



Magnite Reports Third Quarter 2023 Results

11/08/23

Total Revenue Grows 3% & Contribution ex-TAC⁽¹⁾ Grows 4% Year-Over-Year

CTV Share Gains Continue & Market Position Strengthens with Ad Spend⁽²⁾ Growth Over 20%

NEW YORK, Nov. 08, 2023 (GLOBE NEWSWIRE) -- Magnite (NASDAQ: MGNI), the world's largest independent sell-side advertising company, today reported its results of operations for the quarter ended September 30, 2023.

Q3 2023 Highlights:

- Revenue of \$150.1 million, up 3% year-over-year
- Contribution ex-TAC⁽¹⁾ of \$133.1 million, up 4% year-over-year
- Contribution ex-TAC⁽¹⁾ attributable to CTV of \$52.5 million, down 6% year-over-year, compared to guidance of \$50.0 to \$52.0 million
- Contribution ex-TAC⁽¹⁾ attributable to DV+ of \$80.7 million, up 12% year-over year, compared to guidance of \$78.0 to \$80.0 million
- Net loss of \$17.5 million, for a loss per share of \$0.13, compared to net loss of \$24.4 million in Q3 2022, for a loss per share of \$0.18
- Adjusted EBITDA⁽¹⁾ of \$40.3 million, representing a 30% Adjusted EBITDA margin⁽⁴⁾, compared to Adjusted EBITDA⁽¹⁾ of \$44.4 million in Q3 2022
- Non-GAAP earnings per share⁽¹⁾ of \$0.12, compared to non-GAAP earnings per share⁽¹⁾ of \$0.18 for Q3 2022
- Operating cash flow⁽⁵⁾ of \$31.8 million
- Repurchased \$34.5 million of convertible notes during the quarter, approximately \$125 million or 31% of total now retired

Expectations:

- Total Contribution ex-TAC⁽¹⁾ for Q4 2023 to be between \$158 million and \$162 million
- Contribution ex-TAC⁽¹⁾ attributable to CTV for Q4 2023 to be between \$61 million and \$63 million
- Contribution ex-TAC⁽¹⁾ attributable to DV+ for Q4 2023 to be between \$97 million and \$99 million
- Adjusted EBITDA operating expenses⁽³⁾ for Q4 2023 to be between \$94 million and \$96 million
- Total Contribution ex-TAC⁽¹⁾ growth in the high single digits for the full-year 2024, with CTV growing faster than DV+
- Targeting Adjusted EBITDA margin⁽⁴⁾ expansion of 50-100 basis points for 2024
- Double digit percentage growth of Adjusted EBITDA⁽¹⁾ for 2024, and even higher growth in free cash flow⁽⁶⁾
- Total capital expenditures for 2024 to be in the mid \$40 million range

"We exceeded our top line guidance in the third quarter, with contribution ex-TAC for CTV and DV+ both coming in above the high end of our guidance range. We continued to grow our market share in both DV+ and CTV. In fact, our CTV ad spend increased over 20% in the third quarter, strongly outpacing market growth estimates. We have a tremendous opportunity to expand our share growth as the largest CTV market participants accelerate their programmatic CTV offerings," said Michael G. Barrett, President and CEO of Magnite.

Third Quarter 2023 Results Summary

(in millions, except per share amounts and percentages)

Three Months Ended			Nine Months Ended		
September 30, 2023	September 30, 2022	Change Favorable/ (Unfavorable)	September 30, 2023	September 30, 2022	Change Favorable/ (Unfavorable)

Revenue	\$150.1	\$145.8	3%	\$432.8	\$401.7	8%
Gross profit	\$65.2	\$74.1	(12)%	\$92.9	\$205.5	(55)%
Contribution ex-TAC ⁽¹⁾	\$133.1	\$127.7	4%	\$383.9	\$358.0	7%
Net loss	(\$17.5)	(\$24.4)	28%	(\$190.1)	(\$93.9)	(102)%
Adjusted EBITDA ⁽¹⁾	\$40.3	\$44.4	(9)%	\$101.0	\$114.6	(12)%
Adjusted EBITDA operating expenses ⁽³⁾	\$92.8	\$83.3	(12)%	\$282.9	\$243.4	(16)%
Adjusted EBITDA margin ⁽⁴⁾	30%	35%	(5 ppt)	26%	32%	(6 ppt)
Basic and diluted loss per share	(\$0.13)	(\$0.18)	28%	(\$1.40)	(\$0.71)	(97)%
Non-GAAP earnings per share ⁽¹⁾	\$0.12	\$0.18	(33)%	\$0.25	\$0.40	(38)%

