Good day, and welcome to Magnite's Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Nick Kormeluk, Senior Vice President, Investor Relations. Please go ahead.

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's Fourth Quarter 2021 Earnings Conference Call.

As a reminder, the comparisons you will see in the 10-K as reported include the financial results of SpotX and SpringServe's Q4 2021, but for the periods part of the date of acquisition, the results do not include SpotX or SpringServe, which were acquired on April 30, 2021, and July 1, 2021, respectively. During the course of this call, when we refer to the results and associated year-over-year comparisons with the phrase as reported, we are referring to the basis as reported in our 10-K. When we make comments referring to pro forma comparisons, we are including Telaria, SpotX and SpringServe for the relevant preacquisition period in order to provide a like-for-like comparison. Please keep in mind as it relates to the SpotX and SpringServe acquisitions, prior quarterly results are estimated and unaudited.

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 to our Investor Relations website to accompany today's presentation.

Before we get started, I'll 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 impact of COVID-19 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 2021 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 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 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 and access our press release, financial highlights deck, periodic SEC reports and webcast replay of today’s call to learn more about Magnite.

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

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

Thank you, Nick. 2021 was a transformational year for Magnite. We are now the largest and leading independent sell-side platform across all programmatic channels and specifically in CTV. Through organic growth of over 50% in CTV and 2 very strategic acquisitions, SpotX and SpringServe, we vaulted Magnite to become the clear leader in CTV among independent SSPs. We posted a strong Q4 and have started this year with similar growth rates in CTV and improved growth rates in DV+, and we are optimistic about 2022. In addition, we believe that our quarterly year-over-year growth rates will improve as the year progresses. And as we stated previously, we continue to expect full year 2022 revenue ex-TAC to come in well over $500 million, and we continue to maintain our adjusted EBITDA margin target of 35% to 40%.

Let me cover some quick 2021 full year stats that highlight the scope of our transformation. Total revenue ex-TAC, as reported, came in at $416 million versus $220 million in the prior year. For full year 2021, revenue ex-TAC from CTV as reported, was $143 million versus $34 million in 2022 -- I'm sorry, in 2020. On a pro forma basis, CTV grew 52% and accounted for close to 40% of our total revenue ex-TAC, and DV+ grew 20% on a pro forma basis year-over-year, demonstrating strong growth.

Now I'll dive deeper into the state of our CTV business. Ad-supported CTV is in its early days, and like any developing market, revenue growth measured on a quarterly basis can be choppy. Why is that? In addition to being an early-stage fast-developing market, it helps to understand Magnite's major buckets of CT revenue by product. The majority of our CT revenue is generated by 3 buckets. All 3 have different take rates, and ad spend growth expectations, and often spend can shift intra-quarter between these buckets depending on seller and buyer desires.

The first bucket consists of ad serving fees and publisher sold deals that run through our platform. Ad serving and publisher sold deals represent the largest portion of ad spends, but also carry the lowest take rate for Magnite. This product represented over 40% of our CTV revenue ex-TAC. As we've discussed on many occasions, the largest CTV publishers have established direct sales teams and predominantly transact with trusted buyers through reserve options where they can exert tight control over their inventory. Ad serving software may carry a low CPM-based fee, however, is essential software for publisher and allows us to establish a stickier relationship, which we believe leads to additional ad spend through our SSP. This bucket is highly differentiated and has very strong potential for growth.

Our second bucket of revenue consists of deals sold through the Magnite CTV marketplace. Today, these Magnite led deals comprised over 40% of revenue. We believe this bucket also has very strong potential of growth, because, first, publisher sales teams are largely focused on the top 200 linear TV advertisers. CTV will significantly expand the universe of TV buyers to thousands of advertisers, who never advertised on linear. Publishers will rely on Magnite to access this new pool of advertisers. Second, CTV first ad-supported streaming services are continuing to gain traction. These services do not have a history of legacy sales teams and rely on Magnite as a primary source of demand; and third, live stream programming. Every major sports league is getting into live streaming.

These avails are much more difficult to forecast for directly sold campaigns and often lead to more opportunities for programmatic ads. Just yesterday, we announced the launch of Live Stream Acceleration, or LSA, a technology designed to help CTV publishers optimize their live inventory programmatically. This is an industry-leading innovation which is being used by Sling TV for its live sport inventory. While using LSA, Sling saw a 47% lift in ad conversions compared to the previous 5 weeks.
Our last bucket of revenue comes from our Managed Service insertion order business. Managed Service accounts for approximately 15% of our CTV revenue ex-TAC and carries the highest take rate. It’s also by nature the most volatile piece of our business, because it relies on direct sales efforts with brands and agencies. We believe it’s an important differentiator for Magnite, as it allows us to capture video dollars that have yet to make their way to programmatic CTV and thus bring fresh demand to our publishers. Because Managed Service is often an entry point to programmatic, we do see a shift from this bucket to our programmatic buckets, which can result in short-term hit to revenue due to the lower associated take rates.

