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MGNI.OQ - Q1 2024 Magnite Inc Earnings Call

EVENT DATE/TIME: MAY 08, 2024 / 8:30PM GMT

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## PRESENTATION

**Operator**

Good day, and welcome to the Magnite First Quarter 2024 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to hand the call to Nick Kormeluk of Investor Relations. Please go ahead.

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

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's First Quarter 2024 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 impact 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 is 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 first quarter 2024 quarterly report on Form 10-Q and our 2023 annual report on Form 10-K. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including contribution ex-TAC or less traffic acquisition costs, adjusted EBITDA and non-GAAP income per share. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release and in the financial highlights deck that is posted on the 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 onetime 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.

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

Thank you, Nick. I'm pleased to report that results for Q1 once again exceeded our top line guidance for contribution ex-TAC across all business lines, particularly CTV, which grew 18% in the quarter. Our DV+ business also performed very well, delivering contribution ex-TAC growth of 9%. We've had a great start to 2024 and an exceptionally strong March and remain optimistic that positive trends will continue throughout the year.

Our best-in-class CTV platform benefited from a number of key accelerators. Last quarter, we emphasized the strength of our platform in handling live sports. In the quarter, this was demonstrated through strong performance in NCA basketball March Madness, proving how valuable Magnite is as a monetization partner for this highly sought after inventory. Our ad serving business, SpringServe also delivered stellar results from new wins and ramping partners and continues to be a strong differentiator for us and highly strategic.

The combination of SpringServe and our Magnite streaming SSP makes us much more than just a conduit for demand. We offer a complete solution that includes ad serving, yield monetization, audience capabilities and a host of tools to protect the consumer viewing experience and honor complex rules around competitive separation and frequency capping. We are also deeply embedded within our clients' workflow. So from their perspective, this combined implementation of our ad server and SSP looks more like a typical enterprise software solution. This stickiness creates a meaningful moat and barrier to entry for others. And in our case, the barriers are not workflow from an ad operations, it is also in the form of superior monetization.

For all of these reasons, we believe having the best streaming first ad server and the most technologically advanced SSP, combined in one offering gives us a significant market advantage in retaining, expanding and winning new business. We've been really excited to build on our U.S. leadership position by expanding SpringServe globally with new wins internationally and broadening existing partnerships. These wins and ramping customers include Titan for Philips operating system, Barco 1, Barcelona Football Club streaming app. Altice France and YTV Japan, a leading Japanese broadcaster. ClearLine our self-service direct buying platform is continuing to gain traction and we have numerous agencies and multiple brands testing and transacting through ClearLine.

Of particular note, we were very excited to announce an expansion of our Mediaocean partnership to include an exclusive deal for CTV buying through ClearLine. Mediaocean represents over $200 billion in total spend and their products are deeply integrated into the linear TV media buying workflows of agencies and brands. Through this partnership, linear TV buyers will be able to use the Mediaocean planning tool to directly buy CTV inventory through ClearLine, specifically targeting a large 60 billion-plus U.S. linear TV total addressable market for us to be able to convert into CTV ad buys.

In addition, through feedback from our various agency partners, we are hard at work on building and launching additional features and functionality in Q2 in preparation for live sports programming like the Summer Olympics, NFL and college football as well as the Fall elections. Now stepping back to look a little bit more broadly at the CTV market. Recently, some attention has been given to the advent of DSPs connecting directly to sellers in the connected TV landscape. Some observers have been anxious about what this means for sell-side platforms like Magnite. Our perspective, backed by both data and experience leaves us more optimistic than anxious.

It's important to remember that the concept direct connections isn't new. The Trade Desk introduced OpenPath across this plain video just over 2 years ago, sparking similar concerns. Despite this, our DV+ business has continued to gain share, and we have accelerated our growth rate year-over-year. This experience strengthens our confidence. While some large media owners are likely to test or adopt a dual pipeline approach to drive incremental programmatic demand, we believe differentiated SSPs like Magnite will continue to thrive for the following reasons.

