CORPORATE PARTICIPANTS

David L. Day  Magnite, Inc. - CFO
Michael G. Barrett  Magnite, Inc. - President, CEO & Director
Nick Kormeluk  Magnite, Inc. - VP of IR & Head of Global Real Estate

CONFERENCE CALL PARTICIPANTS

Daniel Louis Kurnos  The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst
Ian Hunter Peterson  Evercore ISI Institutional Equities, Research Division - Research Analyst
Jason Michael Kreyer  Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst
Laura Anne Martin  Needham & Company, LLC, Research Division - Senior Research Analyst
Matthew Corey Thornton  Truist Securities, Inc., Research Division - VP
Matthew John Swanson  RBC Capital Markets, Research Division - Associate VP
Nicholas Todd Zangler  Stephens Inc., Research Division - Analyst
Shyam Vasant Patil  Susquehanna Financial Group, LLLP, Research Division - Senior Analyst

PRESENTATION

Operator

Good day, and welcome to the Magnite Fourth Quarter 2022 Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Nick Kormeluk, Investor Relations. Please go ahead.

Nick Kormeluk  Magnite, Inc. - VP of IR & Head of Global Real Estate

Thank you, operator, and good afternoon, everyone. Welcome to Magnite’s Fourth Quarter 2022 Earnings Conference Call. As a reminder, this conference call is being recorded.

Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlight slides on our Investor Relations website to accompany today's presentation.

Before we get started, I will remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements, including, but not limited to, statements concerning our anticipated financial performance and strategic objectives, including the potential impacts of macroeconomic factors on our business. These statements are not guarantees of future performance. They reflect our current views with respect to future events and are based on assumptions and estimates, and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

A discussion of these and other risks, uncertainties and assumptions is set forth in the company’s periodic reports filed with the SEC, including our 2022 annual report on Form 10-K. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including revenue ex-TAC, or less traffic acquisition costs, adjusted EBITDA and non-GAAP income per share. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release and in the financial highlights deck that is posted on our Investor Relations website.
At times, in response to your questions, we may offer incremental metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be one-time in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit our Investor Relations website to access our press release, financial highlights deck, periodic SEC reports and the webcast replay of today's call to learn more about Magnite.

I will now turn the call over to Michael. Michael, please go ahead.

**Michael G. Barrett - Magnite, Inc. - President, CEO & Director**

Thank you, Nick. We had a strong finish to the year, with Q4 revenue coming in at the high end of our guidance ranges. Total revenue ex-TAC was up 10%, CTV up 20% and DV+ up 4%. Adjusted EBITDA margin also came in strong at 41%. And for the full year, I'm happy to report that we achieved revenue ex-TAC of $515 million in free cash flow of $106 million, both exceeding our targets.

Our outlook on 2023 is positive despite weakness in the overall ad spend environment that began in late Q4 and continued into Q1. We are currently seeing stability at these levels and are cautiously optimistic. David will provide greater detail on our financial results and our Q1 outlook.

Our CTV business continued to drive our top line with revenue ex-TAC growth of 20% year-over-year, which we believe outpaced the industry growth in Q4, based on customer feedback and recent industry trends. Just a couple of weeks ago, we announced Magnite Streaming, our next-generation CTV and OTT platform, merging the best features, functionality and technology for Magnite and SpotX.

Magnite Streaming empowers media owners to maximize advertising yield holistically across live and VOD inventory, addressable linear and CTV and OTT environments, while providing insights to more effectively grow their businesses. It also provides advertisers with unparalleled access to CTV and OTT inventory, audience-targeting capabilities in real-time reporting.

We are excited about our new and expanded CTV partnerships, in addition to further traction with those previously announced. Key new partners and expanding relationships I'd like to highlight since our last call are Brightcove, fuboTV, Horizon Media, Criteo and, last but definitely not least, Disney.

First, I'd like to highlight the news in late January that we expanded and renewed our agreement as Disney's global programmatic SSP partner. As you may recall, our relationship with them started with Hulu. We have since grown the relationship to include the full portfolio of Disney properties. In January, ahead of their annual tech and data showcase, Disney's (inaudible) had a lot to say in articles by variety and Digi Day about a full suite of targeting that will be available on Disney+ in July. We are thrilled to be a partner with Disney in support of their audience and targeting capabilities, which leverage the Disney Select first-party data platform with more than 100 million U.S. household level ideas.

Second, with Brightcove, a global leader in secure streaming technology solutions. Magnite will power advertising across the Brightcove customer footprint, helping them to improve fill rates and delivery to increase revenue for their publishing partners. Brightcove saw a significant opportunity to help customers better monetize their advertising businesses, utilizing Magnite's platform and capabilities. Brightcove will also integrate the SpringServe ad server to provide publishers with greater control, insight and transparency into available ad supply, providing a strategic opportunity for customers to better monetize their video content.