Footnotes:

- (1) Contribution ex-TAC, Adjusted EBITDA, and non-GAAP earnings per share are non-GAAP financial measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included at the end of this press release.
- (2) Advertising spend, or ad spend, is defined as the total volume of spending between buyers and sellers transacted on our platform.
- (3) Adjusted EBITDA operating expenses is calculated as Contribution ex-TAC less Adjusted EBITDA.
- (4) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Contribution ex-TAC.
- (5) Operating cash flow is calculated as Adjusted EBITDA less capital expenditures.
- (6) Free cash flow is defined as operating cash flow (Adjusted EBITDA less capital expenditures) less net interest expense.

Third Quarter 2023 Results Conference Call and Webcast:

The Company will host a conference call on November 8, 2023 at 1:30 PM (PT) / 4:30 PM (ET) to discuss the results for its third quarter of 2023.

Live conference call

Toll free number: (844) 875-6911 (for domestic callers)
Direct dial number: (412) 902-6511 (for international callers)
Passcode: Ask to join the Magnite conference call
Simultaneous audio webcast: <http://investor.magnite.com> under "Events and Presentations"

Conference call replay

Toll free number: (877) 344-7529 (for domestic callers)
Direct dial number: (412) 317-0088 (for international callers)
Passcode: 7301687
Webcast link: <http://investor.magnite.com> under "Events and Presentations"

About Magnite

We're Magnite (NASDAQ: MGNI), the world's largest independent sell-side advertising company. Publishers use our technology to monetize their content across all screens and formats including CTV, online video, display, and audio. The world's leading agencies and brands trust our platform to access brand-safe, high-quality ad inventory and execute billions of advertising transactions each month. Anchored in bustling New York City, sunny Los Angeles, mile high Denver, historic London, colorful Singapore, and down under in Sydney, Magnite has offices across North America, EMEA, LATAM, and APAC.

Forward-Looking Statements:

This press release and management's prepared remarks during the conference call referred to above include, and management's answers to questions during the conference call may include, forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning acquisitions by the Company, including the acquisition of SpotX, Inc. ("SpotX," and such acquisition the "SpotX Acquisition"), the acquisition of SpringServe, LLC ("SpringServe," and such acquisition the "SpringServe Acquisition"), and the merger with Telaria, Inc. ("Telaria," and such merger the "Telaria Merger"), or the anticipated benefits thereof; statements concerning potential synergies from the Company's acquisitions; statements concerning macroeconomic conditions or concerns related thereto; our anticipated financial performance; key strategic objectives; industry growth rates for ad-supported connected television ("CTV") and the shift in video consumption from linear TV to CTV; anticipated benefits of new offerings, including the introduction of our new Magnite Streaming platform and our ClearLine solution; the success of the consolidation of our two CTV platforms; the effects of our cost reduction initiatives; scope and duration of client relationships; the fees we may charge in the future; business mix; sales growth; benefits from supply path optimization; the development of identity solutions; client utilization of our offerings; our competitive differentiation; our market share and leadership position in the industry; market conditions, trends, and opportunities; certain statements regarding future operational performance measures; and other statements that are not historical facts. These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. Risks that our business faces include, but are not limited to, the following: our ability to realize the anticipated benefits of the SpotX Acquisition, SpringServe Acquisition, and other acquisitions; the impact of macroeconomic challenges on the overall demand for advertising and the advertising marketplace, including as a result of global conflict, global pandemics and the responses to such pandemics by governments, inflation, supply chain issues, labor strikes, capital market disruptions and instability of financial institutions, the occurrence of a