First, it's about values and incentive alignment. Demand side platforms are, by definition, incentivized to prioritize the needs of advertisers and agencies over anyone else. In contrast, SSPs like Magnite are built to help the sell-side win, full stop. Everything we do is through this lens, including the guidance we give on a daily basis and the tech we provide for complex operations such as billing, collections, reconciliation, fraud protection and of course, yield management.

Second reason relates to holistic yield management. SSPs are uniquely positioned to help meet the owners optimize yield decisions holistically. Leveraging data and AI insights to maximize clients' revenue across all formats and channels. The larger, more global and more technically comprehensive the SSP, the more effective it is. And Magnite is uniquely positioned on all these fronts.

The third reason is a universal, more efficient, safer publisher deal environment, a universal deal library, such as what we provide for many of our seller clients enhances deal value by ensuring broader and more equitable demand access. The alternative under a direct connect scenario is multiple deal libraries in each connected DSP, resulting in buyer inefficiency, potential data leakage and poor user experience.

Number 4 is all about the ability to capture demand from a growing number of diversified streaming advertisers. We are in the early stages of CTV advertising and the focus rightfully so, is capturing linear dollars spent by broadcast advertisers. Today, a handful of DSPs handle this business, but that isn't the future. The future is 5,000-plus advertisers, not 500. These digital first advertisers will demand precise targeting and a biddable environment, and we'll partner with a host of DSPs and buying tools.

It will be impossible for a streaming publisher to directly connect all of this demand without absorbing huge build-out costs for no economic value. These publishers will lean on a tech partner that can easily integrate this disparate demand and ensure the best yield. Magnite's combination of SSP and ad server uniquely positions us as the monetization partner of choice for CTV publishers.

And the last reason is our unique demand. Magnite's strategic agency deals, managed service operations, ClearLine demand and partnerships like our exclusive deal with Mediaocean represents a vital part of publisher revenue streams and this revenue only flows through our SSP pipes. It's also important to mention that almost any direct DSP implementation is integrated through SpringServe either as the primary ad server or as the programmatic layer sitting on top of third-party ad servers. So while the disintermediation narrative makes for a nice headline, Magnite continues to participate in the economics.

Our deep partnerships with the likes of Disney, Roku, Warner Bros Discovery, Paramount, Fox, Samsung, LG and VIZIO ensure we have a valuable long-term role in the growth of the CTV market. We are excited to enter the 2024 upfront season, during which a majority of these partners will continue to expand their programmatic advertising efforts as it relates to CTV ad sales.

Now moving over to DV+. Q1 once again finished strong with revenue ex-TAC growth of 9%. Our results continue to be driven by extreme focus on buyers, improving monetization for sellers, improving performance with AI and investing in formats such as native, audio, podcast and digital out-of-home. As you are aware, Google recently announced yet another delay in its deprecation of third-party cookies. The announcement was not unexpected and notwithstanding the delay, we will continue to do testing and work with Google so that when we are prepared to fully support privacy -- so that we are prepared to fully support privacy sandbox when it eventually launches.

In addition, we believe we have built the industry's best technology platform to help publishers better monetize their first-party data. Ultimately, we believe the elimination of third-party cookies will greatly strengthen our market position as other SSP competitors will struggle to support new third-party solutions and do not possess the scale or strategic proximity to publishers necessary to support first-party segment creation.

Our DV+ scale continues to grow as we add new publishers and see over 1.2 trillion ad requests daily, offering the broadest and most efficient customized supply of inventory for our DSPs and brands to find and target the users they are looking to reach.

In closing, we are excited about the business we have built and off to a great start to 2024. The prospects for Magnite and our growth opportunities are very strong.

