

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

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40557



INTEGRAL AD SCIENCE HOLDING CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-0731995
(I.R.S. Employer
Identification No.)

95 Morton St., 8th Floor
New York, NY 10014
(Address of principal executive offices)

(646) 278-4871
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	IAS	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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

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

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

Large accelerated filer Accelerated filer
Smaller reporting company Non-accelerated filer

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

On August 12, 2021, the Registrant had 153,913,622 shares of common stock, \$0.001 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

**INTEGRAL AD SCIENCE HOLDING CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(IN THOUSANDS, EXCEPT SHARE AND UNIT DATA)	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,234	\$ 51,734
Restricted cash	75	187
Accounts receivable, net	41,491	45,418
Unbilled receivables	25,246	28,083
Prepaid expenses and other current assets	12,701	4,101
Total current assets	152,747	129,523
Property and equipment, net	1,495	2,243
Internal use software, net	16,918	12,322
Intangible assets, net	218,820	243,348
Goodwill	458,276	458,586
Other long-term assets	4,057	3,557
Total assets	<u>\$852,313</u>	<u>\$ 849,579</u>
LIABILITIES AND MEMBERS'/STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 44,732	\$ 38,789
Due to related party	67	150
Capital leases payable	105	325
Deferred revenue	754	1,144
Total current liabilities	45,658	40,408
Accrued rent	1,913	1,827
Net deferred tax liability	18,808	24,794
Long-term debt	352,095	351,071
Total liabilities	<u>418,474</u>	<u>418,100</u>
Commitments and Contingencies (Note 13)		
Members'/Stockholders' Equity		
Units, \$4.1322314 par value, 0 units authorized at June 30, 2021, 0 units and 134,039,494 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	—	553,717
Preferred Stock, \$0.001 par value, 50,000,000 shares authorized at June 30, 2021; 0 shares issued and outstanding at June 30, 2021 and December 31, 2020	—	—
Common Stock, \$0.001 par value, 500,000,000 shares authorized at June 30, 2021, 134,203,403 shares issued and outstanding at June 30, 2021; 0 shares issued and outstanding at December 31, 2020	134	—
Additional paid-in-capital(1)	430,368	—
Accumulated other comprehensive income	3,337	4,523
Accumulated deficit(1)	—	(126,761)
Total members'/stockholders' equity	433,839	431,479
Total liabilities and members'/stockholders' equity	<u>\$852,313</u>	<u>\$ 849,579</u>

(1) Balances prior to the Company's conversion to a Delaware corporation have been reclassified to additional paid-in capital to give effect to the corporate conversion described in Note 1.

See notes to the unaudited condensed consolidated financial statements.

INTEGRAL AD SCIENCE HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 75,075	\$ 48,320	\$ 142,027	\$ 102,362
Operating expenses:				
Cost of revenue (excluding depreciation and amortization shown below)	12,925	8,756	24,344	17,911
Sales and marketing	27,268	16,754	43,813	35,124
Technology and development	20,176	12,726	32,944	25,062
General and administrative	33,044	7,946	41,592	15,586
Depreciation and amortization	14,603	16,413	28,998	32,751
Total operating expenses	108,016	62,595	171,691	126,434
Operating loss	(32,941)	(14,275)	(29,664)	(24,072)
Interest expense, net	(5,167)	(7,695)	(12,126)	(15,953)
Net loss before benefit from income taxes	(38,108)	(21,970)	(41,790)	(40,025)
Benefit from income taxes	3,045	5,519	3,958	9,130
Net loss	\$ (35,063)	\$ (16,451)	\$ (37,832)	\$ (30,895)
Net loss per share – basic and diluted (1):	\$ (0.26)	\$ (0.12)	\$ (0.28)	\$ (0.23)
Basic and diluted weighted average shares outstanding	133,981,985	134,050,576	133,996,147	134,051,786
Other comprehensive income (loss):				
Foreign currency translation adjustments	718	1,190	(1,186)	(724)
Total comprehensive loss	\$ (34,345)	\$ (15,261)	\$ (39,018)	\$ (31,619)

(1) Amounts for periods prior to the Company's conversion to a Delaware corporation have been retrospectively adjusted to give effect to the corporate conversion described in Note 1.

See notes to the unaudited condensed consolidated financial statements.

INTEGRAL AD SCIENCE HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS'/ STOCKHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended June 30, 2021

(IN THOUSANDS, EXCEPT UNITS AND SHARES)	<u>Member's Interest</u>		<u>Common Stock</u>		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total members'/ stockholders' equity
	Units ⁽¹⁾	Amount	Shares	Amount				
Balance, April 1, 2021	133,957,034	\$ 553,304	—	\$ —	\$ —	\$ 2,619	\$ (130,322)	\$ 425,601
Option exercises	246,369	1,075	—	—	3,360	—	—	4,435
Stock-based compensation	—	—	—	—	38,148	—	—	38,148
Foreign currency translation adjustment	—	—	—	—	—	718	—	718
Net loss	—	—	—	—	—	—	(35,063)	(35,063)
Conversion to Delaware corporation (Note 1)	(134,203,403)	(554,379)	134,203,403	134	388,860	—	165,385	—
Balance, June 30, 2021	<u>—</u>	<u>\$ —</u>	<u>134,203,403</u>	<u>\$ 134</u>	<u>\$430,368</u>	<u>\$ 3,337</u>	<u>\$ —</u>	<u>\$ 433,839</u>

Six Months Ended June 30, 2021

(IN THOUSANDS, EXCEPT UNITS AND SHARES)	<u>Member's Interest</u>		<u>Common Stock</u>		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total members'/ stockholders' equity
	Units ⁽¹⁾	Amount	Shares	Amount				
Balance, January 1, 2021	134,039,494	\$ 553,717	—	\$ —	\$ —	\$ 4,523	\$ (126,761)	\$ 431,479
Repurchase of units	(99,946)	(413)	—	—	—	—	(791)	(1,204)
Units vested	17,486	—	—	—	—	—	—	—
Option exercises	246,369	1,075	—	—	3,360	—	—	4,435
Stock-based compensation	—	—	—	—	38,148	—	—	38,148
Foreign currency translation adjustment	—	—	—	—	—	(1,186)	—	(1,186)
Net loss	—	—	—	—	—	—	(37,832)	(37,832)
Conversion to Delaware corporation (Note 1)	(134,203,403)	(554,379)	134,203,403	134	388,860	—	165,385	—
Balance, June 30, 2021	<u>—</u>	<u>\$ —</u>	<u>134,203,403</u>	<u>\$ 134</u>	<u>\$430,368</u>	<u>\$ 3,337</u>	<u>\$ —</u>	<u>\$ 433,839</u>

(1) Amounts for periods prior to the Company's conversion to a Delaware corporation have been retrospectively adjusted to give effect to the corporate conversion described in Note 1.

See notes to the unaudited condensed consolidated financial statements.

INTEGRAL AD SCIENCE HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS'/STOCKHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended June 30, 2020

(IN THOUSANDS, EXCEPT UNITS AND SHARES)	Member's Interest		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total members'/ stockholders' equity
	Units ⁽¹⁾	Amount				
Balance, April 1, 2020	134,050,576	\$ 553,778	\$ —	\$ (1,739)	\$ (108,821)	\$ 443,218
Foreign currency translation adjustment	—	—	—	1,190	—	1,190
Net loss	—	—	—	—	(16,451)	(16,451)
Balance, June 30, 2020	134,050,576	\$ 553,778	\$ —	\$ (549)	\$ (125,272)	\$ 427,957

Six Months Ended June 30, 2020

(IN THOUSANDS, EXCEPT UNITS AND SHARES)	Member's Interest		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total members'/ stockholders' equity
	Units ⁽¹⁾	Amount				
Balance, January 1, 2020	134,034,604	\$ 553,862	\$ —	\$ 175	\$ (94,365)	\$ 459,672
Repurchase of units	(20,328)	(84)	—	—	(12)	(96)
Units vested	36,300	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	(724)	—	(724)
Net loss	—	—	—	—	(30,895)	(30,895)
Balance, June 30, 2020	134,050,576	\$ 553,778	\$ —	\$ (549)	\$ (125,272)	\$ 427,957

(1) Amounts for periods prior to the Company's conversion to a Delaware corporation have been retrospectively adjusted to give effect to the corporate conversion described in Note 1.

See notes to the unaudited condensed consolidated financial statements.

INTEGRAL AD SCIENCE HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS)	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (37,832)	\$ (30,895)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	28,998	32,751
Stock-based compensation	41,531	—
Deferred tax provision	(6,582)	—
Amortization of debt issuance costs	683	683
Allowance for doubtful accounts	99	1,170
Non-cash interest expense	395	2,223
Changes in operating assets and liabilities:		
Decrease in accounts receivable	3,718	5,777
Decrease in unbilled receivables	2,769	5,073
Increase in prepaid expenses and other current assets	(2,791)	(590)
Increase in taxes receivable	—	(9,074)
Increase in other long-term assets	(602)	(32)
Increase in accounts payable and accrued expenses	2,852	6,622
Increase (decrease) in due to related party	67	(172)
Increase in accrued rent	128	122
Decrease in deferred revenue	(377)	(420)
Net cash provided by operating activities	<u>33,056</u>	<u>13,238</u>
Cash flows from investing activities:		
Purchase of property and equipment	(318)	(330)
Acquisition and development of internal use software	(7,778)	(6,385)
Net cash used in investing activities	<u>(8,096)</u>	<u>(6,715)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(219)	(976)
Cash paid for share repurchases	(1,204)	(96)
Initial public offering costs paid	(2,767)	—
Exercise of stock options	1,075	—
Net cash used in financing activities	<u>(3,115)</u>	<u>(1,072)</u>
Net increase in cash, cash equivalents and restricted cash	21,845	5,451
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(553)	76
Cash, cash equivalents and restricted cash at beginning of period	54,721	30,370
Cash, cash equivalents, and restricted cash, at end of period	<u>\$ 76,013</u>	<u>\$ 35,897</u>
Supplemental Disclosures:		
Cash paid during the period for:		
Interest	\$ 11,710	\$ 8,909
Taxes	\$ 1,170	\$ 477
Non-cash investing and financing activities:		
Deferred offering costs accrued, not yet paid	\$ 2,956	\$ —
Assets acquired under capital leases	\$ —	\$ 185
Property and equipment acquired included in accounts payable	\$ 127	\$ 113
Conversion of members' equity to additional paid-in capital	\$ 165,385	\$ —

See notes to the unaudited condensed consolidated financial statements.

INTEGRAL AD SCIENCE HOLDING CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

1. Description of business

Integral Ad Science Holding Corp. and its wholly-owned subsidiaries (together, the “Company”), formerly known as Kavacha Topco, LLC, is a global digital advertising verification company. The Company’s mission is to be the global benchmark for trust and transparency in digital media quality for the world’s leading brands, publishers, and platforms. The Company’s cloud-based technology platform provides actionable insights and delivers independent measurement and verification of digital advertising across all devices, channels, and formats, including desktop, mobile, connected TV (“CTV”), social, display, and video. The Company’s proprietary and Media Rating Council (the “MRC”) accredited Quality Impressions™ metric is designed to verify that digital ads are served to a real person rather than a bot, viewable on-screen, and appear in a brand-safe and suitable environment in the correct geography. The Company is an independent, trusted partner for buyers and sellers of digital advertising to increase accountability, transparency, and effectiveness in the market. The Company helps advertisers optimize their ad spend and better measure consumer engagement with campaigns across platforms, while enabling publishers to improve their inventory yield and revenue.

The Company has its operations within the U.S. in New York, California, Illinois, Washington, Texas and Virginia. Operations outside the U.S. include offices in the U.K., Germany, Italy, Spain, Sweden, Singapore, Australia, France, Japan, Canada, Hong Kong, Brazil, and India.

Corporate conversion and initial public offering

On February 23, 2021, the Company amended the certificate of formation of Kavacha Topco, LLC. to change the name of the Company to Integral Ad Science Holding LLC and on June 29, 2021, the Company converted to a Delaware corporation pursuant to a statutory conversion and changed its legal name to Integral Ad Science Holding Corp. All of the outstanding member units were converted into shares of common stock with the same voting rights.

On June 29, 2021, the Company priced an initial public offering (“IPO”) of its common stock, which closed on July 2, 2021. In the IPO, the Company issued and sold 15,000,000 shares of common stock at a price per share of \$18.00. The Company received aggregate proceeds of \$244.0 million from the IPO, net of underwriters’ discounts and commissions, and offering costs. The underwriters were granted a 30-day option to purchase up to an additional 2,250,000 shares of common stock from the Company. On July 28, 2021 the underwriters exercised their option to purchase 1,821,330 shares of common stock and the Company received additional proceeds of \$30.4 million, net of underwriters’ discount and commissions, and offering costs.

2. Basis of presentation and summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Company’s condensed consolidated financial statements. These accounting policies have been consistently applied in the preparation of the condensed consolidated financial statements.

(a) Basis of presentation

The Company’s condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect the financial position, results of operations and cash flows for all periods presented. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

The accompanying interim condensed consolidated balance sheet as of June 30, 2021, the condensed consolidated statements of operations and comprehensive loss, of cash flows and of members’/stockholders’ equity for the three and six months ended June 30, 2021 and 2020, and the related footnote disclosures are unaudited. These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in management’s opinion, include all adjustments necessary to state fairly the consolidated financial position of the Company. All adjustments made were of a normal recurring nature. The results for the three months and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any future period.

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The Company's significant accounting policies are discussed in Note 2 to the consolidated financial statements for the years ended December 31, 2020 and 2019. There have been no significant changes to these policies that have had a material impact on the Company's condensed consolidated financial statements and related notes for the three and six months ended June 30, 2021. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with our final IPO prospectus filed with the Securities and Exchange Commission ("SEC") on July 1, 2021.

(b) Basis of consolidation

The condensed consolidated financial statements include the accounts of Integral Ad Science Holding Corp. and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

(c) Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the allocation of purchase price consideration in the business combination and the related valuation of acquired assets and liabilities, the estimated useful lives of our property and equipment, intangible assets and internal use software, the allowance for doubtful accounts, and goodwill impairment testing; the assumptions used to calculate stock-based compensation; and the realization of deferred tax assets. The Company bases its estimates on past experience, market conditions, and other assumptions that the Company believes are reasonable under the circumstances, and the Company evaluates these estimates on an ongoing basis.

Beginning in the first quarter of 2020, the COVID-19 pandemic has negatively impacted, and may continue to negatively impact, the macroeconomic environment in the United States and globally, as well as the Company's business, financial condition and results of operations. In the quarters subsequent to the second quarter of 2020, the underlying demand for the Company's services has stabilized. Due to the evolving and uncertain nature of COVID-19, it is reasonably possible that it could materially impact the Company's estimates, particularly those noted above that require consideration of forecasted financial information, in the near to medium term. The ultimate impact will depend on numerous evolving factors that the Company may not be able to accurately predict, including the duration of the pandemic, new variants and their effects, vaccination rates, the impact of federal, state, local and foreign governmental actions, consumer behavior in response to the pandemic and other economic and operational conditions the Company may face.

(d) Cash, cash equivalents, and restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows.

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cash and cash equivalents	\$73,234	\$ 51,734
Short term restricted cash	75	187
Long term restricted cash (held in other long-term assets)	<u>2,704</u>	<u>2,800</u>
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	<u>\$76,013</u>	<u>\$ 54,721</u>

(e) Accounts receivable, net

Accounts receivable are carried at the original invoiced amount less an allowance for doubtful accounts. The allowance is estimated based on management's knowledge of its customers' financial condition, credit history, and existing economic conditions. Invoices are typically issued with net 30-days to net 90-days terms. Account balances are considered delinquent if payment is not received by the due date, and the receivables are written off when deemed uncollectible. These costs are recorded in general and administrative expenses.

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The activity in our allowance for doubtful accounts consists of the following as of:

	June 30, 2021	June 30, 2020
Balance, beginning of period	\$ 4,257	5,843
Additional provision	99	1,170
Receivables written off	(558)	(729)
Balance, end of period	\$ 3,798	6,284

(f) Stock-based compensation

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period. The Company accounts for forfeitures as they occur. The Company used the following assumptions in valuing its time-based service options, which vest over a period of time subject to continued employment (“Time-Based Options”) and return target options (“Return-Target Options”), which vest upon a realized cash return of the equity investment of Vista Equity Partners, the Company’s equity sponsor and funds controlled by Vista Equity Partners (together, “Vista”):

Expected term — For time-based awards, the estimated expected term of options granted is generally calculated as the vesting period plus the midpoint of the remaining contractual term, as the Company does not have sufficient historical information to develop reasonable expectations surrounding future exercise patterns and post-vesting employment termination behavior. For awards subject to market and performance conditions, the expected term represents the period of time that the options granted are expected to be outstanding.

Expected volatility — Since the Company does not have substantive trading history of its common stock, volatility is estimated based upon observed option-implied volatilities for a group of peer companies. The Company believes this is the best estimate of the expected volatility over the weighted-average expected term of its option grants.

Risk-free interest rate — The risk-free interest rate is based on the implied yield currently available on U.S. Treasury instruments with terms approximately equal to the expected term of the option.

Expected dividend — The expected dividend assumption was based on the Company’s history and expectation of dividend payouts. The Company currently has no history or expectation of paying cash dividends on its units.

Fair value — Prior to the IPO, because there was no public market for the Company’s common stock/units, the board of directors determined the best estimate of the fair value of the Company’s option grants, based on reasonable judgment and numerous objective and subjective factors, including independent third-party valuations of the Company’s common stock/units, operating and financial performance, and general and industry-specific economic outlook, amongst other factors. Following the pricing of the IPO, the Company’s shares are traded in the public market, and accordingly the Company uses the applicable closing price of its common stock to determine fair value.

The Company used the following assumptions in valuing its stock-based compensation:

	June 30, 2021	June 30, 2020 ⁽¹⁾
Estimated fair value	\$7.77 –13.93	\$2.29
Expected volatility (%)	65.0 –80.0%	70.0-75.0%
Expected term (in years)	3-10	3.25-6.63
Risk-free interest rate (%)	0.41 –0.98%	0.26-0.55%
Dividend yield	—	—

⁽¹⁾ For issuances prior to the pricing of the IPO, the fair value of the Company’s option grants was estimated at the grant date using the Monte Carlo simulation model and relate to the Return-Target Options only as the Time-Based Options were not within the scope of ASC 718, *Compensation - Stock Compensation* for the three and six months ended June 30, 2020.

(g) Deferred offering costs

Deferred offering costs are capitalized and consist of fees incurred in connection with our IPO and include legal, accounting, printing, and other IPO-related costs. Upon the completion of our IPO, which occurred on July 2, 2021, these deferred costs will be reclassified to members’/stockholders’ equity and recorded against the proceeds from the offering.

Deferred offering costs of \$6,361 are included within prepaid expenses and other current assets as of June 30, 2021. No such costs were incurred as of December 31, 2020.

