1,331	2,865
Deferred tax liabilities	9,635	8,119
Other non-current liabilities	3,039	2,690
Total liabilities	181,773	169,092
Commitments and contingencies (Note 15)		
Stockholders' equity		
Common stock, $0.001 par value, 1,000,000 shares authorized, 173,288 shares issued and 170,631 outstanding as of September 30, 2024; 1,000,000 shares authorized, 171,168 shares issued and 171,146 outstanding as of December 31, 2023	173	171
Additional paid-in capital	949,456	878,331
Treasury stock, at cost, 2,657 shares and 22 shares as of September 30, 2024 and December 31, 2023, respectively	(50,700)	(743)
Retained earnings	231,814	198,983
Accumulated other comprehensive loss, net of income taxes	(163)	(2,803)
Total stockholders' equity	1,130,580	1,073,939
Total liabilities and stockholders' equity	$ 1,312,353	$ 1,243,031

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue	$ 169,556	$ 143,974	$ 466,228	$ 400,312
Cost of revenue (exclusive of depreciation and amortization shown separately below)	29,479	26,466	82,199	76,609
Product development	39,306	32,315	115,506	92,811
Sales, marketing and customer support	40,525	32,971	123,260	90,220
General and administrative	23,039	23,280	68,180	63,223
Depreciation and amortization	11,483	10,706	33,415	29,365
Income from operations	25,724	18,236	43,668	48,084
Interest expense	353	288	818	791
Other income, net	(4,225)	(1,633)	(8,561)	(6,843)
Income before income taxes	29,596	19,581	51,411	54,136
Income tax expense	11,395	6,234	18,580	15,775
Net income	$ 18,201	$ 13,347	$ 32,831	$ 38,361
Earnings per share:				
Basic	$ 0.11	$ 0.08	$ 0.19	$ 0.23
Diluted	$ 0.10	$ 0.08	$ 0.19	$ 0.22
Weighted-average common stock outstanding:				
Basic	170,254	168,606	171,060	166,937
Diluted	173,911	173,980	175,868	172,812
Comprehensive income:				
Net income	$ 18,201	$ 13,347	$ 32,831	$ 38,361
Other comprehensive income (loss):				
Foreign currency cumulative translation adjustment	9,079	(6,417)	2,640	(5,601)
Total comprehensive income	$ 27,280	$ 6,930	$ 35,471	$ 32,760

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income Net of Income Taxes	Total Stockholders' Equity
Balance as of January 1, 2024	171,168	$ 171	22	$ (743)	$ 878,331	$ 198,983	$ (2,803)	$ 1,073,939
Foreign currency translation adjustment	—	—	—	—	—	—	(4,625)	(4,625)
Shares repurchased for settlement of employee tax withholdings	—	—	48	(1,792)	—	—	—	(1,792)
Stock-based compensation expense	—	—	—	—	20,718	—	—	20,718
Common stock issued upon exercise of stock options	153	—	—	—	1,695	—	—	1,695
Common stock issued upon vesting of restricted stock units	435	1	—	—	(1)	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(38)	1,389	(1,389)	—	—	—
Net income	—	—	—	—	—	7,156	—	7,156
Balance as of March 31, 2024	171,756	172	32	(1,146)	899,354	206,139	(7,428)	1,097,091
Foreign currency translation adjustment	—	—	—	—	—	—	(1,814)	(1,814)
Shares repurchased for settlement of employee tax withholdings	—	—	30	(660)	—	—	—	(660)
Stock-based compensation expense	—	—	—	—	25,315	—	—	25,315
Common stock issued under employee purchase plan	124	—	—	—	1,914	—	—	1,914
Common stock issued upon exercise of stock options	126	—	—	—	870	—	—	870
Common stock issued upon vesting of restricted stock units	628	1	—	—	(1)	—	—	—
Shares repurchased under the Repurchase Program	—	—	1,369	(25,027)	—	—	—	(25,027)
Treasury stock reissued upon settlement of equity awards	—	—	(41)	1,390	(1,390)	—	—	—
Net income	—	—	—	—	—	7,474	—	7,474
Balance as of June 30, 2024	172,634	173	1,390	(25,443)	926,062	213,613	(9,242)	1,105,163
Foreign currency translation adjustment	—	—	—	—	—	—	9,079	9,079
Shares repurchased for settlement of employee tax withholdings	—	—	34	(636)	—	—	—	(636)
Stock-based compensation expense	—	—	—	—	23,474	—	—	23,474
Common stock issued upon exercise of stock options	53	—	—	—	324	—	—	324
Common stock issued upon vesting of restricted stock units	601	—	—	—	—	—	—	—
Shares repurchased under the Repurchase Program	—	—	1,254	(25,025)	—	—	—	(25,025)
Treasury stock reissued upon settlement of equity awards	—	—	(21)	404	(404)	—	—	—
Net income	—	—	—	—	—	18,201	—	18,201
Balance as of September 30, 2024	173,288	$ 173	2,657	$ (50,700)	$ 949,456	$ 231,814	$ (163)	$ 1,130,580
Balance as of January 1, 2023	165,448	$ 165	31	$ (796)	$ 756,299	$ 127,517	$ (6,326)	$ 876,859
Foreign currency translation adjustment	—	—	—	—	—	—	1,193	1,193
Shares repurchased for settlement of employee tax withholdings	—	—	30	(787)	—	—	—	(787)
Stock-based compensation expense	—	—	—	—	11,992	—	—	11,992
Common stock issued upon exercise of stock options	527	1	—	—	1,765	—	—	1,766
Common stock issued upon vesting of restricted stock units	182	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(35)	914	(914)	—	—	—
Net income	—	—	—	—	—	12,175	—	12,175
Balance as of March 31, 2023	166,157	166	26	(669)	769,142	139,692	(5,133)	903,198
Foreign currency translation adjustment	—	—	—	—	—	—	(377)	(377)
Shares repurchased for settlement of employee tax withholdings	—	—	57	(1,966)	—	—	—	(1,966)
Stock-based compensation expense	—	—	—	—	15,399	—	—	15,399
Common stock issued under employee purchase plan	49	—	—	—	1,138	—	—	1,138
Common stock issued upon exercise of stock options	711	1	—	—	3,990	—	—	3,991
Common stock issued upon vesting of restricted stock units	333	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(67)	2,107	(2,107)	—	—	—
Net income	—	—	—	—	—	12,839	—	12,839
Balance as of June 30, 2023	167,250	167	16	(528)	787,562	152,531	(5,510)	934,222
Foreign currency translation adjustment	—	—	—	—	—	—	(6,417)	(6,417)
Shares repurchased for settlement of employee tax withholdings	—	—	28	(945)	—	—	—	(945)
Issuance of common stock as consideration for acquisition	1,642	2	—	—	52,935	—	—	52,937
Stock-based compensation expense	—	—	—	—	16,088	—	—	16,088
Common stock issued upon exercise of stock options	653	1	—	—	2,052	—	—	2,053
Common stock issued upon vesting of restricted stock units	373	—	—	—	—	—	—	—
Treasury stock reissued upon settlement of equity awards	—	—	(31)	1,076	(1,076)	—	—	
Net income	—	—	—	—	—	13,347	—	13,347
Balance as of September 30, 2023	169,918	$ 170	13	$ (397)	$ 857,561	$ 165,878	$ (11,927)	$ 1,011,285

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

DoubleVerify Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating activities:		
Net income	$ 32,831	$ 38,361
Adjustments to reconcile net income to net cash provided by operating activities		
Bad debt expense	3,546	6,901
Depreciation and amortization expense	33,415	29,365
Amortization of debt issuance costs	334	221
Non-cash lease expense	5,329	4,899
Deferred taxes	(17,253)	(19,721)
Stock-based compensation expense	67,906	42,771
Interest (income) expense, net	(854)	176
Loss on disposal of fixed assets	—	5
Other	1,360	874
Changes in operating assets and liabilities, net of effects of business combinations		
Trade receivables	10,333	(25,787)
Prepaid expenses and other assets	(12,592)	(9,370)
Trade payables	617	2,475
Accrued expenses and other liabilities	(2,692)	(3,484)
Net cash provided by operating activities	122,280	67,686
Investing activities:		
Purchase of property, plant and equipment	(19,792)	(12,309)
Acquisition of businesses, net of cash acquired	—	(67,240)
Purchase of short-term investments	(81,937)	—
Proceeds from maturity of short-term investments	32,210	—
Net cash used in investing activities	(69,519)	(79,549)
Financing activities:		
Proceeds from revolving credit facility	—	50,000
Payments to revolving credit facility	—	(50,000)
Proceeds from common stock issued upon exercise of stock options	2,889	7,810
Proceeds from common stock issued under employee purchase plan	1,914	1,138
Finance lease payments	(1,940)	(1,605)
Shares repurchased under the Repurchase Program	(50,052)	—
Shares repurchased for settlement of employee tax withholdings	(3,088)	(3,698)
Net cash (used in) provided by financing activities	(50,277)	3,645
Effect of exchange rate changes on cash and cash equivalents and restricted cash	150	(389)
Net increase (decrease) in cash, cash equivalents, and restricted cash	2,634	(8,607)
Cash, cash equivalents, and restricted cash - Beginning of period	310,257	267,938
Cash, cash equivalents, and restricted cash - End of period	$ 312,891	$ 259,331
Cash and cash equivalents	$ 311,910	$ 259,212
Restricted cash - current (included in Prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets)	128	119
Restricted cash - non-current (included in Other non-current assets on the Condensed Consolidated Balance Sheets)	853	—
Total cash and cash equivalents and restricted cash	$ 312,891	$ 259,331
Supplemental cash flow information:		
Cash paid for taxes	$ 36,141	$ 52,738
Cash paid for interest	$ 430	$ 427
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities, net of impairments and tenant improvement allowances	$ 14,553	$ 2,017
Acquisition of equipment under finance lease	$ —	$ 5,479
Capital assets financed by accounts payable and accrued expenses	$ 82	$ —
Stock-based compensation included in capitalized software development costs	$ 1,585	$ 708
Common stock issued in connection with acquisition	$ —	$ 52,937
Liabilities for contingent consideration	$ —	$ 1,193

