UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number: 001-36384

MAGNITE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-8881738**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1250 Broadway, 15th Floor New York, New York 10001

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
212 243-2769

_

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.00001 per share	**MGNI**	**Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of June 30, 2021, the aggregate market value of shares held by non-affiliates of the registrant (based on the closing sales price of such shares on the Nasdaq Global Select Market on June 30, 2021) was approximately $3,560,444,169.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of February 14, 2022
Common Stock, $0.00001 par value	**132,272,776**

DOCUMENTS INCORPORATED BY REFERENCE: To the extent herein specifically referenced in Part III, portions of the Registrant's definitive Proxy Statement for the 2022 Annual General Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A. See Part III.

MAGNITE, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021
TABLE OF CONTENTS

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS; SUMMARY OF RISK FACTORS

This Annual Report on Form 10-K and related statements by the Company contain 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"), or SpringServe, LLC ("SpringServe" and such acquisition the "SpringServe Acquisition"), or the anticipated benefits thereof; statements concerning potential synergies from the Company's acquisitions; statements concerning the potential impacts of the COVID-19 pandemic on our business operations, financial condition, and results of operations and on the world economy; our anticipated financial performance; anticipated benefits or effects related to our completed merger with Telaria, Inc. in April 2020 ("Telaria" and such merger the "Telaria Merger"); 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; the impact of transparency initiatives we may undertake; the impact of our traffic shaping technology on our business; 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 Telaria Merger, SpotX Acquisition, SpringServe Acquisition, and other acquisitions;*
- *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;*
- *sales of our common stock by the former owner of SpotX may have an adverse effect on the price of our common stock;*
- *conversion of our Convertible Senior Notes would dilute the ownership interest of existing stockholders;*
- *the severity, magnitude, and duration of the COVID-19 pandemic, including impacts of the pandemic and of responses to the pandemic by governments;*
- *the impact of inflation and supply chain issues on the advertising marketplace;*
- *our CTV spend 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;*
- *our ability to introduce new offerings and bring them to market in a timely manner and otherwise adapt in response to client demands and industry trends;*
- *uncertainty of our estimates and expectations associated with new offerings, including the CTV ad server product that we recently acquired in the SpringServe Acquisition and our developing identity solutions;*
- *we must increase the scale and efficiency of our technology infrastructure to support our growth;*
- *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 the volume of ad requests, improvements in fill-rate, and/or increases in the value of transactions through our platform;*
- *the impact of requests for discounts, fee concessions, rebates, refunds or favorable payment terms;*
- *our history of losses, and the fact that in the past our operating results have and may in the future fluctuate significantly, be difficult to predict, and fall below analysts' and investors' expectations;*
- *the effect on the advertising market and our business from difficult economic conditions or uncertainty;*
- *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;*
- *the growing percentage of digital advertising spend captured by closed "walled gardens" (such as Google, Facebook, Comcast, and Amazon);*
- *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 replacement for third-party cookies and other identifiers may disrupt the programmatic ecosystem 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;*
- *our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and privacy;*
- *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;*
- *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;*
- *we may be exposed to claims from clients for breach of contracts;*
- *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;*
- *the use of our net operating losses and tax credit carryforwards may be subject to certain limitations;*
- *our business may be subject to sales and use tax, advertising and other taxes;*
- *our ability to raise additional capital if needed;*
- *the impact of our share repurchase program on our stock price and cash reserves;*
- *volatility in the price of our common stock;*
- *the impact of negative analyst or investor research reports;*
- *our ability to attract and retain qualified employees and key personnel;*
- *costs associated with enforcing our intellectual property rights or defending intellectual property infringement;*
- *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; and*
- *our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies.*

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 report and in other filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC. 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 Annual Report on Form 10-K and the documents that we reference in this report 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.

NOTE REGARDING THIRD-PARTY INFORMATION

This Annual Report on Form 10-K includes data that we obtained from industry publications and third-party research, surveys and studies. While we believe the industry publications and third-party research, surveys and studies are reliable, we have not independently verified such data. Such third-party data and our internal estimates and research are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Item 1A. Risk Factors" in this Annual Report on Form 10-K. These and other factors could cause results to differ materially from those included in this report.

PART I

Item 1. Business

Overview

Magnite, Inc., formerly known as The Rubicon Project, Inc. ("we," or "us"), provides technology solutions to automate the purchase and sale of digital advertising inventory.

On April 1, 2020, we completed a stock-for-stock merger with Telaria, Inc. ("Telaria" and such merger the "Telaria Merger"), a leading provider of connected television ("CTV") technology, and on April 30, 2021, we completed the acquisition of SpotX, Inc. ("SpotX" and such acquisition the "SpotX Acquisition"), a leading platform shaping CTV and video advertising globally.

Following the Telaria Merger and SpotX Acquisition, we believe that we are the world's largest independent omni-channel sell-side advertising platform ("SSP"), offering a single partner for transacting globally across all channels, formats and auction types, and the largest independent programmatic CTV marketplace, making it easier for buyers to reach CTV audiences at scale from industry-leading streaming content providers, broadcasters, platforms and device manufacturers.

Our platform features applications and services for sellers of digital advertising inventory, or publishers, that own and operate CTV channels, applications, websites and other digital media properties, to manage and monetize their inventory; applications and services for buyers, including advertisers, agencies, agency trading desks, and demand side platforms, ("DSPs"), to buy digital advertising inventory; and a transparent, independent marketplace that brings buyers and sellers together and facilitates intelligent decision making and automated transaction execution at scale. Our clients include many of the world's leading buyers and sellers of digital advertising inventory. Our platform processes trillions of ad requests per month allowing buyers access to a global, scaled, independent alternative to "walled gardens," who both own and sell inventory and maintain control on the demand side.

We provide a full suite of tools for sellers to control their advertising business and protect the consumer viewing experience. These tools are particularly important to CTV sellers who need to ensure a TV-like viewing and advertising experience for consumers. For instance, our "ad-pod" feature provides publishers with a tool analogous to commercial breaks in traditional linear television so that they can request and manage several ads at once from different demand sources. Using this tool, publishers can establish business rules such as competitive separation of advertisers to ensure that competing brand ads do not appear during the same commercial break. In addition, we offer audio normalization tools to control for the volume of an ad relative to content, frequency capping to avoid exposing viewers to repetitive ad placements, and creative review so that a publisher can review and approve the ad units being served to its properties.

On July 1, 2021, we acquired SpringServe, LLC ("SpringServe"), a leading ad serving platform for CTV. SpringServe's ad serving technology manages multiple aspects of video advertising, including for CTV publishers, across both programmatic and direct-sold inventory, including forecasting, routing, customized ad experiences, and advanced podding logic. The integration of SpringServe's ad serving technology with our existing programmatic SSP capabilities provides CTV publishers a holistic yield management solution that dynamically allocates between direct-sold and programmatic inventory to drive value.

Buyers leverage our platform to manage their advertising spend and reach their target audiences on brand-safe premium inventory, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising, and access impression-level purchasing from thousands of sellers. We believe that our scale, platform features, and omni-channel offering makes us an essential partner for buyers.

We operate our business on a worldwide basis, with an established operating presence in North America, Australia and Europe, and a developing presence in Asia and South America. Our non-U.S. subsidiaries and operations perform primarily sales, marketing, and service functions.

Industry Trends

Continued Shift Toward Digital Advertising

Consumers are rapidly shifting their viewing habits towards digital mediums and expect to be able to consume content seamlessly across multiple devices, including computers, tablets, smartphones, and CTVs whenever and wherever they want. As digital content consumption continues to proliferate, we believe the percentage of advertising dollars spent through digital channels will continue to grow.

Automation of Buying and Selling

Due to the size and complexity of the advertising ecosystem and purchasing process, manual processes cannot effectively manage digital advertising inventory at scale. In addition, both buyers and sellers are demanding more transparency, better controls and more relevant insights from their advertising inventory purchases and sales. This has created a need for software solutions, known as programmatic advertising, that automate the process for planning, buying, selling and measuring digital advertising across screens. Programmatic buying enables the use of real-time bidding technology that allows for the dynamic purchase and sale of advertising inventory on an impression-by-impression basis. Programmatic transactions include open auctions, where multiple buyers bid against each other in a real-time auction for the right to purchase a publisher's inventory, as well as reserve auctions, where publishers establish direct deals or private marketplaces with select buyers. Programmatic has become the dominant method of transacting for desktop and mobile inventory and we expect it to continue to grow as a percentage of CTV advertising.

Convergence of TV and Digital

CTV viewership is growing rapidly and the pace of adoption is accelerating the transition of linear television to CTV programming. As the number of CTV channels continues to proliferate, we believe that ad-supported models or hybrid models that rely on a combination of subscription fees and advertising revenue will continue to gain traction. In turn, we believe brand advertisers looking to engage with streaming viewers will continue to shift their budgets from linear to CTV. Furthermore, as the CTV market continues to mature, we believe that a greater percentage of CTV advertising inventory will be sold programmatically, similar to trends that occurred in desktop and mobile. As such, we expect CTV to be a significant driver of our revenue growth for the foreseeable future. We expect the recently completed acquisitions of SpotX and SpringServe to further fuel this growth.

Identity Solutions

A number of participants in the advertising technology ecosystem have taken or are expected to take action to eliminate or restrict the use of third-party cookies and other primary identifiers that have historically been used to deliver targeted advertisements. We believe that the elimination of third-party cookies has the potential to shift the programmatic ecosystem from an identity model powered by buyers that are able to aggregate and target audiences through cookies to one enabled by sellers that have direct relationships with consumers and are therefore better positioned to obtain user data and consent for implementing first party identifiers. We believe that our platform and scale position us well to provide the infrastructure and tools needed for a publisher-centric identity model to succeed, and we are already enabling sellers to create audience segments with their first-party data. In addition to actively working with sellers to develop solutions that could leverage their first party data, we are leading industry efforts to create standardized open identity solutions that ensure a smooth transition to a cookieless environment, and offer an alternative to proprietary solutions.

We support industry privacy initiatives and believe that the next generation of identity solutions need to be open and ubiquitous, with consumer privacy, transparency and control at the core. We further believe that these solutions will ultimately lead to greater trust and consumer confidence in digital advertising, which will be positive for the advertising ecosystem in the long term. In the short term, however, these changes could create some variability in our revenue across certain buyers or sellers, depending on the timing of changes and developed solutions.

Supply Path Optimization

Supply Path Optimization ("SPO") refers to efforts by buyers to consolidate the number of vendors with which they work to find the most effective and cost-efficient paths to procure media. SPO is important to buyers because it can increase the proportion of their advertising ultimately spent on working media, with the goal of increasing return on their advertising spend, and can help them gain efficiencies by reducing the number of vendors with which they work in a complex ecosystem. We believe we are well positioned to benefit from SPO in the long run as a result of our transparency, our broad and unique inventory supply across all channels and formats, including CTV, buyer tools, such as traffic shaping that reduce the cost of working with us, and our brand safety measures.

Header Bidding and Data Processing

Header bidding is a programmatic technique by which sellers offer inventory to multiple ad exchanges and supply side platforms, such as our platform, simultaneously. Header bidding has been rapidly adopted in recent years in the desktop and mobile channels, and while the rise and rapid adoption of header bidding increased revenue for sellers, it has also created new challenges and technical complexities. Header bidding has led to a significant increase in the number of ad impressions to be processed and analyzed through our platform as well as by DSPs, which can lead to increased costs if not properly addressed. We have invested in technology solutions, such as Demand Manager, to help publishers manage their header-bidding inventory.

How We Generate Revenue

Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to our platform in the form of advertising requests, or ad requests. When we receive ad requests from sellers, we send bid requests to buyers, which enable buyers to bid on sellers’ digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer. The price that buyers pay for each thousand paid impressions purchased is measured in units referred to as CPM, or cost per thousand, and the total volume of spending between buyers and sellers on our platform is referred to as advertising spend.

We generate revenue from the use of our platform for the purchase and sale of digital advertising inventory. Generally, our revenue is based on a percentage of the ad spend that runs through our platform, although for certain clients or transaction types we may receive a fixed CPM for each impression sold, and for advertising campaigns that are transacted through insertion orders we earn revenue based on the full amount of ad spend that runs through our platform. We also generate revenue from the fee we charge clients for use of our Demand Manager header-bidding product and SpringServe ad server product, which we acquired on July 1, 2021.

Magnite: Competitive Strengths of Our Platform. Key competitive strengths of our platform include:

Leadership in CTV

Our platform has been strategically built to meet the unique requirements of CTV sellers. Many of these sellers have their roots in linear television and it is important that established business practices in television advertising can be translated to programmatic CTV advertising. For instance, our ad-pod feature provides long-form content sellers with a tool analogous to commercial breaks in traditional linear television, so that they can request and manage several ads at once from different demand sources, in a single ad-pod. In addition, we provide dynamic ad insertion to serve live streaming events, audio normalization tools to control for the volume of an ad relative to content, frequency capping to avoid exposing viewers to repetitive ad placements, and creative review so that a publisher can review and approve the ad units being served to its properties.

We have invested significant time and resources cultivating relationships with CTV sellers and have built a specialized team of CTV experts across our engineering and sales functions to support our clients and evangelize the benefits of CTV advertising. In addition, for certain larger CTV sellers, we may build custom features or functionality to help drive deeper adoption.

Scaled Omni-Channel Platform

We offer a scaled omni-channel platform that brings value to both buyers and sellers of ad inventory. For buyers, we offer a single omni-channel partner to reach target audiences globally across all channels, including CTV, mobile, desktop, and digital out-of-home, and formats, including video, display, and audio. For sellers, we partner as a one stop shop where they can sell digital advertising across all of their properties, regardless of device or format, and gain instant access to the world’s largest automated digital advertising buyers with the flexibility to sell their advertising inventory in an automated fashion on an impression-by-impression basis. We believe large numbers of diverse sellers on our platform attract more buyers and vice versa, resulting in a self-reinforcing network effect that adds value for all our clients and creates a stickier platform solution.

Reserve Auctions

A significant portion of premium inventory is purchased and sold through reserve auctions where the seller establishes a direct deal with a buyer or group of buyers, in particular with respect to CTV. These transaction types allow the seller to maintain tighter control over their advertising allocation and are often used by sellers that maintain a direct sales force but still want to experience the benefits of automation to improve pricing, matching, and dynamic ad placement and to automate manual operations such as ad trafficking, quality assurance, and billing and collections. Our capabilities support sales functions rather than replacing them, which eliminates friction in the sales process. Buyers and sellers can also leverage their first-party data assets and third-party data assets in our platform to increase the value of sellers' inventory and the precision of buyers' targeting efforts.

Big Data Analytics and Machine-Learning Algorithms; Bid Filtering

A core aspect of our value proposition is our big data and machine-learning platform that is able to discover unique insights from our massive data repositories. Our systems collect and analyze a myriad of information such as historical clearing prices, bid responses, buyer preferences, ad formats, user location, buyer audience preferences, how many ads the user has seen, browser or device information, and sellers’ first party data about users. Our access to data puts us in a unique position to develop differentiated insights to help both buyers and sellers. Our solution is constantly self-improving as we process more volume and accumulate more data, which in turn helps make our machine-learning algorithms more intelligent and contributes to higher-quality matching between buyers and sellers. This data also fuels our bid filtering technology, allowing us to more aggressively block traffic that is not likely to monetize. We believe that our traffic optimization coupled with bid filtering improves return on investment for buyers and increases revenue for sellers, which in turn attracts more buyers and sellers to our platform creating a dual network effect that makes our platform stickier. These capabilities also help us manage the costs associated with the high volumes of ad requests we receive.

Identity Solutions

We offer identity solutions that help buyers and sellers create better matches and increase advertising ROI and the value of the underlying impression. Our tools enable sellers to create audience segments based on first-party data, which makes their advertising inventory more valuable to buyers looking to achieve specific campaign goals. In addition, our technology is integrated with a number of third party data, attribution and identity vendors, allowing buyers and sellers to leverage these solutions directly through our platform without the need for multiple vendor contracts.

Integrated Video Ad Server and SSP

On July 1, 2021, we acquired SpringServe, a leading ad serving platform for CTV and online video. The SpringServe ad server manages multiple aspects of video advertising for both programmatic transactions and inventory sold directly by the publisher, including forecasting, routing, customized ad experiences, and advanced podding logic. Combined with our SSP, the SpringServe ad server provides publishers a holistic yield management solution that works across their entire video advertising business to drive value. This is of particular importance for CTV publishers, who still sell a large percentage of their inventory through their direct sales team. We believe the acquisition of SpringServe is highly strategic as it allows us to offer publishers an independent full-stack solution to the walled gardens, which can be leveraged across their entire video advertising business.

Header Bidding and Demand Manager Solutions

We are integrated with all of the major header-bidding standards, including Prebid.org, which we co-founded, as well as the solutions offered by Google and Amazon. We believe the various header bidding alternatives we offer, our buyer reach and scale, our buying efficiency, and our machine-learning capabilities put us in a strong position to compete for seller impressions monetized through header-bidding solutions, and we expect these header bidding solutions to deliver a meaningful volume of impressions. We also provide a software solution called Demand Manager that helps desktop and mobile sellers manage all of their header-bidding advertising inventory, regardless of who wins the impression, for a fee based on a percentage of that advertising spending. We believe that adoption and proliferation of these tools will further strengthen our relationship with sellers and contribute to our future revenue growth.

Transparency and Controls

We generate revenue each time an impression is monetized on our platform based on a simple and transparent fee structure established with our publisher partners, and do not collect any fees directly from buyers. Our clients direct the sale and management of ad inventory through our platform, including the ability to define supply hierarchies and demand tiers, set minimum price floors, and establish advertiser and category level blocked and allowed lists. We provide sellers with detailed analytics, which allows them to effectively monitor buying patterns and make real-time changes to take advantage of market dynamics and maximize their yield.

Self-Service Model

We offer a self-service model that lets sellers access our platform without extensive involvement by our personnel. This model allows us to scale efficiently and grow our business at a faster pace than the growth of our sales and support organization. As a result, we are able to achieve a high degree of operating leverage, which positions our business for growing profitability.

Buyer Tools

We have a suite of buyer tools designed to improve ROI for buyers and help them meet their campaign strategies. Our Direct Connect offering allows agency holding companies and major brands to create their own private label marketplaces and establish direct connections with sellers through our platform, while our custom auction packages provide buyers with a versatile and cost effective way of curating and targeting open market inventory based on categories such as audience, context, and viewability. In addition, our innovative bid shading technology, Estimated Market Rate, helps buyers bid more effectively in a first price auction environment.

Independence

We are fully aligned with the interests of our publisher clients. Unlike some large industry participants, we do not have our own media properties that compete for advertising spending with our sellers. Therefore, we are agnostic and have no preference towards delivering demand to any specific publisher. In addition, because we do not offer a demand side platform, we are able to avoid inherent conflicts of interest that exist when serving both the buy- and sell-side.

Magnite: Growth Strategies. The key elements to our long-term growth strategy include:

Focus on CTV

We expect CTV to be the biggest driver of our growth. As streaming video continues to become mainstream and ad-supported models become more prevalent, we believe brand advertisers will continue to shift their budgets from linear television to CTV. We plan to invest significant resources in technology, sales and support related to our CTV growth initiatives. Consistent with this growth objective, in April 2021, we completed the SpotX Acquisition, which we believe resulted in us becoming the largest independent programmatic CTV marketplace, and in July 2021, we completed the SpringServe Acquisition, which added ad server functionality to our platform, enabling us to manage both programmatic and directly sold inventory.

Supply Path Optimization

As described above, SPO refers to efforts by buyers to consolidate the number of vendors with which they work to find the most effective and cost-efficient paths to procure media. We believe we are well positioned to benefit from SPO due to the factors described above and that it presents an opportunity for us to capture market share and increase the volume of advertising spend on our platform. To capitalize on SPO opportunities, we have invested in our buyer focused sales team to pursue more direct relationships with advertisers and agencies.

Identity Solutions

We believe that the elimination of third party cookies has the potential to shift the programmatic ecosystem from an identity model powered by buyers that are able to aggregate and target audiences through cookies to one enabled by sellers that have direct relationships with consumers and are therefore better positioned to obtain user data and consent for implementing first party identifiers. As the largest independent supply side platform, we believe we are well positioned to take a leadership position in advancing this shift and creating additional value opportunities for our clients. Accordingly, we have invested and intend to further invest in the development and enhancement of industry leading identity and audience solutions. In furtherance of this goal, in December 2021, we acquired Nth Party, Ltd. (“Nth Party”), a developer of cryptographic software for secure audience data sharing and analysis.

Increase Efficiencies on our Exchange

We aim to increase the operational efficiency of our platform, so as to enable buyers and sellers to achieve their campaign and monetization objectives in a cost-effective manner. Our solution is constantly self-improving as we process more volume and accumulate more data, which in turn helps make our machine-learning algorithms more intelligent and contributes to higher quality matching between buyers and sellers. We are continuing to invest in traffic optimization and bid filtering technology to allow us to monetize a higher proportion of the ad requests on our platform, which reduces costs for us as well as the process costs for buyers. We believe these cost savings make our platform more attractive to buyers, which in turn improves revenue opportunities for sellers.

Increasing Seller Inventory

In order to increase the transaction volume on our platform we are continuously looking to add new high quality sellers to our platform and to expand our existing relationships with sellers to increase our share of their inventory, in particular in the CTV and OTT space where inventory is controlled by fewer sellers. Our plan for increasing our inventory volumes includes establishing and deepening our direct relationships with sellers, including through custom integrations, expanding our seller tools, capitalizing on our omni-channel capabilities and leveraging our header bidding integrations, including through Demand Manager. In addition, our acquisition of the SpringServe ad server provides us with access to inventory that is directly sold by a publisher's sales force by enabling a unified auction that selects an ideal ad set, considering both direct and programmatic deal priority and yield.

Expand our International Footprint

With established operating presence in North America, Australia and Europe, and a developing presence in Asia and South America, we serve buyers and sellers on a global basis. We plan to continue to expand our international presence and make additional investments in sales, marketing and infrastructure to support our long-term growth and to position ourselves for expected increases in the penetration of programmatic advertising globally. We expect programmatic advertising to grow at different rates in different geographic markets, and are constantly evaluating new markets with a strategy to use our existing infrastructure and adjacent sales offices or by expanding our infrastructure footprint and placing personnel directly in those markets.

Continue to Innovate and Enhance our Platform

We are working on a number of platform innovations and enhancements designed to improve the value to our clients. We intend to invest in new features that facilitate the creation of first-party publisher segments, improve upon our traffic optimization and bid filtering, enhance our brand safety controls, and help sellers to optimize their yield across both programmatic and directly sold inventory.

Technology and Development

To support a majority of our non-CTV transactions, we have developed a globally distributed infrastructure hosted at data centers in the U.S., Europe, and Asia that run our proprietary software. Our CTV transactions run primarily on a hybrid infrastructure. These two approaches optimize the type of traffic we handle - hosted data centers for high-frequency, low-latency transactions and cloud-supported for lower frequency transactions subject to more volatile viewing patterns, for example CTV prime-time viewing spikes.

Our approach supports the volume, diversity, and complexity of buyers' bidding patterns, which increases market liquidity. Bid efficiency algorithms provide bid prediction (i.e., which buyers are most likely to bid on a given impression) and throttling (i.e., the volume of bid requests a given buyer can process), to improve infrastructure load and execute transactions efficiently by only sending bid requests to those buyers of advertising inventory who can handle the volume and are likely to respond.

This infrastructure is supported by real-time data pipelines, a system that quickly moves volumes of data generated by our business into reporting and machine-learning systems that allow usage both internally and by buyers and sellers. It also is supported by a 24-hour Network Operations Center, which provides failure protection by monitoring and rerouting traffic in the event of equipment failure or network performance issues between buyers and our marketplace, and our core technology and development team, which is responsible for the design, development, operation, and maintenance of our platform, and employs an agile development process that emphasizes frequent, iterative, and incremental development cycles.

We believe that continued investment in our platform, including its technologies and functionalities, is critical to our success and long-term growth.

Sales and Marketing

We market our solution to buyers and sellers through global sales teams that operate from various locations around the world. These teams leverage market knowledge and expertise to demonstrate the benefits of advertising automation and our solution to buyers and sellers. We deploy a professional services team with each seller integration to assist sellers in getting the most value from our solution. Our buyer team, which is separately managed, focuses on collaborating with and increasing spend from DSPs, agencies, and brands, and our client services teams work closely with clients to support and execute campaigns. Our marketing initiatives are focused on managing our brand, increasing market awareness, and driving advertising spend to our platform. We often present at industry conferences, create custom events, and invest in public relations. In addition, our marketing team advertises online, in print, and in other forms of media, creates case studies, sponsors research, writes whitepapers, publishes marketing collateral, generates blog posts, and undertakes client research studies.

Competition

Our industry is highly competitive. Overall digital advertising spending is highly concentrated in a small number of very large companies that have their own inventory, including Google, Facebook, Comcast, Verizon, AT&T and Amazon, with which we compete for digital advertising inventory and demand. These companies are formidable competitors due to their huge resources and direct user relationships, and will likely become even more dominant as third-party cookie use decreases. Despite the dominance of large companies, there is still a large addressable market that is highly fragmented and includes many providers of transaction services with which we compete, including supply side platforms, video ad servers, and advertising exchanges. As we introduce new offerings, as our existing offerings evolve, or as other companies introduce new products and services, we may be subject to additional competition. There has been rapid evolution and consolidation in the advertising technology industry, and we expect these trends to continue, thereby increasing the capabilities and competitive posture of larger companies, particularly those that are already dominant in various ways, and enabling new or stronger competitors to emerge. There are many ways for buyers and sellers of digital advertising inventory to connect and transact, including directly and through many other exchanges, and buyers are increasingly demanding more transparency and lower transaction costs and establishing relationships directly with sellers of advertising inventory, which puts significant pressure on us. Our offering must remain competitive in scope, ease of use, scalability, speed, data access, price, inventory quality, brand security, customer service, identity protection and other technological features that help sellers monetize their inventory and buyers increase the return on their advertising investment. While our industry is evolving rapidly and becoming increasingly competitive, we believe that our solution enables us to compete favorably on these factors. In addition, we believe we enjoy a number of competitive strengths, as further detailed above.

Human Capital: Our Team and Culture

Our team draws from a broad spectrum of experience, including data science, machine-learning algorithms, infrastructure, software development, and from experienced leadership on the seller and buyer sides, including CTV, mobile and video. In addition to the United States, we have personnel and operations in the United Kingdom, Canada, France, Australia, New Zealand, Germany, Italy, Japan, Singapore, and Brazil in order to service buyers and sellers on a global scale.

Culture

We strive to build a culture that is high-performing and results-oriented while emphasizing transparency, collaboration and innovation. Our recruitment team seeks individuals that are committed to seeing the big picture and being catalysts of change. We ask our employees to empower others, make a difference and ensure our company is a great place to work, not just a "job."

Diversity, Equity and Inclusion

Our Magnify Council is focused on enhancing diversity, equity and inclusion. Our objectives, through the support of the Magnify Council, are to create "the best" employee experience, continually deploy programs to develop diverse talent, and support external partners that emphasize the global promotion of diversity, equity and inclusion.

Talent Retention

We reward team and individual excellence and are committed to creating an exceptional workplace environment in which we seek feedback from our employees in annual engagement surveys. We believe in continual feedback on performance. Our employees set goals at a regular cadence throughout the year and managers provide achievement ratings. Additionally, we routinely analyze voluntary employee turnover to understand and address trends. We give equity to our employees to promote alignment and ownership.

Employee Wellness and Safety

Due to the COVID-19 pandemic, our global workforce maintained a work from home policy for the entirety of 2021. We believe that our employees have been able to work productively during the time period in which our global offices have been shut down. We anticipate returning to our offices in spring 2022.

We recognize that stressful circumstances require us to provide additional care for our employees. We encourage our employees to focus on mental health by providing quarterly mental health days, a global employee assistance program, and a digital platform with access to live classes and discussions supporting wellness.

Conduct

We are committed to promoting high standards of honest and ethical business conduct and compliance in alignment with our cultural values. We do not tolerate harassment or discrimination. Our employees are required to take annual harassment and discrimination training as well as acknowledge our Code of Business and Ethics Policy.

As of December 31, 2021, we had 876 full-time employees.

Our Intellectual Property

Our proprietary technologies are important and we rely upon trade secret, trademark, copyright, and patent laws in the United States and abroad to establish and protect our intellectual property and protect our proprietary technologies.

We have several issued patents and pending patent applications, some of which may ultimately be abandoned if we determine that the cost of prosecution or maintenance does not justify the utility of receiving the patent. None of these patents has been litigated and we are not licensing any of the patents, and we do not believe that any individual patent or patent application is material to our business. Their importance to our business is uncertain and there are no guarantees that any of the patents will serve as protection for our technology or market in the United States or any other country in which an application has been filed.

We register certain domain names, trademarks and service marks in the United States and in certain locations outside the United States. We also rely upon common law protection for certain trademarks. We generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business, in order to limit access to, and disclosure and use of, our proprietary information. We also use measures designed to control access to our technology and proprietary information. We view our trade secrets and know-how as a significant component of our intellectual property assets, which we believe differentiate us from our competitors.

Any impairment of our intellectual property rights, or any unauthorized disclosure or use of our intellectual property or technology, could harm our business, our ability to compete and our operating results.

Client Dynamics

Sellers

Sellers own or operate media properties, websites and applications through which advertisements can be delivered to consumers as they navigate across screens. Sellers use our platform to monetize and manage their advertising inventory.

While we work with many clients, a relatively small number of them provide a large share of the unique user audiences accessible by buyers. This is particularly true in CTV, where sellers tend to be larger and more sophisticated compared to other online sellers. Given the limited number of CTV sellers, we are focused on building deeper, long-term strategic partnerships with these clients through a full-service business development strategy. We have invested significant resources in identifying and cultivating these relationships and our sales executives and account managers often serve a consultative role within a client’s sales organization to help establish best practices and evangelize the benefits of programmatic CTV advertising. This team is further supported by our product and engineering team with deep technical expertise, and for larger clients, we may build out custom features or functionality to help drive deeper adoption of our platform.

In the mobile channel, most of the application providers that make inventory available through our platform utilize system development kits ("SDKs") and other proprietary technology of third parties, such as aggregators, and it is those third parties, not the application providers themselves, that contract with us to help monetize the inventory. Termination or diminution of our relationships with these third parties could result in a material reduction of the amount of mobile inventory available through our platform. We encourage application developers to use our own SDK when appropriate, but it is difficult to displace existing SDKs.

Buyers

On the buy-side of our business, we maintain close relationships with brand advertisers and agencies, as well as the technological intermediaries through which they transact on our platform, principally DSPs.

These DSPs are directly connected to our technology through server-to-server integrations and are responsible for bidding on and purchasing advertising inventory on our platform pursuant to master service agreements. We have relationships with almost all of the major DSPs, and because there are relatively few of them, each of these relationships is important to us and represents a source of demand that could be difficult for us to replace.

We maintain close relationships with DSPs to maximize the amount of spend being transacted through our platform. For instance, our sales team collaborates with DSPs to create custom private marketplaces that fit specific targeting criteria for a given campaign and our team of technical account managers continually monitors DSP bidding activities and provides recommendations that inform their trading practices.

While the DSP is directly responsible for purchasing advertising inventory programmatically through our platform, the overall direction of an advertising campaign is typically determined by the advertiser or advertising agency that has engaged the DSP. For certain reserve auctions, the specific parameters of a campaign may be negotiated directly with the advertiser or agency without involvement of a DSP.

In addition to transacting through DSPs, we also offer brands and agencies the ability to access our platform directly on a managed service basis through the use of insertion orders. For these campaigns, our team of specialists manages the delivery and execution of the campaign according to an agreed set of objectives with the advertiser or agency, at a negotiated fixed price.

Accordingly, in order to increase the amount of spend transacted on our platform, and in furtherance of our SPO efforts, we must maintain close relationships directly with brand advertisers and agencies as well as with DSPs.

Geographic Scope of Our Operations

The growth of programmatic advertising is expanding into geographic markets outside of the United States, and in some markets, the adoption rate of programmatic digital advertising is greater than in the United States. We face staffing challenges, including difficulty in recruiting, retaining, and managing a diverse and distributed workforce across time zones, cultures, and languages. These challenges have been exacerbated by the COVID-19 pandemic and the varying approaches of local governments. We must also adapt our practices to satisfy local requirements and standards (including differing privacy requirements that are sometimes more stringent than in the U.S.), and manage the effects of global and regional recessions and economic and political instability. Transactions denominated in various non-U.S. currencies expose us to potentially unfavorable changes in exchange rates and added transaction costs. Foreign operations expose us to potentially adverse tax consequences in the United States and abroad and costs and restrictions affecting the repatriation of funds to the United States. For detailed information regarding our revenue and property and equipment, net by geographical region, see Note 4 and Note 7 of the "Notes to Consolidated Financial Statements."

Regulation

Our business is highly susceptible to emerging privacy regulations and oversight concerning the collection, use and sharing of data. Data protection authorities in a number of territories have expressed a desire to focus on the advertising technology ecosystem. In particular, this scrutiny has focused on the use of technology (including "cookies") to collect or aggregate information about Internet users' online browsing activity. Because we, and our clients, rely upon large volumes of such data, it is essential that we monitor developments in this area domestically and globally, and engage in responsible privacy practices.

We do not collect information, such as name, address, or phone number, that can be used directly to identify a real person, and we take steps not to collect and store such information. Instead, we rely on IP addresses, geo-location information, and persistent identifiers about Internet users and do not attempt to associate this data with other data that can be used to identify real people. This type of information is considered "personal" in some jurisdictions or otherwise may be the subject of future legislation or regulation. The definition of personal data varies by country, and continues to evolve in ways that may require us to adapt our practices to avoid violating laws or regulations related to the collection, storage, and use of consumer data. As a result, our technology platform and business practices must be assessed regularly in each country in which we do business.

There are also a number of specific laws and regulations governing the collection and use of certain types of consumer data relevant to our business. For example, the Children's Online Privacy Protection Act ("COPPA"), imposes restrictions on the collection and use of data about users of child-directed websites. With respect to COPPA, we have taken various steps to implement a system that: (i) flags seller-identified child-directed sites to buyers, (ii) limits advertisers' ability to serve personalized advertisements on child-directed sites, (iii) helps limit the types of information that our advertisers have access to when placing advertisements on child-directed sites, and (iv) limits the data that we collect and use on such child-directed sites.

The use and transfer of personal data in the European Economic Area ("EEA") member states and the United Kingdom ("UK") is currently governed by the General Data Protection Regulation and the UK General Data Protection Regulation (the "GDPR" and "UK GDPR"). The GDPR and UK GDPR set out higher potential liabilities for certain data protection violations and establish significant new regulatory requirements resulting in a greater compliance burden for us in the course of delivering our solution in the EEA and UK. While data protection authorities have started to clarify certain requirements under GDPR and UK GDPR, significant uncertainty remains as to how the regulation will be applied and enforced.

In addition to the GDPR and UK GDPR, a number of new privacy regulations will or have already come into effect. The California legislature passed the California Consumer Privacy Act ("CCPA") in 2018, which became effective January 1, 2020. This law imposes new obligations on businesses that handle the personal information of California residents. The obligations imposed require us to maintain ongoing significant resources for compliance purposes. Certain requirements remain unclear due to ambiguities in the drafting of or incomplete guidance. Adding to the uncertainty facing the ad tech industry, a new law, titled the California Privacy Rights Act ("CPRA") recently passed as a ballot initiative in California and will impose additional notice and opt out obligations on the digital advertising space. This law, which will take effect in January 2023, will cause us to incur additional compliance costs and impose additional restrictions on us and on our industry partners. These ambiguities and resulting impact on our business will need to be resolved over time. In addition, other privacy bills have been introduced at both the state and federal level. Certain international territories are also imposing new or expanded privacy obligations. In the coming years, we expect further consumer privacy regulation worldwide.

