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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from ___________ to ____________

Commission File Number: 001-40644

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

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

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

N/A

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

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

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

(1) Attached to Common Stock

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

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

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

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

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

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

The number of shares of the registrant's common stock, par value $0.0001, outstanding as of May 1, 2023 was 136,410,870.

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FORWARD-LOOKING STATEMENTS

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

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following risks and the other important factors discussed in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2023:

- The worsening economic climate has resulted in, among other things, slowdown of business activities and decline in spending and procurement by customers, increased price-driven competition, including through initiation of bid processes and longer sale cycles, and other adverse effects. If we are unable to successfully assess or mitigate the direct and indirect impact of the worsening economic climate on our business and operations, or the duration and depth of the current instability of the global economy, or if we are unable to retain our existing customer base or to obtain new customers at reasonable prices, our business, financial condition, results of operations and prospects would be adversely affected;

- Our business and operations have experienced high volatility, including rapid growth partially attributed to the effects of the COVID-19 pandemic and thereafter a decline as such effects have subsided and the global economic climate has worsened. If we do not appropriately adapt to these or any future changes, including through improvement of our systems, processes, controls and efficiency, or if we are unable to successfully implement our Reorganization Plans (as defined below), our business, financial condition, results of operations and prospects would be adversely affected;

- Our dependency on existing customer demand and exposure to changes in demand by our customers, loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, including as a result from reasons not under our control, makes it difficult to evaluate our current business and future prospects and may increase the risk that our business, financial condition, results of operations and growth prospects would be adversely affected;

- We have a history of losses and may not be able to achieve or maintain profitability;

- Our future success depends on the growth and expansion of the markets for our offerings, which are new and evolving and may develop more slowly or differently than we expect, and on our ability to adapt and respond effectively to evolving market conditions;

- If we are not able to keep pace with technological and competitive developments and develop or otherwise introduce new products and solutions and enhancements to our existing offerings, our offerings may become less marketable, less competitive or obsolete, and our business, financial condition and results of operations may be adversely affected;

- If we do not maintain the interoperability of our offerings across devices, operating systems and third-party applications that we do not control, and if we are not able to maintain and expand our relationships with third-party technology partners to integrate our offerings with their products and solutions, our business, financial condition and results of operations may be adversely affected;

- Part of our Application Programming Interfaces (APIs) and other components in our offerings are licensed to the public under an open-source license, which could negatively affect our ability to monetize our offerings and protect our intellectual property rights;

- The markets in which we compete are nascent and highly fragmented, and we may not be able to compete successfully against current and future competitors, some of whom have greater financial, technical, and other resources than we do or can provide a bundled offering and solutions that might be more attractive to our customers enabling them to better compete with us. If we do not compete successfully, our business, financial condition and results of operations could be harmed;

- If we are unable to increase sales of our subscriptions to new customers, expand the offerings to which our existing customers subscribe or the value of their subscriptions, or have them renew their subscriptions in terms that are economically beneficial to us, our future revenue and results of operations would be adversely affected;

- Political, economic, and military conditions in Ukraine, Russia and other countries following the Russian invasion to Ukraine, or political, economic, and military conditions in Israel and in other regions at which we operate, or changes in the business environment in those regions, could materially and adversely affect our business;

- Currency exchange rate fluctuations affect our results of operations, as reported in our financial statements;

- We recognize a significant portion of revenue from subscriptions over the term of the relevant subscription period, and as a result, downturns or upturns in sales are not immediately reflected in full in our results of operations;

- Increased breaches of network or information technology security along with an increase in cyber-attack activities, increases the risk that we shall be subject to cybersecurity threats that could have an adverse effect on our business;

- Data privacy and data protection laws are rapidly evolving and present increasing compliance challenges. Additionally, if we or our third-party service providers experience a security breach, data loss or other compromise, including if unauthorized parties obtain access to our customers' data, our reputation may be harmed, demand for our platform, products and solutions may be reduced, and we may incur significant liabilities;

- We typically provide service-level commitments and offer customer support under our customer agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, face contract termination with refunds of prepaid amounts, be charged penalties, or could experience a decrease in customer renewals in future periods, any of which would lower our revenue and adversely affect our business, financial condition and results of operations;

- We rely on third parties, including third parties outside the United States, for some of our software development, quality assurance, operations, and customer support;
- We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business;
- Our corporate culture has contributed to our success, and if we cannot maintain it as we grow, we could lose the innovation, creativity, and entrepreneurial spirit we have worked to foster, which could adversely affect our business;
- The failure to effectively develop and expand our marketing and sales capabilities or to maintain or expand our international business, could harm our ability to increase our customer base and achieve broader market acceptance of our offerings;
- The sales prices of our offerings may change, which may reduce our revenue and gross profit and adversely affect our financial results;
- We expect our revenue mix to vary over time, which could negatively impact our gross margin and results of operations;
- In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all.
- Our international operations and expansion expose us to risk;
- A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks;
- If we are unable to consummate acquisitions at acceptable rate or prices, and to enter into other strategic transactions and relationships that support our long-term strategy, our growth rate and the trading price of our common stock could be negatively affected. These transactions and relationships also subject us to certain risks;
- A real or perceived bug, defect, security vulnerability, error, or other performance failure involving our platform, products or solutions could cause us to lose revenue, damage our reputation, and expose us to liability;
- Failure to protect our proprietary technology, or to obtain, maintain, protect and enforce sufficiently broad intellectual property rights therein, could substantially harm our business, financial condition and results of operations;
- Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new offerings could reduce our ability to compete and could adversely affect our business; and
- Changes in laws and regulations related to the internet, changes in the internet infrastructure itself, or increases in the cost of internet connectivity and access may diminish the demand for our offerings and could harm our business.

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

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

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

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 41,576	$ 44,625
Marketable securities	34,393	41,343
Trade receivables	18,233	28,786
Prepaid expenses and other current assets	8,077	7,521
Deferred contract acquisition and fulfillment costs, current	10,685	10,759
Total current assets	112,964	133,034
LONG-TERM ASSETS:		
Marketable securities	1,024	—
Property and equipment, net	18,713	15,142
Other assets, noncurrent	2,981	3,176
Deferred contract acquisition and fulfillment costs, noncurrent	20,536	21,691
Operating lease right-of-use assets	17,444	20,814
Intangible assets, net	1,077	1,244
Goodwill	11,070	11,070
Total noncurrent assets	72,845	73,137
TOTAL ASSETS	$ 185,809	$ 206,171
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term loans	34,351	5,793
Trade payables	8,214	9,437
Employees and payroll accruals	12,479	14,884
Accrued expenses and other current liabilities	16,854	16,527
Operating lease liabilities	2,533	2,355
Deferred revenue, current	50,490	59,841
Total current liabilities	124,921	108,837
LONG-TERM LIABILITIES:		
Deferred revenue, noncurrent	1,022	1,266
Long-term loans, net of current portion	—	30,004
Operating lease liabilities, noncurrent	19,650	20,697
Other liabilities, noncurrent	2,245	2,021
Total long-term liabilities	22,917	53,988
TOTAL LIABILITIES	$ 147,838	$ 162,825

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

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

	March 31, 2023	December 31, 2022
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 par value per share, 20,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 0 shares issued and outstanding as of March 31, 2023, and December 31, 2022	—	—
Common stock $0.0001 par value per share, 1,000,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 143,380,444 and 142,249,619 shares issued as of March 31, 2023 and December 31, 2022, respectively; 135,695,254 and 134,564,429 outstanding as of March 31, 2023 and December 31, 2022, respectively	13	13
Treasury stock – 7,685,190 shares of common stock, $0.0001 par value per share, as of March 31, 2023 and December 31, 2022	(4,881)	(4,881)
Additional paid-in capital	447,316	439,644
Accumulated other comprehensive loss	(553)	(301)
Accumulated deficit	(403,924)	(391,129)
Total stockholders' equity	37,971	43,346
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 185,809	$ 206,171

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

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

(unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Revenue:		
Subscription	$ 40,392	$ 37,017
Professional services	2,881	4,698
Total revenue	43,273	41,715
Cost of revenue:		
Subscription	11,168	9,650
Professional services	4,819	5,796
Total cost of revenue	15,987	15,446
Gross profit	27,286	26,269
Operating expenses:		
Research and development	14,130	14,873
Sales and marketing	12,071	14,616
General and administrative	12,100	11,438
Restructuring	945	—
Total operating expenses	39,246	40,927
Operating loss	11,960	14,658
Financial expenses (income), net	(1,785)	182
Loss before provision for income taxes	10,175	14,840
Provision for income taxes	2,620	2,086
Net loss	12,795	16,926
Net loss per share attributable to common stockholders, basic and diluted	$ 0.09	$ 0.13
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	135,087,949	127,832,785