However, we generally find that once we land a Managed Service client, we are able to migrate them through our ecosystem and keep them as a programmatic client, which in the long term will drive more consistent spend and growth to our platform. We believe this is a validation of our technology and the value that programmatic brings to advertisers.

Overall, I feel very good about how we position our CTV business. On the sell side, we work with nearly all of the largest programmers and broadcasters, virtual MVPDs, digital-first streaming services and device manufacturers. On the buy side, we work very closely with the largest agencies such as GroupM, Havas and Omnicom in deploying their upfront and programmatic buys. We also work directly with brands such as Bauer, Activision and HP as they grow and expand their CTV advertising efforts. We reach over 80 million households every month, and we believe we have more than 20% market share as measured by ad spend.

Shifting gears, our DV+ business performed well in 2021, and we’ve doubled down here to drive growth going forward. We continue to focus on the high-end reserve market, but also have renewed attention on expanding our share in open auction as well. In open auction, we are onboarding inventory more quickly, tuning our systems for speed, improving our auction mechanics, and providing our DSP partners with new bid signals to improve their efficiency. Finally, our commercial work with the buyers and publishers to deepen our already strong supply path optimization partnerships is setting the table for a strong year.

Now I’d like to talk about some recent industry news related to our DV+ business, starting with The Trade Desk’s announcement that they will stop spending on Google’s open bidding service, and separately, that they’ve launched a service called OpenPath that lets publishers connect to them directly to monetize display and online video inventory. Let’s take these one at a time.

Though Magnite will continue to support Google’s open bidding, we think that The Trade Desk’s shift away from it is good for the ecosystem, good for prebid, and good for us. There are many other SSPs that are overly reliant on open bidding and generally don’t add much value. We believe this move will leave The Trade Desk to readjust their ad spend on to platforms like Magnite, where open bidding represents a very small portion of their business with us today.

Regarding the OpenPath, though the name is new, we’ve been seeing that The Trade Desk and other demand sources offer direct connections to publishers for some time. In the end, most publishers find it insufficient to rely solely on a direct connection versus the breadth and depth of what a full-featured SSP like Magnite offers. I’m not just talking about capabilities like yield management, inventory curation, ad quality tools, billing and reconciliation or access to seasoned monetization experts, though, all of that is critical. Magnite also facilitates demand for publishers across all formats, in many cases, directly from brands and agencies.

This view is shared by many of Magnite’s key publishing partners, including Paul Banister, Chief Strategy Officer, CafeMedia. Paul, who was also included in last week’s announcement from The Trade Desk had this to say about OpenPath. And I quote, “For CafeMedia, OpenPath and other direct connections to buyers are part of a holistic approach to monetization that includes the unified auction. We see Magnite as a critical and growing part of that strategy, helping us to oversee and yield optimize across a range of our demand.” For select publishers that want a direct connection to buyers, the approach can be additive to the unified auction, potentially lifting of publishers revenue. Demand Manager, our header bidding software based on prebid, makes it easy for publishers to activate direct connections to buyers such as The Trade Desk.

And lastly, I want to provide an update on our audience strategy. Increasingly, the role of audience creation is moving to the sell side, because publishers have direct relationships with consumers. This is true for web publishers that will be most impacted by the deprecation of third-party cookies and other identifiers, as well as CTV media owners for which first-party data has always been an integral part of addressability. You saw that we completed a small deal in December for Nth Party, which added talent and tech to speed up our ability to bring audience creation solutions
for the sell side to market. We will continue to make investments in this area and play an increasingly important role in identity targeting by offering scaled solutions that create value for publishers in both CTV and DV+. We look forward to updating you on this critical market need in the months ahead.

If you look at the year we've posted from a top line, bottom line cash flow and strategic M&A perspective, I am very, very proud of what we've accomplished. In addition, I'm very excited about our long-term growth profile and the durability of our model to be the top source of publisher monetization as the leading and largest independent omnichannel sell-side platform.

With that, I will hand things over to David, who will go into greater detail regarding financial performance and expectations. David?

David L. Day - Magnite, Inc. - CFO

Thanks, Michael. We are pleased to close a record year for Magnite. We posted $416 million in revenue ex-TAC for the year on total ad spend of roughly $3.5 billion. We also posted an adjusted EBITDA margin of 35.7% for the year. This resulted in non-GAAP EPS of $0.55 for the full year 2021. Q4 revenue had a solid finish in line with our guide and Q4 adjusted EBITDA came in well above guidance, which resulted in strong earnings per share.

Total revenue for Q4 was $161.3 million. Revenue ex-TAC was $142.1 million, up 76% from Q4 2020 on an as-reported basis and up 10% on a pro forma basis. CTV revenue ex-TAC was $54 million in Q4, 2021, up more than 3x from $15.3 million last year on an as-reported basis and it was up 23% on a pro forma basis. Mobile revenue ex-TAC grew 6% and desktop revenue ex-TAC grew 1% year-over-year, both on a pro forma basis. Our revenue ex-TAC mix for Q4, 2021 was 38% CTV, 36% mobile and 26% desktop.