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

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

Thanks, Michael. We are pleased to have a strong start to 2024 with CTV and DV+ contribution ex-TAC, significantly beating the high end of our guide. We also reported an adjusted EBITDA margin of 19% for the quarter, which is above the high end of our guidance range. Total revenue for

Q1 was $149 million, up 15% from Q1 2023. Contribution ex-TAC was $131 million, up 12%. CTV contribution ex-TAC was $55 million, up 18% year-over-year, which significantly exceeded our guidance range. The strong contribution from live sports, including better-than-expected March Madness results as well as continued growth in ad serving were significant drivers of CTV.

Our CTV outperformance was entirely driven by our programmatic offerings with managed service down slightly year-over-year. DV+ contribution ex-TAC was $76 million, an increase from $70 million or up 9% compared to the first quarter last year. Our contribution ex-TAC mix for Q1 was 42% CTV, 41% mobile and 17% desktop. From a vertical perspective, automotive, financial and food and beverage were our strongest performing categories. Categories that did not perform as well were entertainment, home and garden and technology.

Total operating expenses, which includes cost of revenue for the first quarter were $163 million, a decrease from $231 million in the same period last year. A primary driver of the decrease was the result of the SpotX acquired intangible assets that became fully amortized in the third quarter of last year. Adjusted EBITDA operating expense for the first quarter was $106 million at the low end of our guidance range. The increase from $93 million last year was driven by higher cloud computing expenses, planned event and travel-related expenses, including our full company off-site in Q1 as well as personnel-related costs driven by annual merit increases and payroll tax resets.

Net loss was $18 million for the quarter compared to a net loss for the first quarter of 2023 of $99 million. Adjusted EBITDA was $25 million, and adjusted EBITDA margin was 19% for the quarter. which compares to $23 million and a margin of 20% last year. As a reminder, we calculate adjusted EBITDA margin as a percentage of contribution ex-TAC. GAAP loss per basic and diluted share was $0.13 for the first quarter of 2024, compared to a loss of $0.73 for the first quarter of 2023. Non-GAAP earnings per share in the first quarter of 2024 was $0.05 compared to $0.04 reported 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 $253 million, a decrease from $326 million at the end of the fourth quarter. The decrease was due to typical seasonality in our business. Capital expenditures, including both purchases of property and equipment and capitalized internally used software development costs, were $15 million for the quarter. Operating cash flow, which we define as adjusted EBITDA less CapEx, was $10 million for the quarter. Our net interest expense for the quarter was $8 million. As we announced last quarter, we successfully refinanced our credit facilities in Q1, which stabilizes our capital structure for the foreseeable future.

Our net leverage was 1.7x at the end of Q1 due to the same typical cash seasonality I mentioned earlier. We expect to see net leverage improvements in future quarters this year and expect a net leverage ratio of 1x or less by the end of the year. I will now share our expectations for the second quarter and full year. For the second quarter, we expect contribution ex-TAC to be in the range of $142 million to $146 million. Contribution ex-TAC attributable to CTV to be in the range of $59 million to $61 million, comprised of double-digit programmatic CTV growth partially offset by lower managed service contribution, which is going up against a strong comp in Q2 2023. Contribution ex-TAC attributable to DV+ to be in the range of $83 million to $85 million, and adjusted EBITDA operating expenses to be between $101 million and $103 million, which implies adjusted EBITDA margin of approximately 30% for Q2 at the midpoint.

For the full year, we are raising both top and bottom line guidance. We're raising contribution ex-TAC to grow at least 10% with CTV to grow faster than DV+. Adjusted EBITDA margin is now expected to expand 100 to 150 basis points over 2023, and we're increasing our expected adjusted EBITDA growth to the mid-teens, up from double digits previously, with even higher growth in free cash flow and total CapEx to be in the mid- to high -- mid- to high $40 million range, including PP&E and capitalized software. We're off to a great start in 2024 and are very encouraged by the recovery in our CTV growth. We're excited about the opportunities ahead of us and look forward to continued strong programmatic CTV performance.