Further, the European Union is expected to replace the EU ePrivacy Directive governing the use of technologies to collect consumer information with the ePrivacy Regulation. Current drafts of the ePrivacy Regulation impose fines for violations that are materially higher than those imposed under the ePrivacy Directive.

The GDPR and UK GDPR also prohibit the transfer of personal data of EU and UK subjects outside of the EEA and the UK, unless the party exporting the data from the EU or UK implements a compliance mechanism designed to ensure that the receiving party will adequately protect such data. We have historically relied on certain compliance mechanisms that have since been invalidated, and had to shift our business practices to rely on other legally sufficient compliance measures. However, guidance on exactly what measures must be taken to allow the lawful transfer of personal data to the United States remains unclear. While we will interpret the guidance and continue to explore the additional measures that can be implemented to protect personal data that is transferred to us in the United States, we remain subject to regulatory enforcement by data protection authorities located in the EU, UK and the United States. By relying on these compliance measures, we risk becoming the subject of regulatory investigations in any of the individual jurisdictions in which we operate. Each such investigation could cost us significant time and resources, and could potentially result in fines, criminal prosecution, or other penalties. Further, to the extent any new guidance emerges to these compliance measures, it could further invalidate our approach to data export from the EEA and UK. It may take us significant time, resources, and effort to restructure our business and/or rely on another legally sufficient compliance measure.

Additionally, our compliance with our privacy policies and our general consumer privacy practices are also subject to review by the Federal Trade Commission, which may bring enforcement actions to challenge allegedly unfair and deceptive trade practices, including the violation of privacy policies and representations therein. Certain State Attorneys General may also bring enforcement actions based on comparable state laws or federal laws that permit state-level enforcement. Outside of the United States, our privacy and data practices are subject to regulation by data protection authorities and other regulators in the countries in which we do business.

Beyond laws and regulations, we are members of self-regulatory bodies that impose additional requirements related to the collection, use, and disclosure of consumer data, including the Internet Advertising Bureau ("IAB"), the Digital Advertising Alliance, the Network Advertising Initiative, and the Europe Interactive Digital Advertising Alliance. Under the requirements of these self-regulatory bodies, in addition to other compliance obligations, we provide consumers with notice via our privacy policy about our use of cookies and other technologies to collect consumer data, and of our collection and use of consumer data to deliver personalized advertisements. We allow consumers to opt-out from the use of data we collect for purposes of behavioral advertising through a mechanism on our website, linked through our privacy policy as well as through portals maintained by some of these self-regulatory bodies. Some of these self-regulatory bodies have the ability to discipline members or participants, which could result in fines, penalties, and/or public censure (which could in turn cause reputational harm). Additionally, some of these self-regulatory bodies might refer violations of their requirements to the Federal Trade Commission or other regulatory bodies.

Until prevailing compliance practices standardize, the impact of worldwide privacy regulations on our business and, consequently, our revenue could be negatively impacted.

For additional information regarding regulatory risks to our business, see "Item 1A. Risk Factors."

Seasonality

Our advertising spend, revenue, cash flow from operations, Adjusted EBITDA, operating results, and other key operating and financial measures may vary from quarter to quarter due to the seasonal nature of buyer spending. For example, many buyers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. We expect our revenue, cash flow, operating results and other key operating and financial measures to fluctuate based on seasonal factors from period to period and expect these measures to be higher in the fourth quarter than in other quarters.

Available Information

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and accordingly files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and related amendments and other information with the U.S. Securities and Exchange Commission, or the SEC, pursuant to Sections 13(a) and 15(d) of the Exchange Act. Information filed by the Company with the SEC is available free of charge on the Company's website at investor.magnite.com as soon as reasonably practicable after such materials are filed with or furnished to the SEC.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk, including the risks described below, each of which may be relevant to decisions regarding an investment in or ownership of our stock. The occurrence of any of these risks could have a significant adverse effect on our reputation, business, financial condition, revenue, results of operations, growth, or ability to accomplish our strategic objectives, and could cause the trading price of our common stock to decline. You should carefully consider the risks set forth below and the other information contained in this report, including our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, before making investment decisions related to our common stock. However, this report cannot anticipate and fully address all possible risks of investing in our common stock, the risks of investing in our common stock may change over time, and additional risks and uncertainties that we are not aware of, or that we do not consider to be material, may emerge.

Accordingly, you are advised to consider additional sources of information and exercise your own judgment in addition to the information we provide.

Risks Related to Recent Mergers and Acquisitions

We may not be able to achieve anticipated cost savings or other anticipated benefits of the Telaria Merger, SpotX Acquisition and other acquisitions.

While the integration of Telaria, SpotX, and other recently acquired companies into our core business is well underway, the ultimate success of the these transactions will depend, in part, on our ability to continue to successfully integrate such companies with our business and realize the anticipated benefits, including synergies, cost savings, innovation and technological opportunities and operational efficiencies from such transactions in a manner that does not materially disrupt existing customer, supplier and employee relations and does not result in decreased revenues due to losses of, or decreases in use of our solutions by, buyers and sellers of advertising inventory. If we are unable to achieve these objectives within anticipated time frames, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected, and the value of our common stock may decline. We may fail to realize some or all of the anticipated benefits of the acquisitions if the integration process takes longer than expected or is more costly than expected. The integration of Telaria, SpotX and other recently acquired companies with our business may result in material challenges, including, without limitation:

- managing a larger, more complex business;
- maintaining employee morale and retaining key management and other employees;
- retaining existing business and operational relationships, including customers, suppliers and employees and other counterparties, as may be impacted by contracts containing consent and/or other provisions that may be triggered by the acquisition, and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and technology platforms and eliminating duplicative operations, including unanticipated issues in integrating technology, communications and other systems;
- managing new products that we have not historically offered, such as the SpringServe ad server product, and which may require us to abide by different business rules with respect to data privacy and segmentation;
- coordinating geographically separate organizations; and
- unforeseen expenses or delays associated with the acquisition.

Many of these factors are outside of our control, and any one of them could result in delays, increased costs, decreases in the amount of expected revenues or cost synergies, and other adverse impacts, which could materially affect our financial position, results of operations and cash flows.

Any acquisitions we undertake may disrupt our business, adversely affect operations, dilute stockholders, and expose us to costs and liabilities.

Acquisitions have been an important element of our business strategy, and we may pursue future acquisitions in an effort to increase revenue, expand our market position, add to our service offering and technological capabilities, respond to dynamic market conditions, or for other strategic or financial purposes. However, there is no assurance that we will identify suitable acquisition candidates or complete any acquisitions on favorable terms, or at all. Further, any acquisitions we do complete would involve a number of risks, which may include the following:

- the identification, acquisition, and integration of acquired businesses require substantial attention from management. The diversion of management's attention and any difficulties encountered in the transition process could hurt our business;
- the identification, acquisition, and integration of acquired businesses requires significant investment, including to determine which new service offerings we might wish to acquire, harmonize service offerings, expand management capabilities and market presence, and improve or increase development efforts and technology features and functions;
- the anticipated benefits from the acquisition may not be achieved, including as a result of loss of clients or personnel of the target, other difficulties in supporting and transitioning the target's clients, the inability to realize expected synergies from an acquisition, or negative organizational cultural effects arising from the integration of new personnel;
- we may face difficulties in integrating the personnel, technologies, solutions, operations, and existing contracts of the acquired business;
- we may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, income or other taxes and other regulatory compliance practices, revenue recognition or other accounting practices, or employee or client issues;
- to pay for future acquisitions, we could issue additional shares of our common stock or pay cash. Issuance of shares would dilute stockholders. Use of cash reserves could diminish our ability to respond to other opportunities or

challenges. Borrowing to fund any cash purchase price would result in increased fixed obligations and could also include covenants or other restrictions that would impair our ability to manage our operations;

- acquisitions expose us to the risk of assumed known and unknown liabilities including contract, tax, regulatory or other legal, and other obligations incurred by the acquired business or fines or penalties, for which indemnity obligations, escrow arrangements or insurance may not be available or may not be sufficient to provide coverage;
- new business acquisitions can generate significant intangible assets that result in substantial related amortization charges and possible impairments;
- the operations of acquired businesses, or our adaptation of those operations, may require that we apply revenue recognition or other accounting methodologies, assumptions, and estimates that are different from those we use in our current business, which could complicate our financial statements, expose us to additional accounting and audit costs, and increase the risk of accounting errors;
- acquired businesses may have insufficient internal controls that we must remediate, and the integration of acquired businesses may require us to modify or enhance our own internal controls, in each case resulting in increased administrative expense and risk that we fail to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act");
- acquisition of businesses based outside the United States would require us to operate in foreign languages and manage non-U.S. currency, billing, and contracting needs, comply with laws and regulations, including labor laws and privacy laws that in some cases may be more restrictive on our operations than laws applicable to our business in the United States; and
- acquisitions can sometimes lead to disputes with the former owners of the acquired company, which can result in increased legal expenses, management distraction and the risk that we may suffer an adverse judgment if we are not the prevailing party in the dispute.

Risks Related to COVID-19

The recent COVID-19 pandemic and spread of COVID-19 has impacted and may have material adverse effects on our business, financial position, results of operations and/or cash flows.

Our business has been impacted and may be materially adversely impacted by the effects of the COVID-19 pandemic. In addition to the United States, we have personnel and operations in the United Kingdom, Canada, France, Australia, New Zealand, Germany, Italy, Japan, Singapore, and Brazil, and each of these countries has been affected by the pandemic and taken measures to try to contain it. These measures have impacted and may further impact our workforce and operations, and the operations of our sellers and buyers.

We also implemented a mandatory COVID-19 vaccination policy for our U.S. based employees, pursuant to which our U.S. based employees will have to provide proof of vaccination by March 1, 2022, subject to medical and religious exemptions. This policy may have an adverse effect on our ability to recruit, retain, and maintain relations with our employees.

The COVID-19 pandemic has in the short-run and may over the longer term adversely affect the economies and financial markets of many countries. Adverse economic conditions and general uncertainty about economic recovery or growth, particularly in North America and Europe, where we conduct most of our business, has caused many advertisers to reduce their advertising budgets. For example, recent global supply chain disruptions have negatively impacted certain advertising verticals leading to reductions in advertising budgets. Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and buyers. As a result of advertisers reducing their overall advertising spending, our revenue and results of operations have been directly affected. Though our revenue trends improved and stabilized, there can be no assurance that these trends will continue.

In addition, the economic health of our current and prospective buyers impacts the collectability of our accounts receivable. Although our liquidity has not been significantly affected by the effects of COVID-19 to date, any prolonged downturn in economic conditions in the future may severely impact our liquidity as we may need additional time to collect from buyers, which may impact our ability to pay sellers.

The degree to which the COVID-19 pandemic and responses thereto impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, including any resurgence, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Although the full magnitude of the impact of the COVID-19 pandemic on our business and operations remains uncertain, the spread of COVID-19 and the imposition of related public health measures and travel and business restrictions has and is expected to continue to adversely impact our forecasted business, financial condition, operating results and cash flows.

Additional or unforeseen effects from the COVID-19 pandemic, including indirect effects such as supply chain disruptions, inflation and labor shortages, and the resulting economic distress could implicate or amplify many of the other risks discussed below.

Risks Related to Our Business, Growth Prospects and Operating Results

If CTV advertising spend grows more slowly than we expect our operating results and growth prospects could be harmed.

The growth of our platform is dependent, in part, on the continued growth in CTV advertising spend. Growth in the CTV advertising market is dependent on a number of factors, including the pace of cord-cutting (the replacement of tradition linear TV for CTV streaming), the continued proliferation of digital content and CTV providers, the adoption of ad-supported models by CTV sellers in lieu of, or in addition to, subscription models, and an acceleration in the shift of ad dollars from traditional linear TV to CTV to keep pace with changing viewership habits. If the market for ad-supported CTV develops more slowly than we expect or fails to develop as a result of these or other factors, our operating results and growth prospects could be harmed.

If CTV sellers fail to adopt programmatic advertising solutions, or adopt such solutions more slowly that we expect, our operating and growth prospects could be harmed.

As digital advertising has continued to scale and evolve, the amount of advertising being bought and sold programmatically has increased dramatically. Despite the opportunities created by programmatic advertising, CTV sellers have been slower to adopt programmatic solutions compared to desktop and mobile video sellers. Many CTV sellers have backgrounds in cable or broadcast television and have limited experience with digital advertising, and in particular programmatic advertising. For these sellers, it is extremely important to protect the quality of the viewer experience to maintain brand goodwill and ensure that online advertising efforts do not create sales channel conflicts or otherwise detract from their direct sales force. In this regard, programmatic advertising presents a number of potential challenges, including the ability to ensure that ads are brand safe, comply with business rules around competitive separation, are not overly repetitive, are played at the appropriate volume and do not cause delays in load-time of content. Our platform was designed to address these challenges and we have invested significant time and resources cultivating relationships with CTV sellers to establish best practices and evangelize the benefits of programmatic CTV.

While we believe that programmatic advertising will continue to grow as a percentage of overall CTV advertising, there can be no assurances that CTV sellers will adopt programmatic solutions or the speed at which they may adopt such solutions. Any such failure or delay in adoption could negatively impact our finance results and growth prospects.

We may not be able to maintain or increase access to the CTV advertising inventory monetized through our platform on terms acceptable to us.

Our success requires us to maintain and expand our access to premium and unique advertising inventory. We do not own or control the ad inventory upon which our business depends and do not own or create content. Sellers are generally not required to offer a specified level of inventory on our platform, and we cannot be assured that any publisher will continue to make their ad inventory available on our platform. Sellers may seek to change the terms on which they offer inventory on our platform, including with respect to pricing, or may elect to make advertising inventory available to our competitors who offer more favorable economic terms. Furthermore, sellers may enter into exclusive relationships with our competitors, which preclude us from offering their inventory.

These risks are particularly pronounced with CTV sellers. CTV inventory is highly sought after, and unlike desktop or mobile advertising, which may come from disparate sources, CTV inventory tends to be concentrated on a smaller number of larger sellers that enjoy significant negotiating leverage. This dynamic has been exacerbated by consolidation in the industry, as a number of digital-first CTV sellers have been acquired by larger established television and media brands. In some instances, consolidation may result in the loss of business with an existing client (for example, if an acquiror has a preferred relationship with one of our competitors or has a proprietary solution). As a result of this concentration, the loss of a CTV client may result in a significant decrease in the amount of CTV inventory available through our platform. Any decrease in our ability to access CTV inventory could negatively impact our results, as we view CTV revenue as a key differentiator and driver for our growth.

We may be unsuccessful in our Supply Path Optimization efforts.

SPO refers to efforts by buyers to consolidate the number of vendors with which they work to find the most effective and cost-efficient paths to procure media. There are a number of criteria that buyers use to evaluate supply partners. While we believe we are well positioned to benefit from supply path optimization in the long run as a result of our transparency, our pricing tools, which reduce the overall cost of working with us, our broad and unique inventory supply across all channels and formats, buyer tools such as traffic shaping that reduce the cost of working with us, and our brand safety measures, we compete for demand with a number of well-established companies, and buyers have not always embraced our offering due to various factors.

We must continue to adapt and improve our offerings to win buyers’ business. In order to achieve increased advertising spend, we may negotiate discounts to our seller fees with agencies and advertisers, and we have increasingly been receiving requests from buyers for discounts, rebates, or similar incentives to move more advertising spending to our platform. We believe that because our business has many fixed costs, increases in advertising spend volume create opportunity to disproportionately improve net income, even with increased seller fee discounts. However, our results could be negatively impacted if our advertising spend increases and cost leverage is not adequate to compensate for discounted fees.

Some of our product offerings require significant upfront investments, have long on-boarding and ramp-up periods, and may not be successful.

In 2019 we announced a new offering called Demand Manager. Demand Manager helps sellers effectively monetize their advertising inventory through configuration tools and analytics to make it easier to deploy, configure, and optimize Prebid-based header bidding solutions. Before clients are able to begin using Demand Manager, we expend a significant amount of time and costs in the initial setup and implementation, and we do not recognize revenue from Demand Manager clients until we commence services, often after an additional initial trial period. The pace of adoption of Demand Manager depends on the features and capabilities provided by our solution, as well as acceptance and expansion of the underlying Prebid-based header bidding solutions, which we do not control. While we anticipate long-term revenue growth from Demand Manager, there can be no assurance that we will be able to add additional clients to our service or expand the inventory managed by current clients and thus grow revenue.

Our technology development efforts may be inefficient or ineffective, which may impair our ability to attract buyers and sellers.

We face intense competition in the marketplace and are confronted by rapidly changing technology, evolving industry standards and consumer needs, regulatory changes, and the frequent introduction of new solutions by our competitors to which we must adapt and respond. Our future success will depend in part upon our ability to enhance our existing solution and to develop and introduce competing new solutions in a timely manner with features and pricing that meet changing client and market requirements. Our solutions are complex and can require a significant investment of time and resources to develop, test, introduce, and enhance. These activities can take longer than we expect. We schedule and prioritize our development efforts according to a variety of factors, including our perceptions of market trends, client requirements, and resource availability; however, we may encounter unanticipated difficulties that require us to re-direct, scale back, or modify our efforts. If development of our solution becomes significantly more expensive due to changes in regulatory requirements or industry practices, or other factors, we may find ourselves at a disadvantage to larger competitors with more resources to devote to development. These factors place significant demands upon our engineering organization, require complex planning, and can result in acceleration of some initiatives and delay of others. We have expanded our use of outsourced software development, which may put the company at greater risk with respect to our technology development because we may have less control over the performance of outside programmers and we may be at greater risk of losing their services. To the extent we do not manage our development efforts efficiently and effectively, we may fail to produce solutions that respond appropriately to the needs of buyers and sellers, and competitors may more successfully develop responsive offerings. If our solution is not competitive, buyers and sellers can be expected to shift their business to competing solutions. Buyers and sellers may also resist adopting our new solutions for various reasons, including reluctance to disrupt existing relationships and business practices or to invest in necessary technological integration.

The emergence of header bidding has increased competition from other demand sources and may cause infrastructure strain and added cost.

In the mobile and desktop channels, sellers have embraced header bidding, a technology solution by which impressions that would have previously been exposed to different potential sources of demand in a sequence dictated by ad server priorities are instead available for concurrent competitive bidding by demand sources. This can help sellers increase revenue by exposing their inventory to more bidders, thereby allocating more inventory to demand sources that value it most highly. While header bidding has the potential to increase our access to inventory that otherwise would have been allocated first to other exchanges, thus increasing our revenue opportunity, it has also resulted in a number of challenges for our business. First, some sellers with which we have had direct relationships may choose not to integrate with us as a header-bidding demand source, in which case we will have less opportunity to access their advertising inventory through our platform. Second, certain sources of demand, including owners of the header bidding solutions, may be prioritized by sellers in their header bidding implementation, leaving us at a competitive disadvantage in the auction. Third, just as header bidding allows us to compete with demand sources that would previously have been above us in sellers' ad server sequences, it exposes us to additional competition by demand sources that, prior to the emergence of header bidding, might have been below us in the sellers' ad server sequences or otherwise unable to compete effectively for inventory. Lastly, header-bidding has vastly increased the volume of ad requests that need to be processed and analyzed through our system, resulting in increased infrastructure costs.

If we are unable to improve the efficiency and effectiveness of our current header bidding solution and installations, we may not fully offset these increased infrastructure costs, and we will not be able to take full advantage of the opportunities made available through current header bidding technology to access a larger addressable market and increase our revenue by capturing a greater share of inventory. In addition, our success in monetizing impressions through header-bidding solutions is dependent on the interoperability of our platform with proprietary header-bidding solutions, some of which are owned by our competitors. As a result, we may be susceptible to evolution in technology and changes in business practices by the owners of such header-bidding solutions that we cannot predict.

While header-bidding technologies have not been largely adopted by CTV sellers, such solutions or similar solutions geared towards unifying demand may become more prevalent in the future. We plan to address this, in part, through our recent acquisition of SpringServe, which allows us to offer a unified demand solution by integrating ad serving technology with our existing programmatic SSP capabilities. However, this is a new offering and it may not be adopted by clients, or such clients may adopt competing solutions. If we are not able to effectively offer or adapt our technology to such solutions in this or any other manner, or if their adoption results in increased competition for CTV inventory, we may have reduced opportunities or it may be more costly to monetize this inventory, which would negatively affect our results.

We must increase the scale and efficiency of our technology infrastructure to support our growth and transaction volumes.

Our technology must scale to process the increased ad requests on our platform. Additionally, for each individual advertising impression created when a user visits a website or uses an application where our auctions technology is integrated, our technology must send bid requests to appropriate buyers, receive and process their responses, select a winner, and, increasingly, integrate with downstream decisioning systems. It must perform these transactions end-to-end within milliseconds. We must continue to increase the capacity of our platform to support our high-volume strategy, to cope with increased data volumes and parties resulting from header bidding and an increasing variety of advertising formats and platforms, and to maintain a stable service infrastructure and reliable service delivery. To the extent we are unable, for cost or other reasons, to effectively increase the capacity of our platform, continue to process transactions at fast enough speeds, and support emerging advertising formats or services preferred by buyers, our revenue will suffer. We expect to continue to invest in our platform to meet increasing demand. Such investment may negatively affect our profitability and results of operations.

Our belief that there is significant and growing demand for reserve auctions may be inaccurate, and we may not realize a return from our investments in that area.

We believe there is significant and growing demand for reserve auctions, where publishers establish direct deals or private marketplaces with select buyers, and we have made significant investments to meet that demand and grow our market share of reserve auctions. Currently, the majority of CTV transactions are executed through reserve auctions and we expect reserve auctions to grow as a percentage of revenue in mobile and desktop as well. Additionally, we expect our Demand Manager solution to serve as a tool for increasing the prevalence of reserve auction in desktop and mobile. Reserve auctions may involve lower fees than we can charge for OMP, which may not be fully offset by anticipated higher CPMs. In some cases, we have experienced fee pressure as we have built out our reserve auction offering, and we expect this fee pressure to increase as more competitors, including new entrants as well as sellers themselves, build their own technology and infrastructure to enable reserve auctions. Even if the market for these solutions develops as we anticipate, and our buyers and sellers embrace our offerings, the positive effect of our reserve auction offerings on our results of operations may be offset or negated if reserve auctions cannibalize our open marketplace transaction volumes, by similar offerings from our competitors, or through other adverse developments.

We have invested heavily in our mobile technology, which poses additional risks that did not affect our legacy desktop display business. To the extent our access to mobile inventory is limited by third-party technology or lack of direct relationships with mobile sellers, our ability to grow our business will be impaired.

Due to increased usage of mobile devices and resulting migration of advertising spending to mobile platforms, we have invested heavily in our mobile technology and are relying on our mobile offerings to fuel our continued growth. Our success in the mobile channel depends upon the ability of our technology solution to provide advertising for most mobile-connected devices, as well as the major operating systems or Internet browsers that run on them and the thousands of applications that are downloaded onto them. The design of mobile devices and operating systems, applications, or Internet browsers is controlled by third parties. These parties frequently introduce new devices and applications, and from time to time they may introduce new operating systems or Internet browsers or modify existing ones in ways that may significantly affect our business, such as by providing ad-blocking capabilities or by limiting access to Internet user data. Network carriers may also affect the ability to access specified content on mobile devices. To the extent our solution is unable to work on these devices, operating systems, applications, or Internet browsers for any reason, our ability to generate revenue through mobile advertising is significantly impaired, and that impairment may be material.

We expect mobile applications to be the largest driver of our mobile business. Many mobile apps utilize software development kits, or SDKs, and other proprietary technology of third parties, such as aggregators, and it is those third parties, not the application providers themselves, that contract with us to provide exchange services to help monetize the inventory. Due to this consolidation, if our relationships with these third parties decline or are terminated, it may result in a larger than usual loss of access to mobile inventory. Any rapid and/or significant decline in the availability of mobile inventory can adversely affect our mobile advertising spend and growth prospects.

Fee issues have in the past and could in the future have a material adverse effect on our business.

A majority of our revenue comes from DSP buyers purchasing advertising inventory made available by sellers on our platform. We experience requests from buyers for discounts, fee concessions or revisions, rebates or other forms of consideration, refunds, and greater levels of pricing transparency and specificity, in some cases as a condition to maintain the relationship or to increase the amount of advertising spend that the buyer sends to our platform. In addition, we charge fees to sellers for use of our technology, typically as a percentage of the cost of media, and we may decide to offer discounts or other pricing concessions in order to attract more inventory or demand, or to compete effectively with other providers that have different or lower pricing structures and may be able to undercut our pricing due to greater scale or other factors. Our revenue, take rate (our fee as a percentage of advertising spend), the value of our business, and the price of our stock could be adversely affected if we cannot maintain and grow our revenue and profitability through volume increases that compensate for price reductions, or if we are forced to make significant fee concessions, rebates, or refunds, or if buyers reduce spending with us or sellers reduce inventory available through our exchange due to fee disputes or pricing issues.

Our take rates may be difficult to forecast and may decrease in future periods; any decrease in our take rates may result in a decrease in our revenue notwithstanding an increase in the amount of spend transacted through our platform.

We generate revenue through our platform on a transactional basis where we are paid by a publisher each time an impression is monetized on our platform. Typically, this fee is structured as a percentage of advertising spend that the publisher receives for its inventory. Our take rate varies by publisher and transaction type. For instance, our take rate tends to be lower for reserve auctions compared to open auctions, and tends to be lower on CTV transactions compared to other channels. Additionally, take rates tend to be higher for our managed service business where we are responsible for delivering a campaign at a fixed price. We may also negotiate lower take rates with large sellers to win additional business or share of inventory, in particular in CTV.

As a result of these factors, even if we are able to accurately forecast the anticipated total advertising spend transacted by buyers across our platform, we may have limited visibility regarding the revenue or Revenue ex-TAC (as defined in section "Key Operating and Financial Performance Metrics") we will generate. Any decrease in our take rate could cause our revenue and Revenue ex-TAC to decrease notwithstanding an increase in the total spend transacted through our seller platform.

We have a history of losses and we face many risks that may prevent us from achieving or sustaining profitability in the future.

We reported net income of $0.1 million, and net losses of $53.4 million, and $25.5 million during the years ended December 31, 2021, 2020, and 2019, respectively. As of December 31, 2021, we had an accumulated deficit of $394.5 million. We have implemented strategic plans designed to improve our financial performance and continue to increase revenue, and have taken steps to reduce unnecessary expenses and redirect spending to areas we expect to produce higher growth; however, these plans and steps may ultimately prove to be unsuccessful.

Notwithstanding these measures, and in light of the overall decline in advertising spend experienced in 2021, revenue may continue to decrease due to competitive pressures, maturation of our business, or other factors, and additional cost-reduction measures may be required even as we must continue to increase investment in technology in response to industry developments and to retain competitiveness. We may not be able to sustain growth or to achieve or sustain profitability in the future.

Our business and the businesses of our advertiser clients may be subject to sales and use tax, advertising and other taxes.

The application of sales and use tax, goods and services tax, business tax and gross receipt tax on our digital services is complex and evolving. In general, sales of tangible personal property are subject to sales and use tax unless a specific exemption applies, while services generally are not subject to sales tax unless specifically enumerated. Advertising services are considered a service and are generally not subject to sales and use tax, except in a few states. For example, Maryland recently adopted a tax on gross revenues from digital advertising. While the law has already been challenged, if the law takes effect and we are subject to the tax, it would increase our cost of doing business. Other states may look to follow suit and tax either digital advertising or other goods or services. In addition, the continual evolution of our services and the expansion of our business offerings may further complicate the determination of the sales taxability of our services in certain jurisdictions.

As a result of various factors, our operating results have in the past and may in the future fluctuate significantly, be difficult to predict, and fall below analysts' and investors' expectations.

Our operating results are difficult to predict, particularly because we generally do not have long-term contracts with buyers or sellers. We have experienced significant variations in revenue and operating results from period to period, and operating results may continue to fluctuate and be difficult to predict due to a number of factors, including:

- seasonality in demand for digital advertising, as many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing, and advertising inventory in the fourth quarter may be more expensive due to increased demand for advertising inventory;
- changes in pricing of advertising inventory or pricing for our solution and our competitors' offerings, including potential further reductions in our pricing and overall take rate as a result of competitive pressure, changes in supply, improvements in technology and extension of automation to higher-value inventory, uncertainty regarding rate of adoption, changes in the allocation of demand spend by buyers, changes in revenue mix, auction dynamics, pricing discussions or negotiations with clients and potential clients, header bidding and other factors;
- diversification of our revenue mix to include new services, some of which may have lower pricing than our historic lower-value inventory business or may cannibalize existing business;
- the addition or loss of buyers or sellers;
- general economic conditions and the economic health of our current and prospective sellers and buyers;
- changes in the advertising strategies or budgets or financial condition of advertisers;
- the performance of our technology and the cost, timeliness, and results of our technology innovation efforts;
- advertising technology and digital media industry conditions and the overall demand for advertising, or changes and uncertainty in the regulatory environment for us or buyers or sellers, including with respect to privacy regulation;
- the introduction of new technologies or service offerings by our competitors and market acceptance of such technologies or services;
- the phasing out of third-party cookies throughout the industry;
- our level of expenses, including investment required to support our technology development, scale our technology infrastructure and business expansion efforts, including acquisitions, hiring and capital expenditures, or expenses related to litigation;
- the impact of changes in our stock price on valuation of stock-based compensation or other instruments that are marked to market;
- the effectiveness of our financial and information technology infrastructure and controls;
- geopolitical and social factors, such as concerns regarding negative, unstable or changing economic conditions in the countries and regions where we operate, global and regional recessions, political instability, and trade disputes;
- foreign exchange rate fluctuations; and
- changes in accounting policies and principles and the significant judgments and estimates made by management in the application of these policies and principles.

Because significant portions of our expenses are relatively fixed, variation in our quarterly revenue can cause significant variations in operating results and resulting stock price volatility from period to period. Period-to-period comparisons of our historical results of operations are not necessarily meaningful, and historical operating results may not be indicative of future performance. If our revenue or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide to the market, the price of our common stock could decline substantially.

Risks Related to Financing Arrangements

Our financing of the SpotX Acquisition significantly increased our leverage, which may put us at greater risk of defaulting on our debt obligations and limit our ability to conduct necessary operating activities, make strategic investments, respond to changing market conditions, or obtain future financing on favorable terms.

We financed the cash portion of the SpotX Acquisition consideration in part through borrowings under the Credit Agreement. The Credit Agreement provides for a $360.0 million Term Loan B Facility and a $65.0 million Revolving Credit Facility. As part of Term Loan B Facility, the Company received $325 million in proceeds, net of discounts and fees, which were used to finance the SpotX Acquisition and related transactions, and for general corporate purposes.

The Term Loan B Facility significantly increases our indebtedness and requires us to comply with certain financial metrics and restrictive covenants. The increased leverage could adversely affect our business and operating results by:

- making it more difficult for us to make payments on our indebtedness and comply with applicable financial metrics and covenants;
- requiring us to use a substantial portion of our cash flow to pay interest and principal, which reduces the amount available for operations, distributions, acquisitions and capital expenditures;
- making us more vulnerable to economic and industry downturns and reducing our flexibility to respond to changing business and economic conditions;

- requiring us to agree to less favorable terms, including higher interest rates, in order to incur additional debt, and otherwise limiting our ability to borrow for operations, working capital or to finance acquisitions in the future; or
- limiting our flexibility in conducting our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

Our Credit Agreement subjects us to operating restrictions and financial covenants that impose risk of default and may restrict our business and financing activities.

The obligations under the Credit Agreement are secured by substantially all of the assets of the Company and those of its subsidiaries that are guarantors under the Credit Agreement. The covenants of the Credit Agreement include customary negative covenants that, among other things, restrict the Company’s ability to incur additional indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments. In addition, the Credit Agreement contains a financial covenant, tested on the last day of any fiscal quarter if utilization of the Revolving Credit Facility exceeds 35% of the total revolving commitments, that requires the Company to maintain a first lien net leverage ratio not greater than 3.25 to 1.00.

These covenants may restrict our ability to finance our operations and to pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control. If a default were to occur and not be waived, such default could cause, among other remedies, all of the outstanding indebtedness under our Credit Agreement to become immediately due and payable. In such an event, our liquid assets might not be sufficient to meet our repayment obligations, and we might be forced to liquidate collateral assets at unfavorable prices or our assets may be foreclosed upon and sold at unfavorable valuations.

If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all. Our inability to obtain financing may negatively impact our ability to operate and continue our business as a going concern.

Conversion of our Convertible Senior Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Convertible Senior Notes, or may otherwise depress the price of our common stock.

In March 2021, we sold convertible senior notes ("Convertible Senior Notes") for gross proceeds of $400.0 million. The conversion of some or all of the Convertible Senior Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of common stock upon conversion of any of the Convertible Senior Notes. The Convertible Senior Notes are not currently convertible but may from time to time in the future be convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Senior Notes may encourage short selling by market participants because the conversion of the Convertible Senior Notes could be used to satisfy short positions, or anticipated conversion of the Convertible Senior Notes into shares of our common stock could depress the price of our common stock.

The Capped Call Transactions may affect the value of the Convertible Senior Notes and our common stock.

In connection with the pricing of the Convertible Senior Notes, we entered into Capped Call Transactions with certain counterparties. The Capped Call Transactions are expected generally to reduce or offset the potential dilution upon conversion of the Convertible Senior Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Senior Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the Capped Call Transactions, financial institutions or their respective affiliates likely purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Convertible Senior Notes. These financial institutions or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities in secondary market transactions prior to the maturity of the Convertible Senior Notes (and are likely to do so during any observation period related to a conversion of Convertible Senior Notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Convertible Senior Notes.

The potential effect, if any, of these transactions and activities on the price of our common stock or the Convertible Senior Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock and the value of the Convertible Senior Notes (and as a result, the amount and value of consideration that a holder would receive upon conversion of any Convertible Senior Notes) and, under certain circumstances, a holder’s ability to convert his or her Convertible Senior Notes.

We are subject to counterparty risk with respect to the Capped Call Transactions.

The counterparties to the Capped Call Transactions are financial institutions, and we are subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Call Transactions. Our exposure to the credit risk of the option counterparties is not secured by any collateral. Global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. If any option counterparty becomes subject to proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under any Capped Call Transactions with that option counterparty. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by a counterparty, the counterparty may fail to deliver the shares of common stock required to be delivered to us under the Capped Call Transactions and we may suffer adverse tax consequences or experience more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the counterparties.

The conditional conversion feature of the Convertible Senior Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Senior Notes is triggered, holders of the Convertible Senior Notes will be entitled to convert their Convertible Senior Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Senior Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity.

Provisions in the indenture for the Convertible Senior Notes may deter or prevent a business combination that may be favorable to our stockholders.

If a fundamental change occurs prior to the maturity date of the Convertible Senior Notes, holders of the Convertible Senior Notes will have the right, at their option, to require us to repurchase all or a portion of their Convertible Senior Notes. In addition, if a "make-whole fundamental change" (as defined in the Indenture) occurs prior the maturity date, we will in some cases be required to increase the conversion rate of the Convertible Senior Notes for a holder that elects to convert its Convertible Senior Notes in connection with such make-whole fundamental change.

