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PRESENTATION

Operator

Good day, and welcome to Magnite Q2 2025 earnings conference call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Nick Kormeluk in Investor Relations. Please go ahead.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's second quarter 2025 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 first quarter 2025 quarterly report on Form 10-Q and our 2024 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 contribution ex-TAC, or less traffic acquisition costs, adjusted EBITDA and non-GAAP net 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 additional metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be onetime 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. Please go ahead, Michael. Please go ahead, Michael.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Thank you, Nick. Q2 came in strong, and we exceeded total top-line guidance with CTV contribution ex-TAC growing 14%, or 15% excluding political, and DV+ growing 8%. Adjusted EBITDA also came in significantly above expectations at $54 million, growing 22% with a margin of 34% versus 30% in Q2 last year.

Our CTV business continued to produce strong results driven by new and expanding partnerships, positive SMB trends, growth in agency marketplaces, and programmatic growth in live sports. Let's go one by one, starting with the industry's largest streamers, where we continue to deepen our relationships.

Our most significant growth came from Roku, Netflix, LG, Warner Bros Discovery, and Paramount this quarter. Warner Bros Discovery announced their NOVA platform during the upfronts in Q2. This is a new programmatic ad platform that allows CTV buyers direct access to WBD's entire premium video inventory through one simplified and intuitive user interface. The programmatic component is powered by Magnite.

One of the most compelling future sources of CTV growth will be mid-sized direct-to-consumer brands, and we see that trend gaining momentum now. This segment of the market has been unlocked by a number of critical factors. The technology to run programmatically has matured and been implemented by the largest publishers, inventory is scaled, and CPMs have normalized to drive higher return on ad spend.

Additionally, AI has dramatically reduced ad creative production costs and targeting ease, all making CTV become a desired and high-performing channel, delivering strong results for digital-first advertisers. We're very pleased to see an SMB-focused DSP partner, MNTN, go public this quarter, which further shows that the entry of SMBs into CTV is very real.

We see the SMB segment exploding over the next three to five years through newer specialized DSPs like TVScientific, Vibe, Streamer, and more, and they'll all need access to premium CTV supply through an integrated ad server and SSP. That's exactly where Magnite is positioned to lead with its SpringServe product.

We continue to deepen our partnerships with the largest agency holdcos, as we recently announced another buyer marketplace with Dentsu in EMEA. This continues to show our unique strength with agencies who can leverage our end-to-end technology to create curated packages of CTV inventory to drive greater returns for their clients.

Next, I'll talk about live sports. You've heard me say that we are in the early days, and that remains true. However, each year we cycle a sports season, programmatic grows as an effective go-to-market tool to sell more inventory. I would position this as a growth opportunity that has great promise, with most of the leading players choosing Magnite due to our unparalleled tech and continued commitment to invest in this area.

Our newly announced deal with FanDuel Sports Network, who produces over 3,000 live sporting events year-round in local markets, is yet another example of a partner who chose Magnite and is already operating at scale.

On the CTV technology front, we moved to general availability for our combined CTV platform with streaming and ad serving, now branded as SpringServe. As a reminder, this is a unique combination of our ad server and streaming platform that truly gives us a competitive advantage, while improving our internal operating efficiency.

Now to DV+. DV+ contribution ex-TAC was up 8% this quarter, driven mostly by new product functionality and also by early contributions from recently announced partners. Additional publisher launches that are expected to start or ramp this year include Spotify, T-Mobile, and Redfin. We're also seeing share gains in DV+ from some of the largest DSPs.

We have also seen significant success in the commerce media space. Our expanded partner list now includes Western Union, PayPal, and Connected Media by United Airlines, as well as recently announced REMAX. We will be monetizing REMAX's on-site digital inventory and activating their home buyer via our curation tools, look for commerce media to be a continued growth area for Magnite.

On the DSP side, Magnite continues to benefit from supply path optimization. DSPs are rapidly consolidating their spend to a handful of platforms, platforms that can provide access to all types of programmatic media in a safe and transparent environment. Magnite is uniquely positioned to capitalize on this spend consolidation.

