



Nexxen International - Q4 and FY2023 Results

March 6, 2024

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Nexxen International Ltd
("Nexxen" or the "Company")

Nexxen Reports Results for the Fourth Quarter and Year Ended December 31, 2023

Achieved full year 2023 Contribution ex-TAC and Adjusted EBITDA above the midpoints of the Company's guidance

Grew programmatic revenue 9% for full year 2023 vs. 2022; expanded programmatic revenue to 90% of full year 2023 revenue from 82% in 2022

Launched new \$20 million Ordinary share repurchase program

Nexxen International Ltd. (AIM/NASDAQ: NEXN) ("Nexxen" or the "Company"), a global, unified advertising technology platform with deep expertise in video and Connected TV ("CTV"), announced today its financial results for the fourth quarter and year ended December 31, 2023. The Company's financial results for the fourth quarter and year ended December 31, 2023, as well as the fourth quarter ended December 31, 2022, reflect the combined financial performance of Nexxen and Amobee, while comparative figures for the year ended December 31, 2022 include Amobee contribution only from September 12, 2022 through December 31, 2022.

Financial Summary

- **Contribution ex-TAC:** Generated Contribution ex-TAC of \$90.5 million in Q4 2023, reflecting a 12% decrease from \$103.0 million in Q4 2022, and Contribution ex-TAC of \$314.2 million for the year ended December 31, 2023, reflecting a 1% increase compared to \$309.7 million for the year ended December 31, 2022. Weakness in Q4 2023 Contribution ex-TAC was a byproduct of reduced managed service, video, and CTV spending from some of the Company's highest-spending agency customers it is heavily indexed to, as well as Nexxen discontinuing less profitable relationships with certain customers. Full year 2023 Contribution ex-TAC was also affected by challenging advertising conditions throughout the year which disproportionately impacted budgets and spending for several of the Company's small- and mid-sized agency customers, a notable decline in the Company's non-core business focused on legacy non-programmatic performance-related activities, and challenges stemming from the initial integration of Amobee's and Nexxen's sales teams, technology stack,

and management teams. Nexxen believes its sales team is well-positioned to drive growth in 2024 as it is now exclusively focused on selling as opposed to integration initiatives and is equipped with a significantly enhanced platform featuring in-demand tech and data capabilities. Nexxen is cautiously optimistic that macroeconomic and advertising conditions will improve in 2024, potentially driving increased budgets and spending for its larger customers.

- **Programmatic Revenue:** Programmatic revenue was \$86.0 million in Q4 2023, reflecting a 9% decrease from \$94.5 million in Q4 2022, while programmatic revenue was \$299.0 million for the year ended December 31, 2023, reflecting a 9% increase compared to \$274.4 million for the year ended December 31, 2022. Reduced programmatic revenue in Q4 2023 compared to Q4 2022 was a byproduct of lower overall Contribution ex-TAC driven by weaker comparative advertising demand and spending from some of the Company's larger customers, while increases for the year ended December 31, 2023, compared to the year ended December 31, 2022, were driven largely by the completed integration of Amobee, which included a strong programmatic revenue footprint.
- **CTV Revenue:** CTV revenue was \$19.9 million in Q4 2023, compared to \$33.0 million in Q4 2022. CTV revenue was impacted by a combination of factors including the SAG-AFTRA strike, and reduced CTV spending from some of the Company's largest small- and mid-sized agency customers. Importantly, these customers continued to spend within Nexxen's broader platform offerings during Q4 2023 but largely selected the Company's lower-cost, performance-based programmatic solutions, such as mobile video and display. The Company believes this was a result of cost-savings efforts and the continued evolution of on-the-go streaming preferences as consumers increasingly stream content on mobile phones and tablets, in addition to CTVs, all of which are options the Company can flexibly service advertising customers across. CTV revenue was \$85.5 million for the year ended December 31, 2023, reflecting a 12% decrease from \$97.2 million for the year ended December 31, 2022. The Company believes it will achieve CTV revenue growth in 2024 amidst optimism that macroeconomic conditions will improve, and its larger customers' budgets and spending will increase.
- **CTV and Programmatic Revenue Percentages:** CTV revenue during the three and twelve months ended December 31, 2023 represented 23% and 29% of programmatic revenue, respectively, compared to 35% for the same prior year periods. Programmatic revenue increased to 90% of revenue for the three and twelve months ended December 31, 2023, compared to 88% and 82% of revenue, respectively, for the same prior year periods.
- **Adjusted EBITDA:** Generated Adjusted EBITDA of \$32.0 million for the three months ended December 31, 2023, and \$83.2 million for the twelve months ended December 31, 2023, compared to \$36.9 million and \$144.9 million for the same prior year periods. Year-over-year decreases were attributable to the integration of Amobee, whose business lines operate at a lower profitability profile than Nexxen's pre-acquisition standalone business, and reduced spending from some of the Company's largest customers throughout 2023 compared to 2022.
- **Adjusted EBITDA Margins:** Achieved a 35% Adjusted EBITDA Margin on a Contribution ex-TAC basis, and 33% on a revenue basis, for the three months ended December 31, 2023, compared to 36% on a Contribution ex-TAC basis, and 34% on a revenue basis for the three months ended December 31, 2022. Nexxen achieved an Adjusted EBITDA Margin of 26% on a Contribution ex-TAC basis, and 25% on a revenue basis, for the twelve months ended December 31, 2023, compared to 47% on a Contribution ex-TAC basis, and 43% on a revenue basis for the twelve months ended December 31, 2022. The Company anticipates Adjusted EBITDA Margins will expand in full year 2024 compared to full year 2023 amidst expectations for increased

Contribution ex-TAC.

- **Video Revenue:** Video revenue continued to represent most of the Company's programmatic revenue at 67% and 69% for the three and twelve months ended December 31, 2023, respectively, compared to 80% and 89% for the three and twelve months ended December 31, 2022, respectively.
- **Liquidity Resources:** As of December 31, 2023, the Company had net cash of \$134.3 million, consisting of cash and cash equivalents of \$234.3 million, offset by approximately \$100.0 million in principal long-term debt, as well as \$80 million undrawn on its revolving credit facility. The Company's net cash balance as of March 4, 2024, increased to approximately \$146.0 million. The Company intends to prioritize near-term cash resources on strategic internal growth investments and initiatives and its ongoing Ordinary share repurchase program, as well as future potential share repurchase programs. The Company does not anticipate any major near-term acquisitions as it believes its technology and data stack now offers the necessary components to enable market share gains within the digital advertising ecosystem.

"Q4 2023 capped off a transformational year for Nexxen. In 2023 we achieved a key milestone by rebranding from Tremor International. Also, through the significant investment of focus and resources, we efficiently combined two massive technology platforms and employee bases, successfully completing the integration of Amobee, our largest acquisition ever. This combination created a state-of-the-art data-driven end-to-end platform built through approximately \$1 billion of cumulative R&D investment, and loaded with in-demand tech, planning, video, CTV, and data capabilities critical to helping our customers succeed in the digital advertising ecosystem," said Ofer Druker, CEO of Nexxen.

Mr. Druker added, "In 2024, we are continuing to focus on expanding our base of end-to-end customers leveraging us for multiple enterprise tech and data solutions, growing our data licensing revenue, and expanding our streaming, TV, and agency partnerships to drive growth and increased profitability, against a macroeconomic backdrop we are cautiously optimistic is showing signs of improvement. With the integration of Amobee now complete, we believe we can shift our primary investment focus towards innovation and our share repurchase program to generate long-term value for our customers and shareholders."

Operational Highlights

- **Completed rebrand to Nexxen (from Tremor International), better positioning the Company with customers and investors**
 - o Simplified and enhanced the holistic value proposition of the Company's advanced data-driven tech stack.
 - o Updated the Company's parent name to Nexxen International Ltd. and changed its stock tickers in the U.S. and U.K. markets from "TRMR" to "NEXN" in January 2024.
 - o Celebrated the Company's rebranding at NASDAQ's Closing Bell ceremony on February 28, 2024, generating further momentum with customers and investors, and increased industry awareness.
- **Investment in VIDAA enabled the creation of new data licensing revenue streams, reflecting an exciting growth opportunity**
 - o Nexxen is generating notable initial demand for automatic content recognition ("ACR") data licensing partnerships from major third-party DSPs, agencies, and key research and measurement players within the industry seeking to leverage the Company's exclusive global access to VIDAA's rapidly growing smart TV data footprint.
 - o This high-margin annually recurring data licensing revenue is expected to reflect a significant growth opportunity for Nexxen, while also enabling greater resiliency in the Company's revenue base, as the

Company believes the revenue is less susceptible to volatility in advertising demand conditions.

- **Significantly expanded TV Intelligence data footprint through exclusive partnership with PeerLogix and continued growth by VIDAA; now offering solution in U.S. and U.K. with further international expansion expected in 2024**
 - Nexxen entered a new exclusive partnership with PeerLogix, an audience discovery platform, to augment the Company's TV Intelligence solution with premium on-the-go streaming viewership data from platforms like Netflix, Hulu, and Disney+. TV Intelligence is an expansive dataset inclusive of Set-Top Box ("STB"), ACR, and cross-screen panel data that can offer insights on TV and streaming viewership data across approximately 50 million households in the U.S. alone, enabling more effective targeting for customers across the TV and streaming ecosystem.
 - VIDAA, Hisense's primary CTV operating system, whose global ACR data can be exclusively monetized and distributed by Nexxen through at least the end of 2026, grew its reach to over 25 million Connected TVs during 2023, significantly expanding and enhancing Nexxen's TV viewership data footprint. According to VIDAA, this number has already increased to over 26 million Connected TVs thus far in 2024.
 - Launched TV Viewership Audiences in the U.K. while expanding the Company's TV Intelligence offering in the U.S., generating notable and increased adoption during Q4 2023. The Company expects further growth in both markets in 2024.
 - The Company expects to launch its TV Intelligence solution in additional major international markets in 2024, enhancing and expanding the Company's international CTV growth opportunity.
- **Scaled and expanded CTV partnership roster; established relationships with more of the world's major smart TV OEMs**
 - Expanded the Company's strategic partnership with TCL FFALCON ("TCL") beyond solely granting advertising customers access to CTV and OTT supply in the TCL channel, to also exclusively sell TCL's native display inventory as a preferred supply partner.
 - Following Nexxen's settlement and partnership agreement with Alphonso Inc. and LG Electronics, Inc., the Company now holds relationships with a larger base of the world's major smart TV OEMs.
 - Partnered with out-of-home ("OOH") advertising group, Taiv, to broaden Nexxen's CTV OOH opportunities for clients across the advertising ecosystem. The partnership delivers immersive, high impact ad experiences by reaching audiences on screens in U.S. sports bars and restaurants, hitting another CTV touchpoint within Nexxen's larger CTV OOH offering.
- **Nexxen Discovery's audience finding and targeting capabilities generating increased adoption and significant interest ahead of the 2024 U.S. election cycle**
 - Nexxen Discovery, the Company's data fueled B.I. tool, has been adopted by key industry partners and is generating significant interest with political advertisers and agencies ahead of the 2024 U.S. election cycle.
 - While political has not historically been a material vertical for Nexxen, with the addition of Nexxen Discovery to the Company's product portfolio, and an increased dedicated sales focus on the vertical, Nexxen anticipates growth within the vertical in 2024 in an election year where eMarketer estimates over \$12 billion in U.S. political ad spending.
- **Added a significant number of new customers on the buy- and sell-sides of the ecosystem during the three and twelve months ended December 31, 2023, while retaining the vast majority of the Company's highest-spending customers throughout 2023**
 - Nexxen DSP added 111 new actively-spending first-time advertiser customers during Q4 2023 across entertainment, food and beverage, automotive, and finance verticals, as well as others. This figure

included 14 new enterprise self-service advertiser customers, highlighted by some of the world's largest and most-recognized CTV publishers, broadcasters, and Consumer Packaged Goods ("CPG") companies, as well as three new independent agencies leveraging the Company's solutions in a self-service capacity. The Company added 334 new actively-spending first-time advertiser customers for the twelve months ended December 31, 2023.