Operating expenses, which, in our case, includes cost of revenue, for the fourth quarter were $157.7 million versus $74 million in the same period a year ago. Increases were primarily driven by the inclusion of SpotX. Adjusted EBITDA operating expenses, which represents the difference between revenue ex-TAC and adjusted EBITDA, were $74.6 million for Q4, close to flat sequentially, and up versus the $50.9 million in Q4 2020, also driven primarily by the addition of SpotX. Costs were lower than expected in the quarter, driven by a postponement of our return to office, lower-than-anticipated marketing event spend, and reduced travel and entertainment costs.

In addition, hiring challenges continue to persist, consistent with the overall labor market. Net income was $0.5 million in the fourth quarter of 2021, as compared to net income of $5.9 million in the fourth quarter of 2020. The decrease in net income was primarily attributable to an increase in amortization of acquired intangibles related to the SpotX acquisition. Adjusted EBITDA was $67.5 million resulting in a margin of 48%, as compared to an adjusted EBITDA of $30 million or a margin of 37% in the fourth quarter of 2020, driven by continued organic growth and by the addition of SpotX. Note that we calculate our adjusted EBITDA margin as a percentage of revenue ex-TAC.

GAAP income per share was breakeven for the fourth quarter of 2021, compared to GAAP income per share of $0.05 in the same period in 2020. Non-GAAP income per share in the fourth quarter of 2021 was $0.26, which was up 37% versus non-GAAP income per share of $0.19 reported in the same period in 2020. There were 132.1 million weighted average basic shares and 139.5 million weighted average diluted shares outstanding for the fourth quarter of 2021.

Capital expenditures, including both purchases of property and equipment, and capitalized internal use software development costs, were $7.3 million for the fourth quarter of 2021, in line with our expectations. Operating cash flow was $60.2 million in the quarter, which we define as adjusted EBITDA less CapEx. Our interest expense for Q4, 2021 was $7.3 million, of which roughly $5.2 million was cash.

At the end of Q4, we had $230 million in cash on the balance sheet, which represented a $42 million increase from Q3. As a reminder, our cash balances can swing disproportionately both up and down, compared to the run rate of our business, since we collect and pay the gross amount of flow-through to our sellers while we record revenue primarily on a net basis.

In 2022, we expect to generate over $100 million in free cash flow, which we define as operating cash flow, less cash interest payments. And I'd like to make a few comments on our priorities and potential deployment of capital.
Regarding M&A opportunities, we believe that we have the core assets that we need at this point in time, although we always consider tuck-ins or small M&A activity that would expand our talent pool or accelerate our product features and functionality. On the debt front, we have an objective to reduce our net leverage ratio. That ratio has been reduced significantly to slightly above 3x at year-end. This represents strong progress towards our ultimate goal of 2x.

With respect to share repurchases, we believe there is a significant return opportunity for shareholders given our current share price compared to our intrinsic value expectations. As a result, in mid-December, we announced a program to repurchase common stock with an aggregate value of $50 million through mid-December of 2022. Under the program, in Q4, we repurchased almost 350,000 shares for $6 million, leaving $44 million remaining in the program at December 31. In addition, for our regular RSU vesting during the quarter, we utilized the withhold to cover method to cover employee taxes owed, essentially retiring an additional approximately 290,000 shares for $6.5 million or a total retirement of about 640,000 shares during the quarter. We expect to continue a balanced approach to these objectives in 2022.

I will now share our future expectations. To reiterate what Michael said earlier, we expect 2022 revenue ex-TAC to be well above $500 million. We expect revenue ex-TAC for the first quarter to be in the range of $105 million to $109 million, an improved pro forma growth rate from Q4. We expect revenue ex-TAC attributable to CTV for the first quarter to be in the range of $40 million to $42 million, representing a smaller -- a similar year-over-year growth rate versus Q4. We expect adjusted EBITDA operating expenses in Q1 will be $83 million to $85 million representing an adjusted EBITDA margin in the low 20s. The sequential increase in adjusted EBITDA operating expenses is primarily driven by our decision to move our annual compensation cycle from April 1 to January 1, from some higher than normal wage increases for market and retention reasons, and from the normal Q1 return of corporate matching payroll taxes. The remainder of the increase is due to the return of some marketing expenses and new office lease costs.

For the remainder of 2022, we expect quarterly adjusted EBITDA operating expenses to increase roughly $3 million to $4 million each quarter. These increases are primarily the result of return to office costs and increased head count and other technology operating costs to support our growing business. We expect that CapEx for 2022 will be between $40 million and $45 million, and as I stated earlier, in 2022, we expect to generate over $100 million in free cash flow after CapEx and cash interest payments. We continue to target annual revenue ex-TAC growth of 25% and adjusted EBITDA over revenue ex-TAC margins of 35% to 40%.