Furthermore, the Indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Convertible Senior Notes. These and other provisions in the Indenture could deter or prevent a third party from acquiring the Company even when the acquisition may be favorable to our stockholders.

Sales of our common stock by the former owner of SpotX may have an adverse effect on the price of our common stock.

As part of the consideration for the SpotX Acquisition, we issued to the seller of SpotX 12,374,315 shares of our common stock. In accordance with the terms of a registration rights agreement entered into at the closing of the SpotX Acquisition, the holder of such shares previously elected to require the Company to file a registration statement in order to register such shares for resale by such holder. This request was subsequently withdrawn, but given that the contractual lockup period applicable to such shares has expired, the holder could sell some or all of such shares under available exemptions from registration under federal securities laws. Sales by the former owner of SpotX of its shares of our common stock, or the possibility of such sales, pursuant to an underwritten offering or otherwise, may have an adverse effect on the per share price of our common stock.

Risks Related to the Advertising Technology Industry, Market, and Competition

Our revenue and operating results are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns, can make it difficult to predict our revenue and could adversely affect our business.

Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and buyers. If advertisers reduce their overall advertising spending, our revenue and results of operations are directly affected. Various macro factors could cause advertisers to reduce their advertising budgets, including adverse economic conditions and general uncertainty about economic recovery or growth, the occurrence of a pandemic or other health crisis, supply chain challenges, instability in political or market conditions generally, imposition of digital service and advertising taxes, and any changes in favorable tax treatment of advertising expenses and the deductibility thereof.

The digital advertising market is relatively new. If this market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.

Our future growth will be constrained if we are not able to adapt successfully to market evolution. It is difficult to predict adoption rates, demand for our solution, the future growth rate and size of the digital advertising solutions market or the entry of competitive solutions. Any expansion of the market for digital advertising solutions depends on a number of factors, including social and regulatory acceptance, the growth of the overall digital advertising market and the growth of specific sectors including social, mobile, video, and out-of-home as well as the actual or perceived technological viability, quality, cost, performance and value associated with emerging digital advertising solutions. If digital marketing does not develop in the manner we expect, our business and financial condition would be adversely affected.

We operate in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do.

We face intense competition in the marketplace. We compete for advertising spending against competitors that, in some cases, are also buyers and/or sellers on our platform. We also compete for supply of advertising inventory against a variety of competitors. Some of our existing and potential competitors are better established, benefit from greater name recognition, may have offerings and technology that we do not have or have significantly more financial, technical, sales, and marketing resources than we do. In addition, some competitors, particularly those with greater scale or a more diversified revenue base and a broader offering, have greater flexibility than we do to compete aggressively on the basis of price and other contract terms, or to compete with us by including in their product offerings services that we may not provide. Some existing and potential buyers have their own relationships with sellers or are seeking to establish such relationships, and many sellers are investing in capabilities that enable them to connect more effectively directly with buyers. Our business suffers to the extent that buyers and sellers purchase and sell advertising inventory directly from one another or through intermediaries other than us, reducing the amount of advertising spend on our platform. New or stronger competitors may emerge through acquisitions and industry consolidation or through development of disruptive technologies. If our offerings are not perceived as competitively differentiated, we could lose clients, market share or be compelled to reduce our prices, making it more difficult to grow our business profitably.

There has been rapid evolution and consolidation in the advertising technology industry, and we expect these trends to continue, thereby increasing the capabilities and competitive posture of larger companies, particularly those that are already dominant in various ways, and enabling new or stronger competitors to emerge. There is a finite number of large buyers and sellers in our target markets, and any consolidation of buyers or sellers may give the resulting enterprises greater bargaining power or result in the loss of buyers and sellers that use our platform, and thus reduce our potential base of buyers and sellers, each of which would lead to erosion of our revenue.

As technology continues to improve and market factors continue to attract investment, competition and pricing pressure may increase and market saturation may change the competitive landscape in favor of larger competitors with greater scale and broader offerings, including those that can afford to spend more than we can to grow more quickly and strengthen their competitive position. In addition, our competitors or potential competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our solutions.

For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Risks Related to Our Collection, Use and Disclosure of Data

Our business depends on our ability to collect and use data to deliver advertisements, and to disclose data relating to the performance of advertisements. Any limitation imposed on our collection, use or disclosure of this data could significantly diminish the value of our solution and cause us to lose sellers, buyers, and revenue. Consumer tools, regulatory restrictions and technological limitations all threaten our ability to use and disclose data.

The more informed advertising is about its audience, the more valuable it is. Programmatic advertising enables more precise audience targeting based on the identity and actions of the user. Targeted advertising is generally more effective and valuable for buyers than other types of advertising, resulting in more revenue for sellers. In order to target advertising, we and our clients must be permitted to use data in a variety of ways. Our ability to collect, use, and share data about advertising purchase and sale transactions and user behavior and interaction with content is critical to the value of our services, and any limitation on our data practices could impair our ability to deliver effective solutions to our clients. Any restriction on the types of data we collect could make placement of advertising through our solution less valuable, with commensurate reductions in revenue.

Internet users can, with increasing ease, implement practices or technologies that may limit our ability, or that of our sellers, buyers and business partners, to collect data. For example, users may delete or block the use of the cookies used to collect data, including through their browser or mobile device settings. Internet users may also download "ad blocking" software that prevents certain cookies from being stored on a user’s computer or mobile device, including to prevent the display of targeted advertisements. In addition, many device manufacturers and search and operating systems are increasingly promoting features that allow users to disable the collection of data. For example, Apple recently announced that it will require user opt-in before permitting access to Apple’s unique identifier, or IDFA. This shift from enabling user opt-out to an opt-in requirement may have a substantial impact on the mobile advertising ecosystem and could harm growth in this channel. User privacy features of other channels of programmatic advertising, such as CTV or over-the-top video, are also still developing. Technical or policy changes, including regulation or industry self-regulation, could harm our growth in those channels.

In addition, new laws and regulations, such as the GDPR, UK GDPR, and CCPA, restrict the ability to collect and process certain types of user data, including, in the case of GDPR and UK GDPR, requiring user consent or another legal basis in order to collect or process personal data and, in the case of CCPA, giving the user a right to opt out of the sale of their personal data. To the extent sellers are unable to obtain valid consent or otherwise provide a legal basis for collecting and processing personal data, it would impair the ability to deliver targeted advertisements on their inventory.

Further, much of the data we collect and use belongs to our buyers or sellers, and we receive their permission to use it. Although our sellers and buyers generally permit us to aggregate and use data from advertising placements, subject to certain restrictions, sellers or buyers might decide to restrict our collection or use of their data. There could be various reasons for this, including perceptions by buyers that their data can be used by sellers to extract higher prices for impressions, or perceptions by sellers that their data can be used by buyers to bid tactically to reduce pricing for impressions. As consumers continue to increase their use of digital technology and to incorporate multiple devices into their lives, linking and using data across such devices will become increasingly important. Various challenges affect our ability to link data relating to discrete devices or browsers, including different technologies, increased user awareness and sensitivity regarding use of data about their device usage, and evolving regulatory and self-regulatory standards. These challenges may slow growth, and if we are not able to cope with these challenges as effectively as other companies, we will be competitively disadvantaged. Any limitation on our ability to collect data about user behavior and interaction with content could make it more difficult for us to deliver effective solutions that meet the needs of sellers and buyers.

If cookies are replaced by alternative tracking mechanisms, our performance may decline and we may lose buyers and revenue.

Industry participants in the advertising technology ecosystem have taken or may take action to eliminate or restrict the use of cookies and other identifiers, and we expect the use of third-party cookies to be largely phased out by 2023. For instance, Google has announced plans to fully eliminate support for third-party cookies, while Apple has further restricted the use of mobile identifiers on its devices. In the absence of third-party cookies, it is possible that these or other companies in our ecosystem may rely on proprietary algorithms or statistical methods to track web users without cookies, or may utilize log-in credentials entered by users, to track web usage, including usage across multiple devices, without cookies. Alternatively, such companies may build different and potentially proprietary user tracking methods into their widely-used web browsers. While these new identification solutions will likely provide some level of consistency and compatibility with our platform, they are unreleased and unproven, and will require substantial development and commercial changes for us to support. There is also further risk that the changes will disproportionately benefit the owners of these platforms or the large walled gardens that have access to large amounts of first party data. Even if cookies are effectively replaced by open industry-wide tracking standards rather than proprietary standards, we may still incur substantial re-engineering costs to replace cookies with these new technologies. This may also diminish the quality or value of our services to buyers if such new technologies do not provide us with the quality or timeliness of the data that we currently generate from cookies.

Our belief that the elimination of third-party cookies will lead to an increased use of first-party publisher segments may be incorrect.

We believe that the elimination of third party cookies has the potential to shift the programmatic ecosystem from an identity model powered by buyers that are able to aggregate and target audiences through cookies to one enabled by sellers that have direct relationships with consumers and are therefore better positioned to obtain user data and consent for implementing first party identifiers. While we believe that our platform and scale position us well to provide the infrastructure and tools needed for a publisher-centric identity model to succeed, there is no guarantee that our efforts will lead to an increase of the use of first-party publisher segments in the ecosystem. It is also possible that the increased use of first-party publisher segments will disproportionately benefit sellers or the large walled gardens that have access to large amounts of first party data. Additionally, these changes could create some variability in our revenue across certain buyers or sellers, depending on the timing of changes and developed solutions, and even if there is an increase in the proliferation of first-party publisher segments, we may still incur substantial re-engineering costs to optimize our solution for use with such segments.

Risks Related to Regulation

Legislation and regulation of digital businesses, including privacy and data protection regimes, could create unexpected additional costs, subject us to enforcement actions for compliance failures, or cause us to change our technology solution or business model, which may have an adverse effect on the demand for our solution.

Many local, state, federal, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of data collected from and about consumers and devices, and the regulatory framework for privacy issues is evolving worldwide. Various U.S. and foreign governments, consumer agencies, self-regulatory bodies, and public advocacy groups have called for or implemented new regulation directed at the digital advertising industry in particular. For example, California, Colorado, and Virginia have all adopted laws targeting digital advertising, and we expect to see more states and the FTC regulate the collection and use of data to target advertisements and communicate with consumers. Such legislation or regulation could affect the costs of doing business online and may adversely affect the demand for or the effectiveness and value of our solution. Some of our competitors may have more access to lobbyists or governmental officials and may use such access to effect statutory or regulatory changes in a manner that commercially harms us while favoring their solutions.

Various federal privacy bills have been introduced in the U.S. Congress recently. Any federal privacy law would likely place significant restrictions on the collection and use of certain types of data used for behavioral advertising. Even without federal privacy legislation, the FTC retains rulemaking authority that could affect our business. The FTC has already adopted revisions to the Children's Online Privacy Protection Act that expand liability for the collection of information (including certain device information such as persistent identifiers) by operators of websites and other online services that are directed to children or that otherwise use (for certain purposes) information collected from or about children, and has announced its intention to look into much broader rulemaking of targeted advertising.

At the state level, California recently passed two privacy laws broadly regulating business' processing of personal information, the California Consumer Privacy Act of 2018 ("CCPA") and the California Privacy Rights Act ("CPRA"). The CCPA, which went into effect on January 1, 2020, is the most comprehensive data privacy regulation to date in the United States, The CCPA defines personal information in a way that captures the types of data that we collect, such as device identifiers and IP addresses. Under the CCPA, California residents have new privacy rights (including rights of access and deletion), which bear similarity to some of the data subject rights granted to EEA and UK residents under the GDPR and UK GDPR. In addition, the CCPA gives California residents the right to opt-out of the sale of their personal information or to opt in to such sales, in the case of data relating to minors. The CCPA defines "sale" broadly, which could be interpreted to include typical advertising technology activities; this opt-out right may impact the ability of ad tech companies to provide services to their customers. The law establishes a new privacy framework for covered businesses, imposing additional compliance obligations on sellers and ad tech companies. Interpretation of the requirements remains unclear The California Attorney General issued final regulations implementing the CCPA that became enforceable in 2020 as well as a summary of enforcement actions in 2021. Both those regulations and the enforcement actions released to date reflect a focus on online advertising.

The recently-passed CPRA will take effect in January 2023 and will impose additional notice and opt out obligations on the digital advertising space, including an obligation to provide an opt-out for sharing information for behavioral advertising purposes and for certain uses of sensitive information. It also creates a new privacy agency known as the California Privacy Protection Agency (or CPPA) and gives that agency broad rule making authority to issue regulations that could have additional impacts on our business. The CPRA, like the CCPA, will cause us to incur additional compliance costs and may impose additional restrictions on us and on our industry partners.

Two other states -- Virginia and Colorado -- have recently adopted laws that impose obligations that are similar to the CCPA and CPRA, and these laws may precipitate additional privacy regulation by federal, state, and local governments, which may increase our compliance costs and strain our technical capabilities, and which may conflict with each other. If we are unable to comply with these laws in the future, we may be subject to regulatory or private investigations, and if we are unable to use information for behavioral advertising as we have in the past, our business could be materially affected.

In the European Economic Area ("EEA") and the United Kingdom ("UK"), the General Data Protection Regulation, Regulation (EU) 2016/679 ("GDPR") and UK General Data Protection Regulation ("UK GDPR") respectively treat much of the end-user information that is critical to programmatic digital advertising as "personal data", subject to significant conditions and restrictions on its collection, use, transfer and disclosure. Without this end-user information, the value of programmatic advertising inventory diminishes, resulting in lower demand and prices, and potentially less advertising spend and revenue for us and other industry participants. If European sellers react by choosing to monetize their content through non-advertising-based methods (such as paid subscriptions), or reduce use of personal data subject to the GDPR and UK GDPR in order to reduce compliance cost and risk, the volume and value of impressions available through our exchange would decrease, with potentially significant adverse consequences for our business.

The GDPR and UK GDPR also set out higher potential liabilities for certain data protection violations and create a greater compliance burden for us in the course of delivering our solution in Europe. Compliance stakes are high because penalties for violation of the law can reach up to the greater of 20 million Euros (GDPR)/£17.5 million (UK GDPR) or 4% of total worldwide annual turnover (revenue). Moreover, the regulatory climate in Europe, in particular, has grown increasingly unfavorable and we anticipate increased regulatory scrutiny on the digital advertising industry as a whole.

Further, many governments are restricting the transmission or storage of information about individuals beyond their national borders. Such restrictions could, depending upon their scope, limit our ability to utilize technology infrastructure consolidation, redundancy, and load-balancing techniques, resulting in increased infrastructure costs, decreased operational efficiencies and performance, and increased risk of system failure.

These laws and regulations are continually evolving, not always clear, and not always consistent across the jurisdictions in which we do business. Any failure to protect, and comply with applicable laws and regulations or industry standards applicable to, personal data or other data relating to consumers could result in enforcement action against us, including fines, imprisonment of our officers, and public censure, claims for damages by consumers and other affected individuals, damage to our reputation, and loss of goodwill.

The GDPR and UK GDPR impose strict requirements for transferring personal data from the European Economic Area and United Kingdom to the United States and other countries, and regulatory guidance and case law on international transfers is continually evolving; this increases uncertainty and may require us to change our EEA and UK data practices and/or change our technology solution or business model, which may in turn adversely effect demand for our solution.

The GDPR and UK GDPR generally prohibit the transfer of personal data of EEA and UK subjects outside of the European Economic Area and the UK to countries whose laws do not ensure an adequate level of protection, unless a lawful data transfer solution has been implemented. On July 16, 2020, in a case known as "Schrems II," the Court of Justice of the European Union ("CJEU") ruled on the validity of two of the primary data transfer solutions. The first method, EU-U.S. Privacy Shield operated by the U.S. Department of Commerce, was declared invalid as a legal mechanism to transfer data from the EEA and UK to the U.S. As a result, despite the fact that we have certified our compliance to the EU-U.S. Privacy Shield, this mechanism cannot be used as a lawful means to transfer EEA and UK data to us in the U.S. For the time being, the Department of Commerce continues to operate the EU-U.S. Privacy Shield, however, and if we fail to comply with the Privacy Shield requirements, we risk investigation and sanction by U.S. regulatory authorities, including the Federal Trade Commission. Such investigation could cost us significant time and resources, and could potentially result in fines, criminal prosecution, or other penalties.

The second mechanism, Standard Contractual Clauses ("SCCs"), an alternative transfer measure that we also offer to our EEA and UK customers for extra-EEA and UK data transfers, was upheld as a valid legal mechanism for transnational data transfer. However, the ruling requires that EEA and UK organizations seeking to rely on the SCCs to export data out of the EEA and UK to ensure the data is protected to a standard that is "essentially equivalent" to that under the GDPR and the UK GDPR including, where necessary, by taking "supplementary measures" to protect the data. It remains unclear what "supplementary measures" must be taken to allow the lawful transfer of personal data to the United States, and it is possible that EEA and UK data protection authorities may determine that there are no effective supplementary measures that can legitimize data transfers from the EEA and the UK to the U.S. For the time being, we will rely on SCCs for transfers of EEA and UK personal data to the U.S. and explore what "supplementary measures" can be implemented to protect such personal data that is transferred to us in the United States.

With respect to UK data transfers, the UK Information Commissioner has recently published a consultation on appropriate safeguards to enable the transfer of personal data from the UK to international countries, including the US. The findings of this consultation have not yet been published, and may require us to implement new contracts, change our practices, or take additional protective measures, to permit our international data transfers to continue.

The GDPR and changes in U.S. laws impose new requirements for end user consent or opt-out that are not yet well understood.

End-user consent to data collection through device access (including the placement of cookies) has been required for some time under the European Union Privacy and Electronic Communications Directive (Directive 2002/58/EC), commonly referred to as the "ePrivacy Directive," but the GDPR has added complexity and risk regarding the obligations to obtain valid consent.

End-user consent is difficult for ad tech intermediaries like us to obtain because we do not have direct relationships with such end users, so we have historically relied upon sellers to obtain consent for use of our technology. To the extent any seller does not adequately satisfy its consent obligations for our technology, we may face regulatory risk. Further, emerging regulatory guidance in the EU has challenged this method of obtaining consent. To the extent we (and/or our buyers) are required to obtain or confirm consent directly from end users, our ability to use cookies or access devices within applicable jurisdictions may become significantly restricted.

In 2018, IAB Europe released a tool, the Transparency and Consent Framework (the "TCF"), in order to assist sellers, advertisers and advertising technology providers, with the process of obtaining consent from end users in accordance with the ePrivacy Directive and GDPR.

There is currently significant uncertainty whether the TCF (or any other) consent tool is acceptable to regulators as an appropriate mechanism to provide transparency and establish lawful grounds for processing. In particular, the Belgium data protection authority has recently found that consents obtained under the current form of the TCF are not valid, which may require us to change our implementation of the TCF or to implement additional or alternative measures to obtain consent from end users in order to satisfy the requirements of the ePrivacy Directive and GDPR.

In the US, some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow Internet users to express a preference, independent of cookie settings in their browser, not to have their online browsing activities tracked. Technical signals like "Do Not Track" have garnered renewed interest recently. In California, the

CCPA regulations require companies to honor browser-based or similar universal opt out mechanisms known as global privacy controls or GPC. Both the CPRA and the new Colorado law will statutorily require companies to honor these universal opt out signals.

Legal standards and regulatory guidance will continue to evolve. National regulators in the UK and EU are evolving their guidance on the use of advertising technologies and compliance with the GDPR and ePrivacy Directive. This guidance may be burdensome or inconsistent across countries, and present challenges to the way we operate. Widespread adoption of technical controls like GPC may impact our ability to show targeted ads to large swaths of consumers. Some regulators are undertaking enforcement investigations into advertising technology companies, and the outcome of these investigations may present risks to our business.

As a result of all of the factors set forth above, our or our clients' ability to serve target advertisements may become significantly impaired or complicated in certain jurisdictions.

In Europe, it remains unclear whether certain legal bases for data processing are permitted for behavioral advertising.

The GDPR sets forth six alternative legal bases for processing personal data, but only two are relevant to ad tech: consent by the data subject and "legitimate interests," which means that "processing is necessary for the purposes of the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject." Like many other ad tech vendors, we generally rely upon legitimate interests for certain of our activities. There is minimal guidance on the factors that would override any legitimate interest for processing.

In a decision dated February 2, 2022 against IAB Europe, the Belgian data protection authority ruled that ad tech vendors who participate in the TCF in its current form cannot rely on legitimate interests as their lawful basis for processing. If IAB Europe does not appeal this decision, then it must submit proposals to remediate the TCF within a period of two months to the Belgian data protection authority and, if those proposals are approved by the Belgian authority, implement them within a further six-month period. At this time, it is not known what form such remediation proposals might take, how any such proposals might impact Magnite, nor whether IAB Europe will appeal the decision of the Belgian data protection authority. It is further possible that other EU or UK regulators or courts may follow the Belgian authority's decision and also conclude that the processing of personal data for the purposes of behavioral advertising does not satisfy the legitimate interests of the controller, or that such interests do not outweigh the privacy rights of end users, even with respect to ad tech parties that only collect pseudonymous personal data. Unavailability of this basis for processing end users' personal data would require us to obtain end-user consent for processing under the GDPR and UK GDPR, which may not be possible for us, or other ad tech intermediaries, without changes to our business that would be difficult, time-consuming, expensive, and perhaps unattainable. These complexities are compounded by the ability of different national and state governmental authorities across the EU and UK to adopt differing interpretative and enforcement approaches to the law.

Legal uncertainty and industry unpreparedness may mean substantial disruption and inefficiency, demand constraints, and reduced inventory supply and value.

Some sellers may be unprepared to comply with evolving regulatory guidance under US and foreign privacy laws, and therefore may remove personal data from their inventory before passing it into the bid stream, which would reduce the value of the inventory to buyers. Even well-prepared sellers and buyers will be confronted with difficult choices and administrative and technical hurdles to implement their privacy compliance programs and integrate with multiple other parties in the ecosystem. Further, compliance program design and implementation will be an ongoing process as understanding of the new law increases and industry compliance standards evolve. The resulting process friction could result in substantial inefficiency and loss of inventory and demand, as well as increased burdens upon our organization as we seek to assist clients and adapt our own technology and processes as necessary to comply with the law and adapt to industry practice. The uncertain regulatory environment caused by changes to privacy laws discussed in the sections above may benefit large, integrated competitors like Google, Facebook, Comcast Verizon, AT&T and Amazon, which have greater compliance resources and can take advantage of their direct relationships with end users to secure consents from, and offer necessary choices to, end users that we and other intermediaries without direct user relationships are less able to obtain under current industry conditions.

We are subject to regulation with respect to political advertising, which lacks clarity and uniformity.

We are subject to regulation with respect to political advertising activities, which are governed by various federal and state laws in the U.S., and national and provincial laws worldwide. Online political advertising laws are rapidly evolving and in certain jurisdictions we have compliance requirements with respect to political ads delivered on our platform. In some jurisdictions we may determine not to serve political advertisements due to uncertainty around these requirements and potential burdens of compliance. In addition, our sellers may impose restrictions on receiving political advertising. The lack of uniformity and increasing compliance requirements around political advertising may adversely impact the amount of political advertising spent through our platform, increase our operating and compliance costs, and subject us to potential liability from regulatory agencies.

Failure to comply with industry self-regulation could harm our brand, reputation, and our business.

In addition to compliance with government regulations, we voluntarily participate in trade associations and industry self-regulatory groups that promulgate best practices or codes of conduct addressing privacy and the provision of digital advertising. If we encounter difficulties abiding by these principles, we may be subject to negative publicity, as well as investigation and litigation by governmental authorities, self-regulatory bodies or other accountability groups, buyers, sellers, or other private parties. Any such action against us could be costly and time consuming, require us to change our business practices, divert management's attention and our resources, and be damaging to our reputation and our business. In addition, we could be adversely affected by new or altered self-regulatory guidelines that are inconsistent with our practices.

Risks Related to Our Relationships with Buyers and Sellers and Other Strategic Relationships

We rely on buyers and sellers to abide by contractual requirements and relevant laws, rules, and regulations when using our solution. The acts or omissions of buyers or sellers, or our own failure to meet advertising and inventory content standards and provide services that our buyers and sellers trust, could harm our brand and reputation and those of our partners, and negatively impact our business, financial condition and results of operations.

The buyers and sellers engaging in transactions through our platform impose various requirements upon each other, and they and the underlying advertisers are subject to regulatory requirements by governments and standards bodies applicable to their activities. Though we contractually require buyers and sellers to abide by relevant laws, rules and regulations, as well as restrictions by their counterparties, when transacting on our platform, we do not control the content of the advertisements that we serve or the content of the websites providing the inventory, and there are many circumstances in which it is difficult or impossible for us to monitor or evaluate the compliance of our buyers and sellers. If buyers or sellers fail to abide by relevant laws, rules and regulations, or contract requirements, we could potentially face liability for such misuse.

In addition, both advertisers and inventory suppliers are concerned about being associated with content they consider inappropriate, competitive or inconsistent with their brands, or illegal, and they are hesitant to spend money or make inventory available, respectively, without some guarantee of brand security. Buyers increasingly require us to accept liability for inventory quality and sellers increasingly require us to accept liability for ad content. Consequently, our reputation depends in part on providing services that our buyers and sellers trust, and we have contractual obligations to meet content and inventory standards. We contractually prohibit the misuse of our platform by our buyers and sellers and actively monitor inventory against our quality guidelines. Despite such efforts, we may provide access to inventory that is objectionable to our buyers or serve advertising that contains objectionable content, which could harm our or our clients’ brand and reputation, decrease their trust in our platform, and negatively impact our business, financial condition and results of operations. Furthermore, we may receive public pressure to discontinue working with certain sellers or buyers on our platform and our determination whether to continue or cease working with a given client may subject us to reputational risk.

Our contracts with buyers and sellers are generally not exclusive, may be terminated upon relatively short notice, and generally do not require minimum volumes or long-term commitments. If buyers or sellers representing a significant portion of the demand or inventory in our marketplace decide to materially reduce the use of our solution, we could experience an immediate and significant decline in our revenue and profitability and harm to our business.

Generally, our buyers and sellers are not obligated to provide us with any minimum volumes of business, may do business with our competitors as well as with us, may reduce or cancel their business with us or terminate our contracts without penalty, and may bypass us and transact directly with each other or through other intermediaries that compete with us. Accordingly, our business is highly vulnerable to changes in the macro environment, price competition, and development of new or more compelling offerings by our competitors, which could reduce business generally or motivate buyers or sellers to migrate to competitors’ offerings.

Sellers and buyers may seek to change the terms on which they do business with us, or allocate their advertising inventory or demand to our competitors who provide advertising demand and supply to them on more favorable terms or whose offerings are considered more beneficial. Supply of advertising inventory is also limited for some sellers, such as special sites or new technologies, and sellers may request higher prices, fixed price arrangements or guarantees that we cannot provide as effectively as our competitors, or that would reduce the profitability of that business. In addition, sellers sometimes place significant restrictions on the sale of their advertising inventory, such as strict security requirements, limitations on data sharing, prohibitions on advertisements from specific advertisers or specific industries, and restrictions on the use of specified creative content or format. Finally, with the proliferation of header bidding, sellers' inventory is available for purchase through multiple exchanges simultaneously. Buyers, in turn, are free to direct their spend to us or one or more of our competitors, and increasingly are seeking price concessions, rebates, or other consideration to direct more spend towards us.

We serve many buyers and sellers, but certain large buyers and sellers have accounted for and will continue to account for a disproportionate share of business transacted through our solution. In 2021 there were two buyers of advertising inventory that indirectly contributed to approximately 36% of revenue through their buying activity from sellers on our platform. If a buyer or group of buyers representing a significant portion of the demand in our marketplace, or a seller or group of sellers representing a significant portion of the inventory in our marketplace decides to materially reduce use of our solutions, it could cause an immediate and significant decline in our revenue and profitability and harm to our business. In addition, loss of substantial inventory or demand could degrade our marketplace. Loss of major DSP sources of demand could adversely affect bid density or pricing in our auctions, and reduction in fees if we are not able to redirect inventory to other demand sources. Loss of important unique inventory could reduce fees from demand that cannot be shifted to other sellers and make it harder to differentiate ourselves from our competitors. The number of large media buyers and sellers in the market is finite, and it could be difficult for us to replace the losses from any buyers or sellers whose relationships with us diminish or terminate. Additionally, if we overestimate future usage, we may incur additional expenses in adding infrastructure without a commensurate increase in revenue, which would harm our profitability and other operating results.

Because of these factors, we seek to expand and diversify our client relationships. In particular, as part of our strategy to increase the volume of advertising inventory on our exchange, we are continuing relationships with aggregators of inventory and with large sources of supply that have their own monetization capabilities but also allow third parties to connect to their exchanges and bid on their inventory. These relationships represent additional risks in terms of inventory quality, transaction discrepancies, and collections, and may be less profitable because we may be required to compensate these partners or share the fees available for intermediaries in these transactions, and may incur higher serving costs relative to revenue.

We must 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.

We are interposed between buyers and sellers, and to be successful, we must continue to find ways of providing value to both without being perceived as favoring one at the expense of the other. For example, our proprietary auction algorithms, which are designed to improve auction outcomes, influence the allocation and pricing of impressions and must do so in ways that add value to both buyers and sellers. Continued technological evolution in the availability and use of more data to inform buying and selling decisions necessitates that we, as an intermediary, use data in a manner that complies with the expectations of both our seller and buyer clients. Furthermore, because new business models continue to emerge, we must constantly adapt our relationship with buyers and sellers and how we market ourselves to each. Consistent with our goal of connecting buyers and sellers, we seek to grow our connections to each, and we must take care that our deeper connections with buyers, on the one hand, or sellers, on the other hand, do not come at the expense of the other's interests. In addition, as our own capabilities evolve, we may be perceived by clients, particularly buyers, as competing with them. If we fail to balance our clients' interests appropriately, our ability to provide a full suite of services and our growth prospects may be compromised.

We rely on technological intermediaries such as DSPs to purchase advertising on behalf of advertisers. Such buyers may have or develop high-risk credit profiles or pay slowly, which may result in credit risk to us or require additional working capital to fund our accounts payable. In addition, direct billing arrangements between buyers and sellers may result in unfavorable fee dynamics and increased working capital demands.

Generally, we invoice and collect from buyers the full purchase price for impressions they have purchased, retain our fees, and remit the balance to sellers. However, in some cases, we may be required or choose to pay sellers for impressions delivered before we have collected, or even if we are unable to collect, from the buyer of those impressions. There can be no assurances that we will not experience bad debt in the future, and write-offs for bad debt could have a materially negative effect on our results of operations for the periods in which the write-offs occur. In addition, we attempt to coordinate collections from our buyers so as to fund our payment obligations to our sellers. However, some buyers and sellers may require direct billing and collection arrangements between themselves, and some providers of header bidding wrappers or other downstream decisioning mechanisms in which we participate (such as Google EB) may control billing and collection for transactions we win through their platforms. Further, growth and increased competitive pressure in the digital advertising industry is causing advertisers and buyers to become more demanding, resulting in overall increased focus by all industry participants on pricing, transparency, and cash and collection cycles. Some buyers have experienced financial pressures that have motivated them to slow the timing of their payments to us. If buyers slow their payments to us or our cash collections are significantly diminished as a result of these dynamics, our revenue and/or cash flow could be adversely affected and we may need to use working capital to fund our accounts payable pending collection from the buyers. This may result in additional costs and cause us to forgo or defer other more productive uses of that working capital.

Our sales efforts with buyers and sellers may require significant time and expense and may not yield the results we seek.

Attracting new buyers and sellers and increasing our business with existing buyers and sellers involves substantial time, expense, and personnel investments, and we may not be successful in our efforts. This is particularly true with respect to our managed service business, which relies on direct relationships with advertisers, and is therefore more resource intensive. We may spend substantial time and effort educating buyers and sellers about our offerings, including providing demonstrations and comparisons against other available solutions. This process can be costly and time-consuming, and is complicated by us having to spend time integrating our solution with software of buyers and sellers. Because our solution may be less familiar in some markets outside the United States, the time and expense involved with attracting, educating and integrating buyers and sellers in international markets may be even greater than in the United States. If we are not successful in targeting, supporting and streamlining our sales processes, our ability to grow our business may be adversely affected. In addition, because of competitive market conditions and negotiating leverage enjoyed by large buyers and sellers, we are sometimes forced to choose between loss of business or contracting on terms that allocate more risk to us than we would prefer to accept.

Our business relationships expose us to risk of substantial liability for contract breach, violation of laws and regulations, intellectual property infringement and other losses, and our contractual indemnities and limitations of liability may not protect us adequately.

Our agreements with sellers, buyers and other third parties typically obligate us to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses or other liabilities. Generally, these indemnity and defense obligations relate to our own business operations, obligations and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations and acts or omissions, or the business operations, obligations and acts or omissions of third parties. For example, because our business interposes us between buyers and sellers in various ways, buyers often require us to indemnify them against acts and omissions of sellers, and sellers often require us to indemnify them against acts and omissions of buyers. Large indemnity obligations, or obligations to third parties not adequately covered by the indemnity obligations of our contract counterparties, could expose us to significant costs.

Our solution relies on third-party open source software components. Failure to comply with the terms of the underlying open source software licenses could expose us to liabilities, and the combination of certain open source software with code that we develop could compromise the proprietary nature of our solution.

Our solution utilizes software licensed to us by third-party authors under "open source" licenses. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with lower development effort and time and ultimately put us at a competitive disadvantage.

The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on us. Moreover, we cannot guarantee that our processes for controlling our use of open source software will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue operating using our solution on terms that are not economically feasible, to re-engineer our solution or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of our proprietary code.

Risks Related to Our Operations

Real or perceived errors or failures in the operation of our solution could damage our reputation and impair our sales.

We must operate our technology infrastructure without interruption to support the needs of sellers and buyers. Because our software is complex, undetected errors and failures may occur, especially when new versions or updates are made to our software or network infrastructure, changes are made to sellers' or buyers' software interfacing with our solution, or as we further integrate acquired technologies. Errors or bugs in our software, faulty algorithms, technical or infrastructure problems, or updates to our systems could lead to an inability to effect transactions or process data to place advertisements or price inventory effectively, cause the inadvertent disclosure of proprietary data, or cause advertisements to display improperly or be placed in proximity to inappropriate content. Such errors or failures could also result in negative publicity, disclosure of confidential information, damage to our reputation, loss of or delay in market acceptance of our solution, increased costs or loss of revenue, loss of competitive position, or claims by advertisers for losses sustained by them. We may make errors in the measurement of transactions conducted through our solution, causing discrepancies with the measurements of buyers and sellers, which can lead to a lack of confidence in us and require us to reduce our fees or provide refunds to buyers and sellers. Alleviating problems resulting from errors in our software could require significant expenditures of capital and other resources and could cause interruptions, delays, or the cessation of our business.

Various risks could interrupt access to our network infrastructure or data, exposing us to significant costs and other liabilities.

