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Q3 2021 Magnite Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to the Magnite Third Quarter 2021 Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Nick Kormeluk, Investor Relations. Please go ahead.

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

Thank you, operator, and good afternoon, everyone.

Welcome to Magnite's Third Quarter 2021 Earnings Conference Call. As a reminder, the comparisons you will see in the 10-Q as reported include the financial results of SpotX and SpringServe for Q3 2021. But for the third quarter of 2020, the results do not include SpotX or SpringServe given the acquisition dates of April 30 and July 1, 2021, respectively. During the course of this call, when we refer to results and associated year-over-year comparisons with the phrase as reported, we are referring to the basis as reported in our 10-Q. When we make comments referring to pro forma comparisons, we are including SpotX and SpringServe for the third quarter of 2020 in order to provide a like-to-like comparison.

Please keep in mind as it relates to SpotX and SpringServe acquisition, 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 will remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements including, but not limited to, statements concerning our anticipated financial performance and strategic objectives, including the potential impacts of COVID-19 on our business as well as statements concerning the acquisitions of SpotX and SpringServe and potential benefits and synergies we expect to realize there from.

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 2020 annual report on Form 10-K and our 10-Qs for Q1, Q2 and Q3 for 2021. 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

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onetime in nature, and we may or may not provide an update on the future -- in the future on these metrics.

I encourage you to visit our Investor Relations website to 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.

Michael, please go ahead.

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

Thank you, Nick. It's been a busy 3 months spread since our last call, especially since we just hosted all of you on September 15 for our Investor Day, which, if you missed, I would highly encourage you to review.

(technical difficulty)

Formats and channels, which combined were up 89% as reported or 26% on a pro forma basis. Our results are strong, but were tempered with some late Q3 supply chain-related ad cancellations, which we have also experienced early in the fourth quarter. Despite this temporary headwind as well as a tough political advertising comp from last year, we still exhibited very strong financial results again this quarter.

I'll first cover some quick performance highlights. CTV revenue ex TAC grew 51% on a pro forma basis. Our DV+ business grew mid-teens revenue ex TAC year-over-year on a pro forma basis. DV+ is comprised of our mobile and desktop businesses, which grew 18% and 11%, respectively.

Adjusted EBITDA margins on a revenue ex TAC basis came in above expectations at 35%, and we generated $34 million in operating free cash flow, which we define as adjusted EBITDA less CapEx. This quarter, CTV represented 38% of revenue ex TAC and now represents the largest portion of our business.

After closing the SpringServe acquisition this quarter, we are in an even stronger position to capture and gain share in CTV with the addition of a strategic ad server. The work we have done has created an industry-leading CTV market position with the ability to serve a broad set of customer types with many different products and services to fuel future growth as the only independent end-to-end monetization platform. It bears repeating that we now have significantly widened and strengthened the customer segments we serve across device OEMs such as Roku and Samsung. Virtual MVPDs, such as Sling and Hulu. Digital-first platforms, such as Pluto and Tubi. And of course, major broadcasters and programmers such as Discovery and Fox, creating deeper, more strategic, more durable partnerships.

In addition, we have also meaningfully expanded our service offering to touch more inventory in transaction types. And our CTV revenue includes not only fees from Magnite managed auctions, but also fees from publisher direct-sold deals, managed service revenue, ad serving fees and value-added service fees. And we now participate in every part of the CTV buying process, direct, upfront and programmatic through our technology solutions and our managed service offering.

It is clear that IDFA removal has affected some industry players. I want to be clear, we are not one of them despite seeing well over 80% adoption of iOS 14.5 on our platform. Our business doesn't participate in app downloads, and we have very little social advertising, thus limiting our exposure. Further underpinning this point, we have seen a shift from iOS to Android in spend and better-than-expected CPMs from iOS opt-outs, approximately 20% lower than opt-ins. Keep in mind that iOS revenue as a percentage of our total revenue ex TAC is in the mid-single digits and there is 0 CTV revenue in iOS.

As a reminder, on the third-party cookie front, Google continues to plan to eliminate third-party cookies in Chrome toward the end of 2023. We continue to believe that first-party publisher segments collected in a privacy compliant manner will be the future of identity solutions and that SSPs will be a driving force behind this transition. This is an area where we are positioned extremely well.

