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MGNI.OQ - Q1 2025 Magnite Inc Earnings Call

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CORPORATE PARTICIPANTS

Nick Kormeluk *Magnite Inc - Investor Relations*

Michael Barrett *Magnite Inc - President, Chief Executive Officer, Director*

David Day *Magnite Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Jason Kreyer *Craig-Hallum Capital Group - Analyst*

Shyam Patil *Susquehanna Financial Group - Analyst*

Daniel Kurnos *Benchmark Company - Analyst*

Laura Martin *Needham and Company - Analyst*

Robert Coolbrith *Evercore ISI - Analyst*

Matthew Swanson *RBC Capital Markets - Analyst*

Omar Dessouky *BofA Global Research - Analyst*

Eric Martinuzzi *Lake Street Capital Markets - Analyst*

Shweta Khajuria *Wolfe Research - Analyst*

PRESENTATION

Operator

Good day, and welcome to Magnite Q1, 2025 earnings conference call. (Operator Instructions) Please note this event is being recorded. I would now like to turn the conference over to Nick Kormeluk in investor relations. Please go ahead.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's first quarter 2025 earnings conference call. As a reminder, this conference call is being recorded. Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlight slides on our investor relations website to accompany today's presentation.

Before we get started, I will remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements, including 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 subject to known and unknown risks, uncertainties, and other factors that may cause 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 first quarter 2025 quarterly report on Form 10-Q and our 2024 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 tech stack or less traffic acquisition costs, adjusted EBITDA, and non-GAAP net income per share. Reconciliations between GAAP and non-GAAP metrics for 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 insights into the dynamics of our business. Please be advised that this additional detail may be one time in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit our investor relations website to access our press release, financial highlights deck, periodic SEC reports, and the webcast replay of today's call to learn more about Magnite.

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

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thank you, Nick. Q1 came in very strong and we exceeded total top line guidance with CTV growing 15% and DV+ growing 9%. We saw a nice bounce back in DV+ after Q4, showing how quickly ad spend can restart on our platform after a market slowdown. Adjusted EBITDA came in significantly above expectations at \$37 million, growing 47%, representing an adjusted EBITDA margin of 25% versus 19% in Q1 last year.

Our CTV business continued to produce excellent results in Q1, driven primarily by the industry's largest players, wider adoption of programmatic, continued traction with the agency marketplaces and growth in live sports.

Let me go one by one, starting with the industry's largest streamers, where we continue to deepen our relationships. Our most significant growth came from Roku, LG, Warner Brothers, Discovery, Fox, Vizio Walmart, and Netflix.

Netflix continues to roll out their programmatic business globally, most recently in EMEA, with further expansion coming through the rest of the year. Magnite continues to be a critical part of Netflix's programmatic ad stack, and we remain bullish about the work we're doing together.

These partnerships underscore the tremendous opportunity for Magnite and CTV, but as we said last quarter, that opportunity isn't available to legacy SSPs that don't have a purpose-built CTV ad server at the core of their platform.

Two weeks ago, we widen in our lead even further by unveiling the next generation of SpringServe, a unified solution that combines our ad server with the advanced programmatic capabilities of the Magnite streaming SSP.

Set for general availability this July, this new platform offers something truly differentiated for buyers, a more efficient, transparent path to premium supply, and for media owners, streamline workflows and smarter, more holistic yield optimization.

As more budgets flow into CTV, marketers are asking for more control, better transparency, in the shortest possible path to inventory. By collapsing the ad server and SSP into one platform, we remove an entire step in the process, simplifying buying, improving signal, and helping advertisers place their message where they'll have the most impact.

And for media owners, in addition to increased demand from buyers, the next generation of SpringServe provides intelligent ad decisioning and dynamic mediation. Centralized deal management and unified reporting through a single user interface.

According to a recent independent study by [chance] Media, Magnite represents more than 99% of US streaming supply in the open internet. The new SpringServe is designed to make that inventory even more accessible, drawing more investment into CTV and flowing more value back to publishers.

In the agency marketplace, the response has been clear. Buyers like Group M, Omnicom, and the Traisk have publicly voiced their support -- have sellers like Disney, Roku, Paramount, LG, Samsung, and Warner Brothers, Discovery, and we've heard similar feedback from many other behind the scenes.

All of this reinforces what we've said for some time. CTV advertising isn't display advertising, and it can't run on display error infrastructure. The combination of our ad server and SSP gives Magnite structural advantage, an integrated purpose-built stack designed for the way CTV actually works, and no other independent platform can match.

Agency marketplaces, which are powered by our Clearline product remain a bright spot for us. This has been a strong focal point for agencies and Group M, Horizon, and Dents have been aggressively working on their differentiated marketplaces with the help of Magnite. Now to live sports. We saw a strong growth again in Q1, driven by nearly 20 partners using our live stream acceleration technology. NCAA basketball continued to be an important live sports growth driver for T1.