See accompanying Notes to unaudited Condensed Consolidated Financial Statements.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

1. Description of Business

DoubleVerify Holdings, Inc. (the "Company") is one of the industry's leading media effectiveness platforms that leverages artificial intelligence ("AI") to drive superior outcomes for global brands. By creating more effective, transparent ad transactions, we make the digital advertising ecosystem stronger, safer and more secure, thereby preserving the fair value exchange between buyers and sellers of digital media. The Company's solutions provide advertisers unbiased data analytics that enable advertisers to increase the effectiveness, quality and return on their digital advertising investments. The DV Authentic Ad is our proprietary metric of digital media quality, which measures whether a digital ad was delivered in a brand suitable environment, fully viewable, by a real person and in the intended geography. The Company's software interface, DV Pinnacle, delivers these metrics to our customers in real time, allowing them to access critical performance data on their digital transactions. The Company's software solutions are integrated across the entire digital advertising ecosystem, including programmatic platforms, social media channels and digital publishers. The Company's solutions are accredited by the Media Rating Council, which allows the Company's data to be used as a single source standard in the evaluation and measurement of digital ads.

The Company was incorporated on August 16, 2017, is registered in the state of Delaware and is the parent company of DoubleVerify Midco, Inc. ("MidCo"), which is in turn the parent company of DoubleVerify Inc. On August 18, 2017, DoubleVerify Inc. entered into an agreement and plan of merger (the "Agreement"), whereby the Company and Pixel Merger Sub, Inc. ("Merger Sub"), a wholly-owned subsidiary of the Company, agreed to provide for the merger of the Merger Sub with DoubleVerify Inc. pursuant to the terms and conditions of the Agreement.

On the effective date, Merger Sub was merged with and into DoubleVerify Inc. whereupon the separate corporate existence of Merger Sub ceased and DoubleVerify Inc. continued as the surviving corporation.

Through the merger, the Company acquired 100% of the outstanding equity instruments of DoubleVerify Inc., (the "Acquisition") resulting in a change of control at the parent level. The merger resulted in the application of acquisition accounting under the provisions of Financial Accounting Standards Board ("FASB") Topic Accounting Standards Codification ("ASC") 805*,* "Business Combinations."

The Company is headquartered in New York, New York and has wholly-owned subsidiaries in numerous jurisdictions, including Israel, the United Kingdom, the United Arab Emirates, Germany, Singapore, Australia, Canada, Brazil, Belgium, Mexico, France, Japan, Spain, Finland, Italy and India, and operates in one reportable segment.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation and Principles of Consolidation

The accompanying Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023, the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2024 and 2023, the Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and 2023, and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023 reflect all adjustments that are of a normal recurring nature and that are considered necessary for a fair presentation of the results for the periods shown in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the SEC for interim financial reporting periods. Accordingly, certain information and footnote disclosures have been condensed or omitted pursuant to SEC rules that would ordinarily be required under GAAP for complete financial statements. These unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2023.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

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 measurement of items including, but not limited to: revenue recognition criteria including the determination of principal versus agent revenue considerations, income taxes, the valuation and recoverability of goodwill and intangible assets, the assessment of potential loss from contingencies, assumptions in valuing acquired assets and liabilities assumed in business combinations, the allowance for doubtful accounts, and assumptions used in determining the fair value of stock-based compensation. 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, actual results reported in future periods may be affected by changes in those estimates. These estimates are based on the information available as of the date of the Condensed Consolidated Financial Statements.

Restricted Cash

Restricted cash represents amounts pledged as collateral for certain agreements with third parties. Upon satisfying the terms of the relevant agreements, the funds are expected to be released and available for use by the Company. Restricted cash is recorded in the Condensed Consolidated Balance Sheets in Prepaid expenses and other current assets or Other non-current assets, depending on if such funds will be released and available for use by the Company within the next twelve months.

Short-term Investments

Debt Securities

The Company's accounting for debt securities varies depending on the legal form of the security, our intended holding period for the security, and the nature of the transaction. Investments in marketable debt securities include U.S. treasury bills. The Company considers all of its marketable debt securities as available for use in current operations and, therefore, classifies these securities as Short-term investments on the Condensed Consolidated Balance Sheets. Marketable debt securities are classified as available-for-sale and are initially recorded at fair value. Unrealized gains and losses related to available-for-sale debt securities are recorded as a separate component of Other comprehensive income (loss), net of tax on the Condensed Consolidated Statements of Operations and Comprehensive Income until realized. Interest on marketable debt securities classified as available-for-sale is included as a component of Other income, net on the Condensed Consolidated Statements of Operations and Comprehensive Income. Refer to Note 8 for further information.

The Company accounts for credit losses on available-for-sale debt securities in accordance with ASC 326, "Financial Instruments - Credit Losses" ("ASC 326"). The Company uses ASC 326 to assess the investment portfolio for impairment at the individual security level and evaluates all securities in an unrealized loss position to determine if the impairment is credit related (realized loss recorded in earnings) or non-credit related (unrealized loss).

Debt Issuance Costs

The New Revolving Credit Facility (as defined in Note 9) includes debt issuance costs that meet the definition of an asset and are recorded in the Condensed Consolidated Balances Sheets in Other non-current assets. Debt issuance costs for the New Revolving Credit Facility are amortized to interest expense over the contractual term of the underlying debt instrument on a straight-line basis through the maturity date of the New Revolving Credit Facility on August 12, 2029.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

Recently Issued Accounting Pronouncements

Segment Reporting – Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the update requires retrospective application to all prior periods presented. The Company is currently in the process of evaluating the impact of this standard on the Company's Condensed Consolidated Financial Statements.

Income Taxes – Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which expands annual disclosure requirements related to the rate reconciliation and income taxes paid disclosures. ASU 2023-09 requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid to be disaggregated by jurisdiction. The updated standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted and the update may be applied on a prospective basis with retrospective application permitted. The Company is currently in the process of evaluating the impact of this standard on the Company's Condensed Consolidated Financial Statements.

3. Revenue

The following table disaggregates revenue between advertiser customers, where revenue is generated based on the number of ads measured and purchased for Activation or measured for Measurement, and Supply-side, where revenue is generated based on contracts with minimum guarantees or contracts that contain overages after minimum guarantees are achieved.

Disaggregated revenue by customer type was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Activation	$ 96,791	$ 81,700	$ 263,584	$ 229,534
Measurement	58,468	51,263	162,560	137,637
Supply-side	14,297	11,011	40,084	33,141
Total revenue	$ 169,556	$ 143,974	$ 466,228	$ 400,312

Contract assets relate to the Company's conditional right to consideration for completed performance under the contract (e.g., unbilled receivables). Trade receivables, net of allowance for doubtful accounts, include unbilled receivable balances of $59.3 million and $55.0 million as of September 30, 2024 and December 31, 2023, respectively.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

Remaining Performance Obligations

As of September 30, 2024, the Company had $29.7 million of remaining performance obligations which are expected to be recognized over the next one to three years. These non-cancelable arrangements have original expected durations longer than one year and for which the consideration is not variable. These obligations relate primarily to the Company's Supply-side revenue which represented $40.1 million, or 8.6% of the Company's total revenue for the nine months ended September 30, 2024. The vast majority of the Company's revenue is derived primarily from our advertising customers and partners based on the volume of media transactions, or ads, that our software platform measures, and not from supply-side arrangements. In determining the remaining performance obligations, the Company applied the allowable practical expedient and did not disclose information about (1) contracts remaining performance obligations that have original expected durations of one year or less and (2) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

4. Business Combinations

Scibids Technology SAS

On August 14, 2023, the Company acquired all of the outstanding stock of Scibids Technology SAS ("Scibids"), a global leader in AI technology for digital campaign optimization. The acquisition combines DoubleVerify's proprietary data with Scibids' AI-powered optimization technology to provide advertiser customers with enhanced insights and control over their advertising performance.