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

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And our first question comes from Shyam Patil of Susquehanna.

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

Congrats on a really strong result there. I had a couple of questions. Michael, you talked in your prepared remarks about CTV benefiting from strength in ad serving. I was wondering if you could talk a little bit more about that and just opportunities to kind of expand ad serving going forward?

And then also, I guess, second question on ClearLine, you talked about the Mediaocean partnership and the ClearLine integration. Can you just talk about, I guess, for that partnership and then just kind of ClearLine overall, just how you think about the contribution from this over time.

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

Yes, sure, Shyam. So on the ad serving front, yes, it's 2 stories, right? So ad serving itself has just so far exceeded expectations, if you recall, when we acquired SpotX we had the option to be able to buy SpringServe at the time. And it came with a kind of expectation of performance and everything that we thought of on the top range of performance, it's so far exceeded. So it's growing incredibly fast through same-store sales and also through new customer adoption. It really is the rare choice for digital-first streaming companies.

Obviously, the broadcasters have been at online video for a long time and FreeWheel has a very good position in that market. But if you look at the OEMs, you look at fast services, you look at virtual MVPDs all of these guys, SpringServe is the server of choice. So as a just stand-alone SpringServe is killing it, but the secret sauce here is SpringServe in combination with our SSP. So as the year goes on, you're going to see 1 unified login, clients that don't use SpringServe will have access to SpringServe tools, clients that have SpringServe, only clients will have access to the SSP. And we think that in addition to just being a stickier relationship with publishers, having the 2 together will drive superior monetization.

So we couldn't be more excited with the prospects going forward and with the results to date with SpringServe. As it relates to ClearLine, we are very excited about the Mediaocean relationship. As you know, their software sits at all the major agencies. Everyone uses it. They use it for planning, for linear and increasingly, they're using it to process insertion orders to send over to those very same broadcasters for their streaming service. And the need there is to automate that, to make that more programmatic. And so we think that there's a real opportunity here partnering with our partners at Mediaocean to really shift the market and the way they think about transacting kind of publisher sold deals that used to be insertion or now can be processed programmatically with targeting, et cetera. So really excited about that.

Obviously, very early days, but we get -- we really rushed this partnership and got it in place so that it's there for the upfront. And I think that we're very excited about the timing there.

As to the prospects of ClearLine, I think we've been very realistic that it will be a modest revenue generator in the near future. But we think that providing this kind of buy-side alternative for certain types of buyers, whether they're extremely fee-sensitive or they're not needing to have the full suite of DSP services. We think it's going to be very attractive and continue to invest in it and put resources against it.

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**Operator**

The next question comes from Laura Martin of Needham.

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

I'll add my congratulations. Nice (inaudible) congratulations. I have 2, Michael. So 1 is -- so Roku said that they were seeing CPM softness because Netflix is coming into the market, and probably Amazon Prime Video too, which is creating an oversupply. So that's sort of my first question is do you see a cost per thousand pricing difference within the CTV market between the TV OEMs like Roku, LG, Samsung and what you call the broadcasters. And if so, if there is a difference, are there trends that are different? Or does the whole CTV market move together? That's my first one.

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

Yes. We look at it -- we look at it holistically, Laura, but we also do look at it in cohorts, right? And so the broadcaster cohort versus the OEM and kind of made for the medium kind of guys. And there is a disparity in CPMs, no question about it. They obviously not surprisingly are higher for the broadcasters in the Netflix of the world and lower for folks like the OEM. That delta hasn't really widened over the last several quarters. We've seen some price decline. Obviously, Netflix went out at a very, very high price point. That probably wasn't sustainable. It was a launch. But so that's come back down. But generally speaking, we've seen a little softness in CPMs, but when I say little softness, we're talking very-low-single-digit decline. So it hasn't been what the market has kind of -- some of the pundits have said which a cratering of CPM. So that hasn't occurred.