(h) Recently adopted accounting pronouncements

In January 2017, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU No. 2019-12”) effective January 1, 2021, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. Most amendments within ASU No. 2019-12 are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company early adopted ASU No. 2019-12, which did not have a material impact on the Company’s condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU No. 2018-15”), which requires customers in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. The guidance requires certain costs incurred during the application development stage to be capitalized and other costs incurred during the preliminary project and post-implementation stages to be expensed as they are incurred. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. A customer’s accounting for the hosting component of the arrangement is not affected. The Company adopted this guidance on January 1, 2021 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on the Company’s condensed consolidated financial statements.

(i) Accounting pronouncements not yet adopted

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which intends to address accounting consequences that could result from the global markets’ anticipated transition away from the use of the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. The amendments in this ASU provide operational expedients and exceptions for applying U. S GAAP to contracts, hedging relationships and other transactions to affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. The Company intends to elect to apply certain of the optional expedients when evaluating the impact of reference rate reform on its debt instruments that reference LIBOR.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is intended to provide more decision-useful information about expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including, but not limited to accounts receivable. This guidance will be effective for the Company beginning January 1, 2023, including interim periods within that reporting period. Early adoption is permitted and the update allows for a modified retrospective method of adoption. The Company is currently evaluating the potential effect that adopting this guidance will have on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to put most leases on their balance sheets but to recognize expenses in the income statement in a manner similar to current accounting. The guidance also eliminated the current real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs, and lease executory costs for all entities. The updated guidance will be effective for the Company beginning January 1, 2022, with early adoption permitted. Upon adoption, entities will be required to use the modified retrospective approach for leases that exist, or are entered into, after the beginning of the earliest comparative period in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, which allows entities to not apply the new leases standard, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The Company is currently evaluating the potential effect that adopting this guidance will have on its condensed consolidated financial statements.

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3. Property and equipment, net

Property and equipment consisted of the following:

	Estimated useful life (in years)	June 30, 2021	December 31, 2020
Computer and office equipment	1–3 years	\$ 9,366	\$ 9,167
Computer software	3–5 years	236	236
Leasehold improvements	Various	2,125	2,120
Furniture	5 years	336	317
Total property and equipment		12,063	11,840
Less: accumulated depreciation		(10,568)	(9,597)
Total property and equipment, net		<u>\$ 1,495</u>	<u>\$ 2,243</u>

Depreciation expense of property and equipment for the three months ended June 30, 2021 and 2020 was \$455 and \$816, respectively. Depreciation expense of property and equipment for the six months ended June 30, 2021 and 2020 was \$960 and \$1,669, respectively.

Computer and office equipment under capital leases are as follows:

	June 30, 2021	December 31, 2020
Computer and office equipment	\$ 6,073	\$ 6,073
Less: Accumulated depreciation	(6,002)	(5,782)
Total computer and office equipment under capital leases, net	<u>\$ 71</u>	<u>\$ 291</u>

Depreciation expense related to computer and office equipment under capital leases for the three months ended June 30, 2021 and 2020 was \$85 and \$448, respectively. Depreciation expense related to computer and office equipment under capital leases for the six months ended June 30, 2021 and 2020 was \$221 and \$955, respectively.

4. Internal use software, net

Internal use software consisted of the following:

	Estimated useful life (in years)	June 30, 2021	December 31, 2020
Internal use software	3–5 years	\$ 27,316	\$ 19,124
Less: Accumulated amortization		(10,398)	(6,802)
Total internal use software, net		<u>\$ 16,918</u>	<u>\$ 12,322</u>

Amortization expense for the three months ended June 30, 2021 and 2020 was \$2,134 and \$1,119, respectively. Amortization expense for the six months ended June 30, 2021 and 2020 was \$3,707 and \$2,098, respectively. During the six months ended June 30, 2021, the Company purchased a digital advertising transparency software for \$4,548. This software further expands the Company's Total Visibility offering which provides insight into digital media quality and corresponding supply path costs.

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5. Intangible assets, net

The gross book value, accumulated amortization, net book value and amortization periods of the intangible assets were as follows

	June 30, 2021				Weighted average remaining useful life
	Estimated useful life	Gross book value	Accumulated amortization	Net book value	
Customer relationships	5-15 years	\$ 259,288	\$ (67,295)	\$ 191,993	12.0 Years
Developed technology	4-5 years	115,693	(100,353)	15,340	1.8 Years
Trademarks	9 years	17,500	(6,114)	11,386	6.0 Years
Favorable leases	6 years	198	(97)	101	3.0 Years
Total		<u>\$ 392,679</u>	<u>\$ (173,859)</u>	<u>\$ 218,820</u>	

	December 31, 2020				Weighted average remaining useful life
	Estimated useful life	Gross book value	Accumulated amortization	Net book value	
Customer relationships	5-15 years	\$ 259,329	\$ (55,282)	\$ 204,047	12.5 Years
Developed technology	4-5 years	115,921	(89,219)	26,702	2.1 Years
Trademarks	9 years	17,500	(5,018)	12,482	6.5 Years
Favorable leases	6 years	198	(81)	117	3.5 Years
Total		<u>\$ 392,948</u>	<u>\$ (149,600)</u>	<u>\$ 243,348</u>	

Amortization expense related to intangibles for the three months ended June 30, 2021 and 2020 was \$12,013 and \$14,493, respectively. Amortization expense related to intangibles for the six months ended June 30, 2021 and 2020 was \$24,332 and \$28,972, respectively.

6. Goodwill

The following table provides a roll forward of the changes in the goodwill balance:

Goodwill as of December 31, 2020	\$458,586
Impact of exchange rates	(310)
Goodwill as of June 30, 2021	<u>\$458,276</u>

7. Accounts payable and accrued expenses

Accounts payable and accrued expenses consisted of the following:

	June 30, 2021	December 31, 2020
Accounts payable	\$ 9,806	\$ 8,808
Accrued payroll	6,380	3,482
Accrued professional fees	4,948	2,503
Accrued interest	3,619	4,277
Accrued bonuses and commissions	7,195	11,883
Accrued revenue sharing	4,535	2,503
Taxes payable	4,707	3,019
Other accrued expenses	3,542	2,314
Total accounts payable and accrued expenses	<u>\$44,732</u>	<u>\$ 38,789</u>

8. Long-term debt

Credit Agreement

On July 19, 2018, the Company entered into a credit agreement with various lenders (“Credit Agreement”), providing a term facility in the aggregate principal amount of \$325,000 (“Term Loan”) and the ability to draw additional funds through a revolving facility (“Revolving Loan”) of up to \$25,000. The Term Loan and Revolving Loan have a maturity date of July 19, 2024 and July 19, 2023, respectively.

In addition to interest payable in cash, the Credit Agreement includes Paid in Kind (“PIK”) interest at a rate of 1.25% per annum. All PIK interest due is paid by capitalizing such interest and adding such applicable PIK interest to the principal amount of the outstanding Term Loan. The interest rate for the cash interest under the Credit Agreement may be either the (a) Alternate Base Rate, which is equal to the greatest of the base rate in effect, the Federal Funds Rate in effect on such day plus 0.5% and one month adjusted LIBOR plus 1.0%, plus an applicable margin of 5% or for eurodollar borrowings, the (b) Eurodollar rate, which is the adjusted LIBOR plus an applicable margin of 6%. The Company has elected the Eurodollar rate through 2020. The interest rate as of June 30, 2021 was 6.0%.

On November 19, 2019, the Company entered into an incremental facility assumption amendment (“Incremental Term Loan”) to the Credit Agreement which increased the aggregate principal amount by \$20,000 used to finance the ADmantX S.p.A acquisition, pay fees, costs, and expenses incurred in connection with the agreement, and finance working capital and general corporate purposes. All terms and conditions of the Term Loan remained consistent under the Incremental Term Loan. In connection with the entry into the Credit Agreement, the Company incurred debt issuance costs of \$7,476. In connection with Incremental Term Loan, the Company incurred debt issuance costs of \$473. Debt issuance costs related to the Term Loan and Incremental Term Loan were recorded as a deferred charge and direct offset to long-term debt and are amortized into interest expense over the contractual term of the borrowings using the straight-line method. As no amounts were drawn on the Revolving Loan as of June 30, 2021, the debt issuance costs related to this facility were recorded as a deferred financing asset within prepaid expenses and other current assets and are amortized into interest expense over the contractual term of the borrowings using the straight-line method.

All of the obligations under the Credit Agreement are guaranteed by the Company and its subsidiaries other than certain excluded subsidiaries. The Credit Agreement contains covenants requiring certain financial information to be submitted monthly, quarterly and annually. The Company must maintain a minimum liquidity level, as defined, and comply with a Revenue Leverage Ratio based on the last twelve months (“LTM”) which was required to be 1:50:1.00 or lower for the second quarter of 2021. The benchmark for the Revenue Leverage Ratio decreases through the term of the loan. The Credit Agreement also places restrictions on the incurrence of additional indebtedness, the payment of dividends, sale of assets, and entering into any merger or acquisition. As of June 30, 2021, the Company was in compliance with all covenants contained in the Credit Agreement.

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The carrying amount of the Term Loan is as follows:

	June 30, 2021	December 31, 2020
Term Loan	\$345,000	\$ 345,000
PIK Interest	10,934	10,539
Less: Unamortized debt issuance costs	(3,839)	(4,468)
Total carrying amount of Term Loan	<u>\$352,095</u>	<u>\$ 351,071</u>

Amortization expense related to debt issuance costs for the three months ended June 30, 2021 and 2020 was \$341 and \$341, respectively. Amortization expense related to debt issuance costs for the six months ended June 30, 2021 and 2020 was \$683 and \$683, respectively.

The Company recognized interest expense of \$4,825 and \$6,231 during the three month periods ended June 30, 2021 and 2020, respectively. The Company recognized interest expense of \$11,047 and \$13,052 for the six month period ended June 30, 2021 and 2020, respectively.

Future principal payments of long-term debt as of June 30, 2021, without including additional PIK interest, are as follows:

Year Ending	
2021 (remaining six months)	\$ —
2022	—
2023	—
2024	345,000
	<u>\$345,000</u>

9. Income taxes

At the end of each interim period, the Company estimates the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to significant, unusual, or extraordinary items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which they occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or unrecognized tax benefits is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences, and the likelihood of the realization of deferred tax assets generated in the current year. The accounting estimates used to compute the provision or benefit for income taxes may change as new events occur, more experience is acquired, additional information is obtained or the Company's tax environment changes. To the extent that the expected annual effective income tax rate changes during a quarter, the effect of the change on prior quarters is included in income tax provision in the quarter in which the change occurs.

For the three months ended June 30, 2021 and 2020, the Company recorded an income tax benefit of \$3,045 and \$5,519, respectively, due primarily to pre-tax book losses offset by non-deductible stock-based compensation. The Company's effective tax rate for the period ending June 30, 2021 was 9.5%. The Company's effective tax rate is lower than the statutory rate primarily due to non-deductible stock-based compensation as the Company is now subject to the provisions of IRC 162(m) as a result of becoming a public company on June 30, 2021. For the six months ended June 30, 2021 and 2020, the Company recorded an income tax benefit of \$3,958 and \$9,130, respectively, due primarily to pre-tax book losses. The Company's effective tax rate for the period ending June 30, 2020 was 23.0%.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. The Company is not currently under audit in any taxing jurisdiction. As of June 30, 2021 the Company does not have an accrual relating to uncertain tax positions.

10. Segment data

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 (“CODM”), in deciding how to allocate resources and in assessing performance. The Company’s Chief Executive Officer is the CODM.

The Company manages its operations as a single segment for the purpose of assessing and making operating decisions. The Company’s CODM allocates resources and assesses performance based upon financial information at the consolidated level. Since the Company operates in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

The following table summarizes revenue by geographic area:

	Three Months Ended June 30,		Six Months June Ended 30,	
	2021	2020	2021	2020
North and South America (“Americas”)	\$ 45,444	\$ 29,575	\$ 86,634	\$ 62,548
Europe, Middle East and Africa (“EMEA”)	22,045	13,714	40,962	29,495
Asia and Pacific Rim (“APAC”)	7,586	5,031	14,431	10,319
Total	<u>\$ 75,075</u>	<u>\$ 48,320</u>	<u>\$ 142,027</u>	<u>\$ 102,362</u>

For the three months ended June 30, 2021 and 2020, revenue in the United States was \$41,840 and \$28,035, respectively. For the six months ended June 30, 2021 and 2020, revenue in the United States was \$80,070 and \$59,297, respectively.

The following table summarizes property and equipment, net by geographic area:

	June 30, 2021	December 31, 2020
Property and Equipment, net		
Americas	\$ 1,185	\$ 1,954
EMEA	202	282
APAC	108	7
Total	<u>\$ 1,495</u>	<u>\$ 2,243</u>

11. Stock-based compensation

Integral Ad Science Holding Corp. 2018 Stock Option Plan

On August 1, 2018, the Company adopted the 2018 Non-Qualified Stock Option Plan (“2018 Plan”). Under the 2018 Plan, the Company had issued (i) Time-Based Options that vest over four years with 25% vesting after twelve months and an additional 6.25% vesting at the end of each successive quarter thereafter; and (ii) Return-Target Options that vest upon the first to occur of sale of the Company, or, sale or transfer to any third party of shares, as a result of which, any person or group other than Vista, obtains possession of voting power to elect a majority of the Company’s board of directors or any other governing body and the achievement of a total equity return multiple of 3.0 or greater.

The 2018 Plan contained a provision wherein, the Time-Based Options can be repurchased by the Company at cost upon resignation of the employee. Due to this repurchase feature, the Time-Based Options did not provide the employee with the potential benefits associated with a stock award holder, and therefore, these awards were not accounted for as a stock-based award under ASC 718, *Compensation - Stock Compensation* but instead, compensation cost was recognized when the benefit to the employee was determined to be probable. During the three and six months ended June 30, 2021, the Company recognized stock compensation expense of \$3,360 related to the stock option exercises. The Return-Target Options were considered to contain both market (total stockholder return threshold) and performance (exit event) conditions. As such, the award was measured on the date of grant. Since the conditions for vesting related to the Return-Target Options were not met prior to the IPO, no stock-based compensation was recognized in the pre-IPO financial statements of the Company.

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In connection with the Company's IPO, the 2018 Plan was amended and restated ("Amended and Restated 2018 Plan") with the following modifications: (i) the provision to repurchase the Time-Based Options at cost upon resignation of the employee was removed and (ii) the Return-Target Options were modified to include vesting upon a sale of shares by Vista following the IPO resulting in a cumulative total of cash distributions of \$1.17 billion or greater.

As a result of the modification to the Time-Based Options, the awards became subject to the guidance in ASC 718, *Compensation - Stock Compensation* and the fair value of the awards were determined to be \$74,566. The Company recognized a stock-based compensation expense of \$38,148 in connection with the IPO for the three and six months ended June 30, 2021, based on the options that were vested at the IPO. As the return multiple associated with the Return-Target Options was also modified, the Company fair valued the Return-Target Options using a Monte Carlo simulation model which resulted in a fair value of \$36,156. As the Return-Target Options only vest upon a change of control, stock-based compensation expense associated with the Return-Target Options will be recognized when such event is deemed probable. As of June 30, 2021, such event was not deemed probable and therefore, no stock-based compensation expense was recognized relating to the Return-Target Options.

The total number of Time-Based Options and Return Target Options issued under the Amended and Restated 2018 Plan as of June 30, 2021 were 5,469,534 and 2,734,766 respectively. The Company does not expect to issue any additional awards under the Amended and Restated 2018 Plan.

2021 Omnibus Incentive Plan ("2021 Plan")

On July 1, 2021, the Company filed a registration statement on Form S-8 and adopted the 2021 Plan to incentivize executive officers, management, employees, consultants and directors of the Company and to align the interests of the participants with those of the Company's shareholders. The Company reserved 19,701,877 shares for issuance under the 2021 Plan and the total number of shares reserved for issuance under the 2021 Plan will be increased on January 1 of each of the first 10 calendar years during the term of the 2021 Plan, by the lesser of (i) 5% of the total number of shares of common stock outstanding on each December 31 immediately prior to the date of increase or (ii) such number of shares of common stock determined by our Board or compensation committee.

The Company granted an aggregate of 1,883,486 options to purchase shares of common stock consisting of 2/3rd or 1,255,496 Time-Based Options fair valued at \$14,080 and 1/3rd or 627,990 Return-Target Options fair valued at \$4,878 under the 2021 Plan. The vesting conditions for the options issued under the 2021 Plan were identical to the those described under the Amended and Restated 2018 Plan. Additionally, the Company granted an aggregate of 969,742 restricted stock units ("RSUs") to its employees valued at \$17,455 that vest 25% each year and become fully vested after four years of service.

2021 Employee Stock Purchase Plan ("ESPP")

The Company adopted the ESPP for the primary purpose of incentivizing employees in future periods. Under the ESPP, 1,489,571 shares of the common stock are reserved for issuance, and the number of shares available for issuance will be increased on January 1 of each calendar year beginning in 2022 and ending in and including 2031, by an amount equal to the lesser of (i) 1% of the shares outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by our Board, subject to a maximum of 16,000,000 shares of our common stock for the portion of the ESPP intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. All Company employees and employees of designated subsidiaries are eligible to participate in the ESPP and can purchase shares through payroll deductions of up to 15% of their eligible compensation, subject to a maximum of \$25,000 in any annual period for the portion of the ESPP intended to qualify as an employee purchase plan under Section 423 of the Internal Revenue Code. There are no shares issued under the ESPP plan as of June 30, 2021.

Integral Ad Science Holding Corp. Long-Term Incentive Plan

In 2018, the Company adopted the Long-Term Incentive Plan ("LTIP"). Under the LTIP, certain employees of the Company and its subsidiaries were granted long-term target incentive cash awards which will be payable subject to continued employment, upon the sale of the Company, or, sale to a third party of at least 50% of the Vista's equity interest, provided if such sale of equity interests is through a public offering (whether initial or secondary), it would require the transfer of an aggregate of at least 75% of Vista's equity interest and the achievement of a total equity return multiple of 3.0 or greater.

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The total amount of long-term incentive cash awards as of June 30, 2021 and December 31, 2020 was \$12,235 and \$10,560, respectively. As the multiple is tied to an equity return multiple, any compensation charge associated with these awards is considered equity-based compensation in accordance with U.S. GAAP. Since the liquidity events described above are contingent and generally not considered probable until the event occurs, no stock-based compensation expense has been recognized in the three and six months ended June 30, 2021 and 2020. In July 2021, the Company offered employees with LTIP grants the opportunity to convert the cash award into RSUs. The conversion was at a 10% premium to the current value of the award and will vest 50% each year and become fully vested after two years of service. LTIP grants aggregating \$12,661 were converted into 706,526 RSUs and \$475 in long-term incentive cash awards remains outstanding under the Amended and Restated LTIP.