The total purchase price of $121.1 million, net of cash acquired, includes measurement period adjustments of $0.3 million recorded during the nine months ended September 30, 2024. The effect of these adjustments on the preliminary purchase price allocation was a decrease to the purchase consideration of $0.3 million and a corresponding decrease recorded to Goodwill on the Condensed Consolidated Balance Sheets.

As of September 30, 2024, the purchase price allocation for Scibids is final.

5. Goodwill and Intangible Assets

The following is a summary of changes to the goodwill carrying value from December 31, 2023 to September 30, 2024:

(in thousands)		
Goodwill at December 31, 2023	$	436,008
Measurement period adjustments		(300)
Foreign exchange impact		1,938
Goodwill at September 30, 2024	$	437,646

The following table summarizes the Company's intangible assets and related accumulated amortization:

(in thousands)	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and brands	$ 11,735	$ (5,775)	$ 5,960	$ 11,734	$ (5,140)	$ 6,594
Customer relationships	161,474	(73,675)	87,799	161,173	(62,955)	98,218
Developed technology	93,356	(67,461)	25,895	93,013	(56,942)	36,071
Non-compete agreements	67	(67)	—	66	(66)	—
Total intangible assets	$ 266,632	$ (146,978)	$ 119,654	$ 265,986	$ (125,103)	$ 140,883

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Amortization expense related to intangible assets for the three months ended September 30, 2024 and September 30, 2023 was $7.2 million and $7.4 million, respectively. Amortization expense related to intangible assets amounted to $21.6 million and $20.0 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

Estimated future expected amortization expense of intangible assets as of September 30, 2024 is as follows:

(in thousands)		
2024 (for remaining three months)	$	7,186
2025		26,983
2026		22,230
2027		18,252
2028		14,999
2029		12,648
Thereafter		17,356
Total	$	119,654

The weighted-average remaining useful life by major asset classes as of September 30, 2024 is as follows:

	(In years)
Trademarks and brands	8
Customer relationships	6
Developed technology	2

There were no impairments of Goodwill or Intangible assets identified during the nine months ended September 30, 2024 and September 30, 2023.

6. Property, Plant and Equipment

Property, plant and equipment, including equipment under finance lease obligations and capitalized software development costs, consisted of the following:

	As of			
(in thousands)	September 30, 2024		December 31, 2023	
Computers and peripheral equipment	$	26,845	$	25,013
Office furniture and equipment		4,744		3,170
Leasehold improvements		35,245		32,595
Capitalized software development costs		50,066		35,039
Less accumulated depreciation and amortization		(49,479)		(37,797)
Total property, plant and equipment, net	$	67,421	$	58,020

For the three months ended September 30, 2024 and September 30, 2023, total depreciation expense was $4.3 million and $3.3 million, respectively. For the nine months ended September 30, 2024 and September 30, 2023, total depreciation expense was $11.8 million and $9.4 million, respectively.

Property and equipment under finance lease obligations, consisting of computer equipment, totaled $17.8 million as of September 30, 2024 and December 31, 2023, respectively. As of September 30, 2024 and December 31, 2023, accumulated depreciation related to property and equipment under finance lease obligations totaled $14.5 million and $12.9 million, respectively. Refer to Note 7 for further information.

There were no impairments of Property, plant and equipment identified during the nine months ended September 30, 2024 and September 30, 2023.

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except per share data, unless otherwise stated)

7. Leases

The following table presents lease cost and cash paid for amounts included in the measurement of lease liabilities for finance and operating leases for the three and nine months ended September 30, 2024 and 2023, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Lease cost:				
Operating lease cost (1)	$ 2,921	$ 2,614	$ 8,248	$ 7,783
Finance lease cost:				
Depreciation of finance lease assets (2)	493	620	1,605	1,151
Interest on finance lease liabilities (3)	49	83	170	149
Short-term lease cost (1)	294	219	938	708
Sublease income (1)	—	(266)	—	(800)
Total lease cost	$ 3,757	$ 3,270	$ 10,961	$ 8,991
Other information:				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash outflows from operating leases	$ 2,870	$ 1,921	$ 7,908	$ 4,773
Operating cash outflows from finance leases	$ 37	$ 38	$ 192	$ 78
Financing cash outflows from finance leases	$ 378	$ 577	$ 1,940	$ 1,605

(1) Included in Cost of revenue, Sales, marketing and customer support, Product development and General and administrative expenses in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.
(2) Included in Depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.
(3) Included in Interest expense in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

The following table presents weighted-average remaining lease terms and weighted-average discount rates for finance and operating leases as of September 30, 2024 and 2023, respectively:

	September 30,	
	2024	2023
Weighted-average remaining lease term - operating leases (in years)	11.9	13.7
Weighted-average remaining lease term - finance leases (in years)	1.6	2.4
Weighted-average discount rate - operating leases	4.8%	4.6%
Weighted-average discount rate - finance leases	5.5%	5.3%

DoubleVerify Holdings, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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Maturities of lease liabilities as of September 30, 2024 were as follows:

	September 30, 2024	
(in thousands)	Operating Leases	Finance Leases
2024 (for remaining three months)	$ 2,775	$ 1,083
2025	11,689	2,150
2026	10,786	819
2027	10,212	—
2028	9,041	—
2029	8,837	—
Thereafter	67,160	—
Total lease payments	120,500	4,052
Less amount representing interest	(30,168)	(193)
Present value of total lease payments	$ 90,332	$ 3,859

As of September 30, 2024, the Company has entered into additional international office space leases that have not yet commenced with contractual commitments of $1.7 million. These operating leases will commence in fiscal year 2025 with lease terms of two to three years.

There were no impairments of Operating lease right-of-use assets identified during the nine months ended September 30, 2024 and September 30, 2023.

8. Fair Value Measurement

The following tables present the Company’s financial instruments that are measured at fair value on a recurring basis:

	As of September 30, 2024			
(in thousands)	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
Assets:				
Cash equivalents	$ 33,860	$ —	$ —	$ 33,860
Short-term investments	$ 50,686	$ —	$ —	$ 50,686

	As of December 31, 2023			
(in thousands)	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
Assets:				
Cash equivalents	$ 61,463	$ —	$ —	$ 61,463

As of September 30, 2024, Cash equivalents consisted of treasury bills with original maturities at the date of purchase of three months or less and money market funds of $33.9 million. As of December 31, 2023, Cash equivalents consisted of treasury bills with original maturities at the date of purchase of three months or less and money market funds of $61.5 million.

Short-term investments consisted of treasury bills of $50.7 million as of September 30, 2024. As of September 30, 2024, all of the Company's Short-term investments are contractually due within one year.

As of September 30, 2024 and December 31, 2023, the amortized cost of the Company's treasury bills approximated fair value. The Company did not record any unrealized gains, unrealized losses, or credit losses for the three and nine months ended September 30, 2024.

9. Long-term Debt

On August 12, 2024, DoubleVerify Inc., as borrower (the "Borrower") and Midco, as holdings ("Holdings"), entered into a credit agreement with the banks and other financial institutions party thereto, as lenders and letter of credit issuers, and JPMorgan Chase Bank, N.A., as administrative agent, letter of credit issuer and swing lender (the "Credit Agreement"), to provide for a new senior secured revolving credit facility (the "New Revolving Credit Facility") in an aggregate principal amount of $200.0 million (with a letter of credit facility of up to a $20.0 million sublimit), which matures on August 12, 2029 (the "Revolving Termination Date"). Subject to certain terms and conditions, the Borrower is entitled to add one or more term loan facilities or revolving credit facilities and / or increase the amount of the revolving credit commitments under the New Revolving Credit Facility.

The New Revolving Credit Facility replaces in full the Company's prior senior secured revolving credit facility provided under the Second Amended and Restated Credit Agreement, dated as of October 1, 2020 (the "Prior Revolving Credit Facility") as amended by the First Amendment, dated as March 29, 2023, and as further amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof).

The loans under the New Revolving Credit Facility, at the Borrower's option, bear interest at either a Secured Overnight Financing Rate ("SOFR") or an Alternate Base Rate ("ABR"). In the case of SOFR loans, for each day during each interest period with respect thereto, a rate per annum equal to Term SOFR (as defined in the Credit Agreement) determined for such day plus an applicable margin ranging from 2.00% to 2.75% per annum (depending on the total net leverage ratio of Holdings and its subsidiaries (the "Credit Group")). In the case of ABR loans, a rate per annum equal to ABR (as defined in the Credit Agreement) plus an applicable margin ranging from 1.00% to 1.75% per annum (depending on the total net leverage ratio of the Credit Group). The New Revolving Credit Facility is payable in monthly or quarterly installments for interest, with the principal balance due in full at the Revolving Termination Date, subject to customary events of default as defined by the Credit Agreement.