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

Super interesting and helpful. Next week, we're walking into the upfront market. We're $9 billion -- $19 billion of spend in the upfront market. If you -- what is your gut feel when we're on the other side of the upfront market when all the new deals are signed by August. How much will programmatic be this year compared to the past? Are we at a tipping point do you feel there were a lot more programmatic deals are actually going to get signed in this year's upfront? What's your point of view on that?

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

I do, Laura, and I think that what we'll see the majority of that will still be the publisher sold directly with the premium guys. They'll be more biddable, but not the majority of it by any stretch. And so our ad spend growth rate continues to be (inaudible) with these guys and most of that's publisher sold deals. And I think you're going to just see more and more of that because that's what buyers want.

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

Okay. So that's a key driver for you next year. If that prediction comes through that, right?

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

Well, I think it's reflected in any kind of guidance that's out there for 2024. Hard to have that go through 2025.

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**Operator**

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

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

Michael, I appreciate the time you spent on direct connection. Just curious, if we look at that looking forward over like the next 3 to 5 years, what does the dialogue look like on direct connection? Do those still exist? Do they maybe just exist for a few of the largest buyers and few are the largest publishers? Or maybe what is your thought on the evolution there?

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

It's a great call. I mean, I think not trying to be too self-serving that I think that CTV is quite different. And the point we tried to point out about in the deal library area is that it's really tough and inefficient for a publisher to create deal libraries in every DSP, that's the role of the SSP, right? You create the deal library in one location, every buyer knows where to go to get it. So I think that there's that element, there is an element of risk for a publisher. If they haven't done it before, it can be costly. It requires engineering talent to do.

So I think based upon those kind of broader challenges, I don't think this is for everyone. I think that those that have the technical ability to do so will sample this because who wouldn't want incremental demand. But I do think the vast majority of dollars that would be flowing into CTV, will flow through pipes like ours because of the reasons that we alluded to in the script today.

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

I want to go back to the CTV conversation from kind of last summer fall. Obviously, you've had a nice bounce back there in your business. And if we just kind of look over the last 2, 3 quarters, are you just seeing generally better advertising trends that's driven those tailwinds? Is it -- are the buckets changing, which is creating a more favorable take rate? Or you did kind of give -- you did give some detail on managed service, but I'm curious if you can give details on any of those other variables.

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

Yes. Jason, I would say that -- and David will correct me, but I would say the biggest driver is macro, that it's an improved ad environment and there's more spend available. And I would say from the last time we talked about the buckets, Magnite managed deals, publisher managed deals in managed service. Maybe on the margins, the actual publisher sold deals have increased.

So what you're seeing is obviously, a lower take rate for that category, but more of them, many, many more of them. And so I still think right now when folks look at available inventory and there's a lot of it. Amazon Prime obviously dumped a bucket of inventory onto the market this last quarter. I think there's still a real preference for the buyer to go super premium brand name broadcasters that they're comfortable with, shows that they're comfortable with. And so I don't think that, that trend line will change dramatically anytime soon. I mean on the margins, our March over performance, some of that was driven by managed service and particularly around the NCAA basketball. But I don't think there's going to be any dramatic change throughout 2024 in terms of the mix of buckets.

**Operator**

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

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

Yes. And I'll add my congratulations to the team. Maybe if we get David involved here. we haven't had to deal with an improving macro for quite some time. Could you just talk a little bit about what your approach to guidance is with some of the momentum we're seeing in the market?

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

Yes. And I don't want to caveat a little bit. The macro is improving, but we wouldn't characterize it by any means as full steam ahead. So if we take a vertical view, for example, there was some strength in automotive, a lot of electric cars sitting on lots that need to be sold, financial, food and beverage. A lot of CPG folks need to maintain support for increased prices, which you've had to put in place as a result of inflation, but we're also seeing some weaknesses in technology in particular. I think WPP and a few others have called that out. Entertainment, we still haven't fully recovered from some of the strike issues last year. And so I think from a guidance perspective, I think we remain cautiously optimistic.