A great example of this is our growing partnership with Amazon, both as a DSP and a publisher. We've mentioned before that Magnite is one of only three platforms approved for Amazon DSP spend, which has resulted in significant growth. As a publisher, we are thrilled they chose us to help monetize their own inventory on their Fire platform. We believe this is a strong indication of how important Magnite is to generating demand in the CTV ecosystem.

We're pleased to report continued growth in our curated product. Our curated marketplace enables global holding companies, data providers, and specialized curators, whether they focus on contextual targeting, optimization, or advanced creative execution, to operate and scale their businesses seamlessly on our platform across all inventory types and screens.

Since the start of Q2, we've onboarded almost 50 curators, with the vast majority transacting across multiple formats, including CTV, display, and online video. This momentum underscores the market demand for sophisticated curation tools that live on the supply side.

Shifting to an update on AI, we continue to develop and embed AI capabilities as a core product focus. I'll provide an update on some of the capabilities we highlighted on our previous call, as well as some new offerings.

First, we expanded our neural net and machine learning systems to shape the outbound connections to our CTV buyers. Our industry-leading traffic shaping sends the most relevant available supply to bandwidth-constrained DSPs, allowing them to more efficiently discover inventory and increase their spend on our platform.

Second, our AI-powered audience discovery feature within our curated marketplace tool is expanding to incorporate third-party data in addition to our proprietary segments, making it even easier for users to identify high-value audiences aligned with their campaign objectives.

And third, we're in the process of launching an LLM that uses AI to automatically categorize CTV inventory into contextual segments, making it more addressable and driving increased campaign reach and monetization compared to current manual categorization methods.

We're very excited with the progress we've made in incorporating AI into our technology, and we'll continue to roll out AI agents and automated optimization as core components of our product roadmap. The last topic I want to briefly cover is the antitrust ruling against Google in the DOJ case, which we believe will likely change the entire landscape of the open internet and drive significant upside for our DV+ business.

As a reminder, the court found that Google had engaged in illegal monopolistic practices with respect to its ad server and ad exchange, also known as an SSP. It's clear that for years, Google has been engaging in illegal practices that resulted in an unfair auction within its ad server, which disproportionately drove volume through its SSP at the expense of rival SSPs like Magnite.

The court also found that Google had illegally leveraged their control of advertising demand to artificially prop up their own ad exchange and prevent publishers from freely choosing what SSPs or ad server to work with.

We are highly encouraged by the court's ruling and believe that it will drive beneficial changes to the open internet and result in a more fair and transparent process that yields greater returns for publishers and advertisers. We remain focused on preparing our business for potential outcomes of the remedy phase, which is set to commence on September 2025.

In their initial filings, the DOJ is seeking both structural and behavioral remedies. On the structural side, they are seeking a divestiture of both Google's SSP and ad server. On the behavioral side, they have proposed a series of remedies to address Google's unfair auction practices, as well as prohibitions on preferential routing of advertising demand or tying demand access to publishers' use of Google supply-side products.

While the specific timing and nature of the remedies remain uncertain, and Google has already indicated an intent to appeal the decision, we believe any remedy that results in a more level playing field will be highly beneficial for our business and significantly improve our opportunity to monetize publishers' inventory and correspondingly increase our win rate. It's very possible that market share could begin to shift away from Google as soon as early 2026, as there have been indications that behavioral remedies will be implemented even during an appeals process.

We estimate Google's exchange currently controls close to 60% share in the DV+ market. As the second-largest player in the space, we share only in the mid-single digits, and given our leading technology and deep publisher relationships, we believe that we are exceptionally well positioned to capture any shift in market share that occurs as a result of Google ceasing its illegal practices without any meaningful changes to our existing cost structure.

Based on our estimates of the market, we expect that every 1% share shift in the market could result in $50 million of additional contribution ex-TAC on an annualized basis. One last thing to note, while the court's findings are focused on equitable remedies going forward, any civil damages that we could potentially realize would require us to file a separate action, which we believe has significant merit.

Before turning the call over to David, I want to point out that even with some lingering tariff pressures, we're expecting to see second-half 2025 growth rates accelerate, especially when looking at CTVx Political. We also intend to continue to invest in our live TV, ClearLine, and curation offerings, as we believe these represent a very attractive growth area where we can increase our market share. With that, I'll turn the call over to David for more details on the financials.