Stock Option activity for the three months ended June 30, 2021 is as follows:

Time-Based Options

	<u>Stock options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Aggregate intrinsic value</u>
Outstanding at April 1, 2021	6,235,613	\$ 4.98	8.25	—
Granted	1,255,496	18.00	10.00	—
Canceled or forfeited	(519,710)	4.30	—	—
Exercised	(246,369)	4.36	—	—
Outstanding at June 30, 2021	<u>6,725,030</u>	<u>\$ 7.49</u>	<u>9.29</u>	<u>\$ 88,061</u>
Vested and expected to vest at June 30, 2021	6,725,030	\$ 7.49	9.29	—
Exercisable as of June 30, 2021	2,371,227	\$ 4.17	7.62	\$ 38,912

Return-Target Options

	<u>Stock options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Aggregate intrinsic value</u>
Outstanding at April 1, 2021	3,117,795	\$ 4.98	8.25	—
Granted	627,990	18.00	10.00	—
Canceled or forfeited	(383,029)	4.32	—	—
Exercised	—	—	—	—
Outstanding at June 30, 2021	<u>3,362,756</u>	<u>\$ 7.49</u>	<u>9.29</u>	<u>\$ 44,031</u>
Vested and expected to vest at June 30, 2021	3,362,756	\$ 7.49	9.29	—
Exercisable as of June 30, 2021	—	—	—	—

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Stock Option activity for the six months ended June 30, 2021 is as follows:

Time-Based Options

	<u>Stock options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Aggregate intrinsic value</u>
Outstanding at January 1, 2021	6,109,438	\$ 4.83	8.47	—
Granted	1,381,671	17.49	9.96	—
Canceled or forfeited	(519,710)	4.30	—	—
Exercised	(246,369)	4.36	—	—
Outstanding at June 30, 2021	<u>6,725,030</u>	<u>\$ 7.49</u>	<u>9.29</u>	<u>\$ 88,061</u>
Vested and expected to vest at June 30, 2021	6,725,030	\$ 7.49	9.29	—
Exercisable as of June 30, 2021	2,371,227	\$ 4.17	7.62	\$ 38,912

Return-Target Options

	<u>Stock options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Aggregate intrinsic value</u>
Outstanding at January 1, 2021	3,054,708	\$ 4.83	8.47	—
Granted	691,077	17.49	9.96	—
Canceled or forfeited	(383,029)	4.32	—	—
Exercised	—	—	—	—
Outstanding at June 30, 2021	<u>3,362,756</u>	<u>\$ 7.49</u>	<u>9.29</u>	<u>\$ 44,031</u>
Vested and expected to vest at June 30, 2021	3,362,756	\$ 7.49	9.29	—
Exercisable as of June 30, 2021	—	—	—	—

As of June 30, 2021, unamortized stock-based compensation expense related to the Time-Based Options was \$50,498, which will be recognized over the weighted average vesting term of 2.7 years. In addition, unamortized stock-based compensation expense related to the Return-Target Options of \$41,034 will be recognized when events that trigger vesting are deemed probable.

Stock-based compensation expense for all equity arrangements for the three and six months ended June 30, 2021, were as follows:

	Three and Six Months Ended June 30,	
	<u>2021</u>	<u>2020</u>
Sales and marketing	\$ 10,807	—
Technology and development	7,009	—
General and administrative	23,715	—
Total	<u>\$ 41,531</u>	<u>\$ —</u>

12. Members'/ Stockholders' equity

As discussed in Note 1, the Company converted to a Delaware corporation, which created new elements of the capital structure at June 30, 2021, and modified existing elements of the capital structure in place at December 31, 2020.

Common stock

As of June 30, 2021 our authorized common stock consists of 500,000,000 shares of common stock, par value \$0.001 per share and 50,000,000 preferred stock, par value \$0.001 per share.

Members' equity

Prior to the IPO, the Company was an affiliate of Vista, was a single member LLC, and the Company's Board of Directors, through the Kavacha Topco, LLC Amended and Restated Limited Liability Company Agreement (the "Operating Agreement"), had the authority to admit additional members. Under the terms of the Operating Agreement, the members of the Company were not obligated for debt, liabilities, contracts or other obligations of the Company. Profits and losses are allocated to members as defined in the Operating Agreement.

In conjunction with the pricing of the IPO, the Operating Agreement was terminated, and the Company converted from a Delaware domestic limited liability company to a Delaware domestic corporation. All outstanding member units were converted into 134,203,403 shares of common stock of the Company on a proportion of 1 member unit for 242 shares of common stock.

For the three months ended June 30, 2021 and 2020, certain employees exercised their stock options and the Company issued 246,369 and 0 shares of common stock, respectively. Proceeds received from the exercise of stock options aggregated \$1,075 and \$0, for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, the Company repurchased 99,946 and 20,328 shares of common stock, for \$1,204 and \$96, respectively. The repurchases in excess of par value for the six months ended June 30, 2021 and 2020 were \$791 and \$12, respectively. The repurchase of shares has been accounted for as a reduction in members'/shareholders' equity in these condensed consolidated financial statements.

13. Commitments and contingencies

Indemnifications

In its normal course of business, the Company has made certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. Those indemnities include intellectual property indemnities to the Company's customers, indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware, and indemnifications related to the Company's lease agreements. In addition, the Company's advertiser and distribution partner agreements contain certain indemnification provisions which are generally consistent with those prevalent in the Company's industry. The Company has not incurred any obligations under indemnification provisions historically and does not expect to incur significant obligations in the future. Accordingly, the Company has not recorded any liability for these indemnities, commitments, and guarantees in the accompanying balance sheets.

Operating leases

The Company leases office space under operating leases, which expire on various dates through May 2026. Certain leases relating to office space include scheduled annual rent increases. Rent expense under operating leases is recognized on a straight-line basis over the lease terms. The excess of expense over payments is recorded as accrued rent on the condensed consolidated balance sheets.

Operating lease expense for office space for the three months ending June 30, 2021 and 2020 was \$1,862 and \$2,044, respectively. Operating lease expense for office space for the six months ending June 30, 2021 and 2020 was \$3,711 and \$4,174 respectively.

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Capital leases

The Company leases equipment under capital leases. The equipment leases include options to renew, return or purchase at the end of the lease term. Future minimum rental payments under the capital leases are as follows as of June 30, 2021 are as follows:

Total minimum lease payments	\$106
Less: Amount representing interest	<u>(1)</u>
Total	<u>\$105</u>

Purchase commitments

In the ordinary course of business, the Company enters into various purchase commitments primarily related to third-party cloud hosting and data services, and information technology operations. Total noncancelable purchase commitments as of June 30, 2021 were approximately \$61,250 for periods through 2024.

14. Net loss per share

For periods prior to the Company's conversion to a Delaware corporation, including fiscal 2020 and 2021 for which a portion of the period preceded the conversion, the Company has retrospectively presented net loss per share as if the conversion had occurred at the beginning of the earliest period presented. The weighted average shares used in computing net loss per share in these periods are based on the number of units held by members after giving effect to the conversion ratio.

Basic and diluted loss per unit is computed by dividing net loss by the weighted-average shares outstanding:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Numerator:				
Net loss	\$ (35,063)	\$ (16,451)	\$ (37,832)	\$ (30,895)
Denominator:				
Weighted averages shares outstanding, basic and diluted	<u>133,981,985</u>	<u>134,050,576</u>	<u>133,996,147</u>	<u>134,051,786</u>
Net loss per share, basic and diluted	<u>\$ (0.26)</u>	<u>\$ (0.12)</u>	<u>\$ (0.28)</u>	<u>\$ (0.23)</u>

As the Company has reported net losses for the periods presented, all potentially dilutive securities are antidilutive. The following potential outstanding Time-Based Service Options were excluded from the computation of diluted net loss per share attributable to common stock/unitholders for the periods presented because including them would have been antidilutive. Since the conditions associated with the vesting of the Return Target Options have not occurred as of the reporting date, such options are excluded from potentially dilutive securities.

	<u>Three and Six Months Ended, June</u>	
	<u>2021</u>	<u>2020</u>
Options to purchase common stock/member units	6,725,030	5,258,902

15. Fair value disclosures

Financial instruments

As of June 30, 2021, the carrying value of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated fair value. The table below provides the book value and estimated fair value of our financial instruments at June 30, 2021 and December 31, 2020.

	<u>Fair value hierarchy</u>	<u>Book value</u>	<u>Estimated fair value</u>
Term loan (a)			
December 31, 2020	Level 2	\$355,539	\$ 375,228
June 30, 2021	Level 2	\$355,934	\$ 374,216

(a) The estimated fair value of our Term Loan is based upon market prices as of the valuation date.

16. Related-party transactions

The Company incurs expenses for consulting services and other expenses related to services provided by Vista Consulting Group, LLC (“VCG”). For the three months ended June 30, 2021 and 2020, the Company incurred expenses of \$1,292 and \$272, respectively. For the six months ended June 30, 2021 and 2020, the Company incurred expenses of \$1,379 and \$806, respectively. These costs were included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Amounts due to VCG as June 30, of 2021 and December 31, 2020 were \$56 and \$39, respectively.

The Company incurs various travel and other expenses related to services provided by Vista Equity Partners Management, LLC (“VEP”). For the three months ended June 30, 2021 and 2020, the Company incurred expenses of \$61 and \$6, respectively. For the six months ended June 30, 2021 and 2020, the Company incurred expenses of \$62 and \$15, respectively. These costs were included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Amounts due to VEP as of June 30, 2021 and December 31, 2020 were \$0 and \$101, respectively.

The Company has subscription software arrangements with companies owned by Vista Equity Partners as follows: Total expenses incurred by the Company for Mediaocean (*the related party*), were \$30, for both the three months ended June 30, 2021 and 2020. Total expenses incurred by the Company for Mediaocean (*the related party*), were \$60, for both the six months ended June 30, 2021 and 2020. These costs were included in cost of revenue. Amounts due to Mediaocean as of June 30, 2021 and December 31, 2020 were both \$10. Total expenses incurred by the Company for Navex Global, Inc. (*the related party*) were \$36 and \$8, respectively, for the three months ended June 30, 2021 and 2020. Total expenses incurred by the Company for Navex Global, Inc. (*the related party*) were \$63 and \$15, respectively, for the six months ended June 30, 2021 and 2020. These costs were included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Amounts due to Navex Global, Inc. as of June 30, 2021 and December 31, 2020 were \$1 and \$0. There were no training expenses incurred with Cvent, Inc. (*the related party*), for the three months ended June 30, 2021 and 2020. Total training expenses with Cvent, Inc. (*the related party*), were \$20 and \$0, respectively, for the six months ended June 30, 2021 and 2020. These costs were included in sales and marketing expenses. There were no amounts due as of June 30, 2021 and December 31, 2020.

17. Subsequent events

On July 2, 2021, the Company closed an IPO of its common stock, through which it issued and sold 15,000,000 shares of common stock at a price per share of \$18.00. The Company received aggregate proceeds of \$244.0 million from the IPO, net of underwriters’ discounts and commissions, and offering costs. The underwriters were granted a 30-day option to purchase up to an additional 2,250,000 shares of common stock from the Company. On July 28, 2021 the underwriters exercised their option to purchase 1,821,330 shares of common stock and the Company received additional proceeds of \$30.4 million, net of underwriters’ discount and commissions, and offering costs.

On August 9, 2021, the Company, Publica LLC, a Delaware limited liability company, Publica Investors LLC, a Delaware limited liability company, NBIC Finance Sarl, a Luxembourg private limited liability company, Alpine Road Investors LLC, a Delaware limited liability company, and certain individuals, entered into a Securities Purchase Agreement. Pursuant to the Purchase Agreement, upon the terms and subject to certain purchase price adjustments set forth therein, IAS acquired Publica’s membership units and all of Publica Investors’ and Alpine’s membership interests from the Sellers in exchange for total consideration of \$220.0 million, consisting of approximately \$168.0 million in cash consideration and 2,888,889 shares of common stock of IAS Holding (the “Stock Consideration”). The Stock Consideration will be subject to restrictions on transfer under the Purchase Agreement. The cash consideration was funded with cash on hand.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results or our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- the adverse effect on our business, operating results, financial condition, and prospects from the current COVID-19 pandemic and related economic downturns;
- our dependence on the overall demand for advertising;
- a failure to innovate or make the right investment decisions;
- our failure to maintain or achieve industry accreditation standards;
- our ability to compete successfully with our current or future competitors in an intensely competitive market;
- our dependence on integrations with advertising platforms, digital service providers (“DSPs”), and proprietary platforms that we do not control;
- our international expansion;
- our ability to expand into new channels;
- our ability to sustain our profitability and revenue growth rate decline;
- risks that our customers do not pay or choose to dispute their invoices;
- risks of material changes to revenue share agreements with certain DSPs;
- our ability to effectively manage our growth;
- the impact that any future acquisitions, strategic investments, or alliances may have on our business, financial condition, and results of operations;
- our ability to successfully execute our international plans;
- the risks associated with the seasonality of our market;
- our ability to maintain high impression volumes;
- the difficulty in evaluating our future prospects given our short operating history;
- uncertainty in how the market for buying digital advertising verification solutions will evolve;
- our ability to provide digital or cross-platform analytics;
- our ability to maintain our corporate culture;
- risks posed by earthquakes, fires, floods, and other natural catastrophic events;
- interruption by man-made problems such as terrorism, computer viruses, or social disruption;
- the risk of failures in the systems and infrastructure supporting our solutions and operations;
- our ability to avoid operational, technical, and performance issues with our platform;
- risks associated with any unauthorized access to user, customer, or inventory and third-party provider data;

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- our inability to use software licensed from third parties;
- our ability to provide the non-proprietary technology, software, products, and services that we use;
- the risk that we are sued by third parties for alleged infringement, misappropriation, or other violation of their proprietary rights;
- our ability to obtain, maintain, protect, or enforce intellectual property and proprietary rights that are important to our business;
- our involvement in lawsuits to protect or enforce our intellectual property;
- risks that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers;
- risks that our trademarks and trade names are not adequately protected;
- the impact of unforeseen changes to privacy and data protection laws and regulation on digital advertising;
- the risk that a perceived failure to comply with laws and industry self-regulation may damage our reputation; and
- other factors disclosed in the section entitled “Risk Factors” and elsewhere in our IPO prospectus and this Quarterly Report.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our IPO prospectus, as well as in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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 consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the section titled “Risk Factors” included in our final IPO prospectus filed with the Securities and Exchange Commission (“SEC”) on July 1, 2021. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results we expect for the full fiscal year or any other period. Unless the context otherwise requires, the terms “Company,” “Integral Ad Science Holding Corp.,” “IAS,” “we,” “us,” “our,” or similar terms refer to Integral Ad Science Holding LLC and its consolidated subsidiaries before the corporate conversion, and Integral Ad Science Holding Corp. and, where appropriate, its subsidiaries after the Corporate Conversion.

Overview

We are a leading digital advertising verification company by revenue. With our cloud-based technology platform and the actionable insights it provides, we deliver independent measurement and verification of digital advertising across all devices, channels, and formats, including desktop, mobile, connected TV (“CTV”), social, display, and video. Our proprietary and Media Rating Council (the “MRC”) accredited Quality Impressions™ metric is designed to verify that digital ads are served to a real person rather than a bot, viewable on-screen, and appear in a brand-safe and suitable environment in the correct geography.

Without an independent evaluation of digital advertising quality, brands and their agencies previously relied on a wide range of publishers and ad platforms to self-report and measure the effectiveness of campaigns without a global benchmark to understand success. We are an independent, trusted partner for buyers and sellers of digital advertising to increase accountability, transparency, and effectiveness in the market. We help advertisers optimize their ad spend and better measure consumer engagement with campaigns across platforms, while enabling publishers to improve their inventory yield and revenue.

As a leading ad verification partner, we have deep integrations with all the major advertising and technology platforms including Amazon, Facebook, Google, Instagram, LinkedIn, Microsoft, Pinterest, Snap, Spotify, The Trade Desk, Twitter, Verizon Media, Xandr, and YouTube. Our platform uses advanced artificial intelligence (“AI”) and machine learning (“ML”) technologies to process over 100 billion daily web transactions on average. With this data, we deliver real-time insights and analytics to our global customers through our easy-to-use IAS Reporting Platform helping brands, agencies, publishers, and platform partners improve media quality and campaign performance.

Our pre-bid and post-bid verification solutions enable advertisers to measure campaign performance and value across viewability, ad fraud prevention, brand safety and suitability, and contextual targeting for ads on desktop, mobile in-app, social, and CTV platforms. Our pre-bid programmatic solution is directly integrated with DSPs to help optimize return on ad spend (“ROAS”) by directing budget to the best available inventory. Our solutions help hundreds of publishers globally deliver high quality ad inventory that is fraud free, viewable, brand safe and suitable, and geographically targeted. With our Context Control solution, we help publishers classify and package their inventory to showcase quality placements, increase site engagement, drive revenue, and reduce blocking.

COVID-19

Since January 2020, an outbreak of COVID-19 has evolved into a worldwide pandemic. Due to the COVID-19 pandemic, we have temporarily closed our offices globally, including our corporate headquarters, and are operating with substantially all staff working remotely. Management reviews operations on a continuous basis and there have been minimal interruptions in our customer facing operations to date.

We have continued to experience revenue growth year-over-year, however, during the three months ended June 30, 2020, we experienced a revenue decline due to a decline in spending from our total number of large advertising customers and publishers compared to the three months ended March 31, 2020. In the quarters subsequent to the second quarter of 2020, the underlying demand for the Company’s services stabilized and we have experienced revenue growth.

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In addition, to date, we have not experienced a material increase in customers' cancellations, or requests for more favorable contractual terms, or concessions, and we have not experienced a significant deterioration in the collectability of our receivables or a material negative impact from our vendors and third-party service providers. Further, we have not incurred impairment losses in the carrying values of our assets as result of the pandemic and are not aware of any specific events or circumstances that would require a revision to the estimates reflected in our consolidated financial statements.

We have had sufficient liquidity and capital resources to continue to meet our operating needs and service our debt.

However, the severity, magnitude and duration of the current COVID-19 pandemic continues to be uncertain, rapidly changing, and hard to predict and depends on events beyond our knowledge or control. The COVID-19 pandemic could have the effect of heightening many of the risks described in the section entitled "Risk Factors" in our IPO prospectus, such as those relating to our reputation, product sales, results of operations or financial condition. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long-term adverse impacts to our results. As a result, we cannot at this time predict the ultimate impact of the COVID-19 pandemic, but it could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

Innovate and Develop New Products for Key High-Growth Segments

- *Programmatic.* We aim to deliver transparency to programmatic ad buying via innovative solutions including contextual targeting and brand safety and suitability.
- *Social.* We plan to develop deeper integrations with social platforms, also known as Walled Gardens, including feed-based brand safety and suitability, to be able to deliver continued transparency to our customers.
- *Connected TV.* We plan to continue to expand CTV-specific verification solutions and contextual capabilities to address the fast-growing connected TV segment.
- *Adjacent product expansion.* We aim to expand our platforms to address new areas of verification and measurement needs for our clients. For example, with the introduction of our pre-bid contextual capability in 2020, we not only enhanced our core verification offering, but we were also able to expand into contextual targeting addressing new needs and providing new value to our customers. Similarly, in 2019, our connected TV solution expanded our presence into this important and emerging digital channel.