Now I'd like to go into greater detail regarding the components of our ad spend to provide additional color. I'll start with the strongest

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performing sectors in Q3. Tech, health and fitness, home and garden. Retail and financial verticals continued to be the strongest performing year-over-year sectors, and this is on top of a very strong Q3 2020.

Year-over-year growth rates in this group range from 16% to 45% and compared to pre-COVID levels, the 2-year stacked growth rates are all above 45%, up to a high of 88%. These sectors also jointly comprise a significant portion of industry ad spend. One additional vertical that showed strength in Q3 is arts and entertainment with the return of movies, live sports and TV productions, which was up over 70% year-over-year.

While we are focused on moving large linear TV budgets over to CTV from leading national advertisers, we're also seeing traction moving smaller advertisers over to CTV in particular with respect to mid-market and regional campaigns. REI started with us in Q2, tripled in Q3 and is on pace for another big sequential increase in Q4.

CDW, who works with us through GroupM, entered live sports CTV advertising this quarter, and we ran CTV campaigns for the Tennessee Titans, Advance Auto Parts and North Face. The weakest performing sectors in Q3 relative to last year were political, automotive, hobbies and food and beverage. Travel is also still down double digits in a 2-year stack, but up over 50% off a low base in Q3 of last year. At a high level, we expect these trends to, by and large, persist into Q4.

We continue to see strength in retail, tech and home and garden and weakness in auto driven by the chip shortages and travel due to ongoing COVID concerns. The team has been very busy this quarter and there's a number of key wins worth mentioning. We announced in conjunction with the Trade Desk and AMC Networks, a new solution that allows TV programmers to deliver addressable ads programmatically on linear TV.

Quigley Simpson, a full-service agency specializing in brand and performance marketing, made a spend commitment and selected Magnite to serve as the agency's preferred SSP; specifically, for our strength in CTV to address performance marketers' needs. Fubo selected us this quarter as its preferred SSP with a focus on live sports in CTV. Network Seven in Australia successfully used our platform during the Olympics, leveraging our advanced tools to more effectively manage large bursts of inventory during live sporting events.

In addition to these client wins, I'm proud to announce Magnite won 2 big AdExchanger Awards last week at Programmatic I/O in New York. First, our CTV platform swept the best video technology for Media Suppliers Award, which recognizes innovative and powerful publishing facing tech in the video space. Our entry included success metrics from our work with AMC Networks in the Trade Desk.

Second, we won the best seller-focused Technology Award for our Demand Manager solution. This award recognizes vendors that excel in helping publishers build stronger and more sustainable businesses and illustrates how Demand Manager helped the weather company, with their ad rendering speed, spend diversification and scale.

As you can see, it's been a very busy and productive quarter for Magnite. Thanks to the tireless efforts of the Magnite team, we continue to deliver our customers a valuable and highly differentiated solution. We are the only scaled independent omnichannel solution in market and are confident that we will continue to gain and grow share in CTV and DV+ in the quarters to come.

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

David L. Day *Magnite, Inc. - CFO*

Thanks, Michael. We're pleased to announce a very solid Q3 to provide some more detail on results and to provide our outlook for growth in Q4. Total revenue for Q3 was $131.9 million. Revenue ex TAC was $114.1 million, up 89% from Q3 2020 on an as-reported basis and up 26% on a pro forma basis. CTV revenue ex TAC was $43.1 million in Q3 2021, almost quadrupled from $11.1 million last year and was up 51% on a pro forma basis. Mobile revenue ex TAC grew 18% and desktop revenue ex TAC grew 11% year-over-year, both on a pro forma basis. Mobile and desktop combined now comprise what we call DV+ or display, video and all other.

Our revenue mix for Q3 2021 on an ex-TAC basis was 38% CTV, 36% mobile and 26% desktop. Operating expenses, which in our case, includes cost of revenue, for the third quarter were $155.8 million versus $71.9 million in the same period a year ago. Increases were

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primarily driven by the inclusion of SpotX. Adjusted EBITDA operating expenses, which represents the difference between revenue ex TAC and adjusted EBITDA were $74.1 million for Q3 as compared to $46.6 million in Q3 2020, also driven primarily by the addition of SpotX.