We are very pleased with our results in 2021 and optimistic for continued growth in 2022. Our financial model remains very attractive as we move down our P&L and ultimately to free cash flow. We expect that our adjusted EBITDA will grow faster than revenue due to long-term margin expansion. We also expect that our free cash flow will grow faster than adjusted EBITDA, based on financial leverage and a positive cash conversion cycle.

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

Q U E S T I O N S  A N D  A N S W E R S

Operator
(Operator Instructions) The first question comes from Shyam Patil with SFG. Please go ahead.

Shyam Vasant Patil - Susquehanna Financial Group, LLLP, Research Division - Senior Analyst

It’s Shyam. I had a couple of questions. First on CTV, Michael. Can you talk a little bit -- a little bit more about just what you’re seeing there, especially with Managed Services? And then how you’re thinking about growth in the second half and long term? I know you guys have said many times over the past that growth can be volatile, but just curious kind of when you look out in time, just what kind of growth rate do you think is reasonable for CTV. And then second question on OpenPath, when do you think you start to see the benefit of that and how have you reflected that in your outlook?
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes, both great questions, Shyam. So what are we seeing in CTV. As we talked about it, CTV was -- performed, we thought extraordinarily well in 2021 and as we exited the year, we saw some weakness as others did in the certain sectors and -- advertising sectors, for us, it was auto and travel. And unlike the general platform where that probably is made up in an open auction environment in CTV, it’s a little less fluid and it’s insertion order-driven and our mid-market team is -- there’s a high dependency upon those 2 categories.

So we had kind of signaled coming out of Q4 that we thought we were going to be battling those headwinds as long as supply chain and the Omicron existed. And it seems like from what we’re seeing is that as you look ahead and you see bookings, things are turning much more positive. And I think that the worst is behind us in many of those issues. And so I think that CTV will be another bright performer for us this year. We talked about the buckets of business and Magnite sold deals, publisher sold deals, ad serving, and if you look at those buckets, they’re performing at or above expectation.

And so it really has been a bit of a drag to the overall growth rate from that one segment, the mid-market. And now that we see that freshening, I think that we feel good about exceeding market growth rates.

And the next question is, what’s the market growth rate? And you hear anything from 30% to 50%. And so, I don't know, take a midpoint, if you want. But that's exactly -- we completely believe that what we've built here should grow above market, right?

And as far as OpenPath is concerned, I think we've seen -- one of the things we had mentioned is that The Trade Desk spends very little through us on open bidding. And that's by design, The Trade Desk is -- they've optimized their pathways to publishers over the course of the last 6 to 8 months. And they really started to work with us more in prebid than they were in open bidding. And so I don't think there's going to be this whoosh of dollars that are going to come from that piece of it, right? So the switch from no-OB to go into prebid. I think what we might see is an increase of spend, because there's hundreds of platforms in OB that are SSPs that provide 0 value. They're just there to arbitrage the publisher and the buyer in an open bidding.

And so when you take those out of the equation and those budgets aren't going to be cut, those dollars have to flow somewhere and we think we're well positioned to grab those. And so that's kind of a combination of them pulling out of open bidding, OpenPath. And so I don't think we've factored that into any kind of increase in guidance or numbers, but I think we're watching it closely. And these things take a while to evolve, as they signal, they're not turning it off until April. And so we'll see how it plays out.

Operator

The next question comes from Laura Martin with Needham.

Laura Anne Martin - Needham & Company, LLC, Research Division - Senior Research Analyst

I have 2. So thank you so much for breaking out the CTV buckets. I'm going to push you on take rates. So on Telaria you said to have about an 8% take rate. So I'm sort of assuming that's bucket #2. And then the direct I'm assuming is about half of that at 4% and then the high-end bucket, which is Managed Service about 12%. And I'd love you to comment on sort of the take rate, like if I'm close or if I'm really far off on one of those buckets.

And then on operating expense outlook, I get you that hiring CTV engineers is nearly impossible. My question is, can you really grow operating expenses of $3 million to $4 million a quarter if headcount is so hard to acquire? Or might we get sort of an upside surprise on margins this year, because there's a labor shortage, especially for CTV engineers, but really across the board?
Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Thank you, Laura. And as much as I like talking with you, these sound very much like David questions.

Laura Anne Martin - Needham & Company, LLC, Research Division - Senior Research Analyst

Okay. Fair enough.

David L. Day - Magnite, Inc. - CFO

All right. So Laura, on the take rates, again, we for important competitive reasons, we don't share our take rates publicly. The ranges that you mentioned, as an average, if you average those together, that's not too far off, but I guess we're going to just refrain from commenting too much on the low side or the high side.

On the OpEx front, we think that we can achieve the hiring plans that are embedded in those cost estimates, but you're right. It is a challenging market and if things get worse than what we're seeing today, there could be a little headroom there. But overall, it's important for us to get those resources in and we're going after it from a recruiting perspective in a very, very heavy way.