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

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

	Three Months Ended March 31,	
	2023	2022
Net loss	$ 12,795	$ 16,926
Other comprehensive income, net of tax:		
Net unrealized gains (losses) on cash flow hedges	(361)	523
Net unrealized gains on available-for-sale marketable securities	109	—
Other comprehensive income (loss)	(252)	523
Comprehensive loss	$ 13,047	$ 16,403

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

KALTURA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
U.S. dollars in thousands (except share data)
(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Number	Amount	Number	Amount				
Balance as of January 1, 2023	134,564,429	$ 13	7,685,190	$ (4,881)	$ 439,644	$ (301)	$ (391,129)	$ 43,346
Stock-based compensation	—	—	—	—	7,291	—	—	7,291
Issuance of common stock upon exercise of stock options, and vesting of restricted stock units	1,130,825	—	—	—	381	—	—	381
Other comprehensive loss, net of tax	—	—	—	—	—	(252)	—	(252)
Net loss	—	—	—	—	—	—	(12,795)	(12,795)
Balance as of March 31, 2023	135,695,254	$ 13	7,685,190	$ (4,881)	$ 447,316	$ (553)	$ (403,924)	$ 37,971

	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity
	Number	Amount	Number	Amount				
Balance as of January 1, 2022	126,925,104	$ 13	7,685,190	$ (4,881)	$ 412,776	—	$ (322,634)	$ 85,274
Stock-based compensation	—	—	—	—	5,754	—	—	5,754
Issuance of common stock upon exercise of stock options, and vesting of restricted stock units	723,124	—	—	—	296	—	—	296
Other comprehensive income, net of tax	—	—	—	—	—	523	—	523
Net loss	—	—	—	—	—	—	(16,926)	(16,926)
Balance as of March 31, 2022	127,648,228	$ 13	7,685,190	$ (4,881)	$ 418,826	$ 523	$ (339,560)	$ 74,921

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities:		
Net loss	$ (12,795)	$ (16,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,009	615
Stock-based compensation expenses	7,159	5,684
Amortization of deferred contract acquisition and fulfillment costs	2,970	2,443
Non-cash interest expenses (income), net	(224)	39
Gain on foreign exchange	(195)	—
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	10,553	(2,332)
Increase in prepaid expenses and other current assets and other assets, noncurrent	(764)	(594)
Increase in deferred contract acquisition and fulfillment costs	(1,642)	(1,653)
Decrease in trade payables	(1,450)	(1,498)
Decrease in accrued expenses and other current liabilities	(37)	(430)
Decrease in employees and payroll accruals	(2,405)	(1,838)
Increase (decrease) in other liabilities, noncurrent	406	(42)
Decrease in deferred revenue	(9,595)	(3,140)
Operating lease right-of-use assets and lease liabilities, net	(422)	82
Net cash used in operating activities	(7,432)	(19,590)
Cash flows from investing activities:		
Investment in available-for-sale marketable securities	(2,924)	—
Proceeds from maturities of available-for-sale marketable securities	9,236	—
Investment in restricted bank deposit	—	(1,850)
Purchases of property and equipment	(852)	(445)
Capitalized internal-use software	(380)	(1,767)
Net cash provided by (used in) investing activities	5,080	(4,062)
Cash flows from financing activities:		
Repayment of long-term loans	(1,500)	(750)
Principal payments on finance leases	—	(128)
Proceeds from exercise of stock options	578	244
Payment of debt issuance costs	—	(125)
Net cash used in financing activities	(922)	(759)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	195	—
Net decrease in cash, cash equivalents and restricted cash	(3,079)	(24,411)
Cash, cash equivalents and restricted cash at the beginning of the period	45,833	144,371
Cash, cash equivalents and restricted cash at the end of the period	$ 42,754	$ 119,960

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

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

	Three Months Ended March 31, 2023	2022
Supplemental disclosure of non-cash activity:		
Purchase of property, equipment, and internal-use software in credit	$ 262	$ 872
Lease liabilities arising from right-of-use assets	$ —	$ 4,949
Capitalized stock-based compensation cost	$ 132	$ 70
Pending proceeds from option exercises	$ 30	$ 82
Lease incentive recognized as leasehold improvements	$ 2,922	$ —
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 1,151	$ 2,186
Cash paid for interest	$ 749	$ 444
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet		
Cash and cash equivalents	$ 41,576	$ 119,542
Restricted cash included in other assets, noncurrent	1,178	418
Total cash, cash equivalents, and restricted cash	$ 42,754	$ 119,960

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

NOTE 1: GENERAL

Description of Business

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

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

Basis of Presentation and Consolidation

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

The consolidated balance sheet as of December 31, 2022 was derived from the audited consolidated financial statements as of that date, but does not include all of the disclosures, including certain notes required by U.S. GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023.

In management's opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements with normal recurring adjustments necessary for the fair presentation of the Company's financial position as of March 31, 2023, and the Company's consolidated results of operations, stockholders' equity, and cash flows for the three months ended March 31, 2023 and 2022. The results for the three months ended March 31, 2023, are not necessarily indicative of the results to be expected for the full year ending December 31, 2023, or any other future interim or annual period.

Use of Estimates

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

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

Concentration of Risks

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

The majority of the Company's cash, and cash equivalents, marketable securities and restricted cash are invested with major banks in the United States, Israel, and the United Kingdom. Such investments in the United States may be in excess of insured limits and they are not insured in other jurisdictions. Market conditions can impact the viability of these financial institutions. In the event of failure of any of the financial institutions where the Company maintains its cash and cash equivalents, there can be no assurance that the Company would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect the Company's business and financial position. In general, these investments may be redeemed upon demand and therefore bear minimal risk.

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

Major customer data as a percentage of total revenues:

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

	Three Months Ended March 31,	
	2023	2022
Customer A (M&T)	10.70 %	*)—

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

Significant Accounting Policies and Estimates

The Company's significant accounting policies are discussed in Note 2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 24, 2023. There have been no significant changes to these policies during the three months ended March 31, 2023 except as noted below.

Recently Adopted Accounting Pronouncements

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

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The Company adopted this guidance using modified retrospective approach, effective on January 1, 2023. The adoption did not have a material effect on its consolidated financial statements.

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

NOTE 3: REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following tables present disaggregated revenue by category:

	Three Months Ended March 31, 2023			
	Enterprise, Education and Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 29,874	95.4 %	$ 10,518	88.1 %
Professional services	1,456	4.6 %	1,425	11.9 %
	$ 31,330	100 %	$ 11,943	100 %

	Three Months Ended March 31, 2022			
	Enterprise, Education and Technology		Media and Telecom	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Subscription	$ 27,602	92.9 %	$ 9,415	78.5 %
Professional services	2,125	7.1 %	2,573	21.5 %
	$ 29,727	100 %	$ 11,988	100 %

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

	Three Months Ended March 31,			
	2023		2022	
	Amount	Percentage of revenue	Amount	Percentage of revenue
United States (“US”)	$ 23,058	53.3 %	$ 23,314	55.9 %
Europe, the Middle East and Africa ("EMEA")	15,923	36.8 %	13,823	33.1 %
Other	4,292	9.9 %	4,578	11.0 %
	$ 43,273	100 %	$ 41,715	100 %

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

Remaining Performance Obligations

Remaining performance obligations represent the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and contracted amounts that will be invoiced and recognized as revenue in future periods. As of March 31, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was $167,425, which consists of both billed consideration in the amount of $51,512 and unbilled consideration in the amount of $115,913 that the Company expects to recognize as revenue but that was not yet recognized on the balance sheet. The Company expects to recognize 58% of its remaining performance obligations as revenue over the next 12 months and the remainder thereafter.