Looking ahead, we're excited about major upcoming events across MLB, the NBA and WNBA, NHL playoffs, as well as a wide range of college sports. We've also increased our international sports portfolio to include opportunities with FIFA Plus, Champions League, and Liga MK.

On the product side, live sports is a top priority, and we are accelerating investment in enhancements to live event pacing, predictive pre-ad requests, and live ad retention. Stepping back all these factors in CTV have led to further stabilization of our business mix and corresponding take rate, and we believe that they make CTV less sensitive to macro volatility for several reasons.

First, programmatic CTV is TV advertising, but more targetable and measurable, and in lean times, advertisers always opt for more accountability from their ad spend. Secondly, programmatic TV is TV advertising without the upfront guarantee. In uncertain times, marketers still want to advertise, particularly in a TV-like environment, but are uncomfortable committing ads then beyond the current quarter, which is the norm for linear TV. Programmatic CTV provides the maximum spend flexibility. The TV environment marketers crave. And advanced analytics that can better track performance.

And lastly, in Magnite's case, programmatic CTV growth rate is roughly double the growth rate of our DB+ business, and CTV represents over 40% of our total contribution ex-tax revenue. So even in a macro slowdown, we'll, will outperform our peers who all lack meaningful revenue exposure to CTV.

Now to DV+. This business had a strong bounce back quarter, growing 9% contribution ex-tax versus prior year. This was primarily driven by broad market recovery with 10 of our largest 11 verticals posting strong growth aided by technology, food and beverage, retail and financials. We also remain excited about our opportunity in audio.

In early April, Spotify announced its new Spotify ad exchange, [Saks], and named Magnite a global partner for its programmatic offering. Magnite's SpringServe will be integrated into Saks to power omnichannel advertising across audio, video, and native display for Spotify subscribers worldwide.

Now it's pivot to AI. On the efficiency front, as we noted last quarter, our neural net and machine learning systems play a key role in cost effectively scaling our infrastructure across both data centers and the cloud. These capabilities have contributed nicely to reductions in EBITDA OpEx, helping buyers achieve better outcomes on our platforms.

On the product side, we're excited about the momentum building generative AI into our portfolio. Our AI powered audience discovery feature in our curator product is now live and gaining traction, and we have a robust pipeline of features and tools that will benefit from Gen AI going forward. In addition, we are investing in the use of LLMs to make our supply under management more addressable, particularly in CTV and we expect to begin rolling out these enhancements over the coming quarters.

To conclude my comments, I want to dive deeper into the recent antitrust ruling against Google, which could which could potentially change the entire landscape of the open internet and drive significant upside for our DV+ business.

As you know, the court found that Google had engaged in illegal monopolistic practices with respect to its ad server and ad exchange, also known as an SSP. It's clear that for years, Google has been engaging in illegal practices that resulted in an unfair option within its ad server, which disproportionately drove volume through its SSP at the expense of rival SSPs like Magnite.

The court has scheduled the remedy phase for September 22 and has indicated that there will be attention to both behavioral and structural remedies. Although the specific timing and nature of remedies are still being debated. We are highly encouraged by the court's initial ruling on liability, and we believe that it will be highly beneficial for the open internet. Result in a more fair and transparent process and drive greater returns for publishers and advertisers.

We are looking forward to a more level playing field where all members of the ad tech industry have an equal chance to compete on their own merits, and we believe that a level playing field will significantly improve our opportunity to monetize publishers inventory and correspondingly increase our win rate.

We estimate Google's exchange currently controls greater than 60% share in the DV+ market. As the second largest player in the space, we share only in the mid-single digits. And given our leading technology and deep publisher relationships, we believe that we are exceptionally well positioned to capture any shift in market share that occurs as a result of Google ceasing its illegal practices without changing our existing cost structure.

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

David Day - Magnite Inc - Chief Financial Officer

Thanks, Michael. As Michael mentioned, we had a strong start to 2025, exceeding our Q1 contribution ex-TAC guidance for both CTV with growth of 15% and DB+, which grew 9%. Adjusted EBITDA grew 47% over the first quarter of last year, with a margin of 25%, significantly above expectations. We're very pleased with these results and the rebound we've experienced in DB+.

Before diving deeper into Q1, I want to touch on what we have seen to date in Q2. So far, we're encouraged by the resiliency of ad spend and have not seen any meaningful change from expectations. In fact, so far in Q2, CTV contribution ex-TAC has grown in the mid-teens and DB+ in the mid-single digits.

If the current trends were to continue, we would not change our Q2 forecast and the full year 2025 views we shared in late February. However, given tariff-related economic uncertainty, we believe there could be some dampening of growth rates from current levels. I'll discuss this in more detail when I provide guidance later in my prepared remarks.

