CORPORATE PARTICIPANTS

David L. Day  Magnite, Inc. - CFO
Michael G. Barrett  Magnite, Inc. - President, CEO & Director
Nick Kormeluk  Magnite, Inc. - VP of IR & Head of Global Real Estate

CONFERENCE CALL PARTICIPANTS

Aaron Flack  Susquehanna Growth Equity, LLC - VP
Arthur Chu  BofA Securities, Research Division - Associate
Daniel Louis Kurnos  The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst
Daniel Paul Day  B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst
Jason Michael Kreyer  Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst
Laura Anne Martin  Needham & Company, LLC, Research Division - Senior Research Analyst
Matthew John Swanson  RBC Capital Markets, Research Division - Associate VP
Shweta R. Khajuria  Evercore ISI Institutional Equities, Research Division - Analyst

PRESENTATION

Operator

Good day and welcome to the Magnite Q4 2023 Earnings Conference Call. (Operator Instructions) After today’s presentation, there will be an opportunity to ask questions. (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 fourth quarter 2023 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 highlights slides on our Investor Relations website to accompany today’s presentation.

Before we get started, I will remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements including but not limited to statements concerning our anticipated financial performance and strategic objectives, including the potential impacts of macroeconomic factors on our business. These statements are not guarantees of future performance. They reflect our current views with respect to future events and are based on assumptions and estimates and are 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 2023 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 in the financial highlights deck that is posted on our Investor Relations website. At times, in response to your questions, we may offer additional metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be 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 and 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 G. Barrett - Magnite, Inc. - President, CEO & Director

Thank you, Nick.

I’m pleased to report results for Q4 that once again exceeded our top-line guidance for Contribution ex-TAC across all business lines while delivering very strong profitability and free cash flow. Our DV+ business performed particularly well delivering Contribution ex-TAC growth of 11% and CTV rebounded nicely from Q3 exceeding the high end of our guidance.

To start 2024, our momentum has been especially strong with our CTV business. We are encouraged to see these positive trends and are optimistic they will continue. We’re pleased to report that we finished 2023 with total ad spend over $5 billion, representing growth approaching 20% with CTV ad spend growing above 20% for the full-year. For 2024, we expect ad spend growth to accelerate on a full-year basis over 2023. We believe this represents continued market share gains for Magnite. Our CTV platform is best in class, which is validated by our strong and growing partnerships with the majority of the largest industry players, including Roku, Warner Brothers Discovery, Paramount, Disney, Fox, Samsung, LG, and VIZIO.

These partners continue to rapidly expand their programmatic advertising efforts and investments that will drive meaningful industry growth for the next several years which we believe will fuel additional Magnite growth. Streamers just entering ad-supported programmatic such as Prime Video and the new sports partnership between ESPN, Fox, and Warner Brothers Discovery all of which are important Magnite partners are also going to drive industry growth and provide additional opportunities.

As the market matures and the landscape of TV ad buying continues to evolve, we are very confident our role and the services we provide will expand. We believe we are uniquely suited to accelerate partner success in CTV based on our strong value proposition. There are a number of key reasons we are positioned to continue growing market share. #1, we offer a complete solution including the industry-leading programmatic CTV ad server SpringServe combined with the most advanced streaming platform Magnite Streaming.

#2, we have industry-leading tools supporting sports and live advertising. 3, we offer advanced data and audience solutions. 4, we are facilitating the rapid growth of new buyers entering into the CTV ad market, including direct buying who are ClearLine product. And last but certainly not least, 5, we’re independent.

Today, I want to spend a little more time on CTV and sports as this is a highly technical and complex part of the CTV ecosystem where we have a strong offering and leadership position. Historically, almost all sports advertising has been done by sellers directly. But we believe this is a tremendous opportunity for us in the future as more of this inventory goes programmatic. This remains a key investment area for us. In sports, you have an extremely valuable and engaged audience that can spike exponentially at any moment, making it ideal for programmatic. Delivering real-time demand that matches the viewing audience and meets all the complex TV rules, takes massive scale and technical execution that greatly exceeds typical programmatic CTV needs.

