Magnite

Financial Highlights Q2 2021

August 5, 2021

Safe Harbor

Magnite

FORWARD-LOOKING STATEMENTS

This presentation and management's prepared remarks during the conference call referred to above include, and management's answers to questions during the conference call may include, forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning the acquisition of SpotX, Inc. ("SpotX," and such acquisition the "SpotX Acquisition") or SpringServe, LLC ("SpringServe," and such acquisition the "SpringServe Acquisition") or the anticipated benefits thereof; statements concerning potential synergies from the SpotX Acquisition or SpringServe Acquisition; statements concerning the potential impacts of the COVID-19 pandemic on our business operations, financial condition, and results of operations and on the world economy; our anticipated financial performance; anticipated benefits or effects related to our completed merger with Telaria, Inc. in April 2020 ("Telaria" and such merger the "Telaria Merger"); key strategic objectives, industry growth rates for ad-supported CTV and the shift in video consumption from linear TV to CTV; introduction of new offerings; the impact of transparency initiatives we may undertake; the impact of our traffic shaping technology on our business; the effects of our cost reduction initiatives; scope and duration of client relationships; the fees we may charge in the future; business mix; sales growth; client utilization of our offerings; our competitive differentiation; our market share and leadership position in the industry; market conditions, trends, and opportunities; certain statements regarding future operational performance measures; benefits from supply path optimization; and other statements that are not historical facts. 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. Risks that our business face include, but are not limited to, the following: our ability to realize the anticipated benefits of the Telaria Merger, SpotX Acquisition, and SpringServe Acquisition; our ability to comply with the terms of our financing arrangements; restrictions in our Credit Agreement may limit our ability to make strategic investments, respond to changing market conditions, or otherwise operate our business, which may place us at a disadvantage compared to competitors; increases in our debt leverage may put us at greater risk of defaulting on our debt obligations, subject us to additional operating restrictions and make it more difficult to obtain future financing on favorable terms; sales of our common stock by the former owner of SpotX, including pursuant to a registered offering, may have an adverse effect on the price of our common stock; conversion of our Convertible Notes will dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock; the severity, magnitude, and duration of the COVID-19 pandemic, including impacts of the pandemic and of responses to the pandemic by governments, business and individuals on our operations, personnel, buyers, sellers, and on the global economy and the advertising marketplace; our CTV spend may grow more slowly than we expect if industry growth rates for ad supported CTV are not accurate, if CTV sellers fail to adopt programmatic advertising solutions or if we are unable to maintain or increase access to CTV advertising inventory; we may be unsuccessful in our supply path optimization efforts; our ability to introduce new offerings and bring them to market in a timely manner, and otherwise adapt in response to client demands and industry trends; uncertainty of our estimates and expectations associated with new offerings, including the CTV ad server product that we recently acquired in the SpringServe Acquisition; lack of adoption and market acceptance of our Demand Manager solution; we must increase the scale and efficiency of our technology infrastructure to support our growth; the emergence of header bidding has increased competition from other demand sources and may cause infrastructure strain and added costs; our access to mobile inventory may be limited by third-party technology or lack of direct relationships with mobile sellers; we may experience lower take rates, which may not be offset by increase in the volume of ad requests, improvements in fill-rate, and/or increases in the value of transactions through our platform; the impact of requests for discounts, fee concessions, rebates, refunds or favorable payment terms; our history of losses, and the fact that in the past our operating results have and may in the future fluctuate significantly, be difficult to predict, and fall below analysts' and investors' expectations; the effect on the advertising market and our business from difficult economic conditions or uncertainty; the effects of seasonal trends on our results of operations; we operate in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do; the effects of consolidation in the ad tech industry; the growing percentage of digital advertising spend captured by closed "walled gardens (such as Google, Facebook, Comcast, and Amazon); our ability to differentiate our offerings and compete effectively to combat commodification and disintermediation; potential limitations on our ability to collect or use data as a result of consumer tools, regulatory restrictions and technological limitations; the development and use of new identity solutions as a replacement for third-party cookies and other identifiers may disrupt the programmatic ecosystem and cause the performance of our platform to decline; the industry may not adopt or may be slow to adopt the use of first-party publisher segments as an alternative to third-party cookies; our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and privacy; failure by us or our clients to meet advertising and inventory content standards could harm our brand and reputation and those of our partners; the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand; the ability of buyers and sellers to establish direct relationships and integrations without the use of our platform; our reliance on large aggregators of advertising inventory, and the concentration of CTV among a small number of large sellers that enjoy significant negotiating leverage; our ability to provide value to both buyers and sellers of advertising without being perceived as favoring one over the other or being perceived as competing with them through our service offerings; our reliance on large sources of advertising demand, including demand side platforms ("DSPs") that may have or develop high-risk credit profiles or fail to pay invoices when due; we may be exposed to claims from clients for breach of contracts; errors or failures in the operation of our solution, interruptions in our access to network infrastructure or data, and breaches of our computer systems; our ability to ensure a high level of brand safety for our clients and to detect "bot" traffic and other fraudulent or malicious activity; the use of our net operating losses and tax credit carryforwards may be subject to certain limitations; the possibility of adjustments to the purchase price allocation and valuation relating to the SpotX Acquisition; our ability to raise additional capital if needed; volatility in the price of our common stock; the impact of negative analyst or investor research reports; our ability to attract and retain qualified employees and key personnel; costs associated with enforcing our intellectual property rights or defending intellectual property infringement and other claims; the Capped Call Transactions may affect the value of the Convertible Notes and our common stock; we are subject to counterparty risk with respect to the Capped Call Transactions; the conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating result; failure to successfully execute our international growth plans; and our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies.