We also had another client win on SpringServe with fubo, choosing to implement our ad server for their entire video business. This expansion comes to illustrate just how strategic and important our ad server is to expand and deepen our relationships with our biggest partners. Live sports is one of the largest and most valuable yet complex opportunities in CTV. We continue to make this a priority. Our leading products, such as Bingewatcher and Live Sports Acceleration (sic) [Live Stream Acceleration], or LSA, provides significant opportunities to build on our success with a sports-first live TV streaming platform partner like fubo.

The opportunity for CTV and live sports is huge. The creation and need to fill ad flats in real time, coupled with massive spikes in viewership and tremendous engagement, while requiring adherence to complex rules, make our capabilities extremely attractive and needed by publishers. The ad dollars chasing sports in CTV are significant, and most sports leagues are looking to capitalize on this opportunity, having recently separated...
streaming rights from linear. We see a great future for Magnite in the world of live sports streaming, and we will look to build on our success across all sports and leagues.

Retail media networks are another very big opportunity for us. Increasingly, user identities are being protected by publishers and retailers and they are looking for a trusted SSP partner to help securely activate audiences on the supply side. Recent initiatives of both Kroger and Criteo highlight our progress in this area.

This quarter, we announced the preferred relationship that will enable Criteo’s global retail partners to leverage CTV through Magnite. Through collaboration, retailers can drive growth by extending their off-site audiences into addressable CTV environments, in turn, providing closed-loop measurement to their brand and agency partners. Criteo is an industry leader in the very attractive retail media space, and we are thrilled to help their 160 retail partners expand audience reach in CTV.

In addition, we continue to make progress on supply path optimization, or SPO, and announced a multiyear SPO deal with Horizon Media, one of the largest U.S. media agencies. We also continue to see strong traction with previously announced partnerships with FOX, GroupM, VIZIO and LG.

I’d like to specifically discuss the status of our relationships with GroupM and FOX, which we believe will contribute nicely in 2023. Our preferred partnership with GroupM is continuing to scale, gaining momentum as we move into 2023 and a new season of upfronts. GroupM has successfully launched 20-plus premium CTV accounts with more to come. The next phase is launching OLV into the GroupM marketplace, which presents an additional expansion opportunity.

We are also very pleased with the progress of our FOX relationship, where we serve as the SSP partner to power programmatic campaigns for OneFOX video inventory across the company’s leading entertainment, sports streaming and news portfolio. The launch is very successful, and it is also now a part of the GroupM premium marketplace.

On the DV+ side, we grew revenue ex-TAC 4% year-over-year. This growth builds on Q3 progress in spite of a tough ad spend environment. Our success is attributable to our continued focus on customer-based improvements to assist buyers to find and win and publishers to monetize the massive volume of additional impressions we’ve added since last year.

Some examples of recent customer wins include BuzzFeed, who is in the early stages of onboarding Demand Manager; the Arena Group, a tech-powered media company, which includes premier pubs, such as Sports Illustrated, TheStreet, Men’s Journal and Parade, has chosen Magnite as its preferred PMP partner; and Trusted Media brands, which reaches more than 200 million consumers worldwide across every screen, selected Magnite’s Demand Manager solution and has seen approximately an 8% CPM lift when using Demand Manager.

In closing, I’d like to address the recent news regarding two SSPs exiting the space, EMX declaring bankruptcy and Yahoo! shuttering their SSP business. Some industry pundits have concluded that this might be the beginning of the end for the SSP industry. We couldn’t disagree more. What we’re seeing now isn’t the beginning of the end of the SSP, but the death of the undifferentiated SSP. For years, the market has borne the weight of a raft of SSPs with little innovative technology and little more to offer than recirculated DSP demand.

Magnite, meanwhile, has been investing in a range of essential sell-side technologies. Demand Manager, to get the most from the header; Carbon and Nth Party to help publishers take back control of audience and addressability as third-party cookies are phased out; SpringServe for CTV ad serving; and a demand facilitation team that delivers proprietary demand at global scale. Add all this to the best yield management tools for every media type, including CTV, OLV, display, audio, native and digital out-of-home.

The Yahoo! decision underlines what we have long known, that it’s extremely hard for meeting owners of any size to build and maintain a sell-side technology stack that can keep up with the industry’s endless stream and evolutions. Indeed, it’s hard enough for dedicated technology companies to stay ahead of the curve. But no sell-side ad tech company is better positioned than we are to help publishers thrive today and in the future.

As supply path where SPO accelerates, Magnite stands to gain in several ways: first, as a recipient of additional ad spend when competitive platforms go offline; second, as sellers migrate to the partner that’s most differentiated, indispensable and likely to bolster their bottom lines; and third, as buyers consolidate spend on a select list of SSPs that meet all of their complex criteria.
How does this end for the SSP industry? Well, very similar to the winner-take-most consolidation that we've seen on the DSP side. We are in the late innings of SSP consolidation, and Magnite is poised to be that winner-take-most victor.