David Day - *Magnite Inc - Chief Financial Officer*

Thanks, Michael. As Michael mentioned, we had strong revenue growth in Q2, as macro downsides were not as pronounced as initially feared. We saw stronger-than-market growth in DV+ due to several product enhancements and momentum from a number of recent deals we signed.

Adjusted EBITDA was also significantly above guidance, growing 22% over the second quarter of last year, with a margin of 34% compared to 30% last year. We're very pleased with these results and in particular the continued strong growth in DV+.

While some tariff-related pressures persist, the overall ad spend environment appears less volatile. Given our current view, and assuming that this level of stability continues, we are reinstating our expectations for full-year results, which I will cover in more detail later in my remarks.

Total revenue for Q2 was $173 million, up 6% from Q2 of 2024. Contribution ex-TAC was $162 million, up 10%, exceeding the high end of our guidance range. CTV contribution ex-TAC was $72 million, up 14% year over year, or 15% excluding political, and at the top end of our guidance range.

DV+ contribution ex-TAC was $90 million, an increase of 8% from the second quarter last year and above the top end of our guidance range. Our contribution ex-TAC mix for Q2 was 44% CTV, 39% mobile, and 17% desktop. From a vertical perspective, technology, health and fitness, and financial were the strongest performing categories, while auto was the weakest.

Total operating expenses, which includes cost of revenue, were $151 million, a decrease from $153 million for the same period last year. Adjusted EBITDA operating expenses for the second quarter were $108 million, better than we expected, and an increase from $102 million in the same period last year.

The majority of the favorability in our guidance was driven by lower cloud computing costs and other employee-related expenses. As we've discussed, our technology team continues to make strong progress in reducing per-unit cloud costs, allowing us to manage significant increases in ad request volumes with only modest cost increases.

Improving scale and operational efficiency remains one of our top priorities for 2025, and I'm very pleased with the progress our tech team is delivering. The majority of our 2025 capital expenditures will be used to support our hybrid infrastructure strategy as we shift additional functions from the cloud to on-premises. We expect these initiatives to drive meaningful margin expansion in 2026 and beyond, and we're seeing some early benefits now.

Our net income was $11 million for the quarter compared to a net loss of $1 million for the second quarter of 2024. As highlighted in my intro, adjusted EBITDA grew 22% year over year to $54 million, reflecting a margin of 34%, which compares to $45 million and a margin of 30% last year. This was a result of both higher revenue and disciplined investment and cost management efforts. As a reminder, we calculate adjusted EBITDA margin as a percentage of contribution ex-TAC.

GAAP earnings per diluted share was $0.08 for the second quarter of 2025 compared to a loss of $0.01 for the second quarter of 2024. Non-GAAP earnings per share for the second quarter of 2025 was $0.20 compared to $0.14 last year. Reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q2 results press release.

Our cash balance at the end of Q2 was $426 million, a slight decrease from $430 million at the end of the first quarter. The decrease was due primarily to small timing differences in working capital flows. Operating cash flow, which we define as adjusted less CapEx, was $34 million. Capital expenditures, including both purchases of property and equipment and capitalized internally used software development costs, were $20 million.

The interest expense for the quarter was $5 million. Net leverage was 0.6x at the end of Q2, no change from the end of the first quarter. As a reminder, the $205 million principal amount of our convertible notes is now classified as a current liability on the balance sheet, as the notes mature in March of 2026. We intend to pay off the converts with cash at maturity and have ample liquidity to do so.

During the quarter, we repurchased or withheld over 800,000 shares for approximately $11 million. As of today, we have $88 million remaining in our authorized share repurchase program, which we will continue to deploy opportunistically.

I'll now share our thoughts about the third quarter and outlook for the full year. While the macro appears to stabilize somewhat, we remain cautious with our Q3 and full-year expectations. Given the concentration of political spend in the third and fourth quarters last year, we will also provide our guidance both with and without political contribution ex-TAC to show underlying business performance.

For the third quarter, we expect contribution ex-TAC to be in the range of $161 million to $165 million, which is 9% growth at the midpoint, and 13% when excluding political. Contribution ex-TAC attributable to CTV to be in the range of $71 million to $73 million, which is nearly 12% growth at the midpoint, but over 18% growth when excluding political.