Costs to Obtain a Contract

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

	Three Months Ended March 31,	
	2023	2022
Beginning balance	$ 26,928	$ 26,274
Additions to deferred contract acquisition costs during the period	1,741	1,104
Amortization of deferred contract acquisition costs	(2,523)	(2,086)
Ending balance	$ 26,146	$ 25,292
Deferred contract acquisition costs, current	$ 8,934	$ 7,809
Deferred contract acquisition costs, noncurrent	17,212	17,483
Total deferred costs to obtain a contract	$ 26,146	$ 25,292

Costs to Fulfill a Contract

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

	Three Months Ended March 31,	
	2023	2022
Beginning balance	$ 5,522	$ 5,427
Additions to deferred costs to fulfill a contract during the period	—	571
Amortization of deferred costs to fulfill a contract	(447)	(357)
Ending balance	5,075	5,641
Deferred fulfillment costs, current	1,751	1,497
Deferred fulfillment costs, noncurrent	3,324	4,144
Total deferred costs to fulfill a contract	$ 5,075	$ 5,641

NOTE 4: MARKETABLE SECURITIES

The following is a summary of available-for-sale marketable securities as of March 31, 2023 and December 31, 2022:

	March 31, 2023			
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale – matures within one year:				
Corporate bonds	$ 7,756	$ —	$ (27)	$ 7,729
Municipal securities	1,540	—	(1)	1,539
U.S. Treasury	12,890	—	(46)	12,844
Commercial paper	9,320	—	—	9,320
Agency bonds	2,960	1	—	2,961
	34,466	1	(74)	34,393
Available-for-sale – matures after one year:				
Agency bonds	1,022	2	—	1,024
	1,022	2	—	1,024
Total	$ 35,488	$ 3	$ (74)	$ 35,417

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale – matures within one year:				
Corporate bonds	$ 9,305	$ —	$ (66)	$ 9,239
Municipal securities	1,751	—	(4)	1,747
U.S. Treasury	16,306	—	(111)	16,195
Commercial paper	11,237	—	—	11,237
Agency bonds	2,925	1	(1)	2,925
	$ 41,524	$ 1	$ (182)	$ 41,343

As of March 31, 2023 and December 31, 2022, the Company did not record an allowance for credit losses for its available-for-sale marketable debt securities and all of the gross unrealized losses of the Company's marketable securities have been in a continuous loss position for less than 12 months. There were no gains or losses from available-for-sale marketable securities that were reclassified out of accumulated other comprehensive loss during the periods presented.

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

NOTE 5: FAIR VALUE MEASUREMENTS

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

The following table sets forth the Company's assets and liabilities that were measured at fair value as of March 31, 2023 and December 31, 2022 by level within the fair value hierarchy:

Description	Fair Value Hierarchy	Fair Value Measurements As Of March 31, 2023	Fair Value Measurements As Of December 31, 2022
Measured at fair value on a recurring basis:			
Assets:			
Cash equivalents:			
Money market funds	Level 1	$ 18,969	$ 16,489
Short-term marketable securities:			
Corporate bonds	Level 2	$ 7,729	$ 9,239
Municipal securities	Level 2	$ 1,539	$ 1,747
U.S. Treasury	Level 2	$ 12,844	$ 16,195
Commercial paper	Level 2	$ 9,320	$ 11,237
Agency bonds	Level 2	$ 2,961	$ 2,925
Long-term marketable securities:			
Agency bonds	Level 2	$ 1,024	$ —
Derivative instruments asset included in prepaid expenses and other current assets:			
Options and forward contracts designated as hedging instruments	Level 2	$ 5	$ —
Liabilities:			
Derivative instruments liability included in accrued expenses and other current liabilities:			
Options and forward contracts designated as hedging instruments	Level 2	$ 485	$ 120

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

NOTE 6: DERIVATIVES AND HEDGING

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

Notional Amount of Foreign Currency Contracts

The Company had outstanding contracts designated as hedging instruments in the aggregate notional amount of $22,797 and $8,345 as of March 31, 2023, and December 31, 2022, respectively. The fair value of the Company's outstanding contracts amounted to an asset of $5 and $—, and a liability of $485 and $120 as of March 31, 2023 and December 31, 2022, respectively. These assets and liabilities were recorded under prepaid expenses and other current assets and accrued expenses and other current liabilities, respectively. Losses of $504, and gains of $135 were reclassified from accumulated other comprehensive loss during the three months ended March 31, 2023 and 2022, respectively. Such losses and gains were reclassified from accumulated other comprehensive loss when the related expenses were incurred.

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

The effect of foreign currency contracts on the condensed consolidated statements of operations during the three months ended March 31, 2023 and 2022 were as follows:

Condensed Statement of Operations Location:	Three Months Ended March 31 ,2023	Three Months Ended March 31 ,2022
Cost of revenue	$ 70	$ (25)
Research and development	$ 252	$ (66)
Sales and marketing	$ 58	$ (19)
General and administrative	$ 96	$ (25)
Restructuring	$ 28	$ —
Total	$ 504	$ (135)

NOTE 7: LEASES

The Company leases its office facilities under non-cancelable agreements that expire at various dates through November 2027. The Company has a lease agreement for offices in Israel which includes two extension options for five years each. The Company estimates that it is reasonably certain that it will exercise the option for the first extension period. Therefore, for the purposes of determining the amount of the expense and the value of the right of use asset and lease liability according to ASC 842, the Company determined that the lease term would end in November 2032.

Components of operating lease expense were as follows:

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating lease cost	$ 761	$ 625
Short-term lease cost	154	—
Variable lease cost	9	12
Total	$ 924	$ 637

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash paid for operating leases	$ 579	$ 467

As of March 31, 2023, the weighted-average discount rate is 4.7% and the weighted-average remaining term is 8.7 years. Maturities of the Company's operating lease liabilities as of March 31, 2023 were as follows:

Year Ending December 31,	
2023 (Remainder)	$ 2,571
2024	3,070
2025	3,126
2026	3,188
2027	2,756
2028	2,379
2029 and thereafter	9,117
Total operating lease payments	26,207
Less: imputed interest	4,024
Total operating lease liabilities	$ 22,183

NOTE 8: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has entered into various non-cancelable agreements with third-party providers for use of mainly cloud and other services, under which it committed to minimum and fixed purchases through the year ending December 31, 2026. The following table presents details of the aggregate future non-cancelable purchase commitments under such agreements as of March 31, 2023:

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

Year Ending December 31,		
2023 (Remainder)	$	11,150
2024		14,581
2025		13,123
2026		14,250
Total purchase commitment	$	53,104

Litigation

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

NOTE 9: CONDENSED CONSOLIDATED BALANCE SHEET COMPONENTS

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	March 31, 2023	December 31, 2022
Prepaid expenses	$ 4,098	$ 3,369
Government institutions	307	422
Derivative instrument	5	—
Restricted bank deposits	2,600	2,600
Other current assets	1,067	1,130
	$ 8,077	$ 7,521

Property and Equipment, net

Composition of property and equipment is as follows:

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

	March 31, 2023	December 31, 2022
Cost:		
Computers and peripheral equipment	$ 4,466	$ 4,323
Office furniture and equipment	1,483	551
Leasehold improvements	4,890	1,965
Finance leases of computers and peripheral equipment	253	253
Internal use software	12,508	12,095
	23,600	19,187
Accumulated depreciation	(4,887)	(4,045)
Depreciated cost	$ 18,713	$ 15,142

Depreciation expenses for the three months ended March 31, 2023 and 2022 were $842 and $402, respectively.

Other assets, noncurrent

	March 31, 2023	December 31, 2022
Restricted cash	$ 1,178	$ 1,208
Severance pay fund	1,674	1,855
Other	129	113
	$ 2,981	$ 3,176

Accrued expenses and other current liabilities

	March 31, 2023	December 31, 2022
Accrued expenses	$ 7,721	$ 7,471
Accrued taxes	7,788	7,966
Derivative instruments	485	120
Other current liabilities	860	970
	$ 16,854	$ 16,527

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

NOTE 10: GOODWILL AND INTANGIBLE ASSETS

There was no goodwill activity during the periods presented.

The carrying amounts and accumulated amortization expenses of the intangible assets, as of March 31, 2023, and December 31, 2022, were as follows:

	March 31, 2023		December 31, 2022
	Weighted average remaining useful life (in years)	Balance	Balance
Gross carrying amount:			
Technology	3.00	$ 4,700	$ 4,700
Customer relationship	4.50	2,419	2,419
Tradename	1.17	980	980
		8,099	8,099
Accumulated amortization and impairments:			
Technology		(3,854)	(3,749)
Customer relationship		(2,218)	(2,203)
Tradename		(950)	(903)
		(7,022)	(6,855)
Intangible assets, net		$ 1,077	$ 1,244

During the three months ended March 31, 2023, and 2022, the Company recorded amortization expenses in the amount of $167 and $213, respectively, included in cost of revenue and sales and marketing expenses in the statements of operations.

The estimated future amortization expense of intangible assets as of March 31, 2023, is as follows:

	December 31,
2023 (Remainder)	$ 388
2024	478
2025	148
2026	50
2027	13
	$ 1,077

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

NOTE 11: INCOME TAXES

The Company recognized an income tax expense of $2,620 and $2,086 for the three months ended March 31, 2023, and 2022, respectively. The tax expense for these periods was primarily attributable to pre-tax foreign earnings. The Company's effective tax rates of (26)% and (14)% for the three months ended March 31, 2023 and 2022, respectively, differ from the U.S. statutory tax rate primarily due to U.S. losses for which there is no benefit and the tax rate differences between the U.S. and foreign countries.