With that, I'll turn the call over to David.

David L. Day - Magnite, Inc. - CFO

Great. Thanks, Michael. We are pleased to report another strong quarter and record year for Magnite. Our fourth quarter results for revenue ex-TAC were at the high end of our expectations, and adjusted EBITDA of $64 million generated a strong margin of 41%. Our business model continues to generate strong cash flow, producing $57 million of operating cash flow for the quarter.

For the full year 2022, we reported revenue ex-TAC of $515 million and total ad spend approached $4.5 billion. We also generated full year adjusted EBITDA of $179 million, up 20% year-over-year for a margin of 35%. Total revenue for Q4 was $175 million. Revenue ex-TAC was $157 million, up 10% from Q4 of 2021. Revenue ex-TAC attributable to CTV was $65 million, up from $54 million or 20% from last year. DV+ revenue ex-TAC was $92 million, an increase of 4% compared to Q4 last year. On a sequential basis, Q4 total revenue ex-TAC grew 23% over Q3, generally in line with historical seasonal patterns.

Political spend represented less than 4% of our revenue ex-TAC for the quarter. Verticals, such as automotive, travel and food and beverage, proved resilient and were our top growth verticals, offsetting weakness in retail, technology and health and fitness. Our revenue ex-TAC mix for Q4 was 41% CTV, 39% mobile and 20% desktop.

Total operating expenses, which includes cost of revenue for the fourth quarter, increased 29% to $204 million compared to $158 million in the same period a year ago. Adjusted EBITDA operating expense was $92 million, up 11% sequentially from Q3 and up from $75 million from the fourth quarter last year and slightly above our guidance range. The increases were driven by higher cloud and personnel expenses, T&E and higher engineering team expenses, partially due to lower internally developed capitalized software due to the completion of our new CTV platform.

Net loss was $36 million for the quarter. Net income for the fourth quarter was -- of 2021 was $0.5 million. Adjusted EBITDA was $64 million versus $68 million for the same period last year due largely to cost items mentioned above. Adjusted EBITDA margin was 41% compared to 48% last year. Note that we calculate our adjusted EBITDA margin as a percentage of revenue ex-TAC.

GAAP loss per basic and diluted share was $0.27 for the fourth quarter of 2022 compared to a breakeven result for the fourth quarter in 2021. Non-GAAP earnings per share in the fourth quarter of 2022 was $0.24 compared to $0.26 reported last year.

Our results for the quarter included $35 million in accelerated amortization related to our CTV platform consolidation. This expense -- this noncash expense had a negative impact on GAAP loss per share of $0.27 and a negative impact on non-GAAP income per share of $0.07 in Q4. The reconciliations to non-GAAP income and non-GAAP income per share are included with our Q4 results press release.

We expect to recognize additional accelerated amortization expense of $53 million in Q1, $53 million in Q2 and $8 million in Q3 of 2023. There were 134 million weighted average basic and diluted shares outstanding for the fourth quarter of 2022. Fully diluted weighted average shares utilized for non-GAAP earnings per share were 143 million for the fourth quarter.

Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs, were $7 million for the quarter, for total CapEx of $44 million for the year, better than our expectations. Operating cash flow, which we define as adjusted EBITDA less CapEx, was $57 million for the quarter. Our net interest expense for the quarter was $8 million. At the end of Q4, cash on the balance sheet grew to $326 million, up $73 million or 29% from Q3.

Moving on to debt. We continue to reduce our net leverage ratio, which was approximately 2.2x at the end of Q4 as compared to 2.6x at the end of Q3. This demonstrates further progress towards our ultimate target of 2x or less.
We did not repurchase any shares under our share buyback program during Q4. Earlier this month, our Board approved a new repurchase program, which replaces our prior program. Under the new plan, the company is authorized to repurchase a total of 75 million in common shares and convertible debt through February of 2025. In addition to a strong cash position at the end of the year, we also expect to generate significant free cash flow in 2023. We believe that, currently, it is prudent to carry more cash on the balance sheet compared to what we might normally carry.

That said, we have the capacity and plan to give debt reduction a higher priority over share repurchases in the near term, although we are not ruling out share repurchases in the future.

I’ll now share our expectations for the first quarter and our view for the year. Our approach to guidance assumes a continued challenged economic environment. For the first quarter, we expect revenue ex-TAC to be in the range of $109 million to $113 million. We expect revenue ex-TAC attributable to CTV to be in the range of $42.5 million to $44.5 million. This slowing of growth is attributable to an industry-wide slow start to Q1.