- o Nexxen SSP added 89 new supply partners, including 78 in the U.S., during Q4 2023, across several verticals and formats, including CTV, broadcast TV, mobile, and mobile gaming. The Company added 372 new supply partners during the twelve months ended December 31, 2023, including 327 in the U.S.
- o The Company achieved a 73% net revenue retention rate for the year ended December 31, 2023, compared to 80% for the year ended December 31, 2022. The decrease was driven by reduced budgets for some of the Company's largest small- and mid-sized agency customers due to challenging macroeconomic conditions, which drove lower overall spending and shifts to lower-cost options within Nexxen's broader product ecosystem, as well as Nexxen discontinuing less profitable relationships with certain customers.

Launched \$20 Million Ordinary Share Repurchase Program

- o On December 20, 2023, the Company launched a new \$20 million Ordinary share repurchase program, following approval from the Israeli Court and the Company's Board of Directors.
- o The Company repurchased 221,506 shares during Q4 2023 at an average price of 201.01 pence, reflecting a total investment of £446,139, or \$565,714.
- o The Company's Ordinary share repurchase program will continue until the earlier of June 18, 2024 and the date the program is completed. The share repurchase program does not obligate Nexxen to repurchase any particular amount of Ordinary Shares and the program may be suspended, modified, or discontinued at any time at the Company's discretion, subject to applicable law.
- o Upon completion of the current share repurchase program, the Company's Board of Directors intends to evaluate the implementation of an additional share repurchase program, subject to then current market conditions and obtaining requisite regulatory approval, including, if required, approval from the Israeli Court.

Reached Favorable Settlement Agreement with Alphonso Inc. and LG Electronics, Inc. ("LGE") and Entered into Multi-Year Strategic Partnership

- o On February 28, 2024, Nexxen announced it reached a favorable settlement agreement and launched a three-year strategic partnership with Alphonso Inc. and LGE, resolving the disputes underlying the complaints, and concluding the parties' litigation.
- o The executed settlement agreement includes a cash component and a commercial strategic partnership. Through the partnership and settlement agreement, Alphonso Inc. will grant Nexxen limited access to monetize a portion of LG's premium CTV inventory and will also leverage Nexxen's data-driven discovery and segmentation tools.

Financial Guidance

- o Management believes ongoing macroeconomic headwinds and uncertainty may continue to limit near-term budgets and spending for some of the Company's largest small- and mid-sized agency customers, drive continued managed service softness, and cause customers to continue to focus spending on lower-cost solutions within Nexxen's broad suite of offerings, but is cautiously optimistic these customers will revert to the Company's premium solutions amidst anticipated improvement in macroeconomic and advertising demand conditions.

- o Management also believes the Company is well-placed to capitalize on industry growth trends following the completed integration of Amobee given its unique positioning to flexibly serve customers on both sides of the ecosystem across formats and devices, expand its end-to-end customer base, increase its base of customers leveraging multiple enterprise tech and data solutions, grow its data licensing revenue, and increase its agency and TV partnerships. Management also anticipates Adjusted EBITDA Margin expansion and CTV revenue growth in full year 2024 compared to full year 2023, and Nexxen provides the following financial guidance:

- Full year 2024 Contribution ex-TAC in a range of approximately \$340 - \$345 million
- Full year 2024 Adjusted EBITDA of approximately \$100 million
- Full year 2024 Programmatic revenue to reflect approximately 90% of full year 2024 revenue

Fourth Quarter and Full Year 2023 Financial Highlights (\$ in millions, except per share amounts)

	Three months ended			Twelve months ended		
	December 31			December 31		
	2023	2022	%	2023	2022	%
IFRS highlights						
Revenues	95.9	107.7	(11%)	332.0	335.3	(1%)
Programmatic Revenues	86.0	94.5	(9%)	299.0	274.4	9%
Operating Profit (loss)	9.6	10.8	(11%)	(17.0)	44.8	(138%)
Net Income (loss) Margin on a Gross Profit basis	5%	6%		(10%)	9%	
Total Comprehensive Income (loss)	5.3	9.8	(45%)	(18.1)	16.2	(212%)
Diluted earnings (loss) per share	0.02	0.03	(36%)	(0.15)	0.15	(201%)
Non-IFRS highlights						
Contribution ex-TAC	90.5	103.0	(12%)	314.2	309.7	1%
Adjusted EBITDA	32.0	36.9	(13%)	83.2	144.9	(43%)
Adjusted EBITDA Margin on a Contribution ex-TAC basis	35%	36%		26%	47%	
Non-IFRS net Income	14.5	22.2	(35%)	32.2	91.8	(65%)
Non-IFRS Diluted earnings per share	0.10	0.15	(35%)	0.22	0.60	(63%)

Fourth Quarter and Full Year 2023 Financial Results Webcast and Conference Call Details

- Nexxen International Fourth Quarter and Twelve Months Ended December 31, 2023 Earnings Webcast and Conference Call
- March 6, 2024, at 6:00 AM PT / 9:00 AM ET / 2:00 PM GMT
- **Webcast Link:** <https://edge.media-server.com/mmc/p/93my32xz>
- **Participant Dial-In Numbers:**
 - o U.S. / Canada Participant Toll-Free Dial-In Number: (888) 596-4144
 - o U.K. Participant Toll-Free Dial-In Number: +44 800 260 6470
 - o International Participant Toll-Free Dial-In Number: (646) 968-2525
 - o Conference ID: 5462475

Use of Non-IFRS Financial Information

In addition to our IFRS results, we review certain non-IFRS financial measures to help us evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of investments in our technology and development and sales and marketing, and assess our operational efficiencies. These non-IFRS measures include Contribution ex-TAC, Adjusted EBITDA, Adjusted EBITDA Margin, Non-IFRS Net Income, and Non-IFRS Earnings per share, each of which is discussed below.

These non-IFRS financial measures are not intended to be considered in isolation from, as substitutes for, or as superior to, the corresponding financial measures prepared in accordance with IFRS. You are encouraged to evaluate these adjustments and review the reconciliation of these non-IFRS financial measures to their most comparable IFRS measures, and the reasons we consider them appropriate. It is important to note that the particular items we exclude from, or include in, our non-IFRS financial measures may differ from the items excluded from, or included in, similar non-IFRS financial measures used by other companies. See "Reconciliation of Revenue to Contribution ex-TAC," "Reconciliation of Total Comprehensive Income (Loss) to Adjusted EBITDA," and "Reconciliation of Net Income (Loss) to Non-IFRS Net Income," included as part of this press release.

- o Contribution ex-TAC:** Contribution ex-TAC for Nexxen is defined as gross profit plus depreciation and amortization attributable to cost of revenues and cost of revenues (exclusive of depreciation and amortization) minus the Performance media cost ("traffic acquisition costs" or "TAC"). Performance media cost represents the costs of purchases of impressions from publishers on a cost-per-thousand impression basis in our non-core Performance activities. Contribution ex-TAC is a supplemental measure of our financial performance that is not required by, or presented in accordance with, IFRS. Contribution ex-TAC should not be considered as an alternative to gross profit as a measure of financial performance. Contribution ex-TAC is a non-IFRS financial measure and should not be viewed in isolation. We believe Contribution ex-TAC is a useful measure in assessing the performance of Nexxen, because it facilitates a consistent comparison against our core business without considering the impact of traffic acquisition costs related to revenue reported on a gross basis.
- o Adjusted EBITDA:** We define Adjusted EBITDA for Nexxen as total comprehensive income (loss) for the period adjusted for foreign currency translation differences for foreign operations, foreign currency translation for subsidiary sold reclassified to profit and loss, financing expenses (income), net, tax expenses, depreciation and amortization, stock-based compensation, restructuring, acquisition-related costs and other expenses, net. Adjusted EBITDA is included in the press release because it is a key metric used by management and our board of directors to assess our financial performance. Adjusted EBITDA is frequently used by analysts, investors, and other interested parties to evaluate companies in our industry. Management believes that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate directly to the performance of the underlying business.
- o Adjusted EBITDA Margin:** We define Adjusted EBITDA Margin as Adjusted EBITDA on a Contribution ex-TAC basis.
- o Non-IFRS Income (Loss) and Non-IFRS Earnings (Loss) per Share:** We define non-IFRS earnings (loss) per share as non-IFRS income (loss) divided by non-IFRS weighted-average shares outstanding. Non-IFRS income (loss) is equal to net income (loss) excluding stock-based compensation, and cash- and non-cash-based acquisition and related expenses, including amortization of acquired intangible assets, merger-related severance costs, and transaction expenses. In periods in which we have non-IFRS income, non-IFRS weighted-average shares outstanding used to calculate non-IFRS earnings per share includes the impact of potentially dilutive shares. Potentially dilutive shares consist of stock options, restricted stock awards, restricted stock units, and performance stock units, each computed using the treasury stock method. We believe non-IFRS earnings (loss) per share is useful to investors in evaluating our ongoing operational performance and our trends on a per share basis, and also facilitates comparison of our financial results on a per share basis with other companies, many of which present a similar non-IFRS measure. However, a potential limitation of our use of non-IFRS earnings (loss) per share is that other companies may define non-IFRS earnings per share differently, which may make comparison difficult. This

measure may also exclude expenses that may have a material impact on our reported financial results. Non-IFRS earnings (loss) per share is a performance measure and should not be used as a measure of liquidity. Because of these limitations, we also consider the comparable IFRS measure of net income.