Increase Sales Within Our Existing Customer Base

We aim to increase the use of our products among existing customers across more campaigns and impressions. Given our comprehensive product portfolio, we believe we can cross-sell additional or new solutions to provide end-to-end coverage to more clients from pre-bid viewability to post-buy verification, fraud prevention, safety, suitability, and targeting.

Acquire New Customers and Increase Market Share

Our ability to acquire new customers and increase our market share is dependent upon a number of factors, including the effectiveness of our solutions, marketing and sales to drive new business prospects and execution, client digital marketing investment adoption, new products and feature offerings, global reach and the growth of the market for digital ad verification. There is a market opportunity to provide advertisers directly or through advertising agencies with verification services, specifically around ad viewability, ad fraud prevention and brand safety and suitability. Based on a March 2021 analysis by Frost & Sullivan, we estimate the global market opportunity for our ad verification solutions to be \$9.5 billion and expect it to grow at a 16.2% CAGR from 2021 to 2025. We plan to work with the top 500 global advertisers by targeting high-spend verticals and brands with a natural sensitivity for brand safety, brand suitability, and ROAS needs. We believe we will increase our market share by strengthening our work with the leading social platforms, enhancing our programmatic solutions, deriving benefit from our broad global position, and leveraging our differentiated data science and market-leading contextual capabilities.

Expand Customer Base Internationally

Our ability to expand our customer base internationally is dependent upon a number of factors, including effectively implementing our business processes and go-to-market strategy, our ability to adapt to market or cultural differences, the general competitive landscape, our ability to invest in our sales and marketing channels, the maturity and growth trajectory of our services by region and our brand awareness and perception. Global marketers are becoming increasingly cognizant of the value of sophisticated verification strategies and, as such, we believe there is growing demand for our services internationally. Our investments in international markets resulted in an 18% growth in revenue year-over-year. We believe that Latin America and the APAC region may represent substantial growth opportunities, and we are investing in developing our business in those markets by way of expanded in-market customer service investment and by leveraging our global relationships. We aim to continue to grow outside the U.S. in Europe and other established markets such as Australia and Japan, and view ourselves as best positioned to continue penetrating these markets given our market-leading global footprint.

Seasonality

We experience fluctuations in revenue that coincide with seasonal fluctuations in the digital ad spending of our customers. The global advertising industry experiences seasonal trends that affect the vast majority of participants in the digital advertising ecosystem. Most notably, advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the holiday shopping season, and relatively less in the first quarter. We expect seasonality trends to continue, and our ability to manage our resources in anticipation of these trends will affect our operating results. Consequently, the fourth quarter usually reflects the highest level of measurement activity, and the first quarter reflects the lowest level of activity. Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our clients' spending on advertising campaigns. While our revenue is highly re-occurring, seasonal fluctuations in ad spend may impact quarter-over-quarter

results. We believe that the year-over-year comparison of results more appropriately reflects the overall performance of the business. See “Risk Factors—Certain of our operating results and financial metrics may be difficult to predict as a result of seasonality.”

Key Business Metrics

In addition to our GAAP financial information, we review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. The key business metrics are presented based on our advertising customers, as revenue from these customers represents substantially all the revenue.

The following table sets forth our key performance indicators for the periods set forth below:

	June 30,	
	2021	2020
Net Revenue retention of advertising customers (%) (as of the end of the period)	142%	123%
Total advertising customers (as of the end of the period)	2,155	1,836
Total number of large advertising customers (as of the end of the period)	187	154

Net revenue retention of advertising customers

We define net revenue retention of advertising customers as a metric to reflect the expansion or contraction of our advertising customers’ revenue by measuring the period-over-period change in trailing-twelve-month revenues from customers who were also advertising customers in the prior trailing twelve-month period. As such, this metric includes the impact of any churned, or lost, advertising customers from the prior trailing-twelve-month period as well as any increases or decreases in their spend, including the positive revenue impacts of selling new services to an existing advertising customer. The numerator and denominator include revenue from all advertising customers that we served and from which we recognized revenue in the earlier of the two trailing-twelve-month periods being compared. For purposes of discussing our key business metrics, we define an advertising customer as any advertiser account that spends at least \$3,000 in the applicable trailing twelve-month period. We calculate our net revenue retention of advertising customers as follows:

Numerator: The total revenue earned during the current trailing-twelve-month period from the cohort of advertising customers in the prior trailing-twelve-month period.

Denominator: The total revenue earned during the immediately preceding trailing-twelve-month period from such cohort of advertising customers in such trailing-twelve-month period.

The quotient obtained from this calculation is our net revenue retention rate of advertising customers. We have generated strong historical net revenue retention rates of advertising customers, with 142% for the three months ended June 30, 2021 and 123% for the three months ended June 30, 2020.

Our calculation of net revenue retention of advertising customers may differ from similarly titled metrics presented by other companies.

Our net revenue retention of advertising customers increased from 123% as of June 30, 2020 to 142% as of June 30, 2021. The increase in the net revenue retention of advertising customers as of June 30, 2020 compared to June 30, 2021 was primarily due to the COVID-19 pandemic, which began in the second quarter of 2020 and impacted the remainder of the year ended December 31, 2020. In the quarters subsequent to the second quarter of 2020, the underlying demand for the Company’s services has stabilized. Revenue increased by 55% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020.

Total advertising customers

We view the number of advertising customers as a key indicator of our scale and growth and the adoption of our platform. We determine our number of advertising customers by counting the total number of advertiser accounts who have spent at least \$3,000 in the trailing twelve months. The total number of advertising customers has limitations as an operating metric as it does not reflect the product mix chosen by our advertising customers, the order frequency, or the purchasing behavior of our advertising customers. Because of these and other limitations, we consider, and you should consider, advertising customers in conjunction with our other metrics, including net revenue retention, net loss, Adjusted EBITDA, and average revenue per advertising customer.

Total number of large advertising customers

Historically our revenue has been driven primarily by a subset of large advertising customers who have leveraged our platform substantially from a usage standpoint. Increasing awareness of our solutions, further developing our sales and marketing expertise and partner ecosystem, and continuing to build solutions that address the unique identity needs of the top 500 global advertisers have increased our number of large advertising customers. We determine our number of large advertising customers by counting the total number of advertising accounts who have spent at least \$200,000 per year. We believe the recruitment and cultivation of large advertising customers is critical to our long-term success. Our total number of large advertising customers increased from 154 as of June 30, 2020 to 187 as of June 30, 2021, primarily due to economic recoveries and improved macroeconomic conditions since the prior year. The second quarter of 2020 was largely impacted by the COVID-19 pandemic.

Components of Results of Operations

Revenue

We derive revenue primarily from advertisers and programmatic services offered through a demand side platform to our customers across the digital advertising platform, which is our performance obligation. Fees associated with our contracts include impression-based fees driven by impression volume and a cost per thousand impressions (“CPM”).

We deliver our products and solutions to serve two customer types (i) buy-side (advertisers and agencies) and (ii) sell-side (publishers, advertising/audience networks, and supply side platforms). We generally generate revenue by charging a CPM based on the volume of purchased digital ads that we measure and optimize on behalf of these customers. There are no separate fees to access our platform. Depending on our customer needs, our contracts have (i) usage-based pricing, or (ii) monthly, quarterly or annual minimum commitments, or (iii) fixed fees. Usage based pricing is our primary contracting model. For minimum commitment contracts, the customer is billed based on usage. If usage is less than the minimum commitment,

the shortfall is billed at the end of the contract term. Alternatively, a customer that uses more impressions than the minimum, would be billed based on actual usage including an then an overage fee if applicable is applied on such usage. Fixed fees contracts are recognized pro-rata over the contract term.

We recognize revenue when control of the promised services is transferred to customers. Revenue from the cloud-based technology platform is primarily recognized based on impressions delivered to customers. An “impression” is delivered when an advertisement appears on pages viewed by users. A significant majority (i.e., over 90%) of the Company’s contracts are usage-based contracts with no substantive minimum commitments. We have certain contracts for which pricing is variable through tiered pricing arrangements or include annual base fees that do not coincide with the calendar year, requiring an estimate of the transaction price attributable to each year. The majority of our contracts have a duration of one year or less.

Operating Expenses

Cost of revenue. Cost of revenue consists of data center costs, hosting fees, revenue share with our DSP partners and personnel costs. Personnel costs include salaries, bonuses, stock-based compensation, and employee benefit costs, primarily attributable to our customer operations group. Our customer operations group is responsible for onboarding, integration of new clients and providing support for existing customers, including technical support for our technology platform and product offering. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount.

Sales and marketing. Sales and marketing expense consists primarily of personnel costs, including salaries, bonuses, stock-based compensation, employee benefits costs and commission costs, for our sales and marketing personnel. Sales and marketing expense also includes costs for advertising, promotional and other marketing activities. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount. Sales commissions are expensed as incurred.

Technology and development. Technology and development expense consists primarily of personnel costs of our engineering, product, and data sciences activities. Personnel costs including salaries, bonuses, stock-based compensation and employee benefits costs, third-party consultant costs associated with the ongoing development and maintenance of our technology platform and product offering. We allocate overhead such as rent and occupancy and information technology infrastructure charges based on headcount. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with software development that qualifies for capitalization, which are then recorded as capitalized software development costs included in internal use software, net on our consolidated balance sheet.

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General and administrative. General and administrative expense consist of personnel costs, including salaries, bonuses, stock-based compensation, and employee benefits costs for our executive, finance, legal, human resources, information technology, and other administrative employees. General and administrative expenses also include outside consulting, legal and accounting services, allocated facilities costs, and travel and entertainment primarily related to intra-office travel and conferences.

Depreciation and amortization. Depreciation and amortization expense consists primarily of depreciation and amortization expenses related to customer relationships, developed technologies, trademarks, favorable leases, equipment, leasehold improvements and other tangible and intangible assets. We depreciate and amortize our assets in accordance with our accounting policies. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred. Intangible assets are amortized on a straight-line basis over their estimated useful lives or using an accelerated method.

Interest expense, net

Interest expense, net. Interest expense consists primarily of interest payments on our outstanding borrowings under our Term Loan and amortization of related debt issuance costs net of interest income.

Benefit from income taxes

Benefit from income taxes. The benefit from income taxes resulted primarily from deferred tax benefits resulting from the current period losses in the U.S.

Results of Operations

The following table sets forth our consolidated statement of operations for the periods indicated:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<i>(in thousands except percentages)</i>				
Revenue	\$ 75,075	\$ 48,320	\$142,027	\$102,362
Operating expenses:				
Cost of revenue (excluding depreciation and amortization shown below)	12,925	8,756	24,344	17,911
Sales and marketing	27,268	16,754	43,813	35,124
Technology and development	20,176	12,726	32,944	25,062
General and administrative	33,044	7,946	41,592	15,586
Depreciation and amortization	14,603	16,413	28,998	32,751
Total operating expenses	108,016	62,595	171,691	126,434
Operating loss	(32,941)	(14,275)	(29,664)	(24,072)
Interest expense, net	(5,167)	(7,695)	(12,126)	(15,953)
Net loss before benefit from income taxes	(38,108)	(21,970)	(41,790)	(40,025)
Benefit from income taxes	3,045	5,519	3,958	9,130
Net loss	\$ (35,063)	\$ (16,451)	\$ (37,832)	\$ (30,895)
Net loss margin	(47)%	(34)%	(27)%	(30)%

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The following table sets forth our consolidated statement of operations data expressed as a percentage of total revenue for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	100%	100%	100%	100%
Operating expenses:				
Cost of revenue (excluding depreciation and amortization shown below)	17	18	17	17
Sales and marketing	36	35	31	34
Technology and development	27	26	23	24
General and administrative	44	16	29	15
Depreciation and amortization	19	34	20	32
Total operating expenses	144	130	121	124
Operating loss	(44)	(30)	(21)	(24)
Interest expense, net	(7)	(16)	(9)	(16)
Net loss before benefit from income taxes	(51)	(46)	(29)	(39)
Benefit from income taxes	4	12	3	9
Net loss	<u>(47)%</u>	<u>(34)%</u>	<u>(27)%</u>	<u>(30)%</u>

Comparison of the Three Months Ended June 30, 2021 and 2020

	Three Months Ended June 30,			
	2021	2020	\$ change	% change
<i>(in thousands except percentages)</i>				
Revenue	\$ 75,075	\$ 48,320	\$ 26,755	55%
Operating expenses:				
Cost of revenue (excluding depreciation and amortization shown below)	12,925	8,756	4,169	48
Sales and marketing	27,268	16,754	10,514	63
Technology and development	20,176	12,726	7,450	59
General and administrative	33,044	7,946	25,098	316
Depreciation and amortization	14,603	16,413	(1,810)	(11)
Total operating expenses	108,016	62,595	45,421	73
Operating loss	(32,941)	(14,275)	(18,666)	131
Interest expense, net	(5,167)	(7,695)	2,528	(32)
Net loss before provision for income taxes	(38,108)	(21,970)	(16,138)	73
Benefit from income taxes	3,045	5,519	(2,474)	(45)
Net loss	<u>\$ (35,063)</u>	<u>\$ (16,451)</u>	<u>\$ (18,612)</u>	<u>113%</u>
Net loss margin	<u>(47)%</u>	<u>(34)%</u>	<u>(13)%</u>	<u>39%</u>

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Revenue

Total revenue increased by \$26.8 million, or 55%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020.

	Three Months Ended June 30,			
	2021	2020	\$ change	% change
<i>(in thousands)</i>				
Advertiser direct revenue	\$35,281	\$25,186	\$10,095	40%
Programmatic revenue	31,793	16,362	15,430	94
Supply side revenue	8,001	6,772	1,229	18
Total revenue	<u>\$75,075</u>	<u>\$48,320</u>	<u>\$26,755</u>	<u>55%</u>

Total revenue increased primarily due to a significant increase in our programmatic revenue of \$15.4 million, or 94%, attributable to growth in volume of impressions of 57% and an increase of 19% in average CPMs. The increase in average CPMs, was attributable to the launch of our Context Control solution in early 2020. Revenue from our advertiser direct customers increased \$10.1 million, or 40%, reflecting volume growth in volume of impressions of 56% as well as the acquisition of a number of new large customers. These increases were partially offset by a decrease of 10% in average CPMs due to changes in mix from open web towards social platforms.

Operating expenses

Cost of Revenue. Cost of revenue increased by \$4.2 million, or 48%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This increase was driven by a \$1.7 million increase in data center and hosting fees resulting from overall revenue growth and migration of data centers to AWS cloud and an increase of \$3.6 million in revenue share to our DSP partners on account of our growth in programmatic revenue. These increases were partially offset by a decrease in compensation expense of \$0.7 million, a decrease in severance expense of \$0.1 million, and a decrease in allocated overhead expense of \$0.2 million as a result of workforce reductions in 2020.

Sales and marketing. Sales and marketing expenses increased by \$10.5 million, or 63%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This increase was primarily due to a \$10.8 million stock-based compensation expense incurred in connection with our IPO and increase of \$0.4 million in IPO related advertising and marketing related expenses. These increases were partially offset by a decrease in severance expense of \$0.6 million and a decrease of allocated overhead expense of \$0.2 million as a result of workforce reductions in 2020. While we have incurred significantly lower travel related expenses as a result of the COVID-19 pandemic, it is unclear if such expenses will return to pre-COVID-19 levels given the continued uncertainty around travel restrictions and office openings.

Technology and development. Technology and development expenses increased by \$7.5 million, or 59%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This increase was primarily due to a \$7.0 million stock-based compensation expense incurred in connection with our IPO, increase in severance expense of \$0.7 million due to termination of certain employees and increase in server, hosting and license fees of \$0.8 million to support our expanding business. These increases were partially offset by a decrease in professional fees and contractor expenses of \$0.8 million.

General and administrative. General and administrative expenses increased by \$ 25.1 million, or 316%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This increase was primarily due to a \$23.7 million stock-based compensation expense incurred in connection with our IPO, increase in IPO related professional fees of \$1.2 million, increase in compensation of \$1.2 million to support the Company's growth and public company infrastructure and an increase in \$0.5 million due to lower allocation of overhead costs. These increases were partially offset by a \$0.3 million decrease in reserves for bad debts, a \$0.2 million decrease in facilities expenses related to the COVID-19 pandemic and a \$1.0 million decrease in professional fees incurred in the three months ended June 30, 2020 for automation and process improvement initiatives.

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Depreciation and amortization. Depreciation and amortization expenses decreased by \$1.8 million, or 11%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This decrease results from decreased depreciation of our property and equipment of \$0.4 million and decreased amortization of our intangible assets of \$2.3 million, resulting from the use of the accelerated method to amortize the asset. These decreases were partially offset by increased amortization expense related to our internal-use software of \$0.9 million.

Interest expense, net

Interest expense, net. Interest expense decreased by \$2.5 million, or 32%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The decrease in interest expense was primarily attributable to reduced PIK interest expense of \$1.1 million and decreased interest on the Term Loan by \$1.4 million due to a reduction in interest rates caused by the COVID-19 pandemic.

Benefit from income taxes

Benefit from income taxes. Benefit from income taxes decreased by \$2.5 million, or 45%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The tax benefit decreased despite the higher book losses due to the offset of non-deductible stock-based compensation expense.

Comparison of the Six Months Ended June 30, 2021 and 2020

<i>(in thousands)</i>	Six Months Ended June 30,			
	2021	2020	\$ change	% change
Revenue	\$142,027	\$102,362	\$39,665	39%
Operating expenses:				
Cost of revenues (excluding depreciation and amortization shown below)	24,344	17,911	6,433	36
Sales and marketing	43,813	35,124	8,689	25
Technology and development	32,944	25,062	7,882	31
General and administrative	41,592	15,586	26,006	167
Depreciation and amortization	28,998	32,751	(3,753)	(11)
Total operating expenses	171,691	126,434	45,257	36
Operating loss	(29,664)	(24,072)	(5,592)	23
Interest expense, net	(12,126)	(15,953)	3,827	(24)
Net loss before benefit from income taxes	(41,790)	(40,025)	(1,765)	4
Benefit from income taxes	3,958	9,130	(5,172)	(57)
Net loss	<u>\$ (37,832)</u>	<u>\$ (30,895)</u>	<u>\$ (6,937)</u>	<u>22%</u>
Net loss margin	<u>(27)%</u>	<u>(30)%</u>	<u>3%</u>	<u>(10)%</u>

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Revenue

Total revenue increased by \$39.7 million, or 39%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

<i>(in thousands)</i>	Six Months Ended June 30,			
	2021	2020	\$ change	% change
Advertiser direct revenue	\$ 67,880	\$ 53,484	\$14,396	27%
Programmatic revenue	58,367	34,909	23,458	67
Supply side revenue	15,780	13,969	1,811	13
Total revenue	<u>\$142,027</u>	<u>\$102,362</u>	<u>\$39,665</u>	<u>39%</u>

Total revenue increased primarily due to a significant increase in our programmatic revenue of \$23.5 million, or 67%, attributable to growth in volume of impressions of 39% and an increase of 18% in average CPMs. The increase in average CPMs, was attributable to the launch of our Context Control solution in early 2020. Revenue from our advertiser direct customers increased \$14.4 million, or 27%, reflecting growth in volume of impressions of 43% as well as the acquisition of a number of new large customers. These increases were partially offset by a decrease of 11% in average CPMs due to changes in mix from open web towards social platforms.