We expect adjusted EBITDA operating expenses to tick up slightly from Q4 to $92 million to $94 million, which implies adjusted EBITDA margin of approximately 16% for Q1 at the midpoint. For the full year 2023, we continue to expect to grow revenue ex-TAC, despite the global economy and ad spend weakening since our last call. We are cautiously optimistic that CTV growth will improve, both from an industry perspective and from the new and expanded partners, Michael covered earlier.

We continue to focus on managing costs with our January reduction in force, which impacted approximately 6% of our workforce. The majority of positions eliminated were from duplicative engineering roles across our two CTV platforms. We expect adjusted EBITDA OpEx to be lower in the second half of the year compared to elevated expenses in the first half as we complete client migrations and support one unified Magnite streaming platform, which we will continue to optimize. This, coupled with a seasonally stronger top line, will result in margins significantly improving throughout the year, with the largest gains in the second half.

As we exit 2023, we expect to be back at a run rate in line with our long-term target of adjusted EBITDA margins in the 35% to 40% range. We also expect that our CapEx will be $40 million or less for full year 2023. For the full year, while we are not providing specific adjusted EBITDA guidance, we are targeting adjusted EBITDA to be approximately the same as 2022. We also expect free cash flow to exceed $100 million this year.

Q4 brought a strong finish for Magnite as a leader in CTV and DV+. We are very pleased with our position as we enter the coming year to grow our business, generate strong cash flow and support accelerating growth and margin expansion as the economy recovers.

With that, let’s open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from Shyam Patil with Susquehanna.

Shyam Vasant Patil, Senior Analyst at Susquehanna Financial Group

Nice job on the execution. I had a couple of questions. First question, for 1Q, as you guys talked about it, it seems like things have started off a bit slow for the industry in terms of ad spend growth. I was just wondering if you've seen any improvement or changes in the growth rates as we’ve kind of gone from early January to late February?

And then second question, Michael, you talked about some of the stuff that's happened in the industry, with a couple of players checking out your focus and strength of SPO and then a large agency relationship that you guys continue to kind of deepen. And I was just curious, can you just talk a little bit more about just, overall, not CTV overall kind of in the SSP side, just how you feel about your ability to kind of gain share, especially from the larger agencies? And anything that could be meaningful for this year?
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes, sure. I'll start off and allow David to chime in or Nick. As far as improvements are concerned, I think what has us cautiously optimistic is there hasn't been further decline. So I think what we -- and especially talking with our big buyers, agencies, marketers, the consensus seems to be that we've seen the worst, and that it should get better from here and out. That's not to say we're starting to see it, it get better overnight, but it is to say that I think that the notion that late Q4 into Q1 probably is we're bouncing along the bottom and hoping that things have freshen as we get into the Q2 and the upfront period of time.

And as far as the SSP side, as we kind of said in the script, we feel that it's finally starting to happen that this explosion of SSPs that occurred when header bidding first came along, and Google's OB program, where they plugged in hundreds of SSPs, provided no value other than arbitrage and to recycle the same DSP demand that you find on every other platform, that's really starting to be shut down.

You have agencies that are really serious about it, and you're talking about -- we're not talking about fly-by-night SSPs that are getting SPO out. We're talking about brands that you've heard of. And the marketer and the agency feeling as though, I'm fine with a handful of guys because they've got everything I need, and they got the tools and they willing to invest in it and they're willing to build.

So I think you're starting to see this renaissance of the value of the SSP and the ecosystem. And as we said in the call, I don't think there's anyone better positioned to take advantage of that change in sentiment than we are at Magnite.

Operator

Our next question comes from Nick Zangler with Stephens.

Nicholas Todd Zangler - Stephens Inc., Research Division - Analyst

Great quarter. Taking a look at that 1Q '23 guide, again, though, it looks like you're guiding CTV, I think, up 3% at the midpoint. And actually, then I think DV+ would be growing faster than CTV in the quarter. So maybe if you could just flesh that out a bit? It looks like mobiles was strong last quarter. I'm curious if that continues into the new year?

And then -- and just as we push out further for the year, I mean, do you think CTV is still going to lead the segments from a growth perspective? Just any thought on like general direction across CTV, mobile and desktop given some fluctuating trends we're seeing right now?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Sure, Nick. Listen, I think that the -- well, the DV+ success, I think, is -- you've been listening to us for a year, and we sound like a broken record about, "Hey, we kind of took our eye off the ball. We're back -- we're working on it hard. We're seeing green shoots. You may not see them in the financial results just yet." Well, that's kind of what you're seeing, and it's coming at the expense of others. And so we feel that we still have quite a ways to go to get to where we should be on DV+. But I think the difference that you see in this kind of depressed ad environment is we're playing catch-up in DV+ and doing a good job at it. Team's doing a great job as a matter of fact.