We do not provide a reconciliation of forward-looking non-IFRS financial metrics, because reconciling information is not available without an unreasonable effort, such as attempting to make assumptions that cannot reasonably be made on a forward-looking basis to determine the corresponding IFRS metric.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 (as implemented into English law) ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

About Nexxen

Nexxen empowers advertisers, agencies, publishers and broadcasters around the world to utilize video and Connected TV in the ways that are most meaningful to them. Comprised of a demand-side platform (DSP), supply-side platform (SSP), ad server and data management platform (DMP), Nexxen delivers a flexible and unified technology stack with advanced and exclusive data at its core. Our robust capabilities span discovery, planning, activation, measurement and optimization - available individually or in combination - all designed to enable our partners to reach their goals, no matter how far-reaching or hyper niche they may be. For more information, visit www.nexxen.com

Nexxen is headquartered in Israel and maintains offices throughout the United States, Canada, Europe and Asia-Pacific, and is traded on the London Stock Exchange (AIM: NEXN) and NASDAQ (NEXN).

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Forward Looking Statements

This press release contains forward-looking statements, including forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities and Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "anticipates," "believes," "expects," "intends," "may," "can," "will," "estimates," and other similar expressions. However, these words are not the only way Nexxen identifies forward-looking statements. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation statements regarding anticipated financial results for full year 2024 and beyond; anticipated benefits of Nexxen's strategic transactions and commercial partnerships; anticipated features and benefits of Nexxen's products and service offerings; Nexxen's positioning for accelerated growth and continued future growth in both the US and international markets in 2024 and beyond; Nexxen's medium- to long-term prospects; management's belief that Nexxen is well-positioned to benefit from future industry growth trends and Company-specific catalysts; the Company's expectations with respect to Video revenue; the potential negative impact of ongoing macroeconomic headwinds and uncertainty that have limited advertising activity and the anticipation that these challenges could continue to have an impact for the remainder of 2024 and beyond; the Company's plans with respect to its cash reserves and its intent to not undertake any major acquisitions in the near-term; its continued focus in 2024 on expanding its base of end-to-end customers, growing data licensing revenue and expanding its streaming, TV, and agency partnerships to drive growth and increased profitability; the expectation of launching its TV Intelligence solution in additional major international markets in 2024, enhancing and expanding the Company's international CTV growth opportunity; the anticipated benefits from the Company's investment in VIDAA and its enhanced strategic relationship with Hisense; the anticipated benefits of the rebranding of the Tremor group to Nexxen, and the Company's plans with respect thereto, as well as any other statements related to Nexxen's future financial results and operating performance. These statements are neither promises nor guarantees but involve known and unknown risks, uncertainties and other important factors that may cause Nexxen's actual results, performance or achievements to be materially different from its expectations expressed or implied by the forward-looking statements, including, but not limited to, the following: negative global economic conditions; global conflicts and war, including the current terrorist attacks by Hamas, and the war and hostilities between Israel and Hamas and Israel and Hezbollah, and how those conditions may adversely impact Nexxen's business, customers, and the markets in which Nexxen competes; changes in industry trends; the risk that Nexxen will not realize the anticipated benefits of its acquisition of Amobee and strategic investment in VIDAA; and, other negative developments in Nexxen's business or unfavourable legislative or regulatory developments. Nexxen cautions you not to place undue reliance on these forward-looking statements. For a more detailed discussion of these factors, and other factors that could cause actual results to vary materially, interested parties should review the risk factors listed in the Company's most recent Annual Report on Form 20-F, filed with the U.S. Securities and Exchange Commission (www.sec.gov) on March 7, 2023. Any forward-looking statements made by Nexxen in this press release speak only as of the date of this press release, and Nexxen does not intend to update these forward-looking statements after the date of this press release, except as required by law.

Nexxen, and the Nexxen logo are trademarks of Nexxen International Ltd. in the United States and other countries. All other trademarks are the property of their respective owners. The use of the word "partner" or "partnership" in this press release does not mean a legal partner or legal partnership.

Reconciliation of Total Comprehensive Income (Loss) to Adjusted EBITDA

	Three months ended			Twelve months ended December		
	December 31			31		
	2023	2022	%	2023	2022	%
(\$ in thousands)						
Total comprehensive income (loss)	5,341	9,796	(45%)	(18,127)	16,238	(212%)
Foreign currency translation differences for foreign operation	(2,114)	(4,735)		(2,126)	6,499	
Foreign currency translation for subsidiary sold reclassified to profit and loss	-	-		(1,234)	-	
Tax expenses	6,487	5,040		2,503	19,688	
Financial expense (income), net	(105)	717		2,008	2,327	
Depreciation and amortization	21,047	17,184		78,285	42,700	
Stock-based compensation	1,386	7,986		19,169	50,505	
Acquisition related costs	-	93		171	6,085	
Restructuring	-	307		796	307	
Other expense	-	540		1,765	540	
Adjusted EBITDA	32,042	36,928	(13%)	83,210	144,889	(43%)

Reconciliation of Revenue to Contribution ex-TAC

	Three months ended			Twelve months ended		
	December 31			December 31		
	2023	2022	%	2023	2022	%
(\$ in thousands)						
Revenues	95,916	107,697	(11%)	331,993	335,250	(1%)
Cost of revenues (exclusive of depreciation and amortization)	(17,886)	(17,265)		(62,270)	(60,745)	
Depreciation and amortization attributable to Cost of Revenues	(13,682)	(11,810)		(50,825)	(25,367)	
Gross profit (IFRS)	64,348	78,622	(18%)	218,898	249,138	(12%)
Depreciation and amortization attributable to Cost of Revenues	13,682	11,810		50,825	25,367	
Cost of revenues (exclusive of depreciation and amortization)	17,886	17,265		62,270	60,745	
Performance media cost	(5,392)	(4,695)		(17,810)	(25,524)	
Contribution ex-TAC (Non-IFRS)	90,524	103,002	(12%)	314,183	309,726	1%

Reconciliation of Net Income (Loss) to Non-IFRS Net Income

	Three months ended			Twelve months ended		
	December 31			December 31		
	2023	2022	%	2023	2022	%
(\$ in thousands)						
Net Income (loss)	3,227	5,061	(36%)	(21,487)	22,737	(195%)
Acquisition related costs	-	93		171	6,085	
Amortization of acquired intangibles	14,931	8,496		42,952	20,768	
Restructuring	-	307		796	307	
Stock-based compensation expense	1,386	7,986		19,169	50,505	
Other expense	-	540		1,765	540	
Tax effect of Non-IFRS adjustments ⁽¹⁾	(5,086)	(262)		(11,153)	(9,130)	
Non-IFRS Income	14,458	22,221	(35%)	32,213	91,812	(65%)
Weighted average shares outstanding-diluted (in millions) ⁽²⁾	147.5	147.6		145.2	153.1	
Non-IFRS diluted Earnings Per Share (in USD)	0.10	0.15	(35%)	0.22	0.60	(63%)

(1) Non-IFRS income includes the estimated tax impact from the expense items reconciling between net income (loss) and non-IFRS income

(2) Non-IFRS earnings per share is computed using the same weighted-average number of shares that are used to compute IFRS earnings per share



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Auditors' Report to the Shareholders of Nexxen International Ltd. (Formerly -Tremor International Ltd.)

We have audited the accompanying consolidated statements of financial position of Tremor International Ltd. and its subsidiaries (hereinafter - "the Company") as of December 31, 2023 and 2022 and the related consolidated statements of operation and other comprehensive income, statements of changes in equity and statements of cash flows, for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Director and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) - 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022 and their results of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, in accordance with International Financial Reporting Standards (IFRS).

Somekh Chaikin
Member Firm of KPMG International

March 6, 2024

KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

NEXXEN INTERNATIONAL LTD. (FORMERLY TREMOR INTERNATIONAL LTD.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Audited)

		December 31	
		2023	2022
		USD thousands	
	Note		
Assets			
ASSETS:			
Cash and cash equivalents	10	234,308	217,500
Trade receivables, net	8	201,973	219,837
Other receivables	8	8,293	23,415
Current tax assets		7,010	750
TOTAL CURRENT ASSETS		451,584	461,502
Fixed assets, net	5	21,401	29,874
Right-of-use assets	6	31,900	23,122
Intangible assets, net	7	362,000	398,096
Deferred tax assets	4	12,393	18,161
Investment in shares	18	25,000	25,000
Other long-term assets		525	406
TOTAL NON-CURRENT ASSETS		453,219	494,659
TOTAL ASSETS		904,803	956,161
Liabilities and shareholders' equity			
LIABILITIES:			
Current maturities of lease liabilities	6	12,106	14,104
Trade payables	9	183,296	212,690
Other payables	9	29,098	44,355
Current tax liabilities		4,937	9,417
TOTAL CURRENT LIABILITIES		229,437	280,566
Employee benefits		237	238
Long-term lease liabilities	6	24,955	15,234
Long-term debt	11	99,072	98,544
Other long-term liabilities		6,800	8,802
Deferred tax liabilities	4	754	1,162
TOTAL NON-CURRENT LIABILITIES		131,818	123,980
TOTAL LIABILITIES		361,255	404,546
SHAREHOLDERS' EQUITY:	15		
Share capital		417	413
Share premium		410,563	400,507
Other comprehensive loss		(2,441)	(5,801)
Retained earnings		135,009	156,496

TOTAL SHAREHOLDERS' EQUITY			543,548	551,615
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			904,803	956,161
	Chairman of the Board of Directors	CEO	CFO	

Date of approval of the financial statements: March 6, 2024.

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

NEXXEN INTERNATIONAL (FORMERLY TREMOR INTERNATIONAL LTD.)
CONSOLIDATED STATEMENTS OF OPERATION AND OTHER COMPREHENSIVE INCOME (LOSS)
(Audited)

	Note	Year ended December 31		
		2023	2022	2021
		USD thousands		
Revenues	12	331,993	335,250	341,945
Cost of Revenues (Exclusive of depreciation and amortization shown separately below)	13	62,270	60,745	71,651
Research and development expenses		49,684	33,659	18,422
Selling and marketing expenses		105,914	89,953	74,611
General and administrative expenses	14	51,051	68,005	63,499
Depreciation and amortization		78,285	42,700	40,259
Other expenses (income), net		1,765	(4,564)	(959)
Total operating costs		286,699	229,753	195,832
Operating Profit (loss)		(16,976)	44,752	74,462
Financing income		(8,192)	(2,284)	(483)
Financing expenses		10,200	4,611	2,670
Financing expenses, net		2,008	2,327	2,187
Profit (loss) before taxes on income		(18,984)	42,425	72,275
Tax benefit (expenses)	4	(2,503)	(19,688)	948
Profit (loss) for the year		(21,487)	22,737	73,223
Other comprehensive income (loss) items:				
Foreign currency translation differences for foreign operations		2,126	(6,499)	(2,632)
Foreign currency translation for subsidiary sold reclassified to profit and loss		1,234	-	-
Total other comprehensive income (loss) for the year		3,360	(6,499)	(2,632)

Total comprehensive income (loss) for the year		<u>(18,127)</u>	<u>16,238</u>	<u>70,591</u>
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Earnings per share