Operating expenses

Cost of Revenue. Cost of revenue increased by \$6.4 million, or 36%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was driven by a \$2.9 million increase in data center and hosting fees resulting from overall revenue growth and migration of data centers to AWS cloud and an increase of \$5.9 million in revenue share to our DSP partners on account of our growth in programmatic revenue. These increases were partially offset by a decrease in compensation expense of \$1.8 million and a decrease in allocated overhead expense of \$0.5 million as a result of workforce reductions in 2020.

Sales and marketing. Sales and marketing expenses increased by \$8.7 million, or 25%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was primarily due to a \$10.8 million stock-based compensation expense incurred in connection with our IPO and increase of \$0.5 million in IPO related advertising and marketing related expenses. These increases were partially offset by a decrease in compensation expense of \$1.3 million and a decrease of allocated overhead expense of \$0.4 million as a result of workforce reductions in 2020. In addition, travel related costs decreased by \$0.5 million and offsite training costs decreased by \$0.5 million. While we have incurred significantly lower travel related expenses as a result of the COVID-19 pandemic, it is unclear if such expenses will return to pre-COVID-19 levels given the continued uncertainty around travel restrictions and office openings.

Technology and development. Technology and development expenses increased by \$7.9 million, or 31%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was primarily due to a \$7.0 million stock-based compensation expense incurred in connection with our IPO, increase in severance expense of \$0.8 million due to termination of certain employees and increase in server, hosting and license fees of \$1.2 million to support our expanding business. These increases were partially offset by a decrease in professional fees and contractor expenses of \$1.1 million.

General and administrative. General and administrative expenses increased by \$26.0 million, or 167%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was primarily due to a \$23.7 million stock-based compensation expense incurred in connection with our IPO, increase in professional fees of \$1.7 million for IPO related assistance, increase in compensation of \$2.3 million to support the Company's growth and public company infrastructure and an increase in \$1.0 million caused due to lower allocation of overhead costs. These increases were partially offset by a \$1.0 million decrease in reserves for bad debts, a \$0.8 million decrease in facilities expenses related to the COVID-19 pandemic and a \$1.0 million decrease in professional fees incurred in the six months ended June 30, 2020 for automation and process improvement initiatives.

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Depreciation and amortization. Depreciation and amortization expenses decreased by \$3.7 million, or 11%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This decrease results from decreased depreciation of our property and equipment of \$0.7 million and decreased amortization of our intangible assets of \$4.5 million, resulting from the use of the accelerated method to amortize the asset. These decreases were partially offset by increased amortization expense related to our internal-use software of \$1.5 million.

Interest expense, net

Interest expense, net. Interest expense decreased by \$3.8 million, or 24%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The decrease in interest expense was primarily attributable to reduced PIK interest expense of \$1.8 million and decreased interest on the Term Loan by \$2.0 million due to a reduction in interest rates caused by the COVID-19 pandemic.

Benefit from income taxes

Benefit from income taxes. Benefit from income taxes decreased by \$5.2 million, or 57%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The tax benefit decreased despite the higher book losses due to the offset of non-deductible stock-based compensation expense.

Non-GAAP Financial Measures

We use supplemental measures of our performance, which are derived from our consolidated financial information, but which are not presented in our consolidated financial statements prepared in accordance with GAAP. Adjusted EBITDA is the primary financial performance measure used by management to evaluate our business and monitor ongoing results of operations. Adjusted EBITDA is defined as earnings (loss) before interest expense, income taxes, depreciation and amortization, including amortization of debt issuance costs and is further adjusted for IPO readiness costs, acquisition related costs, restructuring and integration costs. Adjusted EBITDA margin represents the Adjusted EBITDA for the applicable period divided by the revenue for that period presented in accordance with GAAP.

We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe that excluding certain items from our GAAP results allows management to better understand our consolidated financial performance from period to period and better project our future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, we believe these non-GAAP financial measures provide our shareholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period-to-period comparisons. Although we believe these measures are useful to investors and analysts for the same reasons they are useful to management, as discussed below, these measures are not a substitute for, or superior to, U.S. GAAP financial measures or disclosures. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for net income (loss) prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. Reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure, net loss, is presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items.

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Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (35,063)	\$ (16,451)	\$ (37,832)	\$ (30,895)
Depreciation and amortization	14,603	16,413	28,998	32,751
Stock-based compensation	41,531	—	41,531	—
Interest expense, net	5,167	7,695	12,126	15,953
Benefit from income taxes	(3,045)	(5,519)	(3,958)	(9,130)
Acquisition, restructuring and integration costs	2,408	1,699	2,578	1,851
IPO readiness costs	93	—	1,038	—
Adjusted EBITDA	\$ 25,694	\$ 3,837	\$ 44,481	\$ 10,530
Revenue	\$ 75,075	\$ 48,320	\$ 142,027	\$ 102,362
Net loss margin	(47)%	(34)%	(27)%	(30)%
Adjusted EBITDA margin	34%	8%	32%	10%

Liquidity and Capital Resources

General

As of June 30, 2021, our principal sources of liquidity were cash and cash equivalents totaling \$73.2 million, which was held for working capital purposes, as well as the available balance of our Revolving Loan, described further below. With total proceeds of \$274.4 million from our IPO, net of underwriting discount and offering costs, we expect that such proceeds together with operating cash flows and our cash and cash equivalents on hand at June 30, 2021, will enable us to continue to make such investments in the future. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale.

We believe the IPO proceeds, our existing cash and cash equivalents, availability under our Revolving Loan and cash provided by operations will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services offerings, the continuing market acceptance of our products. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, it could reduce our ability to compete successfully and harm our results of operations.

Some of our customers pay in advance for subscriptions, a portion of which is recorded as deferred revenue. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is later recognized as revenue in accordance with our revenue recognition policy. As of June 30, 2021 and December 31, 2020, we had deferred revenue of \$0.8 million and \$1.1 million, respectively, all of which was recorded as a current liability and is expected to be recorded as revenue in the next twelve months, provided all other revenue recognition criteria have been met.

Credit Facilities

On July 19, 2018, we entered into a Credit Agreement with a syndicate of lenders, comprised of the \$325.0 million (“Term Loan”) and the \$25.0 million (“Revolving Loan”), with maturity dates of July 19, 2024 and July 19, 2023, respectively. Pursuant to the Incremental Facility Assumption Agreement No. 1, dated as of November 19, 2019 (the “Credit Agreement Amendment”), the Term Loan was increased to \$345.0 million. As of June 30, 2021 and December 31, 2020, we had \$345.0 million outstanding under our Term Loan, excluding PIK interest.

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In addition to the cash pay interest described below, the Credit Agreement includes PIK interest at a rate of 1.25% per annum. All PIK interest due is paid by capitalizing such interest and adding such applicable PIK interest to the principal amount of the outstanding Term Loan. Total capitalized PIK interest at June 30, 2021 and December 31, 2020, was \$10.9 million and \$10.5 million, respectively. Borrowings under the Credit Agreement bear interest payable in cash at a rate per annum, at our option, equal to an applicable margin, plus, (a) for alternate base rate borrowings, the highest of (i) the rate last quoted by The Wall Street Journal as the “prime rate” in the United States, (ii) the Federal Funds Rate in effect on such day plus 1/2 of 1.00% and (iii) the Adjusted LIBOR for a one month interest period on such day plus 1.00% and (b) for eurodollar borrowings, the Adjusted LIBOR determined by the greater of (i) the LIBOR for the relevant interest period divided by 1 minus the statutory reserves (if any) and (ii) 1.00%. Effective February 1, 2021, and subject to maintaining a total leverage ratio less than 6.50 to 1.00, additional PIK interest will not accrue pursuant to the Credit Agreement. As of June 30, the Company has \$10.9 million of PIK interest accrued.

The interest rate on the Term Loan was 6.00% per annum as of June 30, 2021 and 7.00% per annum as of December 31, 2020.

As of June 30, 2021 and December 31, 2020, the Company had no amounts outstanding on the Revolving Loan. We are required to pay a commitment fee on the average daily undrawn portion of the Revolving Loan of 0.375%-0.50% per annum (varying based on the leverage ratio tiers applicable to the applicable margin as described above), a letter of credit fronting fee of 0.125% per annum and a letter of credit participation fee equal to the applicable margin for eurodollar revolving loans on the actual daily amount of the letter of credit exposure.

The Credit Agreement contains customary representations and warranties, affirmative covenants, reporting obligations, negative covenants and events of default. The financial covenants underlying the Term Loan require our revenue to debt ratio meet certain thresholds and certain debt-related covenants become more restrictive over successive quarters through June of 2021. Based upon current facts and circumstances, we believe existing cash coupled with the cash flows generated from operations will be sufficient to meet our cash needs and comply with covenants.

Cash Flows

The table below presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods indicated.

	<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 33,056	\$ 13,238
Net cash used in investing activities	(8,096)	(6,715)
Net cash used in financing activities	(3,115)	(1,072)
Net increase in cash and cash equivalents, and restricted cash	\$ 21,845	\$ 5,451
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	(553)	76
Cash, cash equivalents, and restricted cash, at beginning of year	54,721	30,370
Cash, cash equivalents and restricted cash, at end of year	<u>\$ 76,013</u>	<u>\$ 35,897</u>

Operating Activities

For the six months ended June 30, 2021, net cash provided by operating activities was \$33.0 million, resulting from a net loss of \$37.8 million adjusted for non-cash expenses of depreciation and amortization of \$29.0 million, stock-based compensation of \$41.5 million, amortization of debt issuance costs of \$0.7 million, non-cash interest expense of \$0.4 million, and an increase in working capital of \$5.8 million, offset by a deferred tax provision of \$6.6 million.

For the six months ended June 30, 2020, net cash provided by operating activities was \$13.2 million, resulting from a net loss of \$30.9 million adjusted for non-cash expenses of depreciation and amortization of \$32.8 million, non-cash interest expense of \$2.2 million, an increase in the allowance for doubtful accounts of \$1.2 million, and an increase in working capital of \$7.3 million.

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Investing Activities

Cash used in investing activities was \$8.1 million for the six months ended June 30, 2021, reflecting capitalized costs related to our internal use software of \$7.8 million and purchase of property and equipment of \$0.3 million.

Cash used in investing activities was \$6.7 million for the six months ended June 30, 2020, reflecting our asset purchase of internal use software for \$6.4 million in January 2021, and purchase of property and equipment \$0.3 million.

Financing Activities

Cash provided by financing activities was \$3.1 million for the six months ended June 30, 2021, reflecting \$1.2 million in common stock repurchases, \$2.8 million in IPO costs payments, and \$0.2 million in principal payment on our capital leases, offset by \$1.1 million in stock options exercised.

Cash used in financing activities was \$1.1 million for the six months ended June 30, 2020, reflecting \$1.0 million in principal payment on our capital leases, and \$0.1 million in unit repurchase.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space, our purchase commitments related to hosting and data services and repayments of long-term debt. We lease office space under operating leases, which expire on various dates through May 2026 and the total noncancelable payments under these leases were \$23.6 million as of June 30, 2021. Total noncancelable purchase commitments related to hosting services as of June 30, 2021 were \$61.3 million for periods through 2024. The Term Loan million matures in 2024.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, in connection with the completion of this offering we intend to enter into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2021.

JOBS Act

We qualify as an “emerging growth company” pursuant to the provisions of the JOBS Act. For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory “say-on-pay” votes on executive compensation and shareholder advisory votes on golden parachute compensation.

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The JOBS Act also permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to “opt-in” to this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that comply with such new or revised accounting standards on a non-delayed basis.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in “Note 2—Summary of Significant Accounting Policies” to our consolidated financial statements appearing in our IPO Prospectus.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2 to our condensed consolidated financial statements: “Summary of Significant Accounting Policies—Accounting Pronouncements Not Yet Adopted” included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, U.K., France, Germany, Italy, and Singapore. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the three and six months ended June 30, 2021, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

Interest Rate Risk

Our primary market risk exposure is changing eurodollar-based interest rates. Interest rate risk is highly sensitive due to many factors, including E.U. and U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. The Term Loan and Revolving Loan carry interest at an applicable margin, plus (a) for alternate base rate borrowings, the highest of (i) the rate last quoted by The Wall Street Journal as the “prime rate” in the United States, (ii) the Federal Funds Rate in effect on such day plus 1/2 of 1.00% and (iii) the Adjusted LIBOR for a one month interest period on such day plus 1.00% and (b) for eurodollar borrowings, the Adjusted LIBOR determined by the greater of (i) the LIBOR for the relevant interest period divided by 1 minus the statutory reserves (if any) and (ii) 1.00%. The applicable margin is initially 5.00% per annum for alternate base offerings and 6.00% for eurodollar borrowings in the case of the Term Loan and the Revolving Loan. The applicable margin is initially 5.000% per annum in the case of the Incremental Facility Assumption Agreement No. 1, which was entered into November 19, 2019 to increase the aggregate principal amount of the Credit Agreement by \$20 million.

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At June 30, 2021, we had total outstanding debt of \$355.9 million under our Term Loan; we had no outstanding debt on our Revolving Loan. Based on these amounts outstanding, a 100-basis point increase or decrease in market interest rates over a twelve-month period would result in a change to interest expense of \$5.4 million or a benefit of \$1.8 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of June 30, 2021.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of June 30, 2021 due to the material weaknesses in our internal control over financial reporting described below.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

We previously identified material weaknesses in our internal control over financial reporting that continue to exist. We did not design policies to maintain evidence of the operation of key control procedures, nor were monitoring controls evidenced at a sufficient level to provide the appropriate oversight of activities related to our internal control over financial reporting. Additionally, we did not design and maintain controls to ensure (i) appropriate segregation of duties in the operation of manual controls and (ii) account reconciliations, journal entries, and balance sheet and income statement fluctuation analyses were reviewed at the appropriate level of precision. In addition, the Company did not design and maintain effective controls over information technology, or IT, general controls for information systems that are relevant to the preparation of the consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls for financial systems to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately, (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate personnel, (iii) computer operations to ensure that critical batch jobs are monitored, privileges are appropriately granted, and data backups are authorized and monitored, and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements for financially relevant IT systems.

Management's Remediation Efforts

We have commenced measures to remediate the identified material weaknesses. The measures include (i) formalizing the company's accounting policies with respect to maintaining evidence in the operation of control procedures, (ii) improving our control framework to include both the appropriate segregation of duties and definition around the appropriate levels of precision for controls, including account reconciliations, journal entries, and balance sheet and income statement fluctuation analyses, (iii) designing and documenting the execution of IT general controls for systems and applications impacting internal control over financial reporting, specifically related to user access, change management, computer operations, and program development controls.

While we have performed certain remediation activities to strengthen our controls, the material weaknesses will not be considered remediated until management completes the design and implementation of the measures described above and the controls operate for a sufficient period of time and management has concluded, through testing, that these controls are effective. We will continue to monitor the effectiveness of our remediation measures in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures, and we will make any changes to the remediation plan and take such other actions that we deem appropriate given the circumstances.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Because of its inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**PART II
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS

From time to time, we have been and may be involved in various legal proceedings and claims arising in our ordinary course of business. At this time, neither we nor any of our subsidiaries is a party to, and none of our respective property is the subject of, any legal proceeding that, if determined adversely to us, would have a material adverse effect on us.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under the heading “Risk Factors” of our Prospectus, dated June 29, 2021, filed with the Securities and Exchange Commission (the “SEC”) on July 1, 2021.

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

UNREGISTERED SALES OF EQUITY SECURITIES

Prior to the IPO, the Company was a single member limited liability company. In conjunction with the pricing of the IPO, the Company converted from a Delaware domestic limited liability company to a Delaware domestic corporation and all outstanding member units were converted into 134,203,403 shares of common stock of the Company on a proportion of 1 member unit for 242 shares of common stock. The issuance of these securities was deemed to be exempt from registration under the Securities Act of 1933, as amended, under Section 4(a)(2) thereof as transactions by an issuer not involving any public offering.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING OF COMMON STOCK

On July 2, 2021, we closed our IPO in which we sold 15,000,000 shares of common stock at a public offering price of \$18.00 per share. The offer and sale of all of the shares in the IPO were registered under the Securities Act of 1933, as amended, pursuant to the Company’s registration statement on Form S-1 (File No. 333-256770), as amended (the “Registration Statement”), which was declared effective by the SEC on June 29, 2021. The representatives of the several underwriters of the IPO were Morgan Stanley & Co. LLC, Jefferies LLC, Barclays Capital Inc. and Evercore Group L.L.C. The offering commenced on June 21, 2021 and did not terminate before all of the securities registered in the Registration Statement were sold.

We received approximately \$244.0 million in net proceeds after deducting underwriting discounts and commissions of \$18.9 million and offering costs of \$7.1 million. The principal purposes of the offering were to increase our capitalization and financial flexibility. We may also use a portion of the net proceeds to acquire or invest in complementary businesses, products, services or technologies. On July 28, 2021 the underwriters exercised their option to purchase 1,821,330 shares of common stock and we received additional proceeds of \$30.4 million, net of underwriters’ discount and commissions, and offering costs.

Repurchases of Equity Securities

There were no repurchases of equity securities during the three months ended June 30, 2021 or at the closing of the IPO.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
3.1	Certificate of Incorporation of Integral Ad Science Holding Corp., dated June 29, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on July 2, 2021).
3.2	Bylaws of Integral Ad Science Holding Corp., dated June 29, 2021 (incorporated by reference to the Company's Exhibit 3.2 to the Company's Form 8-K filed on July 2, 2021).
4.1	Registration Rights Agreement, dated July 2, 2021, by and among the Company and the other signatories party thereto (incorporated by reference to the Company's Exhibit 4.1 to the Company's Form 8-K filed on July 2, 2021).
10.1	Director Nomination Agreement, dated as of July 2, 2021, by and among the Company and the other signatories party thereto (incorporated by reference to the Company's Exhibit 10.1 to the Company's Form 8-K filed on July 2, 2021).
10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1/A filed on June 14, 2021).
10.3	Integral Ad Science Holding Corp. 2021 Omnibus Incentive Plan
10.4	Integral Ad Science Holding Corp. Amended and Restated 2018 Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 333-256770), filed with the Commission on June 14, 2021)
10.5	Integral Ad Science Holding Corp. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-8 (333-257619), filed on July 1, 2021).
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, filed herewith.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, filed herewith.
101.INS	Inline XBRL Instance 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 (formatted as inline XBRL and contained in Exhibit 101)

* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

Date: August 12, 2021

Integral Ad Science Holding Corp. (Registrant)

By: /s/ Joseph Pergola
Joseph Pergola
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**INTEGRAL AD SCIENCE HOLDING CORP.
2021 OMNIBUS INCENTIVE PLAN**

**ARTICLE I
PURPOSE; EFFECTIVE DATE; TERM**

Section 1.1 Purpose. The purpose of the Integral Ad Science Holding Corp. 2021 Omnibus Incentive Plan is to enhance the profitability and value of the Company for the benefit of its Stockholders by enabling the Company to offer Eligible Individuals stock- and cash-based incentives in order to attract, retain, and reward such individuals and strengthen the mutuality of interests between such individuals and the Stockholders.