CTV is 100% macro, and there's no question that CTV will be the fastest-growing segment as we exit 2023. It's just budgets that were more branding-oriented, that were TV-oriented are always the first to get paused as opposed to more performance-related advertising, which is typically the domain of the DV+ world. And so I think that when it gets turned back on, we are incredibly well positioned with all the partnerships that we have in place to take full advantage. But obviously, given our CTV world, we are connected with every publisher. We see exactly what's happening across the landscape and it's universal in nature, macro in nature, and this -- as the economy improves, so, too, our growth in outpacing the industry in terms of growth.
The only thing I would add -- I would add one thing on the DV+, which is -- that growth is even being masked a little bit by the strong dollar and the strength in dollars. So if you compensate for that, that DV+ growth is closer to 7%. So we are thrilled with the progress that we’re making there.

Nicholas Todd Zangler - Stephens Inc., Research Division - Analyst
Got it. Congrats there. And then I did just want to touch on -- shopper marketing seems to be all the rage in digital advertising these days. Just can you remind us of your role here? I know you have a relationship -- a new relationship with Criteo. I mean you listened to Trade Desk, they point to strong adoption of closed-loop feedback with advertisers utilizing retailer data to justify CAD pains and ad spend. But can you just remind us, I guess, of your current exposure, whether Magnite is currently generating incremental revenues attributable to shopper marketing? Or if this is a tailwind that’s yet to play out for you guys?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director
Yes. Nick, I think it’s more the latter yet to play out. We have that nascent relationship with Kroger, the Criteo relationship. So think about our role in the ecosystem of retail media networks or the shopper dollars is the partner of the supply. And so whether that’s owned and operated inventory from a Kroger or off-site trying to reach Kroger audiences across the open web, that’s what an SSP does, right? And more and more, the folks that have this valuable first-party data are feeling more comfortable assembling the data and assembling the audience segments on the supply side to keep it closer, more protected to the actual publisher. And in this case, a publisher would be Kroger.

And so I think we’ll play a very valuable role. It’s not going to be an end-to-end role. I don’t think you’re going to see us anytime soon trying to come up with our own closed-loop attribution technology, proprietary technology. I think we know what our role is. It’s a valuable role, and we’ll participate in the economics of the RMM space.

Laura Anne Martin - Needham & Company, LLC, Research Division - Senior Research Analyst
Great numbers. Two, just following up on that prior call. Is your point of view, Michael, that Retail Media Networks could be as big a contributor to the top line growth over time as CTV has been? Or are those inherently different total addressable market? Like is one total addressable market bigger or smaller than the other?

And then my other question is on the Google-DOJ litigation. Our channel tech in D.C. tell us that very minimum, the DOJ wants to force Google to spin off its ad server. Second most, they want to have the ad server and the SSP spun-off. And in the best of all worlds, they would have them spin off everything in third-party ad tech. Could you walk us through how Magnite benefits if they just -- or forced to spin off their ad server or their ad server and their SSP? I'd be interested in the upside for Magnite from those activities.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director
Sure, Laura. Good to hear from me. Yes, so Retail Media Network is incredibly attractive. We’ll see it more in the form of spend, right? So whether that’s higher CPMs and obviously, our CTV footprint, most of these -- most of the CPG advertisers that participate in the retail media network universe are so used to running ads on television, right? And so partnering with whomever they want on the buy side to help them create the attribution loop, they’re still going to need access to this great CTV supply. And so I think that’s where we come in. And we participate in increased
ad spend, increased CPMs and quite possibly perhaps increased take rates depending on the role that we play and the service that we provide. So we're very, very excited about the ongoing prospects of Retail Media.

On the Google litigation, you guys have done a really good job following it. Obviously, we have counsel — outside counsel, too, that's a part of it. And obviously, Department of Justice reaches out to industry experts, like ourselves, to get opinions. It's really hard to kind of crystal ball, other than the fact that what we've already seen is it kind of gentler Google in terms of transparency, in terms of willing to work. And I think that it only bodes better if they're able to figure out a way to not have someone that has a conflict of interest that owns inventory themselves, power all the ad serving for the open web across all the publishers. And so I think it's heading in the right direction. It's a multiyear journey.

Unfortunately, these things generally are and we'll, obviously, be very close to it, but I think we stand to gain. I think we've already seen that with our SpringServe success from an ad serving on the connected television side. That's an area where we don't ever really see Google at all. And so I think that you're starting to see various crack open for us that may not have existed 2 years ago.

Operator

Our next question comes from Jason Kreyer with Craig-Hallum.

Jason Michael Kreyer - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Michael, I just wanted to ask about visibility. I mean it sounds like things kind of decelerated pretty quickly in Q4, have stabilized since. But just wanted some color on if the visibility has changed? Or how much visibility you have now into marketers may be pulling back on budget or reaccelerating budget or just things like that?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. And you're right, Jason. I mean no sooner do we finish our call, (inaudible) around for the Q3 earnings. And it's universal across talking to every publisher sometime and right around mid-December, Q4 stopped behaving like Q4, right? And it kind of limped across the finish line in December, and that kind of headwinds followed into Q1.