Costs were lower than expected, driven by a postponement of our return to office, lower anticipated marketing event spend and reduced travel and entertainment costs. In addition, like many companies, hiring the right talent is taking longer in the current environment. Regarding SpotX acquisition-related cost synergy goals, we've realized more than half of the $35 million in run rate synergies that we targeted.

The next phase of synergy savings is on track and expected to occur as we migrate to one best-in-class CTV platform for our publishers and buyers in the future. Net loss was $24.3 million in the third quarter of 2021 as compared to a net loss of $10.5 million in the third quarter of 2020. The increase in net loss was primarily attributable to an increase in amortization of acquired intangibles related to the SpotX acquisition. Adjusted EBITDA was $40 million, resulting in a margin of 35% as compared to an adjusted EBITDA of $13.7 million or margin of 23% in the third quarter of 2020, driven by continued revenue growth in our legacy business and by the addition of SpotX.

Note that we calculate our adjusted EBITDA margin as a percentage of revenue ex TAC. GAAP loss per share was $0.18 for the third quarter of 2021 compared to GAAP loss per share of $0.10 in the same period in 2020. Non-GAAP income per share in the third quarter of 2021 was $0.14 compared to non-GAAP income per share of $0.06 reported for the same period in 2020. There were 131 million weighted average basic shares and 146.3 million weighted average diluted shares outstanding for the third quarter of 2021.

Capital expenditures, including both purchases of property and equipment and capitalized internally used software development costs, were $6 million for the third quarter of 2021, in line with our expectations.

Operating free cash flow was $34 million in the quarter, which we define as adjusted EBITDA less CapEx. As a reminder, our acquisition of SpringServe closed on July 1 with cash consideration of $31 million. Our interest expense for Q3 2021 was $7.3 million, of which roughly $6 million was cash. At the end of Q3, we had $188 million in cash on the balance sheet. The slight reduction from Q2 was primarily impacted by the $31 million paid for the SpringServe acquisition and cash interest costs, offset by cash flow generated from operations.

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.

I will now share our future expectations. We expect revenue ex TAC for the fourth quarter to be in the range of $138 million to $142 million. We expect revenue ex TAC attributable to CTV for the fourth quarter to be in the range of $52 million to $56 million. We expect that CTV will have solid growth in Q4, even with pressure on automotive and travel spend, as Michael mentioned, tough political comps and an abnormally strong finish to Q4 2020.

We believe these factors are transitory and will improve in 2022. We expect that adjusted EBITDA operating expenses in Q4 will be $79 million to $81 million. The sequential cost increase in Q4 is primarily due to increased cloud computing costs related to seasonality, return of some marketing expenses and office-related expenses due to new office leases.

As a reminder, we expect that return to office, marketing and travel costs will add an incremental $3 million to $4 million per quarter in operating expenses next year. Based on the midpoint of our expected revenue ex TAC and adjusted EBITDA operating expense ranges, we expect adjusted EBITDA margin in Q4 to be approximately 43%. We expect the CapEx for Q4 2021 will be roughly $8 million.

We expect CapEx in 2022 to be in the range of $35 million to $40 million. We continue to target long-term annual revenue ex TAC growth of 25% and adjusted EBITDA over revenue ex TAC margins of 35% to 40%. We are thrilled with the progress our teams are making, especially considering all that they've had to accomplish and to integrate with our 3 merged and acquired companies, all while working remotely. Q3 continue to show the powerful financial leverage we have in our business model, with strong adjusted EBITDA margin expansion that comes with our revenue growth.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from Laura Martin with Needham.

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

Congratulations on good numbers. My first question is on the growth drivers for CTV. So your CTV pro forma revenue growth was 2x the average. Could you tell us, is that -- are you getting new customers in CTV? Are you getting more ARPU, larger budgets? Are you getting -- is it CPM premium that CTV gets that's driving the growth of CTV twice the average of the entity?

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

Yes. Laura, it's Michael. I will jump on that first and David can provide additional colors. Yes, I think it's a little bit of all the above. I think what we're seeing is in terms of same-store sales, if you will, just increasing opportunities with the supply clients, the publishers that we have on board. And I think that, that's kind of a natural evolution that we've talked about, and that is there's some reticence if you're a publisher, whether you're CTV or not, when you enter into the programmatic world, if you're used to direct sold inventory. And a little by little, you start to see that programmatic is complementary, if not, even higher monetization than direct sell and more inventory is freed up as a result of that furthering the growth rate in that area for it.