Turning back to Q1, total revenue was \$156 million up 4% from Q1 2024. Contribution ex-TAC was \$146 million up 12%. CTV contribution ex-TAC was \$63 million up 15% year-over-year, and above the top end of our guidance range. We saw strong performance across our business with many of our largest partners.

The contribution ex-TAC was \$83 million, an increase of 9% from the first quarter last year. This result exceeded our guidance range as we continue to gain traction with agency deals and new publisher relationships.

Our contribution ex-TAC mix for Q1 was 43% CTV, 40% mobile, and 17% desktop. From a vertical perspective, technology, financial and business services were the strongest performing categories for all formats.

Total operating expenses, which includes cost of revenue, were \$157 million a decrease from \$163 million for the same period last year. Adjusted EBITDA operating expense for the first quarter was \$109 million better than we expected, and up slightly from \$106 million in the same period last year.

The majority of the favorability to our guidance was driven by lower cloud computing costs and employee related expenses. As we highlighted last quarter, our technology team continues to make strong progress in reducing per unit cloud costs, allowing us to manage significant increases in ad request volumes with only modest cost increases.

Improving scale and operational efficiency remains one of our top priorities for 2025, and I'm very pleased with the progress our tech team is delivering. Majority of our Q1 and Q2 capital expenditures will be used to support our hybrid infrastructure strategy as we shift additional functions from the cloud to on-premises. We expect these initiatives to drive meaningful margin expansion in 2026 and beyond, and we're seeing some early benefits now.

Our net loss was \$10 million for the quarter compared to a net loss of \$18 million for the first quarter of 2024. Just Ida grew 47% year-over-year to \$37 million reflecting a margin of 25%, which compares to \$25 million and a margin of 19% last year. This was a result of both higher revenue and robust cost management efforts.

As a reminder, we calculate adjusted EBITDA margin as a percentage of contribution ex-TAC. GAAP loss for deleted share was \$0.07 for the first quarter of 2025 compared to a loss of \$0.13 for the first quarter of 2024. Non-GAAP earnings per share for the first quarter of 2025 was \$0.12 compared to \$0.05 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 \$430 million, a decrease from \$483 million at the end of the fourth quarter.

The decrease was due to typical seasonality in our business and share repurchases. Operating cash flow, which we define as a just cityvada less CapEx, was \$18 million. Capital expenditures, including both purchases of property and equipment and capitalized internally use software development costs were \$19 million. Our net interest expense from the quarter was \$5 million.

Our net leverage was 0.6x at the end of Q1, up slightly from the fourth quarter due to the typical cash seasonality and share repurchases. We continue to lower our capital costs with the completion of our second successful term loan be repricing during the first quarter. The repricing reduced our interest rate by an additional 75 basis points, resulting in annual interest savings of approximately \$2.7 million.

In total, we've been able to lower our original term loan B rate by 200 basis points, and our interest now stands at [SOFER] 3%. I'd also like to highlight that the \$205 million principal amount of our convertible notes is now classified as a current liability on the balance sheet as the notes mature in March of 2026.

We intend to pay off the converts with cash and maturity and have ample liquidity to do so. We continue to believe our shares are undervalued at current levels and plan to continue our focus on managing shareholder dilution.

Year-to-date utilizing our share repurchase program and the withhold the cover option for employee taxes from regular RSU vesting, we've effectively reduced dilution by 2.9 million shares for \$43 million or \$14.94 per share. As of today, we have \$88 million remaining in our authorized share repurchase program, which we will continue to deploy strategically.

I will now share our thoughts about the second quarter and outlook for the full year. Due to tariff driven economic uncertainty, we've widened our typical contribution ex-TAC guidance ranges for Q2. Although we're not currently seeing lower than expected ad spend, we've assumed some softening in the back half of Q2 related to higher risk verticals such as auto, retail, and travel. Given that uncertainty, we're also not reaffirming our previously shared full year 2025 expectations today.

For the second quarter, we expect contribution ex-TAC to be in the range of \$154 million to \$160 million. Contribution ex-TAC attributable to CTV to be in the range of \$70 million to \$72 million. Contribution ex-TAC attributable to DB+ to be in the range of \$84 million to \$88 million and we anticipate adjusted EBITDA operating expenses to be between \$110 million and \$112 million which implies adjusted EBITDA margin of 29% for Q2 at the midpoints.

We are pleased with our first quarter results, with our continued execution on strategic initiatives, and I'm confident in our ability to successfully navigate through the current environment. I'm also pleased with the progress our team is making in our tech stack cost efficiency efforts, which will help buffer margin pressure in a down economy and set the table for stronger margin expansion in a more robust macro environment in the future.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jason Kreyer, Craig Hallam.

