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MGNI.OQ - Q4 2025 Magnite Inc Earnings Call

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PRESENTATION

Operator

Hello and welcome to the Magnite fourth quarter 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 of Investor relations. Please go ahead.

Nick Kormeluk - *Magnite Inc - Investor Relations.*

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's fourth 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 with unlimited 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. The discussion of these and other risks, uncertainties, and assumptions is set forth in the company's periodic reports filed with the SEC including our quarterly reports on Form 10-Q and our 2025 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 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 are posted, 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 one time in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit our investor relations website to access our press release, financial highlights deck, periodic SEC reports, and the webcast replay of today's call to learn more about Magnite.

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

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Thank you, Nick, and what an end to 2025. We exceeded consensus expectations for both the quarter and the full year. In a mixed macro environment, our results reflect the durability of our model and the accelerating shift towards streaming. In Q4, CTV contribution ex-TAC grew 32% ex-political, meaningfully above our guide.

That acceleration began in Q3 and strengthened into year end. As we enter 2026, CTV is now larger than DV+, making streaming the majority of our business. That is a defining moment for Magnet.

The long anticipated ramp of programmatic CTV is no longer emerging. It is underway at scale. Adoption is broad based across media owners, agencies, and DSPs. We saw strong growth from many of the largest players in the industry, including LG ads, Netflix, Paramount, Roku, VIZIO Walmart, and Warner Brothers Discovery.

TV OEMs are leaning aggressively into programmatic across home screens, pause ads, data enablement in marketplaces. Programmatic enablement in live sports continues to expand across the largest global streamers. On the demand side, the largest global agencies are now driving meaningful volume through buyer marketplaces and DSP agnostic pipes powered by Magnite.

ClearLine activation continues to gain momentum as buyers increasingly seek direct, transparent, and efficient access to premium streaming supply.

Stepping back, the industry trajectory is unmistakable. Consumers have moved to streaming. Time spent has already shifted. Advertiser advertisers are following and dollars are now catching up. CTV combines the brand impact of television with the precision and measurability of digital. As inventory is scaled and pricing has normalized, CTV has become accessible to a broader range of advertisers from global brands to performance marketers to SMBs. For Magnite, this shift is structurally advantageous.

In DV+, we operate in a highly competitive market where we hold mid-single-digit share. In CTV, our share is multiple times higher. As dollars migrate into streaming, they move into a segment where we have deeper integrations, stronger publisher relationships, and differentiated infrastructure.

Now turning to DV+. DV+ grew 4% ex-political in Q4 modestly below expectations, and that pressure is increased in Q1. We observed accelerated budget reallocation from DV+ into CTV across agencies, DSPs, and brands. This trend has intensified in Q1. This makes sense as CTV becomes more measurable and performance-driven and inventory scales, dollars are naturally consolidating into streaming environments.

Within DV+, there are encouraging signs. Our mobile inactiveness remains healthy. Commerce media partnerships are gaining momentum with more than 15 partners announced, 11 of which are deployed in ramping, including United Airlines, PayPal, Pinterest, and Best Buy. These partnerships combined owned inventory with first party data layered through ClearLine curation.

We do not believe that the decline in search referral traffic is impacting our DV+ business. Our footprint remains diversified across the open web, mobile app, online video, audio, and digital out of home. In fact, our DV+ supply continues to expand, with ad requests growing over 30% year over year in Q4 and at similar rates in Q1. Our DV+ business has never been supply constrained.

Now turning to AI. There has been speculation that generative AI and agent-based buying to disintermediate infrastructure platforms. We believe what is actually unfolding reinforces the importance of scaled sell-side infrastructure. In Q4 we embedded in advertising context protocol or ad CP based seller agent directly into SpringServe and executed what we believe was the industry's first agent to agent campaign.

Scope3 served as the buyer agent on behalf of MiQ with media running across LG and Warner Brothers Discovery inventory. While still early, this marks an important milestone. It represents the first step toward a future where buyer and seller agents can interpret campaign briefs, intelligently match inventory with audiences, and ultimately transact media in a more automated and efficient fashion. Magnite is uniquely positioned on the sell-side.

We believe we will be long-term winners in digital advertising, giving our differentiated access to supply. Scaled and interoperable data assets and ability to apply AI across the end to end workflow. Layering AI into that ecosystem modernizes the buying experience, streamlining historically manual insertion order processes, matching briefs with audiences and inventory at scale, and enhancing traditional programmatic execution.

Even in a world of autonomous agents, infrastructure becomes more critical, not less. Agents may interpret intent, but they still rely on scaled marketplaces to clear transactions, enforce auction mechanics, ensure compliance, manage fraud prevention, and handle financial settlements.

As the ecosystem evolves toward potentially thousands of buyer and seller agents, aggregation and interoperability become essential. You cannot have a market where every agent negotiates bilaterally with every other agent. Standards based scale platforms are required to make that system function. That is the role Magnite plays.