The Company has a full valuation allowance on its deferred tax assets. Deferred tax liability is from indefinite life goodwill intangibles. Management currently believes that it is more likely than not that the deferred tax regarding the tax loss carry forwards and other temporary differences will not be realized in the foreseeable future in the U.S.

NOTE 12: NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:

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

	Three Months Ended March 31,	
	2023	2022
Numerator:		
Net loss	$ 12,795	$ 16,926
Denominator:		
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	135,087,949	127,832,785
Net loss per share attributable to common stockholders, basic and diluted	$ 0.09	$ 0.13

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

	Three Months Ended March 31,	
	2023	2022
Outstanding stock options and RSUs	39,387,789	41,435,569
Total	39,387,789	41,435,569

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

NOTE 13: REPORTABLE SEGMENTS AND GEOGRAPHICAL INFORMATION

Reportable segments

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

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

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

	Three Months Ended March 31, 2023		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 31,330	$ 11,943	$ 43,273
Gross profit	$ 22,789	$ 4,497	$ 27,286
Operating expenses			39,246
Financial expenses (income), net			(1,785)
Provision for income taxes			2,620
Net loss			$ 12,795

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

	Three Months Ended March 31, 2022		
	Enterprise, Education and Technology	Media and Telecom	Total
Revenue	$ 29,727	$ 11,988	$ 41,715
Gross profit	$ 20,766	$ 5,503	$ 26,269
Operating expenses			40,927
Financial expenses (income), net			182
Provision for income taxes			2,086
Net loss			$ 16,926

Geographical information

See Note 3 for disaggregated revenue by geographic region.

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

NOTE 14: LONG-TERM LOAN

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

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

In December 2021, the Company repaid in full its outstanding principal amount under the Revolving Credit Facility. As of March 31, 2023 and December 31, 2022, the total commitments under the Revolving Credit Facility are available for future borrowings.

Borrowings under the Credit Facilities are subject to interest, determined as follows: (a) Eurodollar loans accrue interest at a rate per annum equal to the Eurodollar rate plus a margin of 3.50% (the Eurodollar rate is calculated based on the Credit Agreement, subject to a 1.00% floor, divided by 1.00 minus the maximum effective reserve percentage for Eurocurrency funding), and (b) Alternate Base Rate (“ABR”) loans accrue interest at a rate per annum equal to the ABR plus a margin of 2.50% (ABR is equal to the highest of (i) the prime rate and (ii) the Federal Funds Effective Rate plus 0.50%, subject to a 2.00% floor). As of March 31, 2023, the current rate of interest under the Credit Facilities was equal to a rate per annum of 8.66%, consisting of 5.16% (the 3-month LIBOR rate as of March 31, 2023) and the margin of 3.50%.

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

Under the terms of the Credit Facilities, the Company is obligated to maintain certain covenants as defined therein. As of March 31, 2023, the Company met these covenants.

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

Year Ending December 31,		
2023 (Remainder)	$	4,500
2024		30,000
	$	34,500

The carrying amounts of the loans approximate their fair value.

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

NOTE 15: STOCKHOLDERS' EQUITY AND EQUITY INCENTIVE PLANS

Equity Incentive Plans

On January 1, 2023, the number of shares of common stock authorized for issuance under the 2021 Incentive Award Plan (the "2021 Plan") automatically increased by 6,728,221 shares pursuant to the terms of the 2021 Plan.

Stock Options

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

	Number of Options	Weighted Average exercise price	Weighted remaining contractual term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2023	25,988,465	$ 4.56	7.75	$ 6,285
Granted	—	$ —		
Exercised	(301,731)	$ 1.26		$ 204
Forfeited	(242,635)	$ 4.10		
Outstanding as of March 31, 2023	25,444,099	$ 4.60	6.78	$ 8,229
Exercisable options at end of the period	16,959,172	$ 2.39	6.26	$ 8,222

RSUs

The following table summarizes the RSU activity with respect to the 2021 Plan for the three months ended March 31, 2023:

	RSUs Outstanding	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2021	7,469,000	$2.72
RSUs granted	7,791,101	$2.10
RSUs vested	(829,094)	$2.75
RSUs forfeited	(487,317)	$2.76
Unvested and Outstanding as of March 31, 2023	13,943,690	$2.37

Stock-Based Compensation Expense

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

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

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	$ 264	$ 412
Research and development	1,145	1,028
Sales and marketing	772	926
General and administrative	4,978	3,318
Total expenses	$ 7,159	$ 5,684

As of March 31, 2023, there was $48,781 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Company's equity incentive plans. These costs are expected to be recognized over a weighted-average period of approximately two years.

Shares Reserved for Future Issuance

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

	March 31, 2023
Outstanding options	25,444,099
Outstanding RSUs	13,943,690
Shares reserved under 2021 Plan	5,159,334
Total	44,547,123

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

NOTE 16: SELECTED STATEMENTS OF OPERATIONS DATA

	Three Months Ended March 31,	
	2023	2022
Financial income:		
Interest income	$ 538	$ 6
Foreign currency translation adjustments, net	2,237	531
	2,775	537
Financial expenses:		
Bank fees	34	26
Interest expense	803	498
Other	153	195
	990	719
Financial expenses (income), net	$ (1,785)	$ 182

NOTE 17: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in accumulated other comprehensive income (loss) by component, net of tax (AOCI), during the three months ended March 31, 2023 and 2022:

	Net Unrealized Losses on Available-for-Sale Securities Instruments	Net Unrealized Losses on Derivatives Designated as Hedging Instruments	Total
Balance as of December 31, 2022	$ (181)	$ (120)	$ (301)
Other comprehensive income (loss) before reclassifications	$ 109	$ (866)	$ (757)
Net realized losses reclassified from accumulated other comprehensive loss	$ —	$ 505	$ 505
Other comprehensive income (loss)	$ 109	$ (361)	$ (252)
Balance as of March 31, 2023	$ (72)	$ (481)	$ (553)

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

	Net Unrealized Gains on Derivatives Designated as Hedging Instruments
Balance as of December 31, 2021	$ —
Other comprehensive income before reclassifications	658
Net realized gains reclassified from accumulated other comprehensive income	(135)
Other comprehensive income	523
Balance as of March 31, 2022	$ 523

NOTE 18: RESTRUCTURING ACTIVITIES

2022 Restructuring Plan

On August 7, 2022, the Board of Directors of the Company approved a cost-reduction and re-organization plan (the "2022 Restructuring Plan") that included, among other things, downsizing around 10% of the Company's employees. The Company does not expect to incur additional costs related to the 2022 Restructuring Plan.

2023 Reorganization Plan

On January 3, 2023, the Board of Directors of the Company approved a re-organization plan (the “2023 Reorganization Plan”) that included, among other things, downsizing approximately 11% of the Company’s workforce and adapting the Company's organizational structure, roles, and responsibilities accordingly.

During the three months ended March 31, 2023, in connection with the 2023 Reorganization Plan, the Company recorded expenses of $945, all for one-time employee termination benefits.

Restructuring Accruals

The following table is a reconciliation of the beginning and ending restructuring liability for the three months ended March 31, 2023, related to the 2022 Restructuring Plan and the 2023 Reorganization Plan:

	EE&T	M&T	Total
Balance as of December 31, 2022	$ 273	$ 2	$ 275
Accrual and accrual adjustments	542	403	945
Cash payments	(400)	(213)	(613)
Balance as of March 31, 2023	$ 415	$ 192	$ 607

The restructuring liability for severance and termination benefits is reflected in "Employees and payroll accruals" in the condensed consolidated balance sheet as of March 31, 2023.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023 (the "2022 10-K"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A, "Risk Factors" of our 2022 10-K and other factors set forth in Part II, Item 1A, "Risk Factors" and other parts of this Quarterly Report on Form 10-Q.

Overview

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

Our business was founded in 2006.

We generate revenue primarily through the sale of Software-as-a-Service ("SaaS") and Platform-as-a-Service ("PaaS") subscriptions, and additional revenue from term license subscriptions. We also generate revenue through the sale of professional services associated with the implementation of deployments for new and existing customers.