Our revenue depends on the technological ability of our solution to deliver and measure advertising impressions, and the operation of our exchange and our ability to place impressions depend on the continuing and uninterrupted performance of our IT systems. Our platform operates on our data processing equipment that is housed in third-party commercial data centers that we do not control or on servers owned and operated by cloud-based service providers. We rely on multiple bandwidth providers, multiple internet service providers, as well as content delivery network, or CDN providers, and domain name systems, or DNS providers, and mobile networks to deliver video ads. In addition, our systems interact with systems of buyers and sellers and their contractors. Any damage to, or failure of, these systems could result in interruptions to the availability or functionality of our service. Moreover, the failure of our data center hosting facilities or any other third-party providers to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations. All of these facilities and systems are vulnerable to interruption and/or damage from a number of sources, many of which are beyond our control, including, without limitation: (i) loss of adequate power or cooling and telecommunications failures; (ii) fire, flood, earthquake, hurricane, and other natural disasters; (iii) software and hardware errors, failures, or crashes; (iv) financial insolvency; and (v) computer viruses, malware, hacking, terrorism, and similar disruptive problems. In particular, intentional cyber-attacks present a serious issue because they are difficult to prevent and remediate and can be used to defraud our buyers and sellers and their clients and to steal confidential or proprietary data from us, our clients, or their users. Further, because our Los Angeles office and San Francisco offices and our California data center sites are in seismically active areas, earthquakes present a particularly serious risk of business disruption. These vulnerabilities may increase with the complexity and scope of our systems and their interactions with buyer and seller systems. Malfunction or failure of our systems, or other systems that interact with our systems, or inaccessibility or corruption of data, could disrupt our operations and negatively affect our business and results of operations to a level in excess of any applicable business interruption insurance, result in potential liability to buyers and sellers, and negatively affect our reputation and ability to sell our solution.

Any breach of our computer systems or confidential data in our possession could expose us to significant expense and liabilities and harm our reputation.

We maintain our own confidential and proprietary information in our IT systems, and we control or have access to confidential, proprietary, and personal data belonging or related to buyers, sellers, and their clients and users, as well as vendors and business partners. Our clients and various third parties have access to our confidential and proprietary information. There is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this data despite our efforts to protect this data. Though we undertake robust security measures, any security incident could disrupt computer systems or networks, interfere with services to our sellers, buyers, or their clients, and result in unauthorized access to personally identifiable information, intellectual property, and other confidential business information owned by us or our buyers, sellers, or vendors. As a result, we could be exposed to legal claims and litigation, indemnity obligations, regulatory fines and penalties, contractual obligations, other liabilities, significant costs for remediation and re-engineering to prevent future occurrences, significant distraction to our business, and damage to our reputation, our relationships with buyers and sellers, and our ability to retain and attract new buyers and sellers. If personally identifiable information is compromised, we may be required to undertake notification and remediation procedures, provide indemnity, and undergo regulatory investigations and penalties, all of which can be extremely costly and result in adverse publicity.

Failure to detect or prevent fraud, intrusion of malware through our platform into the systems or devices of our clients and their customers, or other actions that impact the integrity of our solution or advertisement performance, could cause sellers and buyers to lose confidence in our solution and expose us to legal claims, which would cause our business to suffer. If we terminate relationships with sellers as a result of our screening efforts, our volume of paid impressions may decline.

We have in the past, and may in the future, be subject to fraudulent and malicious activities undertaken by persons seeking to use our platform for improper purposes, including to divert or artificially inflate purchases by buyers through our platform, or to disrupt or divert the operation of the systems and devices of our clients and their customers to misappropriate information, generate fraudulent billings, stage hostile attacks, or for other illicit purposes. Examples of such activities include the use of bots or other automated or manual mechanisms to generate fraudulent impressions that are delivered through our platform, which could overstate the performance of advertising impressions. Such activities could also include the introduction of malware through our platform by persons seeking to commandeer, or gain access to information on, consumers' devices. We use proprietary and third party technology to identify non-human inventory and traffic, as well as malware, and we generally terminate relationships with parties that appear to be engaging in such activities, which may result in fewer paid impressions in the year the relationships are terminated than would have otherwise occurred. Despite our efforts, it can be difficult to detect fraudulent or malicious activity for various reasons. If we fail to detect or prevent fraudulent or other malicious activity, we could face legal claims from clients and/or consumers and the affected advertisers may experience or perceive a reduced return on their investment or heightened risk associated with use of our solution, resulting in dissatisfaction with our solution, refusals to pay, refund demands, loss of confidence of buyers or sellers, or withdrawal of future business. We also face claims from sellers that we terminate because of known or perceived fraudulent activity, and any such claim could be material.

Failure to maintain the brand security features of our solution could harm our reputation and expose us to liabilities.

It is important to sellers that the advertising placed on their media not conflict with existing seller arrangements and be of high quality, consistent with applicable seller standards and compliant with applicable legal and regulatory requirements. It is important to buyers that their advertisements are placed on appropriate media, in proximity with appropriate content, that the impressions for which they are charged are legitimate, and that their advertising campaigns yield their desired results. We use various measures, including proprietary technology, in an effort to store, manage and process rules set by buyers and sellers and to ensure the quality and integrity of the results delivered to sellers and buyers through our solution. If we fail to properly implement or honor rules established by buyers and sellers, or if our measures are not adequate, advertisements may be improperly placed through our platform, which can result in harm to our reputation as well as the need to pay refunds and other potential legal liabilities.

The evolving concept of viewability involves competitive uncertainty and may cause us to incur additional costs and liability risk.

Viewability of digital advertising inventory is relevant to marketers because it represents a way of assessing the value of particular inventory as a means to reach a target audience. However, there is no consensus definition of viewability. Some approaches focus on whether an advertisement can be seen at all, and others focus on whether an advertisement that can be seen is actually seen, in whole or part, or for how long. Low viewability can be caused by various factors, including technical issues (e.g. device screen size, browser functionality and settings, web site load times), media design (e.g. below-the-fold or sub-page placements), and user behavior (e.g. the decision whether to scroll down a website or click on an advertisement or how long to watch a video). Non-viewability is a separate issue and may result, for example, from stacking ads so the one in the back is obscured, or serving ads into a single pixel space too small to be seen.

If we do not handle viewability well, we could be competitively disadvantaged. In addition, inventory that is well differentiated on the basis of viewability will be differentiated on the basis of value, with less viewable inventory valued lower. In this context, if we are not positioned to transact the higher viewability inventory competitively, our revenue and profitability could be adversely affected.

As we have experienced in the past, buyers could attempt to hold us responsible, and not to pay us, for impressions that do not satisfy their viewability requirements or expectations, and depending upon how viewability evolves, market practice or emerging regulation may require us to incur compliance costs and assume some responsibility for viewability of advertisements transacted through our solution. Divergent views of how to measure viewability and imperfect measurement technology could lead to disagreement, increasing risk of disputes, demands for refunds, and reputational harm.

If we fail to attract, motivate, train, and retain highly qualified engineering, marketing, sales and management personnel, our ability to execute our business strategy could be impaired.

We are a technology-driven company and it is imperative that we have highly skilled computer scientists, data scientists, engineers and engineering management to innovate and deliver our complex solutions. Increasing our base of buyers and sellers depends to a significant extent on our ability to expand our sales and marketing operations and activities, and our solution requires a sophisticated sales force with specific sales skills and specialized technical knowledge that takes time to develop. Appropriately qualified personnel can be difficult to recruit and retain, especially in light of the current recruiting and work environment resulting from the COVID-19 pandemic. In particular, it may be difficult to find qualified sales personnel in international markets, or sales personnel with experience in emerging segments of the market. Furthermore, we recently announced a mandatory vaccine policy for employees in certain jurisdictions. These requirements may make it difficult to retain or hire certain individuals going forward. Skilled and experienced management is critical to our ability to achieve revenue growth, execute against our strategic vision and maintain our performance through the growth and change we anticipate.

Our success depends significantly upon our ability to recruit, train, motivate, and retain key technology, engineering, sales, and management personnel, and competition for employees with experience in our industry can be intense, particularly in New York, California, Denver, London and Sydney, where our operations and the operations of other digital media companies are concentrated and where other technology companies compete for management and engineering talent. Other employers may be able to provide better compensation, more diverse opportunities and better chances for career advancement. None of our officers or other key employees have an employment agreement for a specific term, and any of such individuals may terminate his or her employment with us at any time.

In addition, in connection with its recent acquisitions, the Company entered into certain retention compensation packages. As such agreements expire, it may be more difficult to retain such individuals or we may need to enter into new retention arrangements.

It can be difficult, time-consuming, and expensive to recruit personnel with the combination of skills and attributes required to execute our business strategy, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. New hires require significant training and it may take significant time (often six months or more) before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards before new hires contribute to sales or productivity, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training. Moreover, new employees may not be or become as productive as we expect, and we may face challenges in adequately or appropriately integrating them into our workforce and culture. At times we have experienced elevated levels of unwanted attrition, and as our organization grows and changes and competition for talent increases, this type of attrition may increase.

Our proprietary rights may be difficult to enforce, which could enable others to copy or use aspects of our solution without compensating us, thereby eroding our competitive advantages and harming our business.

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop or otherwise acquire, so that we can prevent others from using our inventions and proprietary information. Establishing trade secret, copyright, trademark, domain name, and patent protection is difficult and expensive. We rely on trademark, copyright, trade secret laws, confidentiality procedures and contractual provisions to protect our proprietary methods and technologies. It may be possible for unauthorized third parties to copy or reverse engineer aspects of our technology or otherwise obtain and use information that we regard as proprietary, or to develop technologies similar or superior to our technology or design around our proprietary rights, despite the steps we have taken to protect our proprietary rights. From time to time, we may take legal action to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources, and might not be successful. If we are unable to protect our proprietary rights (including aspects of our technology solution) we may find ourselves at a competitive disadvantage.

We may be subject to intellectual property rights claims by third parties, which are costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies and intellectual property.

Third parties may assert claims of infringement or misappropriation of intellectual property rights against us or buyers, sellers, or third parties with which we work; we cannot be certain that we are not infringing any third-party intellectual property rights, and we may have liability or indemnification obligations as a result of such claims. Regardless of whether claims that we are infringing patents or infringing or misappropriating other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend, and can impose a significant burden on management and employees. The outcome of any claim is inherently uncertain, and we may receive unfavorable interim or preliminary rulings in the course of litigation, or we may decide to settle lawsuits and disputes on terms that are unfavorable to us. We may also have no way of remediating intellectual property violations, and failure to do so could cause our business, results of operations or financial condition to be materially and adversely affected.

Risks Related to Our International Business Strategy.

Our international operations require increased expenditures and impose additional risks and compliance imperatives, and failure to successfully execute our international plans will adversely affect our growth and operating results.

We have operations outside of North America, in the UK, EU, Australia, New Zealand, Japan, Singapore, and Brazil, and achievement of our international objectives will require a significant amount of attention from our management, finance, legal, analytics, operations, sales, and engineering teams, as well as significant investment in developing the technology infrastructure necessary to deliver our solution and maintain sales, delivery, support, and administrative capabilities in the countries where we operate. Attracting new buyers and sellers outside the United States may require more time and expense than in the United States, in part due to language barriers and the need to educate such buyers and sellers about our solution, and we may not be successful in establishing and maintaining these relationships. The data center and telecommunications infrastructure in some overseas markets may not be as reliable as in North America and Europe, which could disrupt our operations. In addition, our international operations will require us to develop and administer our internal controls and legal and compliance practices in countries with different cultural norms, languages, currencies, legal requirements, and business practices than the United States.

International operations also impose risks and challenges in addition to those faced in the United States, including management of a distributed workforce; the need to adapt our offering to satisfy local requirements and standards (including differing privacy policies and labor laws that are sometimes more stringent); laws and business practices that may favor local competitors; legal requirements or business expectations that agreements be drafted and negotiated in the local language and disputes be resolved in local courts according to local laws; the need to enable transactions in local currencies; longer accounts receivable payment cycles and other collection difficulties; the effect of global and regional recessions and economic and political instability; potentially adverse tax consequences in the United States and abroad; staffing challenges, including difficulty in recruiting and retaining qualified personnel as well as managing such a diversity in personnel; reduced or ineffective protection of our intellectual property rights in some countries; and costs and restrictions affecting the repatriation of funds to the United States.

One or more of these requirements and risks may make our international operations more difficult and expensive or less successful than we expect, and may preclude us from operating in some markets. There is no assurance that our international expansion efforts will be successful, and we may not generate sufficient revenue or margins from our international business to cover our expenses or contribute to our growth.

Operating in multiple countries requires us to comply with different legal and regulatory requirements.

Our international operations subject us to laws and regulations of multiple jurisdictions, as well as U.S. laws governing international operations, which are often evolving and sometimes conflict. For example, the Foreign Corrupt Practices Act ("FCPA"), and comparable foreign laws and regulations (including the U.K. Bribery Act) prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. Other laws and regulations prohibit bribery of private parties and other forms of corruption. As we expand our international operations, there is some risk of unauthorized payment or offers of payment or other inappropriate conduct by one of our employees, consultants, agents, or other contractors, including by persons engaged or employed by a business we acquire, which could result in violation by us of various laws, including the FCPA. Safeguards we implement to discourage these practices may prove to be ineffective and violations of the FCPA and other laws may result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action lawsuits and enforcement actions from the SEC, Department of Justice, and foreign regulators. Other laws applicable to our international business include local employment, tax, privacy, data security, and intellectual property protection laws and regulations, including restrictions on movement of information about individuals beyond national borders. In particular, as explained in more detail elsewhere in this report, the GDPR imposes substantial compliance obligations and increases the risks associated with collection and processing of personal data. In some cases, buyers and sellers operating in non-U.S. markets may impose additional requirements on our non-U.S. business in efforts to comply with their interpretation of their own or our legal obligations. These requirements may differ significantly from the requirements applicable to our business in the United States and may require engineering, infrastructure and other costly resources to accommodate, and may result in decreased operational efficiencies and performance. As these laws continue to evolve and we expand to more jurisdictions or acquire new businesses, compliance will become more complex and expensive, and the risk of non-compliance will increase.

Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business abroad, and violation of these laws or regulations may interfere with our ability to offer our solution competitively in one or more countries, expose us or our employees to fines and penalties, and result in the limitation or prohibition of our conduct of business. In addition, we have recently received numerous inquiries from foreign regulators asking for information about the advertising technology generally and our business specifically. These investigations are costly and time consuming to respond to and divert management attention.

Risks Related to Our Internal Controls and Finances

If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations. If our internal control over financial reporting is not effective, it may adversely affect investor confidence in us and the price of our common stock.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on our internal control over financial reporting.

Our platform system applications are complex, multi-faceted and include applications that are highly customized in order to serve and support our clients, advertising inventory and data suppliers, as well as support our financial reporting obligations. We regularly make improvements to our platform to maintain and enhance our competitive position. In the future, we may implement new offerings and engage in business transactions, such as acquisitions, reorganizations or implementation of new information systems. These factors require us to develop and maintain our internal controls, processes and reporting systems, and we expect to incur ongoing costs in this effort. We may not be successful in developing and maintaining effective internal controls, and any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods.

If we identify material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, or if we are unable to comply with the requirements of the Sarbanes-Oxley Act in a timely manner, then, we may be late with the filing of our periodic reports, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. Such failures could also subject us to investigations by Nasdaq, the stock exchange on which our securities are listed, the SEC or other regulatory authorities, and to litigation from stockholders, which could harm our reputation, financial condition or divert financial and management resources from our core business.

Our ability to use our net operating losses and tax credit carryforwards to offset future taxable income may be subject to certain limitations, which could result in higher tax liabilities.

Our ability to fully utilize our net operating loss and tax credit carryforwards to offset future taxable income may be limited.

At December 31, 2021, we had U.S. federal net operating loss carryforwards, or NOLs, of approximately $486.1 million, state NOLs of approximately $285.2 million, foreign NOLs of approximately $30.2 million, federal research and development tax credit carryforwards of approximately $0.4 million, and state research and development tax credit carryforwards of approximately $8.0 million. A lack of future taxable income would adversely affect our ability to utilize these NOLs and credit carryforwards. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, and comparable state income tax laws, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs and credit carryforwards to offset future taxable income following the ownership change. As a result, future changes in our stock ownership, including because of issuance of shares of common stock in connection with acquisitions or other direct or indirect changes in our ownership that may be outside of our control, could result in limitations on our ability to fully utilize our NOLs and credit carryforwards. The Company had an ownership change on December 31, 2016 subjecting the federal and state NOLs to annual limitations that have expired. Additionally, the Company had an ownership change in January 2008 resulting in not material limitation of federal and state NOLs under Section 382 of the Code and comparable state income tax laws. Moreover, not material federal and state NOLs and federal research and development tax credits were generated during the pre-acquisition period by corporations that we acquired, and thus those NOLs already are subject to limitation under Section 382 and 383 of the Code and comparable state income tax laws. Also, prior to the merger, Telaria acquired corporations with pre-acquisition NOLs that are subject to limitation under Section 382 of the Code and comparable state income tax laws.

In addition, the Company and Telaria both underwent ownership changes for tax purposes (i.e. a more than 50% change in stock ownership in aggregated 5% shareholders) on April 1, 2020 due to the Merger. As a result, the use of the Company's total domestic NOL carryforwards and tax credits generated prior to the ownership change will be subject to annual use limitations under Section 382 and Section 383 of the Code and comparable state income tax laws. The Company believes that the ownership changes will not impact the ability to utilize substantially all of our NOLs and state research and development tax credits to the extent we generate taxable income that can be offset by such losses. The Company reasonably expects its federal research and development tax credits will not be recovered prior to expiration.

Also, depending on the timing and level of our taxable income, a portion of our NOLs may expire unutilized, which could prevent us from offsetting future taxable income we may generate by the amount of our NOLs and credit carryforwards generated in tax years beginning before December 31, 2018. U.S. federal NOLs generated for tax years beginning before December 31, 2018 can offset 100% of taxable income, however, these NOLs can only be carried forward for 20 years. U.S. federal NOLs generated for tax years beginning after December 31, 2018 can offset 80% of taxable income, however, these NOLs can be carried forward indefinitely. We have recorded a full valuation allowance related to our NOLs, credit carryforwards, and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets. To the extent we determine that all, or a portion of, our valuation allowance is no longer necessary, we will reverse the valuation allowance and recognize an income tax benefit in the reported financial statement earnings in that period. Once the valuation allowance is eliminated or reduced, its reversal will no longer be available to offset our current financial statement tax provision in future periods. Release of the valuation allowance would result in the recognition of certain net deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve and the impact of Section 382.

We may require additional capital to support our business, and such capital might not be available on terms acceptable to us, if at all. Inability to obtain financing could limit our ability to conduct necessary operating activities and make strategic investments.

Various business challenges and opportunities may require additional funds, including the need to respond to competitive threats or market evolution by developing new solutions and improving our operating infrastructure through additional hiring or acquisition of complementary businesses or technologies, or both. In addition, we could incur significant expenses or shortfalls in anticipated cash generated as a result of unanticipated events in our business or competitive, regulatory, or other changes in our market, or longer payment cycles required or imposed by our buyers.

Our available cash and cash equivalents, any cash we may generate from operations, and our available line of credit under our credit facility may not be adequate to meet our capital needs, and therefore we may need to engage in equity or debt financings to secure additional funds. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it or are unable to renew our credit facility when it matures or enter into a new one, our ability to continue to support our business growth and respond to business challenges could be significantly impaired, and our business may be adversely affected.

If we do raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, if we issue debt, the holders of that debt would have prior claims on the Company's assets, and in case of insolvency, the claims of creditors would be satisfied before distribution of value to equity holders, which would result in significant reduction or total loss of the value of our equity.

The elimination of LIBOR after June 2023 may affect our financial results

On March 5, 2021, the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that all LIBOR tenors relevant to us will cease to be published or will no longer be representative after June 30, 2023. This means that any of our LIBOR-based borrowings that extend beyond June 30, 2023 will need to be converted to a replacement rate. In the U.S., the Alternative Reference Rates Committee, or ARRC, a committee of private sector entities with ex-officio official sector members convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Financing Rate ("SOFR") plus a recommended spread adjustment as LIBOR's replacement. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. If our LIBOR-based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available, which could have a material adverse effect on our operating results. Although SOFR is the ARRC's recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher interest costs for us. It is not yet possible to predict the magnitude of LIBOR's end on our borrowing costs given the remaining uncertainty about which rates will replace LIBOR.

Risks Related to the Securities Markets and Ownership of our Common Stock

The price of our common stock has been and may continue to be volatile and the value of an investment in our common stock could decline.

The trading price of our common stock has fluctuated substantially and may continue to do so. These fluctuations could result in significant decreases in the value of an investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- announcements of new offerings, products, services or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations;
- actual or anticipated changes in the expectations of investors or securities analysts, and whether our results of operations meet these expectations;
- issuance of research reports by analysts or investors;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries, or both;
- general economic conditions and trends;
- major catastrophic events;
- political uncertainty;
- breaches or system outages;
- departures of officers or other key employees; or
- an adverse impact on the company resulting from other causes, including any of the other risks described in this report.

In addition, if the market for advertising technology stocks or the stock market, in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Declines in the price of our common stock, even following increases, may result in securities litigation against us, which would result in substantial costs and divert our management's attention and resources from our business.

We cannot guarantee that our share repurchase program will enhance shareholder value, and share repurchases could affect the price of our common stock.

In December 2021, our board of directors approved a share repurchase program, under which we are authorized to purchase up to $50.0 million of our common stock over the twelve month period commencing December 10, 2021, $44.0 million of which remained available for future repurchases as of December 31, 2021. The share repurchase program allows us to repurchase our common stock using open market stock purchases, privately negotiated transactions, block trades or other means in accordance with U.S. securities laws. The number of shares repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, share price, trading volume and general market conditions, along with working capital requirements, general business conditions, other opportunities that we may have for the use or investment of our capital and other factors. The share repurchase program does not obligate us to repurchase any particular amount of common stock and may be suspended, modified or discontinued at any time at our discretion. We intend to finance the share repurchase program through cash on hand. The share repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves.

Competition for investors could adversely affect the price of our stock.

There are many companies in the advertising technology or "ad tech" space, but we are one of a relatively small portion of those companies that is publicly traded. Some of the other publicly traded ad tech companies are substantially larger than we are and have more diversified offerings, or may be perceived by investors as having greater stability or growth potential. Others may be focused on parts of the business that investors may view as more appealing. Ad tech or related advertising companies that are not yet public may become public, and publicly traded companies may enter the ad tech business through acquisitions. Increase in the number of publicly traded companies available to investors wishing to invest in ad tech may result in a decrease in demand for our shares, either because overall demand for ad tech investment does not increase commensurately with the increase in public companies in the ad tech space, or because we are not perceived as competitively differentiated or offering superior value compared to other such companies. Decrease in demand for our shares would result in suppressed growth, or decrease, in the value of our stock.

If securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, if they publish negative evaluations of our stock, or if we fail to meet the expectations of analysts, the price of our stock and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not have any control over these analysts, and their reports or analysts' consensus may not reflect our guidance, plans or expectations. If one or more of the analysts covering our business issues an adverse opinion of our company because we fail to meet their expectations or otherwise, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

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.

Our amended and restated certificate of incorporation and amended and restated bylaws include provisions, as described below, that could delay or prevent a change in control of the company, and make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other actions to change company management.

- Our certificate of incorporation gives our board of directors the authority to issue shares of preferred stock in one or more series, and to establish the number of shares in each series and to fix the price, designations, powers, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations, or restrictions of each series of the preferred stock without any further vote or action by stockholders. The issuance of shares of preferred stock may discourage, delay or prevent a merger or acquisition of the company by significantly diluting the ownership of a hostile acquirer, resulting in the loss of voting power and reduced ability to cause a takeover or effect other changes.
- Our certificate of incorporation provides that our board of directors is classified, with only one of its three classes elected each year, and directors may be removed only for cause and only with the vote of $66\,^{2}/_{3}\%$ of the voting power of stock outstanding and entitled to vote thereon. Further, the number of directors is determined solely by our board of directors, and because we do not allow for cumulative voting rights, holders of a majority of shares of common stock entitled to vote may elect all of the directors standing for election. These provisions could delay the ability of stockholders to change the membership of a majority of our board of directors.

- Our bylaws provide that until April 1, 2022, our board of directors shall be composed of four legacy Rubicon Project directors, four Telaria directors, and the Chief Executive Officer of the Company.
- Under our bylaws, only the board of directors or a majority of remaining directors, even if less than a quorum, may fill vacancies resulting from an increase in the authorized number of directors or the resignation, death or removal of a director.
- Our certificate of incorporation prohibits stockholder action by written consent, so any action by stockholders may only be taken at an annual or special meeting.
- Our certificate of incorporation provides that a special meeting of stockholders may be called only by the board of directors. This could delay any effort by stockholders to force consideration of a proposal or to take action, including the removal of directors.
- Under our bylaws, advance notice must be given to nominate directors or submit proposals for consideration at stockholders' meetings. This gives our board of directors time to defend against takeover attempts and could discourage or deter a potential acquirer from soliciting proxies or making proposals related to an unsolicited takeover attempt.
- The provisions of our certificate of incorporation noted above may be amended only with the affirmative vote of holders of at least 66 $^{2}/_{3}$% of the voting power of all of the then-outstanding shares of the company's voting stock, voting together as a single class. The same two-thirds vote is required to amend the provision of our certificate of incorporation imposing these supermajority voting requirements. Further, our bylaws may be amended only by our board of directors or by the same percentage vote of stockholders noted above as required to amend our certificate of incorporation. These supermajority voting requirements may inhibit the ability of a potential acquirer to effect such amendments to facilitate an unsolicited takeover attempt.
- Our board of directors may amend our bylaws by majority vote. This could allow the board to use bylaw amendments to delay or prevent an unsolicited takeover, and limits the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt.

We are also subject to Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in any business combination with an interested stockholder for a period of three years from the date the person became an interested stockholder, unless certain conditions are met. These provisions make it more difficult for stockholders or potential acquirers to acquire the company without negotiation and may apply even if some of our stockholders consider the proposed transaction beneficial to them. For example, these provisions might discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer were to be at a premium over the then-current market price for our common stock. These provisions could also limit the price that investors are willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in New York, New York, where we occupy office space totaling approximately 41,946 square feet under a lease that expires in 2030. We use these facilities for our principal administration, sales and marketing, technology and development, and engineering activities.

We also have an office in Los Angeles under a lease that expires in 2031 that is approximately 38,754 square feet and lease additional offices and maintain data centers in other locations in North America, South America, Europe, Australia, and Asia. We believe that our current facilities are adequate to meet our current needs, and that, if we require additional space, we will be able to obtain additional facilities on commercially reasonable terms.

Item 3. Legal Proceedings

We and our subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to our business activities and to our status as a public company. Such routine matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of our business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of December 31, 2021. However, based on our knowledge as of December 31, 2021, we believe that the final resolution of such matters pending at the time of this report, individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations or cash flows.

Refer to Note 17—"Commitments and Contingencies" for additional information related to legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock was listed on the New York Stock Exchange, or the NYSE, from April 1, 2014 through June 8, 2020, under the symbol "RUBI."

On June 8, 2020, the Company voluntarily delisted its common stock from the NYSE and commenced listing on The Nasdaq Global Select Market of The Nasdaq Stock Market LLC ("Nasdaq"). On June 30, 2020, the Company changed its name from "The Rubicon Project, Inc." to "Magnite, Inc." In connection with the name change, the Company changed its ticker symbol from "RUBI" to "MGNI."

Holders of Record

As of February 14, 2022, there were approximately 55 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any dividends and we do not anticipate paying any cash dividends in the foreseeable future. In addition, our credit facility contains restrictions on our ability to pay dividends.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Common stock repurchases during the quarter ended December 31, 2021 were as follows (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price per Share	Total number of shares purchased as part of a Publicly Announced Program	Maximum Approximate Dollar Value that May Yet be Purchased Under the Program
October 1 - October 31, 2021				
Employee transactions[1]	—	$ —	—	$ —
November 1 - November 30, 2021				
Employee transactions[1]	288	$ 22.47	—	$ —
December 1 - December 31, 2021				
Repurchase program[2]	349	$ 17.20	349	$ 43,993
Employee transactions[1]	1	$ 17.13	—	$ —
	638		349	

[1] Upon vesting of most restricted stock units or stock awards, we are required to deposit minimum statutory employee withholding taxes on behalf of the holders of the vested awards. As reimbursement for these tax deposits, we have the option to withhold from shares otherwise issuable upon vesting a portion of those shares with a fair market value equal to the amount of the deposits we paid. Withholding of shares in this manner is accounted for as a repurchase of common stock.

[2] Our Board of Directors approved a share repurchase program (the "Program") under which the Company is authorized to purchase up to $50.0 million of its common stock over the twelve month period commencing December 10, 2021. Shares repurchased under the Program in the quarter ended December 31, 2021 have been accounted for as treasury stock in the consolidated balance sheets. The average price paid per share purchased under the Program including broker commission costs.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of ours under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the cumulative total stockholder return on an initial investment of $100 in our common stock between December 31, 2016 and December 31, 2021, with the comparative cumulative total returns of the S&P 500 Index, Nasdaq, Internet Index, S&P Internet Select Industry Index and Russell 2000 Index over the same period. As previously discussed, we have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation (depreciation) and not reinvestment of cash dividends, whereas the data for the comparative indexes assumes reinvestments of dividends. The returns shown are based on historical results and are not necessarily indicative of, nor intended to forecast, future stock price performance.

Table of Contents

COMPARISON OF CUMULATIVE TOTAL RETURN

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes to those statements included in Item 8 to this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, and expectations and that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Item 1A. Risk Factors" and the "Special Note About Forward-Looking Statements."

Overview and Trends

See "Item 1. Business" for an overview of our business, the industry in which we operate, and important industry trends.

Recent Developments

Telaria Merger, SpotX and SpringServe Acquisitions

On April 1, 2020, we completed the Telaria Merger, and on April 30, 2021, we completed the SpotX Acquisition. These transactions were transformative and have resulted in what we believe to be the world’s largest independent sell-side advertising platform and ad server, with scale, capabilities, and solutions exceeding those offered by competitors. We offer a single partner for transacting CTV, desktop display, video, audio and mobile inventory across all geographies and auction types.

As CTV viewership is growing rapidly and the pace of adoption is accelerating the shift of advertising budgets from linear television to CTV, these transactions have strategically positioned us to take advantage of this trend, and we believe that CTV will be our biggest growth driver in future periods.

The SpotX Acquisition resulted in a significant increase in our revenue and Revenue ex-TAC (as defined in section "Key Operating and Financial Performance Metrics"), in particular in CTV and online video. Following the transaction, the percentage of our revenue attributable to CTV increased significantly, and because CTV is largely transacted through reserve auctions, these types of auctions have become a more significant portion of the transactions on our platform. The acquisition also resulted in an increase in related operating expenses, primarily associated with costs for personnel, data center and hosting costs, facilities, payments to sellers for revenue reported on a gross basis, and other ancillary costs to support the business. We expect some of those increases to be offset by cost saving activities that began in the second quarter of 2021 and continue to be in process. We are targeting in excess of $35 million in run-rate operating cost synergies over a two year period. As of December 31, 2021, we have achieved more than half of our cost synergy target on a run-rate basis.

The SpringServe Acquisition, which we completed in July 2021, expanded our video and CTV offering to include ad server functionality in addition to our programmatic SSP capabilities. The SpringServe ad server manages multiple aspects of video advertising for both programmatic transactions and inventory sold directly by the publisher, including forecasting, routing, customized ad experiences, and advanced podding logic. Combined with our SSP, the SpringServe ad server provides publishers a holistic yield management solution that works across their entire video advertising business to drive value. This is of particular importance for CTV publishers, who still sell a large percentage of their inventory through their direct sales team. We believe the acquisition of SpringServe is highly strategic as it allows us to offer publishers an independent full-stack solution to the walled gardens, which can be leveraged across their entire video advertising business.

Impact of COVID-19 Pandemic and Other Recent Developments

The COVID-19 pandemic and resulting global disruptions have negatively affected our revenue, results of operations, cash flows, and financial condition. Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and buyers. In response to the pandemic and associated economic challenges, a significant number of advertisers, in particular with respect to certain categories of advertising that were particularly impacted by the pandemic and resulting stay-at-home orders, reduced their advertising budgets, resulting in an overall decrease in advertising spend through our platform compared to our pre-COVID expectations. This decrease was particularly pronounced through the first half of 2020, where we experienced a significant decline in our revenues compared to our expectations. Our revenue trends improved significantly during the third and fourth quarters of 2020 as our revenue returned to positive growth.

During the first half of 2021, revenue from a number of advertising categories returned to pre-COVID spending levels, while certain categories including travel, auto, and entertainment remained below pre-COVID spending levels. In the second half of 2021, we continued to see lower levels of spending in travel and auto, in part due to global supply chain disruptions, and also faced challenges due to government stay-at-home orders in certain markets such as Australia. These factors were exacerbated by the spread of the Omicron variant in December 2021, which resulted in renewed macro-economic challenges. We expect such challenges to persist through the first quarter of 2022 and it is possible that they will increase in scope.

Due to the substantial uncertainties associated with the COVID-19 pandemic, the extent to which the pandemic (and actions taken in response to it by governments, businesses, and individuals) and other direct and indirect impacts of the pandemic will ultimately impact our business and is currently unknown, and depends on various factors, many of which are outside of our control. Refer to Item 1A. "Risk Factors" for additional information related to this risk.

2021 Channel Trends

Sellers use our technology to monetize their content across all digital channels, including CTV, mobile and desktop, and each of these channels will continue to represent a meaningful portion of our revenue in future periods. We track the breakdown of revenue across channels to better understand how our clients are transacting on our platforms, which informs decisions as to business strategy and the allocation of resources and capital.

Each of these digital channels has its own industry growth rate, with CTV and mobile projected to continue to grow steadily, while desktop growth flattens. MAGNA's October 2021 Programmatic Market forecast has estimated compound annual growth rates from 2021 to 2025 for mobile and desktop at 18% and 2%, respectively, and over the same period, eMarketer projected CTV to grow at a 24% compound annual growth rate.

We believe that CTV will be our biggest growth driver in future periods, and following the SpotX Acquisition we expect CTV revenue to represent a significantly higher percentage of our overall revenue compared to pre-acquisition periods.

We expect our mobile business to grow at a higher rate than desktop, consistent with industry trends and our historical results. Our mobile business consists of two components, mobile web and mobile applications. Initially our mobile business consisted primarily of mobile web, which is similar to our desktop business, but we expect our future growth within mobile to come largely from our mobile applications business and, in particular, mobile video.

Lower industry growth rates in desktop will make growing desktop revenue more challenging; however, in future periods we believe we will be able to grow our desktop business in excess of industry projections by capturing market share through SPO and expansion of publisher relationships. We expect our desktop business to decline as an overall percentage of our revenue in future periods. However, we expect that it will continue to represent a significant part of our revenue in the near term and therefore have a negative effect on our overall growth rate.

Components of Our Results of Operations

We report our financial results as one operating segment. Our consolidated operating results are regularly reviewed by our chief operating decision maker, principally to make decisions about how we allocate our resources and to measure our consolidated operating performance.

Revenue

We generate revenue from the purchase and sale of digital advertising inventory through our platform. Generally, our revenue is based on a percentage of the ad spend that runs through our platform, although for certain clients or transaction types we may receive a fixed CPM for each impression sold, and for advertising campaigns that are transacted through insertion orders we earn revenue based on the full amount of ad spend that runs through our platform. We also generate revenue from the fee we charge clients for use of our Demand Manager header-bidding product and SpringServe ad server product, which we acquired on July 1, 2021. We recognize revenue upon the fulfillment of our contractual obligations in connection with a completed transaction, subject to satisfying all other revenue recognition criteria. For the majority of transactions executed through our platform, we act as an agent on behalf of the publisher that is monetizing its inventory, and revenue is recognized net of any advertising inventory costs that we remit to sellers. With respect to certain revenue streams for managed advertising campaigns that are transacted through insertion orders, we report revenue on a gross basis, based primarily on our determination that the Company acts as the primary obligor in the delivery of advertising campaigns for our buyer clients with respect to such transactions.

