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MGNI.OQ - Q1 2026 Magnite Inc Earnings Call

EVENT DATE/TIME: MAY 06, 2026 / 8:30PM GMT

CORPORATE PARTICIPANTS

Nick Kormeluk *Magnite Inc - Investor Relations*

Michael Barrett *Magnite Inc - Chief Executive Officer*

David Day *Magnite Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Daniel Kurnos *Benchmark Company LLC - Analyst*

Shyam Patil *Susquehanna Financial Group LLLP - Analyst*

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

Laura Martin *Needham & Company LLC - Analyst*

Naved Khan *B. Riley Securities Holdings Inc - Equity Analyst*

Shweta Khajuria *Wolfe Research LLC - Equity Analyst*

Robert Coolbrith *Evercore Inc - Equity Analyst*

Barton Crockett *Rosenblatt Securities Inc - Analyst*

PRESENTATION

Operator

Good day, and welcome to the Magnite first-quarter 2026 earnings 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 - Investor Relations*

Thank you, operator, and good afternoon, everyone. Welcome Magnite's first-quarter 2026 earnings conference call. As a reminder, this conference call is being recorded. Joining me on the call today are Michael Barrett, CEO; 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'll remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements, including, but not limited to, statements concerning our anticipated financial performance and strategic objectives, including the potential impacts of macroeconomic factors in our business.

These statements are not guarantees of future performance, they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

A discussion of these and other risks, uncertainties, and assumptions is set forth in the company's periodic reports filed with the SEC, including our 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 comments here 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 on 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 insight into the dynamics of the 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 thanks, everyone, for joining us today. We delivered a strong first quarter, exceeding expectations across both revenue and profitability.

Top line came in ahead of consensus with DV+ outperforming our guide and CTV in line. Adjusted EBITDA exceeded consensus by \$5 million, driven by earlier-than-expected cost efficiencies, and we are encouraged by the margin expansion we are seeing. Importantly, the broader market trend remains unchanged, ad dollars continue to shift towards streaming.

In Q1, CTV contribution ex-TAC grew 30% and represented 51% of total, maintaining the momentum we saw in the back half of 2025. That strength was broad-based.

We saw continued growth across leading publishers, including LG Ads, Netflix, Paramount, Roku, Vizio, Walmart, and Warner Brothers Discovery. Our top 10 accounts grew in the mid-30% range year-over-year, with the rest of the base growing in the mid-20s. This is not isolated performance. It reflects a platform that is gaining share as the market scales.

The acceleration we're seeing in CTV is not surprising. We are materially outpacing the market and we believe that is sustainable. This is driven by both new wins and expanding partnerships, but more fundamentally by SpringServe. SpringServe has evolved from a best-in-class ad server into the operating system for CTV monetization.

We sit at the center of the transaction, unifying demand, optimizing yield, managing ad experience, and orchestrating data across the workflow. There are point solutions in the market, but no other scaled platform in CTV combines ad serving, mediation, and monetization infrastructure in a single unified layer.

For publishers, this drives higher yield and better control. For buyers, it provides a direct path to the broadest set of premium inventory. And this capability scales across every cohort we serve.

We support OEM monetization across home screens and emerging formats, partner with streamers to build and support their offering, and help broadcasters optimize their sales efforts, particularly as live and SMB demand grows.

And in live TV, where performance requirements are highest, our differentiation is even more pronounced. Live sports remains one of the largest and least penetrated opportunities in programmatic. We are seeing strong traction here, including more than 80% growth year-over-year in revenue from March Madness.

On the demand side, buyer marketplaces are scaling, Clearline adoption is increasing, and buyers are prioritizing more direct and efficient access to premium CTV supply.

We are also seeing commerce media emerge as an important driver across both TV+ and CTV. These partners are bringing valuable first-party data and incremental demand into the ecosystem, increasingly activating across streaming environments.

Our recent announcements with Expedia Group, Walmart Connect, and Roku Curate show further traction on the commerce media front.