Our technology is unrivaled with features such as LSA, or live sports acceleration, a technology that helps better monetize live inventory by increasing ad pod fill rates without impacting the user experience. We support all of the largest sporting events, including all of the major North American professional leagues, NFL, NBA, MLB and NHL, college football and basketball, international events such as the Olympics, Cricket World Cup and World Cup soccer, and other sports such as tennis and golf.
Beyond our prowess in sports, our publisher partners are increasingly reaping the benefits of our holistic solution, which leverages our ad server and SSP to enhance monetization and efficiency. Much of our CTV business is enabled through advanced integrations with our ad server. As a reminder, ad serving puts us one step closer to the publisher and creates a stickier relationship. With SpringServe, our platform is deeply embedded within the client workflow and becomes a central technology in their overall monetization strategy.

Now more than 3/4 of our streaming partners use both our SpringServe technology and SSP services. That compares to less than 50% at the time of the SpringServe acquisition. The wins at SpringServe also keep coming, especially on an international basis. The most recent additions or expansions include iHeart, Virgin Media, Wurl, and Crackle to name a few. In CTV, we saw Amazon make a big move by opting all Prime Video viewers into an ad-supported tier in late January. This is part of a continuing trend, premium streaming platforms adopting ad-supported tiers. We believe Prime Video launching an ad-supported tier will be a lift for the whole streaming ecosystem, including Magnite.

Let me explain. Prime Video has a reported 200 million subscribers. That is a massive scale. Linear-only advertisers can't ignore that reach. Therefore, more linear dollars will shift to streaming. Of course, the top TV advertisers will be a part of the shift, but more importantly, Prime Video will drag over thousands of Amazon merchants into CTV. And these merchants are used to purchasing ad inventory programmatically with advanced targeting. This cohort will help realize streaming’s capabilities, advanced performance targeting, and scale.

Over time, these advertisers will sample other platforms to drive performance results. This will help the entire ecosystem. But Magnite does not have to wait for this transition to occur to benefit from Prime Video's ad tier. Amazon syndicates more broadcaster and cable content than any other streaming service. By some accounts, 50% of all Prime Video content consumed is broadcast and cable shows. Our broadcast and cable partners rely on us to monetize their share of this inventory. So as their ad supply grows on Prime Video, so too do our revenue opportunities.

We have already seen a surge in partner inventory. We expect Prime’s success will be greatly driven by the syndicated content and Magnite is perfectly positioned to participate in these economics.

Now moving over to DV+. We finished the year with growth of 10%, capped by 11% contribution ex-TAC growth in Q4. I am incredibly proud of our team’s efforts and extreme focus on buyers’ needs to drive these results. We’re also improving monetization for sellers by investing in formats such as native, audio, podcast, and digital out-of-home. Our road map of new product innovation in DV+ has never been stronger in the 7 years I've been at the helm at Magnite. Our growth in DV+ has also been supported by our adoption of AI. Our technology uses AI to filter the best impressions out of the more than 1 trillion ad requests per day in order to deliver the highest ROI to the right client over and over and over.

We also continue to invest in other AI tools that we have built into our client solutions such as Demand Manager, which uses machine learning for dynamic auction optimization and management of price floors to lift revenue. In industry development, which has received a lot of attention is Google’s plan to deprecate third-party cookies this year. We have been preparing and are ready for the next chapter in the cookieless world. We intend to fully support Privacy Sandbox as well as all the other leading alternative identity solutions.

In addition, we are continuing to invest in our own audience capabilities to help publishers better monetize their first-party data. Ultimately, we believe the elimination of third-party cookies will strengthen our market position as competitors will struggle to support new third-party solutions and do not possess the scale necessary to support first-party segment creation.

In closing, we feel very good about our business, particularly driving a return to growth in CTV. Now that our platform consolidation is in the rearview mirror, we are in a position to focus our engineering and product efforts exclusively on delivering cutting-edge tech that will further cement our leadership position in the industry.

With that, I'll turn the call over to David for more detail on the financials. David?
We are pleased to close another strong quarter and year for Magnite. As Michael mentioned, fourth quarter results for both CTV and DV+ Contribution ex-TAC exceeded the high end of our guide. We also reported an adjusted EBITDA margin of 43% for the quarter, which is above the high end of our guidance range. For the full-year 2023, we generated Contribution ex-TAC of $549 million, ad spend surpassing $5 billion, adjusted EBITDA of $171 million, and over $100 million of free cash flow. Total revenue for Q4 was $187 million, up 7% from Q4 2022. Contribution ex-TAC was $165 million, up 6%. CTV Contribution ex-TAC was $64 million, beating our guidance, and was down 2% from last year.