In August 2022, our Board of Directors approved a strategic restructuring program (the "2022 Restructuring Plan") to streamline our operations in order to support our investment in critical growth areas. The 2022 Restructuring Plan included, among other things, a workforce reduction of approximately 10% of our employees. In connection with the 2022 Restructuring Plan, during the year ended December 31, 2022, we recorded expenses of $1,238, all for one-time employee termination benefits. The 2022 Restructuring Plan was substantially completed in 2022. On January 3, 2023, our Board of Directors approved a re-organization plan (the "2023 Reorganization Plan" and together with the 2022 Restructuring Plan, the "Reorganization Plans") that included, among other things, downsizing an additional 11% of our workforce and adapting our organizational structure, roles, and responsibilities accordingly. The total cost reduction from the downsizing in connection with the 2023 Reorganization Plan on an annualized basis is expected to be approximately $16 million. The 2023 Reorganization Plan is focused on realigning our operations to further increase efficiency and productivity, in reaction to the current macro-economic climate. The 2023 Reorganization Plan's main objectives are to position the Company for lower demand, spend, and available budgets across our market segments, align our business strategy in light of these market conditions and support our growth initiatives and return path to profitability. In connection with the 2023 Reorganization Plan, we incurred pre-tax charges of approximately $1 million as of March 31, 2023.

The 2023 Reorganization Plan is expected to be substantially completed in the first half of 2023. See Note 18, Restructuring Activities, for further information.

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

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

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

Reflected below is a summary of reportable segment revenue and reportable segment gross profit for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Revenue		
Enterprise, Education & Technology	$ 31,330	$ 29,727
Media & Telecom	11,943	11,988
Total Revenue	$ 43,273	$ 41,715
Gross Profit		
Enterprise, Education & Technology	22,789	20,766
Media & Telecom	4,497	5,503
Total Gross Profit	$ 27,286	$ 26,269

We employ a "land and expand strategy" with the aim of having our customers increase their usage of our offerings and/or purchase additional offerings over time. Our ability to expand within our existing customer base is reflected by our Net Dollar Retention Rate (as defined below). For the three months ended March 31, 2023 and 2022, our Net Dollar Retention Rate was 102% and 107%, respectively. We grew our Annualized Recurring Revenue (as defined below), by 8% in the three months ended March 31, 2023, compared to the three months ended March 31, 2022, demonstrating our ability to land new customers with higher spending levels and increase revenue from our existing customers.

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

We focus our selling efforts on large organizations and sell our solutions primarily through direct sales teams and account teams. In addition, we are investing in low-touch and self-serve offerings for smaller customers.

Impact of COVID-19/Macroeconomic Events

Prior to the COVID-19 pandemic, the market demand for our solutions was growing at a robust rate, with numerous tailwinds for long-term growth, and that demand accelerated mainly in 2021 as a result of the pandemic. As the effects of the COVID-19 pandemic subsided in 2022 and the worsening economic climate and recession headwinds led to lower demand, we did not see this rapid growth trend continue in 2022 and do not expect it to continue in 2023. Moreover, due to the worsening economic climate we expect to face lower demand, spend, and available budgets across our market segments, and other adverse effects, although we cannot predict nor fully assess the actual impact, length and depth of such downturn. In order to adapt to these changes, we have adopted the Reorganization Plans as elaborated above, that included, among other things, downsizing our workforce and adapting our organizational structure, roles, and responsibilities accordingly. In particular, the 2023 Reorganization Plan is focused on realigning our operations to further increase efficiency and productivity, in reaction to the current macro-economic climate. As market fluctuations have not yet stabilized, it is not possible at this time to estimate the ultimate impact and results of these developments on our business, financial condition and results of operations.

For additional information, see Part I, Item 1A. “Risk Factors - Risks Related to Our Business and Industry—We may not be able to successfully assess or mitigate the worsening economic climate and its direct and indirect impact on our business and operations, including our customers and vendors, or to correctly predict the duration and depth of the current instability of the global economy and take the right or sufficient measures to address it, and as a result our business, financial condition, results of operations and prospects would be adversely affected” and “Risk Factors—Risks Related to Our Business and Industry—The COVID-19 pandemic could adversely affect our business, financial condition and results of operations” in our 2022 10-K.

Key Factors Affecting Our Performance

Expansion of our Platform

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

Acquiring New Customers

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

Increasing Revenue from Existing Customers

We are focused on increasing sales within our existing customer base through increased usage of our platform and the cross-selling of additional products and solutions. For the three months ended March 31, 2023, our Net Dollar Retention Rate was 102%. In order for us to increase revenue within our customer base, we will need to maintain engineering-level customer support and continue to introduce new products and features as well as innovative new use cases that are tailored to our customers' needs.

Continued Investment in Growth

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

Key Financial and Operating Metrics

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

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Annualized Recurring Revenue	$ 159,582	$ 147,705
Net Dollar Retention Rate	102 %	107 %
Remaining Performance Obligations	$ 167,425	$ 171,223

Annualized Recurring Revenue

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

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

Net Dollar Retention Rate

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

Remaining Performance Obligations

Remaining Performance Obligations represents the amount of contracted future revenue that has not yet been delivered, including both subscription and professional services revenues. Remaining Performance Obligations consists of both deferred revenue and contracted non-cancelable amounts that will be invoiced and recognized in future periods. As of March 31, 2023, our Remaining Performance Obligations was $167.4 million, which consists of both billed consideration in the amount of $51.5 million and unbilled consideration in the amount of $115.9 million that we expect to invoice and recognize in future periods. We expect to recognize 58% of our Remaining Performance Obligations as revenue over the next 12 months and the remainder thereafter, in each case, in accordance with our revenue recognition policy.

Non-GAAP Financial Measures

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

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

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

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

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

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

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

	Three Months Ended March 31,	
	2023	**2022**
	(in thousands)	
Net loss	$ (12,795)	$ (16,926)
Financial expenses (income), net [(a)]	(1,785)	182
Provision for income taxes	2,620	2,086
Depreciation and amortization	1,009	615
EBITDA	(10,951)	(14,043)
Non-cash stock-based compensation expense	7,159	5,684
Facility exit and transition costs [(b)]	154	—
Restructuring [(c)]	945	—
Adjusted EBITDA	$ (2,693)	$ (8,359)

(a) The three months ended March 31, 2023 and 2022, include $803 and $498, respectively, of interest expenses.

(b) Facility exit and transition costs for the three months ended March 31, 2023 include losses from sale of fixed assets and other costs associated with moving to our temporary office in Israel.

(c) The three months ended March 31, 2023, include one-time employee termination benefits incurred in connection with the 2023 Reorganization Plan.

Components of Our Results of Operations

Revenue

Subscriptions

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

Professional Services

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

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

Cost of Revenue

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

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

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

Cost of revenue increased in absolute dollars from the three months ended March 31, 2022 to the three months ended March 31, 2023. For the three months ended March 31, 2022 and 2023, our cost of revenue was $15,446, and $15,987, respectively.

Gross Margins

Gross margins have been and will continue to be affected by a variety of factors, including the average sales price of our products and services, volume growth, the mix of revenue between SaaS and PaaS subscriptions, software licenses, maintenance and support and professional services, onboarding of new media and telecom customers, hosting of major virtual events and changes in cloud infrastructure and personnel costs. In particular, the gross margins in our M&T segment have been negatively impacted due to the resources required for implementation of our TV Solution and Media Services for TV experiences, which generally exceed those of our other offerings, resulting in a longer period from initial booking to go-live and a higher proportion of professional services revenue as a percentage of overall revenue. Additionally, a higher proportion of revenue comes from customers who choose to license our offerings through private cloud and on-premise deployments, which also impacts our gross margin. In the long-term, we expect the margins for this segment to improve due to the following: expected increase in the ratio of subscription revenue to professional services with scale, improved efficiencies of both production and professional services costs, and an increase in the proportion of revenues from media customers, which generally entail simpler deployments compared to telecom customers. However, in the near and medium term, our gross margins in our M&T segment will vary from period to period based on the onboarding of new customers, as well as the timing and aggregate usage of our solutions by such customers.

For the three months ended March 31, 2023 and 2022, our gross margins were 63% (72% for subscriptions and (67)% for professional services) and 63% (74% for subscriptions and (23)% for professional services), respectively.

For our EE&T segment, gross margins for the three months ended March 31, 2023 and 2022 were 73% (78% for subscriptions and (40)% for professional services) and 70% (78% for subscriptions and (35)% for professional services), respectively.

For our M&T segment, gross margins for the three months ended March 31, 2023 and 2022 were 38% (56% for subscriptions and (95)% for professional services) and 46% (62% for subscriptions and (13)% for professional services), respectively.