recession, or concerns relating to the foregoing; CTV spend on our platform may grow more slowly than we expect if industry growth rates for ad supported CTV are not accurate, if CTV sellers fail to adopt programmatic advertising solutions or if we are unable to maintain or increase access to CTV advertising inventory; we may be unsuccessful in our supply path optimization efforts with buyers; our ability to introduce new offerings and bring them to market in a timely manner and potential responses or reactions of clients, vendors, and competitors to the announcement of new products and offerings; uncertainty of our estimates and expectations associated with new offerings, including our SpringServe ad server, ClearLine product, and our developing identity solutions; potential negative impacts associated with the integration of our CTV platforms and the introduction of Magnite Streaming; we must increase the scale and efficiency of our technology infrastructure to support our growth and recent developments in artificial intelligence and machine learning may accelerate or exacerbate potential risks related to technological developments; the emergence of header bidding has increased competition from other demand sources and may cause infrastructure strain and added costs; our access to mobile inventory may be limited by third-party technology or lack of direct relationships with mobile sellers; we may experience lower take rates, which may not be offset by increases in ad spend; the impact of requests for discounts, fee concessions, rebates, refunds or favorable payment terms; our business may be subject to sales and use tax, advertising and other taxes; failure by us or our clients to meet advertising and inventory content standards; the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand, and to establish direct relationships and integrations without the use of our platform; our reliance on large aggregators of advertising inventory, and the concentration of CTV among a small number of large sellers that enjoy significant negotiating leverage with respect to take rates and other terms; our ability to provide value to both buyers and sellers of advertising without being perceived as favoring one over the other or being perceived as competing with them through our service offerings; our reliance on large sources of advertising demand, including demand side platforms ("DSPs") that may have or develop high-risk credit profiles or fail to pay invoices when due; our sales efforts may require significant time and expense and may not yield the results we seek; we may be exposed to claims from clients for breach of contract; the effects of seasonal trends on our results of operations; we operate in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do; the effects of consolidation in the ad tech industry or among our publisher clients; our ability to differentiate our offerings and compete effectively to combat commodification and disintermediation; potential limitations on our ability to collect or use data as a result of consumer tools, regulatory restrictions and technological limitations; the development and use of new identity solutions as a substitute for third-party cookies and other identifiers may disrupt the programmatic ecosystem, require additional investment and resources, and cause the performance of our platform to decline; the industry may not adopt or may be slow to adopt the use of first-party publisher segments as an alternative to third-party cookies; the impact of antitrust regulations or enforcement actions targeting the digital advertising ecosystem; our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and privacy; errors or failures in the operation of our solution, interruptions in our access to network infrastructure or data, and breaches of our computer systems; our ability to ensure a high level of brand safety for our clients and to detect "bot" traffic and other fraudulent or malicious activity; our ability to attract and retain qualified employees and key personnel; costs associated with enforcing our intellectual property rights or defending intellectual property infringement; our ability to comply with the terms of our financing arrangements; restrictions in our Credit Agreement may limit our ability to make strategic investments, respond to changing market conditions, or otherwise operate our business; increases in our debt leverage may put us at greater risk of defaulting on our debt obligations, subject us to additional operating restrictions and make it more difficult to obtain future financing on favorable terms; conversion of our Convertible Senior Notes would dilute the ownership interest of existing stockholders; the Capped Call Transactions subject us to counterparty risk and may affect the value of the Convertible Senior Notes and our common stock; the conditional conversion feature of the Convertible Senior Notes, if triggered, may adversely affect our financial condition and operating result; failure to successfully execute our international growth plans; failure to maintain an effective system of internal control over financial reporting, which could adversely affect investor confidence; the use of our net operating losses and tax credit carryforwards may be subject to certain limitations; our ability to raise additional capital if needed; volatility in the price of our common stock; the impact of our repurchase program on our stock price and cash reserves; competition for investors and the impact of negative analyst or investor research reports; and provisions of our charter documents and Delaware law may inhibit a potential acquisition of the company and limit the ability of stockholders to cause changes in company management.

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this press release and in other filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2022 and subsequent Quarterly Reports on Form 10-Q. These forward-looking statements represent our estimates and assumptions only as of the date of the report in which they are included. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, any guidance we may provide will generally be given only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Investors should read this press release and the documents that we reference in this press release and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures and Operational Measures:

In addition to our GAAP results, we review certain non-GAAP financial measures to help us evaluate our business on a consistent basis, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of investments in our technology and development and sales and marketing, and assess our operational efficiencies. These non-GAAP measures include Contribution ex-TAC, Adjusted EBITDA, Non-GAAP Income (Loss), and Non-GAAP Earnings (Loss) per share, each of which is discussed below.