In Q1 we are continuing to run test campaigns and refine the ad CP framework. It's early, but we are encouraged by the progress and view this as a meaningful step toward a more intelligent and efficient advertising marketplace. AI is not displacing our infrastructure. It is increasing throughput across it.

Lastly, on DV+, we continue to await the court's final order in the Google Ad Tech remedies phase. We believe remedies could create meaningful share reallocation opportunities. As we have stated, every 1% of market share gained could represent approximately \$50 million of incremental contribution ex-TAC annually at very high incremental margins. We remain prepared.

To conclude, we're in the early innings of a multi-year replatforming of television and video advertising. Streaming is now the dominant form of video consumption. CTV represents the majority of digital video time spent, yet a dollar still lack engagement. Industry forecasts call for sustained double-digit CTV advertising growth for years to come, with tens of billions of dollars expected to shift from linear television and fragmented digital channels into streaming environments. Magnite sits at the center of that shift.

CTV is now the majority of our business. We are deeply integrated with the largest streaming publishers and OEMs in the world. We operate in premium, largely logged in environments that are inherently more defensible and more measurable, and as dollars consolidate into CTV, they move into a segment where our market share is meaningfully higher and our infrastructure is embedded.

At the same time, automation and AI are increasing efficiency across the ecosystem, expanding working media and driving more volume through scale platforms like ours. Secular CTV growth, expanding total addressable market, increasing automation, strong share position, those forces are durable. We believe Magnite is foundational to how the next era of advertising will transact, and we have never been more confident in our strategic position.

With that, I'll turn the call over to David for more detail on the financials. David?

David Day - Magnite Inc - Chief Financial Officer

Thanks, Michael. As Michael mentioned, we had a strong Q4 and finish to the year with a great performance in CTV, achieving 20% contribution ex-TAC growth, or 32% excluding political, significantly exceeding our expectations.

CTV reached 48% of our total contribution ex-TAC for Q4. DV+ came in below expectations, declining 1% and up 4%, excluding political. Adjusted EBITDA grew 9% to \$84 million resulting in a 43% margin. We're pleased with the results, particularly the continued acceleration in CTV growth we saw in Q4.

For the full year, contribution ex-TAC totalled \$670 million a year over year increase of 10% or 14%, excluding the impact of political. For CTV in 2025, we achieved contribution ex-TAC of \$304 million an increase of 17% or 22% excluding political. And for DV+, we reported \$365 million for the year, growth of 5% or 8% ex-political.

We processed total ad spend approaching \$7 billion. Adjusted EBITDA for the full year 2025 was \$232 million an increase of 18% from 2024, resulting in an adjusted EBITDA margin for the year of 34.7%. Total revenue for Q4 was \$205 million, up 6% from Q4 2024. Contribution ex-TAC was \$195 million up 8% within our guidance range and up 16%, excluding political.

CTV contribution ex-TAC was \$94 million up 20% year over year, or 32% excluding political, significantly exceeding the top end of our guidance range. DV+ contribution ex-TAC was \$101 million a decrease of 1% or an increase of 4% excluding political from the fourth quarter last year. This result was below our guidance range, as Michael noted, we saw a growing spend shift from DV+ to CTV.

Our contribution to ex-TAC mix for Q4 was 48% CTV; 37% mobile; and 15% desktop. From a vertical perspective, retail, health and fitness, and financial were the strongest performing categories, while automotive was again, one of our weakest performing categories. In DV+, we saw additional weakness in technology and food and beverage.

Total operating expenses, which includes cost of revenue, were \$153 million a slight decrease from \$154 million for the same period last year. Adjusted EBITDA operating expense for the fourth quarter was \$111 million and \$1 million better than the low end of our guidance range, and an increase from \$104 million in the same period last year.

The increase was primarily driven by higher cloud and data center costs and higher personnel-related expenses supporting the growth of our CTV business and investment in CTV-related features and functionality and was better than expected due to lower personnel expenses, including slower than anticipated hiring.

Our net income was \$123 million for the quarter compared to net income of \$36 million for the fourth quarter of 2024. This was driven by a \$90 million one-time tax benefit resulting from the release of the valuation allowance on our deferred tax assets. As background to the release, we met the specific accounting criteria of 12 quarters of cumulative positive pre-tax income and the necessary expectations for future profitability. Adjusted EBITDA grew 9% year over year to \$84 million, reflecting a margin of 43%.

As a reminder, we calculate adjusted EBITDA margin as a percentage of contribution ex-TAC. GAAP earnings per diluted share were \$0.80 for the fourth quarter of 2025 compared to \$0.24 for the fourth quarter of 2024. Non-GAAP earnings per share for the fourth quarter of 2025 was \$0.34 compared to \$0.34 last year. Reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q4 results press release.