Research and Development

Our research and development expenses consist primarily of costs incurred for personnel-related expenses for our technical staff, including salaries and other direct personnel-related costs. Additional expenses include consulting and professional fees for third-party development resources and software subscriptions. We expect our research and development expenses to decrease in both absolute dollars and as a percentage of revenue for the near and medium-term, as we implement our Reorganization Plans, improving efficiency and productivity while further dedicating substantial resources to develop, improve, and expand the functionality of our solutions. Subsequent costs incurred for the development of future upgrades and enhancements, which are expected to result in additional functionality, may qualify for capitalization under internal-use software and therefore may cause research and development expenses to fluctuate.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of personnel related costs for our sales and marketing functions, including salaries and other direct personnel-related costs. Additional expenses include marketing program costs and amortization of acquired customer relationships intangible assets. We expect our sales and marketing expenses to decrease both on an absolute dollar basis and as a percentage of revenue for the near and medium-term, as we implement our Reorganization Plans, improving efficiency and productivity while we continue our focused investment to support our growth.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel-related costs for our executive, finance, human resources, information technology, and legal functions, including salaries and other direct personnel-related costs. We expect our general and administrative expenses to be relatively stable both on an absolute dollar basis and as a percentage of revenue for the near and medium-term, as a combined result of implementation of our Reorganization Plans and focused investment to support our growth.

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

Financial Expenses (Income), Net

Financial expenses (income), net consists of interest expense accrued or paid on our indebtedness and the change in the fair value of warrants to purchase our preferred and common stock in the comparative period, net of interest income earned on our cash balances and marketable securities. Financial expenses, net also includes foreign exchange gains and losses and bank fees. We expect interest expenses to vary each reporting period depending on the amount of outstanding indebtedness and prevailing interest rates.

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

Provision for Income Taxes

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

Results of Operations

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

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Revenue:				
Enterprise, Education & Technology	$ 31,330	$ 29,727	$ 1,603	5 %
Media & Telecom	11,943	11,988	(45)	0 %
Total revenue	43,273	41,715	1,558	4 %
Cost of revenue	15,987	15,446	541	4 %
Total gross profit	27,286	26,269	1,017	4 %
Operating expenses:				
Research and development expenses	14,130	14,873	(743)	(5)%
Sales and marketing expenses	12,071	14,616	(2,545)	(17)%
General and administrative expenses	12,100	11,438	662	6 %
Restructuring	945	—	945	
Total operating expenses	39,246	40,927	(1,681)	(4)%
Loss from operations	11,960	14,658	(2,698)	(18)%
Financial expenses (income), net	(1,785)	182	(1,967)	(1081)%
Loss before provision for income taxes	10,175	14,840	(4,665)	(31)%
Provision for income taxes	2,620	2,086	534	26 %
Net loss	$ 12,795	$ 16,926	$ (4,131)	(24)%

Segments

We manage and report operating results through two reportable segments:

- **Enterprise, Education & Technology** (72% and 71% of revenue for the three months ended March 31, 2023 and 2022, respectively): Our EE&T segment represents revenues from all of our products, industry solutions for education customers, and Media Services (except for M&T customers), as well as associated professional services for those offerings.

- **Media & Telecom** (28% and 29% of revenue for the three months ended March 31, 2023 and 2022, respectively): Our M&T segment primarily represents revenues from our TV Solution and Media Services sold to media and telecom customers.

Comparison of the three months ended March 31, 2023 and 2022

Enterprise, Education & Technology

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

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Enterprise, Education & Technology revenue:				
Subscription revenue	$ 29,874	$ 27,602	$ 2,272	8 %
Professional services revenue	1,456	2,125	(669)	(31)%
Total Enterprise, Education & Technology revenue	$ 31,330	$ 29,727	$ 1,603	5 %
Enterprise, Education & Technology gross profit:				
Subscription gross profit	$ 23,373	$ 21,520	$ 1,853	9 %
Professional services gross loss	(584)	(754)	170	(23)%
Total Enterprise, Education & Technology gross profit	$ 22,789	$ 20,766	$ 2,023	10 %

Enterprise, Education & Technology Revenue

Total EE&T revenue increased by $1.6 million, or 5%, to $31.3 million for the three months ended March 31, 2023, from $29.7 million for the three months ended March 31, 2022. This increase was due to a $2.2 million increase in revenue from new customers, partially offset by a $0.6 million decrease in revenue from existing customers.

EE&T subscription revenue increased by $2.3 million, or 8%, to $29.9 million for the three months ended March 31, 2023, from $27.6 million for the three months ended March 31, 2022.

EE&T professional services revenue decreased by $0.7 million, or 31%, to $1.5 million for the three months ended March 31, 2023, from $2.1 million for the three months ended March 31, 2022. The decrease was mainly due to fewer large-scale virtual events of the type that typically require substantial professional services as well as the impact of our shift towards a low-touch products/platform that require fewer professional services.

Enterprise, Education & Technology Gross Profit

Total EE&T gross profit increased by $2.0 million, or 10%, to $22.8 million for the three months ended March 31, 2023, from $20.8 million for the three months ended March 31, 2022. This increase was mainly due to a $1.6 million increase in revenue, and a 3 percentage point increase in gross margin to 73% for the three months ended March 31, 2023 from 70% for the three months ended March 31, 2022. The increase in gross margin was attributable primarily to an increased proportion of subscription revenue of total EE&T revenue and a decrease in cloud-related costs driven by higher efficiency in our cloud infrastructure.

EE&T subscription gross profit increased by $1.9 million, or 9%, to $23.4 million for the three months ended March 31, 2023, from $21.5 million for the three months ended March 31, 2022.

EE&T professional services gross loss decreased by $0.2 million, or 23%, to a gross loss of $0.6 million for the three months ended March 31, 2023, from a gross loss of $0.8 million for the three months ended March 31, 2022.

Media & Telecom

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

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Media & Telecom revenue:				
Subscription revenue	$ 10,518	$ 9,415	$ 1,103	12 %
Professional services revenue	1,425	2,573	(1,148)	(45)%
Total Media & Telecom revenue	$ 11,943	$ 11,988	$ (45)	0 %
Media & Telecom gross profit:				
Subscription gross profit	$ 5,852	$ 5,846	$ 6	0 %
Professional services gross loss	(1,355)	(343)	(1,012)	295 %
Total Media & Telecom gross profit	$ 4,497	$ 5,503	$ (1,006)	(18)%

Media & Telecom Revenue

M&T subscription revenue increased by $1.1 million, or 12%, to $10.5 million for the three months ended March 31, 2023, from $9.4 million for the three months ended March 31, 2022. The increase in subscription revenue was mainly derived from ramp-up of new customers and organic growth from existing customers.

M&T professional services revenue decreased by $1.1 million, or 45%, to $1.4 million for the three months ended March 31, 2023, from $2.6 million for the three months ended March 31, 2022.

Media & Telecom Gross Profit

Total M&T gross profit decreased by $1.0 million, or 18%, to $4.5 million for the three months ended March 31, 2023, from $5.5 million for the three months ended March 31, 2022. This decrease was mainly due to an 8 percentage point decrease in gross margin to 38% for the three months ended March 31, 2023 from 46% for the three months ended March 31, 2022. The decrease in gross margin was attributable primarily to inception of depreciation of an internal-use software asset and the increase in production cost as a percentage of subscription revenue.

M&T professional services gross loss increased by $1.0 million, or 295%, to $1.4 million for the three months ended March 31, 2023, from $0.3 million for the three months ended March 31, 2022 mainly due to lower revenue.

Operating Expenses

Research and Development expenses

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 10,152	$ 11,391	$ (1,239)	(11)%
Subcontractors and consultants	1,551	1,270	281	22 %
IT related	1,715	1,482	233	16 %
Other	712	730	(18)	(2)%
Total research and development expenses	$ 14,130	$ 14,873	$ (743)	(5)%

Research and development expenses decreased by $0.7 million, or 5%, to $14.1 million for the three months ended March 31, 2023, from $14.9 million for the three months ended March 31, 2022. The decrease was primarily due to a $1.2 million decrease in compensation expenses, which mainly related to lower headcount as a result of our Reorganization Plans, partially offset by a $0.2 million increase in IT related expenses and $0.3 million increase in subcontractors and consultants expenses.

Sales and Marketing expenses

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation & commission	$ 10,134	$ 12,061	$ (1,927)	(16)%
Marketing expenses	625	1,294	(669)	(52)%
Travel and entertainment	381	189	192	102 %
Other	931	1,072	(141)	(13)%
Total sales and marketing expenses	$ 12,071	$ 14,616	$ (2,545)	(17)%

Sales and marketing expenses decreased by $2.5 million, or 17%, to $12.1 million for the three months ended March 31, 2023, from $14.6 million for the three months ended March 31, 2022. The decrease was primarily due to a $1.9 million decrease in compensation related to lower headcount as result of our Reorganization Plans and a $0.7 million decrease related to marketing expenses due to cost reduction measures, partially offset by a $0.1 million increase in amortization of deferred commission expenses driven by higher accumulated bookings.