Contribution ex-TAC attributable to DV+ to be in the range of $90 million to $92 million, which is 7% growth at the midpoint and 10% when excluding political. And we anticipate adjusted EBITDA operating expenses to be between $109 million and $111 million.

For the full year, we anticipate total contribution ex-TAC growth above 10%, or mid-teens excluding political, adjusted EBITDA to grow in the mid-teens. And we're increasing our adjusted EBITDA margin expansion guidance to at least 150 basis points from 100 basis points previously, and free cash flow to grow high teens to 20%. In addition, we expect total CapEx to be approximately $60 million for the year, although we continue to opportunistically evaluate an acceleration of incremental CapEx investment as we transition to on-prem.

We're pleased with our second quarter results, with our continued execution on strategic initiatives, and we're confident in our ability to successfully navigate through the current environment. I'm also pleased with the progress our team continues to make in our tech stack cost efficiency efforts, which will help expand margins and support investments in growth areas. With that, let's open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

Shyam Patil, Susquehanna.

Shyam Patil - *Susquehanna Financial Group LLLP - Analyst*

Congrats on the great quarter and outlook. I had a couple of questions. First one, you guys have had a lot of exciting new partnerships and customer wins over the past few quarters. And it really seems like your positioning in the market is being validated pretty strongly, if not inflecting upward. Maybe, Michael, can you talk about this and just the broader momentum you're seeing?

And then my second question, Michael, I know you talked about Google in the prepared remarks. Just maybe what's your thinking in terms of kind of base case on what happens and kind of the benefit to Magnite? And then you talked about civil damages. I'm just kind of curious what that could look like as well.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. Good questions. So yeah, we have posted up a number of exciting wins and really thrilled with the traction in the marketplace. I think if you broadly look at them, particularly the ones on the CTV side, but not just related to CTV, you're seeing a trend where folks are utilizing pieces of our product stack to help build their programmatic business on. And this kind of modular approach that we can approach the marketplace is quite unique, and it's not just a one-size-fits-all approach.

And so I think what we're finding is success in that approach, success in the investments that we made in our product, the acquisitions that we've made. And we find ourselves in relatively rarefied air where the competitive set is quite lean at that point. And I would expect to see more continued success in that area.

As it relates to Google, it's kind of difficult to crystal ball it just given the fact that the remedies are out there, but haven't been ruled by the judge. And so, I would imagine at that juncture when the remedies are put forth, we'll probably have a stronger opinion as to what it might look like. And as it relates to any possible litigation in the civil action, I just -- we'll stick with the verbiage that we use in the script, and that is we're looking at it, and we think there's a lot of merit there.

Shyam Patil - *Susquehanna Financial Group LLLP - Analyst*

Great. Thank you guys.

Operator

Shweta Khajuria, Wolfe Research.

Unidentified Participant

This is Ken on for Shweta. Just one for me, what is driving the reiteration of the prior guide given the raise in Q3? Thank you.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I'll take that. Yeah. I think it's interesting. After our last earnings call, as we went through May and June, I think the overall ad spend market was sort of moderate, soft to moderate, but it was much more at least stable than what we had feared. So I think we kind of had bigger fears throughout that quarter.

And there's -- even though the ad spend market isn't robust at this point of time, it's become much more stable. And so that's given us comfort to reiterate or to put back into place our perspective for the full year.

We're also super excited about, of course, the growth in CTV. You can see some of the acceleration, and we gave some numbers to back out political. So you can see the kind of organic growth and acceleration in that business. But we're particularly happy with the DV+ business.

We were initially more concerned that that business could be more volatile and with potentially more downside. But the team has really done a fantastic job. We've got some new product releases. We're getting some more momentum on some of our recent deals. And so there's actually more strength, I think, in that DV+ than we even anticipated.

And so a combination of all those factors helped us to feel comfortable that we could kind of get something out there for the full year. Again, assuming that this current environment kind of continues the way that it's going right now.

Unidentified Participant

Thank you very much. That's my only question. Thanks.