Across all of these areas, our role is consistent. We are the infrastructure layer that connects the ecosystem. As our capabilities expand, so does our position. We are increasingly the single entry point for buyers to access premium CTV inventory at scale, becoming the easy button for CTV. And as the market consolidates around scaled platforms, we believe our lead is durable and widening.

Turning to DV+. DV+ declined 5% in Q1, which was better than expected. While budget shifts toward CTV continue, we remain confident in the long-term role of DV+.

Trends improved exiting Q1 and into Q2 with signs of stabilization driven by mobile and app, online video, audio and commerce media. Mobile and app grew 8% year over year and remains a durable growth segment, supported by deeper integrations and new publisher and DSP onboarding.

Commerce Media continues to build momentum, with 21 partners and 13 now deployed and ramping, expanding both our demand footprint and data capabilities across DV+ and CTV.

On the Google Ads tech remedies, our view remains unchanged, and we continue to believe the potential upside is meaningful.

Stepping back, what ties us together is how our platform is evolving, particularly with AI. We are embedding AI across the platform to improve how media is bought and sold. At the core, AI enhances how inventory is valued, how campaigns are executed, and how decisions are made in real time.

For publishers, AI is improving monetization through dynamic pricing and demand optimization. And with ClearLine, AI is simplifying activation, curation, and optimization for buyers, reducing friction and enabling faster execution.

Across the platform, we are beginning to see the emergence of agentic workflows, enabling greater automation and efficiency for both buyers and sellers. What matters is not a single feature it's how these capabilities work together across our scaled infrastructure.

We are already seeing adoption from the leading players across the ecosystem, using our AI to automate workflows, act on real-time signals, and improve performance. This is still early, but the direction is clear. AI is increasing efficiency, expanding working media, and driving more volume through platforms like ours. This is a tailwind for Magnite.

Before I conclude, I want to address David's retirement. As previously announced, David has decided to retire after more than 13 years of exceptional service. He has been an invaluable partner and a steady leader. Whose financial stewardship helped shape Magnite into the company we are today.

We are grateful for his leadership and for his commitment to ensuring a smooth transition as he remains in his role through September 30, while we evaluate internal and external candidates.

On behalf of the Board and the entire Magnite family, I want to thank David and wish him and his family all the best.

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

David Day - Magnite Inc - Chief Financial Officer

Thanks for those kind words, Michael. I appreciate it.

We're off to a good start to 2026. Q1 total contribution ex-TAC grew 10% and came in at the top end of our guidance range. As Michael mentioned, CTV increased an impressive 30% year over year and DV+ declined 5%, but exceeded our previous expectations.

We're pleased with the results and are encouraged by the many positive catalysts that are driving momentum in our business.

Total revenue for Q1 was \$164 million, up 6% from Q1 2025. Contribution ex-TAC was \$161 million, up 10% at the high end of our guidance range. CTV contribution ex-TAC was \$82 million, up 30% year over year. TV+ contribution ex-TAC was \$79 million. A decrease of 5% from the first quarter last year. Our contribution ex-TAC mix for Q1 was 51% CTV, 34% mobile, and 15% desktop.

From an overall vertical perspective, health and fitness, retail, and food and beverage were the strongest performing categories, while automotive and technology were our weakest performing categories.

Total operating expenses, which includes cost of revenue, were \$157 million, flat from last year. Adjusted EBITDA operating expense for the first quarter was \$118 million, \$4 million better than our guide and an increase from \$109 million in the same period last year. Operating expense was better than expected due to significant improvements in cloud spend and some early AI-related productivity gains.

Our net income was \$4 million for the quarter, compared to net loss of \$10 million for the first quarter of 2025.

Adjusted EBITDA grew 16% year-over-year to \$43 million, reflecting a margin of 27% as compared to 25% in Q1 last year. As a reminder, the first quarter is always seasonally our lowest margin quarter. We calculate adjusted EBITDA margin as the percentage of contribution ex tap.

GAAP earnings per diluted share were \$0.03 for the first quarter of 2026, compared to a net loss of \$0.07 for the first quarter of 2025. Non-GAAP earnings per share for the first quarter of 2026 were \$0.13, compared to \$0.12 in Q1 last year.

The reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q1 results press release.

Our cash balance at the end of Q1 was \$185 million, a decrease from \$553 million at the end of the fourth quarter. The drivers of the change were the \$205 million payoff of our convertible debt, planned capital expenditures, share repurchases, and normal seasonality in working capital.

Operating cash flow, which we define as adjusted EBITDA less CapEx, was \$23 million. Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs, were \$20 million, in line with the expectations we discussed last quarter.

Net interest expense for the quarter was \$5 million. Net leverage was 0.7x at the quarter end, consistent with our target of less than 1x.

During the first quarter, we repurchased or withheld over 2.2 million shares for approximately \$29 million. As of quarter end, \$186 million remained available under our current repurchase authorization, which is effective through February of 2028.

Now that we repaid our convert, we plan to be more aggressive with share repurchases, given our expected free cash flow generation. As discussed last quarter, our capital allocation strategy aims to return approximately 50% of free cash flow to shareholders via share repurchases. We believe our shares currently trade at very attractive levels.

I will now share our expectations for the second quarter of 2026 and our current thoughts for the full year in a mixed macro environment.

For the second quarter, we expect contribution ex-TAC to be in the range of \$177 million to \$181 million, which represents growth of 9% to 12%, contribution ex-TAC attributable to CTV to be in a range of \$90 million to \$92 million, which represents growth of 26% to 29%, PV+ contribution ex-TAC to be in the range of \$87 million to \$89 million, which represents a decline of 4% to 2%.

We anticipate adjusted EBITDA operating expenses to be in the range of \$115 million to \$117 million, which implies adjusted EBITDA margin of 34% to 36%. And for the full year, 2026, we reaffirm total contribution ex-tac growth to be at least 11%, reaffirm adjusted EBITDA percentage growth in the mid-teens.

Raise adjusted EBITDA margin to be at least 35.5% from greater than 35%, raise free cash flow growth to be in the mid-30% range from greater than 30%, and reaffirmed 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. Lastly, a note regarding our tax position, we would not expect to have any significant increases in cash taxes.

Finally, on a personal note, I'm incredibly pleased with our performance and the robust financial position the company maintains today. It is from this position of strength that I've decided to retire, marking the end of what has been the most rewarding chapter of my professional life.

My journey here from the early days of Rubicon Project through our 2014 IPO, transformative merger with Folaria, and the acquisitions of SpotX and SpringServe has been an exhilarating ride. And I'm immensely proud of the durable company we've built, our winning culture, and our world-class finance team.

While I am looking forward to spending more time with my family, I will continue to energetically serve as CFO through September 30 to ensure our momentum continues uninterrupted and to assist Michael and the Board in identifying my successor.

I leave with full confidence that Magnite is extremely well positioned to lead the future of digital advertising. Thank you all for an unforgettable decades-less partnership.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dan Kurnos, StoneX.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

Great. Thanks. Good afternoon. And let me be the first, David, to wish you the best. It's been a pleasure working with you.

Michael, let me jump in and just kind of unpack DV+ a little bit for a second. Your comments suggest that we're still seeing mix shift to CTV, but your guide suggests. I mean, you talked about stabilization. Your guide is almost flat in 2Q.

I'm just trying to figure out how much of that is sort of these commerce media wins backing up here and how you think that might trend as we kind of proceed through the year, understanding there's uncertainty in the macro and the pressures that we're still seeing in sort of the traditional desktop business?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yes, Dan, I know you didn't say it was a pleasure to work with me, so that's kind of hurting. Yeah, no, good observation. We do think we've seen stabilization return to DV+ driven largely by -- it's a portfolio, right? And so the open web display certainly under siege, but other pockets, mobile app, commerce media, as you pointed out, audio are growth areas for us.

So I do think macro weighs heavy on DV+ particularly, but seeing it return to flattish is something that I think would still outperform market, and that's kind of where I think we should be in either one of our businesses.