Our cash balance at the end of Q4 was \$553 million an increase from \$482 million at the end of the third quarter. Operating cash flow, which we define as adjusted EBITDA less CapEx was \$61 million. Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs were \$23 million consistent with the expectations we discussed last quarter. Net interest expense for the quarter was \$4 million.

Net leverage for the quarter was 0, down from 0.3x at the end of Q3. As a reminder, the remaining \$205 million principal balance of our convertible notes is a current liability on the balance sheet as the notes mature this quarter. We plan to pay off the converts at maturity with cash-on-hand next month.

As \$400 million in converts were part of our original financing for the SpotX acquisition, and when all is said and done, provided capital at an extremely favorable rate.

During 2025, we repurchased or withheld over 5.2 million shares for approximately \$79 million. We're also announcing a new 2-year share repurchase plan today which authorizes the repurchase of common stock with a value up to \$200 million. Following the repayment of our convert, we plan to be more aggressive with share repurchases given our future expected significant and consistent free cash flow generation.

Our capital allocation strategy will target approximately 50% of free cash flow generation to be returned to shareholders via share repurchases over time, provided our share price provides a reasonable return compared to our estimated intrinsic value. Note also that M&A opportunities may arise in the future that might change our perspective.

I will now share our expectations for the first quarter of 2026 and our current thoughts for the full year. For the first quarter we expect contribution ex-TAC to be in the range of \$157 million to \$161 million, which represents growth of 8% to 10%. Contribution ex-TAC attributable to CTV to be in a range of \$81 million to \$83 million, which represents growth of 28% to 31%, surpassing 50% of total contribution ex-TAC for the first time.

DV+ contribution ex-TAC to be in the range of \$76 million to \$78 million which represents a decline of 6% to 8%. We anticipate adjusted EBITDA, operating expenses to be approximately \$122 million which implies adjusted EBITDA margin of over 23%. As a reminder, the first quarter is always seasonally our lowest margin quarter.

For the full year 2026, we anticipate total contribution ex-TAC growth to be at least 11%. Adjusted EBITDA percentage growth in the mid-teens. Adjusted EBITDA margin greater than 35%. Free cash flow growth greater than 30% and CapEx of approximately \$60 million, a reduction from prior year. I want to point out that our estimates do not include any potential market share gains as a result of remedies from the Google Ad Tech trial. And finally, regarding our tax position, we would not expect to have any significant increases in cash taxes for the next few years.

We are proud of our team's execution and our resulting fourth quarter and full year results. We believe we are very well positioned to continue winning and thriving with the changes that are taking place in the programmatic ecosystem. We continue testing and implementing the right AI capabilities to build on Magnite's industry leading platform and making strategic investments to improve our efficiencies.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Laura Martin, Needham.

Laura Martin - *Needham & Company LLC - Analyst*

Hey there. Congratulations. Good numbers. I wanted to talk about the breadth of CTV and how much of that is sustainable. So ex-political CTV at 32% in growth. Can you break down how much of that is SMBs, how much is [bi vertical], I guess, you named a lot of really big studio companies that are growing. I'm really interested in what's growing and whether you see that continuing. That's my first question.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, hey, Laura, great question. I'll handle it first and maybe David will dive in with some specifics. We really haven't gotten into breaking it out. Lord knows we have a hard enough time figuring out DV+ and CTV, but it's, let alone getting a little bit more specific on the CTV. I will say, and you did see the announcement from Mountain recently about their direct connection into us as their first platform to do so.

So that's a very encouraging sign of a high growth area of you know performance oriented SMBs but we are seeing just across the board, you don't grow 32% and not have everything firing at all cylinders, so big branded advertisers that used to advertise in TV, we had cited a big shift from performance advertisers that were digital online video, digital display shifting into CTV, throughout all of our channel checks the same note was sung by every major agency, brand, marketer. The appeal of CTV, the pricing, the performance metrics of it, it's really just increasing in velocity of appeal. So we're just seeing it across the board, lower.

Laura Martin - *Needham & Company LLC - Analyst*

Okay, great. And then my second question is about risk. It feels like, Michael, you're, we're moving more towards an infrastructure. You have a lot of really specific deep infrastructure integrations into some of these large CTV performers. Do you get the sense that elongating your client relationship time, increasing your lifetime value, and lowering the risk of investing in Magnite in the stock?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

No question, you hit the nail on the head, and I think we try to harp on that in the call in the script. We look so different in CTV than we do perhaps even in DV+ and display. We are highly differentiated. We have a leading programmatic ad server that's coupled with the leading SSP platform. We're building more and more tools. We have a buying tool, ClearLine that's integrated across the board. So we look quite different, unique, and with an enjoyable mode that we built in CTV, which is as the fastest growing segment in the digital, advertising sector.

Laura Martin - *Needham & Company LLC - Analyst*

Thank you very much.