So we're certainly -- we appreciate the improvements that we have in place and for future potential there. But I think cautiously optimistic is the way to describe it. Also, we've spoken in the past about managed service and how that business is a little more volatile than some of the other businesses. And so as we look forward to this year in that group, in particular, it obviously continues to be a super important value add for the company. But it's -- we had kind of stronger comps early in 2023, first half of 2023. So that's a little depressing now from a growth perspective, not personally depressing.

And that -- those comps ease up the second half of the year. And so for managed service specifically, perhaps a little extra bit of conservatism given that volatility, but we'd also see some strengthening throughout the remainder of the year.

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

That's really helpful color. And then Michael, also super helpful color when we talked about the direct connections and you kind of outlining your value proposition with those key points. But could you maybe dive a little deeper into Disney specifically? It's a really close relationship. And just maybe talk about kind of the messaging that you've heard from them and just kind of how much it aligns with your view?

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

Yes. So I mean, we talked a little bit about, I guess, it was our cycle of earnings calls, so this is the first time in our earnings. But the relationship actually has kind of been portrayed as a contraction where it's actually more of an expansion. We're actually working with them now through our managed service team. We are working with them in political advertising and remain their sole SSP partner. They own their own ad server. So if they were using a commercial ad server more than likely it would have been a connection through SpringServe into their commercial ad server. But because they own their own ad server, I think they felt as though they had the technical capabilities to do a connection with the 2 largest DSPs. It's been kind of intimated that it begins and ends there. It's a lengthy process. I had commented earlier about the risk of implementation and the length and the expense of it.

They're not going to even lift a finger on the Trade Desk integration until 2025. And so I think it's an experiment. I'd probably do it if I were them because it's been pitched as incremental demand. Why wouldn't you, as a publisher, but I do think they're quite unique in the sense that they do own their ad server and they do have engineers to do these kinds of things. So I think our Disney relationship remains incredibly strong. We are talking about workflow for 2025. And I do think that they're an outlier as it relates to most of the top streaming services.

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**Operator**

The next question comes from Zach Cummins of B. Riley FBR.

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**Zachary Cummins** - *B. Riley Securities, Inc., Research Division - Equity Research Analyst*

Congrats on a strong start to the year. I was really hoping you could just further unpack some of the assumptions you're making for CTV business. It obviously seems like some tailwinds from live sports and some easier comps as we go into the second half of the year. But just curious of your approach to CTV specifically as your (inaudible) guidance for the remainder of this year?

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

Yes. I mean I think our approach, we continue to be bullish about the recovery in the programmatic component of CTV. Q1 was just -- it was an exceptionally strong quarter from a CTV perspective. And as we talked about, we continue the programmatic CTV component to continue to grow in double digits and again, offset by declines in Q2 that will be a little bit in managed service, will be a little bit greater than Q1.

And so as we look forward, we would expect that continued CTV programmatic growth and we'll get a little bit of a boost in -- particularly in the second half of the year from political, where we -- we've talked about political spend levels in the past 2022 and 2020 of roughly $10 million for the company. And if one were to assume that, say, that doubled in this next cycle, most of that hitting the second half of the year, that's also factored into our guidance.

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**Zachary Cummins** - *B. Riley Securities, Inc., Research Division - Equity Research Analyst*

Understood. And just my one follow-up question is around capital allocation. It's nice to see that you're targeting a net leverage ratio closer to 1x at the end of this year. But as you continue to strengthens the balance sheet. How do you balance thinking of share repurchases versus continuing to pay down debt?

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

Yes, that's a really good question. I guess the first point is we're just -- we're thrilled to be in that position. And with the refinancing of our debt, removal of a springing covenant related to our converts and the progress on this net leverage ratio as you mentioned, it opens up a lot of possibilities for us. So yes, we have a program in place for $125 million program that could be used for convert repurchase or for share buybacks.