Daniel Kurnos - *Benchmark Company LLC - Analyst*

I promise you, Michael, when you eventually someday down the line retire, I'll say very nice things about you.

The other thing that I wanted to ask about just quickly, since you brought up sports. Live sports and some of the drivers there. Obviously, we have a very big event coming up, the summer World Cup. I know you've been asked about it before. We're kind of a month out now. We're starting to get to see a little bit more what Fox's strategy is there. And we're finally going to get real games on 2B.

They have DTC out there now. So just curious how we should be thinking about sort of the impact of that event. And it seems like every time we get one of these big events, even starting with Olympics this. And you mentioned March Madness, more and more inventory shifts to programmatic. So I don't know if you think that that's also an incremental analyst for more inventory to keep moving in that direction?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, no, it'll certainly be a good guy for us. And I do think given the volume of games and some of the added ad breaks, for instance, the mandatory water breaks, that's going to be a big ad load there. So I think that, yes, we're expecting good things from it. Not so sure it'll be something that we'll be citing as a comp issue in 2027, but it'll certainly be part of the portfolio of the sports that's going to add to the revenue growth.

Operator

Shyam Patil, Susquehanna.

Shyam Patil - *Susquehanna Financial Group LLLP - Analyst*

Hey, guys. Congrats on the results and, David, on your retirement as well.

I had a couple of questions. I guess the first one, David, in your remarks, you talked a little bit about just kind of a side comment almost about kind of uncertain macro. And I was just curious, did this have any impact on you guys? In 1Q or 2Q, obviously, very strong results, but would they have been even better if it weren't for some of the macro events?

And then second one, Michael, obviously, very strong CTV growth, very strong outlook as well for CTV. Is there any reason to think that CTV can't continue to grow at these levels going forward, maybe kind of on a secular level?

And then just related. How are you guys thinking about just the secular profile for desktop and mobile?

David Day - Magnite Inc - Chief Financial Officer

Yes. On the macro front, it certainly wasn't, I'd say, an overwhelming drag on the quarter, but you see it in a couple of verticals in particular, automotive, most importantly, and that's a large vertical, and that was down significantly, technology also. So you see some impacts from -- there's still some overhang from some of the tariff challenges, supply chain challenges, and then just uncertainty with things in the Mideast.

So those are the data points underlying my comment. And so it's not booming, but it's -- we're not prognosticating doom and gloom either.

Michael Barrett - Magnite Inc - Chief Executive Officer

Yes, Shyam, and on the CTV front, yes, we're really pleased with the growth rates and feel very strong that they're sustainable. The market as a whole looks like from peer reports and analyst expectations, it's growing in the low teens.

So we're significantly outperforming market growth, and that's been a goal, a stated goal of ours, and I think that will continue just given the penetration that we have with all the top streamers, their growth profiles and increasing wins across the globe, it's pretty much an untold story for us is the success of these streamers that are US-based, when they go international, we go with them, and then they have the added benefit of disrupting the local market, and they're forced to adopt programmatic and forced to adopt streaming.

So it's a real positive story for us internationally.

And as far as DV+ is concerned, yes, that's a difficult one because, again, it's a portfolio. But in terms of the high-growth areas, certainly, in-app mobile is a huge growth category. Audio, very promising growth category. Things like even digital out-of-home, you see all the outdoor companies report how fast that's growing.

So yes, we think that DV+ as a whole is an important part of the business and will be a positive contributor. Just kind of hard to swag it in terms of what you should expect going forward on a specific basis.

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

Great. Thank you, guys.

Operator

Jason Kreyer, Craig-Hallum.

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

Great. Thank you. Michael, I wanted to ask on AI. I know you've brought some new solutions to market in the last several weeks. I'm just curious, can you talk about maybe demand and adoption trends of AI-enabled tools and maybe just give some perspective on what pain points you think exist in the industry that you can leverage AI to help make those more efficient?

Michael Barrett - Magnite Inc - Chief Executive Officer

Yeah, great question, Jason. Wow, no love for David. AI is 2026 will be the story of AI with modest amounts of revenue flowing through. There's several working initiatives, several different standards out there. A lot of it is replacing direct sold, so not even truly the programmatic real-time, but bringing more dollars into the programmatic ecosystem because it's so much easier to do it agentically.