CTV Contribution ex-TAC was pressured in the quarter as we had expected, by mix shift and managed service softness trends, which we've discussed in the last several quarters, but showed marked improvement over the third quarter. DV+ Contribution ex-TAC was $102 million, an increase from $92 million or up 11% compared to last year, and it continues to be an area of strength, as Michael mentioned. Our Contribution ex-TAC mix for Q4 was 38% CTV, 44% mobile, and 18% desktop. Geographically, our international investments are paying off and results continued to outpace our U.S. results led by our DV+ business with new publisher wins and overall volume growth.

From a vertical perspective, automotive, health and fitness, travel, and retail were our strongest performing categories. Categories that did not perform as well were business services, home and garden, and financial services, and political was also down significantly as we cycled the election spend from 2022. Total operating expenses, which includes cost of revenue for the fourth quarter was $152 million, a decrease from $204 million in the same period last year.

A primary driver of the decrease from last year was the accelerated amortization resulting from the consolidation of our legacy platforms into Magnite Streaming, which was completed in July. Adjusted EBITDA operating expense for the fourth quarter was $95 million, at the midpoint of our guidance range, up 3% from last year. Net income was $31 million for the quarter compared to net loss for the fourth quarter of 2022 of $36 million. Adjusted EBITDA was $70 million and adjusted EBITDA margin was 43% for the quarter, which compares to $64 million and a margin of 41% last year.

As a reminder, we calculate adjusted EBITDA margin as a percentage of Contribution ex-TAC. GAAP earnings per diluted share was $0.16 for the fourth quarter of 2023 compared to a loss of $0.27 for the fourth quarter of 2022. Non-GAAP earnings per share in the fourth quarter of 2023 was $0.29 compared to $0.24 reported last year. The 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 $326 million, an increase from $311 million at the end of last quarter. Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs were $12 million for the quarter. Operating cash flow, which we define as adjusted EBITDA less CapEx, was $59 million for the quarter. Our net interest expense for the quarter was $8 million.

As we announced earlier this month, we successfully refinanced our credit facilities that we had entered into in connection with our SpotX acquisition in April 2021. Our prior structure consisted of a revolver with a capacity of $65 million and a Term Loan B with a balance of $351 million outstanding. We replaced this facility with a new $365 million Term Loan B and an upsized $175 million revolver. We believe that these new facilities provide significant benefits and flexibility to Magnite. First and foremost, the new debt structure removed the springing maturity covenant tied to our convertible notes due in March of 2026, which would have accelerated the maturity date of all term loans and made them current in December of 2025, absent refinancing of the converts.

Under our new credit facility, we now have maximum flexibility with our converts and can either repay them at maturity or repurchase them earlier depending on our view of the trading discount. Second, we were able to upsize our revolver from $65 million to $175 million with a lower interest rate, which increases our liquidity profile and gives us greater cash and financial flexibility. The revolver matures in February 2029. Third, we were able to refinance our term loans with a lower cash interest cost and extend their maturity to February of 2031.

And finally, our new facilities carry the same rating are leverage-neutral and continue to be covenant-light with equal or better terms than the original debt. In less than 3 years since the acquisition of SpotX, we have been able to reduce our convert balance from $400 million to $205 million and reduce our net leverage ratio from 6.2x to 1.2x at the end of 2023. This is a huge accomplishment driven by the strong cash flow generation of our business.
In conjunction with the closing of our new credit facilities, our Board also approved a new program that allows for the repurchase of up to $125 million of common stock or convertible notes through February 1st of 2026. This program replaces the existing authorization and allows us to be opportunistic in our capital deployment. From a capital structure standpoint, we’re now targeting a net leverage ratio of 1x or less longer term. Given the normal seasonality of our cash flow, we will likely see a cash decrease and a corresponding increase in our net leverage ratio at the end of Q1, similar to last year, but expect increases and improvement in subsequent quarters.

I will now share our expectations for the first quarter and full-year. For the first quarter, we expect Contribution ex-TAC to be in the range of $122 million to $126 million, Contribution ex-TAC attributable to CTV to be in the range of $49 million to $51 million, Contribution ex-TAC attributable to DV+ to be in the range of $73 million to $75 million and adjusted EBITDA operating expenses to be between $106 million and $108 million, which implies adjusted EBITDA margin of approximately 14% for Q1 at the midpoint. The increase in adjusted EBITDA operating expense for Q1 is primarily driven by an inaugural all-company gathering in January, the impact of annual merit increases as of January 1, and the 2024 payroll tax reset.