Operator

Dan Kurnos, Benchmark StoneX.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

Great, thanks. Michael, let me just stick with the CTV question for a second. Is there any way to kind of parse out the mix shift to CTV versus your organic partner growth like what you had before, because there's a clear acceleration, I think, on both fronts? And how much of that's coming from live events?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, so live is an increasing contributor each quarter, so that's definitely a good guy for us. As it relates to parsing it out, David, do you want to say the kind of the dollar shift that we saw from DV+ into CTV and that to give you some idea of the baseline growth level versus the accelerator?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I guess, I mean, if you just look at the expectations versus consensus for like Q1, for example, you've got DV+, \$8 million or \$9 million lower and CTV, higher by that same amount. But I'm not sure you can differentiate spend shift versus organic because the spend shift is rolling into our organic numbers and it's rolling through all of those same -- obviously all of those same partners. But it is a very dramatic shift, right?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, no, so I was saying if you looked at it like, let's just say if the run -- if the expected performance is 20% and it winds up being 32%, it's pretty easy to parse it out as to what the accelerant was from a spend shift from platform to platform.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

Yeah, no, that's helpful color, I mean, I just, I'm just trying to make sure to flag, I guess, the underlying is still growing extra shift. So just want to (multiple speakers) --

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, very much so. Yeah, I think the cool -- the thing being that in from a larger perspective from what we talked about is, those very marketers in making up the numbers say someone spends \$100 or less. They're just spending it differently, allocating it differently, and good news for us, they're allocating to the faster growing platform that you certainly look ahead in 3 to 5 years from a CAGR standpoint, it's going to be super impressive. So number one, the allocation is happening on our platform. So we're catching dollar for dollar, and we're still having that organic growth on the CTV side that's far exceeding the marketplace. So both very positives for us.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, and just to layer on to Laura's point, it's de-risking, so a dollar of CTV revenue and growth is more protectable and sustainable in some ways than DV+, which is can be a little bit more volatile, and so we love where this is heading ultimately.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

Not just that, David. I mean, I guess the next question I'd ask is, like, I mean, margins are still improving, but there's always been question around take rate in economics, and you're still driving margins higher, so some of that's been your cost to take out, cost to serve initiatives, but just maybe any comments you guys have on that would be great, thanks.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, and in fact, and we talked about this a little bit, I think the last quarter or two, because of the opportunity that we have in CTV, we've actually made some additional internal investments into CTV, so into engineering, into accelerating some of our future and functionality in the CTV business. And so all things being equal, our margin expansion could have been even greater in 2026, but with the -- so we'll still

expand margins, but with this opportunity in CTV, it's sort of a little bit of a one-time shot on the headcount and continuing to make the improvements on our tech stack infrastructure as you mentioned, getting better leverage out of that to really set us up for more rapidly expanding margin in future years.

Operator

Shyam Patil, Susquehanna.

Shyam Patil - *Susquehanna Financial Group LLLP - Analyst*

Hey guys, I had a couple of questions. I guess maybe following along the lines of the previous two as well. What do you guys think is the right way to think about CTV growth and then DV+ growth, kind of going forward? I know you gave kind of 1Q outlook and kind of high level for the year for overall, but if we kind of look at the two businesses, what's the right way to think about the growth rate kind of going forward on a sustainable basis? I know Michael, you said CTV is double-digit grower and obviously we've seen that strong growth rate.

And then, just a follow-up just on OpenPath, can you just maybe talk about that a little bit, just kind of the impact that you have seen. It seems like that situation might be behind us now. Maybe if you could just talk about that and if you think that's been resolved and kind of behind us or if there's potentially anything to be aware of on that front. Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, sure, great questions, and, I'll let David jump in that some of it. Yeah, certainly if you look at CTV, the market, from an estimate standpoint has always been probably lagging the actual growth rates, but I think some of the latest numbers out there are in the mid to low 10s. And certainly at 32%, that's far exceeding market growth. And that's where we expect to be given our market position. So you know I think you know a growth rate in the you know high 10%, 20% is very sustainable given the secular shift that's going on.

And as it relates to DV+, I think it's fair to remind everyone the diverse portfolio that DV+ is. Certainly there's desktop and mobile web and that is definitely under the pressure. You have all sorts of things happening there and the big budget shifts that we talked about that we caught on the CTV side were essentially coming from that bucket, but you also have emerging categories like audio, digital out of home, mobile app, which, you look at the numbers app level's putting up. Mobile app for a long time is kind of out of our reach because the brand advertising that we source really couldn't compete with the app install, and now it's much -- it's been on a better level playing field than it ever has, and so we view that as a big opportunity for us.

We're deploying our SDK. We're partnering with that level. We're partnering with Unity. We're partnering with all the big players, and we think that that's a big growth area for us. So where does that net out? It's hard to say, but I think the encouraging thing is from a growth profile for Magnite, any weakness that we are seeing in DV+ is manifesting itself in the CTV bucket. So again, if the budget's \$100 we're catching the \$100. It's just being allocated differently by the marketer.