I think the biggest benefit you're going to see from it is workflow and productivity, because these are easier to use instead of toggling between 13 different dashboards, and you can just, in natural language, ask the agent to perform a task, it really will free up a lot of bandwidth for the traders. It will be more efficient. There will be more working media going to it.

And I think we're exceptionally well-positioned from the tools that we built and the tools that we are building to be able to catch it when the dollars start to flow. And I would imagine in 2027 won't be the year of the story of AI, it will actually be resulting in real revenue. And I think, again, we're really well positioned to take advantage of that.

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

Thank you. And David gets his own question. So David, congratulations on your retirement. It's been my pleasure working for you for most of that 13 years.

So question for you.

David Day - *Magnite Inc - Chief Financial Officer*

Thank you.

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

So I wanted to touch on the EBITDA OpEx that came in better for Q1. You're guiding for that better for Q2, and I know you called out like the cloud and AI benefits. How durable are those savings, and do you think there's more to squeeze out of that as we move forward?

David Day - *Magnite Inc - Chief Financial Officer*

I think as a general matter, the savings are very durable. The primary driver of those savings are kind of two fronts. One is moving some of our activity from the cloud to on-prem. And also, our dev team is doing a great job in optimizing how we run more efficiently on the cloud. So I'm really excited about that.

Now, that said, we do have some resources into our product development later in the year. We've got a lot of new business and volume increases and so I wouldn't go too crazy with the lowering costs, but the trend line is definitely durable and we have more to come on that front. As we continue to we'll have a new data center in Northern California that will come online later in the year and lots of opportunity, particularly as we spring into 2027 on the margin expansion front.

Operator

Laura Martin with Needham. Please go ahead.

Laura Martin - *Needham & Company LLC - Analyst*

Hey, I have two. One is Taboola said on their call this morning that they see programmatic workflows being replaced by agentic. You just mentioned that you thought it might be additive, but why don't we have agentic buy-side agents sort of talking directly to agentic sell-side agents in the ad business and therefore getting rid of most of the 40% to 50% take rate that currently sits in the open web programmatic ecosystem? So that's my first question.

And then my second question is on pricing power. Maybe, David, this is you, and goodbye. It was wonderful working with you. I'm not sure who this is for. But on the pricing, one of the things that came out of -- possible is everybody's introducing AI products. Nobody is charging for them. They are all just table stakes, and they're sort of making everybody's products more interesting, more automated, higher returns on ad spend.

But so that's my question. Are we actually going to get price uplift by all these AI innovations or is it just going to become table stakes and we spend money in AI, but we don't actually get any revenue upside? Thanks.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Hey, Laura, it's Michael. I'll grab the first one. Yeah, so certainly that's been an overhang for a lot of companies, software companies, about agentic replacing the need for those companies. And I really feel as though, as we said in our previous quarter script in this one, that AI is a real tailwind for us.

It makes things easier to work with. It makes our publishers have to go from 12 different dashboards, a SpringServe dashboard, a DV+ to one, and they can execute more seamlessly the agent to buyer connection and the talking of the two makes a ton of sense.

But who's to say that that buyer agent isn't ours that they're utilizing just like they utilize ClearLine? So I think there's a real upside there. But also, if you want to conduct conversations, execute plans and buy programmatically from tens of thousands of buyer agents, that's where we really shine, right?

We make sure that those are the agents you want to talk to that it's busy inventory, we're collecting payment, we're policing fraud, our plumbing, our bandwidth, our servers are all being utilized to make it happen. And so we just feel that it's going to be more volume on the platform than we've ever seen.

And yes, we will charge for that and it will improve our margin profiles, not be a pressure on it.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I think Michael kind of hit it, just building on that. Yeah, and particularly as you look at, for example, in CTV where we do have lower take rates at the moment, but those are stabilizing, and there's so much value-add as we provide those additional value-added services. We only see those increasing in the future, and I think that will be -- that value-add will be accelerated with the AI implementations that we're making.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thank you.