Basic earnings (loss) per share (in USD)	16	(0.15)	0.15	0.51
Diluted earnings (loss) per share (in USD)	16	(0.15)	0.15	0.48

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

NEXXEN INTERNATIONAL LTD. (FORMERLY TREMOR INTERNATIONAL LTD.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Audited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Other comprehensive income (loss)</u>	<u>Retained Earnings</u>	<u>Total</u>
			<u>USD thousands</u>		
Balance as of January 1,					
2021	380	264,831	3,330	60,472	329,013
Total Comprehensive					
income (loss) for the year					
Profit for the year	-	-	-	73,223	73,223
Other comprehensive loss:					
Foreign currency					
translation	-	-	(2,632)	-	(2,632)
Total comprehensive income					
(loss) for the year	-	-	(2,632)	73,223	70,591
Transactions with owners,					
recognized directly in equity					
Revaluation of liability for					
put option on non-					
controlling interests	-	-	-	64	64
Own shares acquired	(3)	(6,640)	-	-	(6,643)
Share based compensation	-	41,822	-	-	41,822
Exercise of share options	17	1,353	-	-	1,370
Issuance of shares	47	136,111	-	-	136,158
Issuance of Restricted					
shares	1	(1)	-	-	-
Balance as of December 31,					
2021	442	437,476	698	133,759	572,375
Total Comprehensive Income					
(loss) for the year					
Profit for the year	-	-	-	22,737	22,737
Other comprehensive loss:					
Foreign Currency Translation	-	-	(6,499)	-	(6,499)
Total comprehensive Income					
(loss) for the year	-	-	(6,499)	22,737	16,238

**Transactions with owners,
recognized directly in equity**

Own shares acquired	(50)	(86,202)	-	-	(86,252)
Share based compensation	-	47,049	-	-	47,049
Exercise of share options	<u>21</u>	<u>2,184</u>	<u>-</u>	<u>-</u>	<u>2,205</u>
Balance as of December 31, 2022	<u>413</u>	<u>400,507</u>	<u>(5,801)</u>	<u>156,496</u>	<u>551,615</u>

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

NEXXEN INTERNATIONAL LTD. (FORMERLY TREMOR INTERNATIONAL LTD.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

(Audited)

	Other comprehensive				
	Share capital	Share premium	income (loss)	Retained Earnings	Total
	USD thousands				
Balance as of January 1, 2023	413	400,507	(5,801)	156,496	551,615
Total Comprehensive Income					
(loss) for the year					
Loss for the year	-	-	-	(21,487)	(21,487)
Other comprehensive income:					
Foreign Currency Translation	-	-	2,126	-	2,126
Foreign Currency Translation for subsidiary sold	-	-	1,234	-	1,234
Total comprehensive Income					
(loss) for the year	-	-	3,360	(21,487)	(18,127)
Transactions with owners, recognized directly in equity					
Own shares acquired	(8)	(9,306)	-	-	(9,314)
Share based compensation	-	19,141	-	-	19,141
Exercise of share options	12	221	-	-	233
Balance as of December 31, 2023	417	410,563	(2,441)	135,009	543,548

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

NEXXEN INTERNATIONAL LTD. (FORMERLY TREMOR INTERNATIONAL LTD.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Audited)

	Year ended December 31		
	2023	2022	2021
	USD thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) for the year	(21,487)	22,737	73,223
Adjustments for:			
Depreciation and amortization	78,285	42,700	40,259
Net financing expense	1,699	2,147	2,023
Loss from disposals of fixed and intangible assets	2	542	-
Loss (gain) on leases modification	119	56	(377)
Loss (gain) on sale of business unit	1,765	-	(982)
Share-based compensation and restricted shares	19,169	50,505	42,818
Tax (benefit) expense	2,503	19,688	(948)
Change in trade and other receivables	30,603	57,050	(11,676)
Change in trade and other payables	(43,077)	(100,145)	26,845
Change in employee benefits	(1)	(179)	(69)
Income taxes received	352	1,175	2,231
Income taxes paid	(8,721)	(14,784)	(3,185)
Interest received	8,016	2,103	496
Interest paid	(8,486)	(587)	(570)
Net cash provided by operating activities	<u>60,741</u>	<u>83,008</u>	<u>170,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in pledged deposits, net	1,498	(213)	(11)
Payments on finance lease receivable	1,112	1,306	2,454
Repayment of long-term loans	51	-	-
Acquisition of fixed assets	(4,495)	(6,433)	(3,378)
Acquisition and capitalization of intangible assets	(15,126)	(8,750)	(4,966)
Proceeds from sale of business unit	-	1,180	415
Investment in shares	-	(25,000)	-
Acquisition of subsidiaries, net of cash acquired	<u>-</u>	<u>(195,084)</u>	<u>(11,001)</u>
Net cash used in investing activities	<u>(16,960)</u>	<u>(232,994)</u>	<u>(16,487)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of own shares	(9,518)	(86,048)	(6,643)
Proceeds from exercise of share options	233	2,205	1,370
Leases repayment	(17,262)	(12,018)	(10,009)
Issuance of shares, net of issuance cost	-	-	134,558
Receipt of long-term debt, net of transaction cost	-	98,917	-

Payment of financial liability	<u>-</u>	<u>-</u>	<u>(2,414)</u>
Net cash provided by (used in) financing activities	<u>(26,547)</u>	<u>3,056</u>	<u>116,862</u>
Net increase (decrease) in cash and cash equivalents	<u>17,234</u>	<u>(146,930)</u>	<u>270,463</u>
CASH AND CASH EQUIVALENTS AS OF THE BEGINNING OF YEAR	217,500	367,717	97,463
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	<u>(426)</u>	<u>(3,287)</u>	<u>(209)</u>
CASH AND CASH EQUIVALENTS AS OF THE END OF YEAR	<u>234,308</u>	<u>217,500</u>	<u>367,717</u>

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

NEXXEN INTERNATIONAL LTD. (FORMERLY TREMOR INTERNATIONAL LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL

a. Reporting entity:

Nexxen International Ltd. (the "Company" or "Nexxen International"), formerly known as Tremor International Ltd., was incorporated in Israel under the laws of the State of Israel on March 20, 2007. The ordinary shares of the Company are listed on the AIM Market of the London Stock Exchange and the American Depositary Shares ("ADSs"), each of which represents two ordinary shares of the Company, represented by the American Depositary Receipts ("ADR") are listed on the Nasdaq Capital Market. The address of the registered office is 82 Yigal Alon Street Tel-Aviv, 6789124, Israel.

Nexxen International is a global Company offering a unified data-driven end-to-end software platform that supports a wide range of media types (e.g., video, display, etc.) and devices (e.g., mobile, Connected TVs, streaming devices, desktop, etc.), creating an efficient marketplace where advertisers (buyers) are able to purchase high quality advertising inventory from publishers (sellers) in real-time and at scale. Nexxen International's technology stack is comprised of a Demand Side Platform ("DSP"), Supply-Side Platform ("SSP"), Ad Server, and Data Management Platform ("DMP"), empowering customers on both the buy- and sell-sides of the ecosystem to leverage a full suite of data-driven planning and technology solutions to achieve greater efficiency, effectiveness, and outcomes in their advertising efforts. The Company's DSP solution is delivered through wholly owned subsidiary Nexxen Inc. (formerly known as Amobee Inc. and which also includes Tremor Video Inc.'s activity that was transferred to Nexxen Inc. in 2023) and is designed to assist customers in a self-managed or full-service capacity to plan and execute digital marketing campaigns in real-time across various ad formats. The Company's SSP solution (delivered through Nexxen Group LLC, formerly known as Unruly Group, LLC) is designed to monetize digital inventory for publishers by enabling their content to have the necessary code and requirements for programmatic advertising integration, and provides access to significant amounts of data and unique demand to drive more effective inventory management and revenue optimization. The Company's "DMP" integrates both its DSP and SSP solutions, enabling advertisers and publishers to use data from various sources, including web, social media, Connected TV and linear TV, and mobile devices, to optimize results of their advertising campaigns. Following the acquisition of Nexxen Inc., the Company gained a Linear TV Planning feature, enabling sellers at national broadcasters to generate linear TV plans during and after upfronts. Nexxen International Ltd. is headquartered in Israel and maintains offices throughout the U.S., Canada, EMEA and Asia-Pacific.

On June 12, 2023, the Company initially rebranded all of its core products and platforms under the unified Nexxen brand. On January 2, 2024, the Company's name was officially changed to Nexxen International Ltd. and, in connection with the change, its stock ticker on both the NASDAQ and London Stock Exchange changed from "TRMR" to "NEXN". The Company believes rebranding and unifying under Nexxen has enhanced its commercial focus, and has better conveyed the holistic value proposition of its end-to-end technology stack to the market for its next phase of growth. As part of the rebranding, the Company changed the expected useful life of its previous brands, which completed by the end of the year. See Note 7.

b. Definitions:

In these financial statements -

The Company - Nexxen International Ltd.

The Group - Nexxen International Ltd. and its subsidiaries.

Subsidiaries - Companies, the financial statements of which are fully consolidated, directly, or indirectly, with the financial statements of the Company such as Nexxen Group LLC, Unruly Holding Ltd, Tremor Video Inc, Nexxen Inc.

Related party - As defined by IAS 24, "Related Party Disclosures".

NOTE 2: BASIS OF PREPARATION

a. Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 5, 2024.

b. Functional and presentation currency:

These consolidated financial statements are presented in US Dollars (USD), which is the Company's functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The USD is the currency that represents the principal economic environment in which the Company operates.

c. Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities:

- Deferred and current tax assets and liabilities
- Provisions
- Derivatives
- Investment in shares

For further information regarding the measurement of these assets and liabilities see Note 3 regarding material accounting policies.

d. Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Group prepares estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in Note 6, on leases, with respect to determining the lease term and determining the discount rate of a lease liability, in Note 7, on intangible assets, with respect to the accounting of software development capitalization and impairment testing for goodwill, in Note 4, on Income Tax, with respect to uncertain tax position, in Note 18 on investments in shares.

e. Change in classification:

The Company changed the classification of the current maturities of the unfavorable contract from other payables to other long-term liabilities. Comparative amounts were reclassified for consistency in the amount of USD 1,350 thousand.

f. Determination of fair value:

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 17, on share-based compensation;
- Note 18, on financial instruments;
- Note 18, on investments in shares.

NOTE 3: MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements and have been applied consistently by the Group.

a. Financial instruments:

1) Non-derivative financial assets

The Company's non-derivative financial assets, which are measured at amortized cost, mainly consist of accounts receivable which are held to collect and deposits. Accounts receivable represent amounts owed by customers resulting from business transactions, and they are recognized at their original invoiced values, adjusted for expected credit losses. Loss rates are based on historical collection experience, while taking into consideration current customer information, collection history, and other relevant data at each reporting period.

The Company's non-derivative financial assets, which are measured at fair value through profit and loss, consist of investment in shares. Net gains and losses are recognized in profit or loss, finance income/expenses.