David, I don't know if you have color on CPM or anything like that.

David L. Day ***Magnite, Inc. - CFO***

No, I don't think I have anything to add. CPMs have been consistently strong throughout the year. No significant changes there. But they're -- as we all know, they're very high. Typically in the $20-plus range in CTV.

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

Okay. Great. And then my second question, and then I'll get back in queue is with SpringServe, you were sort of hoping that we would make some inroads into FreeWheel. Any update on your competitive position now that you're the only independent end-to-end? Do you have any new business wins for us away from them yet?

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

None that we're going to talk about right now, Laura. But traction is really positive in that, again, and as you well know, but for the benefit of others, the idea of SpringServe as part of Magnite wasn't this rip and replace a FreeWheel. It was more as a complement to present ad-serving options that the CTV publishers have and it would allow us to get access to inventory primarily -- private marketplace deals or PG programmatic guaranteed deals that we wouldn't have access to before. And that's bearing itself out, and we'll definitely be able to share more color as the quarters go on.

Operator

Your next question comes from Shyam Patil with Susquehanna.

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

Just had a couple of questions. I was wondering, just first, if you guys could just talk a little bit about just how you're feeling about your positioning and execution in the CTV space. And David, you just talked about it a little bit just now, but in your prepared remarks, you talked about some of the headwinds in the fourth quarter for CTV. Could you just elaborate on each of those? I think you called out a few.

And then second question, Michael, I think you called out some verticals where you were seeing some issues. And I was just curious with

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the -- with all the concern around the global supply chains and disruptions, if those were to get worse in the fourth quarter, where do you think you would show up? I mean, do you think it would show up kind of across the board? Do you think it would be in certain areas of programmatic, but not in other areas? Just kind of curious for your take on that.

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

Sure. And why don't I go first because it will dovetail into David's comments that were specifically related to CTV for Q4 from a forecast standpoint -- or guidance, rather. Yes, so it's interesting. I think generally speaking, if there are supply chain, it exacerbates which it's -- that's not what we're sensing and when we talk to our agency partners and advertisers. We're sensing that there are some sectors, verticals immune to the supply chain challenges and others that are severely impacted by it.

And by and large, those sectors spread out pretty evenly across the platform, DV+, CTV, maybe a percentage point difference here or there with one large exception, and that is, as you know, we have this managed service business, which focuses a lot on kind of middle market advertisers. And there, we have a disproportionate contribution of the auto sector in that vertical -- in that go-to-market team.

Why is that? Well, one of the largest regional advertisers are the big rooftop car dealerships. And they've found CTV, enjoy it immensely, and they're the biggest affected by supply chain if they don't have inventory to sell. It's very hard to justify advertising. And so with rare exception, it's pretty much across the board, but a little bit -- a significantly higher index of auto in the CTV number through the mid-market team and travel, regional tourism is over-indexed on that team as well. So those 2 sectors being particularly hurt, one by COVID, one by supply chain. It impacts CTV disproportionately.

I don't know, David, if you have more color on that, that you'd like to share.

David L. Day ***Magnite, Inc. - CFO***

Yes. Let me quantify that a little bit. And first, we feel great about our momentum heading into Q4, we feel like it will be a strong quarter. From a comp perspective, if you were to remove political from 2020 Q4, our guide straight up is about a 23% year-over-year growth in CTV. If you were to remove the political comp, you get to the low 30s in a year-over-year growth scenario.

And if we look at the weakness that Michael mentioned in travel, in automotive, we believe that's impacting us to perhaps $3 million to $4 million in CTV in Q4. And if you factor that in, we're at about a 40% year-over-year growth rate. And so with the comp issues and with this -- what we think are transitory issues from a supply chain perspective, we feel good about Q4. And hopefully, that helps to quantify that impact a little bit.

Operator

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

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

David, I want to start off with one for you. Just curious if you can maybe give us an idea of kind of the methodology as you go into the Q4 guide? Because per Michael's commentary, it sounds like some of the disruption that you recognized maybe started at the tail end of Q3. And obviously, we're only about a month into Q4. So just curious how you're factoring that into the guide, whether it's a continuation of what you saw late in Q3 or if you're anticipating maybe some verticals having a little bit more of a hiccup than you're seeing right now?