Operator

Naved Khan, B. Riley.

Naved Khan - *B. Riley Securities Holdings Inc - Equity Analyst*

Great, thank you very much. Couple of questions from me. And David, all the best.

One question I had is around the commerce media, and I guess you guys have been talking about how your 2021 partners now deployed 13. Can you give us a sense of the scale this business is at currently and how fast it might be going?

And then in terms of the live sports, you guys called it out as a pretty as an opportunity. Can you just maybe talk about the penetration levels and where we are with respect to penetration of live sports with programmatic and where it could be over time?

Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, sure, Naved, this is Michael. Yeah, Commerce Media is super exciting for us. Obviously, we mentioned the number of partners and that total keeps growing. And I think the most important thing about Commerce Media isn't necessarily the number of partners, but it's how quickly the strategy has changed for the commerce media players.

Chapter one of commerce media was take my valuable retail data, park it in one DSP, and then force all the advertisers that want to utilize that data to go through that DSP. And now you're starting to see that unwind. And the strategy now is keep the data as close to the retail media partner working with an SSP like Magnite.

That way you can democratize it and allow multiple DSPs to access it in a safe, privacy-compliant way. So that is the most exciting, I think, change that we're seeing and a huge tailwind for us there.

As far as the contribution Commerce Media is doing, it has been a significant contributor and will even expand because a lot of these players are now just adding CTV to the inventory mix. Think about it, they start with their owned and operated inventory. And then they go off that and typically that's been in the DV+ world.

And now their advertisers are saying to them, hey, I do a lot of advertising on TV. I want to do that with your data. And so we're the perfect on-ramp for that to occur. So really excited about the prospect of even further growth given CTV being part of the story, essential part of the story for most of these commerce media partners.

Yeah, in live sports, boy, we're just scratching surface. I mean, live sports as a consumer, you see live sports everywhere in streaming, but programmatically, very little inventory is bought and sold programmatically. So when we cite gains like 80% plus for March Madness, it's minuscule compared to the opportunity that's coming. And so super excited about World Cup and the false fleet of sports. And little by little, it's getting more and more programmatically driven, and it's a big tailwind for us in that respect.

Naved Khan - *B. Riley Securities Holdings Inc - Equity Analyst*

Great. Thank you.

Operator

Shweta Khajuria, Wolfe Research.

Shweta Khajuria - *Wolfe Research LLC - Equity Analyst*

Hi. Congrats, David, on the retirement. Two from me. Michael, can you provide us an update on the impact of OpenPath, particularly with smaller advertisers and agencies?

And David, can you provide the puts and takes of EBITDA in the second half of 2026? Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, so OpenPath, I think we've talked about it ad nauseam, came as a shock to the system a couple of quarters ago. We pretty much stated that all the big buyers from the agencies that use Magnet as an invaluable partner had flipped it back on.

I think you can see in our results that it's certainly not deteriorating. So I think that the OpenPath extinction event is coming on, and we're still here and doing quite well.

David Day - *Magnite Inc - Chief Financial Officer*

And EBITDA in second half, as we mentioned, we expect 11% or greater growth on the top line. So we'll have we're stable, steady. And then as I mentioned on the cost side, we've got some nice savings on the one hand with our cloud usage. We've got some kind of volume growth and some resources that sort of be neutralizing some of that savings at least this year.

And as I mentioned, the EBITDA margin is increasing. We'd expected something north of 35% and expect 35.5% this year, so that's increasing. So we're in a great spot.

And what's really great is our margin -- EBITDA margin is increasing and it's cost-driven at this point. And so to the extent that we do have upside on the revenue line, that upside will flow almost 100% to free cash flow in the business. So I feel like we're really well-positioned.

Operator

Robert Coolbirth, Evercore ISI.

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Good afternoon. Congratulations on a great run today, David. And best wishes on your retirement, Michael. You're great, too.