2) Non-derivative financial liabilities

The Company's non-derivative financial liabilities mainly include trade and other payables, and loan, all measured at amortized cost.

3) Treasury shares:

When share capital recognized as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as a deduction in Share Premium.

b. Fixed Assets:

Fixed assets are measured at cost less accumulated depreciation. The cost of fixed assets includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on all property and equipment at rates calculated to write each asset down to its residual value (assumed to be nil), using the straight-line method, over its expected useful life as follows:

	<u>Years</u>
Computers and servers	3-5
Office furniture and equipment	3-17
Leasehold improvements	The shorter of the lease term and the useful life

c. Intangible assets and liabilities:

1) Software development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical

knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of direct labor costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

The estimated useful lives of developed software are three years.

2) Goodwill:

The Group has identified its entire operation as a single cash generating unit (CGU). The Company conducts an annual assessment of goodwill impairment on an annual basis, at year end. According to management assessment as of December 31, 2023, no impairment in respect to goodwill has been recorded. See note 7.

3) Amortization:

Internally generated intangible assets, such as software development costs, are not systematically amortized as long as they are not available for use, i.e., they are not yet on site or in working condition for their intended use. Goodwill is not systematically amortized as well but is tested for impairment at least once a year.

Amortization is recognized in the statements of operation and other comprehensive income (loss) on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Trademark	Fully depreciated, See note 7
Software (developed and acquired)	3 years
Customer relationships	3-6 years
Technology	3-5.25 years

4) Unfavorable contracts

In the business combinations of Nexxen Inc., the Company recognizes a liability for contracts when their terms are unfavorable compared to market terms, to represent the off-market element at the acquisition date. As of December 31, 2023, the aggregated liability balance, in the amount of USD 6.7 million, is entirely classified as long-term.

d. Share Based Compensation:

Compensation expense related to stock options, restricted stock units and performance stock units. The Group's employee stock purchase plan is measured and recognized in the consolidated financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense related to stock options and restricted stock is recognized over the requisite service periods of the awards.

Determining the fair value of stock options awards requires judgment. The Company's use of the Black-Scholes option pricing model requires the input of subjective assumptions. The assumptions used in the Company's option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

These assumptions and estimates are as follows:

Risk-Free Interest Rate. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities approximating the expected term of the awards.

Expected Term. The expected term of an award is calculated based on the vesting date and the expiration date of the award.

Volatility. The Company determined the price volatility based on daily price observations over a period equivalent to the expected term of the award.

Dividend Yield. The dividend yield assumption is based on the Company's history and current expectations of dividend payouts.

Fair Value of Common Stock. The fair value of common stock is based on the closing price of the Company's common stock on the grant date.

e. Employee benefits:

1) Post-employment benefits:

The Group's main post-employment benefit plan is under section 14 to the Severance Pay Law ("Section 14") for the Israeli employees and under section 401K for US employees, which is accounted for as a contribution plan. In addition, for certain employees, the Group has an additional immaterial plan that is accounted for as a defined benefit plan. These plans are usually financed by deposits with insurance companies or with funds managed by a trustee.

2) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits

depending on when the Group expects the benefits to be wholly settled.

f. Revenue recognition:

The Group generates revenue from transactions where it provides access to a platform for the purchase and sale of digital advertising inventory. Its customers are both ad buyers, including brands and agencies, and digital publishers.

The Group generates revenue through platform fees that are tailored to fit the customer's specific utilization of its solutions and include: (i) a percentage of spend, (ii) flat fees and (iii) fixed costs per mile ("CPM"). CPM refers to a payment option in which customers pay a price for every 1,000 impressions an advertisement receives.

The Company maintains agreements with each publisher and buyer in the form of written service agreements, which set out the terms of the relationship, including payment terms and access to the Group's platforms.

Publishers provide digital advertising inventory to the Group's platform in the form of advertising requests, or ad request. When the Group receives ad requests from a publisher, it send bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory according to a predefined set of parameters (e.g., demographics, intent, location, etc.). Winning bids create advertising, or paid impressions, for the publisher to present to the buyers.

The Group generates revenue from its Programmatic and Performance activities. Programmatic revenue is derived from the end-to-end platform of programmatic advertising, which uses software and algorithms to match buyers and sellers of digital advertising in a technology-driven marketplace. Performance revenue is derived from non-core activities, consisting of mobile-based activities that help brands reach their users.

The Company concluded that its Programmatic activity (i) does not have manual control over the process, (ii) the Company is not primarily responsible for fulfillment, (iii) the Company has no inventory risk and (iv) the Company obtains only momentary a title to the advertising space offered via the end-to-end platform.

As a result, the Group reports its Programmatic business, tech stack, features, business models and activity as an agent and therefore presented revenue from Programmatic on a net basis.

For the Performance activity the Company is the primary obligor to provide the services and, as such, revenue is presented on a gross basis.

Management is focused on driving growth with the Programmatic activity through the end-to-end platform, while the Performance activity is declining over time.

The Group estimates and records reduction to revenue for volume discounts based on expected volume during the incentive term.

The Group generally invoices buyers at the end of each month for the full purchase price of ad impressions monetized in that month. Accounts receivables are recorded at the amount of gross billings for the amount it is responsible to collect and accounts payable are recorded at the net amount payable to publishers. Accordingly, both accounts receivable and accounts payable appear large in relation to

revenue reported on a net basis.

g. Classification of expenses

Cost of revenue

Cost of revenues (exclusive of depreciation and amortization) primarily consists of hosting fees and data costs for both Programmatic and Performance activities, as well as media costs for Performance activities that are directly attributable to revenue generated by the Company and generally based on the revenue share arrangements with audience and content partners. See Note 13.

Research and development

Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services. Where required, development expenditures are capitalized in accordance with the Company's standard internal capitalized development policy in accordance with IAS 38 (also see Note 3c(1)). All research costs are expensed when incurred.

Selling and marketing

Selling and marketing expenses consist primarily of compensation and related costs for personnel engaged in customer service, sales, and sales support functions, as well as advertising and promotional expenditures.

General and administrative

General and administrative expenses consist primarily of compensation and related costs for personnel, and include costs related to the Company's facilities, finance, human resources, information technology, legal organizations and fees for professional services. Professional services are principally comprised of external legal, and information technology consulting and outsourcing services that are not directly related to other operational expenses.

h. Financing income and expenses:

Generally, foreign currency differences from a monetary item receivable from or payable to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income (loss), and are presented within equity as part of the currency translation reserve.

Financing income mainly comprises foreign currency gains and interest income.

Financing expense primarily includes exchange rate differences, interest and bank fees.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

i. Taxes on income

The Company operates in multiple tax jurisdictions.

Offset of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more likely than not that the Group will have to use its economic resources to pay the obligation.

j. Leases:

Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments or provision for impairment, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset.

Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- | | |
|----------------|-------------|
| □ Buildings | 1-8.5 years |
| □ Data centers | 1-5.5 years |

k. Initial application of new standards, amendments to standards and interpretations

Amendment to IAS 1, Presentation of Financial Statements: "Disclosure of Accounting Policies.

As a result of applying the Amendment, the extent of the accounting policy disclosure provided in the financial statements for 2023 was reduced and adjusted according to the Company's specific circumstances.

l. New standards, amendments to standards and interpretations not yet adopted:

Amendment to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and subsequent amendment: Non-Current Liabilities with Covenants.

The Group is examining the effects of the Amendment on the financial statements with no plans for early adoption.

NOTE 4: INCOME TAX

a. Details regarding the tax environment of the Israeli companies:

1) Corporate tax rate

Taxable income of the Israeli companies is subject to the Israeli corporate tax at the rate of 23% in the years 2023, 2022 and 2021.

2) Benefits under the Law for the Encouragement of Capital Investments (Investment Law)

The Investment Law provides tax benefits for Israeli companies meeting certain requirements and criteria. According to the Investment Law, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country's economic growth and is a competitive factor for the gross domestic product.

The Investment Law also added a new tax benefit tracks effective January 1, 2017 for a "preferred technological enterprise" and a "special preferred technological enterprise" that awards reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

Preferred technological income that meets the conditions required in the law, will be subject to a reduced corporate tax rate of 12%, and if the preferred technological enterprise is located in Development Area A to a tax rate of 7.5%.

The Investment Law also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company. A tax rate of 20% shall apply to a dividend distributed out of preferred income and preferred technological income, to

an individual shareholder or foreign resident, subject to double taxation prevention treaties.

On May 16, 2017, the Knesset Finance Committee approved Encouragement of Capital Investment Regulations (Preferred Technological Income and Capital Gain of Technological Enterprise) - 2017 (hereinafter: "the Regulations"), which provides rules for applying the "preferred technological enterprise" and "special preferred technological enterprise" tax benefit tracks including the Nexus formula that provides the mechanism for allocating the technological income eligible for the benefits.

The Company obtained tax rulings confirming that the Company is eligible for the benefits under the Investment Law. The tax rulings which were obtained applied for the years 2017-2021. The Company approached the Israeli Tax Authority on December 28, 2023, for the renewal of the tax ruling, regarding industrial enterprise and preferred technological enterprise, for the next five years beginning in 2022. The tax ruling has not been accepted yet.

b. Details regarding the tax environment of the non-Israeli companies:

Non-Israeli subsidiaries are taxed according to the tax laws in their countries of residence as reported in their statutory financial statement prepared under local accounting regulations.

c. Carry forward losses

(1) Israel

As of December 31, 2023, the net operating loss carryforwards, or NOLs are approximately USD 20.4 million (2022: nil), and the Capital Loss to carry forward is approximately USD 3 million (2022: USD 0.1 million). The losses carryforward do not expire under Israeli tax laws.

(2) US

The Group submit a US federal consolidated tax return.

Provisions enacted in the Tax Cuts and Jobs Act in 2017 related to the capitalization for tax purposes of research and experimental expenditures ("R&E") became effective on January 1, 2022. These new R&E provisions require us to capitalize certain research and experimental expenditures and amortize them on the U.S. tax return over five or fifteen years, depending on where these costs are conducted. The tax expense in the U.S. would increase as a result, unless these provisions are modified through legislative processes in the future. The Company applies the new enacted act in the current year tax provision and the deferred tax asset.

The Group has several U.S. federal NOLs, following previous acquisitions:

1. Approximately USD 100.8 million, which will expire starting 2038. As of December 31, 2023, the NOLs are approximately USD 56.7 million (2022: USD 65.7 million).
2. Approximately USD 315 million which can be utilized over the next 52 years.

As of December 31, 2023, the NOLs are approximately USD 307.2 million (2022: USD 315 million).

In addition, the Group has USD 0.5 million NOLs from previous years.

In addition, the Capital Loss to carry forward is approximately USD 27.7 million (2022: nil).

Capital losses can be carried back for three years, and forward for five years.