Following the SpotX Acquisition, the percentage of our revenue reported on a gross basis increased significantly compared to pre-acquisition periods. During the first quarter of 2021 (prior to the SpotX Acquisition), our revenue reported on a gross basis was less than 3% of total revenue. For the three months ended December 31, 2021, our revenue reported on a gross basis increased to 19% of total revenue. As revenue streams acquired in the SpotX Acquisition continue to increase, the percentage of revenue reported on a gross basis may continue to increase in future periods. Any mix shift that causes an increase in the relative percentage of our revenue accounted for on a gross basis would result in a higher revenue contribution and an associated decrease in our gross margin percentage (with no underlying impact on gross profit or Revenue ex-TAC, as defined in section "Key Operating and Financial Performance Metrics"). Our revenue recognition policies are discussed in more detail in Note 4 of the "Notes to the Consolidated Financial Statements."

Expenses

We classify our expenses into the following categories:

Cost of Revenue. Our cost of revenue consists primarily of data center costs, bandwidth costs, ad protection costs, depreciation and maintenance expense of hardware supporting our revenue-producing platform, amortization of software costs for the development of our revenue-producing platform, amortization expense associated with acquired developed technologies, personnel costs, facilities-related costs, and cloud computing costs. In addition, for revenue booked on a gross basis, cost of revenue includes traffic acquisition costs. Personnel costs included in cost of revenue include salaries, bonuses, and stock-based compensation, and are primarily attributable to personnel in our network operations group who support our platform. We capitalize costs associated with software that is developed or obtained for internal use and amortize the costs associated with our revenue-producing platform in cost of revenue over their estimated useful lives. We amortize acquired developed technologies over their estimated useful lives.

Sales and Marketing. Our sales and marketing expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, as well as marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and amortization expense associated with client relationships, backlog, and non-compete agreements from our business acquisitions, and to a lesser extent, facilities-related costs and depreciation and amortization. Our sales organization focuses on increasing the adoption of our solution by existing and new buyers and sellers. We amortize acquired intangibles associated with client relationships and backlog from our business acquisitions over their estimated useful lives.

Technology and Development. Our technology and development expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, as well as professional services associated with the ongoing development and maintenance of our solution, depreciation and amortization, and to a lesser extent, facilities-related costs. These expenses include costs incurred in the development, implementation, and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization, which are then recorded as internal use software development costs, net, on our consolidated balance sheets. We amortize internal use software development costs that relate to our revenue-producing activities on our platform to cost of revenue and amortize other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project. We amortize acquired intangibles associated with technology and development functions from our business acquisitions over their estimated useful lives.

General and Administrative. Our general and administrative expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, associated with our executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, facilities-related costs and depreciation and amortization, and other corporate-related expenses. General and administrative expenses also include amortization of internal use software development costs and acquired intangible assets from our business acquisitions over their estimated useful lives that relate to general and administrative functions.

Merger, Acquisition, and Restructuring Costs. Our merger, acquisition, and restructuring costs consist primarily of professional service fees associated with the merger and acquisition activities, including cash-based employee termination costs, stock-based compensation charges, and other restructuring activities, including facility closures, relocation costs, and contract termination costs.

Other (Income) Expense

Interest (Income) Expense, Net. Interest expense consists of interest expense associated with our Convertible Senior Notes and credit facility ("Term Loan B Facility"), and their related amortization of debt issuance costs and debt discount. Interest income consists of interest earned on our cash equivalents.

Other Income. Other income consists primarily of rental income from commercial office space we hold under lease and have sublet to other tenants.

Foreign Currency Exchange (Gain) Loss, Net. Foreign currency exchange (gain) loss, net consists primarily of gains and losses on foreign currency transactions and remeasurement of monetary assets and liabilities on our balance sheet denominated in foreign currencies. Foreign currency monetary assets and liabilities consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and various intercompany balances held between our subsidiaries. Our primary foreign currency exposures are currencies other than the U.S. Dollar, principally the Australian Dollar, British Pound, Canadian Dollar, Euro, and Japanese Yen.

Provision (Benefit) for Income Taxes

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Tax laws, regulations, administrative practices, principles, and interpretations in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. Our effective tax rates could be affected by numerous factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign currency exchange rates, changes in our stock price, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions.

Results of Operations

The following table sets forth our consolidated results of operations:

	Year Ended			Favorable/(Unfavorable) %	
	December 31, 2021	December 31, 2020	December 31, 2019	2021 vs 2020	2020 vs 2019
	(in thousands)				
Revenue	$ 468,413	$ 221,628	$ 156,414	111 %	42 %
Expenses [(1)(2)]:					
Cost of revenue	201,662	77,747	57,391	(159)%	(35)%
Sales and marketing	170,406	76,030	44,565	(124)%	(71)%
Technology and development	74,449	51,546	40,250	(44)%	(28)%
General and administrative	64,789	52,987	39,750	(22)%	(33)%
Merger, acquisition, and restructuring costs	38,177	17,552	2,041	(118)%	(760)%
Total expenses	549,483	275,862	183,997	(99)%	(50)%
Loss from operations	(81,070)	(54,234)	(27,583)	(49)%	(97)%
Other (income) expense, net	13,918	(1,495)	(593)	(1,031)%	152 %
Loss before income taxes	(94,988)	(52,739)	(26,990)	(80)%	(95)%
Provision (benefit) for income taxes	(95,053)	693	(1,512)	13,816 %	(146)%
Net income (loss)	$ 65	$ (53,432)	$ (25,478)	100 %	(110)%

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

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Cost of revenue	$ 792	$ 525	$ 421
Sales and marketing	15,718	8,229	5,638
Technology and development	11,857	7,451	4,757
General and administrative	11,297	10,416	8,009
Merger, acquisition, and restructuring costs	1,071	1,870	—
Total stock-based compensation expense	$ 40,735	$ 28,491	$ 18,825

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

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Cost of revenue	$ 78,115	$ 34,879	$ 30,345
Sales and marketing	67,463	13,313	537
Technology and development	674	454	573
General and administrative	634	602	671
Total depreciation and amortization expense	$ 146,886	$ 49,248	$ 32,126

The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenue for those periods presented:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Revenue	100 %	100 %	100 %
Cost of revenue	43	35	37
Sales and marketing	36	34	28
Technology and development	16	23	26
General and administrative	14	24	26
Merger, acquisition, and restructuring costs	8	8	1
Total expenses	117	124	118
Loss from operations	(17)	(24)	(18)
Other (income) expense, net	3	—	(1)
Loss before income taxes	(20)	(24)	(17)
Provision (benefit) for income taxes	(20)	—	(1)
Net income (loss)	— %	(24) %	(16) %

Comparison of the Years Ended December 31, 2021, 2020, and 2019

Revenue

Revenue increased $246.8 million, or 111%, for the year ended December 31, 2021 compared to the prior year. Our revenue growth was driven primarily by organic growth as well as incremental revenue from the SpotX Acquisition, which was completed on April 30, 2021. On a pro forma basis, including revenue for Telaria, SpotX and SpringServe during the relevant pre-acquisition period, revenue increased 30% for the year ended December 31, 2021 compared to the prior period, primarily due to growth in all channels, mainly driven by CTV and mobile, and a rebound from impacts of the COVID-19 pandemic, which were particularly pronounced in the first half of 2020.

Revenue increased $65.2 million, or 42%, for the year ended December 31, 2020 compared to the prior year. Our revenue growth was driven primarily by the Telaria Merger, completed on April 1, 2020, which contributed $60.1 million in revenue during the year ended December 31, 2020. On a per channel basis, CTV revenue increased $34.3 million, compared to the prior year (all as a result of the Telaria Merger), while mobile revenue increased $20.2 million, or a 23%, compared to the prior year, and desktop revenue increased $10.7 million, or 16%, compared to the prior year. Excluding the impact of the Telaria Merger, our revenue increased 3% year-over-year. Despite some recovery in our revenue trends beginning in the third quarter of 2020, our overall annual revenue growth was significantly negatively affected by the impact of the COVID-19 pandemic.

We expect our revenue will increase in 2022 compared to 2021, as a result of organic growth and contributions from recently acquired businesses, in particular with respect to our CTV revenue. Our revenue is largely a function of the number of advertising transactions and the price, or CPM, at which the inventory is sold, which results in total advertising spend on our platform, and, with respect to our revenue reported on a net basis, the take rate we charge for our services. Because pricing and take rate vary across publisher, channel and transaction type, our revenue is impacted by shifts in the mix of advertising spend on our platform. We believe that contributions to revenue from reserve auctions, in particular with respect to CTV which is largely transacted on a reserved basis, will continue to grow as a percentage of our total revenue. In general, we expect this shift will have a net positive impact on our revenue due to both an increase in the volume of transactions and average CPM, despite the fact that reserve auctions generally carry a lower take rate compared to open auction transactions.

Our revenue growth has been tempered, and may be negatively impacted in the future, by reductions in revenue resulting from the economic impact of the COVID-19 pandemic. Refer to Item 1A. "Risk Factors" for additional information related to this risk factor and the impact it may have on our business.

Cost of Revenue

Cost of revenue increased by $123.9 million, or 159%, for the year ended December 31, 2021 compared to the prior year primarily due to an increase in traffic acquisition cost of $49.9 million driven by the increase in revenue reported on a gross basis as a result of the SpotX Acquisition, an increase in depreciation and amortization expenses of $43.2 million also associated with the SpotX Acquisition, and an increase in data and bandwidth expenses of $21.4 million.

Cost of revenue increased $20.4 million, or 35%, for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the Telaria Merger. Cost of revenue includes an increase of $11.8 million in data and bandwidth expenses, $4.5 million in depreciation and amortization, and $2.0 million in media costs.

Our cost of revenue will continue to increase in future periods primarily due to the impacts of recently completed acquisitions that have expanded the size of our revenue and expense base, increases in hosting costs and other expenses to support the growth of our business, increases in traffic acquisition costs associated with revenue reported on a gross basis, and an increase in amortization of intangible assets resulting from the Telaria Merger and the SpotX Acquisition.

Cost of revenue may fluctuate from quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, depending on revenue levels and the volume of transactions we process supporting those revenues, and the timing and amounts of depreciation and amortization of equipment and software.

Sales and Marketing

Sales and marketing expenses increased by $94.4 million, or 124%, for the year ended December 31, 2021 compared to the prior year primarily due to an increase of $54.1 million in amortization of acquired intangibles and other assets as a result of the SpotX Acquisition and the Telaria Merger as well as increases in headcount from the SpotX Acquisition, resulting in an additional $36.8 million of personnel related expenses.

Sales and marketing expenses increased by $31.5 million, or 71%, for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the Telaria Merger and associated increases in amortization related to acquired intangibles and other assets and increases in headcount. Sales and marketing expenses increased by $20.4 million related to personnel expenses and $12.8 million related to depreciation and amortization associated with the Telaria Merger. These increases were partially offset by a decrease in expenses of $2.4 million related to travel and industry events due to the impact of the COVID-19 pandemic.

We expect sales and marketing expenses to increase in 2022 compared to 2021 in absolute dollars primarily due to a full year of additional headcount costs and amortization of acquired intangible assets as a result of the SpotX Acquisition, new hiring to support our growth, and increases in travel and entertainment expenses.

Sales and marketing expenses may fluctuate quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, based on revenue levels, the timing of our investments and seasonality in our industry and business.

Technology and Development

Technology and development expenses increased by $22.9 million, or 44%, for the year ended December 31, 2021 compared to the prior year, primarily due to an increase of $21.2 million in personnel costs as a result of the increased headcount associated with the SpotX Acquisition and a full-year of results from the Telaria Merger.

Technology and development expenses increased by $11.3 million, or 28%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to an increase of $11.6 million in personnel costs as a result of the increased headcount associated with the Telaria Merger.

We expect technology and development expenses to increase in 2022 compared to 2021 in absolute dollars, primarily due to a full year of additional headcount costs related to the SpotX and SpringServe Acquisitions and new hiring to support our growth.

The timing and amount of our capitalized development and enhancement projects may affect the amount of technology development costs expensed in any given period. As a percentage of revenue, technology and development expense may fluctuate from quarter to quarter and period to period based on revenue levels, the timing and amounts of technology and development efforts, the timing and the rate of the amortization of capitalized projects and the timing and amounts of future capitalized internal use software development costs.

General and Administrative

General and administrative expenses increased by $11.8 million, or 22%, for the year ended December 31, 2021 compared to the prior year, primarily due to increases of $6.3 million in personnel expenses, $1.5 million in professional services, and $1.1 million in software license mainly attributed to the growth of the overall business as a result of the SpotX Acquisition.

General and administrative expenses increased by $13.2 million, or 33%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to increases of $7.1 million in personnel expenses and $4.0 million in facilities related expenses, both primarily associated with the Telaria Merger. In addition, professional services increased by $3.0 million mainly attributed to the growth of the overall business as a result of the Telaria Merger. These increases were partially offset by a decrease in bad debt expense of $1.3 million.

We expect general and administrative expenses to increase in 2022 compared to 2021 in absolute dollars primarily due to a full year of additional headcount costs related to the SpotX Acquisition and new hires to support our overall growth, as well as additional costs assuming a return to office work environment in 2022.

General and administrative expenses may fluctuate from quarter to quarter and period to period based on the timing and amounts of expenditures in our general and administrative functions as they vary in scope and scale over periods. Such fluctuations may not be directly proportional to changes in revenue.

Merger, Acquisition, and Restructuring Costs

We incurred merger, acquisition, and restructuring costs of $38.2 million and $17.6 million during the years ended December 31, 2021 and 2020, respectively, primarily related to the SpotX and SpringServe Acquisitions, which were completed on April 30, 2021 and July 1, 2021, respectively, and the Telaria Merger, which was completed on April 1, 2020. In 2021, these costs included professional fees related to investment banking advisory, legal, and other professional service fees of $28.4 million, one-time cash-based employee termination benefit costs of $6.2 million, facility closure costs of $2.5 million, and non-cash stock-based compensation expense associated with double-trigger accelerations and severance benefits of $1.1 million. Costs incurred in 2020 included professional services of $9.9 million, one-time cash-based employee termination benefit costs of $5.7 million, and non-cash stock-based compensation expense and severance benefits of $1.9 million.

Merger, acquisition, and restructuring costs increased by $15.5 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to increased professional services and cash and non-cash acceleration and termination benefits, as referenced above, associated with the Telaria Merger and resulting restructuring activities.

Other (Income) Expense, Net

	Year Ended		
	December 31, 2021	**December 31, 2020**	**December 31, 2019**
		(in thousands)	
Interest (income) expense, net	$ 19,848	$ (50)	$ (789)
Other income	(4,450)	(3,665)	(285)
Foreign exchange (gain) loss, net	(1,480)	2,220	481
Total other (income) expense, net	$ 13,918	$ (1,495)	$ (593)

Interest expense, net increased by $19.9 million during the year ended December 31, 2021 compared to the prior year, mainly due to interest expense associated with the Convertible Senior Notes (defined below), which the Company entered into during March 2021, and interest expense associated with the Term Loan B Facility (defined below), which the Company entered into during April 2021, both in connection with the closing of the SpotX Acquisition. Interest (income) expense, net was immaterial in the years ended December 31, 2020 and 2019.

Other income increased by $0.8 million and $3.4 million during the years ended December 31, 2021 and 2020, respectively, compared to the prior years due to a subleased property acquired from the Telaria Merger in April 2020 and additional subleases entered into in 2021 and 2020.

Foreign exchange (gain) loss, net is impacted by movements in exchange rates and the amount of foreign currency-denominated cash, receivables, and payables, which are impacted by our billings to buyers, payments to sellers, and intercompany balances. The foreign currency gain, net during the year ended December 31, 2021 was primarily attributable to the currency movements between the British Pound, Australian Dollar, Canadian Dollar, and Euro relative to the U.S. Dollar. The foreign currency loss, net during the year ended December 31, 2020 was primarily attributable to the currency movements between the same foreign currencies mentioned above relative to the U.S. Dollar and the foreign currency loss, net during the year ended December 31, 2019 was primarily attributable to the currency movements between the British Pound and the Euro relative to the U.S. Dollar.

Provision (Benefit) for Income Taxes

We recorded an income tax benefit of $95.1 million for the year ended December 31, 2021 compared to an income tax expense of $0.7 million and income tax benefit of $1.5 million for the years ended December 31, 2020 and 2019, respectively. The tax benefit for the year ended December 31, 2021 was primarily the result of the deferred tax liability associated with acquisitions that occurred during the year and the tax liability associated with foreign subsidiaries. The tax expense for the year ended December 31, 2020 was primarily the result of the domestic valuation allowance and the tax liability associated with foreign subsidiaries. The tax benefit for the year ended December 31, 2019 was the result of a deferred tax liability associated with the RTK.io acquisition, the release of a foreign valuation allowance resulting from a change to a cost-plus arrangement for a foreign subsidiary, the domestic valuation allowance, and the tax liability associated with foreign subsidiaries.

Key Operating and Financial Performance Metrics

In addition to our GAAP results, we review non-GAAP financial measures, including Revenue ex-TAC and Adjusted EBITDA, 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. Our non-GAAP financial measures are discussed below. Revenue and net income (loss) are discussed above under the headings "Components of Our Results of Operations" and "Results of Operations."

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Financial Measures and non-GAAP Financial Measures:			
Revenue	$ 468,413	$ 221,628	$ 156,414
Revenue ex-TAC	416,455	219,602	156,414
Gross profit	266,751	143,881	99,023
Net income (loss)	65	(53,432)	(25,478)
Adjusted EBITDA	148,659	43,065	25,694

Revenue ex-TAC

Revenue ex-TAC is 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. In calculating Revenue ex-TAC, we add back the cost of revenue, excluding TAC, to gross profit, the most comparable GAAP measurement. Revenue ex-TAC is a non-GAAP financial measure. Our management believes Revenue ex-TAC is a useful measure in assessing the performance of Magnite as a combined company following the SpotX Acquisition 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.

Our use of Revenue ex-TAC has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. A potential limitation of this non-GAAP financial measure is that other companies, including companies in our industry which have similar business arrangements, may define Revenue ex-TAC differently, which may make comparisons difficult. Because of these and other limitations, you should consider our non-GAAP measures only as supplemental to GAAP-based financial performance measures, including revenue, net income (loss) and cash flows.

The following table presents the calculation of gross profit and reconciliation of gross profit to Revenue ex-TAC for the years ended December 31, 2021, 2020, and 2019, respectively:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Revenue	$ 468,413	$ 221,628	$ 156,414
Less: Cost of revenue	201,662	77,747	57,391
Gross profit	266,751	143,881	99,023
Add back: Cost of revenue, excluding TAC	149,704	75,721	57,391
Revenue ex-TAC	$ 416,455	$ 219,602	$ 156,414

We track the breakdown of Revenue ex-TAC across channels to better understand how our clients are transacting on our platform, which informs decisions as to business strategy and the allocation of resources and capital. The following table presents Revenue ex-TAC by channel:

	Revenue ex-TAC Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Channel:			
CTV	$ 143,407	$ 34,319	$ —
Desktop	112,981	76,930	68,302
Mobile	160,067	108,353	88,112
Total	$ 416,455	$ 219,602	$ 156,414

Revenue ex-TAC increased $196.9 million, or 90%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in Revenue ex-TAC was primarily due to contributions from the SpotX and SpringServe Acquisitions and the Telaria Merger, which were completed on April 30, 2021, July 1, 2021, and April 1, 2020, respectively, as well as organic growth across all channels as the business recovered from COVID-19 advertising lows in 2020.

Revenue ex-TAC increased $63.2 million, or 40%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase in Revenue ex-TAC was primarily attributable to contributions from the Telaria Merger, which was completed on April 1, 2020.

We expect Revenue ex-TAC to increase through the remainder of 2022 as compared to the same period in the prior year. We believe that CTV will be our biggest growth driver in future periods and continue to represent a higher percentage of our overall Revenue ex-TAC.

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, non-operational real estate expense (income), net, and provision (benefit) for income taxes. 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 non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets, merger or acquisition 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-operating 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.

The following table presents a reconciliation of net income (loss), the most comparable GAAP measure, to Adjusted EBITDA for the years ended December 31, 2021, 2020, and 2019:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Add back (deduct):			
Depreciation and amortization expense, excluding amortization of acquired intangible assets	25,017	24,337	28,818
Amortization of acquired intangibles	121,869	24,911	3,308
Stock-based compensation expense	40,735	28,491	18,825
Merger, acquisition, and restructuring costs, excluding stock-based compensation expense	37,106	15,682	2,041
Non-operational real estate expense (income), net	553	198	—
Interest (income) expense, net	19,848	(50)	(789)
Foreign exchange (gain) loss, net	(1,480)	2,220	481
Other non-operating (income) expense, net	(1)	15	—
Provision (benefit) for income taxes	(95,053)	693	(1,512)
Adjusted EBITDA	$ 148,659	$ 43,065	$ 25,694

Adjusted EBITDA increased by $105.6 million during the year ended December 31, 2021 compared to the year ended December 31, 2020, primarily due to increases in revenue from both organic growth and the SpotX and SpringServe Acquisitions, which are discussed in section "Comparison of the Years Ended December 31, 2021, 2020, and 2019" and improved operating leverage from our increased scale and related cost synergies.

Adjusted EBITDA increased by $17.4 million during the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to the increase in revenue from the Telaria Merger and improved operating leverage from our increased scale and related merger cost synergies.

We expect Adjusted EBITDA to continue to increase as a result of continued growth in revenue, ongoing operating leverage, and the realization of additional cost synergies.

Liquidity and Capital Resources

Liquidity

At December 31, 2021, we had cash and cash equivalents of $230.4 million, of which $44.9 million was held in foreign currency denominated cash accounts, and an aggregate gross principal amount of $758.2 million of indebtedness outstanding under our Term Loan B Facility (as defined below) and our Convertible Senior Notes (as defined below). In addition, we are party to a $65.0 million Revolving Credit Facility, of which approximately $5.1 million is assigned to outstanding but undrawn letters of credit. See "Capital Resources" below for further information about our outstanding debt.

Our principal cash requirements for the 12 month period following this report primarily consist of personnel costs, contractual payment obligations, including office leases, data center costs and cloud hosting costs, capital expenditures, payment of interest and required principal payments on our Convertible Senior Notes and Term Loan B Facility, taxes, and cash requirements to fund working capital. In the longer term, we would expect to have similar cash requirements, with increases in absolute dollars associated with the continued growth of our business and expansion of operations. See "Contractual Obligations and Known Future Cash Requirements" for a further discussion of our known material contractual obligations.

Our working capital needs and cash conversion cycle, which is influenced by seasonality and may be negatively impacted as a result of COVID-19, can have large fluctuations due to the timing of receipts from buyers and timing of disbursements to sellers. In addition, in the event a buyer defaults on payment, we may still be required to pay sellers for the inventory purchased. Additionally, our capital expenditure investments tend to be higher in the second half of the year. The impacts from changes in working capital and capital expenditures can significantly impact our cash flows and therefore, our liquidity during any period presented.

We have historically relied upon cash and cash equivalents, cash generated from operations, borrowings under credit facilities and issuance of debt for our liquidity needs. Our ability to meet our cash requirements depends on, among other things, our operating performance, competitive developments, and financial market conditions, all of which are significantly affected by business, financial, economic, political, global health-related and other factors, many of which we may not be able to control or influence.

We believe our existing cash and cash equivalents, cash generated from operating activities, and available borrowings under our Revolving Credit Facility will be sufficient to meet our working capital requirements for at least the next twelve months from the issuance of our financial statements. However, there are multiple factors that could impact our cash balances in the future, including the factors described above with respect to working capital and cash conversion cycles, as well as the duration and severity of the COVID-19 pandemic and its impact on buyers and sellers and the factors set forth in Part I, Item 1A: "Risk Factors" of this Annual Report on Form 10-K.

Capital Resources

On April 30, 2021, we completed the SpotX Acquisition, which included cash consideration of $640.0 million, and on July 1, 2021, we completed the SpringServe Acquisition, which included cash consideration of $31.1 million, excluding indemnification holdback.

In March 2021, we sold convertible senior notes ("Convertible Senior Notes") for gross proceeds of $400.0 million. The Convertible Senior Notes are senior, unsecured obligations with interest payable semi-annually in cash at a rate of 0.25% per annum in arrears on March 15 and September 15. The Convertible Senior Notes will mature on March 15, 2026, unless earlier converted, redeemed, or repurchased. The initial conversion rate is 15.6539 shares per $1,000 principal amount of notes, which represents an initial conversion price of approximately $63.88 per share of the Company's common stock and is subject to adjustment as described in the Offering Memorandum. At December 31, 2021, the balance of the Convertible Senior Notes was $390.4 million, net of unamortized debt issuance costs of $9.6 million. Accrued interest for the Convertible Senior Notes at December 31, 2021 was $0.3 million.

In conjunction with the issuance of the Convertible Senior Notes, we entered into capped call transactions to reduce the Company's exposure to additional cash payments above principal balances in the event of a cash conversion of the Convertible Senior Notes. The Company may owe additional cash or shares to the holders of the Convertible Senior Notes upon early conversion if our stock price exceeds $91.260 per share, which is subject to certain adjustments. Although the Company's incremental exposure to the additional cash payment above the principal amount of the Convertible Senior Notes is reduced by the capped calls, conversion of the Convertible Senior Notes by the holders may cause dilution to the ownership interests of existing stockholders. See Note 18 in the "Notes to Consolidated Financial Statements" for more information regarding terms and conditions of the Convertible Senior Notes and the capped call transactions.

On April 30, 2021, and in conjunction with the SpotX Acquisition, we entered into a credit agreement (the "Credit Agreement") with Goldman Sachs Bank USA as administrative and collateral agent, and other lending parties thereto for a $360.0 million seven-year senior secured term loan facility ("Term Loan B Facility") and a $52.5 million senior secured revolving credit facility (the "Revolving Credit Facility"), which was subsequently increased to $65.0 million in June 2021. As part of the Term Loan B Facility, the Company received $325 million in proceeds, net of discounts and fees, which were used to finance the SpotX Acquisition and related transactions and for general corporate purposes. At December 31, 2021, amounts available under the Revolving Credit Facility were $59.9 million, net of letters of credit outstanding in the amount of $5.1 million. Accrued interest for the Term Loan B Facility at December 31, 2021 was $1.8 million.

On December 13, 2021, the Board of Directors approved a share repurchase program, under which the company is authorized to purchase up to $50.0 million of its common stock over the twelve month period commencing December 10, 2021. The repurchase program allows the company to repurchase its common stock using open market stock purchases, privately negotiated transactions, block trades or other means in accordance with U.S. securities laws. Under the share repurchase program, 349,245 shares were purchased in open market purchases through December 31, 2021 for a total of approximately $6.0 million at an average of $17.20 per share. Approximately $44.0 million worth of shares remained available for purchase under the plan as of December 31, 2021.

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors.

An inability to raise additional capital could adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

Our cash and cash equivalents balance is affected by our results of operations, the timing of capital expenditures which are typically greater in the second half of the year, and by changes in our working capital, particularly changes in accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to sellers can significantly impact our cash flows from operating activities and our liquidity for, and within, any period presented. Our collection and payment cycle can vary from period to period depending upon various circumstances, including seasonality, and may be negatively impacted as a result of COVID-19.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Cash flows provided by (used in) operating activities	$ 126,589	$ (12,065)	$ 31,983
Cash flows provided by (used in) investing activities	(690,997)	32,636	(23,388)
Cash flows provided by (used in) financing activities	678,053	7,354	(205)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(683)	918	46
Change in cash, cash equivalents and restricted cash	$ 112,962	$ 28,843	$ 8,436

Operating Activities

Our cash flows from operating activities are primarily driven by revenues generated from advertising activity, offset by the cash costs of operations, and are significantly influenced by the timing of and fluctuations in receipts from buyers and related payments to sellers. Our future cash flows will be diminished if we cannot increase our revenue levels and manage costs appropriately.

During the year ended December 31, 2021, net cash provided by operating activities was $126.6 million, compared to net cash used in operating activities of $12.1 million during the year ended December 31, 2020 and net cash provided by operating activities of $32.0 million during the year ended December 31, 2019. Our operating activities included net income of $0.1 million, and net losses of $53.4 million, and $25.5 million for the years ended December 31, 2021 and 2020, and 2019, respectively, which were offset by non-cash adjustments of $94.6 million, $76.4 million, and $51.5 million, respectively. Net changes in our working capital resulted in increases of $31.9 million and $5.9 million in cash provided by operating activities in 2021 and 2019, respectively. In 2020, net changes in our working capital increased cash used from operating activities by $35.1 million. The net changes in working capital for all periods presented are primarily due to the timing of cash receipts from buyers and the timing of payments to sellers.

We believe that cash flows from operations will continue to fluctuate, but in general will increase over time as our business continues to grow.

Investing Activities

Our primary investing activities have consisted of acquisitions of businesses, purchases of property and equipment, capital expenditures in support of creating and enhancing our technology infrastructure, and investments in, and maturities of, available-for-sale securities. Purchases of property and equipment and investments in internal use software development may vary from period-to-period due to the timing of the expansion of our operations, changes to headcount, and the cycles of our internal use software development. We anticipate investment in internal use software development to slightly increase compared to past years' investment levels as we continue to innovate new solutions on our platform. As the business continues to grow, we expect our investment in property and equipment to increase compared to 2021. Historically, a majority of our purchases in property and equipment have occurred in the latter half of the year in preparation for the peak volumes of the fourth quarter and early in the first quarter of the following year. We expect those trends to continue, with higher levels of property and equipment spend in the latter half of next year compared to the first half of the year. Investments in, and maturities of, available-for-sale securities and acquisitions of businesses vary from period-to-period.

During the year ended December 31, 2021, net cash used by investing activities was $691.0 million compared to net cash provided by investing activities of $32.6 million during the year ended December 31, 2020 and net cash used by investing activities of $23.4 million during the year ended December 31, 2019. During the year ended December 31, 2021, 2020, and 2019, we used cash for purchases of property and equipment of $17.7 million, $14.3 million, and $11.4 million, respectively, and used cash for investments in our internally developed software of $11.4 million, $7.7 million, and $8.5 million, respectively. During the year ended December 31, 2021, we used net cash of $661.9 million to acquire SpotX, SpringServe, and Nth Party. During the year ended December 31, 2020, we acquired $54.6 million cash in the Telaria Merger. For the year ended December 31, 2019, we used net cash of $11.0 million for the acquisition of RTK.io and had net maturities of investments in available-for-sale securities of $7.5 million.

Financing Activities

Our financing activities consisted of our Convertible Senior Notes offering, amounts borrowed under our Term Loan B Facility, and transactions related to our equity plans. For the years ended December 31, 2021, 2020, and 2019 we provided net cash of $678.1 million and $7.4 million, and used net cash of $0.2 million, respectively, for financing activities. Cash inflows from financing activities for the year ended December 31, 2021 included $400.0 million in proceeds from our Convertible Senior Notes offering, $349.2 million in net proceeds from our Term Loan B Facility, cash proceeds from stock options exercised of $9.4 million and $3.7 million cash proceeds from issuance of common stock under our employee stock purchase plan. These inflows for the year ended December 31, 2021 were partially offset by a $39.0 million payment for capped call transactions entered into in connection with the Convertible Senior Notes offering, debt issuance cost payments of $30.4 million, repurchases of $6.0 million of treasury stock in conjunction with our stock repurchase plan, $6.5 million for income tax deposits paid in respect of vesting of stock-based compensation awards that were reimbursed by the award recipients through surrender of shares, $1.8 million repayment of Term Loan B, and repayment of $0.6 million financing lease obligations. Cash inflows from financing activities for the year ended December 31, 2020 included cash proceeds from stock option exercised of $13.5 million and cash proceeds from issuance of common stock under our employee stock purchase plan of $1.7 million, partially offset by payments of $7.9 million for income tax deposits paid in respect of vesting of stock-based compensation awards that were reimbursed by the award recipients through surrender of shares. Cash outflows from financing activities for the year ended December 31, 2019 included payments of $1.8 million for income tax deposits paid in respect of vesting of stock-based compensation awards that were reimbursed by the award recipients through surrender of shares, which were partially offset by cash proceeds from issuance of common stock under our employee stock purchase plan of $1.1 million and cash proceeds from stock option exercised of $0.6 million.

Off-Balance Sheet Arrangements

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off-balance sheet arrangements at December 31, 2021 other than the short-term operating leases and the indemnification agreements described below, and commitments mentioned in Note 17 - Commitments and Contingencies.

Contractual Obligations and Known Future Cash Requirements

Our principal commitments consist of obligations under our Convertible Senior Notes, Term Loan B Facility, Revolving Credit Facility, leases for our various office facilities, including our corporate headquarters in New York, New York and offices in Los Angeles, California, operating lease agreements, including data centers and cloud hosting services that expire at various times through 2031, and indemnification holdback associated with the SpringServe Acquisition. In certain cases, the terms of the lease agreements provide for rental payments on a graduated basis.

We received rental income from subleases totaling $4.4 million for the year ended December 31, 2021.

The following table summarizes our future lease obligations, payments of principal and interest under our debt agreements, sublease income, and other future payments due under non-cancelable agreements at December 31, 2021.

	2022	2023	2024	2025	2026	Thereafter	Total
				(in thousands)			
Lease liabilities associated with leases included Right of Use Assets as of December 31, 2021	$ 22,491	$ 19,354	$ 16,522	$ 8,796	$ 6,734	$ 27,095	$ 100,992
Obligations for leases not included in Lease liabilities as of December 31, 2021	92	138	143	145	148	50	716
Convertible Senior Notes	—	—	—	—	400,000	—	400,000
Interest, Convertible Senior Notes	1,000	1,000	1,000	1,000	208	—	4,208
Term Loan B [(1)]	3,600	3,600	3,600	3,600	3,600	340,200	358,200
Interest, Term Loan B [(2)]	20,803	20,593	20,440	20,174	19,964	26,255	128,229
Operating sublease income	(4,605)	(4,481)	(4,322)	(1,306)	—	—	(14,714)
Other non-cancelable obligations	10,835	5,865	3,229	—	—	—	19,929
Total	$ 54,216	$ 46,069	$ 40,612	$ 32,409	$ 430,654	$ 393,600	$ 997,560

[(1)] Includes only scheduled amortization of payments and excludes currently unknown prepayment amounts that will be required, per terms of the Credit Agreement, after the end of each fiscal year.

[(2)] Interest payments are based on an assumed rate of 5.75%, which was the rate used as of December 31, 2021 for the associated Credit Agreement.

Payments associated with our Convertible Senior Notes are based on contractual terms and intended timing of repayments of long-term debt and associated interest and do not assume conversion prior to the maturity date.

Other non-cancelable obligations include other agreements in the normal course of business and purchase consideration that extend beyond a year.

In the ordinary course of business, we enter into agreements with sellers, buyers, and other third parties pursuant to which we agree to indemnify buyers, sellers, vendors, lessors, business partners, lenders, stockholders, and other parties with respect to certain matters, including, but not limited to, losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to our own business operations, obligations, and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. These indemnity provisions generally survive termination or expiration of the agreements in which they appear. In addition, we have entered into indemnification agreements with our directors, executive officers and certain other officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands for indemnification have been made as of December 31, 2021.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the following assumptions and estimates have the greatest potential impact on our consolidated financial statements: (i) the determination of revenue recognition as net versus gross in our revenue arrangements, (ii) the determination of the estimated useful lives of internal-use software development costs, (iii) the recoverability of intangible asset and goodwill, (iv) assumptions used in the valuation models to determine the fair value of stock options, awards with market and performance conditions and stock-based compensation expense, (v) the assumptions used in the valuation of acquired assets and liabilities in business combinations, and (vi) income taxes, including the realization of tax assets and estimates of tax liabilities. There have been no significant changes in our accounting policies or estimates from those disclosed in our audited consolidated financial statements and notes thereto for the years ended December 31, 2021, 2020 and 2019.