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this press release and in other filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2020 and subsequent Quarterly Reports on Form 10-Q.   These forward-looking statements represent our estimates and assumptions only as of the date of the report in which they are included. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, any guidance we may provide will generally be given only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Investors should read this press release and the documents that we reference in this press release and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures

In addition to our GAAP results, we review certain non-GAAP 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-GAAP measures include Revenue ex-TAC, Adjusted EBITDA, Non-GAAP Income (Loss) and Non-GAAP Earnings (Loss) per share, each of which is discussed below.
These non-GAAP 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 GAAP. You are encouraged to evaluate these adjustments, and review the reconciliation of these non-GAAP financial measures to their most comparable GAAP 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-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies. See "Reconciliation of Revenue to Revenue ex-TAC," "Reconciliation of net loss to Adjusted EBITDA," "Reconciliation of net loss to non-GAAP income (loss)," and "Reconciliation of GAAP loss per share to non-GAAP income (loss) per share" included as part of this press release. We do not provide a reconciliation of our non-GAAP financial expectations for Revenue ex-TAC, Adjusted EBITDA, and Adjusted EBITDA operating expenses because the amount and timing of many future charges that impact these measures (such as amortization of future acquired intangible assets, acquisition-related charges, foreign exchange (gain) loss, net, stock-based compensation, impairment charges, and provision or benefit for income taxes), which could be material, are variable, uncertain, or out of our control and therefore cannot be reasonably predicted without unreasonable effort, if at all. In addition, we believe such reconciliations could imply a degree of precision that might be confusing or misleading to investors.

Revenue ex-TAC:
Revenue ex-TAC is revenue excluding traffic acquisition cost ("TAC"). Traffic acquisition cost, a component of Cost of revenue, represents what we must pay sellers for the sale of advertising inventory through our platform for revenue reported on a gross basis. In calculating Revenue ex-TAC, we add back the cost of revenue, excluding TAC, to gross profit, the most comparable GAAP measurement. Revenue ex-TAC is a non-GAAP financial measure. We believe Revenue ex-TAC is a useful measure in assessing the performance of Magnite as a combined company following our acquisition of SpotX and facilitates a consistent comparison against our core business without considering the impact of traffic acquisition costs related to revenue reported on a gross basis.

Adjusted EBITDA:
We define Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization, amortization of acquired intangible assets, impairment charges, interest income or expense, and other cash and non-cash based income or expenses that we do not consider indicative of our core operating performance, including, but not limited to foreign exchange gains and losses, acquisition and related items, non-operational real estate expense (income), net, and provision (benefit) for income taxes. We also track future expenses on an Adjusted EBITDA basis, and describe them as Adjusted EBITDA operating expenses, which includes total operating expenses. Total operating expenses include cost of revenue. We adjust Adjusted EBITDA operating expenses for the same expense items excluded in Adjusted EBITDA. We believe Adjusted EBITDA is useful to investors in evaluating our performance for the following reasons:
Adjusted EBITDA is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.
Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance. Adjusted EBITDA may also be used as a metric for determining payment of cash incentive compensation.
Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:
Stock-based compensation is a non-cash charge and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period.
Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements.
Impairment charges are non-cash charges related to goodwill, intangible assets and/or long-lived assets.
Adjusted EBITDA does not reflect non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets, merger related severance costs, and changes in the fair value of contingent consideration.
Adjusted EBITDA does not reflect cash and non-cash charges and changes in, or cash requirements for, acquisition and related items, such as certain transaction expenses and expenses associated with earn-out amounts.
Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, non-operational real estate expenses or income, or contractual commitments.
Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense.
Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted EBITDA is influenced by fluctuations in our revenue, cost of revenue, and the timing and amounts of the cost of our operations. Adjusted EBITDA should not be considered as an alternative to net income (loss), income (loss) from operations, or any other measure of financial performance calculated and presented in accordance with GAAP.