Jason Kreyer - Craig-Hallum Capital Group - Analyst

Great, thank you, guys. Good to see the nice bumps back in DV+. Wanted to start with two on the Google case. Just one if there's any way you can just loosely size up what you think the opportunity would be as you see it, and then two, do you think the opportunities for Magnite has to wait for the structural divestiture, or do you think there are opportunities for Magnite during some of these behavioral changes that could be implemented earlier?

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Yeah, hey Jason, great question. Why don't I take the second part of it and then David can address the first part. No, yeah, that's a very good observation, the structural and non-structural, and it is our understanding that while they pursue what is more than likely going to be an appeal process. And the structural peace will take some time. Obviously, the remedy that could be put in place is more behavioral, and we would stand to benefit instantly from that. So yeah, we don't -- this used to be kind of conjectured that -- oh my God, this could be five years out, appeal, but in the way this is moving, you could see remedies put in place.

As early as the beginning of 2026 and as long as those remedies mirrored what they're trying to accomplish, which is more of a level fair playing field, we would be in business from the get-go. So we're very excited about the way it's passing.

David Day - Magnite Inc - Chief Financial Officer

Yeah, to try to quantify the impact, I think maybe an easy way to think about that is if you think about market share today, we estimate that Google has more than 60% in DB+, and we have something in the mid-single digits, say. Every 100 basis points increase in market share for us would result in roughly \$50 million in contribution ex-TAC.

And so, if you think about, so I guess the way to think about that is how much market share could Google lose and then, how much would we pick up, and of course we'd at a minimum pick up our, proportional share and we actually think we're positioned to pick up, maybe more than our current proportional share. And so if our market share goes from 6% to 7%, it's almost a 20% increase in revenue, and of course we'd expect that to be, potentially significant higher, and from a flow through perspective, what's interesting is that we're already looking at all the same ad requests that Google's looking at.

And so we have extended most of our cost today in looking at those ad requests and so to the extent we have additional revenue, it's coming from a higher fill rate, and that higher fill rate comes at a very high flow through to adjusted EBITDA and a free cash flow. So more than 90%, we estimate would flow through to the bottom line. So it's a very significant and positive impact to our margins and free cash flow.

Jason Kreyer - Craig-Hallum Capital Group - Analyst

That a lot of great color there. Thank you. Michael, one quick follow up on the streaming side, just with this new SpringServe platform that you've introduced, how can that further differentiate Magnite or widen the competitive GAAP with others? Thanks.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yeah, great question, Jason. Well, so we've always had a big GAAP in terms of the suite that we have in our product offering, primarily through SpringServe, right? And the recent trend, as we've talked about is efficient paths to inventory or from a buyer perspective efficient path to ad dollars. And if you think about the way the world has been set up, it's been a server and an SSP going into an ad server and the DSP going into the SSP going into the ad server.

And so by combining our outstanding streaming capabilities from programmatic into the ad server, we are now creating the fastest, cleanest, highest fidelity path to the best premium CTV inventory in the industry. And so it just furthers accelerates the mode that we've created as Magnite is the leading CTV first focus programmatic company.

Jason Kreyer - *Craig-Hallum Capital Group - Analyst*

Alright, great. Thank you, guys.

Operator

Shyam Patel, Susquehanna.

Shyam Patil - *Susquehanna Financial Group - Analyst*

Hey guys, congrats on the great execution. I had a couple of topics I wanted to ask about going back to the Google antitrust ruling. Michael or David, do you expect the share gains there when -- whenever they start to occur? I think you said early is since the next year. Do you expect that to be more gradual or more dynamic?

And then, David, what did you mean by the proportional, point, if you guys have mid-single digits and Google has 60. Maybe just, if you could just put a finer point on that, I mean, how much of that 60% do you think is -- It's something you guys feel like you could really, go after and potentially kind of gain over time and then I just want more follow up after that.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yeah, it's difficult to kind of play this game particularly, in advance of the September trial date -- hearing date. But from what has been proposed, even by Google themselves from a remedy standpoint -- and this, it's still a bit to go in terms of fleshing out the details.

Most of it is coming across as behavioral, not fundamentally rewiring, which would take time, obviously. So if we're just talking about a level playing field where on a jump ball in the auction and we're going up against other SSPs that don't have a built-in advantage unfairly. You could be open for business day one, in that instance, so we've -- we're quite encouraged about the direction we see that heading.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, and when I mentioned proportional, it just kind of a side comment, but just saying that, if Google has 60%, market share so that, whatever -- that means that the rest of us have split up 40% of market share. And so let's say Google and I'm making this up, loses, \$10 billion or \$15 billion in market share, if we just kept our same proportion of market share, we pick up 15% of that. But given, our leadership position in the space, the SPO deals, the agency marketplaces that we run and so forth, there's opportunity for us to, we believe, take even more than our current share of that non Google market share. That's all I'm trying to say. It's significant opportunities.