Our visibility, generally speaking, comes more from the insight of our buyers from agencies. We do, as you know, have the demand facilitation team, and that's a little bit of a features market. Insertion orders tend to be more of a I'm willing to spend x amount over the next couple of months. And those bookings are quite strong. And so it leads us to believe, and I think this is kind of the industry rhetoric, that we're bouncing along the bottom with the hope that the recovery begins sooner than what some folks are hoping, which is second half of the year. But again, our crystal ball is no greater than anyone else's in that respect.

Jason Michael Kreyer - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Fair enough. Maybe two on the updated CTV platform. I'm just curious if the important takeaways allow anything (inaudible) talking being low first half? We've already the new platforms to understand that...

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Jason, I don't know if it's my connection, but I missed that entire question. David, did it come across on your line?
David L. Day - Magnite, Inc. - CFO

No. Jason, you're cutting out there. If you could repeat it.

Jason Michael Kreyer - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Okay. Sorry about that. Are we good now?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. It sounds much better now, Jason.

Jason Michael Kreyer - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Okay. Sorry about that. So the two parts on the Magnite streaming platform. Just first, any early takeaways, feedback that you've heard?

And then second for David on cost. You talked about lower profitability in the first half of the year. But I know you announced earlier this month that the platform is now available. So I'm just wondering why the higher cost level throughout the first half of the year, why won't we maybe see that cost level start to abate heading into Q2?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. And I think they're kind of linked. And what I mean by that is that some early feedback from streaming is quite positive. We have a bunch of our partners on it and using it. Others have been trained on it and looked at it, and it carries the feature set that was promised and that they're super excited about. But too early to kind of point to performance differences between the two platforms, et cetera. So -- because we launched it, we announced the launch of it, doesn't necessarily mean that day and date everything else gets shut down. And so that probably dovetails nicely into what David is going to tell about cost.

David L. Day - Magnite, Inc. - CFO

Yes. So one of the challenges in a migration like this is you've got -- you have to run two full platforms. As long as you have like one customer still writing on a platform, you have to make sure that it works. And so you've got teams that have to support that. You have on-prem cages and minimum commitments on spend and data center lease costs, and all kinds of costs that it takes to support both platforms. And so there is a duplicative cost base. We are scheduled to deprecate early in Q3, the second platform, and go to one unified platform. And so that's why you'll see significant cost decreases in the latter half of the year.

The other component is there are certain elements of our unified platform that utilize the cloud a little bit heavier than we did in the past on some of our lower value -- lower volume, high-value elements of our platform. And so there's also a unit cost optimization that occurs over time when you're using the cloud. And so we'll continue to see benefits and reductions in unit costs over the course of this coming year. And so that will add to some of those cost reductions in the latter half of the year.

Operator

Our next question comes from Dan Kurnos with The Benchmark Company.
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. So as it relates to this continuing or accelerating supply path optimization, typically speaking, where you see it happen first, is in kind of the open auction business. And so what you see as kind of a dislocation in spend, the Magnite platform receiving more bids from DSPs because there's fear platforms to bid and buy from. And that doesn't really require anything other than making sure it's up and going to take advantage of it.

The second piece you see to it is the publisher saying, "Boy, I've been doing this on my own, this piece of it on my own. And man, it requires two engineers and a whole lot of work on my part. And for a modest cost, I can use Magnite technology to help me run my header." And so then you start to see this kind of second wave where they're choosing less partners, but they're really getting back to kind of a winner-take-most SSP relationship where they'll give that SSP their deals business. They'll use the technology from that SSP.

Disney is a great example. We built custom software for them. We've talked about that. I think that we're brilliantly positioned, given the size of the company, the scale we have and the tools and the products that we have, to be able to really start when publishers start to lean in and said, "Man, why did I think it was smart to run this piece of it myself. How can you help me?" FOX is a good example of that.

So I think you're just going to see more and more of that, and that all falls under the umbrella of this reawakening of a value that an SSP that's just not an undifferentiated SSP can bring to a publisher. And we're certainly well poised to take advantage of that.

As it relates to the Unified platform, I wonder, Dan, if you could elaborate on that a little bit? I think I know what you're asking about. I don't want to answer the wrong question.