So it's a little hard to put a growth rate on DV+, but if you parse it all out, there's going to be growers like mobile app, that's going to be in the 10s, and there's going to be desktop mobile web that's probably flattish to slightly down. If that's helpful.

And you would also ask about OpenPath. Yeah, as you noted, OpenPath has been around for years. The reason why it became a subject of focus last quarter was the Kokai deployment and OpenPath being a default, we had painfully walked through the Q&A's in the script about our efforts to turn that around with our biggest buyers by most degrees we've been successful in that. And the longer tail of, OpenPath users, the smaller advertisers, smaller agencies, we had already said that that was going to be more of a street fight, so OpenPath is played out exactly as we thought it would.

It's a modest impact, in terms of the DV+ performance, has no impact on the CTV performance and everything that we said we're going to do, we did, and I think OpenPath has been with us for years and will continue to be with us for years. I think if anything we've proven that it's not an existential threat to the business that we have embedded ourselves with our largest fires to the degree that we become invaluable to them to execute their programmatic businesses.

Shyam Patil - *Susquehanna Financial Group LLLP - Analyst*

Thank you guys. That's very helpful.

Operator

Jason Kreyer, Craig-Hallum.

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

Thank you guys. So Michael, you talked about running volumes through ad CP. Just curious what you think the evolution is on that front and what is the client interest in running volumes through AI agents?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, so, interest very high; reality, very little; budgets are being allocated to it. I think, to frame it correctly is, think of this as a massive remodeling of your house, but we're not knocking it down and building a brand new house. So I think that it's all going to sit on top of the existing infrastructure in the industry, and hundreds of millions of dollars have been invested by Magnite alone to make programmatic work, and what AI agents are going to do is make it work better.

It's going to alleviate menial tasks from the traders, the planners, the ops people, and it's going to put more working dollars to play, which is awesome, and we feel it's all going to flow through our pipes. And so I think we're doing the exact appropriate amount of investment in it. And we're ready to catch the dollars and they come scaled, but that is not going to happen any coming quarter. So interest high; execution, actually putting your money where your mouth is not high, but we believe we're in a great position technically and from a market position to take advantage of this next wave of innovation.

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

Is that more likely to occur on the DV+ side or on the CTV side?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Oh, I think across the board, I mean, the world I described, there's a lot of heavy lifting that goes on in terms of planning campaigns. Introducing opportunities for publishers. Publishers introducing opportunities for buyers, making sure it works. Line items broken here, this deal doesn't work here. Why doesn't it work? 20 hours of troubleshooting to figure out and then have the budget. It's already not been spent and it's and you're wasting time. And so I think there's all sorts of efficiencies that are in play across both platforms with an agentic approach at the UI level and then the plumbing and the infrastructure powered the way it used to be the way Magnite does it.

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

A quick follow-up for David. The EBITDA OpEx is a pretty big jump from Q4 to Q1. Just curious if you can maybe talk about what investments are embedded in there.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, and if you recall we kind of have that jump literally every year. You have personnel raises, effective January first that kick into place. You also have employer taxes, that kick into place and some of those are attached to some annual grant vesting in that Q1, we have an offsite that occurs in the first quarter of the year, certain years it's full company, certain years it's, the commercial team.

And so you just got a number of those things, and then the other component there would be some of the investment that I mentioned earlier, which is, engineering and product talent, for, supporting the pace of development and velocity, in our CTV, business and so. Those kind of make up that increase.

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

Great, thanks guys.

Operator

Shweta Khajuria, Wolfe Research.

Shweta Khajuria - *Wolfe Research LLC - Equity Analyst*

Okay, thanks for taking my questions. Let me try two, please. I have a follow-up on the prior one. So, Michael, if you could please explain the context protocol, like how it works, what the real value proposition is, and what your differentiated, advantage is there. And as it relates to Cloud X, is that a competitive product? Is that, even related? How should we think about how all this evolves in an agentic world? And what the impact will eventually be, is it that you're going to get a greater share of ad dollars? Is it that the dam will expand? Like how should we think about the impact, and how it works?

And then the second question I have is just on the Ad Tech case, you touched on it in your prepared remarks. What is the base case expectation at this point? What should investors be expecting in terms of a realistic outcome? And if you have any sense on the timeline, that'd be great too. Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, sure. Yeah, so, ad CP is kind of a -- it's a protocol, that allows, agents to talk to agents, and so there's nothing particularly unique about that. It's making sure your program can be agentic. It's making sure your platform, it can have agents talk to each other, so I think that what -- given the size of our platform and the appeal of the types of publishers we have, we're approached by Scope3 first to execute that.

So I think it's illustrative of the fact that we're prepared to move beyond the API world and get into the MCP ad CP world where agents are talking to agents and need a point of connection, as opposed to APIs where it was more people connecting to machines, so I think that we feel very good about that.

Where I think our point of differentiation will lie not just in our readiness but I think in this the vast amount of data that we sit on in the years and years of the data that we have when we can help our publishers and help our buyers from an inventory discovery, price discovery to maximize yield for publishers from mediation, I think that that's where it really -- the magic really happens.