Operator

Dan Kurnos, The Benchmark Company.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

All right, thanks. Good afternoon. Obviously, a great quarter again, guys. So Michael, I mean, I guess I'll start it off and just say, yeah, Google is getting sued. They're also trying to stuff the home TV+ industry into an AI mode box. So we can debate whether or not they should be allowed to put their crawler and their AI on one consolidated platform. But how do you guys think about the development of agentic in the marketplace and your ability to continue to monetize DV+ if that becomes an increasing source of traffic and usage from consumers?

And then you spent a good amount of time talking live sports, Michael, and I appreciate that. And I guess, we've got ESPN DTC, we've got Fox DTC, and Peacock has had an absolute killer upfront. And so how should we think about the contribution this year from live sports almost all being done programmatically now like -- or at least the newer offerings. So just help us think through potential even as early as this year from that platform? Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, thanks for the questions, Dan. Yeah, so AI is definitely the agentic chat tools that the consumers are using, businesses are using. There's no question that search referral traffic has gone down for our clients that are primarily browser-based websites.

It's important to note, and David gave the mix before in his part of the script, our business is pretty well diversified. We have a lot of mobile app business. Obviously CTV isn't impacted by this directly. And if you know the types of publishers we have, quite a lot of top brand globally, known brands, media companies where they truly are destination sites and weren't as reliant upon search referrals. And so there's a bit of protection there for them in terms of their future prospects for the business.

And lastly, we do work with a broad, broad swath of top publishers produces an awful lot of ad inventory. We'll process 1.5 trillion-plus ad requests today. I'd love to say we sell every one of those requests, but obviously we don't. And therefore, even if there was some deterioration in terms of traffic which led to less ads going to auction, it probably just kind of increases our win rate as a percentage of traffic that we bring. Also probably lowers our processing costs.

We haven't seen budgets shift. We haven't seen buyers shy away from open web. And so I think we feel pretty good about where we stand today. And lastly, it's pure conjecture. But I don't think every one of these popular chat agents are going to be able to stand up an ad business the size of Google's.

Every one of them hiring 5,000 to 7,000 salespeople, the technology involved in it. They'll obviously have to have an ad play. And I fully anticipate that we'll be able to play in that game as -- them as publishers and us as sources of demand. So it could be new found publishers for us.

And as for Live Sport, yes, it is early and look at it's super encouraging that the sports rates are being won by streamers. Consumers have cut cord, and they voted that streaming is the way to go. The FanDuel isn't insignificant, as you know. They are a huge regional sports network in baseball. And we are participating in that as we speak.

And so I think that -- we'll be able to dimensionalize the numbers in the not-too-distant future, but it's still pretty early days in terms of contribution.

Operator

Jason Kreyer, Craig-Hallum.

Jason Kreyer - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Great, thank you guys. So a question on the DV+ side. You've seen some really interesting engagements with platform companies earlier this year, Pinterest last quarter, companies that have historically filled ad slots internally. So just curious like what is happening on that front? And why is Magnite finally getting a seat at the table where you haven't before? And if you think this trend continues to other platforms?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, great question, Jason. I mean from our observation, I think one of the things that folks have come to realize that own platforms like that, that maybe we're trying to run kind of a walled garden approach and that only demand source by their direct teams or any self-serve tools that they would have, which the only demand that could come.

And I think there's just sort of two kind of revelations. Number one, you're severely under monetizing your inventory if you're not plugging in third-party demand, and I think some folks have learned it the hard way. And the second is there's less and less of a desire among the advertising community to kind of do these direct kind of historically high COGS way of interacting with sales folks.

And so I think programmatic is definitely desired by agencies, desired by marketers. And they have gotten very comfortable working with a handful of partners. Thankfully, Magnite is one of them. So when folks do go to open up and they talk to their agency partners and their marketers they tell them, well, most of our business runs on Magnite. And so it kind of puts us in a pole position to be their inaugural partner as they open up. And yes, we're thrilled with the announcements you've made and it would completely expect more announcements to come.

Jason Kreyer - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Appreciate that. And then just a quick follow-up. So Netflix has fully rolled out the Netflix ad suite. Just curious, as you're integrated in that, how that process has gone for Magnite? And if there's been any incremental visibility into what your role looks like?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. It continues to be an incredible partnership. We're thrilled to be a part of their story, emphasizing the fact that it is their story. So we just reiterate the things that Dave talked about and you're right about the rollout and our presentation in that rollout. And we maintain what we said all along that they're a very important revenue client for us. And as we exit the year, we feel comfortable in saying that they could be one of our biggest clients on a run rate basis.