To provide additional context beyond our Q1 expenses, we expect adjusted EBITDA operating expenses to come down in Q2 and to be between $101 million and $103 million. For the full-year, we expect strong continued ad spend growth, particularly in CTV, and we are raising total Contribution ex-TAC to grow approximately 10%, up from high single digits previously with CTV to grow faster than DV+. We’re also raising adjusted EBITDA margin expansion to 100 basis points, up from 50 to 100 basis points previously at this level of top-line growth. We also expect double-digit percentage growth of adjusted EBITDA with an even higher growth in free cash flow and total CapEx to be in the mid-$40 million range, including PP&E and capitalized software.

I am very happy with our strong finish to 2023, and I'm encouraged by the progress in our CTV revenue growth recovery. I'm also particularly pleased with our completed refinancing, which provides a stable capital structure for the foreseeable future.

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

**June 11, 2024 / 9:30PM, MGNI.OQ - Q4 2023 Magnite Inc Earnings Call**

**QUESTIONS AND ANSWERS**

**Operator**

We will now begin the question-and-answer session. (Operator Instructions) The first question comes from Dan Kurnos of The Benchmark Company.

**Daniel Louis Kurnos** - The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst

Really solid results, guys. Michael, can you just give us some more color on what you’re seeing in CTV? Obviously, that’s been a major focal point here, and given all the noise in the marketplace, the acceleration is pretty meaningful based on the guide. So is there anything specific to call out, whether it’s improvements in the take rate? We’ve obviously heard in the marketplace that we’re starting to see more PMP and programmatic deals. And I guess bigger picture, as you see some more of the virtuals and move to streaming, are these guys -- you talked about Amazon, but like, say, the Sports Venture, are they starting to talk about the way that Disney has talked about Hulu historically in moving a lot of the inventory already to programmatically biddable?

I know that thing hasn’t even taken off yet, but just do you have any sense of how those conversations are pacing?

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

Yes, I would attribute the CTV acceleration mostly to macro, just an improved broader spend in streaming by video advertisers. That obviously benefits us and the rest of the industry. But it also helps -- one of the things we pointed out was the mix shift of products in our CTV portfolio in
how middle of the year 2023 more of the big plus services were using our pub sold deal pipes, which carry with it a lower take rate. We’re starting to see more of a blend there.

So you have the macro improvement and a shift in the mix. So we kind of expect that with the crystal ball that we have for 2024 to continue and aid the CTV growth. And as for plans that the new sports JV has or even Prime, it’s awfully early. And frankly, we’re not privy to any of that insight yet.

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst

And just maybe one follow-up on the Walmart, VIZIO acquisition. Obviously, I’d love to hear your guys’ thoughts on that. I think you guys view it as positive given the potential scale for the opportunity for Walmart, but there are some fears out there that, given how big a partner VIZIO was that, that might move in a different direction. So I’d just love to get your thoughts there.

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

Yes, Dan, pure speculation. I mean from of the things that we've spoken with the VIZIO guys, they're very happy about the deal, very happy about our partnership. We think we bring a set of capabilities that aren't present within the Walmart ecosystem right now in their ad business. So we think of it as very positive, but boy, deal is a bit away from closing. But I'm hard-pressed to come up with a negative scenario for Magnite in this -- if the deal closes.

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst

A very big check for them to write to develop an ad tech stack.

Operator

The next question comes from Laura Martin from Needham.

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

Great numbers, guys. Congratulations. My first one is also on CTV. Building on your comments, Michael, about Amazon, what I’m seeing in the marketplace in CTV is this strong desire to link connected television, which has historically been top of funnel, to purchase like this RMN at Amazon, and I think that’s what Walmart is doing with VIZIO is a full sort of through funnel from top to bottom, full funnel alternatives. Is that good for you or is that bad for you if CTV is deemed more of a performance channel rather than just top of funnel substitute for linear TV? That’s my first one.