The New Revolving Credit Facility bears a commitment fee ranging from 0.25% to 0.35% per annum (depending on the total net leverage ratio of the Credit Group), payable quarterly in arrears commencing on April 15, 2025 and on the fifteenth day following the last day of each calendar quarter occurring thereafter prior to the Revolving Termination Date, and on the Revolving Termination Date, based on the utilization of the New Revolving Credit Facility, and customary letter of credit fees.

The New Revolving Credit Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include restrictions on, among other things: paying dividends or purchasing, redeeming or retiring capital stock; granting liens; incurring or guaranteeing additional debt; making investments and acquisitions; entering into transactions with affiliates; entering into any merger, consolidation or amalgamation or disposing of all or substantially all property or business; and disposing of property, including issuing capital stock.

All obligations under the New Revolving Credit Facility are guaranteed by the Company pursuant to the guarantee agreement (the "Guarantee Agreement") made by the Company in favor of JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement. The obligations are also guaranteed by Midco, Ad-Juster, Inc. and Outrigger Media, Inc., and secured by a first priority perfected security interest in substantially all of the assets (subject to customary exceptions) of Midco, the Borrower, Ad-Juster, Inc. and Outrigger Media, Inc. (but not the Company).

The Credit Agreement requires the Credit Group to remain in compliance with a maximum total net leverage ratio of 4.50x as at the last day of each fiscal quarter. Such requirement will commence with the fiscal quarter ending March 31, 2025.

As of September 30, 2024 and December 31, 2023, there was no outstanding debt under the New Revolving Credit Facility or the Prior Revolving Credit Facility, respectively.

10. Income Tax

The Company's quarterly income tax provision is calculated using an estimated annual effective income tax rate ("ETR") based on historical information and forward-looking estimates. The Company's estimated annual ETR may fluctuate due to changes in forecasted annual pre-tax income, and changes to forecasted permanent book to tax differences (e.g., non-deductible expenses).

The Company's ETR for a particular reporting period may fluctuate as the result of changes to the valuation allowance for net deferred tax assets, the impact of anticipated tax settlements with federal, state, or foreign tax authorities, or the impact of tax law changes. The Company identifies items that are unusual and non-recurring in nature and treats these as discrete events. The tax effect of these discrete events is booked entirely in the quarter in which they occur.

During the three and nine months ended September 30, 2024, the Company recorded an income tax provision of $11.4 million and $18.6 million, respectively, resulting in an effective tax rate of 38.5% and 36.1%, that includes the effects of various permanent book-to-tax adjustments, foreign tax rate differences, U.S. tax on foreign operations, and U.S. state/local taxes. During the three and nine months ended September 30, 2023, the Company recorded an income tax provision of $6.2 million and $15.8 million, respectively, resulting in an effective tax rate of 31.8% and 29.1%.

A valuation allowance has been established against a small amount of foreign capital losses and certain U.S. tax loss carryforwards. All other net deferred tax assets have been determined to be more likely than not realizable. The Company regularly reviews its deferred tax assets for recoverability and would establish a valuation allowance if it believed that such assets may not be recovered, taking into consideration historical operating results, expectations of future earnings, changes in its operations, and the expected timing of the reversals of existing temporary differences.

The Company accounts for uncertainty in income taxes utilizing ASC 740-10, "Income Taxes." ASC 740-10 clarifies whether or not to recognize assets or liabilities for tax positions taken that may be challenged by a tax authority. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosures. The application of ASC 740-10 requires judgment related to the uncertainty in income taxes and could impact the Company's effective tax rate.

The Company and its subsidiaries file income tax returns with the Internal Revenue Service ("IRS") in various state and international jurisdictions. The Company's Israeli subsidiary is under audit by the Israeli Tax Authority for the 2021 and later tax years. The Company closed its audit with the Commonwealth of Massachusetts for the 2019 and 2020 tax years that resulted in an immaterial adjustment of $0.1 million. The audit closed during the three months ended September 30, 2024. The adjustment will be posted in the subsequent quarter upon settlement. The Israeli examination may lead to ordinary course adjustments or proposed adjustments to the Company's taxes. Aside from the aforementioned, the Company is not currently under audit in any other jurisdiction.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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11. Earnings Per Share

The following table reconciles the numerators and denominators used in computations of the basic and diluted EPS for the three and nine months ended September 30, 2024 and September 30, 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Numerator:				
Net Income (basic and diluted)	$ 18,201	$ 13,347	$ 32,831	$ 38,361
Denominator:				
Weighted-average common shares outstanding	170,254	168,606	171,060	166,937
Dilutive effect of share-based awards	3,657	5,374	4,808	5,875
Weighted-average dilutive shares outstanding	**173,911**	**173,980**	**175,868**	**172,812**
Basic earnings per share	$ 0.11	$ 0.08	$ 0.19	$ 0.23
Diluted earnings per share	$ 0.10	$ 0.08	$ 0.19	$ 0.22

Approximately 10.7 million and 4.3 million weighted average shares issuable under stock-based awards were not included in the diluted EPS calculation in the three and nine months ended September 30, 2024, respectively, because they were antidilutive. Approximately 7.7 million and 7.8 million weighted average shares issuable under stock-based awards were not included in the diluted EPS calculation in the three and nine months ended September 30, 2023, respectively, because they were also antidilutive.

12. Stock-Based Compensation

Employee Equity Incentive Plan

On September 20, 2017, the Company established its 2017 Omnibus Equity Incentive Program (the "2017 Plan") which provides for the granting of equity-based awards to certain employees, directors, independent contractors, consultants and agents. Under the 2017 Plan, the Company may grant non-qualified stock options, stock appreciation rights, restricted stock units, and other stock-based awards.

On April 19, 2021, the Company established its 2021 Omnibus Equity Incentive Plan ("2021 Equity Plan"). The 2021 Equity Plan provides for the grant of stock options (including qualified incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, and other stock or cash settled incentive awards.

Stock Options

Options become exercisable subject to vesting schedules up to four years from the date of the grant and subject to certain timing restrictions upon an employee's separation of service and no later than 10 years after the grant date.

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A summary of stock option activity as of and for the nine months ended September 30, 2024 is as follows:

	Stock Option			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	9,992	$ 17.01	6.91	$ 197,598
Options granted	—	—		
Options exercised	(432)	6.69		
Options forfeited	(69)	30.97		
Outstanding as of September 30, 2024	9,491	$ 17.38	6.20	$ 47,666
Options expected to vest as of September 30, 2024	1,776	$ 26.91	7.91	$ —
Options exercisable as of September 30, 2024	7,650	$ 15.09	5.79	$ 47,666

Stock options include grants to executives that contain both market-based and performance-based vesting conditions. There were no stock options granted that contain both market-based and performance-based vesting conditions during the nine months ended September 30, 2024. During the nine months ended September 30, 2024, 60 stock options were exercised and 1,313 market-based and performance-based stock options remain outstanding as of September 30, 2024.

The total intrinsic value of options exercised during the nine months ended September 30, 2024 and September 30, 2023 was $9.3 million and $54.1 million, respectively.

The Company's board of directors (the "Board") did not declare or pay dividends on any Company stock during the nine months ended September 30, 2024 and September 30, 2023.

Restricted Stock Units ("RSUs")

RSUs are subject to vesting schedules up to four years from the date of the grant and subject to certain restrictions upon employee separation.

A summary of RSUs activity as of and for the nine months ended September 30, 2024 is as follows:

	RSUs	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023	4,720	$ 28.03
Granted	2,972	31.93
Vested	(1,664)	28.98
Forfeited	(228)	29.41
Outstanding as of September 30, 2024	5,800	$ 29.70

The total grant date fair value of RSUs that vested during the nine months ended September 30, 2024 was $48.2 million.

Performance Stock Units ("PSUs")

PSUs are subject to vesting and performance periods of up to approximately three years from the date of the grant.

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A summary of PSUs activity as of and for the nine months ended September 30, 2024 is as follows:

	PSUs	
	Number of Shares [(1)]	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023	480	$ 41.31
Granted	186	41.28
Vested	—	—
Forfeited	—	—
Outstanding as of September 30, 2024	666	$ 41.30

(1) For awards for which the performance period is complete, the number of outstanding PSUs is based on the actual shares that will vest upon completion of the service period. For awards for which the performance period is not yet complete, the number of outstanding PSUs is based on the participants earning 100% of their target PSUs.