Section 1.2 Effective Date. The Plan is effective as of June 29, 2021 (the “**Effective Date**”), which is the date of its adoption by the Board, subject to the approval of the Plan by the Stockholders in accordance with Applicable Law.

Section 1.3 Term. No Award may be granted on or after the 10th anniversary of the earlier of the Effective Date or the date of Stockholder approval of the Plan, but Awards granted before such 10th anniversary may extend beyond that date.

**ARTICLE II
DEFINITIONS**

For purposes of the Plan, the following terms will have the following meanings:

“**Affiliate**” means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade, or business that is directly or indirectly controlled 50% or more (whether by ownership of stock, assets, or an equivalent ownership interest or voting interest) by the Company or any Affiliate; (d) any trade or business that directly or indirectly controls 50% or more (whether by ownership of stock, assets, or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any Affiliate has a material equity interest and that is designated as an “Affiliate” by resolution of the Committee; provided, however, that “Affiliate” will not include other portfolio companies of any fund controlled by Vista or any of its affiliates that are not Parents or Subsidiaries.

“**Applicable Law**” means the requirements related to or implicated by the administration or operation of the Plan under United States federal and applicable state laws (including corporate, securities, tax, and employment laws, and the Code), any stock exchange or quotation system on which the Shares are listed or quoted, and the applicable laws of any foreign country or jurisdiction where Awards are granted.

“**Award**” means any award granted under the Plan of any Stock Option, Stock Appreciation Right, Restricted Shares, Performance Award, Other Share-Based Award, or Other Cash-Based Award. All Awards will be granted by, confirmed by, and subject to the terms and conditions of, a written Award Agreement executed by the Company and the Participant.

“**Award Agreement**” means the written or electronic agreement setting forth the terms and conditions applicable to an Award.

“**Board**” means the Board of Directors of the Company.

“**Business Combination**” has the meaning set forth in [Section 11.2\(c\)](#).

“**Cause**” means, as determined by the Company, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to an Eligible Employee’s or Consultant’s Separation from Service, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement, or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define “cause” (or words of like import)), a Participant’s (i) insubordination, material dishonesty, fraud, moral turpitude, negligence or willful misconduct, refusal to perform the Participant’s duties or responsibilities (for any reason other than illness or incapacity), (ii) repeated or material violation of any policies of the Company, including, but not limited to, those relating to sexual harassment, ethics, discrimination, or the disclosure or misuse of confidential information, or violation or breach of any confidentiality agreement, work product agreement, or other agreement between the Participant and the Company, (iii) plea of guilty or *nolo contendere* to, conviction of, or indictment for, any crime (whether or not involving the Company or its Affiliates) (A) constituting a felony or (B) that has, or could reasonable expected result in, and adverse impact on the performance of the Participant’s duties to the Company or any of its Affiliates, (iv) misappropriation of any assets or business opportunities of the Company or its Affiliates; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement, or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines “cause” (or words of like import), “cause” as defined under such agreement. Notwithstanding any foregoing term or condition of this definition of Cause, with respect to a Non-Employee Director, “Cause” means an act or failure to act that constitutes cause for removal of a director under applicable Delaware law.

“**Change in Control**” has the meaning set forth in [Section 11.2](#).

“**Change in Control Price**” has the meaning set forth in [Section 11.1](#).

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules, and regulations thereto.

“**Committee**” means any committee of the Board duly authorized by the Board to administer the Plan. If no committee is duly authorized by the Board to administer the Plan, “Committee” will be deemed to refer to the Board for all purposes under the Plan.

“**Common Stock**” means the shares of common stock, par value USD 0.01 per share, of the Company.

“**Company**” means Integral Ad Science Holding Corp., a Delaware corporation, and its successors by operation of law.

“**Consultant**” means an advisor or consultant to the Company or an Affiliate.

“Detrimental Conduct” means, as reasonably determined by the Company, the Participant’s engaging in any of the following behaviors, provided that such behavior causes or would be reasonably expected to cause material harm to the Company or an Affiliate: (a) any violation by the Participant of a restrictive covenant agreement that the Participant has entered into with the Company or an Affiliate (covering, for example, confidentiality, noncompetition, nonsolicitation, nondisparagement, etc.); (b) the commission of a criminal act by the Participant while employed by or providing services to the Company or an Affiliate, whether or not performed in the workplace, that subjects, or if generally known would subject, the Company or an Affiliate to public ridicule or embarrassment, or other improper or intentional conduct by the Participant while employed by or providing services to the Company or an Affiliate causing reputational harm to the Company or an Affiliate; (c) the Participant’s breach of a fiduciary duty owed to the Company or an Affiliate or a client or former client of the Company or an Affiliate; (d) the Participant’s intentional violation, or grossly negligent disregard, of the Company’s or an Affiliate’s policies, rules, or procedures; or (e) the Participant taking or maintaining trading positions that result in a need to restate financial results in a subsequent reporting period or that result in a significant financial loss to the Company or an Affiliate.

“Disability” means, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to a Participant’s Separation from Service, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability will only be deemed to occur at the time of the determination by the Committee of the Disability; provided, however, that, for Awards that are subject to Section 409A, Disability means that a Participant is disabled within the meaning of Section 409A.

“Effective Date” has the meaning set forth in Section 1.2.

“Eligible Employee” means each employee of the Company or an Affiliate.

“Eligible Individual” means each Eligible Employee, Non-Employee Director, or Consultant who is designated by the Committee as eligible to receive an Award.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules, and regulations thereto.

“Fair Market Value” means, as of any date and except as provided below, the last sales price reported for the Common Stock on the applicable date as reported on the principal stock exchange in the United States on which the Common Stock is then listed, or if the Common Stock is not listed, or otherwise reported or quoted, the Committee will determine the Fair Market Value taking into account the requirements of Section 409A. For purposes of the grant of any Award, the applicable date will be the trading day immediately before the date on which the Award is granted. For purposes of any Award granted in connection with the Registration Date, the Fair Market Value will be the public offering price in the initial public offering as set forth on the cover of the final prospectus. For purposes of the purchase of any Award, the applicable date will be the date a notice of purchase is received by the Company or, if not a day on which the applicable market is open, the next day that it is open. Notwithstanding the foregoing, the Committee may use any alternative definition of Fair Market Value that it determines should be used in connection with

the grant, exercise, vesting, settlement, or payment of any Award. Such alternative definition may include a price that is based on the opening, actual, high, low, or average selling prices of the Common Stock on the applicable stock exchange on the given date, the trading day preceding the given date, the trading day next succeeding the given date, or an average of trading days.

“**Family Member**” of a Participant means the Participant’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests.

“**GAAP**” means the U.S. Generally Accepted Accounting Principles, as in effect from time to time.

“**Incentive Stock Option**” or “**ISO**” means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries, or any Parent intended to be, qualifying, and designated as an “incentive stock option” within the meaning of Section 422 of the Code.

“**Incumbent Directors**” has the meaning set forth in [Section 11.2\(b\)](#).

“**Lead Underwriter**” has the meaning set forth in [Section 13.21](#).

“**Lock-Up Period**” has the meaning set forth in [Section 13.21](#).

“**Non-Employee Director**” means a member of the Board or the board of directors of an Affiliate who is not an active employee of the Company or an Affiliate.

“**Nonqualified Stock Option**” means any Stock Option that is not an ISO.

“**Other Cash-Based Award**” means an award granted to an Eligible Individual under [Section 10.3](#) that is payable in cash at the time or times and subject to the terms and conditions determined by the Committee.

“**Other Share-Based Award**” means an award granted to an Eligible Individual under [Article X](#) that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including an award valued by reference to an Affiliate. Other Share-Based Awards may include RSUs.

“**Parent**” means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

“**Participant**” means an Eligible Individual who has been granted, and holds, an Award.

“**Performance Award**” means an award granted to an Eligible Individual under [Article IX](#) contingent upon achieving specified Performance Goals.

“Performance Goals” means goals established by the Committee as contingencies for Awards to vest or become exercisable or distributable, which may be based on business objectives or other measures of performance as the Committee, in its discretion, deems appropriate. Performance Goals may differ among Awards granted to any one Participant or to different Participants. The Committee may also designate additional business objectives on which the Performance Goals may be based and adjust, modify, or amend the aforementioned business objectives.

“Performance Period” means the designated period during which Performance Goals must be satisfied with respect to a Performance Award.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a government or any branch, department, agency, political subdivision, or official thereof.

“Plan” means this Integral Ad Science Holding Corp. 2021 Omnibus Incentive Plan.

“Proceeding” has the meaning set forth in Section 13.10.

“Registration Date” means the date on which the Company consummates the initial sale of its Common Stock in a *bona fide*, firm commitment underwriting pursuant to an effective registration statement under the Securities Act.

“Restricted Shares” means restricted Shares granted to an Eligible Individual under Article VIII.

“Restriction Period” has the meaning set forth in Section 8.3(a).

“RSUs” has the meaning set forth in Section 10.1.

“Rule 16b-3” means Rule 16b-3 under Section 16(b) of the Exchange Act.

“Section 409A” means Code Section 409A.

“Securities Act” means the Securities Act of 1933, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules, and regulations thereto.

“Separation from Service” means, unless otherwise determined by the Committee or the Company, the termination of the applicable Participant’s employment with, and performance of services for, the Company and all Affiliates, including by reason of the fact that the Participant’s employer or other service recipient ceases to be an Affiliate of the Company. Unless otherwise determined by the Company, if a Participant’s employment or service with the Company or an Affiliate terminates but the Participant continues to provide services to the Company or an Affiliate in a Non-Employee Director capacity or as an Eligible Employee or Consultant, as applicable, such change in status will not be considered a Separation from Service. Approved temporary absences from employment because of illness, vacation, or leave of absence and transfers among the Company and its Affiliates will not be considered Separations from Service. Notwithstanding

the foregoing definition of Separation from Service, with respect to any Award that constitutes nonqualified deferred compensation under Section 409A, “Separation from Service” means a “separation from service” within the meaning of Section 409A.

“**Share**” means a share of Common Stock.

“**Share Reserve**” has the meaning set forth in [Section 4.1](#).

“**Stock Appreciation Right**” means a right granted to an Eligible Individual under [Article VII](#) to receive an amount in cash or Shares equal to the difference between (a) the Fair Market Value of a Share on the date such right is exercised and (b) the per Share exercise price of such right.

“**Stock Option**” means an option to purchase Shares granted to an Eligible Individual under [Article VI](#).

“**Stockholder**” means a stockholder of the Company.

“**Subsidiary**” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

“**Substitute Award**” has the meaning set forth in [Section 4.1](#).

“**Ten Percent Stockholder**” means a Person owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries, or any Parent.

“**Transfer**” means (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance, or other disposition, whether for value or no value and whether voluntary or involuntary, and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate, or otherwise dispose of, whether for value or for no value and whether voluntarily or involuntarily. The terms “**Transferred**” and “**Transferable**” have a correlative meaning under the Plan.

“**Vista**” means Vista Equity Partners.

ARTICLE III ADMINISTRATION¹

Section 3.1 [Committee](#). The Plan will be administered and interpreted by the Committee; [provided](#) that the Board will retain the right to exercise the authority of the Committee to the extent consistent with Applicable Law. To the extent required by Applicable Law, it is intended that each member of the Committee will qualify as (a) a “non-employee director” under Rule 16b-3 and (b) an “independent director” under the rules of the principal stock exchange in

¹ [Note to IAS](#): Baker noted that sub-plans will only be required if IAS decides to grant tax-advantaged awards in certain countries (France and the UK for example). It is our understanding this will not be the case but please confirm.

the United States on which the Common Stock is then listed, as applicable. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee before such determination will be valid despite such failure to qualify.

Section 3.2 Grants of Awards. The Committee will have full authority to grant, under the terms and conditions of the Plan, to Eligible Individuals: Stock Options, Stock Appreciation Rights, Restricted Shares, Performance Awards, Other Share-Based Awards, and Other Cash-Based Awards. In particular, the Committee will have the authority:

- (a) to select the Eligible Individuals to whom Awards may be granted;
- (b) to determine whether and to what extent Awards, or any combination thereof, are to be granted to one or more Eligible Individuals;
- (c) to determine the number of Shares to be covered by each Award;
- (d) to determine the terms and conditions, not inconsistent with the terms and conditions of the Plan, of all Awards;
- (e) to determine the amount of cash to be covered by each Award;
- (f) to determine whether, to what extent, and under what circumstances grants of Stock Options and other Awards are to operate on a tandem basis or in conjunction with or apart from other awards made by the Company outside of the Plan;
- (g) to determine whether and under what circumstances an Award may be settled in cash, Common Stock, or Restricted Shares under Section 6.3(d) or as otherwise provided for herein;
- (h) to determine whether a Stock Option is an ISO or Nonqualified Stock Option;
- (i) to impose a “blackout” period during which Stock Options and/or Stock Appreciation Rights may not be exercised;
- (j) to determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of Shares acquired upon the vesting and/or exercise of an Award for a period of time as determined by the Committee after the date of the acquisition of such Award;
- (k) to modify, extend, or renew an Award, subject to Section 6.3(g) and Article XII or as otherwise contained herein; and
- (l) solely to the extent permitted by Applicable Law, to determine whether, to what extent, and under what circumstances to provide loans (which may be on a recourse basis and bear interest at the rate the Committee may determine) to Participants in order to exercise Stock Options.

Section 3.3 Guidelines. Subject to Article XII, the Committee will have the authority to adopt, alter, and repeal such administrative rules, guidelines, and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by Applicable Law and not inconsistent with the Plan), as it may deem advisable; to construe and interpret the Plan, all Awards, and all Award Agreements (and in each case any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it deems necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special terms and conditions for Persons who are residing in, or employed in, or subject to the taxes of, any domestic or foreign jurisdictions to comply with Applicable Law. Notwithstanding the foregoing terms and conditions of this Section 3.3, no action of the Committee under this Section 3.3 may materially impair the rights of any Participant under the Plan or any Award without the Participant's consent. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3, and the Plan will be limited, construed, and interpreted in a manner so as to comply therewith.

Section 3.4 Sole Discretion; Decisions Final. Any decision, interpretation, or other action made or taken by or at the direction of the Company, the Board, or the Committee (or any of their members) arising out of or in connection with the Plan will be within the sole and absolute discretion of all and each of them, as the case may be, and will be final, binding, and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors, and assigns and all other Persons having an interest in the Plan.

Section 3.5 Designation of Consultants; Delegation of Authority.

(a) The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and may grant authority to officers to grant Awards and execute agreements and other documents on behalf of the Committee, in each case to the extent permitted by Applicable Law. In the event of any designation of authority hereunder, subject to Applicable Law and any terms and conditions imposed by the Committee in connection with such designation, such designee or designees will have the power and authority to take such actions, exercise such powers, and make such determinations that are otherwise specifically designated to the Committee hereunder.

(b) The Committee may employ such legal counsel, consultants, and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant, or agent will be paid by the Company. The Committee, its members, and any Person designated under Section 3.5(a) will not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by Applicable Law, no officer of the Company or member or former member of the Committee or of the Board will be liable for any action or determination made in good faith with respect to the Plan or any Award.

(c) The Committee may delegate any or all of its powers and duties under the Plan to a subcommittee of directors or to any officer of the Company, including the power to perform administrative functions and grant Awards, provided that such delegation does not (i) violate Applicable Law, or (ii) result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company. Upon any such delegation, all references in the Plan to the “Committee,” shall be deemed to include any subcommittee or officer of the Company to whom such powers have been delegated by the Committee. Any such delegation shall not limit the right of such subcommittee members or such an officer to receive Awards. The Committee may also appoint agents of the Company to assist in administering the Plan, provided, however, that such individuals may not be delegated the authority to grant or modify any Awards that will, or may, be settled in Shares.

Section 3.6 Indemnification. To the maximum extent permitted by Applicable Law and the Certificate of Incorporation and By Laws of the Company and to the extent not covered by insurance directly insuring such Person, each officer and employee of the Company and each Affiliate and member or former member of the Committee and the Board will be indemnified and held harmless by the Company against all costs and expenses and liabilities, and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer’s, employee’s, member’s, or former member’s own fraud or bad faith. Such indemnification will be in addition to any right of indemnification the employees, officers, directors, or members or former officers, directors, or members may have under Applicable Law or under the Certificate of Incorporation or By Laws of the Company or an Affiliate. Notwithstanding any other term or condition of the Plan, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to himself or herself.

ARTICLE IV SHARE LIMITATION

Section 4.1 Shares.

(a) Share Limits and Counting. The maximum number of Shares available for issuance under the Plan may not exceed 21,200,000 Shares (subject to any increase or decrease under this Section 4.1 or Section 4.2) (the “**Share Reserve**”). The Share Reserve may consist of authorized and unissued Shares and Shares held in or acquired for the treasury of the Company. The Share Reserve will automatically increase on each January 1 that occurs after the Effective Date, for 10 years, by an amount equal to 5% of the total number of Shares outstanding on December 31 of the preceding calendar year, or a lesser number as may be determined by the Board. The maximum number of Shares with respect to which ISOs may be granted is 21,200,000 Shares. With respect to Stock Appreciation Rights settled in Shares, upon settlement, only the number of Shares delivered to a Participant will count against the Share Reserve. If any Stock Option, Stock Appreciation Right, or Other Share-Based Award expires, terminates, or is cancelled for any reason without having been exercised in full, the number of Shares underlying such Award will be added back to the Share Reserve. If any Restricted Shares, Performance Awards, or

Other Share-Based Awards denominated in Shares are forfeited for any reason, the number of Shares underlying such Award will be added back to the Share Reserve. Any Award settled in cash will not count against the Share Reserve. If Shares issuable upon exercise, vesting, or settlement of an Award, or Shares owned by a Participant (that are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the purchase or exercise price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms of the Plan, such surrendered or tendered Shares will be added back to the Share Reserve. Awards may be granted in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“**Substitute Awards**”). Substitute Awards will not count against the Share Reserve; provided that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding Stock Options intended to qualify as ISOs will count against the ISO limit above. Subject to applicable stock exchange requirements, available shares under a stockholder-approved plan of an entity acquired by the Company or with which the Company combines (as appropriately adjusted to reflect such acquisition or transaction) may be used for Awards and will not count against the Share Reserve.

(b) Annual Non-Employee Director Award Limitation. The maximum value of Awards granted during any calendar year to any Non-Employee Director for such individual’s service on the Board, taken together with any cash fees paid to that Non-Employee Director during the calendar year and the value of awards granted to the Non-Employee Director under any other compensation plan of the Company or any Affiliate during the calendar year for such individual’s service on the Board, may not exceed USD 750,000 in total value (calculating the value of any such Awards based on the grant date fair value for accounting purposes); provided, that for any calendar year in which a Non-Employee Director (i) first commences service on the Board, (ii) serves on a special committee of the Board, or (iii) serves as lead director or non-executive chair of the Board, additional compensation may be provided to such Non-Employee Director in excess of such limit; provided, further, that the limit set forth in this Section 4.1(b) shall be applied without regard to Awards or other compensation, if any, provided to a Non-Employee Director during any period in which such individual was an employee of the Company or any Affiliate or was otherwise providing services to the Company or to any Affiliate other than in the capacity as a Non-Employee Director.