Operator

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

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

I wanted to stick with the theme on the CTV buckets. Mike, I wanted to see if you can maybe provide a snapshot of, if we look out 1 or 2 years down the road, if you've got any projections on how you expect that mix shift to change and then maybe even a little bit more near term? Are you hearing anything as you have conversations with partners about maybe some more near-term changes in those buckets as we go into this year's upfront cycle, maybe where there's more scenarios where you could bring in demand?

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

Yes, Jason, great question. Yes, so I think that our belief is that the role of an SSP in the CTV environment -- and you have to keep in mind, it's a segmented market, right? We have the broadcasters at the top with their legacy teams. And then you have the made-for-the-medium guys and the device manufacturers and the virtual MVPDs. I think that each one is a different segment and different category, but generally speaking, I think that over time, if you're looking at a 2- to 3-year horizon, that for some of those reasons that we spoke about, whether it's an explosion of non-TV type linear buyers, advertisers rather, live sports programming now becoming a staple of streaming and the need to fill ad slots, because of things like timeouts and reviewing the call and overtime games.

And something like our LSA that we built is perfect for that. So I do think that bucket #2, the Magnite led deals, the traditional SSP function, is the one that benefits the most from that. And I think that, that's good for the business, because that's -- carries a very decent take rate, and it also is kind of core to what we do, right? And so we have the software business bolstering the ad serving piece of it, the pub sell deals and then in the middle, you have the growing traditional SSD role of Magnite sourcing demand. And then on the far right, I still think you have a Managed Service business, but I do think that over time, that's more of a shrinking business. Because keep in mind, we're chasing dollars that aren't programmatic yet. And once they become programmatic, we kind of feed them into the ecosystem.

And I think that, that's probably how it plays out in the next several years. As it relates to this year's upfronts, you hit the nail on the head and we've never been more involved in discussions with our agency partners, the big agencies about assisting them when they go to publishers, CTV platforms,
to say to them, hey! okay. Here’s our commitment of spend, blank million. We would like 40% of it to go through these rails, because we want to
programmatic and we want the advanced targeting that comes with it. So yes, this is a real seminal year. It will be interesting how it plays out, but
we’re deeply involved in discussions across the breadth of the holding companies, with the holding companies going to our publishing partners
and it’s a marked change from years prior. I will certainly say that.

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

And one follow-up for me on Connected TV. So it seems like we’ve started to see some interesting new announcements from you guys, where
you’re winning some more like exclusive or preferred deals. I know you had announcements with Samsung and fubo recently. But I’m just curious,
are you seeing more activity within Connected TV of a formal RFP process. And just curious when you come out with better relationships on the
other end, when you’re seeing these wins, what are the key components that are allowing you to get these wins?

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

Yes, another good one. Again, they’re all -- they are slightly different. But I will say one thing that changes in our product suite to be able to strike
these types of deals is the increased breadth of it. To that, I’m specifically reserving -- talking about SpringServe. Kind of by definition, ad serving
is exclusive. And if you are able to bundle ad serving along with the other services, that’s the whole goal, right. To be able to put the whole product
portfolio in front. And I think that, that’s where you’re seeing an uptick on that. It’s not necessarily kind of an RFP led process, as it is generated
from our going forward to these clients with that suite of products that we hadn’t had before, putting them together and showing them what it
would look like to work with this leading independent CTV-focused SSP, and I think we’re gaining traction on that front.

Operator

The next question comes from Shweta Khajuria with Evercore ISI.

Shweta R. Khajuria  - Evercore ISI Institutional Equities, Research Division - Analyst

Let me try 2, please. On OpenPath, could you please, Michael, you talked a little bit about it. Could you please give a little more color on why a
brand -- or excuse me, why a publisher would want to go directly through The Trade Desk and work with an agency versus an SSP and even consider
that option. And also why an advertising agency was requesting this from The Trade Desk to have this direct relationship? Understood that SSPs
play a very important role, but where do you think that would trend over time? And what’s the -- what’s in it for each of those 2 publishers and
agencies and advertisers. That’s the first one.

And then the second one, could you please talk about just the puts and takes? You mentioned you reiterated your long-term EBITDA margin, 35%
to 40%. But for this year, could you please help us with what the puts and takes are for EBITDA margin?

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

Thanks, I’ll jump on the OpenPath and then I’ll let David talk about the puts and takes on EBITDA. So on OpenPath, obviously, we’re intimately more
familiar with the publisher world than the advertiser world, if you will. So from a publisher perspective, I think it’s pretty simple. If you’re a sophisticated
publisher, and you are approached by The Trade Desk that says, nothing’s going to change. I’m going to continue to bid through the supply sources
that you have in the head. You have Magnite there, you have PubMatic there. You have Index, et cetera, et cetera. The Trade Desk is going to
continue to participate in those auctions, nothing’s changed.

But I’m also going to move outside that action with a direct connection and compete against those auctions, sometimes compete against ourselves.
And a publisher’s way of thinking is that could just be increased bid density and it could lift yield. And so therefore, the only reason why I wouldn’t
want to do it is if The Trade Desk came in and said, "I don’t want to participate in a unified auction. I want to be put as a tag in the server, and I want
to be first look on everything and then everyone else gets to look at everything.” That’s the world of nonheader-bidding that used to exist in the SSP world.