Jason Kreyer - *Craig-Hallum Holdings LLC - Senior Research Analyst*

I appreciate that. Thanks, Michael.

Operator

Barton Crockett, Rosenblatt.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay, great. Thanks for taking the question. I wanted to probe a little bit more some of the antitrust commentary, which obviously holds out a transformational kind of opportunity for you guys which makes the commentary about 2026 kind of interesting. The idea that behavioral remedies could be implemented while an appeal is outstanding.

What is your basis for suggesting that? Is that some commentary from the judge or some interpretation of legal precedent. What is your basis for thinking that, that could in fact happen, and we could, in fact, begin to see this next year?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Barton is luck we have it. I have our General Counsel in the room, and Aaron is going to answer that for you.

Aaron Saltz - *Magnite Inc - Chief Legal Officer*

Yeah. I would say that in a case like this, where the court is found that there's a legal practices that need to be rectified, if there were remedies put in place now, pending an appeal there's no reason why a court wouldn't want those revenues to take place as soon as possible to remedy the illegal conduct, notwithstanding the appeal. But that being said, there's obviously a lot of unknowns here as well.

So we're, like everyone else, anxiously awaiting the decision. But I think that based on guidance we've received, there's a very realistic possibility that the behavioral remedies would be in place during the state of an appeal.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. So you've received some guidance that supports us. Okay. And then in terms of just on the legal front since we have the attorney here. The idea of looking at the merit of civil litigation for the damages that you guys have suffered, what would be kind of the ideal timing to think about that, knowing that Gannett's already filed knowing that there could be a statute of limitations and yet there's some benefit to having violations found by the DOJ.

So what would be your sense of what would be kind of the sweet spot in terms of timing if one were to pursue something like this?

Aaron Saltz - *Magnite Inc - Chief Legal Officer*

Yes. I think just as Michael said, at this time, we can't really comment any further on timing or specific intentions other than we're obviously considering all our options, and we do think there's a lot of merit. And as you've mentioned, there have been other participants that have already filed suit. So we're clearly aware of that and honoring it.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. All right. And then if I could switch a little bit to kind of a related issue. So DV+ has been trending positively while the network business, the Google reports has been negative. Do you think those two things are related? And are we already beginning to see some of the benefit to DV+ from the market digesting the issues at Google?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. Interesting question, Barton. I don't believe so. I think they're not correlated. This has come from a lot of -- as you know, relatively new to the story, but DV+ has been a journey for us, and I just couldn't be more proud of the team behind it.

And it is a whack-a-mole business. It is 1,000 things on your checklist and then even the next checklist and it's 1,00. And so little things that matter. And I think our team is just operating at such a high level and the Magnite story resonates in the marketplace. So I really do think that if there's share shift, it isn't coming from Google, it's coming from our competitors.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. All right. That's great. That's good for me. Thank you very much.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Thank you.

Operator

Laura Martin, Needham.

Laura Martin - *Needham & Company LLC - Analyst*

Good morning. Congratulations on your numbers. I'd like to start with the Amazon comments. I was really intrigued by your Amazon comments because back to your point, you both can sell their inventory and you can use their DSP interacts with you. Do you think over time Amazon could be a bigger client than Netflix for you from a revenue point of view?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Laura, it's Michael. Great observation. Hard to speculate. I would think that that would be pretty far fast to think that anytime soon that they would open up their owned and operated so that it would equal the Netflix opportunity. But we are elated to be a partner there on both sides of the marketplace, and it's certainly a meaningful relationship.

Laura Martin - *Needham & Company LLC - Analyst*

That's all. And then on MNTN, I agree with you. I'm very excited about the opportunity for small and medium businesses coming to Connected Television. I thought it was interesting that you brought it up because I thought of MNTN went direct and got direct ad units from Paramount and Peacock. And it sounds like from your comments that they are actually their DSP that they're actually buying ad inventory from you. So can you just confirm that?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. And I can't speak for the entirety of their business. But for years now, they've been a classic DSP running through Magnite to get access to CTV supply. And you have to keep in mind, Laura, that you still own me $5 in that bet when I bet that small to medium-size businesses will make up a big part of CTV and you said they wouldn't.