Shyam Patil - *Susquehanna Financial Group - Analyst*

Thank you. That's very helpful. Just on the macro, and again, David, I know you mentioned that the quarter to trends remain healthy and you kind of called out the growth rates. Just wondering, how are your customer and advertiser conversations going?

Is there anything that suggests that things could change? I know obviously you're you guys are being prudent, with the outlook, but any, anything in the customer and advertising conversations worth sharing or any further color on the macro? Thank you, guys.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yeah, sure. I mean, I can help you there. We were recently down at one of the bigger industry shows. It's a show for CMOs called possible down in Miami [Ria] last week, and had the opportunity to the team hosted over 130 meetings, so we had a lot of opportunities to talk to buyers and, it's funny.

There was very little concrete examples of a pause and spend or a budget cut, just a whole lot of speculation. And so I think you see that flavor of our guidance and simply saying it would be, it's prudent to be cautious in this environment, but I can't really point to anything where we heard one buyer say, I'm stopping spending, there's the obvious, right.

The European auto, that is shipping cars back to Europe and not shipping them to the US. Why are you going to advertise, but that's being offset by domestic auto advertising American made. So it's tends to be right now a counterbalance between those that have paused and those that are continuing and strengthening. But again, all the speculation is that when and if the tariffs go into place. It'll be a new phase in terms of the ad economy and based upon that kind of conjecture, we thought it prudent to put some put some guidance influence in there.

Shyam Patil - *Susquehanna Financial Group - Analyst*

Great. Thank you, guys.

Operator

Dan Kurnos, Benchmark Company.

Daniel Kurnos - *Benchmark Company - Analyst*

Yes, thanks. Good afternoon. I guess I'll ask the first non-Google question. Michael, just, we had a ton of conversation from Roku about mix shift towards programmatic guarantee. I know you are going to tell me that all programmatic is good programmatic, especially in CTV. But to the extent that there has been sort of mix within the CTV ecosystem, just maybe talk through how it would impact either take rate or volumes, which you're seeing on a pricing front.

And then you spent some time talking about live sports. We got the announcements, DB360, YouTube again, opening up that funnel. You guys have made some pretty good waves with Disney. I mean, that feels like one area that regardless of the macro is going to do particularly well. So maybe just talk about kind of the incremental shots on goal you have there, especially as that also shifts more towards programmatic. Thank you.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Sure. Yes. I think if you really look at the arc of programmatic and CTV, it's so nascent that there really isn't anything bad about any type of flavor of a transaction in programmatic. And in fact, if we're sourcing the demand, there really isn't much of a change in terms of our rate card as it relates to what type of whether it's an auction, whether it's an invite only auction, whether it's PG, PMP, it's kind of. We don't really differentiate that all

that much if we're sourcing demand. So long story short, more programmatic is good and we're a long way away from a programmatic type having a dramatic impact on our take rate.

And as it relates to sports, I think you're absolutely right. Advertisers love that live environment. Even in a downturn, sports is going to be just fine. And like every other form of content that's streamed, programmatic is becoming much and much bigger player in the monetization efforts. So we feel really encouraged across the Board.

And we often think of sports as NFL games and the like, but there is just so many because of the demise of the regional sports networks, there's just so many streaming opportunities of sports out there that we're starting to land on our plate where we -- even if the super bowl will never be programmatically ad served, our sports franchise will be just fine in thriving based upon just the sheer volume of live events that are out there.

Daniel Kurnos - *Benchmark Company - Analyst*

Great. Thanks, Michael. Appreciate it.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thanks, Dan.

Operator

Laura Martin, Needham.

Laura Martin - *Needham and Company - Analyst*

Okay. I didn't want to ask this, but now you've confused me with your answer to the prior question. So when you do Programmatic Guaranteed and PMP, I thought that was the same rate card. But when you do Decisions Programmatic, which is what I would think you would be doing in live sports, isn't that twice the rate card when we're talking about mix shift within CSTD, TTD?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yes. Laura, I think they weighed to look at it because there's a lot of nuance things. But the way to look at it really is the big differentiator in rate or value is are we bringing the demand or is the publisher bringing the demand? I wouldn't get too hung up into what type of auction package it looks like. So yes, when we bring the demand, the take rate is significantly higher than when the publisher brings the demand.

We still get paid, but that's on the lower range of our rate. So to your point, if we're bringing demand to sports, especially maybe Tier 2 sports, that take rate is quite attractive because we're the folks piping in the demand.

Laura Martin - *Needham and Company - Analyst*

Okay, great. That's what I thought. I just thought suddenly something had changed. Okay, here's I'm going to ask about Possible. So one of my takeaways from Possible that I had never heard before is I talked to two CEOs who were bringing data. In one case, the guy that made the most compelling travel data, selling it to SSPs like you, meeting with people like you in order to disintermediate the DSP so they could take part of the DSP fee.