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

Yes, great question, Laura. I think it's very good for us and for the whole industry. I mean I think that generally speaking, you will always have brand advertisers using streaming. And those are the ones that we deal with today. You know our whole DV+ business is performing. So we're pretty good at it. And I think that there'll be different ways to measure performance, different digital tricks that you're going to be able to play, pull over from the DV+ handbook, and apply them to CTV. So it's an area where we have excelled at in our DV+ business, and we feel quite comfortable playing that in our CTV business.
Laura Anne Martin - Needham & Company, LLC, Research Division - Senior Research Analyst

And then David, one for you on EBITDA. So 31% EBITDA margins in fiscal '23, you're guiding to 32% margins, expansion of 200 basis points but then what's sort of giving me a whiplash is I've got 43% EBITDA margins in Q4 actual, and you're going to a 14% EBITDA margin in Q1. Was there something that moved expenses out of Q4 into Q1 that made this short-term volatility in EBITDA even though the long term is just expanding the 100 basis points?

David L. Day - Magnite, Inc. - CFO

No. None whatsoever. A couple of things to call out with Q1. So I would say the results for Q4 are what we expected with the growth of the business and with good top-line performance. Q1, we did have an unusual expense with an all-company event, which was really important for the company. And then we had the normal beginning of year costs. And so we've talked about those in the past, our raises are effective January 1. You also have company matching payroll taxes that kick in on January 1, and you kind of get by those after 3 months or 4 months into the year.

And so we gave some additional guidance to give context to that, where in Q2, we expect those adjusted EBITDA expenses to drop from the $107 million midpoint to the $102 million midpoint and kind of get back to a more normal range. And if you kind of triangulate on the guidance that we've given, that would imply that Q3 and Q4 adjusted EBITDA expenses would be actually slightly down from that Q2 run rate.

Operator

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

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

Michael, I know it's early on Amazon Prime, but I'm just curious if you feel like that's had any sort of an impact in the market just in terms of having another entrant or siphoning away any ad spend or have you actually seen tailwinds in kind of the month that they've been operating.

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

I would say an impact it's had is in CPMs. They went out to market with CPMs that were lower than the plus services in general and some were on the very high end and some were kind of in the middle end. And in my conversations with our publishing partners, it definitely has had an impact on them. And so I think that that's probably because it's so nascent. That's probably the biggest impact that we have seen.

Is it a cratering of CPMs? No. I mean I think that you're probably talking about services that we're pricing in the mid-40s, now having to price in the high 30s. So it's not a whoosh sound of CPMs, but that's what I think most people have commented to me on the industry.

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

And then just on cookie deprecation. Obviously, we've only seen 1% of that occur over the first 2 months here. But I'm curious if you've seen any impact to your business as that started. And then as you look out over the course of this year with cookie deprecation ramping up, how does that start to benefit your business as we progress forward?

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

Yes. So Jason, it's too hard for us to see a signal of a 1% deprecation in a platform that does 1 trillion plus ad requests a day. So the minute we are able to divine, we'll be happy to share with everyone. And why we think we're better positioned than most to be able to play in this is that -- and
I'm sure you've been reading in the trades, Privacy Sandbox isn't the easiest replacement system for cookies, the proposed Google Chrome alternative to third-party cookies requires a heck of a lot of tech investment, a heck of a lot of processing power, a heck of a lot of expertise.

So you're starting to set the bar pretty high for an SSP to participate in Privacy Sandbox. So I think that right there shrinks the field. Furthermore, Privacy Sandbox isn't going to be the only way to try to replace the lost signal from third-party cookies. There's going to be a raft of services from vendors that will try to do it. We'll have our own Magnite audience segment. So it's really going to be this portfolio approach that if you're not a company that has a wherewithal of the resources to invest in this for -- on behalf of our publishers. I think it will just start to separate us even further from the pack of undifferentiated SSPs that are out there.

Operator
The next question comes from Shyam Patil from Susquehanna.

Aaron Flack - Susquehanna Growth Equity, LLC - VP
This is Aaron on for Shyam. Congrats on the strong results. We have 2 questions for you. First, just on political advertising in 2024. Could you talk about what kind of contribution you're expecting to see this year? And any updated thoughts on the weighting of this spend, so either first half versus second half, third quarter versus fourth quarter? Any early thoughts there?

David L. Day - Magnite, Inc. - CFO
Yes, it's David. I'll take that one, Aaron. We're -- it will be interesting to handicap. We've been somewhat conservative in our expectations for 2024. From a comp perspective, in a presidential year in 2020, we had $11 million in Contribution ex-TAC. In a non-presidential year in 2022, we had $11 million. And so we would expect an uptick from that this year. And so say, double the 2022 level is not a bad expectation for us and it could create some upside as well.