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst

Well, you can answer the question you like, Michael. But I certainly was just trying to ask about the advancement kind of international. I mean to get more aggressive either in CTV now or obviously, you've made some margin roads in DV+, but I just trying to get a sense because the international markets have been super distorted in I think, like in Europe, in particular. And we've heard sort of from our checks that there have been some really good opportunities and you can kind of figure out the right way to attack the market. So I'd just love to hear what you guys are kind of doing now that you have a more unified front across the business?
And so now that you’re under the Magnite umbrella, one platform that has all the features, that a Telaria had, plus all the features at SpotX, plus some innovation that we’ve applied through SpringServe, it really does create brand-new opportunities for Magnite that never existed before. And I think what we’re finding is the same kind of trend lines, and that is publishers wanting to lean on technology partners, like an SSP, to do more, not less, because that whole era of the publisher taking it in-house is definitely sunsetting.

So I think you are right. We’re very excited about the opportunities. Notwithstanding they’re pretty tough markets right now given the strength of the dollar and the weakness of the local economies, it’s probably going to delay any kind of huge acceleration just given the uncertain times there.

David L. Day  -  Magnite, Inc.  -  CFO

Yes. And Dan, I maybe embedded in your question is, is there maybe international M&A opportunities. And the answer there would be no. So we have the assets we need. We have the international team that we want, and we would expect international growth to be organic.

Operator

Our next question comes from Matt Swanson with RBC Capital Markets.

Matthew John Swanson  -  RBC Capital Markets, Research Division  -  Associate VP

Yes, thanks. I think I’ll leave off my quarterly DV+ question and join the CTV bandwagon here. So how should we think about the partnerships heading into 2023? It seems like every quarter, you have 2 or 3 more announcements. Can you just help us kind of think about both the direct and indirect benefit? And kind of how we should expect these relationships to ramp?

Michael G. Barrett  -  Magnite, Inc.  -  President, CEO & Director

Yes, Matt, great question. I think we like to describe these partnerships is kind of walk and jog and run. And I think GroupM is kind of a really good example of that. I think we talked about GroupM maybe 6, 7 quarters ago for the first time. And the evolution of that partnership with agreeing on a technology partner like Magnite, then socializing the concept throughout the GroupM organization and then turning to their clients and socializing the opportunity and why it’s a value to them to buy through the premium marketplace in GroupM? It’s a process, right? It’s a sales cycle. And some of those are in our control at Magnite, and a lot aren; t. It’s in the publishers’ control or the agencies control in that case.

So I think that the good news is you hear a drumbeat of these things that start off as a trickle and become meaningful. Some quicker than others because some are just kind of more pay, plug and play. Others require customization. So I think there’s a ramp to it. And it’s really -- you got to take it case by case. But it beats not having kind of the drumbeat, right? And I think it points to the power of a combination of SpringServe with Magnite Streaming as being this super differentiated product in market that is really helping us gain share.

Matthew John Swanson  -  RBC Capital Markets, Research Division  -  Associate VP

That’s helpful. Maybe this has to do with partners and maybe it doesn’t. But as we think about heading into 2023, can you just talk about kind of the market momentum around biddable? And if you’re seeing any increase in the pace of that transition as more CTV inventory comes online? And then if there’s anything kind of around that concept in terms of directionally an expectation for like the blended CTV take rate in 2023 or 2024 that we kind of look out to?
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes, great question. These trends are hard to like kind of draw generalizations just given the needed nature of the marketplace. But I think that you’re going to find going into the upfront a kind of record, which is a little embellished to talk about a record when there’s been very little biddable inventory in the premium CTV categories of the plus services, the broadcasters, et cetera. But I think you’re going to find a record amount as dictated by the buyers. The buyers -- every dollar is going to go a lot further in this marketplace, and they have demanded, for quite some time now, the opportunity to be able to bring data to the foray and bid openly on it.

And so I think this concept of the invite-only auction that who has done so incredibly well with, just no question that you’re going to see the spread of that, just given the cloud that the buyer has coming into it. We’re also seeing quite a bit of biddable inventory at CPMs that are quite different than perhaps CPMs were in Q3 in the fast service market and in the OEM market. So yes, a biddable is coming. It’s probably coming faster because of this tough ad economy. And it does bode well for take rates for sure because of the amount of value that we contribute to conducting an auction versus just being the technology partner to process presold deals by the publisher.

Operator

Our next question comes from Matthew Thornton with Truist.

Matthew Corey Thornton - Truist Securities, Inc., Research Division - VP

Maybe two questions, if I could. Just a couple of recent events. And Michael, you alluded to one, and that was Yahoo! shutting its SSP. How do you think about -- I would assume they probably had some meaningful market share on the supply side. I’m kind of curious how you think that market share gets absorbed? I would assume the larger platforms, like a Magnite, should be in a position to absorb some of that share. But I’m curious your thoughts there and how that applies to ’23?