We believe that the accounting policies disclosed below include estimates and assumptions critical to our business and their application could have a material impact on our consolidated financial statements. In addition to these critical policies, our significant accounting policies are included within Note 2 of our "Notes to Consolidated Financial Statements" within this Annual Report on Form 10-K.

Revenue Recognition

We generate revenue from transactions where we provide a platform for the purchase and sale of digital advertising inventory. Generally, our revenue is based on a percentage of the ad spend that runs through our platform, although for certain clients or transaction types we may receive a fixed CPM for each impression sold, and for advertising campaigns that are transacted through insertion orders we earn revenue based on the full amount of ad spend that runs through our platform. We also generate revenue from the fee we charge clients for use of our Demand Manager header-bidding product, and from our SpringServe ad server product, which we acquired on July 1, 2021. Our platform dynamically connects sellers and buyers of advertising inventory in a digital marketplace. Our solution incorporates proprietary machine-learning algorithms, sophisticated data processing, high-volume storage, detailed analytics capabilities, and a distributed infrastructure. Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to our platform in the form of advertising requests, or ad requests. When we receive ad requests from sellers, we send bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer.

The total volume of spending between buyers and sellers on our platform is referred to as advertising spend. We keep a percentage of that advertising spend as a fee, and remit the remainder to the seller. The fee that we retain from the gross advertising spend on our platform is recognized as revenue. The fee earned on each transaction is based on the pre-existing agreement we have with the seller and the clearing price of the winning bid. We recognize revenue upon fulfillment of our performance obligation to a client, which occurs at the point in time an ad renders and is counted as a paid impression, subject to a contract existing with the client and a fixed or determinable transaction price. Performance obligations for all transactions are satisfied, and the corresponding revenue is recognized, at a distinct point in time. We have no arrangements with multiple performance obligations. We consider the following when determining if a contract exists (i) contract approval by all parties, (ii) identification of each party's rights regarding the goods or services to be transferred, (iii) specified payment terms, (iv) commercial substance of the contract, and (v) collectability of substantially all of the consideration is probable.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transaction. In determining whether we are acting as the principal or an agent, we followed the accounting guidance for principal-agent considerations. Making such determinations involves judgment and is based on an evaluation of the terms of each arrangement, none of which are considered presumptive or determinative.

For the majority of transactions on our platform, we have determined that we do not act as the principal in the purchase and sale of digital advertising inventory because we are not the primary obligor as we do not have control of the digital advertising inventory and do not set prices agreed upon within the auction marketplace, and therefore we report revenue on a net basis. However, for certain transactions related to revenue streams acquired in connection with the Telaria Merger and the SpotX Acquisition, we report revenue on a gross basis, based primarily on our determination that we act as the primary obligor in the delivery of advertising campaigns for buyers with respect to such transactions.

Internal Use Software Development Costs

We capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in technology and development expenses in the results of operations.

Software development activities generally consist of three stages, (i) the planning stage, (ii) the application and infrastructure development stage, and (iii) the post implementation stage. Costs incurred in the planning and post implementation stages of software development, including costs associated with the post-configuration training and repairs and maintenance of the developed technologies, are expensed as incurred. We capitalize costs associated with software developed for internal use when the planning stage is completed, management has authorized further funding for the completion of the project, and it is probable that the project will be completed and perform as intended. Costs incurred in the application and infrastructure development stages, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete and the software and technologies are ready for their intended purpose.

We amortize internal use software development costs using a straight-line method over a three year estimated useful life, commencing when the software is ready for its intended use. The straight-line recognition method approximates the manner in which the expected benefit will be derived. We determined the life of internal use software based on historical software upgrades and replacement. The Company evaluates internal use software in use for abandonment and use that as a significant indicator for impairment on a quarterly basis.

Valuation of Goodwill and Intangibles

The valuation of assets acquired in a business combination and asset impairment reviews require the use of significant estimates and assumptions. The acquisition method of accounting for business combinations requires us to estimate the fair value of assets acquired, liabilities assumed, and any noncontrolling interest in an acquired business to properly allocate purchase price consideration between assets that are depreciated or amortized and goodwill.

Long-lived assets, including property and equipment, long-term prepayments, and intangible assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows independent of other assets. An impairment loss would be recognized when estimated undiscounted future cash flows generated from the assets are less than their carrying amount. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value.

We evaluate goodwill annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired. In accordance with guidance related to impairment testing, we have the option to first assess qualitative factors to determine whether or not it is necessary to perform the quantitative goodwill impairment test. If the qualitative assessment option is not elected, or if the qualitative assessment indicates that it is more likely than not that the fair value is less than its carrying amount, a quantitative analysis is then performed. The quantitative analysis, if performed, compares the estimated fair value of the Company with its respective carrying amount, including goodwill. If the estimated fair value of the Company exceeds its carrying amount, including goodwill, goodwill is considered not to be impaired and no additional steps are necessary. If the fair value is less than the carrying amount, including goodwill, then an impairment adjustment must be recorded up to the carrying amount of goodwill.

Stock-Based Compensation

Compensation expense related to employee and non-employee stock-based awards is measured and recognized on the fair value of the awards granted. We have granted awards to employees that vest based solely on continued service, or service conditions, awards that vest based on the achievement of performance targets, or performance conditions, and awards that vest based on our stock price exceeding a peer index, or market conditions. The fair value of each option award containing service and/or performance conditions is estimated on the grant date using the Black-Scholes option-pricing model. The fair value of awards containing market conditions is estimated using a Monte-Carlo lattice model. For service condition awards, stock-based compensation expense is recognized on a straight-line basis over the requisite service periods of the awards, which is generally four years. For performance condition and market condition awards, stock-based compensation expense is recognized using a graded vesting model over the requisite service period of the awards. For market condition awards, expense recognized is not subsequently reversed if the market conditions are not achieved.

Determining the fair value of stock-based awards at the grant date requires judgment. Our use of the Black-Scholes option-pricing model and Monte-Carlo lattice model requires the input of subjective assumptions such as the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, the expected dividend yield of our common stock, and the fair value of our common stock. The assumptions used in our valuation models represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

Business Combinations

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price of a business combination, which is the sum of the consideration provided, which may consist of cash, equity or a combination of the two, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates and selection of comparable companies.

When we issue stock-based or cash awards to an acquired company’s stockholders, we evaluate whether the awards are contingent consideration or compensation for post-business combination services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

We estimate the fair value of intangible assets acquired generally using a discounted cash flow approach, which includes an analysis of the future cash flows expected to be generated by the asset and the risk associated with achieving these cash flows. The key assumptions used in the discounted cash flow model include the discount rate that is applied to the forecasted future cash flows to calculate the present value of those cash flows and the estimate of future cash flows attributable to the acquired intangible asset, which include revenue, expenses and taxes. The carrying value of acquired working capital assets and liabilities approximates its fair value, given the short-term nature of these assets and liabilities.

Income Taxes

We are subject to income taxes in the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves as facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes and the effective tax rate in the period in which such determination is made.

The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate as well as the related net interest and penalties. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Services ("IRS") and other tax authorities which may assert assessments against us. We regularly assess the likelihood of adverse outcomes resulting from these examinations and assessments to determine the adequacy of our provision for income taxes.

Recently Issued Accounting Pronouncements

The information set forth under Note 2 to our "Notes to Consolidated Financial Statements" under the caption "Organization and Summary of Significant Accounting Policies" is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We have operations both in the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate, foreign exchange, and inflation risks. The risks below may be further exacerbated by the effects of the COVID-19 pandemic on global macroeconomic and market conditions.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds, but may from time to time also include commercial paper, with original maturities of three months or less. Our investments may consist of repurchase agreements, U.S. government agency debt, and U.S. treasury debt. The primary objective of our investment activities is to preserve the value of our cash without significantly increasing risk. Because our cash, cash equivalents, and investments have a short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes, however, interest income earned will vary as interest rates change.

We do not have economic interest rate expense exposure on our Convertible Senior Notes due to their fixed interest rate nature. The amount paid upon redemption is not based on changes in any index or changing market rates. It is fixed at 100% of the principal amount of the Convertible Senior Notes plus unpaid interest. Since the Convertible Senior Notes bear fixed rate coupon, we are not exposed to interest rate risk on those notes, however, the fair value of those notes will change as market interest rates change.

We have a Term Loan B Facility under the Credit Agreement which bears a floating rate of interest that resets periodically, subject to a 0.75% floor on that floating rate, according to the terms of the agreement. Our financial results would be exposed to potential changes in the underlying base interest rate on that debt if the underlying base interest rate were to reset above the floor on such underlying interest rate. Similarly, the fair value of Term Loan B Facility may fluctuate when the underlying base interest rate fluctuates below the floor. As of December 31, 2021, the Company had no outstanding borrowings under the Revolving Credit Facility. Should the company borrow under the Revolving Credit Facility at any point in the future, any associated borrowings would have a floating underlying base rate of interest that would expose the Company to interest rate risk.

We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. The annualized impact to interest expense for each 100 basis points increase above the LIBOR Floor on our Term Loan B Facility is approximately $3.6 million. The actual impact to our financial results of the same increase in interest rates is expected to be lower than $3.6 million depending on the timing and magnitude of such rate changes relative to our LIBOR Floor, and will be partially offset by higher interest income earned on our cash and cash equivalent balances over the same period. In future periods, we will continue to evaluate our investment policy relative to our overall objectives. With regard to all debt currently outstanding, the company is potentially exposed to refinancing risk, should the Company seek to refinance or raise debt in the future, and the prevailing price or terms for debt differs from terms in our current debt agreements.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and expenses denominated in currencies other than the U.S. Dollar, principally the British Pound, Australian Dollar, Canadian Dollar and Euro. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany balances that are denominated in currencies other than the U.S. Dollar. The effect of an immediate 10% adverse change in foreign exchange rates on foreign-denominated accounts at December 31, 2021, including intercompany balances, would result in a foreign currency loss of approximately $6.2 million. In the event our non-U.S. Dollar denominated sales and expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs were to become subject to significant inflationary pressures, we might not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Item 8. Financial Statements and Supplementary Data

MAGNITE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Magnite, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Magnite, Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021 and the related notes (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment of internal control over financial reporting certain elements related to SpotX, Inc. which was acquired on April 30, 2021. The excluded elements of the SpotX business represented approximately 34% of the Company’s revenues and 10% of the Company’s total assets as of and for the year ended December 31, 2021. Accordingly, our audit did not include the internal control over financial reporting for certain elements related to SpotX, Inc.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Business Combinations – SpotX, Inc. Acquisition– Technology, Customer Relationships, and Backlog Intangible Assets — Refer to Note 10 to the financial statements

Critical Audit Matter Description

On April 30, 2021, the Company completed its acquisition of SpotX, Inc. for a purchase price of $1.2 billion, consisting of $640.0 million in cash plus 12,374,315 shares of the Company’s common stock ($495.6 million based on the fair value of the Company's common stock on April 30, 2021). The Company accounted for the acquisition using the acquisition method of accounting for business combinations and the fair value of the purchase price of $1.2 billion was allocated to the assets acquired and liabilities assumed based on their respective fair values, including the technology, customer relationships, and backlog intangible assets of $280.4 million, $130.3 million, and $11.1 million, respectively. Management estimated the fair value of the technology, customer relationships, and backlog intangible assets using a discounted cash flow approach, which included an analysis of future cash flows expected to be generated by each intangible asset. The fair value of the acquired technology and backlog was valued using The Excess Earnings Method. The Company used the Loss-of-Revenue and Income Method in its valuation of the existing Customer Relationships. The fair value determination of these intangible assets required management to make significant, subjective estimates and assumptions related to forecasted future cash flows and the selected discount rate.

We identified the aforementioned intangible assets as a critical audit matter because of the significant estimates and assumptions management makes to determine the fair value of these intangible assets. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future cash flows and the selection of the discount rate for the technology, customer relationships, and backlog intangible assets included the following, among others:

- We tested the effectiveness of controls over the valuation of intangible assets, including management’s controls over forecasts of future cash flows and the determination of the discount rate.
- We assessed the reasonableness of management’s forecasts of future cash flows by comparing the revenue and disaggregated cost projections to historical results, certain peer companies, third-party industry forecasts, as well as performing inquiries with certain members of management.
- With the assistance of our fair value specialists, we evaluated the valuation methodology used to determined fair value along with the reasonableness of the discount rate including independently estimating the discount rate using a process consistent with generally accepted valuation practices.
- We evaluated whether the estimated future cash flows were consistent with evidence obtained in other areas of the audit.

Business Combinations – SpringServe, LLC Acquisition– Technology Intangible Asset — Refer to Note 10 to the financial statements

Critical Audit Matter Description

On July 1, 2021, the Company completed its acquisition of SpringServe, LLC through the Company's wholly-owned subsidiary, SpotX, pursuant to a definitive agreement entered into on July 1, 2021. As a result of the acquisition, SpringServe has become a wholly-owned subsidiary of SpotX, and a wholly-owned indirect subsidiary of the Company. The purchase price was approximately $31.1 million in cash, pursuant to a previously negotiated option agreement that the Company secured as part of the SpotX Acquisition. At the time of the Company’s acquisition of SpotX, the fair value of SpotX's minority investment and purchase right were valued at a combined $9.5 million. In connection with the SpringServe Acquisition, approximately $1.4 million of the purchase price was held back to cover possible indemnification claims, which is expected to be paid in cash one year after the acquisition. The Company accounted for the acquisition using the acquisition method of accounting for business combinations and the fair value of the total purchase price of $42.1 million was allocated to the assets acquired and liabilities assumed based on their respective fair values, including the technology intangible asset of $15.5 million. Management estimated the fair value of the technology intangible asset using a discounted cash flow approach, which included an analysis of future cash flows expected to be generated by the intangible asset. The fair value of the acquired technology was valued using the Excess Earnings Method. The fair value determination of this intangible asset required management to make significant, subjective estimates and assumptions related to forecasted future cash flows and the selected discount rate.

We identified the aforementioned intangible asset as a critical audit matter because of the significant estimates and assumptions management makes to determine the fair value of this intangible asset. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future cash flows and the selection of the discount rate for the technology intangible asset included the following, among others:

- We tested the effectiveness of controls over the valuation of intangible assets, including management's controls over forecasts of future cash flows and the determination of the discount rate.
- We assessed the reasonableness of management's forecasts of future cash flows by comparing the revenue and disaggregated cost projections to historical results, certain peer companies, third-party industry forecasts, as well as performing inquiries with certain members of management.
- With the assistance of our fair value specialists, we evaluated the valuation methodology used to determined fair value along with the reasonableness of the discount rate including independently estimating the discount rate using a process consistent with generally accepted valuation practices.
- We evaluated whether the estimated future cash flows were consistent with evidence obtained in other areas of the audit.

Revenue — Highly Automated Systems to Process and Record Revenue - Refer to Note 4 to the financial statements.

Critical Audit Matter Description

The Company's revenue consists of transaction-based fees and is made up of a significant volume of low-dollar transactions, sourced from multiple systems, databases, and other tools. Due to the fact that revenue transactions do not consist of the transfer of physical goods but are derived from the purchase and sale of digital advertising inventory through their platform and related systems, the processing and recording of revenue is highly automated and is based on contractual terms with advertisers and publishers. Because of the nature of the Company's transaction-based fees, the Company uses automated systems to process and record its revenue transactions.

We identified revenue as a critical audit matter because the of the information technology (IT) -dependent nature of the Company's revenue stream and the significant audit effort required in performing our audit procedures, including involvement of professionals with expertise in IT to identify, test, and evaluate the Company's systems, software applications, and automated controls related to the revenue cycle.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to certain of the Company's systems to process revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
    - Identified the significant systems used to process revenue transactions and tested the effectiveness of general IT controls over the systems, including testing of user access controls, change management controls, and IT operations controls.
    - We tested the effectiveness of system interface controls and automated controls within the revenue process, as well as controls designed to ensure the accuracy and completeness of revenue.
    - For the relevant platform systems, in order to test that transactions are being processed and recorded completely and accurately, we independently created test impressions and traced them through the systems to final output for financial reporting.
- We tested the effectiveness of certain controls within the relevant revenue business processes, including those in place to reconcile the various systems to the Company's general ledger.

- We tested revenue through the use of data analytics in order to:
    - Evaluate recorded revenue and revenue trends
    - Identify significant relationships in the revenue population
    - Sufficiently understand identified significant relationships and related accounts affecting revenue.
- We performed audit procedures on those related accounts determined to have a significant relationship with revenue. Such procedures included sending confirmations to customers for a selection of accounts receivable and making selections of cash receipts subsequent to year end and tracing them back to their associated invoices included in accounts receivable as of the balance sheet date. We also performed a combination of audit procedures on publisher payables, which included subsequent disbursements testing, recalculations of selected publisher payable amounts, and substantive analytical procedure over publisher payables balances as of the balance sheet date.

Debt and Additional Paid-In Capital –Accounting for Convertible Senior Notes and Capped Call Transactions — Refer to Note 18 to the financial statements

Critical Audit Matter Description

In March 2021, the Company issued $400.0 million aggregate principal amount of 0.25% convertible senior notes in a private placement, including $50.0 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment options of the initial purchasers (collectively, the “Convertible Senior Notes”). The Convertible Senior Notes will mature on March 15, 2026, unless earlier repurchased, redeemed or converted. The Company used approximately $39.0 million of the net proceeds from the offering to pay for the Capped Call Transactions.

We identified the accounting for the Convertible Senior Notes and Capped Call Transactions as a critical audit matter due to the complexity involved and the management judgment necessary to determine the accounting for the Convertible Senior Notes and Capped Call Transactions within the financial statements. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals having expertise in accounting for complex financial instruments, when performing audit procedures to evaluate management’s judgments and conclusions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting for the Convertible Senior Notes and Capped Call Transactions included the following, among others:

a. We tested the effectiveness of controls over management’s accounting treatment for the Convertible Senior Notes and Capped Call Transactions.
b. We read and analyzed the Convertible Senior Notes and Capped Call agreements to evaluate the accounting treatment for the convertible senior notes and capped call transactions.
c. With the assistance of professionals having expertise in accounting for complex financial instruments, we evaluated management’s conclusion that the Convertible Senior Notes should be recorded in debt and the Capped Call Transactions should be recorded in additional paid-in capital.

/s/ Deloitte & Touche LLP

Los Angeles, California
February 23, 2022

We have served as the Company's auditor since 2018.

MAGNITE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 230,401	$ 117,676
Accounts receivable, net	927,781	471,666
Prepaid expenses and other current assets	19,934	17,729
TOTAL CURRENT ASSETS	1,178,116	607,071
Property and equipment, net	34,067	23,681
Right of use lease asset	76,986	39,599
Internal use software development costs, net	20,093	16,160
Intangible assets, net	426,615	89,884
Goodwill	969,873	158,125
Other assets, non-current	6,862	4,440
TOTAL ASSETS	$ 2,712,612	$ 938,960
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,000,956	$ 509,315
Lease liabilities - current portion	19,142	9,813
Debt, current	3,600	—
Other current liabilities	5,697	3,070
TOTAL CURRENT LIABILITIES	1,029,395	522,198
Debt, non-current, net of debt issuance costs	720,023	—
Lease liabilities, non-current	66,487	32,278
Deferred tax liability, net	13,303	199
Other liabilities, non-current	2,647	2,672
TOTAL LIABILITIES	1,831,855	557,347
Commitments and contingencies (Note 17)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.00001 par value, 10,000 shares authorized at December 31, 2021 and December 31, 2020; 0 shares issued and outstanding at December 31, 2021 and December 31, 2020	—	—
Common stock, $0.00001 par value; 500,000 shares authorized; 132,553 and 114,029 shares issued at December 31, 2021 and December 31, 2020, respectively, and 132,204 and 114,029 shares outstanding at December 31, 2021 and December 31, 2020, respectively	2	2
Additional paid-in capital	1,282,589	777,084
Accumulated other comprehensive loss	(1,376)	(957)
Treasury stock at cost, 349 and 0 shares outstanding at December 31, 2021 and December 31, 2020, respectively	(6,007)	—
Accumulated deficit	(394,451)	(394,516)
TOTAL STOCKHOLDERS' EQUITY	880,757	381,613
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,712,612	$ 938,960

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Revenue	$ 468,413	$ 221,628	$ 156,414
Expenses:			
Cost of revenue	201,662	77,747	57,391
Sales and marketing	170,406	76,030	44,565
Technology and development	74,449	51,546	40,250
General and administrative	64,789	52,987	39,750
Merger, acquisition, and restructuring costs	38,177	17,552	2,041
Total expenses	549,483	275,862	183,997
Loss from operations	(81,070)	(54,234)	(27,583)
Other (income) expense:			
Interest (income) expense, net	19,848	(50)	(789)
Other income	(4,450)	(3,665)	(285)
Foreign exchange (gain) loss, net	(1,480)	2,220	481
Total other (income) expense, net	13,918	(1,495)	(593)
Loss before income taxes	(94,988)	(52,739)	(26,990)
Provision (benefit) for income taxes	(95,053)	693	(1,512)
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Net income (loss) per share:			
Basic	$ —	$ (0.55)	$ (0.48)
Diluted	$ —	$ (0.55)	$ (0.48)
Weighted average shares used to compute net income (loss) per share:			
Basic	126,294	96,700	52,614
Diluted	136,261	96,700	52,614

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAGNITE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Other comprehensive income (loss):			
Unrealized gain (loss) on investments	—	—	2
Foreign currency translation adjustments	(419)	(912)	212
Other comprehensive income (loss)	(419)	(912)	214
Comprehensive loss	$ (354)	$ (54,344)	$ (25,264)

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAGNITE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2018	51,159	$ 1	$ 433,877	$ (259)	$ (315,606)	—	$ —	$ 118,013
Exercise of common stock options	285	—	588	—	—	—	—	588
Restricted stock awards, net	(182)	—	—	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	227	—	1,054	—	—	—	—	1,054
Issuance of common stock related to RSU vesting	2,858	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(459)	—	(1,847)	—	—	—	—	(1,847)
Stock-based compensation	—	—	19,392	—	—	—	—	19,392
Other comprehensive loss	—	—	—	214	—	—	—	214
Net loss	—	—	—	—	(25,478)	—	—	(25,478)
Balance at December 31, 2019	53,888	1	453,064	(45)	(341,084)	—	—	111,936
Exercise of common stock options	3,359	—	13,548	—	—	—	—	13,548
Issuance of common stock related to employee stock purchase plan	381	—	1,660	—	—	—	—	1,660
Issuance of common stock related to RSU vesting	5,126	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(824)	—	(7,854)	—	—	—	—	(7,854)
Issuance of common stock associated with the Telaria Merger	52,099	1	275,772	—	—	—	—	275,773
Exchange of stock options and RSU related to Telaria Merger	—	—	11,646	—	—	—	—	11,646
Stock-based compensation	—	—	29,248	—	—	—	—	29,248
Other comprehensive income	—	—	—	(912)	—	—	—	(912)
Net loss	—	—	—	—	(53,432)	—	—	(53,432)
Balance at December 31, 2020	114,029	2	777,084	(957)	(394,516)	—	—	381,613
Exercise of common stock options	1,560	—	9,425	—	—	—	—	9,425
Issuance of common stock related to employee stock purchase plan	255	—	3,714	—	—	—	—	3,714
Issuance of common stock related to RSU vesting	4,624	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(289)	—	(6,496)	—	—	—	—	(6,496)
Issuance of common stock associated with SpotX Acquisition	12,374	—	495,591	—	—	—	—	495,591
Purchase of treasury stock	—	—	—	—	—	(349)	(6,007)	(6,007)
Capped call options	—	—	(38,960)	—	—	—	—	(38,960)
Stock-based compensation	—	—	42,231	—	—	—	—	42,231
Other comprehensive loss	—	—	—	(419)	—	—	—	(419)
Net income	—	—	—	—	65	—	—	65
Balance at December 31, 2021	132,553	$ 2	$1,282,589	$ (1,376)	$ (394,451)	(349)	$ (6,007)	$ 880,757

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

	Year Ended		
	December 31, 2021	**December 31, 2020**	**December 31, 2019**
OPERATING ACTIVITIES:			
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	146,886	49,248	32,126
Stock-based compensation	40,735	28,491	18,825
(Gain) loss on disposal of property and equipment	130	(22)	114
Provision for doubtful accounts	49	(138)	2,060
Amortization of debt discount and issuance costs	4,925	—	—
Accretion of available for sale securities	—	—	24
Non-cash lease expense	(350)	(784)	(209)
Deferred income taxes	(98,770)	789	(595)
Unrealized foreign currency gains, net	(2,259)	(1,161)	(823)
Other items, net	3,292	—	—
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable	(254,368)	(103,836)	(10,705)
Prepaid expenses and other assets	1,324	(10,095)	(51)
Accounts payable and accrued expenses	284,905	75,064	16,288
Other liabilities	25	3,811	407
Net cash provided by (used in) operating activities	126,589	(12,065)	31,983
INVESTING ACTIVITIES:			
Purchases of property and equipment	(17,697)	(14,292)	(11,425)
Capitalized internal use software development costs	(11,431)	(7,667)	(8,463)
Mergers and acquisitions, net of cash acquired	(661,869)	54,595	(11,000)
Maturities of available-for-sale securities	—	—	7,500
Net cash provided by (used in) investing activities	(690,997)	32,636	(23,388)
FINANCING ACTIVITIES:			
Proceeds from Convertible Senior Notes offering	400,000	—	—
Proceeds from issuance of debt, net of debt discount	349,200	—	—
Payment for capped call options	(38,960)	—	—
Payment for debt issuance costs	(30,378)	—	—
Proceeds from exercise of stock options	9,425	13,548	588
Proceeds from issuance of common stock under employee stock purchase plan	3,714	1,660	1,054
Repayment of debt	(1,800)	—	—
Repayment of financing lease	(645)	—	—
Purchase of treasury stock	(6,007)	—	—
Taxes paid related to net share settlement	(6,496)	(7,854)	(1,847)
Net cash provided by (used in) financing activities	678,053	7,354	(205)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(683)	918	46
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	112,962	28,843	8,436
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	117,731	88,888	80,452
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 230,693	$ 117,731	$ 88,888

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO CONSOLIDATED BALANCE SHEETS:			
Cash and cash equivalents	$ 230,401	$ 117,676	$ 88,888
Restricted cash included in prepaid expenses and other current assets	240	—	—
Restricted cash included in other assets, non-current	52	55	—
Total cash, cash equivalents and restricted cash	$ 230,693	$ 117,731	$ 88,888
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:			
Cash paid for income taxes	$ 2,141	$ 1,614	$ 291
Cash paid for interest	$ 12,908	$ 101	$ 61
Capitalized assets financed by accounts payable and accrued expenses	$ 2,171	$ 42	$ 141
Capitalized stock-based compensation	$ 1,496	$ 757	$ 567
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 42,013	$ 2,036	$ 13,533
Purchase consideration - indemnification claims holdback	$ 1,602	$ —	$ —
Common stock and options issued for mergers and acquisitions	$ 495,591	$ 287,418	$ —
Debt discount, non-cash	$ 10,800	$ —	$ —

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAGNITE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations

Company Overview

Magnite, Inc. ("Magnite" or the "Company"), formerly known as The Rubicon Project, Inc., was formed in Delaware and began operations on April 20, 2007. On April 1, 2020, Magnite completed a stock-for-stock merger with Telaria, Inc., ("Telaria" and such merger the "Telaria Merger"), a leading sell side advertising platform and provider of connected television ("CTV") technology. On April 30, 2021, the Company completed its acquisition of SpotX, Inc. ("SpotX" and such acquisition the "SpotX Acquisition"), a leading CTV and video advertising platform. On July 1, 2021, the Company completed its acquisition of SpringServe, LLC ("SpringServe" and such acquisition the "SpringServe Acquisition"), a leading ad serving platform for CTV. The Company operates a sell side advertising platform that offers buyers and sellers of digital advertising a single partner for transacting globally across all channels, formats, and auction types.

On June 8, 2020, the Company voluntarily delisted its common stock from the New York Stock Exchange ("NYSE") and commenced listing on The Nasdaq Global Select Market of The Nasdaq Stock Market LLC ("Nasdaq"). On June 30, 2020, the Company changed its name from "The Rubicon Project, Inc." to "Magnite, Inc." In connection with the name change, the Company also changed its ticker symbol from "RUBI" to "MGNI." Magnite has its principal offices in New York City, Los Angeles, London, and Sydney, and additional offices in Europe, Asia, North America, and South America.

The Company provides a technology solution to automate the purchase and sale of digital advertising inventory for buyers and sellers. The Company's platform features applications and services for sellers of digital advertising inventory, or publishers, that own or operate websites, applications, CTV channels, and other digital media properties, to manage and monetize their inventory; applications and services for buyers, including advertisers, agencies, agency trading desks, and demand side platforms, to buy digital advertising inventory; and a transparent, independent marketplace that brings buyers and sellers together and facilitates intelligent decision making and automated transaction execution at scale. The Company's clients include many of the world's leading sellers and buyers of digital advertising inventory.

Sellers monetize their inventory through the Company's platform by seamlessly connecting to a global market of integrated buyers that transact through real-time bidding, which includes direct sale of premium inventory to a buyer, referred to as private marketplace, and open auction bidding, where buyers bid against each other in a real-time auction for the right to purchase a publisher's inventory, referred to as open marketplace. At the same time, buyers leverage the Company's platform to manage their advertising spending and reach their target audiences, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising, and access impression-level purchasing from thousands of sellers.

Note 2—Organization and Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and include the operations of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Segments

Management has determined that the Company operates as one segment. The Company's chief operating decision maker reviews financial information on an aggregated and consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate resources and to measure the Company's performance.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed financial statements and accompanying footnotes. Due to the economic uncertainty as a result of the COVID-19 pandemic, it has become more difficult to apply certain assumptions and judgments into these estimates. The extent of the impact of COVID-19 pandemic on the Company's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted, including but not limited to, the duration and spread of the pandemic, its severity, including any resurgence, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. During the year ended December 31, 2021, this uncertainty continued to result in a higher level of judgement related to its estimates and assumptions. As of the date of issuance of the consolidated financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, judgments, or revise the carrying value of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ materially from these estimates.

On an ongoing basis, management evaluates its estimates, primarily those related to: (i) revenue recognition criteria, including the determination of revenue reporting as net versus gross in the Company's revenue arrangements, (ii) accounts receivable and allowances for doubtful accounts, (iii) the useful lives of intangible assets, internal use software development costs, and property and equipment, (iv) valuation of long-lived assets and their recoverability, including goodwill, (v) the realization of tax assets and estimates of tax liabilities, (vi) assumptions used in valuation models to determine the fair value of stock-based awards, (vii) fair value of financial instruments, (viii) the recognition and disclosure of contingent liabilities, and (ix) the assumptions used in valuing acquired assets and assumed liabilities in business combinations.

These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Estimates relating to the estimated useful lives of internal-use software development costs, assumptions used in the valuation models to determine the fair value of stock options and stock-based compensation expense, business combinations, estimated useful lives of long-lived assets, recoverability of intangible assets and goodwill, the assumptions used in the valuation of acquired assets and liabilities in business combinations, and income taxes, including the realization of tax assets and estimates of tax liabilities. require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. Actual results may differ materially from those estimates under different assumptions or circumstances.

Revenue Recognition

The Company generates revenue from transactions where it provides a platform for the purchase and sale of digital advertising inventory. Generally, our revenue is based on a percentage of the ad spend that runs through our platform, although for certain clients or transaction types we may receive a fixed CPM for each impression sold, and for advertising campaigns that are transacted through insertion orders we earn revenue based on the full amount of ad spend that runs through our platform. The Company also generates revenue from the fee it charges clients for use of its Demand Manager header-bidding product and SpringServe ad server product, which we acquired on July 1, 2021. The Company's platform dynamically connects sellers and buyers of advertising inventory in a digital marketplace. The Company's solution incorporates proprietary machine-learning algorithms, sophisticated data processing, high-volume storage, detailed analytics capabilities, and a distributed infrastructure. Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to the Company's platform in the form of advertising requests, or ad requests. When the Company receives ad requests from sellers, it sends bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer.

The total volume of spending between buyers and sellers on the Company's platform is referred to as advertising spend. The Company keeps a percentage of that advertising spend as a fee, and remits the remainder to the seller. The fee that the Company retains from the gross advertising spend on its platform is recognized as revenue. The fee earned on each transaction is based on the pre-existing agreement between the Company and the seller and the clearing price of the winning bid. The Company recognizes revenue upon fulfillment of its performance obligation to a client, which occurs at the point in time an ad renders and is counted as a paid impression, subject to a contract existing with the client and a fixed or determinable transaction price. The Company does not have arrangements with multiple performance obligations. The Company considers the following when determining if a contract exists (i) contract approval by all parties, (ii) identification of each party's rights regarding the goods or services to be transferred, (iii) specified payment terms, (iv) commercial substance of the contract, and (v) collectability of substantially all of the consideration is probable.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. In determining whether the Company is acting as the principal or an agent, the Company follows the accounting guidance for principal-agent considerations. Making such determinations involves judgment and is based on an evaluation of the terms of each arrangement, none of which are considered presumptive or determinative.

Expenses

The Company classifies its expenses into the following categories:

Cost of Revenue. The Company's cost of revenue consists primarily of data center costs, bandwidth costs, ad protection costs, depreciation and maintenance expense of hardware supporting the Company's revenue-producing platform, amortization of software costs for the development of the Company's revenue-producing platform, amortization expense associated with acquired developed technologies, personnel costs, facilities-related costs, and cloud computing costs. In addition, for revenue booked on a gross basis, cost of revenue includes traffic acquisition costs. Personnel costs included in cost of revenue include salaries, bonuses, and stock-based compensation, and are primarily attributable to personnel in the Company's network operations group who support the Company's platform. The Company capitalizes costs associated with software that is developed or obtained for internal use and amortizes the costs associated with its revenue-producing platform in cost of revenue over their estimated useful lives. The Company amortizes acquired developed technologies over their estimated useful lives.

Sales and Marketing. The Company's sales and marketing expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, as well as marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and amortization expense associated with client relationships and backlog from the Company's business acquisitions and, to a lesser extent, facilities-related costs and depreciation and amortization. The Company's sales organization focuses on increasing the adoption of the Company's solution by existing and new buyers and sellers. The Company amortizes acquired intangibles associated with client relationships and backlog from its business acquisitions over their estimated useful lives.

Technology and Development. The Company's technology and development expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, and professional services associated with the ongoing development and maintenance of the Company's solution, depreciation and amortization, and, to a lesser extent, facilities-related costs. These expenses include costs incurred in the development, implementation and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization, which are then recorded as internal use software development costs, net on the Company's consolidated balance sheets. The Company amortizes internal use software development costs that relate to its revenue-producing activities on the Company's platform to cost of revenue and amortizes other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project. The Company amortizes acquired intangibles associated with technology and development functions from its business acquisitions over their estimated useful lives.

General and Administrative. The Company's general and administrative expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, associated with the Company's executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, facilities-related costs and depreciation and amortization, and other corporate-related expenses. General and administrative expenses also include amortization of internal use software development costs and acquired intangible assets from the Company's business acquisitions over their estimated useful lives that relate to general and administrative functions.