David L. Day ***Magnite, Inc. - CFO***

And as you mentioned, yes, our guide anticipates and includes some of that softness in those sectors. And it assumes -- our guide assumes that the softness that we've seen in September and what we've seen in October continue throughout the rest of the year. And so it's been -- we think that's been stable on October, and that's what we've reflected in our guide for the quarter.

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

Got it. Michael, maybe one for you. Now that you've fully acquired SpringServe. Can you give us a little understanding of how you go to market with that solution? Because obviously, there's greater market share for Magnite out there than there is for SpringServe. So how do you utilize your Magnite market to kind of promote the SpringServe ad server and try to grow volume or usage there?

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

Yes. Great call, Jason. And it's in flight, right? The belief is that is the SpringServe stand-alone ad serving business is a strong business and by and large, that business is -- from a go-to-market standpoint, represented by folks that still carry the SpringServe business card, if you will. Obviously, in cases where Magnite has a deep relationship with a publisher, we utilize that relationship with Magnite and make the introduction. Where it gets interesting is when we're talking about Magnite demand going through SpringServe and working with clients in that respect.

And then that's very much of a coordinated effort with Magnite as the lead in that case. And so the great part about SpringServe being part of Magnite is not just investment in the current product road map, access to the hundreds of engineers and product folks that we have, but also expansion globally. As you know, we have a big footprint in APAC, a big footprint in EMEA. SpringServe has largely been not in those markets. And so we see that as a huge opportunity to lead through Magnite's presence in the marketplace to kind of start on third base as opposed to a cold start that would normally occur as SpringServe being part of Magnite.

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

Perfect. And I'm going to try to sneak in one last one on connected TV. So obviously, we're seeing some disruption from things like IDFA in the market, and I understand, per your comments, you aren't seeing that, but over time, we've talked about CTV potentially being this flight to safety because it's not impacted by cookies and because it's not impacted by mobile IDs. And I get that some maybe verticals are seeing pressure and whatnot, but do you believe that we're seeing that flight to safety kind of happening in any of these end markets? Or do you still think that CTV can represent some type of a safe haven longer term as that market isn't being disrupted like other channels are?

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

Yes. I mean I think that on the edges, there's a lot of opportunity for CTV. You read a lot about the advertisers that have stalled their campaigns or stopped spend or decreased spend because they're having a really challenging time working with attribution and customer acquisition costs, et cetera. Those guys are extraordinarily lower funnel, they are extremely sophisticated mobile advertisers. To think that they might jump from that world right into the world of CTV is probably a bit of a stretch. And those are the guys that spend $1,000 a day, $5,000 a day on the Facebooks, the Instagrams, et cetera.

But then there's a whole other slew of marketers that do social video advertising that have much larger campaigns that also take into account brand attribution that I think are perfect. And our team is set up for that, Jason. We have a team that goes after those brands, those performance-oriented brands that have a national budget that we think can transfer over, and we're having a good deal of success there. We think that it kind of stays with the line that we've been saying is that CTV is kind of democratization of advertising. It's not just the top 200 M&As, it's going to be 10,000 advertisers, and it's bearing itself out.

Operator

Your next question comes from Shweta Khajuria with Evercore ISI.

Ben Chukwuemeka

This is Ben on for Shweta. I just want to ask a first question on CTV. Is there any way that you can break up? You talked about your new and existing partnerships with various publisher groups, so from MVPDs to OEMs, major content producers. Any way to break up the relative size of those segments by revenue in terms of contribution to CTV revenue and then which are the fastest growing?

David L. Day ***Magnite, Inc. - CFO***

Yes, this is David. Yes, we haven't really shared those -- that breakout externally. And I would -- there's really not any segment that's that significantly, more quickly or more slowly, growing than the others. We've really got momentum really across the board.

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Ben Chukwuemeka

Okay. If I could just ask another one on -- at your Analyst Day, you shared a stat about Demand Manager adoption and being, I think, 20% of total Prebid request. Do you think you can get that to 50% plus? Can you just talk about progress there, how you get there? I understand that the advertisers that spend at that spend using Demand Manager are a lot more valuable. Just any color you could provide there.