In theory, you could take some of the DSP fee and it would basically be targeting through data on the SSP that would displace the DSP. Can you talk about that trend and whether that's a thing or whether the guys just these CEOs are delusional.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Well, I can't vouch for the delusion of the CMO that you talk to, but, no, it's a very real thing. We've been talking about this for a couple quarters now. We refer to it as curation. And so this is where audience segments are assembled on the publisher/SSP side. And DSPs said, hey, if you want to buy this travel decorated audience, frequent flyers or whatever the case might be, you come here and buy it, as opposed to shipping the data to the DSP, having it assembled there.

And quite frankly, a lot of the concern is what happens to that data when it's over there. The closer I can keep my data to my data warehouse, the more safe I feel. And so we're seeing a big bump in curation activity, audience creation at the SSP level.

Now, I will say this. It mostly is done for privacy purposes and efficiency purposes, not to cut the DSP out. The DSP still will buy that audience, maybe at a different rate. I'm not privy to that. But all things being equal, what's really driving it is the efficiency of assembling it closer to home and the privacy aspect of it, so that no one can create a data graph of your travel data and buy cheaper than buying your audience segments.

Laura Martin - *Needham and Company - Analyst*

Okay, so you guys are like aggregating more data sources so that your travel audience reach is more robust. That's why these CEOs are trying to call on you now to increase your curated quality of audiences, right?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

That's right. And we've done that with OEMs that have data like automatic content recognition. We have done it with special ad units that people curate. There is a lot of flavors of curation. And it's really, you go back to the heart of the argument years ago that was, well, DSPs are worth the 20% take rate because all the value is created there, namely the audience creation.

And now you're starting to see it on the SSP side. So I think, little by little, I think the market is starting to realize that SSPs or all SSPs aren't commodities. And I think, we're trying to position ourselves as that unique SSP that's going to be quite different from the competition set.

Laura Martin - *Needham and Company - Analyst*

Okay, perfect. That's super helpful. And my last question is very simple. You have said in the past that you believe that Netflix will be your largest CTV revenue client by the end of 2025. Do you reiterate that guidance?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

I believe we qualified by saying one of -- if not our largest client on a run rate exiting the year. And we stand by that firmly.

Laura Martin - *Needham and Company - Analyst*

Okay, good. That was my last question. Thank you very much.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Thanks, Laura.

Operator

Robert Coolbrith, Evercore ISI.

Robert Coolbrith - Evercore ISI - Analyst

Great. Thank you for taking our questions. Just wanted to ask a little bit on the pricing environment in CTV right now. Assuming with all the new inventory coming on board, you may be seeing a little bit of pressure there, but just if that is the case, do you see marketers sort of reinvesting into incremental reach and frequency or maybe sort of pocketing some of the efficiency? Just wondering if you're seeing a behavior play out one way or the other.

And then wanted to go back to the Google question and just looking at the range of outcomes, I think you're beginning to go in this direction, Michael. But even some of the things that Dave proposed, like the elimination of the unified pricing rules, which I think they're still using, if you were to see that even behavioral modifications that they've sort of basically said that they would be willing to go down the road of, do you see those as potentially translating to higher share for Magnite over time? Thank you.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Yes, sure, Robert. So I think I understand the first question. And yes, there's, and we've talked about this. It pretty much occurred Q3 last year and is played out in the subsequent quarters. There's definitely been price decline in CTV as it relates to CPMs. And that I believe really is just a factor of supply.

You are seeing just a ton of supply, particularly among the OEMs, LG, Samsung, Vizio, they're huge businesses now and they have a lot of inventory to bring to market with the success of Disney, Netflix, etcetera. All these ad tiers coming to market.

So there's never been more inventory of CTV and that has definitely led to a recalibration of CPMs. It really doesn't play out as it relates to our business from a take rate pressure standpoint. In fact, you might argue in a world where there's more inventory, people are going to lean more into programmatic and they're going to reward you more handsomely for bringing demand to them because they need it, because they have a lot of supply. So I think we're in a really good position there long term.

And as it relates to your second question regarding Google, I don't want to come across as me advocating for Google's proposed remedy versus the DOJs versus any the industries. I'm just simply saying anything that creates a fair level playing field. And you gave an example of universal pricing. If it's fair, it's level. We're very happy how it gets there. That's for others to determine. But we think that we will win our out share size of market share from Google and we're elated where this is all head.

Robert Coolbrith - Evercore ISI - Analyst

Got it. Thank you.

Operator

Matt Swanson, RBC Capital Markets.