The fair market value of PSUs with market-based and service-based vesting conditions granted for the years presented has been estimated on the grant date using the Monte Carlo Simulation model with the following assumptions:

	2024
Risk-free interest rate (percentage)	3.9 - 4.1
Expected dividend yield (percentage)	—
Expected volatility (percentage)	46.7

Stock-based Compensation Expense

Total stock-based compensation expense recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Product development	$ 8,899	$ 6,235	$ 26,006	$ 16,589
Sales, marketing and customer support	7,152	4,945	20,591	13,198
General and administrative	6,899	4,611	21,309	12,984
Total stock-based compensation	$ 22,950	$ 15,791	$ 67,906	$ 42,771

As of September 30, 2024, unrecognized stock-based compensation expense was $182.4 million, which is expected to be recognized over a weighted-average period of 1.3 years.

Employee Stock Purchase Plan ("ESPP")

In March 2021, the Board approved the Company's 2021 ESPP. Purchases are accomplished through participation in discrete offering periods. The ESPP is available to U.S.-based employees and most of the Company's non-U.S.-based employees. The current offering period began on June 1, 2024 and will end on November 30, 2024. The Company expects the program to continue consecutively for six-month offering periods for the foreseeable future.

Under the ESPP, eligible employees are able to acquire shares of the Company's common stock by accumulating funds through payroll deductions. The purchase price for shares of common stock purchased under the ESPP is 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of the applicable offering period. Employees are required to hold shares purchased for a minimum of six months following the purchase date.

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Stock-based compensation expense for the ESPP is recognized on a straight-line basis over the requisite service period of each award. Stock-based compensation expense related to the ESPP totaled $0.3 million and $0.8 million for the three and nine months ended September 30, 2024, respectively. Stock-based compensation expense related to the ESPP totaled $0.2 million and $0.6 million for the three and nine months ended September 30, 2023, respectively.

13. Stockholders' Equity

Repurchase Program

On May 16, 2024, the Company announced that the Board authorized the repurchase of up to $150.0 million of the Company's outstanding common stock (the "Repurchase Program"). Under the Repurchase Program, the Company may repurchase for cash from time to time shares of its common stock through open market purchases pursuant to Rule 10b-18 and/or Rule 10b5-1 plans, in compliance with applicable securities laws and other legal requirements. The Repurchase Program does not obligate the Company to repurchase any specific number of shares, has no time limit, and may be modified, suspended, or discontinued at any time at the Company's discretion.

During the three months ended September 30, 2024, the Company repurchased 1.3 million shares of its common stock for an aggregate repurchase amount of $25.0 million, which included immaterial amounts of broker commissions. During the nine months ended September 30, 2024, the Company repurchased 2.6 million shares of its common stock for an aggregate repurchase amount of $50.1 million, which included immaterial amounts of broker commissions. As of September 30, 2024, $100.0 million remained available and authorized for repurchase under the Repurchase Program. Activity under the Repurchase Program was recognized in the Condensed Consolidated Balance Sheets on a trade-date basis.

14. Supplemental Financial Statement Information

Accrued Expenses

Accrued expenses as of September 30, 2024 and December 31, 2023 were as follows:

	As of	
(in thousands)	September 30, 2024	December 31, 2023
Vendor payments	$ 6,303	$ 6,286
Employee commissions and bonuses	21,342	20,809
Payroll and other employee related expense	11,751	10,602
401k and pension expense	2,680	2,982
Other taxes	4,465	3,585
Total accrued expenses	$ 46,541	$ 44,264

Other Income, Net

The components of Other income, net recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Interest income	$ (3,232)	$ (2,584)	$ (9,822)	$ (8,027)
Foreign currency exchange (gain) loss	(893)	955	1,323	1,184
Other miscellaneous income, net	(100)	(4)	(62)	—
Other income, net	$ (4,225)	$ (1,633)	$ (8,561)	$ (6,843)

DoubleVerify Holdings, Inc.
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15. Commitments and Contingencies

Contingencies

Litigation

From time to time, the Company is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. The Company records liabilities for contingencies including legal costs when it is probable that a liability has been incurred and when the amount can be reasonably estimated. Legal costs are expensed as incurred. Although the outcome of the various legal proceedings and claims cannot be predicted with certainty, management does not believe that any of these proceedings or other claims will have a material effect on the Company's business, financial condition, results of operations or cash flows.

16. Segment Information

The Company has determined that it operates as one operating and reportable segment. The Company's chief operating decision maker reviews financial information on a consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate resources and measure performance.

17. Subsequent Events

In October 2024, the Company repurchased 1.5 million shares of its common stock for an aggregate repurchase amount of $25.0 million, which included immaterial amounts of broker commissions. As of November 6, 2024, $75.0 million remained available and authorized for repurchase under the Repurchase Program.

On November 6, 2024, the Company announced that the Board authorized the repurchase of up to $200.0 million of the Company's outstanding common stock (the "New Repurchase Program"), which amount is in addition to the initial Repurchase Program previously approved by the Board in May 2024. Under the New Repurchase Program, the Company may repurchase for cash from time to time shares of its common stock through open market purchases pursuant to Rule 10b-18 and/or Rule 10b5-1 plans, in compliance with applicable securities laws and other legal requirements. The New Repurchase Program does not obligate the Company to repurchase any specific number of shares, has no time limit, and may be modified, suspended, or discontinued at any time at the Company's discretion. As of November 6, 2024, $200.0 million remained available and authorized for repurchase under the New Repurchase Program.

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 interim Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report and our audited financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 and elsewhere in this Quarterly Report, including under the heading "Special Note Regarding Forward-Looking Statements."

Company Overview

We are one of the industry's leading media effectiveness platforms that leverages AI to drive superior outcomes for global brands. By creating more effective, transparent ad transactions, we make the digital advertising ecosystem stronger, safer and more secure, thereby preserving the fair value exchange between buyers and sellers of digital media.

Our software platform is integrated across the entire digital advertising ecosystem, including programmatic platforms, social media channels, and digital publishers. We deliver unique data analytics through our customer interface, DV Pinnacle, to provide detailed insights into our customers' media performance on both direct and programmatic media buying platforms and across all key digital media channels, formats, and devices. In 2023, our coverage spanned 110 countries where our customers activate our services. Our customers include many of the largest global advertisers and digital ad platforms and publishers. We provide a consistent, cross-platform measurement standard across all major forms of digital media, making it easier for advertisers and supply-side customers to benchmark performance across all of their digital ads and optimize business outcomes in real-time.

We derive revenue primarily from our advertiser customers based on the volume of media transactions, or ads, that our software platform measures ("Media Transactions Measured"). Advertisers utilize the DV Authentic Ad, our definitive metric of digital media quality, to evaluate the existence of fraud, brand safety, viewability and geography for each digital ad. Advertisers pay us an analysis fee ("Measured Transaction Fee") per thousand impressions based on the volume of Media Transactions Measured on their behalf. The price of most of our solutions is fixed. On platforms that charge based on percent of media spend, our pricing includes caps which effectively mirror our standard fixed fees. We maintain an expansive set of direct integrations across the entire digital advertising ecosystem, including with leading programmatic, CTV, and social platforms, which enable us to deliver our metrics to the platforms where our customers buy ads. Further, our services are not reliant on any single source of impressions and we can service our customers as their digital advertising needs change.

We generate revenue from supply-side customers based on monthly or annual contracts with minimum guarantees and tiered pricing when guarantees are met.

Components of Our Results of Operations

We manage our business operations and report our financial results in a single segment.

Revenue

Our customers use our solutions to measure the effectiveness of their digital advertisements. We generate revenue from our advertising customers based primarily on the volume of Media Transactions Measured on our software platform, and for supply-side customers, based on contracts with minimum guarantees or contracts that have tiered pricing after minimum guarantees are achieved. Our existing customer base has remained largely stable, and our gross revenue retention rate was over 95% for the three months ended September 30, 2024. We define our gross revenue retention rate as the total prior period revenue earned from advertiser customers, less the portion of prior period revenue attributable to lost advertiser customers, divided by the total prior period revenue from advertiser customers, excluding a portion of our revenues that cannot be allocated to specific advertiser customers.

For each of the three months ended September 30, 2024 and September 30, 2023, we generated 92% of our revenue from advertiser customers. For the nine months ended September 30, 2024 and September 30, 2023, we generated 91% and 92% of our revenue, respectively, from advertiser customers. Advertisers can purchase our services through programmatic and social media platforms to evaluate the quality of ad inventories before they are purchased, which we track as Activation revenue. Advertisers can also purchase our services to measure the quality and performance of ads after they are purchased directly from digital properties, including publishers and social media platforms, which we track as Measurement revenue. We generate the majority of our revenue from advertisers by charging a Measured Transaction Fee based on the volume of Media Transactions Measured on behalf of our customers. We recognize revenue from advertisers in the period in which we provide our measurement and activation solutions.