General and Administrative expenses

	Three Months Ended March 31,		Period-over-Period Change	
	2023	2022	Dollar	Percentage
	(in thousands, except percentages)			
Employee compensation	$ 9,038	$ 8,083	$ 955	12 %
Professional fees and insurance	1,110	1,638	(528)	(32)%
Subcontractors and consultants	365	280	85	30 %
Travel and entertainment	153	65	88	135 %
Other	1,434	1,372	62	5 %
Total general and administrative expenses	$ 12,100	$ 11,438	$ 662	6 %

General and administrative expenses increased by $0.7 million, or 6%, to $12.1 million for the three months ended March 31, 2023, from $11.4 million for the three months ended March 31, 2022. The increase was primarily due to $1.0 million in increased stock-based compensation expenses mainly as result of new grants to our executives, partially offset by a $0.5 million decrease in professional fees and insurance mainly as a result of lower insurance costs.

Restructuring

Restructuring expenses were $0.9 million for the three months ended March 31, 2023, due to the 2023 Reorganization Plan and consisted of employee severance and related costs.

See Note 18 to our condensed consolidated financial statements for additional details regarding the 2023 Reorganization Plan.

Financial Expenses (Income), net

Financial expenses (income), net decreased by $2.0 million, or 1081%, to $1.8 million income for the three months ended March 31, 2023, from $0.2 million expense for the three months ended March 31, 2022. The decrease was primarily due to a $1.7 million decrease related to exchange rate differences.

Provision for Income Taxes

Provision for income taxes increased by $0.5 million, or 26%, to $2.6 million for the three months ended March 31, 2023, from $2.1 million for the three months ended March 31, 2022, primarily due to increased tax liability related to income generated by our subsidiaries organized under the laws of Israel and the United Kingdom.

Liquidity and Capital Resources

Overview

Since our inception, we have financed our operations primarily through net cash provided by operating activities, equity issuances, and borrowings under our long-term debt arrangements. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. Our principal sources of liquidity are expected to be our cash on hand and borrowings available under our Revolving Credit Facility (as defined herein). During December 2021, we repaid in full the outstanding principal balance under our Revolving Credit Facility. Therefore, as of March 31, 2023, we had no balance outstanding under the Revolving Credit Facility and the total revolving commitment of $35.0 million is available for future borrowings.

We believe that our net cash provided by operating activities, cash on hand, and availability under our Revolving Credit Facility will be adequate to meet our operating, investing, and financing needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue growth, the timing and extent of investments to support such growth, the expansion of sales and marketing activities, increases in general and administrative costs and many other factors as described under Part I, Item 1A. “Risk Factors” of our 2022 10-K, Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q and “—Key Factors Affecting Our Performance.” In addition, our cash and cash equivalents are maintained at financial institutions in amounts that exceed federally insured limits. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all.

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

Credit Facilities

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

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

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

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

The Term Loan Facility is payable in consecutive quarterly installments on the last day of each fiscal quarter in an amount equal to (x) $250,000 for installments payable on April 1, 2021 through December 31, 2021, (y) $750,000 for installments payable on March 31, 2022 through December 31, 2022, and (z) $1.5 million for installments payable on and after March 31, 2023. The remaining unpaid balance on the Term Loan Facility is due and payable on January 14, 2024, together with accrued and unpaid interest on the principal amount to be paid to, but excluding, the payment date. Borrowings under the Revolving Credit Facility do not amortize and are due and payable on January 14, 2024.

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

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

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

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

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

In December 2021, we repaid in full the outstanding principal balance under our Revolving Credit Facility. As of March 31, 2023, we had no balance outstanding under the Revolving Credit Facility and the total revolving commitment of $35.0 million remains available for future borrowings. As of March 31, 2023, we had approximately $34.4 million of borrowings outstanding under the Term Loan Facility.

Cash Flows

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

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (7,432)	$ (19,590)
Net cash provided by (used in) investing activities	5,080	(4,062)
Net cash used in financing activities	(922)	(759)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	195	—
Net decrease in cash, cash equivalents, and restricted cash	(3,079)	(24,411)
Cash, cash equivalents, and restricted cash at beginning of period	45,833	144,371
Cash, cash equivalents and restricted cash at end of period	$ 42,754	$ 119,960

Operating Activities

Net cash flows used in operating activities decreased by $12.2 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Net cash used in operating activities of $7.4 million for three months ended March 31, 2023, was primarily due to $12.8 million incremental net loss, adjusted for non-cash charges of $10.9 million, and net cash outflows of $5.4 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of $1.0 million, stock-based compensation expenses of $7.2 million, amortization of deferred contract acquisitions and fulfillment costs of $3.0 million partially offset by non-cash interest income, net of $0.2 million. The main drivers of net cash outflows were derived from the changes in operating assets and liabilities and were related to a decrease in deferred revenue of $9.6 million, increase in deferred contract acquisition and fulfillment cost of $1.6 million, decrease in trade payables of $1.5 million, an aggregate decrease in employees accruals, and accrued expenses and other liabilities of $2.4 million, an increase of $0.8 million in prepaid expenses and other current assets and other assets, noncurrent and net change in operating lease right of use assets and lease liabilities of $0.4 million, partially offset by a decrease in trade receivables of $10.6 million.

Net cash used in operating activities of $19.6 million for the three months ended March 31, 2022, was primarily due to $16.9 million incremental net loss, adjusted for non-cash charges of $8.8 million, and net cash outflows of $11.4 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of $0.6 million, stock-based compensation expenses of $5.7 million and amortization of deferred contract acquisitions and fulfillment costs of $2.4 million. The main drivers of net cash outflows were derived from the changes in operating assets and liabilities and were related to a decrease in deferred revenue of $3.1 million, increase of trade receivables of $2.3 million, increase of deferred contract acquisition and fulfillment cost of $1.7 million, decrease in trade payables of $1.5 million, an aggregate decrease in employees accruals and accrued expenses and other liabilities of $2.3 million and an increase of $0.6 million in prepaid expenses and other current assets and other assets, noncurrent.

Investing Activities

Net cash flows provided by investing activities increased by $9.1 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Net cash provided by investing activities of $5.1 million for the three months ended March 31, 2023 was related to proceeds from maturities of marketable securities of $9.2 million, offset by purchases of marketable securities of $2.9 million, $0.4 million of capitalized internal use software and $0.9 million of capital expenditures.

Net cash used in investing activities of $4.1 million for the three months ended March 31, 2022 was related to $1.8 million of capitalized internal use software, investment in short-term deposit of $1.9 million and $0.4 million of capital expenditures.

Financing Activities

Net cash flows used in financing activities increased by $0.2 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Net cash used in financing activities of $0.9 million for the three months ended March 31, 2023 was primarily due to repayment of long-term loans of $1.5 million, offset by $0.6 million due to proceeds from the exercise of stock options.

Net cash used in financing activities of $0.8 million for the three months ended March 31, 2022, was primarily due to repayment of long-term loans of $0.8 million, repayment of finance lease liabilities of $0.1 million, and payment of debt issuance costs of $0.1 million, offset by $0.2 million due to proceeds from the exercise of stock options.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases, purchase obligations with third-party providers for the use of cloud hosting and other services and outstanding debt. There were no material changes to our commitments and contractual obligations during the three months ended March 31, 2023 from the commitments and contractual obligations disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our 2022 10-K. For further information on our commitments and contractual obligations, refer to Note 7, Note 8 and Note 14 of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Critical Accounting Policies and Estimates

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

Our critical accounting policies and estimates were disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our 2022 10-K. There have been no significant changes to these policies and estimates during the three months ended March 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign Currency and Exchange Risk

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

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

A hypothetical 10% change in foreign currency exchange rates applicable to our business would have had an impact on our results for the three months ended March 31, 2023, of $0.9 million due to NIS (after considering cash-flow hedges) and $1.2 million due to Euros.

Interest Rate Risk

As of March 31, 2023, we had outstanding floating rate debt obligations of $34.4 million (consisting of the outstanding principal balance under our credit facilities). Accordingly, fluctuations in market interest rates may increase or decrease our interest expense which will, in turn, increase or decrease our net income and cash flow. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities. At this time, we do not use derivative instruments to mitigate our interest rate risk. A hypothetical 10% change in interest rates during the periods presented would not have a material impact on our results for the three months ended March 31, 2023.

Impact of Inflation

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

Item 4. Controls and Procedures.

Limitations on effectiveness of controls and procedures

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

Evaluation of disclosure controls and procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

Item 1A. Risk Factors.