Matthew Swanson - *RBC Capital Markets - Analyst*

Yes, thanks for taking my questions. Staying on Google but shifting gears a little bit to their decision not to get rid of cookies. I mean obviously this has been will they, won't they for the last four years. I don't know if anybody was really paying attention to it, anyone relative to everything else. But do you think this changes anything in the industry or I mean were preparations continuing to happen for a cookie less world or do you think customers kind of have that on the back burner?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yes, Matt, good question. I think the industry has been shown time and time again that right up until the deadline they're used to doing things the way they've been doing it and then forced to change. GDPR comes to mind is something that all of a sudden was talked about for two years and the day it was enacted people were going crazy because they were a little under prepared let's say. I think the same can be said in the cookie area except that there have been forget privacy sandbox, that thing was dead upon arrival.

But other third party attempts to capture, signal and replace the cookie, they're here and they're here to stay and they're part of our portfolio for helping monetize inventory. Keep in mind Safari browser is quite popular and it doesn't have cookies and so therefore you're going to need cookie list solutions out there and I don't think that's going to -- this is putting a damper on that innovation and frankly if it comes to market it's at scale and our publishers want it, our buyers want it, we're the first stop they implemented at and so we have many, many non-third party solutions in play.

And of course with the growth of mobile app and the growth of CTV, it was never a cookie world and with the logged in authenticated user in the CTV environment that really is helping the audience segment creation on the publisher side at the SSP level. So that isn't going to be impacted by cookies sticking around.

Matthew Swanson - *RBC Capital Markets - Analyst*

That's super helpful. And then we talked a little bit about the rise in volume within CTV on the supply side. One of the things we had talked about previously on the demand side was seeing more SMB, I guess small medium brands, non-linear advertisers that could step into CTV because with the programmatic they can target smaller bases. Is that something we are starting to see pick up or could that be one of those kind of side areas that the macro is actually slowing down a little bit?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

No, I think if. Let's just say CPM decline in. CPM's decline in CTV largely driven by supply. But let's be honest, there's a macro element to it too. The ad market since COVID hasn't been firing on all cylinders, so there's an element of that to it and the silver lining there, even acknowledged by the media owners with the streaming properties is that it's created a price point of entry for these SMBs to be able to test CTV. It was never going to work at \$70 CPMs.

So now that it's more market based, you are seeing a flourishing of that. I mean, it seems like every day there's another announcement of a company getting into that business with Gen AI accretive, Gen AI targeting. But ultimately what they all need is access to supply. So we're the first door knock and we feel that we're extremely well positioned to take advantage of those advertiser dollars for our media owners.

Matthew Swanson - *RBC Capital Markets - Analyst*

Thank you.

Operator

Omar Dessouky, Bank of America.

Unidentified Participant

Hey guys, this is Arthur (inaudible) on for Omar, thanks for taking a question, Mike. I really appreciate the color on curation, the opportunity with curation. I think Netflix also recently talked about its mission to enhance some of the capabilities of his attack in things including for example, enhanced user marketing. Curious how much Magnite is involved in building out these features and if that could unlock potential for some of the more higher value services that could be take rate accretive. And as a follow up, I guess as you've now worked with Netflix for some time, are there any new learnings from that partnership worth calling out?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yes, thanks Arthur, for the questions. Yes, our first gen AI product that we produced that's in market now is for curation. We were onboarding so many curators that it was getting difficult for folks to find the audience that they really needed. And so, the gen AI tool is fabulous in terms of being able to find those valuable audiences. We participate in the economics and curation, generally speaking in two ways.

One, there is a modest fee to most of our curators for the effort of us onboarding them and making their inventory discoverable. And then of course, we participate in the publisher fee that we charge and generally speaking, curation carries a higher CPM. So the down flow of that you'll see in the economics of Magnite.

So we're super bullish on it and we love our capabilities. We just extended the curation capabilities to the CTV platform and so early innings. But I think this is just going to be a story, a drumbeat story for the quarters to come.

And I'm sorry, Arthur, the second question was --

Omar Dessouky - *BofA Global Research - Analyst*

Learnings from Netflix.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Learnings from Netflix. Yes, I mean, I think what you're seeing is the learnings in Netflix was that SpringServe announcement that we made and that is that when we originally had SpringServe, the AD server and Magnite Streaming, the platform. We always thought of it as, oh, there's a customer set that requires an ad server and they'll do SpringServe. And then there's the guys that need the programmatic, which is basically the whole universe.

But little by little, we started to realize that a lot of the streamers were requiring technology that was kind of ad server ish and streaming ish. And so by combining the two of them, they get the best of both worlds. They don't necessarily have to be an ad serving client only or an ad serving client with streaming.

Now they have the best of both. And so you may have a different ad server. And now you get to use the capabilities of SpringServe as your programmatic ad server meshed completely with the demand sources from Magnite Streaming. So that is 100% some of the learnings we've taken away from some of our partnerships, like Netflix.