Section 4.2 Changes.

(a) The existence of the Plan and any Awards will not affect in any way the right or power of the Board, the Committee, or the Stockholders to make or authorize (i) any adjustment, recapitalization, reorganization, or other change in the Company’s capital structure or its business, (ii) any merger or consolidation of the Company or any Affiliate, (iii) any issuance of bonds, debentures, or preferred or prior preference stock ahead of or affecting the Common Stock, (iv) the dissolution or liquidation of the Company or any Affiliate, (v) any sale or transfer of all or part of the assets or business of the Company or any Affiliate, or (vi) any other corporate act or proceeding.

(b) Subject to Section 11.1:

(i) In the event of any change in the outstanding Common Stock or in the capital structure of the Company by reason of any stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, combination, division, exchange, spin off, extraordinary cash or stock dividend, or other relevant change in capitalization, Awards will be equitably adjusted or substituted to the extent necessary to preserve the economic intent of such Awards.

(ii) Fractional Shares resulting from any adjustment in Awards under this Section 4.2(b) will be aggregated until, and eliminated at, the time of exercise or payment by rounding to the nearest whole number. No cash settlements will be required with respect to fractional Shares eliminated by rounding. Notice of any adjustment will be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) will be effective and binding for all purposes of the Plan.

Section 4.3 Minimum Purchase Price. Notwithstanding any other term or condition of the Plan, if authorized but previously unissued Shares are issued under the Plan, such Shares may not be issued for a consideration that is less than as permitted under Applicable Law.

ARTICLE V ELIGIBILITY

Section 5.1 General Eligibility. All current and prospective Eligible Individuals are eligible to be granted Awards. Eligibility for the grant of Awards and actual participation in the Plan will be determined by the Committee.

Section 5.2 ISOs. Notwithstanding Section 5.1, only Eligible Employees of the Company, its Subsidiaries, and any Parent are eligible to be granted ISOs.

Section 5.3 General Requirement. The vesting and exercise of Awards granted to a prospective Eligible Individual must be conditioned upon such individual actually becoming an Eligible Employee, Consultant, or Non-Employee Director, respectively.

ARTICLE VI STOCK OPTIONS

Section 6.1 Stock Options. Stock Options may be granted alone or in addition to other Awards. Each Stock Option will be either (a) an ISO or (b) a Nonqualified Stock Option.

Section 6.2 Grants. The Committee will have the authority to grant to any Eligible Employee one or more ISOs, Nonqualified Stock Options, or both types of Stock Options. The Committee will have the authority to grant any Consultant or Non-Employee Director one or more Nonqualified Stock Options. To the extent that any Stock Option does not qualify as an ISO, such Stock Option or the portion thereof that does not so qualify will constitute a separate Nonqualified Stock Option.

Section 6.3 Terms and Conditions of Stock Options. Stock Options will be subject to terms and conditions, not inconsistent with the Plan, determined by the Committee, and the following:

- (a) The exercise price per Share subject to a Stock Option will be determined by the Committee at the time of grant; provided that the per Share exercise price of a Stock Option may not be less than 100% (or, in the case of an ISO granted to a Ten Percent Stockholder, 110%) of the Fair Market Value of the Common Stock at the grant date.
- (b) The term of each Stock Option will be fixed by the Committee; provided that no Stock Option may be exercisable more than 10 years after the date the Stock Option is granted; and provided, further, that the term of an ISO granted to a Ten Percent Stockholder may not exceed five years.
- (c) Unless otherwise determined by the Committee in accordance with this Section 6.3, Stock Options will be exercisable at the time or times and subject to the terms and conditions determined by the Committee at the time of grant. If the Committee provides that any Stock Option is exercisable subject to certain terms and conditions, the Committee may waive those terms and conditions on the exercisability at any time at or after the time of grant in whole or in part.
- (d) Subject to whatever installment exercise and waiting period terms and conditions that may apply under Section 6.3(e), to the extent vested, Stock Options may be exercised in whole or in part at any time during the Stock Option term by giving written notice of exercise to the Company specifying the number of Shares to be purchased. Such notice must be accompanied by payment in full of the exercise price as follows: (i) in cash or by check, bank draft, or money order payable to the Company; (ii) solely to the extent permitted by Applicable Law, if the Common Stock is listed on a national stock exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the exercise price; (iii) to the extent the Committee authorizes, having the Company withhold Shares issuable upon exercise of the Stock Option, or by payment in full or in part in the form of Shares owned by the Participant, based on the Fair Market Value of the Shares on the payment date; or (iv) on such other terms and conditions that may be acceptable to the Committee. No Shares will be issued under the Plan until payment for those Shares has been made or provided for in accordance with the Plan.
- (e) No Stock Option will be Transferable by the Participant other than by will or by the laws of descent and distribution, and all Stock Options will be exercisable, during the Participant's lifetime, only by the Participant, except that the Committee may determine at the time of grant or thereafter that a Nonqualified Stock Option that is otherwise not Transferable under this Section 6.3(e) is Transferable to a Family Member in whole or in part on terms and conditions that are specified by the Committee. A Nonqualified Stock Option that is Transferred to a Family Member under the preceding sentence (i) may not be subsequently Transferred other than by will or by the laws of descent and distribution and (ii) remains subject to the Plan and the applicable Award Agreement. Any Shares acquired upon the

exercise of a Nonqualified Stock Option by a permissible transferee of a Nonqualified Stock Option or a permissible transferee under a Transfer after the exercise of the Nonqualified Stock Option will be subject to the Plan and the applicable Award Agreement.

(f) Treatment upon Separation from Service

(i) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, if a Participant's Separation from Service is by reason of death or Disability, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Separation from Service may be exercised by the Participant (or in the case of the Participant's death, by the legal representative of the Participant's estate) at any time within a period of 1 year from the date of such Separation from Service, but in no event beyond the expiration of the stated term of such Stock Options; provided, however, that, in the event of a Participant's Separation from Service by reason of Disability, if the Participant dies within such exercise period, all unexercised Stock Options held by such Participant will thereafter be exercisable, to the extent to which they were exercisable at the time of death, for a period of 1 year from the date of such death, but in no event beyond the expiration of the stated term of such Stock Options.

(ii) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, if a Participant's Separation from Service is initiated by the Company without Cause, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Separation from Service may be exercised by the Participant at any time within a period of 90 calendar days after the date of such Separation from Service, but in no event beyond the expiration of the stated term of such Stock Options.

(iii) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, if a Participant's Separation from Service is voluntary (other than a voluntary Separation from Service described in Section 6.4(i)(y)), all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Separation from Service may be exercised by the Participant at any time within a period of 90 calendar days after the date of such Separation from Service, but in no event beyond the expiration of the stated term of such Stock Options.

(iv) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, Stock Options that are not vested as of the date of a Participant's Separation from Service for any reason will terminate and expire as of the date of such Separation from Service.

(g) To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which ISOs are exercisable for the first

time by an Eligible Employee during any calendar year under the Plan or any other stock option plan of the Company, any Subsidiary, or any Parent exceeds USD 100,000, such Stock Options will be treated as Nonqualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary, or any Parent at all times from the time an ISO is granted until three months before the date of exercise thereof (or such other period as required by Applicable Law), such Stock Option will be treated as a Nonqualified Stock Option. Should any term or condition of the Plan not be necessary for the Stock Options to qualify as ISOs, or should any additional terms and conditions be required, the Committee may amend the Plan accordingly.

(h) Subject to the terms and conditions of the Plan, Stock Options will be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend, or renew outstanding Stock Options, and (ii) accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised). Notwithstanding any other term or condition of the Plan, except in connection with a corporate transaction involving the Company in accordance with Section 4.2, the repricing of Options (and Stock Appreciation Rights) is prohibited without prior approval of the Stockholders. For this purpose, a “repricing” means any of the following (or any other action that has the same effect as any of the following): (A) any action that is treated as a “repricing” under GAAP, and (B) repurchasing for cash or cancelling an Option or a Stock Appreciation Right at a time when its exercise price is greater than the Fair Market Value of the underlying Shares in exchange for another Award. A cancellation and exchange under clause (B) would be considered a “repricing” regardless of whether it is treated as a “repricing” under GAAP and regardless of whether it is voluntary on the part of the Participant.

(i) The Committee may provide that a Stock Option include a term or condition whereby the Participant may elect at any time before the Participant’s Separation from Service to exercise the Stock Option as to any part or all of the Shares subject to the Stock Option before the full vesting of the Stock Option and such Shares will be subject to the terms and conditions of Article VIII and be treated as Restricted Shares. Unvested Shares so exercised may be subject to a repurchase option in favor of the Company or to any other restriction the Committee may determine.

Section 6.4 Automatic Exercise. The Committee may include a term or condition in an Award Agreement providing for the automatic exercise of a Nonqualified Stock Option on a cashless basis on the last day of the term of such Stock Option if the Participant has failed to exercise the Nonqualified Stock Option as of such date, with respect to which the Fair Market Value of the Shares underlying the Nonqualified Stock Option exceeds the exercise price of such Nonqualified Stock Option on the date of expiration of such Stock Option, subject to Section 13.5.

ARTICLE VII STOCK APPRECIATION RIGHTS

Section 7.1 Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights may be issued either alone or in tandem with Stock Options. Stock Appreciation Rights

will be subject to terms and conditions, not inconsistent with the Plan, determined by the Committee, and the following:

(a) The exercise price per Share subject to a Stock Appreciation Right will be determined by the Committee at the time of grant; provided that the per Share exercise price of a Stock Appreciation Right will not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b) The term of each Stock Appreciation Right will be fixed by the Committee, but may not be greater than 10 years after the date the right is granted.

(c) Unless otherwise determined by the Committee in accordance with this Section 7.1, Stock Appreciation Rights will be exercisable at the time or times and subject to the terms and conditions determined by the Committee at the time of grant. If the Committee provides that any such right is exercisable subject to certain terms and conditions, the Committee may waive those terms and conditions on the exercisability at any time at or after grant in whole or in part.

(d) Subject to whatever installment exercise and waiting period terms and conditions apply under Section 7.1(c), Stock Appreciation Rights may be exercised in whole or in part at any time in accordance with the applicable Award Agreement, by giving written notice of exercise to the Company specifying the number of Stock Appreciation Rights to be exercised.

(e) Upon the exercise of a Stock Appreciation Right, a Participant will be entitled to receive, for each right exercised, up to, but no more than, an amount in cash or Common Stock (as chosen by the Committee) equal in value to the excess of the Fair Market Value of one Share on the date that the right is exercised over the Fair Market Value of one Share on the date that the right was awarded to the Participant.

(f) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, subject to the applicable Award Agreement and the Plan, upon a Participant's Separation from Service for any reason, Stock Appreciation Rights will remain exercisable after a Participant's Separation from Service on the same basis as Stock Options would be exercisable after a Participant's Separation from Service in accordance with Section 6.4(f).

(g) No Stock Appreciation Rights will be Transferable by the Participant other than by will or by the laws of descent and distribution, and all such rights will be exercisable, during the Participant's lifetime, only by the Participant.

Section 7.2 Automatic Exercise. The Committee may include a term or condition in an Award Agreement providing for the automatic exercise of a Stock Appreciation Right on a cashless basis on the last day of the term of the Stock Appreciation Right if the Participant has failed to exercise the Stock Appreciation Right as of such date, with respect to which the Fair Market Value of the Shares underlying the Stock Appreciation Right exceeds the exercise price of such Stock Appreciation Right on the date of expiration of such Stock Appreciation Right, subject to Section 13.5.

ARTICLE VIII
RESTRICTED SHARES

Section 8.1 Restricted Shares. The Committee will determine the Eligible Individuals to whom, and the time or times at which, grants of Restricted Shares will be made, the number of Restricted Shares to be awarded, the price (if any) to be paid by the Participant (subject to Section 8.2), the time or times within which such Awards will be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

Section 8.2 Awards and Certificates. Participants selected to receive Restricted Shares will not have any right with respect to the Award, unless and until the Participant has delivered a fully executed copy of the agreement evidencing the Award to the Company, to the extent required by the Committee, and has otherwise complied with the applicable terms and conditions of the Award. Further, such Award will be subject to the following:

(a) The purchase price of Restricted Shares will be fixed by the Committee. Subject to Section 4.3, the purchase price for Restricted Shares may be zero to the extent permitted by Applicable Law, and, to the extent required by Applicable Law, such purchase price may not be less than par value.

(b) Each Participant receiving Restricted Shares will be issued a stock certificate in respect of the Restricted Shares, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of Restricted Shares. Such certificate will be registered in the name of the Participant, and will, in addition to any legends required by Applicable Law, bear an appropriate legend referring to the terms and conditions applicable to the Award, substantially in the following form:

“The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance, or charge of the restricted shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Integral Ad Science Holding Corp. (the “**Company**”) 2021 Omnibus Incentive Plan (the “**Plan**”) and an award agreement entered into between the registered owner and the Company dated _____ (the “**Agreement**”). Copies of such Plan and Agreement are on file at the principal office of the Company.”

(c) If stock certificates are issued in respect of Restricted Shares, the Committee may require that any stock certificates evidencing such Shares be held in custody by the Company until the restrictions thereon have lapsed, and that, as a condition of any grant of Restricted Shares, the Participant must deliver a duly signed stock power or other instruments of assignment, each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the Restricted Shares in the event that such Award is forfeited in whole or part.

Section 8.3 Terms and Conditions. Restricted Shares will be subject to terms and conditions, not inconsistent with the Plan, determined by the Committee, and the following:

(a) The Participant is not permitted to Transfer Restricted Shares during the period or periods set by the Committee (the “**Restriction Period**”) commencing on the date of such Award, as set forth in the applicable Award Agreement, and such agreement will set forth a vesting schedule and any event that would accelerate vesting of the Restricted Shares. Within these limits, based on service, attainment of Performance Goals, or such other factors or criteria as the Committee may determine, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Shares and waive the deferral terms and conditions for all or any part of any Restricted Shares.

(b) Except as provided in Section 8.3(a) and this Section 8.3(b) or as otherwise determined by the Committee, the Participant will have, with respect to Restricted Shares, all of the rights of a Stockholder, including the right to receive dividends, the right to vote such Restricted Shares, and, subject to and conditioned upon the full vesting of Restricted Shares, the right to tender those Shares. The Committee may determine at the time of grant that the payment of dividends will be deferred until, and conditioned upon, the expiration of the applicable Restriction Period.

(c) Unless otherwise determined by the Committee at the time of grant or, if no rights of the Participant are reduced, thereafter, subject to the applicable Award Agreement and the Plan, upon a Participant’s Separation from Service for any reason during the relevant Restriction Period, all Restricted Shares will be forfeited.

(d) If and when the Restriction Period expires without a prior forfeiture of the Restricted Shares, the certificates for such Shares will be delivered to the Participant. All legends will be removed from said certificates at the time of delivery to the Participant, except as otherwise required by Applicable Law or other terms and conditions imposed by the Committee.

ARTICLE IX PERFORMANCE AWARDS

Section 9.1 Performance Awards. The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. If the Performance Award is payable in Restricted Shares, such Shares will be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Article VIII. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in Restricted Shares (based on the then current Fair Market Value of such Shares). Each Performance Award will be evidenced by an Award Agreement in such form that is not inconsistent with the Plan and that the Committee may approve. The Committee will condition the right to payment of any Performance Award upon the attainment of Performance Goals established under Section 9.2(c).

Section 9.2 Terms and Conditions. Performance Awards will be subject to terms and conditions, not inconsistent with the Plan, determined by the Committee, and the following:

- (a) At the expiration of the applicable Performance Period, the Committee will determine the extent to which the Performance Goals established under Section 9.2(c) are achieved and the percentage of each Performance Award that has been earned.
- (b) Subject to the applicable Award Agreement and the Plan, Performance Awards may not be Transferred.
- (c) The Committee will establish the Performance Goals for the earning of Performance Awards based on a Performance Period applicable to each Participant or class of Participants. Such Performance Goals may incorporate terms and conditions for disregarding (or adjusting for) changes in accounting methods, corporate transactions, and other similar type events or circumstances.
- (d) Unless otherwise determined by the Committee at the time of grant, amounts equal to dividends declared during the Performance Period with respect to the number of Shares covered by a Performance Award will not be paid to the Participant.
- (e) After the Committee's determination in accordance with Section 9.2(a), the Company will settle Performance Awards, in such form as determined by the Committee, in an amount equal to such Participant's earned Performance Awards. Notwithstanding the foregoing sentence, the Committee may award an amount less than the earned Performance Awards and subject the payment of all or part of any Performance Award to additional vesting, forfeiture, and deferral terms and conditions.
- (f) Subject to the applicable Award Agreement and the Plan, upon a Participant's Separation from Service for any reason during the Performance Period for a Performance Award, the Performance Award will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.
- (g) Based on service, performance, and any other factors or criteria the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

ARTICLE X OTHER SHARE-BASED AND CASH-BASED AWARDS

Section 10.1 Other Share-Based Awards. The Committee is authorized to grant to Eligible Individuals Other Share-Based Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, including Shares awarded purely as a bonus and not subject to terms or conditions, Shares in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an Affiliate, stock equivalent units, restricted stock units ("RSUs"), and Awards valued by reference to book value of Shares. Other Share-Based Awards may be granted either alone or in addition to or in tandem with other Awards. Subject to the terms and conditions of the Plan, the Committee has the authority to determine the Eligible Individuals to whom, and the time or times at which, Other Share-Based Awards will be granted, the number of Shares to be granted under such Awards, and all other terms and conditions of the Awards.

Section 10.2 Terms and Conditions. Other Share-Based Awards will be subject to terms and conditions, not inconsistent with the Plan, determined by the Committee, and the following:

- (a) Subject to the applicable Award Agreement and the Plan, Shares subject to Other Share-Based Awards may not be Transferred before the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance, or deferral period lapses.
- (b) Unless otherwise determined by the Committee at the time of grant, subject to the applicable Award Agreement and the Plan, the recipient of an Other Share-Based Award will not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents in respect of the number of Shares covered by the Award.
- (c) All Other Share-Based Awards and any Shares covered by those awards will vest or be forfeited to the extent so provided in the Award Agreement.
- (d) Common Stock issued on a bonus basis under this Article IX may be issued for no cash consideration. Common Stock purchased under a purchase right awarded under this Article X will be priced as determined by the Committee.

Section 10.3 Other Cash-Based Awards. The Committee may grant Other Cash-Based Awards to Eligible Individuals in amounts, on terms and conditions, and for consideration, including no consideration or such minimum consideration as may be required by Applicable Law. Other Cash-Based Awards may be granted subject to the satisfaction of vesting terms and conditions or may be awarded purely as a bonus and not subject to terms and conditions, and if subject to vesting, the Committee may accelerate such vesting at any time.