Given the state of play, we think most of those dollars will flow in Q3 and Q4. So there's some dribbles going on even now, but we see a significant increase in Q3 and probably the highest impact in Q4 in that very concentrated time period in late October and early November.

Aaron Flack - Susquehanna Growth Equity, LLC - VP
And then, Michael, you briefly touched on this in your prepared remarks. But is there any more of an update that you can share on ClearLine adoption and the feedback that you're getting from your partners on that product?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director
Yes. It’s still relatively early days in terms of us being able to talk to market adoption. I would imagine, as the year goes by, we'll be able to share some more concrete details. But so far, so good. It seems to be filling matching that need that we saw in market and a lot of interest around it, and we're very happy where it stands right now from a product standpoint.

Operator
The next question comes from Shweta Khajuria from Evercore ISI.
Shweta R. Khajuria - Evercore ISI Institutional Equities, Research Division - Analyst

Michael, I have 2, please. On the cookie deprecation piece, your sense on how ready advertisers and publishers are if this were to happen, maybe a quarter from today -- accelerate from a quarter from today. What’s your best guess on how ready publishers are and then also how ready advertisers are for this? And then second is on you expect ad spend to accelerate. So 20% growth. That’s great. And do you expect that to be faster in 2024? Is that all macro driven or is that some -- is there -- are there other factors that give you confidence on that acceleration?

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

So cookie deprecation, I think that generally speaking, our industry is great at talking about cataclysmic events that are going to occur. And then when they happen, being a little flat footed, I think we’ve seen that in GDPR. We saw that in the Apple crackdown in terms of tracking across app. I think in this particular instance, the industry is better prepared. But I will say that the challenge has been as long as third-party cookies exist, it’s awfully difficult to have someone abandon that and test new methods.

So I really do think that there’s more and more solutions out there to try to capture the signal loss. We are working with all those companies. It will all be available day 1 to our clients as well as Privacy Sandbox. So I think we’ll do a pretty good job of knitting them together to help. But I do think it will be a tumultuous period at the start. There’s no question. We’ve seen that time and again. And as long as ad budgets aren’t going to be cut, which we don’t believe they will, we’ll have plenty of inventory to sell to marketers even if there’s a CPM decline, we’ll be able to make it back up in volume.

And as for ad spend acceleration, yes, I would say there’s no question that a freshening macro environment is very helpful to that. But a lot of that is just market share growth and gains in the DV+ area and in CTV, just, again, more inventory coming to market, more dollars coming to CTV from linear. So just some of the trends that we’ve discussed in the past.

Operator

The next question comes from Dan Day from B. Riley FBR.

Daniel Paul Day - B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst

So I heard earlier this week from a competitor talking about looking to hire pretty aggressively in 2024 in various roles in sales and engineers. Can you just talk about how you feel about your employment level right now, where you might look to hire and put new resources? And then related to that, just where the focus is in that technology and development line on the income statement.

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

Sure, Dan. Yes, I mean listen, every year, well, we add folks to the team. And this year, it will be no different, but it will just be kind of our normal hiring pattern. And I think that we feel really good about where we stand in terms of the number of bodies we have and our product road map and our ability to service our clients from a go-to-market standpoint. So we don’t feel as though we’re missing out on any opportunity by not adding hundreds of folks to the workforce.

As you know, we’ve grown the company quite substantially from the days of Rubicon through our acquisitions. So I think we feel real good about where we stand from a headcount standpoint and that we won’t be missing any opportunities on our product road map and/or our sales efforts. And as far as the focus is concerned, we touched on it a little bit in the script. But yes, last year was all about mushing together to streaming platforms, and that required a lot of bandwidth. And so what we’re really pleased is, is those very same people who have a day job, but were also doing the migration are now fully focused on innovation and product features, whether it’s on ClearLine, product features and streaming, product features within SpringServe.
And we’ll probably be able to get to talk more about product as the year goes on, but we feel really good about the road map and the bandwidth that we have.

Daniel Paul Day - B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst

And then another one, within DV+, it feels like we’ve never really spent any time talking about the plus side, but you’ve put some pretty interesting announcements out about iHeart and podcasts and hearing more and more about digital out-of-home. Just any thoughts on when that might start to make a dent in the numbers? Is that a ‘24 trend or is it longer term?