And so publishers have spoken. They want it as part of a unified process. Interestingly enough, a lot of publishers, as you know, through our Demand Manager product don’t have the wherewithal to even manage a unified auction in prebid. And so in -- weird way economically The Trade Desk moving outside of, moving as another source of demand in the head helps us economically from Demand Manager, because, as you know, we get paid on every successful auction, whether it’s a Magnite auction or not. And so if it’s more demand inside the header and it’s going through Demand Manager, it actually -- it works out well for us.

So I think from a publisher standpoint, they just view it as a possibility, if someone can make it easy for them as a possibility to increase yield. From an advertising standpoint, I think it falls underneath and whether or not OpenPath accomplishes or not of parking on that, I think advertisers are looking for clean pads to supply, they want fewer touch points. They want to have a closer relationship with the supply, and we are seeing this play itself out with advertisers coming directly to us, agencies coming directly to us. And so existentially speaking, on some occasions, they can go around the DSP and go right to the SSP. On other occasions, it looks like they’re going around the SSP directly to supply.

But I think that generally speaking, it’s all underneath the heading of fewer touch points, more streamlined supply and more streamlined access to supply. And David, if you wanted to talk about the puts and takes on EBITDA?

David L. Day - Magnite, Inc. - CFO

Yes. Yes. So from a -- regarding our margin targets. We have a few factors that are impacting kind of the pace of our margin growth. So if you think about 2021, those margins were slightly benefited from work from home. So we had lower office costs, marketing and events. There was no travel going on. And so some of those costs -- as we now move into 2022, some of those costs are going to return. In addition, as I mentioned, we moved forward our annual raise cycle from April 1 to January 1. So on an annual basis, we’ve got an extra quarter’s worth of costs in there. And we’ve got some incrementally higher personnel costs, which includes some additional head count.

So stepping back, I think that will slow the pace of our margin growth this year a little bit, but no real changes to the core leverage that we have and we don’t see any changes in the long-term trajectory to our 35% to 40% margin targets.

Operator

The next question comes from Nick Zangler with Stephens, Inc.

Nicholas Todd Zangler - Stephens Inc., Research Division - Senior Research Associate

Yes, great quarter. Lots of good details on the call. Google announced some Android privacy changes to come in a blog post last week. The move obviously looks similar to what Apple has done with iOS ATT changes. I imagine that such a change will have a minimal impact to Magnite, as obviously has been the case with these iOS changes, but interested just to hear your thoughts on Google’s announcement, and if you feel there’s any potential impact to Magnite.

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

Yes. Nick, I think that it’s a little different than Apple’s approach. Apple was kind of, “hey, in 4 weeks or it’s going away” and puff, it went away in 4 weeks, and there was no real thoughtful alternative. They came up with kind of an audience product, but that didn’t meet the needs of just about any marketer, right? And so therefore, I think Google learned from that, that the Android team probably feels as though from a privacy standpoint, deprecating device ID makes sense. But they’re going to do it very thoughtfully. It’s over the course of 2 years. They’re doing it in concert with the ecosystem. They’re getting feedback. They’re actively looking for advice.
It's a little like the deprecation of cookies even though it's gone on interminably long. It has been a relatively thoughtful process where they're trying to come up with an alternative. It may not be perfect, but it's a lot better than what Apple did. As it relates to Magnite, we don't like any of these changes that we've talked about, make whether it's deprecation of cookies and/or IDFA, our exposure is somewhat limited. And if someone were to be able to -- if budgets don't get cut, which they don't from the types of advertise we work with, you see that happening in the folks like the Facebook ecosystem where budgets have been cut and shifted.

Generally speaking, we're dealing with more upper funnel advertisers, and these folks are looking for targeting parameters aren't nearly as cost per acquisition focused as an app download guy. So we're somewhat inflated, and we don't view this as a threat to the business.

Nicholas Todd Zangler - Stephens Inc., Research Division - Senior Research Associate

Very helpful. That's what I expected. And quickly one more. You mentioned it, but obviously, verticals like, for instance, auto retail, that ad spend runs through the Managed Service offering for Magnite. And I know that's been soft due to supply constraints. Was that a $3 million to $4 million headwind in the quarter as you guys had originally expected? And you're not mentioning any ongoing headwind there into 1Q or at least you're not calling it out like you did last quarter. So curious, just thoughts there. If you're able to convert any new Managed Service clients in the quarter as resources may have diverted from that sector? Or specifically within that sector, underlying trends have significantly improved? Just looking for some clarity there.

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

Yes, Nick, and I'll lean on David for a little bit more color. But the other thing we had said and you accurately pointed out it's through the Managed Service group. So when an insertion order gets canceled on December 15 through, I don't know, make up the number, $500,000. If that was open auction, dollars are just flooding on that inventory. It might not be the same value of $500,000, but you'd sell it no matter what. Insertion business is a little bit longer, longer lead times. If it cancels, it's harder to fill.