Merger, Acquisition, and Restructuring Costs. The Company's merger, acquisition, and restructuring costs consist primarily of professional service fees associated with merger and acquisition activities, cash-based employee termination costs and stock-based compensation charges associated with mergers, acquisitions, or restructuring activities, and other restructuring activities, including facility closures and relocation costs.

Stock-Based Compensation

Compensation expense related to employee and non-employee stock-based awards is measured and recognized in the consolidated financial statements based on the fair value of the awards granted. The Company granted awards to employees that vest based solely on continued service, or service conditions, awards that vest based on the achievement of performance targets, or performance conditions, and awards that vest based on our stock price exceeding a peer index, or market conditions. The fair value of each option award containing service and/or performance conditions is estimated on the grant date using the Black-Scholes option-pricing model. The fair value of awards containing market conditions is estimated using a Monte-Carlo lattice model. For service condition awards, stock-based compensation expense is recognized on a straight-line basis over the requisite service periods of the awards, which is generally four years. For performance condition and market condition awards, stock-based compensation expense is recognized using a graded vesting model over the requisite service period of the awards. For market condition awards, expense recognized is not subsequently reversed if the market conditions are not achieved.

The assumptions and estimates used in the Black-Scholes pricing model are as follows:

Fair Value of Common Stock. The fair value of common stock is based on the closing price of the Company's common stock as reported on the NASDAQ on the grant date.

Risk-Free Interest Rate. The Company bases the risk-free interest rate used in the Black-Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the term of stock option awards.

Expected Term. For employee stock options in which the Company did not have significant history and that contain service conditions, the Company applies the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award. For employee stock options issued in the periods in which the Company did have significant history and that contain service conditions, the expected term is determined based on historical trends. The expected term of employee stock options that contain performance conditions represents the weighted-average period that the stock options are estimated to remain outstanding.

Volatility. For grants issued in periods in which the Company did not have significant trading history for the Company’s common stock, the Company determined the price volatility based on the historical volatilities of a publicly traded peer group based on daily price observations over a period equivalent to the expected term of the stock option grants. For grants issued in periods in which the Company has sufficient history, the computation of the expected volatility assumption is based on the historical volatility of the Company’s common stock.

Dividend Yield. The dividend yield assumption is based on the Company’s history and current expectations of dividend payouts. The Company has never declared or paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future, so the Company used an expected dividend yield of zero.

Determining the fair value of stock-based awards using a pricing model requires judgment. The Company’s use of the Black-Scholes option-pricing model requires the input of subjective assumptions such as the expected term of the award, the expected volatility of the price of the Company’s common stock, risk-free interest rates, and the expected dividend yield of the Company’s common stock. The assumptions used in the Company’s valuation model represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, the Company’s stock-based compensation expense could be materially different in the future.

Income Taxes

Deferred income tax assets and liabilities are determined based upon the net tax effects of the differences between the Company’s consolidated financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed.

A valuation allowance is used to reduce some or all of the deferred tax assets if, based upon the weight of available evidence, it is more likely than not that those deferred tax assets will not be realized. The Company has established a full valuation allowance to offset its domestic net deferred tax assets due to the uncertainty of realizing future tax benefits from the net operating loss carryforwards and other deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. The Company recognizes interest and penalties accrued related to its uncertain tax positions in its income tax provision (benefit) in the consolidated statements of operations.

Capital Stock

The Company has authorized capital stock of 500,000,000 shares of common stock and 10,000,000 shares of preferred stock. The Company has issued common stock, which is included in outstanding common stock on the Company's consolidated balance sheets. During 2021, the Company also repurchased shares of common stock, which was recorded as treasury stock on the Company's consolidated balance sheets. The Company has not issued any shares of its preferred stock subsequent to the Company's initial public offering ("IPO") and does not have any preferred stock outstanding.

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient to affect the conversion of all shares granted and available for grant under the Company’s stock award plans. The number of shares of the Company's stock reserved for these purposes at December 31, 2021 was 28,574,088.

The board of directors is authorized to establish, from time to time, the number of shares to be included in each series of preferred stock, and to fix the designation, powers, privileges, preferences, and relative participating, optional or other rights, if any, of the shares of each series of preferred stock, and any of its qualifications, limitations or restrictions.

Net Income (Loss) Per Share Attributable to Common Stockholders

Basic net income (loss) per share of common stock is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding. Diluted income (loss) per share attributable to common stockholders adjusts the basic weighted-average number of shares of common stock outstanding for the effect of potentially dilutive securities during the period. Potentially dilutive securities consist of stock options, restricted stock awards, restricted stock units, potential shares issuable under the Company's Employee Stock Purchase Plan ("ESPP"), shares held in escrow, potential shares issuable as part of contingent consideration as a result of business combinations, and potential shares issuable as part of the Convertible Senior Notes. For purposes of this calculation, potentially dilutive securities are excluded from the calculation of diluted net income (loss) per share if their effect is anti-dilutive.

Comprehensive Income (Loss)

Comprehensive income (loss) encompasses all changes in equity other than those arising from transactions with stockholders, and consists of net income (loss), unrealized gains (losses) on investments and foreign currency translation adjustments.

Cash and Cash Equivalents

The Company invests excess cash primarily in money market funds, corporate debt securities, and highly liquid debt instruments of the U.S. government and its agencies. The Company classifies investments held in money market funds as cash equivalents because the money market funds have weighted-average maturities at the date of purchase of less than 90 days. Investments held in U.S. government and agency bonds and corporate debt securities with stated maturities of less than one year are classified as short-term investments included in marketable securities and prepaid expenses and other current assets. Investments held in U.S. government and agency bonds and corporate debt securities with stated maturities of over a year are classified as long-term investments included in other assets, non-current on the Company’s consolidated balance sheets, as the Company does not expect to redeem or sell these securities within one year from the balance sheet date.

The Company determines the appropriate classification of investments in marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company classifies and accounts for the Company’s marketable securities as available-for-sale, and as a result carries the securities at fair value and reports the unrealized gains and losses in the consolidated statements of comprehensive income (loss) and as a component of stockholders’ equity. The Company determines any realized gains or losses on the sale of marketable securities on a specific identification method, and the Company records such gains and losses as a component of other income, net on the Company’s consolidated statements of operations.

Restricted Cash

The Company classifies certain restricted cash balances within prepaid expenses and other current assets and other assets, non-current on the consolidated balance sheets based upon the term of the remaining restrictions. At December 31, 2021 and 2020, the Company had restricted cash of $0.3 million and $0.1 million, respectively.

Accounts Receivable Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, are unsecured, and do not bear interest. The allowance for doubtful accounts is based on the best estimate of the amount of probable credit losses in existing accounts receivable. The allowance for doubtful accounts is determined based on historical collection experience and the review in each period of the status of the then-outstanding accounts receivable, while taking into consideration current client information, subsequent collection history and other relevant data. The Company reviews the allowance for doubtful accounts on a quarterly basis. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

Property and Equipment, Net

Property and equipment, which includes amounts recorded under finance leases, are recorded at historical cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives of the Company's property and equipment are as follows:

	Years
Computer equipment and network hardware	3
Furniture, fixtures and office equipment	5 to 7
Leasehold improvements	Shorter of useful life or life of lease
Network hardware under right-of-use finance arrangements	Shorter of useful life or life of lease

Repair and maintenance costs are charged to expense as incurred, while renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Company's results of operations.

Internal Use Software Development Costs

The Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to the Company's technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in technology and development expenses in the results of operations.

Software development activities generally consist of three stages, (i) the planning stage, (ii) the application and infrastructure development stage, and (iii) the post implementation stage. Costs incurred in the planning and post implementation stages of software development, including costs associated with the post-configuration training and repairs and maintenance of the developed technologies, are expensed as incurred. The Company capitalizes costs associated with software developed for internal use when the planning stage is completed, management has authorized further funding for the completion of the project, and it is probable that the project will be completed and perform as intended. Costs incurred in the application and infrastructure development stages, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete and the software and technologies are ready for their intended purpose. Internal use software development costs are amortized using a straight-line method over the estimated useful life of three years, commencing when the software is ready for its intended use. The straight-line recognition method approximates the manner in which the expected benefit will be derived.

The Company does not transfer ownership of its software, or lease its software, to third parties.

Capitalized Costs Incurred in Cloud Computing Arrangements

Cloud computing arrangements, such as software as a service and other hosting arrangements, are evaluated for capitalized implementation costs in a similar manner as capitalized software development costs. If a cloud computing arrangement includes a software license, the software license element of the arrangement is accounted for in a manner consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the service element of the arrangement is accounted for as a service contract. The Company capitalized certain implementation costs for its cloud computing arrangements that are service contracts, which are included within prepaid expenses and other current assets and other assets, non-current within the consolidated balance sheets. The Company amortizes capitalized implementation costs in a cloud computing arrangement over the life of the service contract, which generally is three years.

Intangible Assets

Intangible assets primarily consist of acquired developed technology, client relationships, and non-compete agreements resulting from business combinations, which are recorded at acquisition-date fair value, less accumulated amortization. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using a straight-line method, which approximates the pattern in which the economic benefits are consumed.

The Company's intangible assets are being amortized over their estimated useful lives as follows:

	Years
Developed technology	5
In-process research and development	3 to 5
Customer relationships	2 to 4
Backlog	0.75
Non-compete agreements	1 to 2
Other intangible assets	0.25 to 1.5

Intangible assets are reviewed for impairment indicators at least annually and whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. For intangible assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. The Company measures the impairment loss based on the difference between the carrying amount and estimated fair value.

Impairment of Long-Lived Assets including Internal Use Capitalized Software Costs

The Company assesses the recoverability of its long-lived assets when events or changes in circumstances indicate their carrying value may not be recoverable. Such events or changes in circumstances may include: a significant adverse change in the extent or manner in which a long-lived asset is being used, significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company assesses recoverability of a long-lived asset by determining whether the carrying value of the asset group can be recovered through projected undiscounted cash flows over their remaining lives. If the carrying value of the asset group exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying amount exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment.

Business Combinations

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of acquisition. The Company allocates the purchase price of a business combination, which is the sum of the consideration provided, which may consist of cash, equity or a combination of the two, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates and selection of comparable companies.

When the Company issues stock-based or cash awards to an acquired company's stockholders, the Company evaluates whether the awards are contingent consideration or compensation for post-business combination services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

The Company estimates the fair value of intangible assets acquired generally using a discounted cash flow approach, which includes an analysis of the future cash flows expected to be generated by the asset and the risk associated with achieving these cash flows. The key assumptions used in the discounted cash flow model include the discount rate that is applied to the forecasted future cash flows to calculate the present value of those cash flows and the estimate of future cash flows attributable to the acquired intangible asset, which include revenue, expenses and taxes. The carrying value of acquired working capital assets and liabilities approximates its fair value, given the short-term nature of these assets and liabilities.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the aggregate fair value of the consideration transferred in a business combination over the fair value of the assets acquired, net of liabilities assumed. Goodwill is not amortized, but is subject to impairment testing conducted annually during the fourth quarter or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

In accordance with guidance related to impairment testing, the Company has the option to first assess qualitative factors to determine whether or not it is necessary to perform the quantitative goodwill impairment test. If the qualitative assessment option is not elected, or if the qualitative assessment indicates that it is more likely than not that the fair value is less than its carrying amount, a quantitative analysis is then performed. The quantitative analysis, if performed, compares the estimated fair value of the Company with its respective carrying amount, including goodwill. If the estimated fair value of the Company exceeds its carrying amount, including goodwill, goodwill is considered not to be impaired and no additional steps are necessary. If the fair value is less than the carrying amount, including goodwill, then an impairment adjustment must be recorded up to the carrying amount of goodwill.

The Company operates as a single operating segment and has identified a single reporting unit.

Operating and Finance Leases

The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company's classes of assets that are leased include office facilities, data centers, and equipment. The Company has elected not to recognize short-term leases on the balance sheet, nor separate lease and non-lease components for data center leases. In addition, the Company utilized the portfolio approach to group leases with similar characteristics together.

For identified leases, the Company used its incremental borrowing rate to discount the related future payment obligations, which represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company records rent expense for operating leases, including leases of office locations, data centers, and equipment, on a straight-line basis over the lease term. The straight-line calculation of rent expense includes rent escalations on certain leases, as well as lease incentives provided by the landlords, including payments for leasehold improvements and rent-free periods. The Company begins recognition of rent expense on the commencement date, which is generally the date that the asset is made available for use. Lease liability, which represents the present value of the Company's obligation related to the estimated future lease payments, is included in lease liabilities, current and lease liabilities, non-current within the consolidated balance sheets. These liability balances are reduced as lease related payments are made. For operating leases, the right of use ("ROU") asset is amortized on a periodic basis over the expected term of the lease (see Note 16). Finance leases are included in property and equipment, net on the consolidated balance sheets.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash equivalents, accounts receivable, accounts payable, accrued expenses, and seller payables approximate fair value due to the short-term nature of these instruments. Certain assets of the Company are recorded at their fair value, using the fair value hierarchy, on a recurring basis, and other assets and liabilities, including goodwill and intangible assets are subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review (see Note 5).

Concentration of Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, restricted cash and accounts receivable. Cash and cash equivalents maintained with financial institutions exceed applicable federally insured limits.

Accounts receivable include amounts due from buyers with principal operations primarily in the United States. The Company performs ongoing credit evaluations of its buyers.

At December 31, 2021, two buyers accounted for 44% and 10% respectively, of consolidated accounts receivable. At December 31, 2020, two buyers accounted for 33% and 12%, respectively, of accounts receivable.

The Company recognizes revenue from its contracts with sellers. No seller of advertising inventory accounted for 10% or more of revenue during the years ended December 31, 2021, 2020, and 2019.

At December 31, 2021, one seller of advertising inventory accounted for 21% of accounts payable and at December 31, 2020, one seller of advertising inventory accounted for 18% of accounts payable.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated into the functional currency of the applicable entity at the rates of exchange in effect at the date of the transaction. Foreign exchange gains or losses were included in foreign exchange (gain) loss, net in the accompanying consolidated statements of operations. To the extent that the functional currency is different from the U.S. Dollar, the financial statements have then been translated into U.S. Dollars using period-end exchange rates for assets and liabilities and average exchange rates for the results of operations. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets.

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12—*Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in Topic 740 and clarifies and amends existing guidance for clarity and consistent application. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020 including interim reporting periods within those fiscal years. The Company adopted ASU 2019-12 as of January 1, 2021. The standard did not have a material impact on its consolidated financial statements and related disclosures.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* ("ASU 2020-01"), which clarifies the interaction of the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. This guidance is effective for fiscal years beginning after December 15, 2020, including interim reporting periods within those fiscal years. The Company adopted ASU 2020-01 as of January 1, 2021. The standard did not have a material impact on its consolidated financial statements and related disclosures.

On January 1, 2021, the Company adopted ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (ASU "2020-06") on a prospective basis, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments that require separating embedded conversion features from convertible instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The adoption of this standard is included in the financial statements as of and for the year ended December 31, 2021. Refer to Note 18—"Debt" for additional information related to accounting for convertible debt issued during the year.

Recent Accounting Pronouncements Not Yet Adopted

In July 2021, the FASB issued Update No. 2021-05, Leases (Topic 842)—*Lessors – Certain Leases with Variable Lease Payments* ("ASU 2021-05"). ASU 2021-05 requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease if specified criteria are met. This guidance will be effective on January 1, 2022, either retrospectively to leases that commenced or were modified on or after our adoption of ASU 2016-02 on January 1, 2019, or on a prospective basis, with early adoption permitted. The Company will adopt this standard prospectively and does not expect the adoption of this guidance to have a material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805) – *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for the Company beginning in the first quarter of 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not expected to have a material impact on our present or future consolidated financial statements.

Note 3—Net Income (Loss) Per Share

The following table presents the basic and diluted net income (loss) per share:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands, except per share amounts)		
Basic Income (Loss) Per Share:			
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Weighted-average common shares outstanding	126,294	96,700	52,634
Weighted-average unvested restricted shares	—	—	(20)
Weighted-average common shares outstanding used to compute net income (loss) per share	126,294	96,700	52,614
Basic net income (loss) per share	$ —	$ (0.55)	$ (0.48)
Diluted Income (Loss) Per Share:			
Net income (loss)	$ 65	$ (53,432)	$ (25,478)
Denominator adjustment:			
Weighted-average common shares used in basic EPS	126,294	96,700	52,614
Dilutive effect of weighted-average common stock options	4,435	—	—
Dilutive effect of weighted-average performance stock units	197	—	—
Dilutive effect of weighted-average restricted stock units	5,294	—	—
Dilutive effect of weighted-average ESPP shares	41	—	—
Weighted-average shares used to compute diluted net income (loss) per share	136,261	96,700	52,614
Diluted net income (loss) per share	$ —	$ (0.55)	$ (0.48)

The following weighted-average shares have been excluded from the calculation of diluted net income (loss) per share attributable to common stockholders for each period presented because they are anti-dilutive:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Options to purchase common stock	—	2,317	793
Unvested restricted stock awards	—	—	13
Unvested restricted stock units	—	4,713	4,211
Unvested performance awards	—	40	—
ESPP shares	—	50	34
Convertible Senior Notes	4,940	—	—
Total shares excluded from net income (loss) per share	4,940	7,120	5,051

For the year ended December 31, 2021, diluted shares used to compute diluted earnings per share included outstanding performance stock units granted during April 2020, April 2021, and August 2021 based on a current achievement level of 150%, 0%, and 0%, respectively. Refer to Note 13—"Stock-Based Compensation" for additional information related to performance stock units.

For the year ended December 31, 2021, diluted shares used to compute diluted earnings per share excluded the shares that would be issuable assuming conversion of all of the Convertible Senior Notes (as defined in Note 18) because they are anti-dilutive. Diluted earnings per share for the Convertible Senior Notes is calculated under the if-converted method in accordance with ASC 260, *Earnings Per Share*. The Convertible Senior Notes have an initial conversion rate of 15.6539 shares of common stock per $1,000 principal amount of the Convertible Senior Notes, which will be subject to anti-dilution adjustments in certain circumstances. As of December 31, 2021, the number of shares that would be issuable assuming conversion of all of the Convertible

Senior Notes is approximately 6,261,560. Refer to Note 18—"Debt" for additional information related to accounting for Convertible Senior Notes issued and associated Capped Call Transactions.

Note 4—Revenues

For the majority of transactions on the Company's platform, the Company reports revenue on a net basis as it does not act as the principal in the purchase and sale of digital advertising inventory because it does not have control of the digital advertising inventory and does not set prices agreed upon within the auction marketplace. For certain advertising campaigns that are transacted through insertion orders, the Company reports revenue on a gross basis, based primarily on its determination that the Company acts as the primary obligor in the delivery of advertising campaigns for buyers with respect to such transactions.

For periods prior to the SpotX Acquisition, revenue reported on a gross basis was generally less than 3% of the Company's total revenue. As a result of the SpotX Acquisition, an increased percentage of the Company's revenue is reported on a gross basis. The following table presents our revenue recognized on a net basis and on a gross basis for the years ended December 31, 2021, 2020, and 2019:

	Year Ended					
	December 31, 2021		December 31, 2020		December 31, 2019	
	(in thousands, except percentages)					
Revenue:						
Net basis	$ 389,358	83 %	$ 218,222	98 %	$ 156,414	100 %
Gross basis	79,055	17	3,406	2	—	—
Total	$ 468,413	100 %	$ 221,628	100 %	$ 156,414	100 %

The following table presents our revenue by channel for the years ended December 31, 2021, 2020, 2019:

	Year Ended					
	December 31, 2021		December 31, 2020		December 31, 2019	
	(in thousands, except percentages)					
Channel:						
CTV	$ 185,254	40 %	$ 34,319	15 %	$ —	— %
Desktop	118,182	25	78,956	36	68,302	44
Mobile	164,977	35	108,353	49	88,112	56
Total	$ 468,413	100 %	$ 221,628	100 %	$ 156,414	100 %

The following table presents the Company's revenue disaggregated by geographic location, based on the location of the Company's sellers:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
United States	$ 365,161	$ 161,570	$ 108,385
International	103,252	60,058	48,029
Total	$ 468,413	$ 221,628	$ 156,414

Payment terms are specified in agreements between the Company and the buyers and sellers on its platform. The Company generally bills buyers at the end of each month for the full purchase price of impressions filled in that month. The Company recognizes volume discounts as a reduction of revenue as they are incurred. Specific payment terms may vary by agreement, but are generally seventy-five days or less. The Company's accounts receivable are recorded at the amount of gross billings to buyers, net of allowances for the amounts the Company is responsible to collect. The Company's accounts payable related to amounts due to sellers are recorded at the net amount payable to sellers (see Note 11). Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

Accounts receivable are recorded at the invoiced amount, are unsecured, and do not bear interest. The allowance for doubtful accounts is reviewed quarterly, requires judgment, and is based on the best estimate of the amount of probable credit losses in existing accounts receivable. The Company reviews the status of the then-outstanding accounts receivable on a customer-by-customer basis, taking into consideration the aging schedule of receivables, its historical collection experience, current information regarding the client, subsequent collection history, and other relevant data, in establishing the allowance for doubtful accounts. Accounts receivable is presented net of an allowance for doubtful accounts of $3.5 million at December 31, 2021, and $2.4 million at December 31, 2020. Accounts receivable are written off against the allowance for doubtful accounts when the Company determines amounts are no longer collectible.

The Company reviews the associated payable to sellers for recovery of buyer receivable allowance and write-offs; in some cases, the Company can reduce the payable to sellers. The reduction of seller payables related to recovery of uncollected buyer receivables is netted against allowance expense. The contra seller payables related to recoveries were $2.1 million and $1.5 million as of December 31, 2021 and December 31, 2020, respectively.

The following is a summary of activity in the allowance for doubtful accounts for the years ended December 31, 2021, 2020, and 2019, respectively:

	Year Ended		
	December 31, 2021	**December 31, 2020**	**December 31, 2019**
		(in thousands)	
Allowance for doubtful accounts, Beginning Balance	$ 2,360	$ 3,400	$ 1,340
Allowance for doubtful accounts, assumed from mergers or acquisitions	835	1,033	—
Write-offs	(337)	(3,054)	(3,282)
Increase in provision for expected credit losses	597	870	5,328
Recoveries of previous write-offs	20	111	14
Allowance for doubtful accounts, December 31	$ 3,475	$ 2,360	$ 3,400

During the year ended December 31, 2021, 2020, and 2019, the provision for expected credit losses associated with accounts receivable and the offset by increases of contra seller payables related to recoveries of uncollected buyer receivables resulted in a net amount of bad debt each year. During the year ended December 31, 2021, the provision for expected credit losses associated with accounts receivable of $0.6 million was offset by increases of contra seller payables related to recoveries of uncollected buyer receivables of $0.5 million, which resulted in an immaterial amount of bad debt expense. During the year ended December 31, 2020, the provision for expected credit losses associated with accounts receivable of $0.9 million was offset by increases of contra seller payables related to recoveries of uncollected buyer receivables of $1.0 million, which resulted in $0.1 million of bad debt recoveries. During the year ended December 31, 2019, the provision for expected credit losses associated with accounts receivable of $5.3 million was offset by increases of contra seller payables related to recoveries of uncollected buyer receivables of $4.1 million, which resulted in bad debt expense of $1.2 million.

Note 5—Fair Value Measurements

Recurring Fair Value Measurements

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are based on market data obtained from independent sources. The fair value hierarchy is based on the following three levels of inputs, of which the first two are considered observable and the last one is considered unobservable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Cash equivalents	$ 7,869	$ 7,869	$ —	$ —

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Cash equivalents	$ 7,868	$ 7,868	$ —	$ —

At December 31, 2021 and 2020, cash equivalents of $7.9 million and $7.9 million, respectively, consisted of money market funds and commercial paper, with original maturities of three months or less. The carrying amounts of cash equivalents are classified as Level 1 or Level 2 depending on whether or not their fair values are based on quoted market prices for identical securities that are traded in an active market.

At December 31, 2021, the Company had Convertible Senior Notes (as defined in Note 18) included in its balance sheet. The estimated fair value of the Company's Convertible Senior Notes was $315.5 million as of December 31, 2021. The estimated fair value of Convertible Senior Notes is based on market rates and the closing trading price of the Convertible Senior Notes as of December 31, 2021 and is classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended December 31, 2021 and 2020.

Note 6—Investments

The Company had no investments in marketable securities at December 31, 2021 and December 31, 2020.

During the year ended December 31, 2019, $7.5 million of available-for-sale investments matured, on which the realized gains were de minimis and there were no unrealized holding gains (losses) reclassified out of accumulated other comprehensive loss into the consolidated statements of operations. The Company had no sales of available-for-sale investments in 2019.

Note 7—Property and Equipment

Major classes of property and equipment were as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Purchased software	$ 1,214	$ 1,255
Computer equipment and network hardware	124,907	115,740
Furniture, fixtures and office equipment	3,476	2,289
Leasehold improvements	3,307	2,738
Gross property and equipment	132,904	122,022
Accumulated depreciation	(98,837)	(98,341)
Net property and equipment	$ 34,067	$ 23,681

Depreciation expense on property and equipment totaled $16.1 million, $16.0 million, and $21.3 million for the years ended December 31, 2021, 2020, and 2019, respectively. There were no impairment charges to property and equipment for the years ended December 31, 2021, 2020, and 2019.

As part of the April 30, 2021 acquisition of SpotX, the Company acquired finance leases related primarily to network hardware. The accumulated depreciation related to assets under finance leases was approximately $0.5 million as of December 31, 2021, and was included in depreciation expense when recognized. See Note 16 for more information regarding the related finance lease obligation.

The Company's property and equipment, net by geographical region was as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
United States	$ 23,495	$ 13,504
International	10,572	10,177
Total	$ 34,067	$ 23,681

Note 8—Internal Use Software Development Costs

Internal use software development costs were as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Internal use software development costs, gross	62,490	$ 51,277
Accumulated amortization	(42,397)	(35,117)
Internal use software development costs, net	$ 20,093	$ 16,160

During the years ended December 31, 2021, 2020, and 2019, the Company capitalized $12.9 million, $9.2 million, and $9.0 million, respectively, of internal use software development costs. Amortization expense was $9.0 million, $8.3 million, and $7.5 million for the years ended December 31, 2021, 2020, and 2019, respectively. In the years ended December 31, 2021, 2020, and 2019, amortization expense included the write-off of software development costs of $0.1 million, $0.1 million, and $0.5 million, in the respective periods, related to the abandonment of the associated projects. Based on the Company's internal use software development costs at December 31, 2021, excluding projects that are not ready for their intended use with a value of $4.7 million, estimated amortization expense of $8.4 million, $5.0 million, and $2.0 million is expected to be recognized in 2022, 2023, and 2024, respectively.

There were no impairment charges to internal use software development costs for the years ended December 31, 2021, 2020 and 2019 with the exception of the write-offs mentioned above.

Note 9—Goodwill, Intangible Assets, and Capitalized Costs Incurred in Cloud Computing Arrangements

Details of the Company's goodwill were as follows (in thousands):

	Total
Beginning balance at December 31, 2019	$ 7,370
Additions for Merger with Telaria (Note 10)	150,755
Ending balance at December 31, 2020	158,125
Additions for Acquisition of SpotX (Note 10)	782,831
Additions for Acquisition of SpringServe (Note 10)	24,156
Additions for Acquisition of Nth Party (Note 10)	4,761
Ending balance at December 31, 2021	$ 969,873

The Company's intangible assets as of December 31, 2021 and 2020 included the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
Amortizable intangible assets:		
Developed technology	$ 378,958	$ 77,658
Customer relationships	173,950	37,950
In-process research and development	14,630	8,030
Non-compete agreements	2,270	70
Trademarks	1,400	—
Total identifiable intangible assets, gross	571,208	123,708
Accumulated amortization—intangible assets:		
Developed technology	(75,850)	(21,905)
Customer relationships	(65,702)	(11,877)
In-process research and development	(1,250)	—
Non-compete agreements	(1,197)	(42)
Trademarks	(594)	—
Total accumulated amortization—intangible assets	(144,593)	(33,824)
Total identifiable intangible assets, net	$ 426,615	$ 89,884

Amortization of intangible assets for the years ended December 31, 2021, 2020, and 2019 was $121.9 million, $24.9 million, and $3.3 million, respectively. For the years ended December 31, 2021, 2020, and 2019 the Company wrote off fully amortized intangible assets with a historical cost of $11.1 million, $1.1 million and $0.7 million, respectively.

The estimated remaining amortization expense associated with the Company's intangible assets was as follows as of December 31, 2021:

Fiscal Year	Amount
	(in thousands)
2022	$ 148,541
2023	103,173
2024	85,298
2025	67,748
2026	21,855
Thereafter	—
Total	$ 426,615

During the years ended December 31, 2021 and 2020, the Company capitalized $0.8 million and $0.9 million, respectively, related to cloud computing arrangements. These costs are related to arrangements for infrastructure as a service, platform as a service, and software as a service. As of December 31, 2021 and 2020, capitalized costs associated with these arrangements are included within prepaid expenses and other current assets in the amounts of $0.5 million and $0.7 million, respectively, and within other assets, non-current in the amounts of $0.7 million and $0.2 million, respectively. The amortization of these agreements was $0.4 million for the year ended December 31, 2021 and an insignificant amount for the year ended December 31, 2020.

The Company's qualitative assessment in the fourth quarter of 2021 did not indicate that it is more likely than not that the fair value of its goodwill, intangible assets, and other long-lived assets is less than the aggregate carrying amount.

Note 10—Business Combinations

2020 Merger—Telaria

On April 1, 2020, (the "Acquisition Date"), the Company completed the merger with Telaria. Upon completion of the Telaria Merger, each share of Telaria common stock issued and outstanding was converted into 1.082 shares of Magnite common stock. As a result, the Company issued 52,098,945 shares of Magnite common stock. In connection with the Telaria Merger, Magnite also assumed Telaria's 2013 Equity Incentive Plan, as amended; 2008 Stock Plan, as amended; and the ScanScout, Inc. 2009 Equity Incentive Plan, as amended.

As of the Acquisition Date, former holders of Telaria common stock owned approximately 48% and pre-merger holders of Magnite common stock owned approximately 52% of the common stock of the combined company on a fully diluted basis.

As part of the Telaria Merger, existing outstanding restricted stock units of Telaria common stock and stock options to purchase common stock of Telaria were exchanged for 1.082 restricted stock units of the Company and options to purchase the Company's common stock, respectively. The fair value of stock options exchanged on the date of the Telaria Merger attributable to pre-acquisition services was recorded as purchase consideration. The fair value of the restricted stock units and stock options exchanged on the date of the Telaria Merger attributable to post-acquisition services will be recorded as additional stock-based compensation expense in the Company's consolidated statements of operations over their remaining requisite service (vesting) periods.

The following table summarizes the total purchase consideration (in thousands):

Shares of Magnite common stock	$	274,604
Fair value of stock-based awards exchanged		11,646
Acceleration of single trigger equity awards, converted		1,168
Total purchase consideration	$	287,418

The purchase consideration for the acquisition included 52,008,316 shares of the Company's common stock with a fair value of approximately $274.6 million, based on the Company's stock price as reported on the NYSE on the Acquisition Date. The fair value of stock options and restricted stock units exchanged on the Acquisition Date attributable to pre-acquisition services of approximately $10.4 million and $1.2 million, respectively, have been recorded as purchase consideration. In addition, the Company recorded additional purchase consideration associated with acceleration of 90,629 shares of common stock issued associated with single-trigger equity awards in the amount of $1.2 million.

The fair value of stock options and restricted stock units exchanged on the Acquisition Date attributable to post-acquisition services of $4.7 million and $12.2 million, respectively, will be recorded as additional stock-based compensation expense on the Company's consolidated statements of operations over their remaining requisite service (vesting) periods.

The fair value of the purchase price was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition as set forth below (in thousands):

Cash and cash equivalents	$	51,848
Accounts receivable, net		150,924
Prepaid expenses and other current assets		3,054
Property and equipment, net		1,814
Right-of-use lease asset		26,627
Intangible assets		103,410
Restricted cash		2,747
Other assets, non-current		369
Deferred tax assets, non-current		103
Goodwill		150,755
Total assets acquired		491,651
Accounts payable and accrued expenses		172,751
Lease liabilities - current portion		5,322
Deferred revenue		11
Other current liabilities		365
Lease liabilities - non-current portion		23,323
Other liabilities, non-current		194
Deferred tax liability		2,267
Total liabilities assumed		204,233
Total purchase price	$	287,418

The Company believes the amount of goodwill resulting from the purchase price allocation is primarily attributable to expected synergies from assembled workforce, an increase in development capabilities, increased offerings to customers, and enhanced opportunities for growth and innovation. Goodwill will not be amortized but instead will be tested for impairment at least annually or more frequently if certain indicators of impairment are present. In the event that goodwill has become impaired, the Company will record an expense for the amount impaired during the quarter in which the determination is made. The acquired intangibles and goodwill resulting from the Telaria Merger are not amortizable for tax purposes.

The following table summarizes the components of the intangible assets and estimated useful lives as of the Acquisition Date (dollars in thousands):

			Estimated Useful Life
Technology	$	58,000	5 years
In-process research and development		8,030	4.7 years*
Customer relationships		36,300	2.5 years
Backlog		880	0.75 years
Trademarks		200	0.25 years
Total intangible assets acquired	$	103,410	

* In-process research and development consists of two projects with a weighted-average useful life of 4.7 years. Amortization begins once associated projects are completed and it is determined the projects have alternative future use.

The fair value of the acquired technology and in-process research and development was valued using The Revenue Split Method. This methodology included allocating future revenue projections to the existing technologies and applying decay rates and appropriate discount rates that reflect the respective intangible asset's relative risk profile when compared to other intangible assets as well as considering the risk associated with the overall business.

At the Acquisition Date, Telaria had existing Customer Relationships. To the extent that future cash flows of the business would be negatively affected in the absence of these relationships, they would be deemed to have economic value. The Company used the Loss-of-Revenue and Income Method in its valuation of the existing Customer Relationships. This method attempts to quantify the scenario whereby the owner loses the right to the intangible asset and the resulting losses of revenue and income. Under this analysis, the value of the cash flows with the intangible asset is compared to the value of the cash flows without the intangible asset and the difference represents the value of the intangible asset. This methodology included applying a discount rate and the expected timing it would take to further enhance customer relationships.

The fair value of the backlog was based on the Excess Earnings Model, taking into consideration the existing contracts as of the Acquisition Date and the respective cost to complete the servicing of the existing agreements. The resulting stream of after tax earnings were discounted to present value by applying an appropriate discount rate for the asset. The discount rate was selected based on the intangible asset’s relative risk profile when compared to the other intangible assets as well as the discount rate for the overall business.

Intangible assets are generally amortized on a straight-line basis, which approximates the pattern in which the economic benefits are consumed, over their estimated useful lives. Amortization of developed technology is included in cost of revenues and the amortization of customer relationships, backlog, and trademarks is included in sales and marketing expenses in the consolidated statements of operations. Once the projects associated with acquired in-process research and development are completed, amortization will be included in cost of revenues in the consolidated statements of operations. The intangible assets generated in the Telaria Merger are not tax deductible.

As such, as part of the Telaria Merger, deferred tax liabilities were established, which were fully offset by the estimated income tax effect of the partial release of Telaria's valuation allowance.