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

Yes. I think you already see it manifesting itself because we’ve been in audio, so to speak, for a while. And it’s funny, the digital out-of-home business is video and a lot of those guys are now trying to crack streaming budgets because some of these placements are in bars, restaurants, quick-serve restaurants, where they have programming, they have an advertising. Obviously, it’s slightly different than what we associate with as the flat screen in the living room. But -- so I think some of these are adjacent and you’re going to see us spend rather quickly, others a little bit more experimental and there’s this marketplace structure where, generally speaking, when you get into evolving formats, there’s an imbalance in the marketplace.

You rather have all this supply with very little demand or a lot of demand and not a lot of supply. So curating that piece of it and making that work, we’re pretty good at that. So I think that these will be all net positives for 2024 and probably much more significant in ‘25.

Operator

Our next question comes from Omar Dessouky from Bank of America.

Arthur Chu - BofA Securities, Research Division - Associate

This is Arthur on for Omar. Congrats on the results. So you guys caught out pretty strong international growth of DV+. I was likely hoping if you could talk a little bit more about international expansion in CTV as well. I think one of the large DSPs caught up pretty strong growth in CTV across Europe and Asia as sort of like new inventory comes online. So I would appreciate if you could talk a little bit about how you’re thinking about expanding your CTV business internationally, your competitive position there.

And maybe just in terms of growth versus in the U.S., how big of an opportunity that could potentially be?

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

Yes, so I think one of the interesting things about CTV that you kind of pick up when you visit the -- our international markets is that linear TV has been very regional, right? You have your 3 or 4 top TV stations in London or the U.K., 3 or 4 top stations in Australia, Germany, France, et cetera, and these tend to dominate the scene. And what you have crashing the party now are the Disney pluses of the world, the Netflix of the world, the Paramount pluses of the world, they’re all going global, Amazon Prime, and it’s really upending the business opportunity.

So what was once a very insular type to crack market, you’re now seeing these global expansion opportunities through all of the services we do business with expanding international. So we just go along for the ride, so to speak, and we have local coverage, local demand facilitation. So I think that’s where we see the biggest opportunity. We obviously work with a ton of the best and brightest of the broadcasters that are international. But I think the real expansion piece is going to be the plus services going internationally.
Operator

The next question comes from Matt Swanson from RBC Capital Markets.

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

Congratulations on the quarter. I kind of have a 2-part question about the CTV marketplace. One being, we've heard so much, I guess, increased kind of positivity from a macro standpoint about the broader digital ad space. And I was wondering, how unique is CTV when we start talking about digital ad spend, do you still think it's completely secular, siloed or is it starting to kind of flow the way some of those other areas do? And then following up on — I know there's been quite a few questions on the Amazon side. I was just curious if you think a full stack kind of ad server like in Amazon is going to increase the dependency of the rest of the publishers to partner better because they may not have, obviously, the depth of technology or data that Amazon has. So those are my 2.

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

Yes, I'll let David chime in as well. I think for the near future, and that could be several years that I think CTV will be a little bit different growth profile in digital in general, obviously, backing out like search and social. So OpenWeb in CTV. I think CTV will outpace OpenWeb for the foreseeable future, just given the idea that more and more inventories come in, there's still $62 billion of linear spend that haven't shifted at all. So I fully anticipate that the CTV growth rate will be different than the digital growth rate. David is giving me the thumbs up, so no jumping in.

As far as Prime is concerned, yes, look, I think Amazon is just a different cat, right? It's like they are a huge technology company. And it's going to be impossible for almost anyone to try to replicate what they can do. So yes, there's no question, I think, that our services will become more valuable over time just because if you want to emulate the product offerings that Amazon can do and the serving capabilities and the targeting capabilities, you're going to have to lean heavily on your technology partner, and I think that's how we built Magnite to be able to do that for our publishing partners in the streaming side.

Operator

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

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

Thanks, Danielle. I would like to thank the Magnite team for delivering another great quarter and record year. We finished 2023 strongly, and I believe we are very well-positioned for new heights in 2024. We look forward to speaking with many of you at our upcoming investor events. We will be participating in the SIG Conference tomorrow in New York, and Nick will be marketing in Denver on March 5, Portland on March 11, and Salt Lake City on March 14. Thank you again for dialing in, and have a great evening.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.