And so I think what we're seeing is, as the quarter progressed, the ability for the teams to find different types of advertisers to sell what would traditionally be auto bucket or travel bucket, maybe nowhere close to the exact amount, but at least there's progress being made there. And then, of course, things do seem to be getting better in that sector. And multiple folks have kind of commented that Q2 might be a more return to spend in those verticals. Not to mention that we also know that political is going to start to heat up in that quarter, and we feel as we're well positioned and that team particularly is well positioned to capitalize on those dollars.

But David, I don't know if we're attributing a specific number or anything like that, too. Are we?

David L. Day - Magnite, Inc. - CFO

No. I guess the takeaway is, as you mentioned, Michael. Nick, there's no significant uplift from a revenue run rate perspective in Q1 versus Q4 of last year. And so it's still in the doldrums. But as Michael mentioned, we're seeing on the horizon, some increased bookings to have these longer run rates. And so that's where we're getting some of our, I think, hopefulness as we look forward to future quarters, but not a lot of lift in Q1.

Operator

The next question comes from Matt Thornton with Truist Securities.
Matthew Corey Thornton - Truist Securities, Inc., Research Division - VP

Maybe a couple of quick number questions for David and then one for Michael. David, when we think about political and how much of a headwind it was year-on-year in ’21, wonder if you can quantify that? And is that a reasonable way to think about what type of dollars come back in 2022? That’s the first question.

Second question, can you just remind us currency for you guys. I don’t think it’s material, maybe you can remind us any meaningful headwind from currency?

And then, Michael, I think you guys have talked about the CTV 2.0 platform kind of bringing the best of Telaria, with the best of SpotX. I think you talked about launching that maybe 4Q ’22, 1Q ’23 time frame. Just want to see if that was still the right way to think about that? And could we see any incremental synergies once that platform is actually launched? I’m not sure if there’s any costs that perhaps go away when that platform does launch?.

David L. Day - Magnite, Inc. - CFO

Sure. I'll hit the first 2. So on political, we talked about for the impacted quarters sort of a mid -- a low to mid-single-digit impact from political. And if you recall, political was primarily Connected Television and our online video. And so from a quantification perspective, that was the level of headwinds there.

From a currency perspective, over 90% of our activity, almost 95% of our activity is transacted in U.S. dollars. And so we have very little exposure on the currency front.

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

Yes, Matt. And on the CTV platform front, we -- you're right about the timing, although throughout the year, clients will be shifted over to the new platform and then final migration at some of the more intricate implementations will take place as the year winds down. And if the clock runs out, because of code freezes in Q4, it could bleed to Q1.

And as far as it relates to synergies, I think most of that's been captured in the cost synergies that we've shared. I think what we're really focusing on is the revenue synergy piece of it. The idea that you take a pretty sophisticated audience engine that's running on the legacy SpotX platform, and that now watches all the inventory on the new platform. I think we can see a lift there. So we're super excited about the state-of-the-art platform and the implications it's going to have on the revenue side of things.

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

Great. That's helpful. And maybe just one other quick one. I guess, just maybe any thoughts on the Xandr, Microsoft kind of coming together, just kind of thoughts on the implications to the market.

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

Yes. No, I think that it's becoming clear and clear. I think when it was first announced, we kind of collectively all kind of scratched our heads a little bit, but they've had a long time history and Microsoft was a very early investor in Xandr. And Xandr has monetized some of Microsoft's inventory since then. So if they were ever going to get bigger into ad tech, Xandr would be a logical acquisition for them. And it appears that they are getting bigger into advertising as a whole with the proposed purchase in terms of the whole gaming area.
And so yes, I think it’s going to be an attempt by Microsoft to try to organize all their inventory, to have kind of end-to-end solutions for advertisers. And I think that Xandr is a viable third-party SSP probably isn’t at the top of their list in terms of priorities. And so I guess, net-net, it’s a positive from that respect. But it remains to be seen. It’s obviously still wet clay and it hasn’t molded yet.

Operator

Was there a follow-up? The next question comes from Tim Nollen with Macquarie.

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

Can you hear me okay?

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

Yes, you bet, Tim.

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

Great. Most of my questions have been taken, but I have one other one, which is fairly broad, and I’m hoping you can help us understand about the subject of media measurement. Given the role that you play and how much TV viewership and ad delivery and therefore, tracking of ad delivery is changing. And given all the changes coming about in the measurement landscape. I just wonder if you could help us understand, from your perspective, what this all might mean for the market and what it might mean for you, given all these move away from a Nielsen standard to lots of other things potentially?

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

Yes, Tim. Yes, fascinating times, right? I guess at the highest level, I think it’s our belief that the industry, our clients don’t want us grading our own homework, so to speak. And so the idea of Magnite entering into the measurement space with a proprietary measurement system is just not in the cards, and I know you weren’t intimating that, but just take that off as Magnite as a primary. So then our role is to work with every measurement company out there.