For each of the three months ended September 30, 2024 and September 30, 2023, we generated 8% of our revenue from supply-side customers who use our data analytics to validate the quality of their ad inventory and provide data to their customers to facilitate targeting and purchasing of digital ads, which we refer to as Supply-side revenue. For the nine months ended September 30, 2024 and September 30, 2023, Supply-side revenue comprised 9% and 8% of revenue, respectively. We generate revenue for certain supply-side arrangements that include minimum guaranteed fees that reset monthly and are recognized on a straight-line basis over the access period, which is usually twelve months. For contracts that contain overages, once the minimum guaranteed amount is achieved, overages are recognized as earned over time based on a tiered pricing structure.

The following table disaggregates revenue between advertiser customers, where revenue is generated based on number of ads measured and purchased for Activation or measured for Measurement, and Supply-side.

	Three Months Ended September 30, (In Thousands)		Change	Change	Nine Months Ended September 30, (In Thousands)		Change	Change
	2024	2023	$	%	2024	2023	$	%
Revenue by customer type:								
Activation	$ 96,791	$ 81,700	$ 15,091	18 %	$ 263,584	$ 229,534	$ 34,050	15 %
Measurement	58,468	51,263	7,205	14	162,560	137,637	24,923	18
Supply-side	14,297	11,011	3,286	30	40,084	33,141	6,943	21
Total revenue	$ 169,556	$ 143,974	$ 25,582	18 %	$ 466,228	$ 400,312	$ 65,916	16 %

Operating Expenses

Our operating expenses consist of the following categories:

Cost of revenue. Cost of revenue consists primarily of costs from revenue-sharing arrangements with our partners, platform hosting fees, data center costs, software and other technology expenses, other costs directly associated with data infrastructure, and personnel costs, including salaries, bonuses, stock-based compensation and benefits, directly associated with the support and delivery of our software platform and data solutions.

Product development. Product development expenses consist primarily of personnel costs, including salaries, bonuses, stock-based compensation and benefits, third party vendors and outsourced engineering services, and allocated overhead. Overhead costs such as information technology infrastructure, rent and occupancy charges are allocated based on headcount. Product development expenses are expensed as incurred, except to the extent that such costs are associated with software development that qualifies for capitalization, which are then recorded as capitalized software development costs included in Property, plant and equipment, net on our Condensed Consolidated Balance Sheets. Capitalized software development costs are amortized to depreciation and amortization.

Sales, marketing, and customer support. Sales, marketing, and customer support expenses consist primarily of personnel costs directly associated with sales, marketing, and customer support departments, including salaries, bonuses, commissions, stock-based compensation and benefits, and allocated overhead. Overhead costs such as information technology infrastructure, rent and occupancy charges are allocated based on headcount. Sales and marketing expense also includes costs for promotional marketing activities, advertising costs, and attendance at events and trade shows. Sales commissions are expensed as incurred.

General and administrative. General and administrative expenses consist primarily of personnel expenses associated with our executive, finance, legal, human resources and other administrative employees. General and administrative expenses also include professional fees for external accounting, legal, investor relations and other consulting services, expenses to operate as a public company, including costs to comply with rules and regulations applicable to companies listed on a U.S. securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, other overhead expenses including insurance, as well as third-party costs related to acquisitions.

Interest expense. Interest expense consists primarily of the amortization of debt issuance costs, commitment fees associated with the unused portion of the New Revolving Credit Facility and Prior Revolving Credit Facility, interest on balances that were outstanding under the Prior Revolving Credit Facility and interest on finance leases. The New Revolving Credit Facility bears interest at an option of SOFR or ABR plus an applicable margin per annum. See "Liquidity and Capital Resources—Debt Obligations."

Other income, net. Other income, net consists primarily of interest earned on interest-bearing monetary assets and gains and losses on foreign currency transactions.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2024 and September 30, 2023

The following table shows our Condensed Consolidated Results of Operations:

	Three Months Ended September 30,		Change	Change	Nine Months Ended September 30,		Change	Change
	2024	2023	$	%	2024	2023	$	%
	(In Thousands)				*(In Thousands)*			
Revenue	$ 169,556	$ 143,974	$ 25,582	18 %	$ 466,228	$ 400,312	$ 65,916	16 %
Cost of revenue (exclusive of depreciation and amortization shown separately below)	29,479	26,466	3,013	11	82,199	76,609	5,590	7
Product development	39,306	32,315	6,991	22	115,506	92,811	22,695	24
Sales, marketing and customer support	40,525	32,971	7,554	23	123,260	90,220	33,040	37
General and administrative	23,039	23,280	(241)	(1)	68,180	63,223	4,957	8
Depreciation and amortization	11,483	10,706	777	7	33,415	29,365	4,050	14
Income from operations	25,724	18,236	7,488	41	43,668	48,084	(4,416)	(9)
Interest expense	353	288	65	23	818	791	27	3
Other income, net	(4,225)	(1,633)	2,592	159	(8,561)	(6,843)	1,718	25
Income before income taxes	29,596	19,581	10,015	51	51,411	54,136	(2,725)	(5)
Income tax expense	11,395	6,234	5,161	83	18,580	15,775	2,805	18
Net income	$ 18,201	$ 13,347	$ 4,854	36 %	$ 32,831	$ 38,361	$ (5,530)	(14)%

The following table sets forth our Condensed Consolidated Results of Operations for the specified periods as a percentage of our revenue for those periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Cost of revenue (exclusive of depreciation and amortization shown separately below)	17	18	18	19
Product development	23	22	25	23
Sales, marketing and customer support	24	23	26	23
General and administrative	14	16	15	16
Depreciation and amortization	7	7	7	7
Income from operations	15	13	9	12
Interest expense	—	—	—	—
Other income, net	(2)	(1)	(2)	(2)
Income before income taxes	17	14	11	14
Income tax expense	7	4	4	4
Net income	11 %	9 %	7 %	10 %

Note: Percentages may not sum due to rounding.

Revenue

Total revenue increased by $25.6 million, or 18%, from $144.0 million in the three months ended September 30, 2023 to $169.6 million in the three months ended September 30, 2024. Total revenue increased by $65.9 million, or 16%, from $400.3 million in the nine months ended September 30, 2023 to $466.2 million in the nine months ended September 30, 2024.

Total Advertiser revenue increased by $22.3 million, or 17%, in the three months ended September 30, 2024 as compared to the same period in 2023, driven primarily by a 22% increase in Media Transactions Measured, partially offset by a 4% decline in Measured Transaction Fees. Total Advertiser revenue increased by $59.0 million, or 16%, in the nine months ended September 30, 2024 as compared to the same period in 2023, driven primarily by a 21% increase in Media Transactions Measured, partially offset by a 4% decline in Measured Transaction Fees.

Activation revenue increased by $15.1 million, or 18%, in the three months ended September 30, 2024 as compared to the same period in 2023, driven primarily by greater adoption of our programmatic solutions, including Scibids Technology SAS (“Scibids”), as well as our Authentic Brand Suitability (ABS) solution. For the nine months ended September 30, 2024, Activation revenue increased by $34.1 million, or 15%, compared to the same period in 2023 driven by the same factors.

Measurement revenue increased $7.2 million, or 14%, in the three months ended September 30, 2024 as compared to the same period in 2023, driven primarily by the increased adoption of our social measurement solutions by existing and new customers. For the nine months ended September 30, 2024, Measurement revenue increased by $24.9 million, or 18%, compared to the same period in 2023 driven by the same factors.

Supply-side revenue increased $3.3 million, or 30%, in the three months ended September 30, 2024 as compared to the same period in 2023, driven primarily by increased revenue from platform customers. For the nine months ended September 30, 2024, Supply-side revenue increased by $6.9 million, or 21%, compared to the same period in 2023 driven by the same factors.

Cost of Revenue (exclusive of depreciation and amortization shown below)

Cost of revenue increased by $3.0 million, or 11%, from $26.5 million in the three months ended September 30, 2023 to $29.5 million in the three months ended September 30, 2024. The increase was primarily due to growth in Activation revenue, leading to higher partner costs from revenue-sharing arrangements. These were partially offset by savings from eliminating duplicative costs as the Company migrated to cloud services for better scale and flexibility, along with efficiencies gained from DV's AI-powered video classification technology. Cost of revenue increased by $5.6 million, or 7%, from $76.6 million in the nine months ended September 30, 2023 to $82.2 million in the nine months ended September 30, 2024. The increase was primarily due to continued investments in cloud services to provide scale and flexibility necessary to support future growth, as well as growth in Activation revenue which drove increases in partner costs from revenue-sharing arrangements.

Product Development Expenses

Product development expenses increased by $7.0 million, or 22%, from $32.3 million in the three months ended September 30, 2023 to $39.3 million in the three months ended September 30, 2024. The increase was primarily due to an increase in personnel costs, including stock-based compensation, of $5.9 million, and an increase in third-party software costs and professional fees of $1.2 million primarily to support product development efforts. Product development expenses increased by $22.7 million, or 24%, from $92.8 million in the nine months ended September 30, 2023 to $115.5 million in the nine months ended September 30, 2024. The increase was primarily due to an increase in personnel costs, including stock-based compensation, of $18.8 million, and an increase in third-party software costs and professional fees of $4.0 million primarily to support product development efforts.