Additionally, for tax years beginning after December 31, 2017, the Tax Cuts and Jobs Act limits the NOL deduction to 80% of taxable income, repeals carryback of all NOLs arising in a tax year ending after 2017 and permits indefinite carryforwards for all such NOLs. NOL's arising in a tax year ending on or before 2017 can offset 100% of taxable income, are available for carryback, and expire 20 years after they arise. It should be noted that the Coronavirus Aid, Relief and Economic Security ("CARES") Act suspended the 80% limitation for tax years 2018, 2019 and 2020 and allowed for a 5-year carryback for NOLs for tax years beginning after December 31, 2017, and before January 1, 2021.

Pursuant to Section 382 of the Internal Revenue Code, the acquired companies in the US underwent ownership changes for tax purposes (i.e., a change of more than 50% in stock ownership involving 5% shareholders) on the acquisition date. As a result, the use of the Company's total US NOL carryforwards and tax credits generated prior to the ownership change is subject to annual use limitations under Section 382 and potentially also under section 383 of the Code and comparable state income tax laws.

(3) International

As of December 31, 2023, the NOLs are approximately USD 19.2 million (2022: USD 22.3 million).

In addition, the Capital Loss to carry forward is approximately USD 0.9 million (2022: nil). The ability to carry losses forward (or backwards) depends on the specific jurisdiction which the Company operates in.

d. Composition of income tax benefit:

	Year ended		
	December 31		
	2023	2022	2021
	USD thousands		
Current tax expense (income)			
Current year	(2,331)	14,378	7,220
Deferred tax expense (income)			
Creation and reversal of temporary differences	4,834	5,310	(8,168)
Tax expenses (benefit)	<u>2,503</u>	<u>19,688</u>	<u>(948)</u>

The following are the domestic and foreign components of the Group's income taxes:

	Year ended		
	December 31		
	2023	2022	2021
	USD thousands		

Domestic	(5,352)	5,766	4,995
US	8,712	11,578	(961)
International	(857)	2,344	(4,982)
	<u> </u>	<u> </u>	<u> </u>
Tax expenses (benefit)	<u>2,503</u>	<u>19,688</u>	<u>(948)</u>

e. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year ended		
	December 31		
	2023	2022	2021
	USD thousands		
Profit (Loss) before taxes on income	(18,984)	42,425	72,275
Primary tax rate of the Company	23%	23%	23%
Tax calculated according to the Company's primary tax rate	(4,366)	9,758	16,623
Additional tax (tax saving) in respect of:			
Non-deductible expenses net of tax exempt income (*)	3,329	11,642	(3,364)
Difference between measurement basis of income/expenses for tax purposes and measurement basis of income/expenses for financial reporting purposes	-	(654)	-
Effect of reduced tax rate on preferred loss (income)	4,963	(4,625)	(7,226)
Utilization of tax losses from prior years for which deferred taxes were not created	(90)	(2,539)	(1,117)
Effect on deferred taxes at a rate different from the primary tax rate	892	2,697	(3,329)
Recognition of deferred taxes for tax losses and benefits from previous years for which deferred taxes were not created in the past	(4,852)	(1,104)	(4,586)
Recognition in temporary differences for which deferred taxes are not recognized	656	35	-
Foreign tax rate differential	<u>1,971</u>	<u>4,478</u>	<u>2,051</u>
Tax (benefit) expenses	<u>2,503</u>	<u>19,688</u>	<u>(948)</u>

Effective income tax rate	<u>(13%)</u>	<u>46%</u>	<u>(1%)</u>
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(*) including non- deductible share-based compensation expenses.

f. Deferred tax assets and liabilities:

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	Intangible Assets and R&D expenses	Employees Compensation	Carryforward Losses	Accrued Expenses	Doubtful Debt	Other	Total
	USD thousands						
Balance of deferred tax asset (liability) as of January 1, 2022	(5,587)	12,074	9,835	2,939	3,099	676	23,036
Business combination	(11,313)	1,502	7,857	1,322	973	2,158	2,499
Changes recognized in profit or Loss	5,019	(2,927)	(2,486)	(2,590)	(1,332)	(1,249)	(5,565)
Effect of change in tax rate	-	14	237	-	-	4	255
Changes recognized in equity	187	(3,417)	(24)	22	11	(5)	(3,226)
Balance of deferred tax asset (liability) as of December 31, 2022	(11,694)	7,246	15,419	1,693	2,751	1,584	16,999
Discontinuance of Consolidation	168	(57)	-	(532)	(99)	(1)	(521)
Changes recognized in profit or Loss	(524)	(3,837)	411	(960)	643	(597)	(4,864)
Effect of change in tax rate	-	30	-	-	-	-	30
Changes recognized in equity	(79)	(34)	102	6	-	-	(5)
Balance of deferred tax asset (liability) as of December 31, 2023	(12,129)	3,348	15,932	207	3,295	986	11,639

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

g. Uncertain tax positions:

As of December 31, 2023, and 2022, the Company has gross unrecognized tax benefits of approximately USD 6,383 thousand and USD 7,188 thousand, respectively. The Company classifies liabilities for unrecognized tax benefits in current tax.

h. Tax assessment:

The Company considers tax year 2018 and 2019 for Israel and the US federal group, respectively as closed for tax assessment.

NOTE 5: FIXED ASSETS, NET

	Computers and Servers	Office furniture and equipment	Leasehold improvements	Total
	USD thousands			
Cost				
Balance as of January				
1, 2022	8,839	445	770	10,054
Exchange rate differences	53	41	20	114
Additions *	8,375	5	5	8,385
Business combinations	22,256	351	647	23,254
Disposals	(892)	(28)	(336)	(1,256)
Balance as of December				
31, 2022	38,631	814	1,106	40,551
Exchange rate differences	(7)	(13)	(23)	(43)
Additions *	3,783	63	779	4,625
Disposals	(482)	(114)	(94)	(690)
Balance as of December				
31, 2023	41,925	750	1,768	44,443
Accumulated Depreciation				
Balance as of January				
1, 2022	5,698	269	623	6,590
Exchange rate differences	57	41	18	116
Disposals	(890)	(28)	(336)	(1,254)
Additions	4,957	61	207	5,225
Balance as of December				
31, 2022	9,822	343	512	10,677
Exchange rate differences	(9)	(8)	(1)	(18)
Disposals	(482)	(111)	(93)	(686)
Additions	12,314	210	545	13,069

Balance as of December

31, 2023	<u>21,645</u>	<u>434</u>	<u>963</u>	<u>23,042</u>
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Carrying amounts

As of December 31, 2023	<u>20,280</u>	<u>316</u>	<u>805</u>	<u>21,401</u>
As of December 31, 2022	<u>28,809</u>	<u>471</u>	<u>594</u>	<u>29,874</u>

* As of December 31, 2023, USD 2,030 thousand additions have not been paid (2022: USD 1,900 thousand).

NOTE 6: LEASES**a. Leases in which the Group is the lessee:**

The Group applies IFRS 16, Leases. The Group has lease agreements with respect to the following items:

- Offices;
- Data center;

1) Information regarding material lease agreements:

- a) The Group leases Offices mainly in the United States of America (US), Israel, Canada and UK with contractual original lease periods ends between the years 2024 and 2028 from several lessors.

A lease liability in the amount of USD 21,381 thousand and USD 18,513 thousand as of December 31, 2023, and December 31, 2022, respectively, and right-of-use asset in the amount of USD 11,027 thousand and USD 7,753 thousand as of December 31, 2023, and December 31, 2022, respectively have been recognized in the statement of financial position in respect of leases of offices.

- b) The Group leases data center and related network infrastructure with contractual original lease periods ends between the years 2024 and 2028. The Group did not assume renewals in determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement.

A lease liability in the amount of USD 15,680 thousand and USD 10,825 thousand as of December 31, 2023, and December 31, 2022, respectively, and right-of-use asset in the amount of USD 14,888 thousand and USD 10,520 thousand as of December 31, 2023, and December 31, 2022, respectively have been recognized in the statement of financial position in respect of data centers.

2) Lease liability:

Maturity analysis of the Group's lease liabilities:

	December 31	
	2023	2022
	USD thousands	
Less than one year (0-1)	12,106	14,104
One to five years (1-5)	24,955	15,234
Total	37,061	29,338
Current maturities of lease liability	12,106	14,104
Long-term lease liability	24,955	15,234

3) Right-of-use assets - Composition:

	Offices	Data center	Total
	USD thousands		
Balance as of January 1,			
2022	5,424	2,849	8,273
Business Combinations	6,103	10,633	16,736
Depreciation and amortization on right-of-use assets	(4,533)	(4,693)	(9,226)
Additions	1,113	1,783	2,896
Lease modifications	(74)	-	(74)
Disposals	(205)	(52)	(257)
Exchange rate differences	(75)	-	(75)
Balance as of December 31,			
2022	7,753	10,520	18,273
Discontinuance of consolidation	(64)	-	(64)
Depreciation and amortization on right-of-use assets	(4,422)	(10,579)	(15,001)
Net additions	7,871	14,969	22,840
Lease modifications	20		20
Disposals	(119)	(22)	(141)
Exchange rate differences	(12)	-	(12)
Balance as of December 31,			
2023	11,027	14,888	25,915

4) Amounts recognized in statement of operation:

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Interest expenses on lease liability	(1,885)	(587)	(570)
Depreciation and amortization of right-of-use assets	(15,001)	(9,226)	(6,334)
Gain (loss) recognized in profit or loss	(119)	(74)	7
Total	(17,005)	(9,887)	(6,897)

- 5) Amounts recognized in the statement of cash flows:

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Cash outflow for leases	(19,147)	(12,605)	(10,579)

b. Leases in which the Group is a lessor:

- 1) Information regarding material lease agreements:

The Group subleases offices at the US for periods expiring in 2027.