If a buyer wants to use that type of measurement, if a seller wants to use a different type of measurement, we need to have the APIs, we need to have to work with them. We need to have formal agreements with them. Where we can play a role in helping is to our ad server, because we’ll see not just on platform inventory for a certain publisher, but we’ll also be able to see their distributed inventory. And so from a simple kind of reach and frequency balancing, which is the bread and butter of measurement, if you will, we can assist there.

So our plumbing -- our platform are serving, we'll be able to assist the industry in helping get cleaner signals. And then I think it will be up to buyers and sellers to agree that this is the new standard, this is how it’s going to go. I think that for a digital world, anything that’s not entirely panel-based inherently has an advantage to, I think, broader adoption and broader use. So I think that’s a good thing for us. But it’s evolving, and we’ll play our right role in that, if that answers the question.

Operator

The next question comes from Matt Swanson with RBC Capital Markets.
Matthew John Swanson - RBC Capital Markets, Research Division - Associate VP

Michael, you mentioned on the call, and I think we talked about this a little bit at the RBC conference was the reinvestment into the DV+ side. Do you mind just giving us a little bit more color on what exactly that means and maybe some of the history of what necessitates the reinvestment?

And then maybe for Michael or David, how do you think this business can affect that guidance for 2022? Basically, how quickly do you think those investments can start to pay off?

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

Yes, Matt, you bet. So yes, I think that in terms of the broader areas that we discussed in terms of the kind of earnings scripts, that's probably about as far as we want to kind of drill down on those areas, because obviously, you get into competitive challenges and talking about your product roadmap in a very open setting like that. And so I think that as it relates to the work that we're doing, and we've been pretty open about onboarding a broader swath of inventory and then fine-tuning it and improving auction mechanics.

I think that, that's as close as we'll get to talking about specifics, although internally, we have an incredibly detailed road map with 30-plus projects in flight. It takes a while, right? These things you're dealing with a tremendous amount of scale, 300 million, 400 million auctions a day, and I just think that we're getting better at it. Growth rate is improving. It's not where we want it to be. I think it's going to be a 2022 project. But I very much am confident, we exit 2022 in a far better state than we entered into it. And we've got some real talented engineers and a real focus on it from a product standpoint and feel good about the direction, less than satisfied about where we are right now in terms of growth. But very good about the plan we have in place and about our ability to execute on that.

David L. Day - Magnite, Inc. - CFO

I was going to say on the guidance side, the reinvestments that we've talked about, they're certainly included in the kind of expanded cost guidance that we gave. So we've got some international expansion. We've got some other things going on, and those have been factored into the cost guidance that we've given, and I think Michael has covered it on the expectation for higher growth rates as we move through the year.

Operator

The next question comes from Vasily Karasyov with Cannonball Research.

Vasily Karasyov - Cannonball Research, LLC - Founder

Michael, I wanted to ask you to talk about how your competitive position evolved last year? And specifically, if you estimate that you gained market share or held it or lost it in the channels, including Connected TV, mobile, desktop? And in general, is the competition getting more intense, less intense? How do you look at that?

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

Yes. Hey, Vasily, so I think that taking CTV first, no question we create a great more deal of separation between us and the competitive set. If -- by that, we define that to be independent SSP, primarily focused on CTV, right? There's just nothing out there that looks like what we've been able to put together by first merging with Telaria going into 2021. And then closing the SpotX and SpringServe deals. We are in this full-service CTV company that no one else can offer that, other than perhaps this company called FreeWheel.
So I think that it makes us very clear about what we need to do, where the focus is. FreeWheel is a dominant ad server in the industry, certainly dominant in the broadcast sector and we’ve got the game plan in place, the product suite in place and now we’re focused on that. So I feel very, very good about the evolution of our market position in CTV.

In DV+, I feel good that we outgrew the market. By any market estimate, if you bundle in mobile and desktop and all the other forms audio, all the other forms of what we consider DV+, we outperformed market but nowhere near what I think we can do. And so I think that the competition is fierce in that just by the nature of header bidding. Most of it is open market. We made a choice to focus a lot of our energy resources and products on the premium side of that. The PMPs, the PGs piece of it, we’ve been quite successful there. But you can’t do that at the expense of under-investing in open auction.

And so yes, so doubling down, as we said in the script, refocusing internal engineering efforts and product efforts on open auction, couple that with our Demand Manager and our premium strategy, I think we exit 2022 in a different and more enviable competitive position.

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

Thank you so much. I’m so very proud of how hard our team worked in 2021 to deliver a strong performance. We see clear areas for growth in CTV, DV+ and audience and identity. We've established ourselves as a critical long-term partner for many of our publishers and buyers, especially in CTV, and believe much of our future success lies in our execution. We’ve never been more excited about the opportunity we have ahead of us. Thank you for joining us for our Q4 results call. We look forward to talking to many of you at virtual investor meetings hosted by Cannonball Research tomorrow, conferences by Berenberg on March 1 and SIG on March 3. Thanks again, and have a great evening.