I want to ask a little bit on AI creative generation. Just wanted to ask for any update on the role you're playing there. And we're beginning to see more tools released, sort of general availability, just wondering if you're beginning to see more AI-generated creative showing up in the market, what do you think that sort of, if that catalyzed incremental demand, incremental creative refresh, what does that do for CTV?

And then maybe another related question on AI, just we heard some speculation about different ad tech players that could play in terms of monetizing some of the AI engine inventory itself. Do you think there's an opportunity for Magnite there?

Thank you.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, hey, Robert. So as we purchased a couple of quarters ago a company called Streamer, which is one of the leading tools out there that allows small to medium-sized businesses to create a TV ad, to track it, to measure it, and to buy it, obviously, on our platform, in our access to all the premium streamers. And that product has really taken off.

Our role with that product isn't to chase down the small to medium-sized business. It's to put those tools in the hands of folks that have those relationships. So they're either huge aggregators that have the relationships, and now we are bringing that demand onto our platform,

or there are publishing partners that kind of hang that as their self-serve, and when they have relationships with small advertisers to go and use the tool.

So it's really turned out to be a wonderful acquisition, and we're starting to see the benefits of that reflected in the growth rates of CTV.

And I'm sorry, the second point, was it --

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Just on the AIs and so forth, if there's an opportunity potentially for Magnite there?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, no, I certainly think there is. I think the encouraging thing is it's very early, but you're seeing in these early stages that the ones that are ad-supported are reaching out for third-party demand. And that history is pretty clear.

Initially, if you're just going to work with one DSP, maybe there's not a need for someone like a Magnite, but you start to work with three, four, five, six, seven, and then you do it globally, and they have specialty. SSPs, I think we feel very encouraged with the initial direction about some of the folks leaning into third-party demand.

And in that case, SSPs become invaluable, and I think we're well-positioned to take advantage of that when the time is right.

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Got it. Thanks so much.

Operator

Barton Crockett, Rosenblatt.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. Thanks for taking the questions, and two if I could. Let me see. First is just to get your perspective on an environment that I think there's kind of a coalition of views that maybe this is more removing, which is that we could be moving to a world where agencies would be working with a single integrated interface through Claude or something to place, basically outcome-driven marketing dollars across a range of environments, whether it be the social media walled gardens like Meta or the search environments, AI environments like Google Gemini, or open web.

And in that environment, where it's simplified at the agency and the front end is not what we see today, but something different built on an LLM, in your view, does that have any impact on take rates, any impact on revenue flows? Do you think that's where it's going?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Oh, I certainly think that's a world view that a lot of people share more simplified buying tools for agencies that actually deliver upon the stated goal for the marketer. Think that our role remains quite valuable and necessary in that world, right? Again, we're the system of record,

we're the rails upon which the transactions take place. It's one thing to have an agent talk to another agent, but if they're involved in a complex transaction and in real time, doing it trillions of times a day, you really need the infrastructure, and that's where we shine.

The impact to our take rate, I don't think there's any change in what we do in that world. It's just probably easier for seller and buyer, less inner faces to go through, less knobs and tools, so perhaps freeing up more working media there. But our role is kind of unchanged as that system of record. So I feel confident in our durability as it relates to take rates.

Barton Crockett - *Rosenblatt Securities Inc - Analyst*

Okay. And then switching gears on Google Adtech, Antitrust, I think we're sitting here in May, and we still don't have a decision on the remedies.

If a remedy decision were to come out today, what's your sense of when you could begin to see the impact of that? Is it something that now is pushed into 2027, or any thoughts of -- obviously, part of that is a view of what the remedies could or should be, but you know your sense of how much time it would take to kind of implement given all the legal waiting periods and technological consideration.

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, great question. And I think you hit the nail on the head. It really does depend upon the remedy. Some are just behavioral in nature. Some would require Google to do technical work to make it happen. And I think even in their case, they cited a six to nine-month window for changing two of the things that they were talking about.

But I definitely think that there'd be some. Instant gains there. Again, keep in mind, we see all the inventory, we bring it to auction, and our win rate is very low when it comes against when when it goes up against Google. And so, therefore, if there was a behavior change there.