- 2) Net investment in the lease:

Presented hereunder is the movement in the net investment in the lease:

	Offices	
	Year ended December 31	
	2023	2022
	USD thousands	
Balance as of January 1,	4,849	5,682
Sublease receipts	(1,112)	(1,306)
Additions	2,248	310
Business combinations	-	163
Balance as of December 31,	5,985	4,849

- 3) Maturity analysis of net investment in finance leases:

	Year ended December 31	
	2023	2022
	USD thousands	
Less than one year (0-1)	1,772	1,084
One to five years (1-5)	4,213	3,765
Total net investment in the lease as of December 31,	5,985	4,849

4) Amounts recognized in statement of operation:

	Offices		
	Year ended		
	December 31		
	2023	2022	2021
	USD thousands		
Gain from finance subleases	-	-	301
Financing income on the net investment in the lease	221	199	245
Total	221	199	546

NOTE 7: INTANGIBLE ASSETS, NET

	Customer					
	Software	Trademarks	relationships	Technology	Goodwill	Total
	USD thousands					
Cost						
Balance as of January 1,						
2022	24,687	36,367	50,108	53,192	156,712	321,066
Exchange rate differences	(50)	(1,262)	(1,455)	(548)	(3,216)	(6,531)
Additions	8,750	-	-	-	-	8,750
Disposals	(1,199)	(19,570)	(2,393)	(4,851)	-	(28,013)
Business combinations	-	7,654	29,169	85,684	92,244	214,751
Balance as of December						
31, 2022	32,188	23,189	75,429	133,477	245,740	510,023
Exchange rate differences	25	485	455	272	874	2,111
Additions	15,187	-	-	-	-	15,187
Disposals	(12)	(23,674)	(1,845)	-	(262)	(25,793)
Balance as of December						
31, 2023	47,388	-	74,039	133,749	246,352	501,528
Amortization						
Balance as of January 1,						
2022	14,876	29,786	28,223	39,961	-	112,846
Exchange rate differences	2	(585)	(914)	(198)	-	(1,695)
Additions	6,189	2,514	9,289	10,257	-	28,249
Disposals	(659)	(19,570)	(2,393)	(4,851)	-	(27,473)
Balance as of December						
31, 2022	20,408	12,145	34,205	45,169	-	111,927
Exchange rate differences	15	355	353	157	-	880
Additions	7,172	11,174	12,407	21,499	-	52,252
Disposals	(12)	(23,674)	(1,845)	-	-	(25,531)
Balance as of December						
31, 2023	27,583	-	45,120	66,825	-	139,528

Carrying amounts

As of December 31, 2023	<u>19,805</u>	<u>-</u>	<u>28,919</u>	<u>66,924</u>	<u>246,352</u>	<u>362,000</u>
As of December 31, 2022	<u>11,780</u>	<u>11,044</u>	<u>41,224</u>	<u>88,308</u>	<u>245,740</u>	<u>398,096</u>

Capitalized development costs

Development costs capitalized in the period amounted to USD 14,222 thousand (2022: USD 8,743 thousand) and were classified under software.

Acceleration of Trademarks

As detailed in Note 1, following the decision to rebrand to Nexxen, the Group accelerated the amortization of its trademark assets, whose useful life ended on December 31, 2023.

Impairment testing for intangible assets

The Company's qualitative assessment during the years ended December 31, 2023, and December 31, 2022, did not indicate that it is more likely than not that the recoverable amount of its intangible assets, and other long-lived assets is less than their aggregate carrying amount.

As of December 31, 2023, and as of December 31, 2022, the estimated recoverable amount based on Company's market value was lower than the carrying amount, and therefore the recoverable amount was estimated based on value in use and was determined by discounting the future cash flows. The estimated value in use was higher than the carrying amount, and therefore there was no need for impairment.

Key assumptions used in the calculation of recoverable amounts are as of December 31, 2023:

Post-tax discount rate	14% (WACC)
Terminal value growth rate	3%
EBITDA growth rate	26%-42%

Key assumptions used in the calculation of recoverable amounts are as of December 31, 2022:

Post-tax discount rate	15% (WACC)
Terminal value growth rate	3%
EBITDA growth rate	21%-33%

The cash flow projections include specific estimates for four years and a terminal value growth rate thereafter. EBITDA growth rate is expressed as the annual growth rate in the initial five years of the plans used for impairment testing and has been mainly based on past experience and management expectations.

NOTE 8: TRADE AND OTHER RECEIVABLES

	December 31	
	2023	2022
	USD thousands	
Trade receivables:		
Trade receivables	219,396	229,975
Allowance for expected credit losses	(17,423)	(10,138)
Trade receivables, net	201,973	219,837
Other receivables:		
Prepaid expenses	4,988	14,425
Loan to a third party	104	-
Institutions	1,309	1,281
Pledged deposits	1,569	3,036
Acquisition consideration adjustment	-	4,673
Other	323	-

8,293	23,415
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NOTE 9: TRADE AND OTHER PAYABLES

	December 31	
	2023	2022
	USD thousands	
Trade payables	183,296	212,690
Other payables:		
Contract liabilities	8,366	6,540
Wages, salaries and related expenses	13,319	24,539
Provision for vacation	1,922	1,869
Institutions	1,603	1,659
Interest to pay	1,757	1,504
Pledged deposits	284	362
Others	1,847	7,882
	29,098	44,355

NOTE 10: CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
	USD thousands	
Cash	105,997	173,568
Bank deposits	128,311	43,932
Cash and cash equivalents	234,308	217,500

The majority of cash and cash equivalents bear interest of 3% to 5.5%.

The Group's exposure to credit, and currency risks are disclosed in Note 18 on financial instruments.

NOTE 11: LONG-TERM DEBT

In September 2022, Nexxen Group US Holdings Inc. (formerly known as Unruly Group US Holding Inc.) entered into a USD 90 million senior secured term loan facility (the Term Loan Facility) and a USD 90 million senior secured revolving credit facility (the Revolving Credit Facility and, together with the Term Loan Facility, collectively, the Credit Facilities). The Company used the net proceeds of the Term Loan Facility and USD 10 million of net proceeds of the Revolving Credit Facility to finance the acquisition of Nexxen Inc. The loan period is 3 years from the date it was obtained.

The Company is obligated to pay a commitment fee on the undrawn amounts of the Revolving Credit Facility at an annual rate, determined by the Company's total net leverage ratio. The Credit Facilities require compliance with various financial and non-financial covenants, including affirmative and negative covenants. The financial covenants require that the total net leverage ratio not exceed 3x and the interest coverage ratio not be less than 4x, in each case measured as of the end of each fiscal quarter. As of December 31, 2023, the Company is in compliance with all related covenants.

During the twelve-month periods ended December 31, 2023, the Company recognized interest expenses in the amounts of USD 6,854 thousand. Total interest paid during the twelve months ended December 31, 2023, was USD 6,601 thousand.

NOTE 12: REVENUES

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Programmatic	299,005	274,355	266,616
Performance	32,988	60,895	75,329
	331,993	335,250	341,945

For the year ended December 31, 2023, no individual buyer accounted for more than 10% of revenue. For the year ended December 31, 2022 one buyer represents 10.7% of revenue. For the year ended December 31, 2021 one buyer represents 13.6% of revenue.

NOTE 13: COST OF REVENUE

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Programmatic	44,385	35,110	31,572
Performance	17,885	25,635	40,079
Cost of Revenue	62,270	60,745	71,651

NOTE 14: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Wages, salaries and related expenses	21,835	18,933	17,755
Share base payments	12,121	31,878	32,250
Rent and office maintenance	2,432	319	549
Professional expenses	7,686	12,233	7,136
Doubtful debts	4,337	(3,167)	4,958
Acquisition costs	171	6,012	253
Other expenses	2,469	1,797	598

<u>51,051</u>	<u>68,005</u>	<u>63,499</u>
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NOTE 15: SHAREHOLDERS' EQUITY

Issued and paid-in share capital:

	Ordinary Shares	
	2023	2022
	Number of shares	
Balance as of January 1	144,477,962	154,501,629
Own shares held by the Group	(2,729,597)	(16,906,795)
Share based compensation	4,413,644	6,883,128
Issued and paid-in share capital as of December 31	146,162,009	144,477,962
Authorized share capital	500,000,000	500,000,000

Rights attached to share:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Own shares acquisition:

During 2022, the Board of Directors approved the share buyback programs of up to USD 95 million of its ordinary shares out of which the Group repurchased 16,906,795 ordinary shares in aggregate amount of USD 86.3 million and during 2023, the Company repurchased 2,505,851 ordinary shares in aggregate amount of USD 8.7 million which was financed by existing cash resources.

On December 18, 2023, the Company has received approval from the Israeli court for its motion to buy back an additional USD 20 million of its ordinary shares from time-to-time through June 18, 2024. In 2023, the Company repurchased 221,506 ordinary shares in aggregate amount of USD 0.6 million which was financed by existing cash resources.

In addition, in July 2023, the Group repurchased 2,240 restricted ordinary shares that did not vest from one of its employees for no consideration.

NOTE 16: EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share as for the year ending December 31, 2023, 2022 and 2021 was based on the profit (loss) for the year divided by a weighted average number of ordinary shares outstanding, calculated as follows:

Profit (loss) for the year:

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Profit (loss) for the year	(21,487)	22,737	73,223

Weighted average number of ordinary shares:

	Year ended December 31		
	2023	2022	2021
	Shares of NIS 0.01 par value		
Weighted average number of ordinary shares used to calculate basic earnings (loss) per share as at December 31	143,589,188	149,937,339	144,493,989
Basic earnings (loss) per share (in USD)	(0.15)	0.15	0.51

Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share as of December 31, 2023, 2022 and 2021 was based on profit (loss) for the year divided by a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted):

	Year ended December 31		
	2023	2022	2021
	Shares of NIS 0.01 par value		
Weighted average number of ordinary shares used to calculate basic earnings per share	143,589,188	149,937,339	144,493,989
Effect of share options on issue	-	3,120,304	8,212,903
Weighted average number of ordinary shares used to calculate diluted earnings per share	143,589,188	153,057,643	152,706,892

Diluted earnings per share (in USD)	<u>(0.15)</u>	<u>0.15</u>	<u>0.48</u>
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At December 31, 2023 6,749 thousand share options, RSUs and PSUs (in 2022 and 2021: 8,851 thousand and 3,061 thousand, respectively) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

NOTE 17: SHARE-BASED COMPENSATION ARRANGEMENTS

a. Share-based compensation plan:

The terms and conditions related to the grants of the share options programs are as follows:

- All the share options that were granted are non-marketable.
- All options are to be settled by physical delivery of ordinary shares or ADSs.
- Vesting conditions are based on a service period of between 0.5-4 years.

b. Stock Options:

The number of share options is as follows:

	Number of options		Weighted average exercise price	
	2023	2022	2023	2022
	(Thousands)		(USD)	
Outstanding of 1 January	4,772	6,026	7.31	6.54
Forfeited during the year	(721)	(828)	6.33	7.61
Exercised during the year	(346)	(1,046)	0.67	1.96
Granted during the year	-	620	-	7.22
Outstanding of December 31	<u>3,705</u>	<u>4,772</u>	7.91	7.31
Exercisable of December 31	<u>2,086</u>	<u>1,814</u>		

The total expense recognized in the year ended December 31, 2023, with respect to the options granted to employees, amounted to approximately USD 2,429 thousand (2022: USD 5,867 thousand).

c. Restricted Share Units:

During 2023 and 2022, the Group granted 352,800 and 777,448 Restricted Share Units (RSUs) to its executive officers and employees, respectively.

The number of restricted share units is as follows:

	Number of RSU's		Weighted-Average Grant	
	Date Fair Value			
	2023	2022	2023	2022
	(Thousands)			
Outstanding at 1 January	5,288	8,146	8.277	8.606
Forfeited during the year	(254)	(261)	6.275	9.948
Exercised during the year	(3,295)	(3,374)	8.208	8.091
Granted during the year	353	777	2.160	4.596
Outstanding at December 31	2,092	5,288	7.601	8.277

The total expense recognized in the year ended December 31, 2023, with respect to the RSUs granted to employees, amounted to approximately USD 13,356 thousand (2022: USD 31,923 thousand).

d. Performance Stock Units:

During 2023 and 2022, the Group granted 143,700 and 168,048 Performance Stock Units (PSUs) to its executive officers, respectively.