Sales, Marketing and Customer Support Expenses

Sales, marketing and customer support expenses increased by $7.6 million, or 23%, from $33.0 million in the three months ended September 30, 2023 to $40.5 million in the three months ended September 30, 2024. The increase was primarily due to an increase in personnel costs, including stock-based compensation and sales commissions, of $6.0 million, and an increase in personnel travel and entertainment expenses to support marketing and sales activities of $0.4 million. Sales, marketing and customer support expenses increased by $33.0 million, or 37%, from $90.2 million in the nine months ended September 30, 2023 to $123.3 million in the nine months ended September 30, 2024. The increase was primarily due to an increase in personnel costs, including stock-based compensation and sales commissions, of $25.6 million, an increase in marketing activities, including advertising, promotions, events and other activities of $1.1 million, and an increase in personnel travel and entertainment expenses to support marketing and sales activities of $2.5 million.

General and Administrative Expenses

General and administrative expenses decreased by $0.2 million, or 1%, from $23.3 million in the three months ended September 30, 2023 to $23.0 million in the three months ended September 30, 2024. The decrease was primarily due to a reduction in bad debt expenses of $1.1 million, a reduction in acquisition related costs of $0.9 million, and a reduction in general corporate insurance costs of $0.1 million, partially offset by an increase in personnel costs, including stock-based compensation, of $2.1 million. General and administrative expenses increased by $5.0 million, or 8%, from $63.2 million in the nine months ended September 30, 2023 to $68.2 million in the nine months ended September 30, 2024. The increase was primarily due to an increase in personnel costs, including stock-based compensation, of $8.5 million, and an increase in third party professional fees of $0.3 million, partially offset by a reduction in bad debt expenses of $3.4 million, primarily related to a reserve established in connection with outstanding amounts owed to the Company by its activation partner, MediaMath Holdings, Inc., which filed for Chapter 11 bankruptcy protection on June 30, 2023, and a reduction in general corporate insurance costs of $1.1 million.

Depreciation and Amortization

Depreciation and amortization increased by $0.8 million, or 7%, from $10.7 million in the three months ended September 30, 2023, to $11.5 million in the three months ended September 30, 2024. The increase was primarily due to an increase in capitalized software development costs and an increase in intangible assets related to the acquisition of Scibids. Depreciation and amortization increased by $4.1 million, or 14%, from $29.4 million in the nine months ended September 30, 2023, to $33.4 million in the nine months ended September 30, 2024. The increase was primarily due to an increase in capitalized software development costs and an increase in intangible assets related to the acquisition of Scibids.

Interest Expense

Interest expense increased by $0.1 million, from $0.3 million in the three months ended September 30, 2023 to $0.4 million in the three months ended September 30, 2024. Interest expense was materially unchanged at $0.8 million in the nine months ended September 30, 2023 and $0.8 million in the nine months ended September 30, 2024.

Other Income, Net

Other income, net increased by $2.6 million, from income of $1.6 million in the three months ended September 30, 2023 to income of $4.2 million in the three months ended September 30, 2024. The increase was primarily due to an increase in interest earned on interest-bearing monetary assets, and gains from changes in foreign exchange rates. Other income, net increased by $1.7 million, from income of $6.8 million in the nine months ended September 30, 2023 to income of $8.6 million in the nine months ended September 30, 2024. The increase was primarily due to an increase in interest earned on interest-bearing monetary assets, partially offset by an increase in losses from changes in foreign exchange rates.

Income Tax Expense

Income tax expense increased by $5.2 million from a $6.2 million expense in the three months ended September 30, 2023 to a $11.4 million expense in the three months ended September 30, 2024. The increase was primarily due to a shortfall in share-based compensation as well as other permanent book-to-tax income adjustments. A shortfall exists when there is a deficiency between the deferred tax asset recorded upon issuance of shares and the actual tax benefit recognized upon settlement. Income tax expense increased by $2.8 million from a $15.8 million expense in the nine months ended September 30, 2023 to a $18.6 million expense in the nine months ended September 30, 2024. The increase was primarily due to a shortfall in share-based compensation as well as other permanent book-to-tax income adjustments.

Adjusted EBITDA

In addition to our results determined in accordance with GAAP, management believes that certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA Margin, are useful in evaluating our business. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue. The following table presents a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In Thousands)		*(In Thousands)*	
Net income	$ 18,201	$ 13,347	$ 32,831	$ 38,361
Net income margin	11%	9%	7%	10%
Depreciation and amortization	11,483	10,706	33,415	29,365
Stock-based compensation	22,950	15,791	67,906	42,771
Interest expense	353	288	818	791
Income tax expense	11,395	6,234	18,580	15,775
M&A and restructuring costs (a)	—	921	—	1,621
Offering and secondary offering costs (b)	—	286	68	595
Other recoveries (c)	—	(267)	—	(800)
Other income (d)	(4,225)	(1,633)	(8,561)	(6,843)
Adjusted EBITDA	$ 60,157	$ 45,673	$ 145,057	$ 121,636
Adjusted EBITDA margin	35%	32%	31%	30%

(a) M&A and restructuring costs for the three and nine months ended September 30, 2023 consist of transaction costs related to the acquisition of Scibids.
(b) Offering and secondary offering costs for the three and nine months ended September 30, 2024 and September 30, 2023 consist of third-party costs incurred for underwritten secondary public offerings by certain stockholders of the Company.
(c) Other recoveries for the three and nine months ended September 30, 2023 consist of sublease income for leased office space.
(d) Other income for the three and nine months ended September 30, 2024 and September 30, 2023 consist of interest income earned on interest-bearing monetary assets, and the impact of changes in foreign currency exchange rates.

We use Adjusted EBITDA and Adjusted EBITDA Margin as measures of operational efficiency to understand and evaluate our core business operations. We believe that these non-GAAP financial measures are useful to investors for period to period comparisons of our core business and for understanding and evaluating trends in operating results on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under GAAP. Some of the limitations of these measures are:

- they do not reflect changes in, or cash requirements for, working capital needs;
- Adjusted EBITDA does not reflect capital expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect income tax expense or the cash requirements to pay income taxes;
- they do not reflect interest expense or the cash requirements necessary to service interest or principal debt payments; and
- although depreciation and amortization are non-cash charges related mainly to intangible assets, certain assets being depreciated and amortized will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

In addition, other companies in our industry may calculate these non-GAAP financial measures differently, therefore limiting their usefulness as a comparative measure. You should compensate for these limitations by relying primarily on our GAAP results and using the non-GAAP financial measures only supplementally.

Liquidity and Capital Resources

Our operations are financed primarily through cash generated from operations. As of September 30, 2024, we had cash and cash equivalents of $311.9 million and net working capital, consisting of current assets (excluding cash and cash equivalents) less current liabilities, of $179.4 million.

We believe existing cash and cash generated from operations, together with the $200.0 million undrawn balance under the New Revolving Credit Facility as of September 30, 2024, will be sufficient to meet working capital and capital expenditure requirements on a short-term and long-term basis.

Total future capital requirements and the adequacy of available funds will depend on many factors, including those discussed above as well as the risks and uncertainties set forth under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023.

Debt Obligations

On August 12, 2024, the Company entered into the New Revolving Credit Facility with available borrowings of $200.0 million, which matures on August 12, 2029. Subject to certain terms and conditions, the Company is entitled to add one or more term loan facilities or revolving credit facilities and / or increase the amount of the revolving credit commitments under the New Revolving Credit Facility. The New Revolving Credit Facility replaces in full the Company’s Prior Revolving Credit Facility.

All obligations under the New Revolving Credit Facility are guaranteed by the Company pursuant to the Guarantee Agreement. The New Revolving Credit Facility contains customary affirmative and negative covenants, including restrictions on, among other things: paying dividends or purchasing, redeeming or retiring capital stock; granting liens; incurring or guaranteeing additional debt; making investments and acquisitions; entering into transactions with affiliates; entering into any merger, consolidation or amalgamation or disposing of all or substantially all property or business; and disposing of property, including issuing capital stock.

The New Revolving Credit Facility also requires us to remain in compliance with certain financial ratios, which will officially commence with the fiscal quarter ending March 31, 2025.

As of September 30, 2024, there was no outstanding debt under the New Revolving Credit Facility.

For more information about the New Revolving Credit Facility, see Note 9 to our Condensed Consolidated Financial Statements.