ARTICLE XI CHANGE IN CONTROL

Section 11.1 Treatment of Awards upon a Change in Control. In the event of a Change in Control, and except as otherwise determined by the Committee in an Award Agreement, a Participant's unvested Awards will not vest automatically and will be treated in accordance with one or more of the following methods as determined by the Committee:

- (a) Awards, whether or not then vested, will be continued, assumed, or have new rights substituted therefor, on an economic equivalent basis, as determined by the Committee, and restrictions to which Restricted Shares or any other Award granted before the Change in Control are subject will not lapse upon the Change in Control and the Restricted Shares or other Awards will receive the same distribution as other Common Stock on terms and conditions determined by the Committee; provided that the Committee may decide to award additional Restricted Shares or other Awards in lieu of any cash distribution.

(b) The Committee may provide for the purchase of any Awards by the Company or an Affiliate for an amount of cash equal to the excess (if any) of the Fair Market Value of the Shares covered by such Awards as of the Change in Control, over the aggregate purchase or exercise price of such Awards. For the purposes of this Section 11.1(b), to the extent applicable, Fair Market Value will be determined based on the highest price per Share paid in connection with any Change in Control.

(c) The Committee may terminate all outstanding and unexercised Stock Options, Stock Appreciation Rights, and Other Share-Based Awards that provide for a Participant-elected exercise, effective as of the Change in Control, by delivering notice of termination to each Participant at least 20 days before the date of consummation of the Change in Control, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Change in Control, each affected Participant will have the right to exercise in full all of the Participant's Awards that are then outstanding (without regard to any terms and conditions on exercisability otherwise contained in the Award Agreements), but any such exercise will be contingent on the occurrence of the Change in Control; provided that, if the Change in Control does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto will be null and void.

(d) The Committee may make any other determination as to the treatment of Awards in connection with a Change in Control. The treatment of Awards need not be the same for all Participants. Any escrow, holdback, earnout, or similar terms and conditions in the definitive agreements relating to the Change in Control may apply to any payment to the holders of Awards to the same extent and in the same manner as such terms and conditions apply to the holders of Shares.

Section 11.2 Change in Control. Unless otherwise determined by the Committee in the applicable Award Agreement or other written agreement with a Participant approved by the Committee, a "**Change in Control**" means:

(a) any "person," as that term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the Stockholders in substantially the same proportions as their ownership of Common Stock), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities, other than pursuant to a Business Combination that does not constitute a Change in Control under such Section 11.2(c);

(b) during any period of 24 consecutive calendar months, individuals who were directors serving on the Board on the first day of such period (the "**Incumbent Directors**") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a director after the first day of such period whose election, or nomination for election, by the Stockholders was approved by a vote of at least a majority of the Incumbent Directors will be considered as though such individual were an Incumbent

Director, but excluding, for purposes of this proviso, any such individual whose initial assumption of office occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a “person” (as used in Section 13(d) of the Exchange Act), in each case, other than the Board;

(c) consummation of a reorganization, merger, consolidation, or other business combination (any of the foregoing, a “**Business Combination**”) of the Company or any direct or indirect subsidiary of the Company with any other corporation, in any case with respect to which the Company voting securities outstanding immediately before such Business Combination do not, immediately after such Business Combination, continue to represent (either by remaining outstanding or being converted into voting securities of the Company or any ultimate parent thereof) more than 50% of the then outstanding voting securities entitled to vote generally in the election of directors of the Company (or its successor) or any ultimate parent thereof after the Business Combination; or

(d) a complete liquidation or dissolution of the Company or the consummation of a sale or disposition by the Company of all or substantially all of the Company’s assets other than the sale or disposition of all or substantially all of the assets of the Company to a Person or Persons who beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

For purposes of this Section 11.2, acquisitions or sales of securities of the Company by Vista, any of its respective affiliates, or any investment vehicle or fund controlled by or managed by, or otherwise affiliated with Vista shall not constitute a Change in Control. Notwithstanding the foregoing terms and conditions of this definition, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, a Change in Control will not be deemed to have occurred for purposes of such Award (or portion thereof) unless such transaction or series of related transactions also constitutes a “change in control event” with respect to the Company for purposes of Section 409A of the Code.

Section 11.3 Initial Public Offering not a Change in Control. Notwithstanding the foregoing terms and conditions of the definition of Change in Control, the occurrence of the Registration Date will not be considered a Change in Control.

ARTICLE XII AMENDMENT AND TERMINATION

Section 12.1 Amendment and Termination of Plan. Subject to Section 12.3, the Board may amend or terminate the Plan at any time; provided, however, that no amendment will be effective unless approved by the Stockholders to the extent Stockholder approval is necessary to satisfy any Applicable Laws.

Section 12.2 Amendment of Awards. Subject to Section 12.3, the Committee may amend any Award at any time; provided, however, that no amendment will be effective unless approved by the Stockholders to the extent Stockholder approval is necessary to satisfy any Applicable Laws.

Section 12.3 No Material Impairment of Rights. Rights under any Award granted before amendment or termination of the Plan or amendment of an Award may not be materially impaired by any such amendment or termination unless the Participant consents thereto.

ARTICLE XIII GENERAL TERMS AND CONDITIONS

Section 13.1 Legend. The Committee may require each person receiving Shares under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the Shares without a view to distribution thereof. In addition to any legend required by the Plan, the certificates for Shares issued under the Plan may include any legend that the Committee deems appropriate to reflect any restrictions on Transfer. All certificates for Shares delivered under the Plan will be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under Applicable Law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

Section 13.2 Book Entry. Notwithstanding any other term or condition of the Plan, the Company may elect to satisfy any requirement under the Plan for the delivery of Share certificates through the use of another system, such as book entry or electronically.

Section 13.3 Other Plans. Nothing contained in the Plan prevents the Board from adopting other or additional compensation arrangements, subject to Stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

Section 13.4 No Right to Employment, Consultancy, or Directorship. Neither the Plan nor the grant of any Award gives any Person any right with respect to continuance of employment, consultancy, or directorship by the Company or any Affiliate, nor does the Plan or the grant of any Award cause any limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate such employment, consultancy, or directorship at any time.

Section 13.5 Withholding for Taxes. The Company or an Affiliate, as the case may be, has the right to deduct from payments of any kind otherwise due to a Participant any U.S. federal, state, local or foreign taxes of any kind required by Applicable Law to be withheld (a) with respect to the grant, vesting of or other lapse of restrictions applicable to an Award, (b) upon the issuance of any Shares upon the exercise of an Option or Stock Appreciation Right, or (c) otherwise due in connection with an Award. At the time the tax obligation becomes due, the Participant must pay to the Company or the Affiliate, as the case may be, any amount that the Company or Affiliate determines to be necessary to satisfy the tax obligation. The Company or the Affiliate, as the case may be, may require or permit the Participant to satisfy the tax obligation, in whole or in part, (i) by causing the Company or Affiliate to withhold up to the maximum required number of Shares otherwise issuable to the Participant as may be necessary to satisfy such tax obligation; (ii) by delivering to the Company or Affiliate Shares already owned by the Participant; (iii) the Company

or the Affiliate withholding cash from any compensation otherwise payable to or for the benefit of the Participant, (iv) withholding from proceeds from the sale of shares of Common Stock issued to the Participant under such Award, either through a voluntary sale or a mandatory sale arranged by the Company; or (v) any other method determined by the Committee that is permissible under Applicable Law. To the extent withholding occurs as indicated in (i) or (ii) above, the Shares delivered or withheld must have an aggregate Fair Market Value approximately equal to the tax obligation. The Fair Market Value of the Shares used to satisfy the tax obligation will be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. To the extent applicable, a Participant may satisfy his or her tax obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

Section 13.6 No Assignment of Benefits. No Award or other benefit payable under the Plan may, except as otherwise specifically provided by Applicable Law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit will be void, and any such benefit will not in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Person who will be entitled to such benefit, nor will it be subject to attachment or legal process for or against such Person.

Section 13.7 Listing and Other Terms and Conditions.

(a) Unless otherwise determined by the Committee, as long as the Common Stock is listed on a national stock exchange or system sponsored by a national securities association, the issuance of Shares under an Award will be conditioned upon such Shares being listed on such exchange or system. The Company will have no obligation to issue such Shares unless and until such Shares are so listed, and the right to exercise any Stock Option or other Award with respect to such Shares will be suspended until such listing has been effected.

(b) If at any time counsel to the Company is of the opinion that any sale or delivery of Shares under an Award is or may be unlawful or result in the imposition of excise taxes on the Company, the Company will have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise, with respect to Shares or Awards, and the right to exercise any Stock Option or other Award will be suspended until, in the opinion of said counsel, such sale or delivery would be lawful or would not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 13.7, any Award affected by such suspension that has not expired or terminated will be reinstated as to all Shares available before such suspension and as to Shares that would otherwise have become available during the period of such suspension, but no such suspension will extend the term of any Award.

(d) A Participant will be required to supply the Company with certificates, representations, and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent, and approval the Company reasonably determines necessary or appropriate.

Section 13.8 Stockholders Agreement and Other Requirements. Notwithstanding any other term or condition of the Plan, as a condition to the receipt of Shares under an Award, to the extent required by the Committee, the Participant must execute and deliver a Stockholder's agreement and such other documentation that sets forth certain restrictions on transferability of the Shares acquired upon exercise or purchase, and such other terms and conditions as the Committee may establish. The Company may require, as a condition of exercise, the Participant to become a party to an existing Stockholders agreement (or other agreement). Any payment of cash or issuance or transfer of Shares or other property to the Participant or the Participant's legal representative under the Plan will, to the extent thereof, be in full satisfaction of all claims of such Persons under the plan, and the Company may require the Participant or the Participant's legal representative, as a condition to such payment or issuance or transfer, to execute a general release of all claims in favor of the Company and each Affiliate in such form as the Company may determine.

Section 13.9 Governing Law. The Plan and actions taken in connection with the Plan will be governed and construed in accordance with the laws of the U.S. State of Delaware without regard to the principles of conflicts of laws (whether of the U.S. State of Delaware or any other jurisdiction).

Section 13.10 Jurisdiction; Waiver of Jury Trial. Any suit, action, or proceeding with respect to the Plan or any Award or Award Agreement, or any judgment entered by any court of competent jurisdiction in respect of the Plan or any Award or Award Agreement, will be resolved only in the courts of the U.S. State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, each of the Company and each Participant irrevocably and unconditionally (a) submits in any proceeding relating to the Plan or any Award or Award Agreement, or for the recognition and enforcement of any judgment in respect of the Plan or any Award or Award Agreement (a "**Proceeding**"), to the exclusive jurisdiction of the courts of the U.S. State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts, and agrees that all claims in respect of any Proceeding will be heard and determined in such state court or, to the extent permitted by Applicable Law, in such federal court, (b) consents that any Proceeding may and will be brought in such courts and waives any objection that the Company or the Participant may have at any time after the Effective Date to the venue or jurisdiction of any Proceeding in any such court or that the Proceeding was brought in an inconvenient court and agrees not to plead or claim the same, (c) waives all right to trial by jury in any Proceeding (whether based on contract, tort, or otherwise) arising out of or relating to the Plan or any Award or Award Agreement, (d) agrees that service of process in any Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant's address shown in the books and records of the Company or, in the case of the Company, at the Company's principal offices, attention General Counsel, and (e) agrees that nothing in the Plan will affect the right to effect service of process in any other manner permitted by the laws of the State of Delaware.

Section 13.11 Other Benefits. No Award will be considered compensation for purposes of computing benefits under any retirement plan of the Company or any Affiliate or affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

Section 13.12 Costs. The Company will bear all expenses associated with administering the Plan, including expenses of issuing Common Stock under Awards.

Section 13.13 No Right to Same Benefits. The terms and conditions of Awards need not be the same with respect to each Participant, and Awards to individual Participants need not be the same in subsequent years (if granted at all).

Section 13.14 Death; Disability. The Committee may require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require the agreement of the transferee to be bound by the Plan.

Section 13.15 Section 16(b) of the Exchange Act. All elections and transactions under the Plan by Persons subject to Section 16 of the Exchange Act involving Shares are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

Section 13.16 Section 409A. The Plan is intended to comply with Section 409A and will be limited, construed, and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A, it will be paid in a manner that complies with Section 409A. Notwithstanding any other provision of the Plan, any Plan provision that is inconsistent with Section 409A will be deemed to be amended to comply with Section 409A and to the extent such provision cannot be amended to comply, such provision will be null and void. The Company will have no liability to a Participant, or any other party, if an Award that is intended to be exempt from or compliant with Section 409A is not so exempt or compliant, or for any action taken by the Committee or the Company and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A, responsibility for payment of such penalties will rest solely with the affected Participants and not with the Company. Notwithstanding any other provision in the Plan or any Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A) will be delayed for the first six months after such separation from service and will instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period (or, if earlier, the date of death of the specified employee). All installment payments under the Plan will be deemed separate payments for purposes of Section 409A.

Section 13.17 California Participants. The Plan is intended to comply with Section 25102(o) of the California Corporations Code, to the extent applicable. In that regard, to

the extent required by Section 25102(o), (a) the terms and conditions of any Options and Stock Appreciation Rights, to the extent vested and exercisable upon a Participant's Separation from Service, will include any minimum exercise periods after Separation from Service required by Section 25102(o) and (b) any repurchase right of the Company or any Affiliate will include a minimum 90-day notice requirement. Any Plan term that is inconsistent with Section 25102(o) will, without further act or amendment by the Company or the Board, be reformed to comply with the requirements of Section 25102(o).

Section 13.18 Successor and Assigns. The Plan will be binding on all successors and permitted assigns of a Participant, including the estate of such Participant and the executor, administrator, or trustee of such estate.

Section 13.19 Severability of Terms and Conditions. If any term or condition of the Plan is held invalid or unenforceable, such invalidity or unenforceability will not affect any other term or condition of the Plan, and the Plan will be construed and enforced as if such term or condition had not been included.

Section 13.20 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent Person, or other Person incapable of receipt thereof will be considered paid when paid to such Person's guardian or to the party providing or reasonably appearing to provide for the care of such Person, and such payment will fully discharge the obligations of the Committee, the Board, the Company, all Affiliates, and their employees, agents, and representatives with respect thereto.

Section 13.21 Lock-Up Agreement. As a condition to the grant of an Award, if requested by the Company and the lead underwriter of any public offering of Common Stock (the "**Lead Underwriter**"), a Participant must irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of, any interest in any Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during such period of time after the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter may specify (the "**Lock-Up Period**"). Each Participant must sign such documents as may be requested by the Lead Underwriter to effect the foregoing. The Company may impose stop-transfer instructions with respect to Common Stock acquired under an Award until the end of such Lock-Up Period.

Section 13.22 Separation from Service for Cause; Clawbacks; Detrimental Conduct.

(a) The Company may cancel any unvested Awards if the Participant incurs a Separation from Service for Cause.

(b) All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with any Company clawback or similar policy or any Applicable Law related to such actions. A Participant's acceptance of an Award will constitute the Participant's acknowledgement of and consent to the Company's application,

implementation, and enforcement of any applicable Company clawback or similar policy that may apply to the Participant, whether adopted before or after the Effective Date, and any Applicable Law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Participant's agreement that the Company may take any actions that may be necessary to effectuate any such policy or Applicable Law, without further consideration or action.

(c) Except as otherwise determined by the Committee, notwithstanding any other term or condition of the Plan, if a Participant engages in Detrimental Conduct, whether during the Participant's service or after the Participant's Separation from Service, in addition to any other penalties or restrictions that may apply under the Plan, Applicable Law, or otherwise, the Participant must forfeit or pay to the Company the following:

- (i) any and all outstanding Awards granted to the Participant, including Awards that have become vested or exercisable;
- (ii) any cash or Shares received by the Participant in connection with the Plan within the 36-month period immediately before the date the Participant engaged in Detrimental Conduct; and
- (iii) the profit realized by the Participant from the sale, or other disposition for consideration, of any Shares received by the Participant under the Plan within the 36-month period immediately before the date the Participant engaged in Detrimental Conduct.

Section 13.23 Data Protection. A Participant's acceptance of an Award will be deemed to constitute the Participant's acknowledgement of and, where required, consent to the collection and processing of personal data relating to the Participant so that the Company and the Affiliates can fulfill their obligations and exercise their rights under the Plan and generally administer and manage the Plan. This data will include data about participation in the Plan and Shares offered or received, purchased, or sold under the Plan and other appropriate financial and other data (such as the date on which the Awards were granted) about the Participant and the Participant's participation in the Plan.

Section 13.24 Unfunded Plan. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but that is not yet made to a Participant by the Company, nothing in the Plan gives any Participant any right that is greater than the rights of a general unsecured creditor of the Company. The grant of an Award will not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation under any Award.

Section 13.25 Plan Construction. In the Plan, unless otherwise stated, the following uses apply:

- (a) references to an Applicable Law refer to such Applicable Law and any amendments and supplements thereto and any successor Applicable Law, and to all valid and binding rules and regulations promulgated thereunder, court decisions, and other regulatory and judicial authority issued or rendered thereunder, as amended or supplemented, or their successors, as in effect at the relevant time;

(b) in computing periods from a specified date to a later specified date, the words “from” and “commencing on” (and the like) mean “from and including,” and the words “to,” “until,” and “ending on” (and the like) mean “to and including”;

(c) indications of time of day will be based upon the time applicable to the location of the principal headquarters of the Company;

(d) the words “include,” “includes,” and “including” (and the like) mean “include, without limitation,” “includes, without limitation,” and “including, without limitation” (and the like), respectively;

(e) all references to articles, sections, and exhibits are to articles, sections, and exhibits in or to the Plan;

(f) all words used will be construed to be of such gender or number as the circumstances and context require;

(g) the captions and headings of articles, sections, and exhibits have been inserted solely for convenience of reference and will not be considered a part of the Plan, nor will any of them affect the meaning or interpretation of the Plan;

(h) any reference to an agreement, plan, policy, form, document, or set of documents, and the rights and obligations of the parties under any such agreement, plan, policy, form, document, or set of documents, will mean the agreement, plan, policy, form, document, or set of documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions, or replacements thereof; and

(i) all accounting terms not specifically defined will be construed in accordance with GAAP.

* * * *

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Lisa Utzschneider, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

/s/ Lisa Utzschneider

Lisa Utzschneider

Director and Chief Executive Officer

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Joseph Pergola, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

/s/ Joseph Pergola

Joseph Pergola
Chief Financial Officer

Certification of the Chief Executive Officer**Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp. (the "Company") for the period ended June 30, 2021, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Lisa Utzschneider, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2021

/s/ Lisa Utzschneider

Lisa Utzschneider

Director and Chief Executive Officer

Certification of the Chief Financial Officer**Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of Integral Ad Science Holding Corp. (the "Company") for the period ended June 30, 2021, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Joseph Pergola, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2021

/s/ Joseph Pergola

Joseph Pergola
Chief Financial Officer