The number of performance stock units is as follows:

	Number of PSU's		Weighted-Average Grant	
	Date Fair Value			
	2023	2022	2023	2022
	(Thousands)			
Outstanding at January 1	1,992	4,486	8.937	6.796
Forfeited during the year	(254)	(80)	6.328	9.952
Exercised during the year	(930)	(2,582)	9.320	4.891
Granted during the year	144	168	2.160	4.453
Outstanding at December 31	952	1,992	8.238	8.937

The vesting of the PSUs is subject to continuous employment and compliance with the performance criteria determined by the Company's Remuneration Committee and the Company's Board of Directors.

The total expense recognized in the year ended December 31, 2023, with respect to the PSUs granted to employees, amounted to approximately USD 3,384 thousand (2022: USD 12,715 thousand).

e. Expense recognized in the statement of operation and other comprehensive income is as follows:

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Selling and marketing	3,740	10,594	7,094
Research and development	3,308	8,034	3,474
General and administrative	12,121	31,877	32,250
	19,169	50,505	42,818

NOTE 18: FINANCIAL INSTRUMENTS

a. Overview:

The Group has exposure to the following risks from its use of financial instruments:

- ☐ Credit risk
- ☐ Liquidity risk
- ☐ Market risk

This note presents quantitative and qualitative information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

In order to manage these risks and as described hereunder, the Group executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	December 31	
	2023	2022
	USD thousands	
Derivatives presented under current assets		
Forward exchange contracts used for hedging	123	-
Derivatives presented under current liability		
Forward exchange contracts used for hedging	-	(209)
Total	123	(209)

b. Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

c. Credit risk:

The Group's credit risk is arise from the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows:

	December 31	
	2023	2022
	USD thousands	
Cash and cash equivalents	234,308	217,500
Trade receivables, net (a)	201,973	219,837
Other receivables	1,996	7,709
Long term deposit	525	406
	<u>438,802</u>	<u>445,452</u>

- (a) At December 31, 2023, the Group included provision for doubtful debts in the amount of USD 17,423 thousand (December 31, 2022: USD 10,138 thousand) in respect of collective impairment provision and specific debtors that their collectability is in doubt.

As of December 31, 2023, two buyers accounted for 16.2% and 16.5% of trade receivables. As of December 31, 2022, two buyers accounted for 15.7% and 14.1% of trade receivables.

	Allowance for Doubtful debts	
	2023	2022
	USD thousands	
Balance at January 1	10,138	13,870
Allowance for doubtful debts expenses (income)	7,622	(3,167)
Discontinuance of consolidation	(275)	-
Write-off	(22)	(542)
Exchange rate difference	(40)	(23)
	<u>17,423</u>	<u>10,138</u>

d. Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2023, and December 31, 2022, the Group's contractual obligation of financial liability is in respect of leases, trade, and other payables in the amount of USD thousand and USD 332,782 thousand and USD 361,820 thousands, respectively.

The contractual maturity of the financial liability that is less than one year is in the amount of USD 201,955 thousand and USD 239,240 thousand for December 31, 2023, and December 31, 2022, respectively.

e. Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

At December 31, 2023, USD 14,027 thousand are held in AUD, USD 5,653 thousand are held in NIS, USD 4,571 thousand are held in EUR, USD 2,981 thousand are held in SGD, USD 2,692 thousand are held in CAD, USD 2,665 thousand are held in GBP, USD 2,040 thousand are held in JPY, USD 1,493 thousand are held in other currencies and the remainder held in USD.

As of December 31, 2023, no individual vendor accounted for more than 10% of trade payables. As of December 31, 2022, one vendor accounted for 12.7% of trade payables.

f. Sensitivity analysis:

A change as of December 31 in the exchange rates of the following currencies against the USD, as indicated below, would have affected the measurement of financial instruments denominated in a foreign currency and would have increased (decreased) profit or loss and equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

GBP/USD	2023		2022	
	+10%	-10%	+10%	-10%
	USD thousands			
Profit / (Loss)	(1,832)	1,832	(2,893)	2,893
Increase / (Decrease) in				
Shareholders' Equity	(9)	9	(94)	94
NIS/USD	2023		2022	
	+10%	-10%	+10%	-10%
	USD thousands			
Profit / (Loss)	353	(353)	(139)	139
Increase / (Decrease) in				
Shareholders' Equity	384	(384)	(107)	107

SGD/USD	2023		2022	
	+10%	-10%	+10%	-10%
	USD thousands			
Profit / (Loss)	(2,348)	2,348	(2,615)	2,615
Increase / (Decrease) in				
Shareholders' Equity	(6)	6	(320)	320

Linkage and foreign currency risks

Currency risk

The Group is not exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, the USD. The principal currencies in which these transactions are denominated are GBP, NIS, EURO, CAD, SGD, MXN, AUD and JPY.

At any point in time, the Group aims to match the amounts of its assets and liabilities in the same currency in order to hedge the exposure to changes in currency.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group has a cash flow risk due to its variable-rate debt instruments. A 5% increase in the interest rate would result in a loss and a decrease in shareholders' equity of USD 3.7 million. However, it will be offset by a gain and shareholders' increase of USD 2.8 million due to available cash and cash equivalents. As a result, there would be a net effect of USD 0.9 million.

g. Level 3 financial instruments carried at fair value

On August 18, 2022, the Company completed a USD 25 million investment in VIDAA, a smart TV operating system, streaming platform, and subsidiary of Hisense. Through its investment, the Company received a 2.5% equity stake in VIDAA, a multi-year extension to exclusively share of VIDAA's global ACR data for targeting and measurement across the Company's platform, and ad monetization exclusivity on VIDAA media in the U.S., U.K., Canada, and Australia

The investment in shares is a financial asset measured at fair value through profit or loss under level 3.

	December 31, 2023	December 31, 2022
	Level 3	Level 3
	USD thousands	USD thousands
Financial assets measured at fair value		
through profit or loss:		
Investment in shares	25,000	25,000

Valuation processes used by the Company

The fair value of non-marketable shares is determined by external valuer on an annual basis.

The principal unobservable inputs are as follows:

- The estimated royalties from App share and remote-control button which is based on the expected increase in market share.
- The average operating profit margin which is based on the stage of research and development.
- The discount rate, which is based on the risk-free rate for 10-year debentures issued by the government in the relevant market, adjusted for a risk premium to reflect both the risk of investing in equities, the systematic risk of company and entity specific risk to the extent not already reflected in the cash flows.

h. Financial instruments measured at fair value for disclosure purposes only.

The fair value of the long term debt is estimated by discounting future principal and interest cash flows by the market interest rate of 7.064% on the date of measurement which is USD 97,291 thousands.

Compensation and benefits to key management personnel

Executive officers also participate in the Company's share option programs. For further information see Note 17 regarding share-based compensation.

Compensation and benefits to key management personnel (including directors) that are employed by the Company and its subsidiaries:

	Year ended December 31		
	2023	2022	2021
	USD thousands		
Share-based compensation	11,527	30,914	31,283
Other compensation and benefits	3,988	4,433	6,752
Total	15,515	35,347	38,035

NOTE 20: SUBSIDIARIES**Details in respect of subsidiaries:**

Presented hereunder is a list of the Group's subsidiary:

<u>Name of company</u>	Principal location of the Company's activity	The Group's ownership interest in the subsidiary for the year ended December 31	
		2023	2022
Taptica Inc	USA	100%	100%
Tremor Video Inc	USA	100%	100%
Adinnovation Inc	Japan	-	100%
Taptica UK	UK	100%	100%
YuMe Inc*	USA	100%	100%
Perk.com Canada Inc	Canada	100%	100%
R1Demand LLC*	USA	100%	100%
Nexxen Group LLC (f/k/a Unruly Group LLC)	USA	100%	100%
Nexxen Group US Holdings Inc. (f/k/a Unruly Group US Holding Inc)*	USA	100%	100%
Nexxen Holdings Ltd (f/k/a Unruly Holdings Limited)*	UK	100%	100%
Nexxen Group Ltd (f/k/a Unruly Group Limited)*	UK	100%	100%
Unruly Media GmbH	Germany	100%	100%
Unruly Media Pte Ltd*	Singapore	100%	100%
Nexxen Pty Ltd (f/k/a Unruly Media Pty Ltd)	Australia	100%	100%
Unruly Media KK	Japan	100%	100%
Unmedia Video Distribution Sdn Bhd	Malaysia	100%	100%
SpearAd GmbH	Germany	100%	100%

Nexxen Inc. (f/k/a Amobee Inc)*	USA	100%	100%
Amobee EMEA Limited	UK	100%	100%
Amobee International Inc	USA	100%	100%
Amobee Ltd	Israel	100%	100%
Amobee Asia Pte Ltd*	Singapore	100%	100%
Amobee ANZ Pty Ltd	Australia	100%	100%

* Under these companies, there are seventeen (17) wholly owned subsidiaries that are inactive and in liquidation process.

NOTE 21: OPERATING SEGMENTS

The Group has a single reportable segment as a provider of marketing services.

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of consumers.

	Year ended December 31		
	2023	2022	2021
	USD thousands		
America	311,780	303,106	304,686
APAC	6,537	20,031	20,931
EMEA	13,676	12,113	16,328
Total	331,993	335,250	341,945

NOTE 22: CONTINGENT LIABILITY

On May 18, 2021, the Company filed a complaint against Alphonso, Inc. ("Alphonso") in the Supreme Court of the State of New York, County of New York (the "Court"), asserting claims for breach of contract, tortious interference with business relations, intentional interference with contractual relations, unjust enrichment, and conversion.

The lawsuit arose out of Alphonso's breach of a Strategic Partnership Agreement and an Advance Payment Obligation and Security Agreement (the "Security Agreement") with us, and LG Electronics Inc.'s ("LG") tortious interference with the Company's contractual relationships and business relations and related misconduct. On February 23, 2024, the Company entered into a settlement and release agreement with Alphonso and LG and the parties have agreed to dismiss the Alphonso Lawsuit.

In March 2023, Alphonso remitted USD 11.3 million to the Company, comprising USD 7.25 million related to a secured advance repayment and USD 4.1 million related to additional interest, penalties and fees including reimbursement of certain legal fees.

On June 21, 2022, Alphonso filed a complaint against the Company in the United States District

Court for the Northern District of California, asserting claims for misappropriation of trade secrets under federal and state law. On October 11, 2023, Alphonso dismissed its claims in the lawsuit with prejudice. On October 25, 2023, the Company filed a bill of costs to recover allowable legal costs from Alphonso. The Company's request for tax costs is pending with the Court.

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