Omar Dessouky - *BofA Global Research - Analyst*

Got it. Thank you. Appreciate it.

Operator

Eric Martinuzzi, Lake Street.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Yes, was just trying to get a sense for any signals from the verticals, specifically on the verticals that you're calling into question as far as the pulling away from the 2020 -- your 2025 guidance. So do you have, auto, retail travel, anything in the way of insertion order evidence or purchase behaviors, anecdotal conversations? I know you said you were just at the possible conference and you weren't seeing it, but still we have this reduction in the outlook. So just wondering, any data points?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yes, I mean, look, I think the one that everyone has talked about is European auto and the decision by the top three not to ship product and actually turn product around midstream. And so there's definitely a real decline there, but again, it's been offset by other categories of growth.

To answer your question, we have not seen any decline in any specific category that's related to any kind of tariff affected outcome. Just most of the talk is that generally speaking, we are talking to one of the largest companies in the world and their belief was they were going to eat everything until June 1, and then at June 1 they'd start to be passing it along to the consumer.

So everyone is just kind of saying we are holding steady, but if everything goes through the way it is supposed to, it may not be as pretty as it is right now and so it was just out of an abundance. It's out of, I think, prudence that we reflected that, those conversations into the guide. I don't know if. David, do you have any greater detail?

David Day - *Magnite Inc - Chief Financial Officer*

No, I think that's right. I mean, from a secondary, anecdotal perspective, some of the airlines have pulled some of their guidance have talked about, potential softening and some domestic travel. Again, we haven't seen it in actual activity, but you have folks, talking about that.

And so, I guess my analogy, very poor analogy on this is -- the weather forecast has a storm that might come your way smart to grab your umbrella and a raincoat and you hope the storm peters out or heads a different direction. But it -- it wouldn't be prudent if you didn't, kind of just be ready for it. And that's the way we're kind of thinking about our guidance, I guess.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Got it. Thanks for that insight.

Operator

Shweta Khajuria, Wolfe Research.

Shweta Khajuria - *Wolfe Research - Analyst*

Okay, thank you for taking my questions. Let me try two, please. One is could you please help us or remind us how your relationship with Amazon's DSP is different from the Trade desk? And then the second is how are you positioning? I mean, Michael, you've been in this industry for a very long time. You've seen different cycles. So how are you positioning ahead of macro uncertainty on things that you can do and control so that when demand is back, you are positioned for outside share gains. Thanks.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yes, thanks, Shweta. So on the Amazon front, I would say that it's a very similar relationship to the Trade Desk in the sense that, like the Trade Desk did years ago, they had certified partners platforms that they said they'd buy from. Their list was a bit more voluminous than Amazon's is, especially on the DV plus side.

So we're only one of three that are authorized to be able to do business with Amazon, DSP, we're working with them very closely in the CTV world, we're working very closely with Trade Desk in that. So I just think that generally speaking, the relationships are quite similar and as it relates to macro preparations and yes, unfortunately, I have been in the business for a very long time. Thank you for pointing that out, Shweta. But I --

Shweta Khajuria - *Wolfe Research - Analyst*

You look, young Michael.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Now I feel better. I think that we're not, we don't believe what we're going to see if it happens is going to be structural change. We still believe that Programmatic is going to grow in the years to come. We still believe that CTV is going to be a huge tailwind.

So what we're not going to do is make silly moves to try to chase a mythical margin number if we feel as though we, if we stop investing, screw it for years to come. And so we're going to continue to do it. We've always been very, David and the team have been great in cost management. We'll obviously tighten the belts, we'll shave where we can. But you shouldn't expect from us a wholesale reduction in cost because the opportunity is too far and too great. And we have such a great position that we're going to continue to invest in that.

Shweta Khajuria - *Wolfe Research - Analyst*

Okay. Thanks, Michael.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thank you.

Operator

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

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Thanks, Dager. I want to thank all you for joining us and for your support. Q2 is off to a good start and we look forward to the year ahead, especially with the momentum we have from our strengthening competitive position. We look forward to speaking with many of you at our upcoming investor events. We are participating in the Lake Street Virtual NDR tomorrow.

Needham Conference in New York on the 13th, RBC Meetings in Montreal and Toronto on the 14th and 15th, B. Riley Conference in Marina del Rey on the 21st and 22nd, Craig Hallam Conference in Minneapolis on the 28th, Evercore Conference in New York on the 28th, Bank of America Conference in San Fran on June 3rd, Wolf Investor Luncheon Conference in New York on the 4th and 5th of June, Rosenblatt Virtual Conference on June 10th, Susquehanna Meetings in Boston on June 11th, Bank of America Meetings in London on June 16th, Citi and UBS in Cannes and our Live from Cannes webcast on June 17th and 18th, and Bank of America meetings in Paris on June 24th. Thank you and have a great evening.

Operator

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

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