Given where the converts are trading, it's not favorable for us to take them off the market at this time. And so it would lend ourselves to consider share repurchases more significantly. So we'll -- where I would say probably wasn't on the table in 2023, at least very significantly. I think that's a growing area of focus for us, although facts and circumstances as we move forward will determine if we take action or not.

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**Operator**

The next question comes from Dan Kurnos of The Benchmark Company.

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

All right. I'll take a stab at this, trying to listen like 4 calls at once. Michael, it sounds like you guys did another deal, it's small, but with one of the linear players. We know you already have a relationship with Scripps in particular, but it feels like they're all trying to come online, and it's sort of a facilitation of the move to streaming, but also untapped opportunities, a lot of your peers or others aren't going after. So just kind of curious about that particular opportunity.

And David, you just kind of mentioned the political aspect that I wanted to get into, but it sounds like a lot of agencies are actually trying to transact political on almost a purely programmatic basis, particularly in the CTV universe. So I guess that could be a boom depending on how many dollars shift there, but just curious if that's what you're seeing and if you're sort of negotiating some of the deals on kind of that premise?

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

Yes. So yes, Dan, I think local as it relates to streaming, is a story that's not well told, and that's on us as much as anyone and look forward to talking much more about that because we do have a lot of momentum in that area. We think it's really promising. And I think you're right, it's kind of green space for us in terms of being able to secure a lot of that business and relationships. And as it relates to political, and I'll let David opine, but it's going to be a very backloaded spend. And so anything that we talk about political is kind of conjecture because it hadn't flown yet. And so we think it's going to be big. We have built it into some of the forward-looking guide. But how big when, who is it going to come from, how much of it's programmatic it's all very encouraging, but it's still kind of on the comp.

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

Yes. And we've got a crack political facilitation team in place. So we're -- we have very established relationships with those players. And we have tried to take, I think, a fairly modest approach in our guidance. And so to your point, it could create an upside certainly in the latter half of the year.

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**Operator**

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

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**Unidentified Analyst**

This is Arthur on for Omar. And congrats on strong results. Maybe just a quick follow-up on the Mediaocean partnership. Michael, you talked about automating insertion orders through the ClearLine integration. How should we think about the economic implications of that? Like should we think about higher take rate on these direct deals from your existing customer base? Or is this expected to be something that's also going to drive incremental market share growth because you're offering easier access for these new buyers to execute the deals programmatically?

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

Yes. So I think the way to think about it is, obviously, there's the take rate that's involved in the transaction that is on the Magnite side. And I would envision that there'll be a buy-side fee associated with using this tool from Mediaocean. So obviously, is a partnership, there's shared economics on the buy side piece of it. And then the sell-side piece of it, that's Magnite economics. So I think anything that would flow through it is found money, and it would be accretive in terms of both a take rate and a buy-side fee.

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**Operator**

This concludes the question-and-answer session. I'd like to turn the call back over to Michael for any closing remarks.

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

Thank you, Andrea. I'd also like to say thank you to the Magnite team for delivering a great quarter that exceeded expectations. The performance of our team around the world has established a very solid foundation to build on for the remainder of the year and beyond. We look forward to speaking with many of you at our upcoming investor events. Cannibal will host our post-Q1 virtual investor meetings tomorrow. We will be attending the Needham Conference in New York on May 14 and 15, the B. Riley conference in Beverly Hills on May 22 and 23, and the Craig Hallum Conference in Minneapolis on the 29th.

The Evercore conference in New York, also on May 29 and the BofA conference in San Francisco on June 5. We will also be participating in meetings with Benchmark in Milwaukee and Chicago on June 11 and 12, and will be in London on June 18. Lastly, Benchmark will be hosting a live from Can webcast on Wednesday, June 19. Have a great evening, and thank you for listening.

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**Operator**

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