Laura Martin - *Needham & Company LLC - Analyst*

And I'm happy that you're right and that I'm wrong. Thank you.

Operator

Matt Swanson, RBC Capital Markets.

Matthew Swanson - *RBC Capital Markets Inc - Analyst*

Great, thank you. David, maybe we could start on the outperformance that we've seen in the margins, especially on the side you're talking about kind of getting your public cloud and your on-prem data structure in order.

What about the margin improvement do you think is sustainable in terms of maybe like spending kind of like a new base rate? And is there anything about the outperformance this quarter, year-to-date, that is more onetime in nature?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah. There's a couple of variables at play here. For the quarter's performance, there was a component of that beat that I think is sustainable going forward. Part of that was related to some personal cost, which were more of a timing basis. And so those will come back in Q3, and so we factored that into our guidance.

And then the other variable is we are adding some modest investment on our engineering and sales teams in the latter half of the year to really focus on some of our high opportunity areas in ClearLine, Curator, Live Sports and so forth. And so we'll still have some margin -- some of the of the gross margin benefits will be offset by some of those other investments and changes.

But overall, we're still early in this process. It's first or second inning, I think, in our opportunity on the tech stack costs. And so there's a lot of work and analysis going on right now, looking at potentially accelerating some CapEx investment and other things. And we'll -- we're working through that and have a much better visibility as we get further towards the end of this year.

Matthew Swanson - *RBC Capital Markets Inc - Analyst*

That's really helpful. And then, Michael, maybe a high-level CTV question. I kind of think back to 2021-ish time line when SpotX came in. And it feels like so much of the way the market's developed is kind of the way that you or we all had hoped for with everyone being ad supported now. You guys now partnered with, I think, it's 29 of the top 30 publishers, seeing SMB spend come in Live Sports switching over.

Like what do you think are the major limiting factors or I guess, chokepoints in demand coming faster to CTV at this point?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. Great question, Matt. I think the one I put my finger on is there's still linear around. I mean core cutting continues to accelerate. So the largest players in the streaming market are also the largest broadcasters and therefore, there's this balancing act of trying to feed to mouths.

And so it just isn't as purest wish coming over. Go-to-market practices, we kind of prohibit sometimes just buying streaming you have to buy the programming across both platforms.

And I also think some of it the industry don't fall in streaming. Measurement, it remains to be a big challenge, right? You're going through upheaval right now with Nielsen's Panel, and being able to tie the traditional measurement from linear to streaming is a challenge.

Attribution is something that everyone is working on, but there has to be common standards. So some of it is the poor brand manager that for years has spent money on broadcast, now spending in linear in asking the right questions like, well, how impactful is it? Is it better? Is it worse? Is it the same? And as an industry, we've got to work -- we've got to work harder at making that answer easy for folks to spend.

Operator

Robert Coolbrith, Evercore ISI.

Robert Coolbrith - *Evercore Inc - Equity Analyst*

All right, thanks for taking our questions. Two, please. I want to go back to Sean's question on the partner roster and the strength there. Maybe adjacent to that, if you had to take a weighted average right now across the partner set in terms of where they are on programmatic penetration, in terms of percentage hitting however you want to put it. Maybe if you could talk a little bit more about that and what you think can unlock or accelerate more engagement from those partners with programmatic?

And then a second one in relation to the Google ad tech outcomes, assuming we do get your meaningful remedies, equitable revenue that you put it. Are there any other product opportunities, market segments or regional opportunities that you might choose to lean into in a scenario like that? Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. Thanks, Robert. Yeah. On the first one, if you go back two years ago, was definitely the belief in the marketplace that upfronts were kind of the enemy of programmatic that marketers are committing upfront dollars and that necessarily means it's direct sold by the publisher, and therefore, it's out of the hands of programmatic. And if you fast forward, you go to any agency -- any media companies upfront presentation being lead with programmatic capabilities.

So it's definitely getting there. Buyers want it; sellers want it as well. It's just that there's broadcast TV has been sold for well over 70 years. And it's -- there's a way of doing it the industry set up to do that.