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, "Risk Factors" of our 2022 10-K. Except as set forth below, there have been no material changes from the risk factors previously disclosed in our 2022 10-K.

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

Historically, we have funded our operations and capital expenditures primarily through net cash provided by operating activities, equity issuances and borrowings under our long-term debt arrangements. Although we currently anticipate that our net cash provided by operating activities, cash on hand and availability under our Revolving Credit Facility will be adequate to meet our operating, investing, and financing needs for at least the next twelve months, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. Moreover, due to the worsening economic climate and increased inflation and interest rates, the net cash derived from our operations may be reduced while the availability of new financing may be limited, costly or unavailable. If we raise additional funds through the issuance of equity or equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our common stock, and our stockholders may experience dilution.

We maintain the majority of our cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and our deposits at these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our platform, products, or solutions;
- continue to expand our research and development and sales and marketing organizations;
- acquire complementary technologies, products, or businesses;
- expand operations in the United States or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to have sufficient capital to do any of these things could adversely affect our business, financial condition and results of operations, and our ability to execute our growth strategy.

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

We have offices near Tel Aviv, Israel where our primary research and development, human resources, and certain other finance and administrative activities are based. In addition, a number of our officers and directors, as well as our co-founders, are residents of Israel. As of March 31, 2023, we had 339 full-time employees in Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly affect our business and operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries, as well as terrorist acts committed within Israel by hostile elements. In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Some of these hostilities were accompanied by missiles being fired against civilian targets in various parts of Israel, including areas in which our employees, and some of our consultants are located, and negatively affected business conditions in Israel. Any hostilities, armed conflicts, terrorist activities involving Israel or the interruption or curtailment of trade between Israel and its trading partners, or any political instability in the region could adversely affect business conditions and our results of operations and could make it more difficult for us to raise capital. Specifically, our operations could be disrupted by the obligations of our personnel to perform military service. Many of our employees based in Israel may be called upon to perform military reserve duty and, in emergency circumstances, may be called to immediate and unlimited active duty. If this were to occur, our operations could be disrupted by the absence of a significant number of employees, which could materially adversely affect our business and results of operations. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements.

Continued hostilities between Israel and its neighbors and any future armed conflict, terrorist activity or political instability in the region could adversely affect our operations in Israel and adversely affect the market price of our common stock. An escalation of tensions or violence might result in a significant downturn in the economic or financial condition of Israel, which could have a material adverse effect on our operations in Israel and our business.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could adversely affect our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition, or the expansion of our business. A campaign of boycotts, divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

The Israeli government is currently pursuing extensive changes to Israel's judicial system. In response to the foregoing developments, individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets, and other changes in macroeconomic conditions. To the extent that any of these negative developments do occur, they may have an adverse effect on our business, our results of operations and our ability to raise additional funds, if deemed necessary by our management and board of directors.

We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously and adversely affect our business, financial condition, and results of operations. Although we have entered into employment offer letters with our key personnel, their employment is for no specific duration and constitutes at-will employment. We are also substantially dependent on the continued service of our existing engineering personnel because of the complexity of our products.

Our future performance also depends on the continued services and continuing contributions of our senior management team, which includes Ron Yekutiel, our co-founder and Chief Executive Officer, to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of our senior management team, particularly our Chief Executive Officer, could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and results of operations.

Additionally, the industry in which we operate is generally characterized by significant competition for skilled personnel, as well as high employee attrition. There is a shortage in personnel with the relevant know-how and experience for the development of our Video Products and Media Services, particularly for DevOps, engineering, research and development, sales, and support positions, and we may not be successful in attracting, integrating, and retaining qualified personnel to fulfill our current and future needs. While there has been intense competition for qualified human resources in the Israeli high-tech industry historically, the industry experienced record growth and activity in recent years, both at the earlier stages of venture capital and growth equity financings, and at the exit stage of initial public offerings and mergers and acquisitions. This flurry of growth and activity has caused a sharp increase in job openings in both Israeli high-tech companies and Israeli research and development centers of foreign companies, and intensification of competition between these employers to attract qualified employees in Israel. As a result, the high-tech industry in Israel has experienced levels of employee attrition and is currently facing shortage of skilled human capital, including engineering, research and development, sales and customer support personnel. Many of the companies against which we compete for personnel have greater financial resources, scale and branding than we do, and it may be more difficult for us to attract and retain qualified personnel predominately in Israel, where most of our research and development positions are located, and in New York, where our headquarters is located. These competitors may also actively seek to hire our existing personnel away from us, even if such employee has entered into a non-compete agreement. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work. For example, Israeli labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the protection of a company's confidential information or other intellectual property, taking into account, among other things, the employee's tenure, position, and the degree to which the non-compete undertaking limits the employee's freedom of occupation. We may not be able to make such a demonstration. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or that they have divulged their former employers' proprietary or other confidential information or incorporated such information into our products, which could include claims that such former employers therefore own or otherwise have rights to their inventions or other work product developed while employed by us.

In addition, in making employment decisions, particularly in the internet and high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly reduced in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us and could lead to employee attrition. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business, financial condition, results of operations and growth prospects could be adversely affected.

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

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

None.

Use of Proceeds

On July 23, 2021, we completed our IPO, in which we issued and sold 15,000,000 shares of our common stock at a price to the public of $10.00 per share. On August 6, 2021, we issued and sold an additional 2,250,000 shares of our common stock at a price of $10.00 per share in connection with the underwriters' exercise in full of their option to purchase additional shares of our common stock. All shares sold were registered pursuant to a registration statement on Form S-1 (File No. 333- 253699), as amended (the "Registration Statement"), declared effective by the SEC on July 20, 2021. Other than as reported in Part I, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in our 2022 10-K, there has been no material change in the expected use of the net proceeds from our IPO as described in the Registration Statement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

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

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of Kaltura, Inc.	8-K	001-40644	3.1	07/23/2021	
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of Kaltura, Inc.	8-K	001-40644	3.2	08/08/2022	
3.3	Amended and Restated Bylaws of Kaltura, Inc.	8-K	001-40644	3.2	07/23/2021	
4.1	Specimen Common Stock Certificate of Kaltura, Inc.	S-1/A	333-253699	4.1	03/23/2021	
4.2	Rights Agreement, dated as of August 7, 2022, between Kaltura, Inc. and American Stock Transfer & Trust Company, LLC	8-K	001-40644	4.1	08/08/2022	
4.3	Sixth Amended and Restated Investor Rights Agreement, dated as of July 22, 2016, by and among Kaltura, Inc. and each of the investors listed on Exhibit A thereto, as amended	S-1/A	333-253699	4.2	3/23/2021	
10.1#	Amendment to Employment Agreement, dated as of February 23, 2023, by and between Kaltura Ltd and Ron Yekutiel	10-K	001-40644	10.17	02/24/2023	

10.2#	Amendment to Consulting Agreement, dated as of February 23, 2023, by and between Kaltura Inc and Ron Yekutiel	10-K	001-40644	10.18	02/24/2023	
10.3#	Amendment to Consulting Agreement, dated as of February 23, 2023, by and between Kaltura Europe Limited and Ron Yekutiel	10-K	001-40644	10.19	02/24/2023	
10.4#	Amendment to Employment Agreement, dated as of February 23, 2023, by and between Kaltura Ltd and Yaron Garmazi	10-K	001-40644	10.20	02/24/2023	
10.5#	Amendment to Employment Agreement, dated as of February 23, 2023, by and between Kaltura Ltd and Michal Tsur	10-K	001-40644	10.21	02/24/2023	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document					*

101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover Page Interactive Data File (as formatted as Inline XBRL and contained in Exhibit 101)	*

* Filed herewith.

** Furnished herewith.

\# The annex has been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant undertakes to furnish a supplemental copy of the annex to the SEC upon request.

SIGNATURES

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

		KALTURA, INC.
Date: May 9, 2023	By:	/s/ Ron Yekutiel
		Ron Yekutiel
		Chairman and Chief Executive Officer
		(Principal Executive Officer)
Date: May 9, 2023	By:	/s/ Yaron Garmazi
		Yaron Garmazi
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Ron Yekutiel, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 9, 2023

By: /s/ Ron Yekutiel

Ron Yekutiel

Chairman and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Yaron Garmazi, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 9, 2023

By: /s/ Yaron Garmazi

Yaron Garmazi

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Kaltura, Inc. (the "Company") for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 9, 2023	By:	/s/ Ron Yekutiel
		Ron Yekutiel
		Chairman and Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Kaltura, Inc. (the “Company”) for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 9, 2023	By:	/s/ Yaron Garmazi
		Yaron Garmazi
		Chief Financial Officer
		(Principal Financial and Accounting Officer)