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

Yes, sure. So yes, so as you heard at the Investor Day, we're incredibly bullish about Demand Manager as a stand-alone product, but also as this kind of wedge to be able to get more business from our publishers, primarily in the PMP PG area. And so as we talked about the -- when we first launched Demand Manager a couple of years back, the sweet spot of the marketplace was publishers that were sophisticated that had a direct sales team themselves, but weren't so large that they can afford internal resources to run Prebid on its own, right?

And so those were the low-hanging fruit, but they were kind of middle-sized to a little bit further down the chain, if you will, in terms of size. And the sales cycle was going to be longer and the big enterprise folks like weather, it was going to take a while to understand why they would pay for a product that they're kind of using for free and then they understand the internal costs and the development cycles and how quickly we have improved on the product.

And so that's the exciting realm that we're kind of in this new area where we're knocking down these enterprise publishers and that's, I think, how you get to 50%, right? If you win one of those guys in terms of the number of impressions that flows through the system versus the smaller folks, you don't nearly need as many clients to achieve that. So we think we're extraordinarily well positioned.

And as the battle moves from cookie deprecation, so having header bidding on the page doesn't make as much sense anymore to having a complete server-to-server solution, that really becomes a really tough -- a tough road for publishers to manage that themselves, and we think that even provides greater incentive to work with Demand Manager.

Operator

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

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

Yes. if I could just dig a little bit deeper on the supply chain issues. Thank you so much, David, for quantifying some of the Q4 impact. Is there any way we can give a little more color on the exact Q3 impact? Or maybe how the quarter was trending early or mid-September? Just trying to kind of separate out the things you can versus you can't control in the quarter.

David L. Day ***Magnite, Inc. - CFO***

Yes. I mean, obviously, the trends that we quantified $3 million to $4 million were over the full quarter. And I think those trends, we really start to observe probably over the month of September. So that's how, I guess, I'd quantify that impact for the third quarter, 1/3 of those levels, I guess.

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

All right. I'll bust out my calculator and I can figure that one out. So going back to more company specific. So at Investor Day, we talked kind of about a company-specific TAM around 23% of your current mix. So as we're seeing CTV go up as a percentage, that 3-year CAGR now feels like it might already be pretty close to 25%. Can you just talk a little bit about how to think about that long-term guidance we've been given of over 25% relative to that market growth as CTV takes on a larger portion of revenue?

David L. Day ***Magnite, Inc. - CFO***

Yes. So CTV revenue growth, Magnite just came out with a 34% growth for next year, others have got growth at a higher level. And so we think those levels are sustainable and we think we can take share. If you'll notice also from an overall revenue perspective, desktop,

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which is expected to be sort of flat, grew 11% in the quarter. And so that shows that we're taking share in other areas in addition to CTV. And so we feel strongly that seeing a revenue -- overall revenue growth of over 25% is achievable. And to your point, as CTV continues to grow as a percentage of our total revenue. By definition, that will have upward support for overall revenue growth rates.

Operator

Your next question comes from Tim Nollen with Macquarie.

Timothy Wilson Nollen ***Macquarie Research - Senior Media Analyst***

It's on CTV as well, maybe more TV broadly. You guys have such a great position representing so much inventory across TV. And now I guess more with linear as well, this AMC Networks deal, I think, is interesting. My question is measurement is a huge topic right now in the industry. And I'm wondering if you could talk a little bit about what measurement services you use and what things you see coming down the pipe and how you think the whole measurement of TV and CTV evolve over the next year or 2?

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

Yes, great question, and I'll hit it. So generally speaking, as an exchange advocate of the publisher, we work with every buyer underneath the sun and many come with their own request. We want this campaign measured this way, we want this campaign measured this way with that third party. So we have to necessarily work with everybody.

We're kind of not in the business of being a kingmaker. We're just the facile person with APIs that are able to work with any measurement service. We do proactively work with a handful to create audience segments based upon their measurement to help buyers, particularly in the managed service area and have several relationships there. But again, I think our role is to be open to any new credible form of measurement that's requested in the marketplace and will support it.

As it relates to how it evolves, it's going to be extraordinarily interesting. You have NBC doing an RFP for a new measurement vendor. Obviously, Nielsen is involved in that RFP, but so are a lot of other start-ups and newer companies. And then you have the folks like a Roku or a Hulu that have their own measurement within their own walled garden and aren't really sharing outside of it, which isn't helping with the overall adoption of CTV.