And there's obviously some hesitancy to lean 100% in hesitancy to play with biddable because upfront is upfront. Biddable might be better. It may not be better. But little by little, the guys are doing it. And you see guys like Hulu that have been at it for longer than anyone and how advanced that they become and new entrants that come into the industry, whether it's Amazon or Netflix that are just more technology-focused and programmatic first focus.

So I think you're seeing an acceleration. And we really do believe in the future where it can be bought and sold programmatically in an extreme environment, it will be. And it will be biddable. And it will be performing for the advertiser, and it will be the best ROI for the publisher. And I think we're, every quarter marching closer to that world.

As it relates to Google, the question was are there other opportunities that would be opened up? And I think that it's possible, but I really do believe that if all we do is stick to our knitting and there's a share shift of what we do today from their 60% in our high single digits that will keep us fine for a number of quarters before we had to look at edge cases where we could pick up additional revenue.

Operator

(inaudible), Craig.

Unidentified Participant

Yeah, hi, good afternoon. Thanks for taking my questions. I was just curious about some of the AI capabilities you're developing on your own platform. Can you just speak to specifically the LLM you were talking about kind of the use states you could drive on that whether it be efficiency or incremental revenue?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah. So in that particular instance, what we cited was the ability to crawl through content -- video content primarily on the CTV platform. And it really is amazing, and it really does hold back spend, how difficult it is to find consistent labeling of video, even especially in libraries. And so part of the challenge has been, if I want to be in a certain environment in a video show, hobbling that together through mechanical ways of like looking at taxonomies, the taxonomies are different between different media companies.

So if you can build this agent that can spider all the content and pick up the signals that you're looking for and you can craft and create your own segments on the fly in real time it saves a ton of time for discovery.

And obviously, you're now getting a bigger targetable audience which will lead to more revenue spent on the platform. So super excited about that particular use of the LLM, but there'll be many, many more that we'll be able to tack on to that.

Unidentified Participant

Great. Thanks for taking my questions and best of luck for the rest of the quarter.

Operator

Niel Nober, Lake Street Capital Markets.

Niel Nober - *Lake Street Capital Markets - Analyst*

Hey guys, thanks for taking my question and congrats. In regards to M&A, are there any areas of the technology platform that are of particular interest?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, great question. I think our stance on M&A hasn't really changed much in the last 1.5 years, and that is we really truly believe we have all the assets that we need that our success can come organically. That said, like any technology company, we have a road map that is far greater than what we can actually execute on in any given quarter.

So if we were able to come across an opportunity where we could advance that road map, through acquisition, it's something we would definitely entertain. But to size that, I think aqua hire not swing for the fence huge purchase. Again, we went through that phase, very happy we went through that phase, but very happy we were not in that phase any longer. So I think that's what you should expect from us from an M&A standpoint.

Niel Nober - *Lake Street Capital Markets - Analyst*

Awesome, thank you. That's it for me and congrats again.

Operator

This concludes our question and answer session. I would now like to turn the conference back over to Michael for any closing remarks.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Thank you, operator, and thank you all for joining us and your support. We feel very good about accelerating growth trends in the back half of the year, aided this year and next by the numerous new and expanding partnerships. We're also excited about our DV+ opportunity as we look forward to the judge's ruling on remedies in the Google trial. I'll turn it back over to Nick to cover our upcoming marketing events. Nick?

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thanks, Michael. We look forward to seeing many of you at our upcoming events coming up. Evercore virtual NDRs tomorrow. E-Bank's conference in Park Cities is on August 11 and 12. Cannonball's virtual TMT conference on the 13th, Rosenblatt's virtual Technology Summit on the 18th, The B. Riley meetings in LA and San Diego on the 19th and 20th, Wells Fargo meetings in Baltimore and Philadelphia on the 26th and 27th, BFA in New York on September 3rd, Benchmark and Citi on September 4th, B. Riley's conference in New York on September 10th, Wolfe Conference in San Francisco on September 10th.

Yes, we will be in both cities at both times with different teams. Lake Street conference in New York on September 11th. Craig-Hallum meetings in Milwaukee and Chicago on September 17th at 18th. Stephens meetings in Houston on September 22nd. Rosenblatt meetings in Dallas and Atlanta on September 23rd and 24th, and Redburn meetings in Denver on the 30th. Thank you and have a great evening.

Operator

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