Repurchase Programs

On May 16, 2024, the Company announced that its Board of Directors authorized the repurchase of up to $150.0 million of the Company’s outstanding common stock (the “Repurchase Program”). Under the Repurchase Program, the Company may repurchase for cash from time to time shares of its common stock through open market purchases pursuant to Rule 10b-18 and/or Rule 10b5-1 plans, in compliance with applicable securities laws and other legal requirements. The Repurchase Program does not obligate the Company to repurchase any specific number of shares, has no time limit, and may be modified, suspended, or discontinued at any time at the Company’s discretion. Repurchases under the Repurchase Program commenced in June 2024.

During the three months ended September 30, 2024, the Company repurchased 1.3 million shares of its common stock for an aggregate repurchase amount of $25.0 million. During the nine months ended September 30, 2024, the Company repurchased 2.6 million shares of its common stock for an aggregate repurchase amount of $50.1 million.

In October 2024, the Company repurchased 1.5 million shares of its common stock for an aggregate repurchase amount of $25.0 million. As of November 6, 2024, $75.0 million remained available and authorized for repurchase under the Repurchase Program.

On November 6, 2024, the Company announced that the Board authorized the repurchase of up to $200.0 million of the Company's outstanding common stock (the "New Repurchase Program"), which amount is in addition to the initial Repurchase Program previously approved by the Board in May 2024. Under the New Repurchase Program, the Company may repurchase for cash from time to time shares of its common stock through open market purchases pursuant to Rule 10b-18 and/or Rule 10b5-1 plans, in compliance with applicable securities laws and other legal requirements. The New Repurchase Program does not obligate the Company to repurchase any specific number of shares, has no time limit, and may be modified, suspended, or discontinued at any time at the Company's discretion. As of November 6, 2024, $200.0 million remained available and authorized for repurchase under the New Repurchase Program.

Cash Flows

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

	Nine Months Ended September 30,	
	2024	2023
	(In Thousands)	
Cash flows provided by operating activities	$ 122,280	$ 67,686
Cash flows used in investing activities	(69,519)	(79,549)
Cash flows (used in) provided by financing activities	(50,277)	3,645
Effect of exchange rate changes on cash and cash equivalents and restricted cash	150	(389)
Increase (decrease) in cash, cash equivalents, and restricted cash	$ 2,634	$ (8,607)

Operating Activities

Our cash flows from operating activities are primarily influenced by growth in our operations and by changes in our working capital. In particular, trade receivables increase in conjunction with our rapid growth in sales and decrease based on timing of cash receipts from our customers. The timing of payments of trade payables also impacts our cash flows from operating activities. We typically pay suppliers in advance of collections from our customers. Our collection and payment cycles can vary from period to period.

For the nine months ended September 30, 2024, cash provided by operating activities was $122.3 million, attributable to net income of $32.8 million, adjusted for non-cash charges of $93.8 million and $4.3 million use of cash from changes in operating assets and liabilities. Non-cash charges primarily consisted of $33.4 million in depreciation and amortization and $67.9 million in stock-based compensation, offset by $17.3 million in deferred taxes. The main drivers of the changes in operating assets and liabilities were a $12.6 million increase in prepaid expenses and other assets due mainly to increases in prepayments, offset by a decrease in trade receivables of $10.3 million, and a $2.1 million decrease in trade payables, accrued expenses and other liabilities primarily related to the timing of income tax payments.

For the nine months ended September 30, 2023, cash provided by operating activities was $67.7 million, attributable to net income of $38.4 million, adjusted for non-cash charges of $65.5 million and $36.2 million use of cash from changes in operating assets and liabilities. Non-cash charges primarily consisted of $29.4 million in depreciation and amortization and $42.8 million in stock-based compensation, offset by $19.7 million in deferred taxes. The main drivers of the changes in operating assets and liabilities were a $35.2 million increase in trade receivables, prepaid assets and other assets due mainly to increases in sales and prepayments, and a $1.0 million decrease in trade payables, accrued expenses and other liabilities primarily related to income tax payments.

Investing Activities

For the nine months ended September 30, 2024, cash used in investing activities was $69.5 million, including $81.9 million attributable to investments in short-term financial instruments and $19.8 million attributable to purchases of property, plant and equipment, and capitalized software development costs, offset by $32.2 million attributable to proceeds from the maturity of short-term financial instruments. For the nine months ended September 30, 2023, cash used in investing activities was $79.5 million, including $67.2 million attributable to the acquisition of Scibids and $12.3 million attributable to purchases of property, plant and equipment, and capitalized software development costs.

Financing Activities

For the nine months ended September 30, 2024, cash used in financing activities of $50.3 million was primarily due to $50.1 million related to shares repurchased under the Repurchase Program. For the nine months ended September 30, 2023, cash provided by financing activities of $3.6 million was primarily due to $7.8 million proceeds from common stock issued upon exercise of stock options, offset by $3.7 million related to shares repurchased for settlement of employee tax withholding.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is 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 and assumptions for the reported amounts of assets and liabilities and related disclosures at the dates of the financial statements, and revenue and expenses during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material.

Some of the judgments that management makes in applying its accounting estimates in these areas are discussed in Note 2 to our audited Consolidated Financial Statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2023. Since the date of our most recent Annual Report on Form 10-K, there have been no material changes to our critical accounting policies and estimates.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Market risks at September 30, 2024 have not materially changed from those discussed in the Annual Report on Form 10-K for the year ended December 31, 2023 under the heading "Quantitative and Qualitative Disclosures about Market Risk."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2024. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported as and when required, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding its required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Control over Financial Reporting

Management has implemented internal controls over significant processes specific to Scibids that we believe are appropriate in the integration of its operations, systems, and control activities. Scibids will be incorporated into our annual assessment of internal controls over financial reporting for our fiscal year ending December 31, 2024.

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls and Procedures

Management recognizes that a control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goal under all potential future conditions. Also, 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. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings that would, either individually or in the aggregate, be expected to have a material adverse effect on our business, financial condition or cash flows. We may, from time to time, be involved in legal proceedings arising in the normal course of business. The outcome of legal proceedings is unpredictable and may have an adverse impact on our business or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors described in the section titled “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2023.

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

(a) Recent Sales of Unregistered Securities

Not applicable.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchases of Equity Securities

The following table summarizes share repurchase activity for the three months ended September 30, 2024:

Period	Total Number of Shares Purchased [1] (in thousands)	Average Price Paid Per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1] (in thousands)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1] (in thousands)
July 1 - 31	1,254	$ 19.94	1,254	$ 100,000
August 1 - 31	—	—	—	100,000
September 1 - 30	—	$ —	—	$ 100,000
Total for the three months ended September 30, 2024	1,254		1,254	

[1] On May 16, 2024, the Company announced that its Board of Directors had authorized the repurchase of up to $150 million of the Company’s outstanding common stock under the Repurchase Program. Under the Repurchase Program, the Company may repurchase for cash from time to time shares of its common stock through open market purchases pursuant to Rule 10b-18 and/or Rule 10b5-1 plans, in compliance with applicable securities laws and other legal requirements. The Repurchase Program does not obligate the Company to repurchase any specific number of shares, has no time limit, and may be modified, suspended, or discontinued at any time at the Company’s discretion.
[2] Excludes other costs such as broker commissions.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

PART II — OTHER INFORMATION

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2024, the following directors and "officers" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted, modified or terminated “Rule 10b5-1 trading arrangements” (as defined in Item 408 of Regulation S-K). The trading arrangements are intended to satisfy the affirmative defense in Rule 10b5-1(c):

Name	Position	Adoption Date	Total Shares to be Sold	Expiration Date
Nicola T. Allais	Chief Financial Officer	August 9, 2024	160,000	May 15, 2025
Andrew E. Grimmig	Chief Legal Officer	September 2, 2024	250,000	June 13, 2025

Item 6. Exhibits

Exhibit No.	Description
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.

* Pursuant to SEC Release No. 33-8212, this certification will be treated as "accompanying" this Quarterly Report and not "filed" as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

Date: November 6, 2024

DOUBLEVERIFY HOLDINGS, INC.

By:	/s/ Mark Zagorski
Name:	Mark Zagorski
Title:	Chief Executive Officer and Director (Principal Executive Officer)

By:	/s/ Nicola Allais
Name:	Nicola Allais
Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Zagorski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DoubleVerify Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 6, 2024

/s/ Mark Zagorski
Mark Zagorski
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Nicola Allais, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2024

/s/ Nicola Allais
Nicola Allais
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certifications 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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark Zagorski, Chief Executive Officer (Principal Executive Officer) of DoubleVerify Holdings, Inc. (the “Company”), hereby certify that, to the best of my knowledge:

1) The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the “Report”), to which this certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 6, 2024

/s/ Mark Zagorski
Mark Zagorski
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certifications 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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Nicola Allais, Chief Financial Officer (Principal Financial Officer) of DoubleVerify Holdings, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

1) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report"), to which this certification is attached as Exhibit 32.2, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 6, 2024	/s/ Nicola Allais
	Nicola Allais
	Chief Financial Officer
	(Principal Financial Officer)