It could be somewhat instantaneous, the impact it would see. So I certainly don't think any of the benefits from the ruling is pushed out -- all of it is pushed out to 2027. Obviously, we're a little disappointed that there hasn't been a ruling, but I completely anticipate a favorable ruling for us and impact in 2026.

Operator

Matt Swanson, RBC Capital Markets.

Unidentified Participant 1

Hey guys, this is [Simran] on for Matt Swanson. Congrats on the quarter and congrats, David.

Just one for me. So going back to CTV and DV+ for a second. We've been seeing how CTV has been hitting an inflection point for the business. And then last quarter, we started talking about the accelerated reallocation of budget from DV+ to CTV.

So while there's like the areas of growth in mobile and commerce for DD+, to what extent does this reallocation remain a headwind? And has that accelerated this quarter, and do you expect it to continue for the year?

Michael Barrett - *Magnite Inc - Chief Executive Officer*

Yeah, great question. I don't know if we've seen an acceleration, and you can see the freshening of DV+'s growth rate exceeding our expectation. So I think there's a stabilization. I do think that a big slug of that portfolio in DV+, the type of media is open web, is display, and I think it's safe to say that.

That's going to be a negative grower, but could that be outpaced by mobile app, could that be outpaced by audio, commerce media, digital out of home, certainly. So I think our long-term expectation for DV+ is it's a grower, but it's certainly not going to have the profile of the CTV growth rate.

And increasingly, our revenue balance will be more CTV than DV+ for the company.

Unidentified Participant 1

Thanks, guys.

Operator

The next question comes from [Ellie Nieber] with Lake Street Capital Markets. Please go ahead.

Unidentified Participant 2

Hey, guys. Thanks for taking my question. Just a quick one from me. Just looking at how CTV is becoming, over 50% of that total contribution ex-TAC number, how should we look at incremental margins on CTV versus DV+?

Is there a mix shift that's kind of structurally lifting the margins by itself, or are there some offsetting costs?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I'll take that. Yeah, it's generally it's generally equal. So we don't see it doesn't create headwinds by having a greater proportion of our business be CTV. And in fact, as we mentioned earlier, we've got significant gains in the cost basis on our CTV business with our cloud costs going down.

And so, it won't be one of the more significant drivers. It's a good question, but we see it more as kind of neutral.

Unidentified Participant 2

Awesome. Thanks, guys. That's it for me.

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. CTV's long-awaited ramp in programmatic has clearly arrived, and the investments we've made over the past several years are now translating into profitable, scalable growth. We believe CTV is in a powerful phase of its evolution. The shift to programmatic is real, and as the channel matures, it is increasingly taking share from both linear television and other digital formats.

Before we close, I want to thank our team at Magnite. The progress we've discussed. Today is a direct result of your hard work, innovation, and commitment to our partners. Your efforts continue to position us at the center of this transformation.

We're confident in the momentum of the business and in the long-term opportunity ahead. Thank you for joining us today. We look forward to updating you next quarter.

With that, I'll turn it back over to Nick to cover our upcoming marketing events.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thanks, Michael. We look forward to seeing many of our upcoming investor events. Just to kind of tick through them for your info and participation. We have a post-Q1 virtual NDR tomorrow hosted by B. Riley. We have an in-person AI tech demo with SSR in New York City on May 12.

We're at the Needham Conference in New York on May 13, B. Riley Conference in Marina Del Rey on May 20 and 21, RBC Bus Tour in New York on May 27, Craig-Hallum Conference in Minneapolis on May 28, BFA Conference in San Francisco on June, Rothschild Redburn investor meeting in San Francisco on June 3, Evercore's conference in San Francisco on June 3 as well, Bono NDR with RBC on June 9, Chicago NDR with Benchmark on June 10, the Roth Virtual Ad Tech Summit on June 15, and analysts and investor meetings with a variety of our covering analysts in Cannes on the week of June 22.

Thank you, and have a great evening. Look forward to seeing many of you at our events.

Operator

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

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