And then secondly, Roku recently talked about opening up to third-party DSP demand. I believe SpotX was the primary SSP partner that I would assume that would bode well for SpotX as that comes to fruition. But again, I’m curious your thoughts there as well.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Matt, yes, so I think it’s been quoted in the kind of press — trade press. So most of -- the majority of Yahoo!'s inventory under exchange was Yahoo! O&O. And so assume that they’re going to figure out a way to monetize that, probably head or whatever the case might be. So that still is an opportunity for us to gain access to that inventory. Probably in a slightly cleaner fashion, right, as opposed to a couple of hats through the multiple exchanges that they kind of had through the acquisitions that they’ve done. So I think that’s probably a net good guy.

As far as picking up the inventory that they had on the platform, most of that we’ve already had. So what you kind of get is not necessarily new publisher wins, because the publisher was only using Yahoo! and now they’re going to use Magnite. Generally speaking, you’re just kind of shutting down another path for DSP dollars to flow to that publisher, and more of that flow is going to come through the remaining SSPs, particularly someone is differentiated as Magnite. So I think maybe that’s the way to think about it. And the second question you had was related to...

David L. Day - Magnite, Inc. - CFO

Roku.
Matthew Corey Thornton - Truist Securities, Inc., Research Division - VP

That was on Roku. Yes.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Still have a deep partnership with them. I think that it's a little early for us to talk about the nature of the relationship. But suffice to say, a deep partnership with them that's expanding as well.

Operator

Our next question comes from Shweta Khajuria with Evercore ISI.

Ian Hunter Peterson - Evercore ISI Institutional Equities, Research Division - Research Analyst

This is Ian Peterson on for Shweta. Quick question here, focusing on Disney. Disney continues to rapidly scale their programmatic offerings and expects to be 40% to 50% programmatic by '24. Can you help us just quantify the impact of this accelerated shift towards programmatic for Magnite? And do you anticipate other AVOD services to follow a similar trajectory as Disney? Or is Disney really the outlier here in the near term?

And maybe just lastly, can you tie in Magnite’s recently launched a streaming platform and how this comes into play here? And maybe can you just highlight a value proposition for AVOD services?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Sure, Ian. So as it relates to Disney, I think we've been pretty clear that -- we are working with them primarily as a technology partner that helps facilitate programmatic buys that are sold by Disney. The belief is that it moves to a more biddable environment. With us running the auction piece of it, the economics increased in terms of take rates. And so I think that, that plays itself out over time.

And there's no question that I think Hulu has shown the efficacy of having biddable inventory going up against what traditionally is upfront inventory guaranteed pricing. And I think that, that's the model that Disney is going to emulate. And I don't think they're an outlier by any stretch. They're just more advanced. They have more inventory, right? They're global, and they have Hulu. And they also had the learnings of Hulu being at this for 8, 9, 10 years doing programmatic. And so I think that, that is not at all an outlier and people will be looking at that very, very carefully.

In Magnite Streaming, I mean, a simple way to think about it is when SpotX used to compete against Telaria before they were both part of Magnite, think of it as kind of chocolate and vanilla. And there are things that SpotX is really good at, that Telaria wasn't and things that Telaria was good at that SpotX lagged. So now you're taking the best of both platforms, putting them on one. And then taking some of the learnings that our clients have asked for our other platform and applying those to it, things like the specialty stuff that we talked about in live streaming for sports, particularly and you wind up with the best streaming platform out there, along with having access to an ad server.

So there's no question, I think, that it will solidify and expand opportunities that are existing and put us in a wonderful position for whenever anyone decides to change ad servers and SSPs like fubo did. And we become a different type of opportunity out there than either one of the platforms were before they were merged together.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Michael Barrett for any closing remarks.
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Thank you, Sarah. For 2023, we continue to expect to grow revenue and generate healthy free cash flow as we judiciously manage expenses, evidenced by actions we’ve taken earlier in the year on headcount, with platform consolidation, new hiring pause and managing discretionary expenses. We are doing this while also keeping the business poised to capitalize on accelerating growth as the market improves.

Our independent leadership position in the CTV ad supported market and improving growth in DV+ should continue to drive market share gains in the years ahead. We are still just in the earliest days of ad-supported CTV, as many of the largest market participants have just launched and yet to scale the CTV ad businesses, which will drive growth for many years to come, especially for programmatic partners.

I would like to thank our great Magnite team for their hard work and focus through a successful comprehensive platform consolidation and customer migrations, all while navigating challenging market conditions. Thank you to our analysts and investors for your continued support and for joining our Q4 results call today. We look forward to speaking with many of you at our upcoming investor events.

Cannonball will host post Q4 virtual investor meetings tomorrow. We will be attending the SIG Conference in New York on March 2 and the Truist conference in New York on March 7. We will also be participating in meetings with RBC in Toronto and Montreal, and on March 8 and 9 in Denver with benchmark – I’m sorry, in Toronto, Montreal on March 8 and 9, and in Denver with Benchmark on March 14. Have a great evening, and thank you.

Operator

The conference has now concluded. Thank you for attending today’s presentation. You may now disconnect.