So anyone can build an agent. The question is what data is that agent working on, and I think we feel that we sit on this repository of data across tens of thousands of publishers, many years of data worth to be able to inform decisions. We've also organized the taxonomy of all the publishers on our platform so that if someone's looking for sports enthusiasts or auto enthusiasts that the same protocol exists across all publishers so we can scale these what would be very niche buys across agents. So feeling very good about that.

You also asked about Cloud X. Obviously that's more germane in the mobile area, but we're integrated into Cloud X right now which is a newer mediation platform for mobile app, so we're excited, we know the guys well. I think it's just another opportunity to gain access to a super fast growing area of the DV+ business which is app and we you know are working closely with them. So it's a good thing for us not kind of a disintermediation by any stretch.

And lastly in the Ad Tech case you know very hard to pick timing. The expectation is it any week now, but that could be delayed a little bit longer. As it relates to predicted outcome, again that's a little difficult. I think, given the types of conversations that were had in the final pre-judgment hearing between Google and the DOJ, it certainly seemed that given the questions from Judge Brinkema that structural was probably not going to be the likely outcome that behavioral remedies were.

I think some people misinterpret that as, oh that's not a good guy for Magnite or their peers, which we couldn't disagree with more violently. We were always expecting behavioral and we thought that as long as through behavioral or structural, it really didn't matter to us as long as the playing field was more level that we would be a huge beneficiary of that and we still believe that to this day.

Shweta Khajuria - Wolfe Research LLC - Equity Analyst

Okay. That's helpful. Thanks, Michael.

Operator

Matt Swanson, RBC Capital Markets.

Simran Biswal - Rbc Capital Markets - Analyst

Hey guys, this is Simran on for Matt Swanson. Congrats on the quarter. It seems like you guys have hit this tipping point in CTV, which has been great to see. What would you think from an ecosystem standpoint has changed, and how much would you attribute to the secular market shift versus your growing company-specific mode?

Michael Barrett - Magnite Inc - Chief Executive Officer

Yeah, thanks for the question. I think David touched upon that when he gave the specifics about -- perhaps it was the \$9 million came from, the DV+ platform. And that was placed on -- the expected \$9 million that we thought we're going to be spent on DV+ was now spent on CTV, but that's on top of the already high growing base of organic spend there. So I think no matter how you look at it, you take the \$9 million off, you put it back on DV+, you're still looking at a 20%-plus grower which is a significantly above market average.

So I think that you're right about the tipping point. It's just -- it's being accelerated by spend shift from one platform to the other, but it's inherently a much higher growing platform to begin with and as we pointed out a couple of times with a much bigger mode, for us. It's an

area where we're very differentiated, deep integrations with all the top streamers, add server capabilities, quite different from the DV+ market.

Simran Biswal - *Rbc Capital Markets - Analyst*

Got it. That makes sense. And then on the progress with these partnerships and integrations, could you double click on the ramp of some of these and maybe touch on Netflix specifically or any other partners that have progressed particularly well?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, so, particularly in the streaming area we, when we do our script and we talk about the largest, the most impactful clients of that quarter, we talked LG Ads, Netflix, Paramount, Roku, VIZIO Walmart, Warner Brothers Discovery, so really across the board, we're seeing.

In terms of the commerce partner in the DV+ part of the script that we talked about, you see a United Airlines which has taken a while to ramp, but it's now contributing well. PayPal, Pinterest, Best Buy is taking a while, but all these have different flavors of ramp to them. If someone is in the ad business to begin with having them allowed programmatic into their world, that tends to impact the revenue line quicker than it's say you're United Airlines, you've never been in the advertising business and you're starting from scratch, that's a longer gestation period.

So they each have their different flavors, but you know from time to time we'll cite the ones that are active and contributing and that was the list there.

Simran Biswal - *Rbc Capital Markets - Analyst*

Great. Thanks guys.

Operator

Barton Crockett, Rosenblatt.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. Thanks for taking the question. I wanted to ask about your kind of view of the future with AI given that that's what's really driving all the stocks and I know there's been some questions on it. But I want to see if you can give us your view of how this evolves in this way, which is, do you see AI as a force for compression of take rates throughout the kind of ad tech sector generally. Do you see this evolving to a circumstance where perhaps LLMs are a front end for ad plans and then, SSPs are kind of a processing agent so maybe DSPs get squeezed, or do you think that DSPs and SSPs remain kind of players and maybe the smaller competitors in both sectors get squeezed or any other kind of circumstance? How do you see this evolving in terms of players and take rates?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, that's a great question. I think that -- I think if you look at an agentic world and you see where the value is created, there's still a tremendous amount of value being created by Magnite, not just in the plumbing piece of it, but in educating these seller agents with the data that we have to make informed decisions on pricing, to mediate the buyer agents that come in.