These non-GAAP financial measures are not intended to be considered in isolation from, as substitutes for, or as superior to, the corresponding financial measures prepared in accordance with GAAP. You are encouraged to evaluate these adjustments, and review the reconciliation of these non-GAAP financial measures to their most comparable GAAP measures, and the reasons we consider them appropriate. It is important to note that the particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies. See "Reconciliation of Revenue to Gross Profit to Contribution ex-TAC," "Reconciliation of net income (loss) to Adjusted EBITDA," "Reconciliation of net income (loss) to non-GAAP income (loss)," and "Reconciliation of GAAP earnings (loss) per share to non-GAAP earnings (loss) per share" included as part of this press release.

We do not provide a reconciliation of our non-GAAP financial expectations for Contribution ex-TAC and Adjusted EBITDA, or a forecast of the most comparable GAAP measures, because the amount and timing of many future charges that impact these measures (such as amortization of future acquired intangible assets, acquisition-related charges, foreign exchange (gain) loss, net, stock-based compensation, impairment charges, provision

or benefit for income taxes, and our future revenue mix), which could be material, are variable, uncertain, or out of our control and therefore cannot be reasonably predicted without unreasonable effort, if at all. In addition, we believe such reconciliations or forecasts could imply a degree of precision that might be confusing or misleading to investors.

Contribution ex-TAC:

Contribution ex-TAC is calculated as gross profit plus cost of revenue, excluding traffic acquisition cost ("TAC"). Traffic acquisition cost, a component of cost of revenue, represents what we must pay sellers for the sale of advertising inventory through our platform for revenue reported on a gross basis. Contribution ex-TAC is a non-GAAP financial measure that is most comparable to gross profit. We believe Contribution ex-TAC is a useful measure in assessing the performance of Magnite and facilitates a consistent comparison against our core business without considering the impact of traffic acquisition costs related to revenue reported on a gross basis.

Adjusted EBITDA:

We define Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization, amortization of acquired intangible assets, impairment charges, interest income or expense, and other cash and non-cash based income or expenses that we do not consider indicative of our core operating performance, including, but not limited to foreign exchange gains and losses, acquisition and related items, gains or losses on extinguishment of debt, non-operational real estate and other expense (income), net, and provision (benefit) for income taxes. We also track future expenses on an Adjusted EBITDA basis, and describe them as Adjusted EBITDA operating expenses, which includes total operating expenses. Total operating expenses include cost of revenue. Adjusted EBITDA operating expenses is calculated as Contribution ex-TAC less Adjusted EBITDA. We adjust Adjusted EBITDA operating expenses for the same expense items excluded in Adjusted EBITDA. We believe Adjusted EBITDA is useful to investors in evaluating our performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance. Adjusted EBITDA may also be used as a metric for determining payment of cash incentive compensation.
- Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Stock-based compensation is a non-cash charge and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period.
- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements.
- Impairment charges are non-cash charges related to goodwill, intangible assets and/or long-lived assets.
- Adjusted EBITDA does not reflect certain cash and non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets, merger, acquisition, or restructuring related severance costs, and changes in the fair value of contingent consideration.
- Adjusted EBITDA does not reflect cash and non-cash charges and changes in, or cash requirements for, acquisition and related items, such as certain transaction expenses and expenses associated with earn-out amounts.
- Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, non-operational real estate expenses or income, or contractual commitments.
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense.
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted EBITDA is influenced by fluctuations in our revenue, cost of revenue, and the timing and amounts of the cost of our operations. Adjusted EBITDA should not be considered as an alternative to net income (loss), income (loss) from operations, or any other measure of financial performance calculated and presented in accordance with GAAP.