So I would say the bright spot about measurement is it's acknowledged that it's an area of growth, an area of improvement. And if we're seeing this kind of interest in CTV with SWOT measurement, when the industry gets its act together, I think that will be a real catalyst to be able to propel growth even further.

Timothy Wilson Nollen ***Macquarie Research - Senior Media Analyst***

And maybe if I could tack on related question, which is about ad fraud, which kind of comes and goes as a topic, and I have been reading a bit more about it lately in terms of ad fraud in the CTV space. Any comments you can make on kind of the status there and what you can do to help prevent that?

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

Yes. So again, in that respect, when we run a platform, we work with all the leading vendors in the fraud area to make sure that the inventory is so-called washed. And I think that the fraud that is somewhat prevalent in the industry is largely outside of Magnite because we have direct relationships with the publisher and we get the signal directly from them that it's a lot easier for us to -- from an inventory quality standpoint to ensure that this is exactly what they said it was. So I think that you'll find on Magnite, it's a pretty well curated, well lit, low -- very low fraud environment.

Operator

Your next question comes from Nick Zangler with Stephens.

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

Obviously, Snap and Facebook felt the brunt of Apple's privacy changes. And I think you kind of alluded to this and talked about it before, but do you believe ad spend shifted out of social media in totality where you don't play and into the open Internet or CTV as you talked

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about earlier? And does that -- did that benefit results at all? Or it sounds like this could be a long-term issue for social media players. So is this a catalyst for the open Internet as we push forward?

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

Yes, Nick, this is Michael. Good question. I believe so long term, yes. But there is a class of advertisers that really became expert at advertising in the mobile ecosystem and relied heavily upon IDFA that they're not going to be able to shift their spend overnight, right? They're just so used to that ecosystem, the attribution measurements they've grown to trust their models are based upon from a conversion and lifetime value of the acquisition.

All those things have to be reworked not unlike an advertiser that's lived on Nielsen household ratings and linear TV having to get used to more of the measurement in CTV. And so I think there's no question the open web will be a beneficiary from that. I just think there'll be an evolutionary -- an evolution period where these marketers will have to tweak their models, get comfortable with new methodology, new attribution and continue from there.

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

That make sense. Additionally, I read that Disney has created a data clean room to match advertiser CRM data with their first-party data, obviously, utilizing that for targeting efforts. And details are scarce right now, but Disney is obviously a big partner for you guys. I'm just curious what are the implications here? Is Magnite involved? And do you envision other publishers following suit?

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

Yes. So not to talk about Disney specifically because like you, it's a relatively new concept for them. And belief would be that if it's done programmatically and it's the type -- the business that we currently have relationships with that would flow through the pipes, the Magnite pipes. So there wouldn't be any adverse impact to us. I do think you're going to see more of that. I don't think every publisher can stand up their own clean room, but it goes to show you how zealous publishers are about guarding their user information, right?

They have -- they're sitting on this mountain of information that, to date, hasn't really been acknowledged in the buying community. It's been a third-party cookie world with third-party data that has really ruled the ecosystem. And I think publishers are clearly seeing a shift and buyers are starting to acknowledge this is really good information. They have a direct relationship with the consumer. It's a consented consumer. I'm going to be able to target very well.

And so the idea of running your own clean room isn't as outrageous as it might have been 2 years ago. I do think you have to have a level of sophistication and size to warrant it. We obviously talked about our clean room technology and multiple publishers use that, but I do think you'll see more folks get their toe in, in that area, but they're going to be the very large platforms like the pluses as opposed to a normal-sized streaming and/or otherwise publisher.

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

Got it. That makes sense. Very helpful. Best of luck going forward.

Operator

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

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

Thank you, Kayla. I'm so proud of how our team has worked remotely to bring this company together and serve our wonderful clients each day, and I'm thrilled to keep updating you on our progress, both in these settings and during the many investor meetings we have scheduled. Thank you for joining us for our Q3 results call. We look forward to talking to many of you at virtual investor meetings hosted by SIG tomorrow, conferences by Craig-Hallum on November 16, RBC on November 17 and Stephens on December 2 and Needham on January 12.

Thanks again for joining. Have a great evening.

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Operator

The conference has now concluded. Thank you for joining the call. You may now disconnect.

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