I think what you really generally see again is a renovation of this house, not a leveling of it, and it's a much more efficient world where folks are being freed up to do much more sophisticated tasks as opposed to this back and forth of campaign management, fixing broken line items, all that kind of stuff. So I think that what you'll see is far more media going to work.

I think you'll see certain people in the in between the agents become less valuable, but I think that if you look at the top DSPs and what they have built and the rails that they run on, in the top SSPs like a Magnite and what we've built that the value creation is the same if not greater so I don't necessarily see a take rate impact in the future in agentic future for Magnite.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay, all right. Now, the other topic I was curious about on antitrust. There's been essentially an adoption of behavioral remedies in Europe with Google, essentially just kind of moving to adopt some of the key things that could be coming here. Would you agree that that's kind of a fair description? And if so, are you seeing any impact in terms of share shift in Europe from what Google's been doing over there?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, great question. I don't know if that's, it's an astute observation, but I'm not so sure it's the exact remedies behaviorally that it is being sought here in the states. So let's just say it's a portion of that package, the lowest hanging fruit of the package, and it's also the one that requires kind of the most lift on the publisher side.

So what we have seen is the publishers have actually readjust the rankings of the exchanges and readjust the price floors that there is improvements, but that's a process right and this came down in Q4. So no one really starts to monkey with things during Q4 just given how important the quarter is. So we'll see that play out, but I think it's just kind of scratches the surface of what the DOJ is looking for here and what Judge Brinkema has been alluding to. So I think it's not apples to apples to compare Europe to the United States.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. All right. That's great. Thank you.

Operator

In the interest of time. If questioners could please restrict themselves to one question.

Robert Coolbirth, Evercore ISI.

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Great, thanks. Just to go back to the CTV strength, any key unlocks, whether it's around demand partners, supply partners, or maybe you know things that maybe had happened earlier in the year where the medicine just sort of built up in Q4 and surpassed your expectations. I just wondering if we could maybe take another crack at that.

And then, secondly, on the agentic piece. Is there anything, that that can come into the market incrementally in terms of volumes that remain, sort of offline negotiated inserted via IO, whether that's through some sort of electronic data interchange or a fax or whatever, or things that can come into the market incrementally, the net new to programmatic from this sort of agentic shift in the market? Thanks.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Great, yes, so I'll take the last first, certainly I think that is the area of hope, right? There is still a tremendous amount of dollars that are frozen, in the linear world that are insanely rate sensitive so it just -- it's more of an automation as opposed to agentic but if you can build tools that allow at a very efficient pricing allow those dollars to be transacted programmatically, that is something we've been trying to affect its ClearLines for a couple of years now.

So I think if you can make it even easier and add an agentic piece to it, that could make it that much easier to have it talk directly to the ad server, have it inserted into the ad server, I think that that's something that is of appeal that it's not just all biddable, it's not just programmatic. That it is taking in certain orders and just taking the people out of it and making it automated. So we have high hopes for that occurring and I think it would be very beneficial to the Magnite platform. And I'm sorry Robert, the first question again was?

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Just wanted to take another crack at the CTV question about the inflection point, was there any demand partner, unlocked supply partner unlocked that drove the variance versus your expectations for the quarter anything that may have happened in prior quarters that in retrospect when you look at it, you're like, okay, that unlocked in Q2 but it ramped in a big way in Q4 beyond our expectations. Just wanted to get a sense of unlock anything that was sort of (multiple speakers) --

Michael Barrett - *Magnite Inc - Chief Executive Officer*

I would say broad based across the board, obviously, certain DSPs have become stronger, you look at the strength of an Amazon in the space, that's been impressive. Certainly Mount, and we've talked about them in the partnership that they've delivered, but I think across the board you've seen strength in DSPs. I think it was one of the things that could be the unlocked, Robert, is the upfront negotiation, so they went stronger than anticipated.

But the big question mark was how much was streaming going to be a part of it because all these guys, the big ones still run linear businesses, and I think what we're finding out is streaming played a huge role in the upfronts and you're starting to see that come to fruition because those dollars don't get spent until the second half of the year into the first quarter of the year.

So I think that combined with some of the strengths of particular partners has really led to outside growth in addition to the platform switch from the DV+ spending in the open web and now spending in CTV, you add those all together and you get turbocharged growth rates.

Operator

Eric Martinuzzi, Lake Street.

Eric Martinuzzi - *Lake Street Capital Markets LLC - Analyst*

Regarding the CTV performance, I think your comment on verticals was that there was retail strength, health and fitness, financial, and then you talked about weakness in auto tech and I can't recall the third one, but there was just wondering if you're the guy has any change in the assumptions for those verticals. Is it status quo maintained, or is there an expectation of recovery in some of the weaker verticals?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I think status quo is sort of what we've been seeing. So I would say the trends that we saw latter half of November and December, are kind of continuing across the board into this first quarter. So no significant, changes on those trends.