Non-GAAP Income (Loss) and Non-GAAP Earnings (Loss) per Share:

We define non-GAAP earnings (loss) per share as non-GAAP income (loss) divided by non-GAAP weighted-average shares outstanding. Non-GAAP income (loss) is equal to net income (loss) excluding stock-based compensation, cash and non-cash based acquisition and related expenses, including amortization of acquired intangible assets, merger related severance costs, transaction expenses, gains or losses on extinguishment of debt, non-operational real estate and other expenses or income, foreign currency gains and losses, and interest expense associated with Convertible Senior Notes. In periods in which we have non-GAAP income, non-GAAP weighted-average shares outstanding used to calculate non-GAAP earnings

per share includes the impact of potentially dilutive shares. Potentially dilutive shares consist of stock options, restricted stock awards, restricted stock units, performance stock units, and potential shares issued under the Employee Stock Purchase Plan, each computed using the treasury stock method. In periods in which the Company generates net income, non-GAAP weighted-average shares may also include the impact of shares that would be issuable assuming conversion of all of the Convertible Senior Notes, calculated under the if-converted method. We believe non-GAAP earnings (loss) per share is useful to investors in evaluating our ongoing operational performance and our trends on a per share basis, and also facilitates comparison of our financial results on a per share basis with other companies, many of which present a similar non-GAAP measure. However, a potential limitation of our use of non-GAAP earnings (loss) per share is that other companies may define non-GAAP earnings (loss) per share differently, which may make comparison difficult. This measure may also exclude expenses that may have a material impact on our reported financial results. Non-GAAP earnings (loss) per share is a performance measure and should not be used as a measure of liquidity. Because of these limitations, we also consider the comparable GAAP measure of net income (loss).

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MAGNITE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(unaudited)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 310,509	\$ 326,254
Accounts receivable, net	937,218	976,506
Prepaid expenses and other current assets	21,453	23,501
TOTAL CURRENT ASSETS	<u>1,269,180</u>	<u>1,326,261</u>
Property and equipment, net	46,112	44,969
Right-of-use lease asset	64,551	78,211
Internal use software development costs, net	21,630	23,671
Intangible assets, net	58,633	253,501
Goodwill	978,217	978,217
Other assets, non-current	6,686	7,383
TOTAL ASSETS	<u>\$ 2,445,009</u>	<u>\$ 2,712,213</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,100,752	\$ 1,094,321
Lease liabilities, current	20,913	21,172
Debt, current	3,600	3,600
Other current liabilities	5,799	5,939
TOTAL CURRENT LIABILITIES	<u>1,131,064</u>	<u>1,125,032</u>
Debt, non-current, net of debt issuance costs	601,609	722,757
Lease liabilities, non-current	54,025	66,331
Deferred tax liability, net	4,400	5,072
Other liabilities, non-current	1,801	1,723
TOTAL LIABILITIES	<u>1,792,899</u>	<u>1,920,915</u>
STOCKHOLDERS' EQUITY		
Common stock	2	2
Additional paid-in capital	1,370,619	1,319,221
Accumulated other comprehensive loss	(3,639)	(3,151)
Accumulated deficit	(714,872)	(524,774)
TOTAL STOCKHOLDERS' EQUITY	<u>652,110</u>	<u>791,298</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,445,009</u>	<u>\$ 2,712,213</u>

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue	\$ 150,085	\$ 145,815	\$ 432,778	\$ 401,670
Expenses (1)(2):				
Cost of revenue	84,878	71,753	339,881	196,150
Sales and marketing	38,227	49,848	136,407	151,675
Technology and development	23,537	25,134	71,135	71,214
General and administrative	21,286	20,235	68,023	59,405
Merger, acquisition, and restructuring costs	—	—	7,465	7,468
Total expenses	167,928	166,970	622,911	485,912
Loss from operations	(17,843)	(21,155)	(190,133)	(84,242)
Other (income) expense:				
Interest expense, net	7,574	7,016	24,269	21,273
Foreign exchange gain, net	(1,471)	(1,976)	(1,542)	(5,042)
Gain on extinguishment of debt	(4,156)	—	(18,132)	—
Other income	(1,346)	(1,369)	(4,017)	(3,991)
Total other expense, net	601	3,671	578	12,240
Loss before income taxes	(18,444)	(24,826)	(190,711)	(96,482)
Benefit for income taxes	(967)	(435)	(613)	(2,544)
Net loss	\$ (17,477)	\$ (24,391)	\$ (190,098)	\$ (93,938)
Net loss per share:				
Basic and diluted	\$ (0.13)	\$ (0.18)	\$ (1.40)	\$ (0.71)
Weighted average shares used to compute loss per share:				
Basic and diluted	137,372	133,144	136,084	132,611