Non-GAAP Income (Loss) and Non-GAAP Earnings (Loss) per Share:
We define non-GAAP earnings (loss) per share as non-GAAP income (loss) divided by non-GAAP weighted-average shares outstanding. Non-GAAP income (loss) is equal to net income (loss) excluding stock-based compensation, cash and non-cash based acquisition and related expenses, including amortization of acquired intangible assets, merger related severance costs, transaction expenses, non-operational real estate expenses or income, foreign currency gains and losses, and in periods in which the Company generates net income, non-GAAP net income also excludes interest expense associated with Convertible Notes, net of tax, in line with diluted income per share for GAAP purposes. In periods in which we have non-GAAP income, non-GAAP weighted-average shares outstanding used to calculate non-GAAP earnings per share includes the impact of potentially dilutive shares. Potentially dilutive shares consist of stock options, restricted stock awards, restricted stock units, and potential shares issued under the Employee Stock Purchase Plan, each computed using the treasury stock method. In periods in which the Company generates net income, non-GAAP weighted-average shares will also include the impact of shares that would be issuable assuming conversion of all of the Convertible Notes, calculated under the if-converted method. We believe non-GAAP 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-GAAP measure. However, a potential limitation of our use of non-GAAP earnings (loss) per share is that other companies may define non-GAAP earnings (loss) 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-GAAP 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 GAAP measure of net income (loss).

Highlights

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- ➔ Total Revenue ex-TAC[(1)] grew 139% year over year in Q2 2021 to $100.4 million. **79%** growth on a pro forma basis[(2)]
- ➔ Revenue ex-TAC[(1)] attributable to CTV grew 333% year over year to $34.3 million
- ➔ Pro forma[(2)] CTV Revenue ex-TAC[(1)] **grew 108%** year over year - legacy Magnite and SpotX CTV revenue **each grew over 100%**
- ➔ Revenue ex-TAC attributable to OLV and Display each grew over **60%** in Q2 2021 on a pro forma[(2)] basis
- ➔ Adjusted EBITDA[(1)] of $31.8 million with a **32%** margin[(3)] in Q2 2021
- ➔ Operating free cash flow[(4)] of **$23.8** million in Q2 2021
- ➔ CTV and video ad server added with SpringServe acquisition, which closed on July 1
- ➔ Magnite to conduct virtual investor day on Sept 15th

(1) *Adjusted EBITDA and Revenue ex-TAC are Non-GAAP financial measure. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included in this presentation.*
(2) *Pro forma comparisons include SpotX results for Q2 2020 and April 2021*
(3) *Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Revenue ex-TAC.*
(4) *Operating free Cash flow is defined as Adjusted EBITDA Less Capex*

Guidance & Long Term Financial Targets[1]

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- ➔ Q3 Revenue ex-TAC[2] to be between $112-116 million
- ➔ Q3 Revenue ex-TAC[2] attributable to CTV to be between $41-45 million
- ➔ Q3 Revenue ex-TAC[2] attributable to CTV to grow **approximately 50%** year over year on pro forma basis
- ➔ Q3 Adjusted EBITDA[2] operating expenses to be between $77-$79 million
- ➔ **Long-term** revenue ex-TAC[2] growth target target remains **25%+**
- ➔ **Long-term** adjusted EBITDA[2] margin target remains **30-35%**
- ➔ Capex for 2H 2021 expected to be approximately $16 million

(1) *Guidance and targets include SpringServe which closed on July 1, 2021*
(2) *Adjusted EBITDA and Revenue ex-TAC are non-GAAP financial measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included in this presentation. We calculate adjusted EBITDA margin as adjusted EBITDA divided by revenue ex-TAC.*

Magnite Q2 2021 Summary

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Financial Measures ($MM except per share data)	Three Months Ended		
	6/30/2021	6/30/2020	Change Fav / (Unfav)
Revenue	$114.5	$42.3	170%
Revenue ex-TAC	$100.4	$42.1	139%
Net income (loss)	$36.8	($39.1)	194%
Adjusted EBITDA(1)	$31.8	($3.5)	1012%
Adjusted EBITDA margin(2)	32%	(8%)	40 ppt
Adjusted EBITDA operating expenses(3)	$68.6	$45.5	51%
Diluted income (loss) per share	$0.26	($0.36)	172%
Non-GAAP income (loss) per share(1)	$0.11	($0.10)	210%

(1) Adjusted EBITDA and non-GAAP income (loss) per share are non-GAAP financial measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included in this presentation.
(2) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Revenue Ex-TAC.
(3) Adjusted EBITDA operating expenses is calculated as Revenue Ex-TAC less Adjusted EBITDA.