Operator

Omar Dessouky, Bank of America.

Omar Dessouky - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Hey, guys. So Netflix, I think, recently said that they expect their ad business to double in size in 2026. So I wanted to ask you how you're thinking about your contribution from Netflix as you progress through 2026. And how that might affect the overall take rate of your business and then I have a follow-up.

Michael Barrett - Magnite Inc - Chief Executive Officer

Sure, so. Yeah, I think that, Netflix has been a terrific partner. We anticipated them to exit this year as one of our top if not top on a run rate basis partner, and that certainly has come to fruition and so we are anticipating a bigger year for them this year given their aspirations in this space.

And I don't -- from a concentration standpoint, there the take rate varies obviously on the services that we provide. In some markets we, do more than others, and so therefore I think from a blended standpoint take rate, isn't going to impact the overall up or down.

Omar Dessouky - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Okay, on Netflix in particular. So how do we think about CTV growth, as we kind of progress through 2026, right? It looks like you had a nice acceleration for the last couple of quarters, should we kind of think of an acceleration, for the next few quarters as well as you try to upsell your products as Netflix gets bigger. Is that kind of the outlook for, how you expect the year to pan out?

Michael Barrett - Magnite Inc - Chief Executive Officer

You want to grab that, David?

David Day - Magnite Inc - Chief Financial Officer

Yeah, sorry, just clarify when you say CTV growth.

Omar Dessouky - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yeah, so year on year. So if you look at the year on year growth.

David Day - Magnite Inc - Chief Financial Officer

And CTV, I mean we have CPM take rate. I'm just want to make sure we're talking the same language.

Omar Dessouky - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Growth in in contribution ex-TAC.

David Day - *Magnite Inc - Chief Financial Officer*

Okay. All right. Yeah, I mean, I think we're still, so there's -- so I think what you're getting at is sort of mixed changes overall in our take rates. And so, I think you're still -- I think our take rates on a blended mixed basis in CTV have shallowed out, so they're becoming fairly stable, but there still is a significant influx of what I would call premium inventory at our lower take rate tiers. And so I would expect -- and we're having the contribution ex-TAC growth rates that we are even at those lower levels. So I would expect that bottoming out, sort of, I think that continues, and then I think, just from a mixed perspective, we have opportunity to grow those take rates in the coming time.

I wouldn't see -- I don't see a huge inflection, an increase in that average take rate in CTV in the near term, but we're building the foundation and the opportunity to provide those additional services on the demand side and so forth where we do make a slightly higher take rate as we go forward.

Operator

Zach Cummins, B. Riley Securities.

Zach Cummins - *B. Riley Securities Holdings Inc - Analyst*

Hi, good afternoon. I'll keep the one question just given the extent of the call, but David or maybe Michael could address on this. I'm just curious of the strength you've been seeing with agencies, particularly in agency marketplaces. Can you talk about the opportunity you have there, specifically of maybe more ClearLine adoption with some of these key agency partners.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah Jack, we're very very enthused by the adoption and the volume. These things take a while to get going. There's a bit of a selling process from agency to their clients and so it's kind of a crawl walk run and the ones that have been up the longest are at run right now. And the others are in various stages. So I think that super encouraged by the model, super encouraged by the contribution for the company, and I think the stickiness is what really matters, that when they build their business with Magnite as the backbone of the programmatic marketplaces, we become more than just a vendor or a partner that can be put in competition every quarter, we become much more of a partner that's a much more strategic longer-term partner, which isn't the easiest thing to do, particularly in the DV+ world. So they've been essential to our growth and the success of ClearLine.

Operator

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

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Thank you, operator. Before we close, I want to thank our investors and our team. To our shareholders, thank you for your continued confidence in longer-term partnership. We remain focused on discipline execution, and building durable value. To our employees around the world, thank you. CTV becoming the majority of our business, the acceleration of cross streaming and our early leadership in AI-driven transactions are direct results of your innovation and commitment.

The shift towards streaming and automation is structural and still in its early innings as ad dollars move into CTV, they move into an environment where Magnite has scale, deep integrations, and meaningful market share. We believe we are building foundational infrastructure for the next era of advertising, and we are confident of our best days are ahead.

Thank you for joining us. We look forward to updating you next quarter. I'll turn it back over to Nick to cover our upcoming marketing events. Or I won't. I'll hand those to you.

Nick Kormeluk - *Magnite Inc - Investor Relations.*

Thank you, Michael. Yes, sorry, so upcoming schedule we've got Susquehanna conference now virtually tomorrow. We've got meetings in San Francisco with Needham on March 5. Sydney Roadshow on March 11, meetings in Boston with Bank of America on March 17, and Investor Lunch with Susquehanna on March 19, Kansas City with RBC on March 24, Dallas and Houston with Stevens on the 25th and 26th of March, and then San Diego and LA with Wolfe on the 30th and 31st. Thanks again all for joining.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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