(1) Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Cost of revenue	\$ 446	\$ 424	\$ 1,373	\$ 1,191
Sales and marketing	6,371	5,491	20,869	16,257
Technology and development	4,999	6,576	15,918	16,645
General and administrative	5,652	4,911	17,159	14,096
Merger, acquisition, and restructuring costs	—	—	143	2,004
Total stock-based compensation expense	\$ 17,468	\$ 17,402	\$ 55,462	\$ 50,193

(2) Depreciation and amortization expense included in our expenses was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Cost of revenue	\$ 36,328	\$ 27,455	\$ 198,055	\$ 80,639
Sales and marketing	2,620	18,759	24,956	56,815
Technology and development	199	240	591	697
General and administrative	119	161	398	490
Total depreciation and amortization expense	\$ 39,266	\$ 46,615	\$ 224,000	\$ 138,641

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2023	September 30, 2022
OPERATING ACTIVITIES:		
Net loss	\$ (190,098)	\$ (93,938)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	224,000	138,641
Stock-based compensation	55,462	50,193
Impairment of intangible assets	—	3,320
Gain on extinguishment of debt	(18,132)	—
Gain on disposal of property and equipment	(49)	(59)
Provision for (recovery of) doubtful accounts	4,439	(357)
Amortization of debt discount and issuance costs	4,816	5,092
Non-cash lease expense	(804)	1,340
Deferred income taxes	(676)	(1,626)
Unrealized foreign currency gain, net	(3,734)	(5,231)
Other items, net	2,696	—
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	19,033	125,268
Prepaid expenses and other assets	2,054	(1,751)
Accounts payable and accrued expenses	26,341	(116,575)
Other liabilities	(66)	(472)
Net cash provided by operating activities	<u>125,282</u>	<u>103,845</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(17,139)	(18,004)
Capitalized internal use software development costs	(8,200)	(11,177)
Mergers and acquisitions, net	—	(20,755)
Net cash used in investing activities	<u>(25,339)</u>	<u>(49,936)</u>
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	2,156	1,771
Proceeds from issuance of common stock under employee stock purchase plan	1,922	2,141
Repayment of debt	(2,700)	(2,700)
Repurchase of Convertible Senior Notes	(104,793)	—
Repayment of financing lease	(276)	(602)
Purchase of treasury stock	—	(15,663)
Taxes paid related to net share settlement	(9,677)	(11,859)
Payment of indemnification claims holdback	(2,313)	(1,409)
Net cash used in financing activities	<u>(115,681)</u>	<u>(28,321)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(209)	(2,484)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>(15,947)</u>	<u>23,104</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	326,502	230,693
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	<u>\$ 310,555</u>	<u>\$ 253,797</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	\$ 310,509	\$ 253,552
Restricted cash included in prepaid expenses and other current assets	46	245
Total cash, cash equivalents and restricted cash	<u>\$ 310,555</u>	<u>\$ 253,797</u>

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
(In thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2023	September 30, 2022
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 4,601	\$ 4,356
Cash paid for interest	\$ 27,609	\$ 18,624
Capitalized assets financed by accounts payable and accrued expenses and other liabilities	\$ 3,226	\$ 10,195
Capitalized stock-based compensation	\$ 1,535	\$ 1,017
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 3,797	\$ 11,542
Purchase consideration - indemnification claims holdback	\$ —	\$ 2,293

MAGNITE, INC.
RECONCILIATION OF REVENUE TO GROSS PROFIT TO CONTRIBUTION EX-TAC
(In thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue	\$ 150,085	\$ 145,815	\$ 432,778	\$ 401,670
Less: Cost of revenue	84,878	71,753	339,881	196,150
Gross Profit	65,207	74,062	92,897	205,520
Add back: Cost of revenue, excluding TAC	67,929	53,588	290,970	152,478
Contribution ex-TAC	\$ 133,136	\$ 127,650	\$ 383,867	\$ 357,998