Cash Flow and Balance Sheet Highlights

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Adjusted Cash Flow Highlights ($MM)		
	Q2 2021	Q2 2020
Adjusted EBITDA[1]	$31.8	($3.5)
Less capital expenditures	(8.0)	(3.3)
Operating Cash flow (excluding working capital changes)	$23.8	($6.8)

(1) Adjusted EBITDA is a non-GAAP financial measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included in this presentation.

Balance Sheet Highlights ($MM)		
	June 30, 2021	Mar 31, 2021
Cash & equivalents	$193.0	$468.6
Total cash + liquid assets	$193.0	$468.6
Debt	$ 722.2	$ 388.6

Amortization Schedule

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Remaining Amortization Schedule for Acquired Intangibles by Period ($MM)	Amount
2021	$81.7
2022	140.9
2023	97.1
2024	81.0
2025	63.8
Thereafter	19.4
TOTAL Remaining Amortization of Acquired Intangibles	$483.9

Note: Amounts may not foot due to rounding.

Q2 MGNI Reconciliations of Net Income (Loss) to Adjusted EBITDA

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Reconciliation of Net Income (Loss) to Adjusted EBITDA ($MM)	Q2 2021	Q2 2020
Net income (loss)	$36.8	($39.1)
Add back (deduct):		
Depreciation and amortization, excluding amortization of acquired intangible assets	6.4	6.5
Amortization of acquired intangibles	29.5	8.0
Stock-based compensation expense	9.7	9.9
Merger, acquisition and restructuring costs, excluding stock-based compensation expense	32.0	11.3
Non-operational real estate expense (income), net	0.0	0.0
Interest expense (income), net	5.2	0.0
Foreign currency (gain) loss, net	(0.1)	(0.4)
Other non-operating (income) expense, net	—	0.0
Provision (benefit) for income taxes	(87.7)	(0.3)
Adjusted EBITDA	$31.8	($3.5)

Note: Amounts may not foot due to rounding.

Q2 MGNI Reconciliations of Net Income (Loss) to Non-GAAP Income (Loss)

Magnite

Reconciliation of Net Income (Loss) to Non-GAAP Income (Loss) ($MM, except share figures)	Q2 2021	Q2 2020
Net Income (Loss)	$36.8	($39.1)
Add back (deduct):		
Merger, acquisition and restructuring costs, including amortization of acquired intangibles and excluding stock-based compensation expense	61.5	19.3
Stock-based compensation expense	9.7	9.9
Non-operational real estate expense (income), net	0.0	0.0
Foreign currency (gain) loss, net	(0.1)	(0.4)
Other non-operating (income) expense, net	—	0.0
Interest expense, Convertible Notes, net of tax	0.2	
Tax effect of non-GAAP adjustments	(91.8)	(0.1)
Non-GAAP income (loss)	$16.3	($10.4)
Non-GAAP income (loss) per share	$0.11	($0.10)
Non-GAAP weighted-average shares outstanding (MM)	143.0	108.5

Revenue Split by Channel & Revenue by Geography

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Revenue Ex-TAC Split by Channel	Q2 2021				Q2 2020			
Financial Measure: ($MM)	CTV	Mobile	Desktop	Total	CTV	Mobile	Desktop	Total
Revenue Ex-TAC	$34.3	$38.8	$27.4	$100.4	$7.9	$19.2	$15.0	$42.1
Percent of Revenue	34%	39%	27%		19%	45%	36%	

Revenue Split by Geography	Q2 2021			Q2 2020		
Financial Measure: ($MM)	U.S.	Int'l	Total	U.S.	Int'l	Total
GAAP Revenue	$90.6	$23.9	$114.5	$30.6	$11.8	$42.3
Percent of Revenue	79%	21%		72%	28%	

Note: Amounts may not foot due to rounding.

RECONCILIATION OF REVENUE TO REVENUE EX-TAC *(PRELIMINARY AND UNAUDITED)*

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Reconciliation of Revenue to Revenue Ex-TAC ($MM, except share figures)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Revenue	$114.5	$42.3
Less: Cost of Revenue	50.5	21.5
Gross Profit	64.0	20.8
Add back: Cost of revenue, excluding TAC	36.4	21.2
Revenue Ex-TAC	$100.4	$42.1

Note: Amounts may not foot due to rounding.