MAGNITE, INC.
RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA
(In thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net loss	\$ (17,477)	\$ (24,391)	\$ (190,098)	\$ (93,938)
Add back (deduct):				
Depreciation and amortization expense, excluding amortization of acquired intangible assets	9,507	8,548	29,132	23,293
Amortization of acquired intangibles	29,759	38,067	194,868	115,348
Stock-based compensation expense	17,468	17,402	55,462	50,193
Merger, acquisition, and restructuring costs, excluding stock-based compensation expense	—	—	7,322	5,464
Non-operational real estate and other expense, net	52	169	290	515
Interest expense, net	7,574	7,016	24,269	21,273
Foreign exchange gain, net	(1,471)	(1,976)	(1,542)	(5,042)
Gain on extinguishment of debt	(4,156)	—	(18,132)	—
Benefit for income taxes	(967)	(435)	(613)	(2,544)
Adjusted EBITDA	\$ 40,289	\$ 44,400	\$ 100,958	\$ 114,562

MAGNITE, INC.
RECONCILIATION OF NET LOSS TO NON-GAAP INCOME
(In thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022

Net loss	\$	(17,477)	\$	(24,391)	\$	(190,098)	\$	(93,938)
Add back (deduct):								
Merger, acquisition, and restructuring costs, including amortization of acquired intangibles and excluding stock-based compensation expense		29,759		38,067		202,190		120,812
Stock-based compensation expense		17,468		17,402		55,462		50,193
Non-operational real estate and other expense, net		52		169		290		515
Foreign exchange gain, net		(1,471)		(1,976)		(1,542)		(5,042)
Interest expense, Convertible Senior Notes		623		250		2,112		750
Gain on extinguishment of debt		(4,156)		—		(18,132)		—
Tax effect of Non-GAAP adjustments ⁽¹⁾		(7,290)		(3,883)		(13,522)		(16,290)
Non-GAAP income	\$	17,508	\$	25,638	\$	36,760	\$	57,000

(1) Non-GAAP income includes the estimated tax impact from the reconciling items between net loss and non-GAAP income.

MAGNITE, INC.
RECONCILIATION OF GAAP LOSS PER SHARE TO NON-GAAP EARNINGS PER SHARE
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
GAAP loss per share ⁽¹⁾ :				
Basic and diluted	\$ (0.13)	\$ (0.18)	\$ (1.40)	\$ (0.71)
Non-GAAP income ⁽²⁾	\$ 17,508	\$ 25,638	\$ 36,760	\$ 57,000
Non-GAAP earnings per share	\$ 0.12	\$ 0.18	\$ 0.25	\$ 0.40
Weighted-average shares used to compute basic earnings (loss) per share	137,372	133,144	136,084	132,611
Dilutive effect of weighted-average common stock options, RSUs, and PSUs	3,643	2,237	3,776	3,698
Dilutive effect of weighted-average ESPP shares	84	49	37	23
Dilutive effect of weighted-average Convertible Senior Notes	4,746	6,262	5,357	6,262
Non-GAAP weighted-average shares outstanding ⁽³⁾	145,845	141,692	145,254	142,594

(1) Calculated as net income (loss) divided by basic and diluted weighted-average shares used to compute earnings (loss) per share as included in the condensed consolidated statement of operations.

(2) Refer to reconciliation of net loss to non-GAAP income.

(3) Non-GAAP earnings per share is computed using the same weighted-average number of shares that are used to compute GAAP earnings (loss) per share in periods where there is both a non-GAAP loss and a GAAP net loss.

MAGNITE, INC.
CONTRIBUTION EX-TAC BY CHANNEL
(In thousands)
(unaudited)

	Contribution ex-TAC							
	Three Months Ended				Nine Months Ended			
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Channel:								
CTV	\$ 52,468	39%	\$ 55,761	44%	\$ 154,964	40%	\$ 150,180	42%
Mobile	54,971	41%	44,734	35%	155,260	41%	126,999	35%
Desktop	25,697	20%	27,155	21%	73,643	19%	80,819	23%

Total \$ 133,136 100% \$ 127,650 100% \$ 383,867 100% \$ 357,998 100%

Magnite, Inc.