The Company recognized approximately $17.6 million of acquisition related costs during the year ended December 31, 2020 (see Note 14). In addition, as part of the Telaria Merger, the Company acquired Telaria's U.S. federal NOLs of approximately $126.1 million and state NOLs of approximately $87.6 million. Pursuant to Section 382 of the Internal Revenue Code, Telaria, Inc. underwent an ownership change for tax purposes. As a result, the use of the NOLs will be subject to annual Section 382 use limitations. The Company believes the ownership change will not impact the Company's ability to utilize substantially all of the NOLs to the extent it generates taxable income that can be offset by such losses.

Unaudited Pro Forma Information

The following table provides unaudited pro forma information as if Telaria had been merged with the Company as of January 1, 2019. The unaudited pro forma information reflects adjustments for additional amortization resulting from the fair value adjustments to assets acquired and liabilities assumed, adjustments for alignment of accounting policies, and transaction expenses as if the Telaria Merger occurred on January 1, 2019. The pro forma results do not include any anticipated cost synergies or other effects of the integration merged companies. Accordingly, pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the dates indicated, nor is it indicative of the future operating results of the combined company.

	Year Ended	
	December 31, 2020	December 31, 2019
	(in thousands)	
Pro Forma Revenue	$ 236,666	$ 224,452
Pro Forma Net Loss	$ (64,030)	$ (78,585)

During the year ended December 31, 2020, post-merger revenue on a stand-alone basis for Telaria was $60.1 million. During the year ended December 31, 2020, due to the process of integrating the operations of Telaria into the operations of the Company, the determination of Telaria's post-merger operating results on a standalone basis was impracticable.

2021 Acquisition—SpotX

On April 30, 2021, the Company completed the SpotX Acquisition, pursuant to a Stock Purchase Agreement, dated as of February 4, 2021 (the "Purchase Agreement"), by and between the Company and RTL US Holdings, Inc. ("RTL"). The initial purchase price for the SpotX Acquisition was $560 million in cash ("Cash Consideration") and 14,000,000 shares of the Company's common stock. Per the terms of the Purchase Agreement, at the completion of the Company’s offering of its Convertible Senior Notes, RTL elected to increase the Cash Consideration by an amount equal to 20% of the gross proceeds of the Convertible Senior Notes (which amount was equal to $80 million) and to reduce the number of shares of common stock it would otherwise receive by a number of shares of common stock equal to 20% of the gross proceeds of the proposed offering of notes ($80 million) divided by the closing price of a share of our common stock on the trading day immediately prior to the date of pricing of the proposed offering of notes ($49.21). As a result of this election, the adjusted purchase price was $1.1 billion, prior to customary working capital adjustments and other adjustments, consisting of $640.0 million in cash plus 12,374,315 shares of common stock (based on the fair value of the Company's common stock on April 30, 2021). The Cash Consideration is subject to customary working capital and other adjustments. The working capital was approximately $65.2 million, including cash balances acquired and other working capital adjustments, resulting in a total purchase price of $1.2 billion. The Company financed the Cash Consideration through borrowings under the Term Loan B Facility and the Convertible Senior Notes (Note 18).

In accordance with ASC 805, the Company recorded the acquisition based on the fair value of the consideration transferred and then allocated the purchase price to the identifiable assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. The excess of the value of consideration transferred over the aggregate fair value of those net assets was recorded as goodwill. Any identified definite lived intangible assets will be amortized over their estimated useful lives and any identified intangible assets with indefinite useful lives and goodwill will not be amortized but will be tested for impairment at least annually. All intangible assets and goodwill will be tested for impairment when certain indicators are present. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates, and selection of comparable companies.

Management's purchase price allocation is preliminary and subject to change pending finalization of the valuation, including finalization of tax attributes and tax related liabilities. Under the acquisition method of accounting for business combinations, if the Company identifies changes to acquired deferred tax asset ("DTA") valuation allowances or liabilities related to uncertain tax positions during the measurement period, and they are related to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement-period adjustment, and the Company will record the offset to goodwill. The Company records all other changes to DTA valuation allowances and liabilities related to uncertain tax positions in current- period income tax expense.

For purposes of measuring the estimated fair value, where applicable, of the assets acquired and the liabilities assumed, the Company has applied the guidance in ASC 820, Fair Value Measurement, which establishes a framework for measuring fair value. In accordance with ASC 820, fair value is an exit price and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Under ASC 805, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred.

The following table summarizes the total purchase consideration (in thousands):

Cash Consideration	$	640,000
Stock Consideration (Fair Value of Shares of Magnite common stock)		495,591
Working capital adjustment		65,152
Total purchase consideration	$	1,200,743

The purchase consideration for the SpotX Acquisition included 12,374,315 shares of the Company's common stock with a fair value of approximately $495.6 million, based on the close price of the Company's common stock at closing on April 30, 2021, which was $40.05 per share, and working capital adjustment of $65.2 million, mainly consisting of cash balances acquired on the date of the SpotX Acquisition and other opening balance sheet adjustments.

During the three months ended December 31, 2021, the Company adjusted the preliminary purchase price allocation for SpotX based on updated fair values associated with the acquired assets and liabilities. Adjustments primarily impacted acquisition related tax accruals, deferred tax liabilities and classification of lease assets.

The fair value of the purchase price was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values as of the date of the SpotX Acquisition as set forth below (in thousands):

Cash	$	81,967
Restricted cash		199
Accounts receivable		199,649
Prepaid and other assets, current		12,308
Fixed assets		6,823
Intangible assets		429,600
Right-of-use lease asset		10,055
Goodwill		782,831
Total assets to be acquired		1,523,432
Accounts payable and accrued expenses		205,913
Other current liabilities		1,112
Lease liabilities		12,625
Deferred tax liability, net		103,039
Total liabilities to be assumed		322,689
Total purchase price	$	1,200,743

The Company believes the amount of goodwill resulting from the purchase price allocation is primarily attributable to expected synergies from the assembled workforce, an increase in development capabilities, increased offerings to customers, and enhanced opportunities for growth and innovation. Goodwill will not be amortized but instead will be tested for impairment at least annually or more frequently if certain indicators of impairment are present. In the event that goodwill has become impaired, the Company will record an expense for the amount impaired during the quarter in which the determination is made. The acquired intangibles and goodwill resulting from the SpotX Acquisition are not amortizable for tax purposes.

The following table summarizes the components of the intangible assets and estimated useful lives as of the date of the SpotX Acquisition (dollars in thousands):

			Estimated Useful Life
Technology	$	280,400	5 years
Customer relationships		130,300	2 to 4 years
Backlog		11,100	<1 year
In-process research and development		5,800	3 years*
Non-compete agreements		1,500	1 year
Trademarks		500	<1 year
Total intangible assets acquired	$	429,600	

* In-process research and development consists of six projects with a weighted-average useful life of 3 years. Amortization begins once associated projects are completed and it is determined the projects have alternative future use.

The fair value of the acquired technology and in-process research and development was valued using the Excess Earnings Method. This methodology included allocating future revenue projections to the existing technologies and applying decay rates and appropriate discount rates that reflect the respective intangible asset's relative risk profile when compared to other intangible assets as well as the discount rate for the overall business.

The Company used the Loss-of-Revenue and Income Method in its valuation of the existing customer relationships and non-compete agreements. To the extent that future cash flows of the business would be negatively affected in the absence of these relationships and non-compete agreements, they would be deemed to have economic value. This method attempts to quantify the scenario whereby the owner loses the right to the intangible asset and the resulting losses of revenue and income. Under this analysis, the value of the cash flows with the intangible asset is compared to the value of the cash flows without the intangible asset and the difference represents the value of the intangible asset. This methodology included applying a discount rate and the expected timing it would take to further enhance customer relationships.

The fair value of the backlog was based on the Excess Earnings Method, taking into consideration the existing contracts as of the date of the SpotX Acquisition and the respective cost to complete the servicing of the existing agreements. The resulting stream of after tax earnings were discounted to present value by applying an appropriate discount rate for the asset. The discount rate was selected based on the intangible asset’s relative risk profile when compared to the other intangible assets as well as the discount rate for the overall business.

The fair value of the trademarks was based on the Income Approach, specifically the Relief-from-Royalty Method. Under this method, data is obtained regarding actual royalty payments made for similar intangible assets. After the appropriate royalty rate is determined, the reasonable royalty savings is then discounted to its present value over the remaining technological, economic, or legal life of the intangible asset.

Intangible assets are generally amortized on a straight-line basis, which approximates the pattern in which the economic benefits are consumed, over their estimated useful lives. Amortization of developed technology is included in cost of revenues and the amortization of customer relationships, backlog, non-compete agreements, and trademarks is included in sales and marketing expenses in the consolidated statements of operations. Once the projects associated with acquired in-process research and development are completed, amortization will be included in cost of revenues in the consolidated statements of operations. The intangible assets generated in the SpotX Acquisition are not tax deductible.

As part of the SpotX Acquisition, deferred tax liabilities were established. As a result of the deferred tax liability balance created by the acquisition, the Company reduced its deferred tax asset valuation allowance by $56.2 million. Such reduction was recognized as an income tax benefit in the consolidated statements of operations for the year ended December 31, 2021.

The Company recognized approximately $27.9 million of acquisition related costs included in the "Merger, acquisition, and restructuring costs" in the Company's consolidated statements of operations during the year ended December 31, 2021 related to the SpotX Acquisition.

2021 Acquisition—SpringServe

On July 1, 2021, the Company completed the acquisition of ServeMotion, Inc., a Delaware corporation (including its wholly owned subsidiary, SpringServe, LLC, "SpringServe"), through the Company's wholly-owned subsidiary, SpotX, pursuant to a definitive agreement entered into on July 1, 2021. As a result of the SpringServe Acquisition, SpringServe has become a wholly-owned subsidiary of SpotX, and a wholly-owned indirect subsidiary of the Company.

The following table summarizes the total estimated purchase consideration (in thousands):

Cash Consideration	$	31,136
SpotX initial cash investment in SpringServe		2,075
Fair value appreciation of SpotX purchase right		7,450
Indemnification claims - holdback		1,409
Total purchase consideration	$	42,070

In 2020, SpotX made a minority investment of $2.1 million in SpringServe in conjunction with a strategic partnership agreement between the two companies, which included an option agreement to purchase SpringServe. At the time of Magnite's acquisition of SpotX, the fair value of SpotX's minority investment and purchase right were valued at a combined $7.5 million for a total minority investment and purchase right of $9.5 million. In connection with the SpringServe Acquisition, approximately $1.4 million of the purchase price was held back to cover possible indemnification claims, which is expected to be paid in cash one year after the acquisition.

In accordance with ASC 805, the Company recorded the acquisition based on the fair value of the consideration transferred and then allocated the purchase price to the identifiable assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. The excess of the value of consideration transferred over the aggregate fair value of those net assets was recorded as goodwill. Any identified definite lived intangible assets will be amortized over their estimated useful lives and any identified intangible assets with indefinite useful lives and goodwill will not be amortized but will be tested for impairment at least annually. All intangible assets and goodwill will be tested for impairment when certain indicators are present. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates, and selection of comparable companies.

Management's purchase price allocation is preliminary and subject to change pending finalization of the valuation, including finalization of tax attributes and tax related liabilities. Under the acquisition method of accounting for business combinations, if the Company identifies changes to acquired DTA valuation allowances or liabilities related to uncertain tax positions during the measurement period, and they are related to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement-period adjustment, and the Company will record the offset to goodwill. The Company records all other changes to DTA valuation allowances and liabilities related to uncertain tax positions in current-period income tax expense.

For purposes of measuring the estimated fair value, where applicable, of the assets acquired and the liabilities assumed, the Company has applied the guidance in ASC 820, Fair Value Measurement, which establishes a framework for measuring fair value. In accordance with ASC 820, fair value is an exit price and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Under ASC 805, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred.

The fair value of the purchase price was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values as of the date of the SpringServe Acquisition as set forth below (in thousands):

Cash	$	1,062
Accounts receivable		3,234
Prepaid and other assets, current		157
Fixed assets		25
Intangible assets		23,400
Right-of-use lease asset		1,879
Goodwill		24,156
Total assets to be acquired		53,913
Accounts payable and accrued expenses		2,475
Other current liabilities		35
Lease liabilities		3,179
Deferred tax liability, net		6,154
Total liabilities to be assumed		11,843
Total preliminary purchase price	$	42,070

The Company believes the amount of goodwill resulting from the purchase price allocation is primarily attributable to expected synergies from the assembled workforce, an increase in development capabilities, increased offerings to customers, and enhanced opportunities for growth and innovation. Goodwill will not be amortized but instead will be tested for impairment at least annually or more frequently if certain indicators of impairment are present. In the event that goodwill has become impaired, the Company will record an expense for the amount impaired during the quarter in which the determination is made.

The following table summarizes the components of the intangible assets and estimated useful lives as of the date of the SpringServe Acquisition (dollars in thousands):

			Estimated Useful Life
Technology		15,500	5 years
Customer relationships		5,700	2 years
Trademarks and Trade Names		900	3 years
In-process research and development		800	3 years*
Non-compete agreements		500	2 years
Total intangible assets acquired	$	23,400	

* In-process research and development consists of two projects with a weighted-average useful life of 3 years. Amortization begins once associated projects are completed and it is determined the projects have alternative future use.

The fair value of the acquired technology and in-process research and development was valued using the Excess Earnings Method. This methodology included allocating future revenue projections to the existing technologies and applying decay rates and appropriate discount rates that reflect the respective intangible asset's relative risk profile when compared to other intangible assets as well as considering the risk associated with the overall business.

At the Acquisition Date, SpringServe had existing Customer Relationships. To the extent that future cash flows of the business would be negatively affected in the absence of these relationships, they would be deemed to have economic value. In addition, certain employees of SpringServe signed two year non-compete agreements. The Company used the Loss-of-Revenue and Income Method in its valuation of the existing Customer Relationships and non-compete agreements. This method attempts to quantify the scenario whereby the owner loses the right to the intangible asset and the resulting losses of revenue and income. Under this analysis, the value of the cash flows with the intangible asset is compared to the value of the cash flows without the intangible asset and the difference represents the value of the intangible asset. This methodology included applying a discount rate and the expected timing it would take to further enhance customer relationships.

The fair value of the trademarks and trade names were based on the Income Approach, specifically the Relief-from-Royalty Method. Under this method, data is obtained regarding actual royalty payments made for similar intangible assets. After the appropriate royalty rate is determined, the reasonable royalty savings is then discounted to its present value over the remaining technological, economic, or legal life of the intangible asset.

Intangible assets are generally amortized on a straight-line basis, which approximates the pattern in which the economic benefits are consumed, over their estimated useful lives. Amortization of developed technology is included in cost of revenues and the amortization of customer relationships, non-compete agreements, and trademarks is included in sales and marketing expenses in the consolidated statements of operations. Once the projects associated with acquired in-process research and development are completed, amortization will be included in cost of revenues in the consolidated statements of operations. The acquired intangibles and goodwill resulting from the SpringServe Acquisition are not tax deductible.

As part of the SpringServe Acquisition, deferred tax liabilities were established. As a result of this and the SpotX deferred tax liability balance, the Company recognized an income tax benefit in the consolidated statements of operations for the year ended December 31, 2021.

SpringServe Acquisition related costs included in the "Merger, acquisition, and restructuring costs" in the Company's consolidated statements of operations during the year ended December 31, 2021 were immaterial.

Nth Party

The Company completed the acquisition of Nth Party in December 2021 by acquiring all outstanding shares for a total purchase price of $9.0 million, consisting of cash consideration. The Company acquired Nth Party, Ltd. (“Nth Party”), developer of cryptographic software for secure audience data sharing and analysis, to reinforce the Company’s ongoing commitment to build leading identity and audience solutions for sellers and buyers. The allocation of purchase consideration resulted in approximately $5.4 million of developed technology intangible assets with an estimated useful life of five years, approximately $0.2 million non-compete intangible assets with an estimated useful life of two years, approximately $1.3 million of deferred tax liability, and goodwill of approximately $4.8 million, which is attributable to the workforce of Nth Party and revenue growth from the acquisition. Goodwill was not considered deductible for income tax purposes.

Unaudited Pro Forma Information

The following table provides unaudited pro forma information as if the SpotX and SpringServe Acquisitions had been acquired by the Company as of January 1, 2020. The unaudited pro forma information reflects adjustments for additional amortization resulting from the fair value adjustments to assets acquired and liabilities assumed, adjustments for alignment of accounting policies, and transaction expenses as if the SpotX and SpringServe Acquisitions occurred on January 1, 2020. The pro forma results do not include any anticipated cost synergies or other effects of the combined companies. Accordingly, pro forma amounts are not necessarily indicative of the results that actually would have occurred had the SpotX and SpringServe Acquisitions been completed on the dates indicated, nor is it indicative of the future operating results of the combined company.

	Year Ended	
	December 31, 2021	December 31, 2020
	(in thousands)	
Pro Forma Revenue	$ 540,466	$ 400,039
Pro Forma Net Income (Loss)	$ (86,621)	$ (156,638)

During the year ended December 31, 2021, due to the process of integrating the operations of SpotX into the operations of the Company, the determination of SpotX's post-acquisition revenue and operating results on a standalone basis was impracticable. The SpringServe post-acquisition revenue and operating results on a standalone basis were immaterial.

Note 11—Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
Accounts payable—seller	$ 971,220	$ 492,605
Accounts payable—trade	11,904	4,268
Accrued employee-related payables	16,230	12,442
Accrued holdback - indemnification claims	1,602	—
Total	$ 1,000,956	$ 509,315

Note 12—Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

	Unrealized Gain (Loss) on Investments, net of tax	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	$ (2)	$ (257)	$ (259)
Other comprehensive income	2	212	214
Balance at December 31, 2019	—	(45)	(45)
Other comprehensive loss	—	(912)	(912)
Balance at December 31, 2020	—	(957)	(957)
Other comprehensive loss	—	(419)	(419)
Balance at December 31, 2021	$ —	$ (1,376)	$ (1,376)

Note 13—Stock-Based Compensation

In connection with its IPO, the Company implemented its 2014 Equity Incentive Plan, which governs equity awards made to employees and directors of the Company since the IPO. Prior to the IPO, the Company granted equity awards under its 2007 Stock Incentive Plan, which governs equity awards made to employees and contractors prior to the IPO. In November 2014, the Company approved the 2014 Inducement Grant Equity Incentive Plan (the "Inducement Plan"), which governs certain equity awards made to certain employees in connection with commencement of employment. In connection with the Company's acquisitions of Chango Inc. ("Chango"), iSocket, Inc. ("iSocket"), and nToggle, Inc. ("nToggle") it assumed the existing employee equity award plans, the 2009 Chango Stock Option Plan (the "Chango Plan"), the iSocket 2009 Equity Incentive Plan (the "iSocket Plan"), and the nToggle 2014 Equity Incentive Plan (the "nToggle Plan"). In connection with the Merger with Telaria, the Company assumed Telaria's 2013 Equity Incentive Plan, as amended (the "Telaria Plan"); 2008 Stock Plan, as amended (the "2008 Stock Plan"); and the ScanScout, Inc. 2009 Equity Incentive Plan, as amended (the "ScanScout Plan"). All compensatory equity awards outstanding at December 31, 2021 were issued pursuant to the 2014 Equity Incentive Plan, the iSocket Plan, the Chango Plan, the nToggle Plan, the Telaria Plan, the 2008 Stock Plan, the ScanScout Plan, the Inducement Plan, or the Company's 2007 Stock Incentive Plan.

The Company’s equity incentive plans provide for the grant of equity awards, including non-statutory or incentive stock options, restricted stock awards ("RSAs"), and restricted stock units ("RSUs"), to the Company's employees, officers, directors, and consultants. The Company's board of directors administers the plans. Options outstanding vest based upon continued service at varying rates, but generally over four years from issuance with 25% vesting after one year of service and the remainder vesting monthly thereafter. RSAs and RSUs vest at varying rates, typically approximately 25% vesting after approximately one year of service and the remainder vesting annually, semi-annually, or quarterly thereafter. The restricted stock units granted in 2021, 2020, and 2019, included 0.4 million, 0.7 million, and 1.8 million, respectively, of restricted stock units that vest 50% on each of the first and second anniversaries of the grant date. Options, RSAs, and RSUs granted under the plans accelerate under certain circumstances for certain participants upon a change in control, as defined in the governing plan. No further awards were granted under the iSocket Plan, the Chango Plan, or the nToggle Plan from the date of acquisition and no further awards were granted under the 2007 Stock Incentive Plan since the IPO. Available shares under the iSocket Plan, the Chango Plan, and the nToggle Plan were rolled into the available share pool under the 2014 Equity Incentive Plan at the time of acquisition of each company, and available shares under the 2007 Stock Incentive Plan were rolled into the available share pool under the 2014 Equity Incentive Plan at the time of the IPO. An aggregate of 13,323,449 shares remained available for future issuance at December 31, 2021 under the plans. The 2014 Equity Incentive Plan has an evergreen provision pursuant to which the share reserve will automatically increase on January 1st of each year in an amount equal to 5% of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year, although the Company’s board of directors may provide for a lesser increase, or no increase, in any year. The 2014 Inducement Grant Equity Incentive Plan has a provision pursuant to which the share reserve may be increased at the discretion of the Company's board of directors.

Stock Options

A summary of stock option activity for the year ended December 31, 2021 is as follows:

	Shares Under Option (in thousands)	Weighted-Average Exercise Price	Weighted- Average Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2020	6,695	$ 5.61		
Granted	302	$ 38.99		
Exercised	(1,560)	$ 6.04		
Forfeited	(308)	$ 8.85		
Outstanding at December 31, 2021	5,129	$ 7.25	5.6 years	$ 58,464
Exercisable at December 31, 2021	3,815	$ 5.52	4.8 years	$ 45,730

The total intrinsic value of options exercised during the year ended December 31, 2021 was $46.4 million. At December 31, 2021, the Company had unrecognized employee stock-based compensation expense relating to nonvested stock options of approximately $8.5 million, which is expected to be recognized over a weighted-average period of 2.0 years. Total fair value of options vested during the year ended December 31, 2021 was $3.9 million.

The Company estimates the fair value of stock options that contain service and/or performance conditions using the Black-Scholes option pricing model. The grant date fair value of options granted during the year ended December 31, 2021 was $24.57 per share. The weighted-average input assumptions used by the Company were as follows:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Expected term (in years)	5.0	6.3	6.1
Risk-free interest rate	0.88 %	0.45 %	2.55 %
Expected volatility	79 %	67 %	60 %
Dividend yield	— %	— %	— %

Restricted Stock Units

A summary of restricted stock unit activity for the year ended December 31, 2021 is as follows:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value
Restricted stock units outstanding at December 31, 2020	9,286	$ 5.30
Granted	3,040	$ 37.37
Canceled	(1,068)	$ 15.33
Vested and released	(4,624)	$ 5.29
Restricted stock units outstanding at December 31, 2021	6,634	$ 18.39
Restricted stock units outstanding and unvested at December 31, 2021*	6,597 *	$ 18.46

*At December 31, 2021, outstanding restricted stock units included 37,318 units that were vested but deferred.

The weighted-average grant date fair value per share of restricted stock units granted during the year ended December 31, 2021 was $37.37. The aggregate fair value of restricted stock units that vested during the year ended December 31, 2021 was $142.8 million. At December 31, 2021, the intrinsic value of unvested restricted stock units was $115.5 million. At December 31, 2021, the Company had unrecognized stock-based compensation expense relating to unvested restricted stock units of approximately $100.4 million, which is expected to be recognized over a weighted-average period of 2.3 years.

Performance Stock Units

In April 2020 and April 2021, the Company granted the Company's CEO 146,341 and 26,291 restricted stock units that vest based on certain stock price performance metrics with a fair value of $0.9 million and $1.4 million, respectively. The grant date fair value per share of restricted stock was $6.15 and $52.49, respectively, which was estimated using a Monte-Carlo lattice model.

At December 31, 2021, the Company had unrecognized employee stock-based compensation expense for the April 2020 and April 2021 grants of approximately $0.4 million and $1.0 million, which is expected to be recognized over the remaining 1.3 years and 2.3 years, respectively. Between 0% and 150% of the performance stock units will vest on the third anniversary of its grant date.

In August 2021, the Company granted the Company's CEO 379,635 restricted stock units, which are subject to both time-based and performance-based vesting conditions. The performance stock units consist of three equal tranches (each, a "Performance Tranche"), based on achievement of a share price condition if the Company achieves share price targets of $60.00, $80.00, and $100.00 over 60 consecutive trading days during a performance period commencing on August 26, 2022 and ending on August 26, 2026. To the extent any of the performance-based requirements are met, the Company's CEO must also provide continued service to the Company through at least August 26, 2024 to receive any shares of common stock underlying the grant and through August 26, 2026 to receive all of the shares of common stock underlying the performance units that have satisfied the applicable performance-based requirement.

The fair value of each of the Performance Tranches was $3.0 million, $2.8 million, and $2.6 million, respectively, and have a grant date fair value per share of restricted stock of $23.94, $21.93, and $20.30, respectively, which was estimated using a Monte-Carlo lattice model. At December 31, 2021, the Company had unrecognized employee stock-based compensation expense of approximately $2.7 million, $2.5 million, and $2.4 million, which is expected to be recognized over the remaining 2.7 years, 3.7 years, and 4.7 years, respectively. Between 0% and 100% of the performance stock units will vest on each of the tranche dates.

During the years ended December 31, 2021 and December 31, 2020, the Company recognized $1.4 million and $0.2 million, respectively, of stock-based compensation related to these performance stock units based on a performance measurement of 100%. The compensation expense will not be reversed if the performance metrics are not met.

Employee Stock Purchase Plan

In November 2013, the Company adopted the Company's 2014 Employee Stock Purchase Plan ("ESPP"). The ESPP is designed to enable eligible employees to periodically purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. At the end of each six-month offering period, employees are able to purchase shares at a price per share equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. Offering periods generally commence and end in May and November of each year.

As of December 31, 2021, the Company has reserved 2,934,485 shares of its common stock for issuance under the ESPP. The ESPP has an evergreen provision pursuant to which the share reserve will automatically increase on January 1st of each year in an amount equal to 1% of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year, although the Company’s board of directors may provide for a lesser increase, or no increase, in any year.

Stock-Based Compensation Expense

Total stock-based compensation expense recorded in the consolidated statements of operations was as follows:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Cost of revenue	$ 792	$ 525	$ 421
Sales and marketing	15,718	8,229	5,638
Technology and development	11,857	7,451	4,757
General and administrative	11,297	10,416	8,009
Merger, acquisition, and restructuring costs	1,071	1,870	—
Total stock-based compensation expense	$ 40,735	$ 28,491	$ 18,825

For the year ended December 31, 2021, the Company recognized $151.6 million of tax benefit on stock-based compensation expense related to 2021 and years prior, which was reflected in the provision (benefit) for income taxes in the consolidated statements of operations. For the year ended December 31, 2021, tax benefit realized related to awards vested or exercised during 2021 and years prior was $40.5 million. Due to the full valuation allowance provided on its net deferred tax assets, the Company had not recorded any tax benefit attributable to stock-based awards for the years ended December 31, 2020 and 2019.

Note 14—Merger, Acquisition, and Restructuring Costs

Merger, acquisition, and restructuring costs consist primarily of professional services fees and employee termination costs, including stock-based compensation charges, associated with the Telaria Merger, the SpotX Acquisition, and restructuring activities.

The following table summarizes merger, acquisition, and restructuring cost activity (in thousands):

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Professional Service (investment banking advisory, legal and other professional services)	$ 28,422	$ 9,935	$ 2,041
Personnel related (severance and one-time termination benefit costs)	6,184	5,747	—
Non-cash stock-based compensation (double-trigger acceleration and severance)	1,071	1,870	—
Loss contracts (lease related)	2,500	—	—
Total merger, acquisition, and restructuring costs	$ 38,177	$ 17,552	$ 2,041

During the years ended December 31, 2021, 2020 and 2019, the Company incurred costs of $38.2 million, $17.6 million and $2.0 million, respectively, primarily related to the acquisitions of SpotX and SpringServe and the merger with Telaria. All of the expenses incurred in the year ended December 31, 2019 were incurred during the fourth quarter.

Accrued restructuring costs related to mergers and acquisitions were $2.7 million and $2.9 million at December 31, 2021 and December 31, 2020, respectively and were primarily related to the SpotX Acquisition, the SpringServe Acquisition, and the Telaria Merger. Accrued restructuring costs associated with personnel costs are included within accounts payable and accrued expenses and accruals related to assumed loss contracts are included within other current liabilities and other liabilities, non-current on the Company's consolidated balance sheets.

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Accrued merger. acquisition, and restructuring costs at beginning of period	$ 2,935	$ —	$ 67
Restructuring costs (personnel related and non-cash stock-based compensation)	7,255	7,617	—
Restructuring activity, merger and acquisition loss contracts	2,500	3,543	—
Cash paid for restructuring costs	(6,377)	(6,355)	(67)
Non-cash loss contracts (lease related)	(2,500)	—	—
Non-cash stock-based compensation	(1,071)	(1,870)	—
Accrued merger, acquisition, and restructuring costs at end of period	$ 2,742	$ 2,935	$ —

Note 15—Income Taxes

The following are the domestic and foreign components of the Company’s income (loss) before income taxes for the years ended December 31, 2021, 2020, and 2019:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Domestic	$ (105,168)	$ (57,253)	$ (28,063)
International	10,180	4,514	1,073
Loss before income taxes	$ (94,988)	$ (52,739)	$ (26,990)

The following are the components of the provision (benefit) for income taxes for the years ended December 31, 2021, 2020, and 2019:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands)		
Current:			
Federal	$ 128	$ (144)	$ (153)
State	1,515	15	28
Foreign	2,275	1,117	281
Total current provision	3,918	988	156
Deferred:			
Federal	(89,404)	9	(762)
State	(8,296)	(12)	(174)
Foreign	(1,271)	(292)	(732)
Total deferred benefit	(98,971)	(295)	(1,668)
Total provision (benefit) for income taxes	$ (95,053)	$ 693	$ (1,512)

The Company recorded an income tax benefit of $95.1 million for the year ended December 31, 2021 compared to an income tax expense of $0.7 million and income tax benefit of $1.5 million for the years ended December 31, 2020 and 2019, respectively. The tax benefit for the year ended December 31, 2021 was primarily the result of the deferred tax liability associated with acquisitions that occurred during the year and the tax liability associated with foreign subsidiaries. The tax expense for the year ended December 31, 2020 was primarily the result of the domestic valuation allowance and the tax liability associated with the foreign subsidiaries. The tax benefit for the year ended December 31, 2019 was the result of a deferred tax liability associated with the RTK.io acquisition, the release of a foreign valuation allowance resulting from a change to a cost-plus arrangement for a foreign subsidiary, the domestic valuation allowance, and the tax liability associated with foreign subsidiaries.

Set forth below is a reconciliation of the components that caused the Company’s provision (benefit) for income taxes to differ from amounts computed by applying the U.S. Federal statutory rate of 21% for the years ended December 31, 2021, 2020, and 2019:

	Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	5.6 %	(0.2)%	(0.1)%
Foreign loss at other than U.S. rates	(0.5)%	(0.5)%	(4.3)%
Stock-based compensation expense	31.7 %	11.4 %	3.5 %
Meals and entertainment	(0.1)%	(0.1)%	(0.9)%
Other permanent items	(1.6)%	(1.1)%	(1.2)%
Change in valuation allowance	58.0 %	(19.5)%	(7.5)%
Sec 162(m) officers compensation	(14.2)%	(12.7)%	(6.3)%
Provision to return adjustments	0.2 %	0.4 %	1.4 %
Effective income tax rate	100.1 %	(1.3)%	5.6 %

Set forth below are the tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	(in thousands)	
Deferred Tax Assets:		
Accrued liabilities	$ 1,208	$ 1,568
Lease liabilities	18,499	8,943
Stock-based compensation	5,573	3,559
Net operating loss carryovers	131,509	117,707
Tax credit carryovers	5,308	4,882
Other	1,555	1,263
Total deferred tax assets	163,652	137,922
Less valuation allowance	(56,049)	(109,992)
Deferred tax assets, net of valuation allowance	107,603	27,930
Deferred Tax Liabilities:		
Fixed assets	(2,059)	(824)
Intangible assets	(101,477)	(18,584)
Right of use lease asset	(15,563)	(8,283)
Total deferred tax liabilities	(119,099)	(27,691)
Net deferred tax assets (liability)	$ (11,496)	$ 239

As of December 31, 2021, the net deferred tax liability of $11.5 million is presented in the Company's consolidated balance sheets as deferred tax liabilities, net of $13.3 million and other assets, non-current of $1.8 million. As of December 31, 2020, the net deferred tax asset of $0.2 million is presented in the Company's consolidated balance sheets as other assets, non-current of $0.4 million and deferred tax liability, net of $0.2 million. The valuation allowance was reduced by $53.9 million for the year ended December 31, 2021, and increased by $16.4 million, and $2.7 million for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2021, the Company had U.S. federal net operating loss carryforwards, or NOLs, of approximately $486.1 million, which will begin to expire in 2027. At December 31, 2021, the Company had state NOLs of approximately $285.2 million, which will begin to expire in 2023. At December 31, 2021, the Company had foreign NOLs of approximately $30.2 million, which will begin to expire in 2026. At December 31, 2021, the Company had acquired federal research and development tax credit carryforwards of approximately $0.4 million, and state research and development tax credits of approximately $8.0 million, both of which carry forward indefinitely. No amounts for any federal or state research and development tax credits for the years ended December 31, 2019, 2020, or 2021 related to business operations are included herein.

On March 11, 2021, the U.S. President signed into law the American Rescue Plan Act of 2021 ("ARP Act")—a $1.9 trillion coronavirus disease 2019 ("COVID-19") relief package. The ARP Act had limited income tax provisions. The Company has determined that the ARP Act did not have a material impact on the Company for the year ended December 31, 2021. On December 27, 2020, the U.S. President signed into law the Consolidated Appropriations Act, 2021 ("CAA"). The CAA was meant to provide additional relief and support to those impacted by the COVID-19 pandemic. The CAA included provisions relating to payroll tax deferrals, family leave, and a five-year extension of a myriad of tax provisions that were set to expire. The Company has determined that the tax implications of the CAA will not be material. On March 27, 2020, the U.S. President signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), in response to the COVID-19 pandemic. The CARES Act is meant to infuse negatively affected companies with various tax cash benefits to ease the impact of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, and net operating loss carryback periods. The Company has determined the tax implications of the CARES Act will not be material. In addition, various foreign jurisdictions where the Company has activity have enacted or are considering enacting a variety of measures that could impact our tax liabilities. The Company is monitoring new legislation and evaluating the potential tax implications of these measures globally.

Pursuant to Section 382 of the Internal Revenue Code, the Company and Telaria, Inc. both underwent ownership changes for tax purposes (i.e. a more than 50% change in stock ownership in aggregated 5% shareholders) on April 1, 2020 due to the Telaria Merger. As a result, the use of the Company’s total domestic NOL carryforwards and tax credits generated prior to the ownership change will be subject to annual use limitations under Section 382 and Section 383 of the Code and comparable state income tax laws. The Company believes that the ownership change will not impact its ability to utilize substantially all of its NOLs and state research and development carryforward tax credits to the extent it will generate taxable income that can be offset by such losses. The Company reasonably expects its federal research and development carryforward tax credits will not be recovered prior to expiration.

Additionally, for tax years beginning after December 31, 2017, the Tax Cuts and Jobs Act limits the NOL deduction to 80% of taxable income, repeals carryback of all NOLs arising in a tax year ending after 2017, and permits indefinite carryforward for all such NOLs. NOL's arising in a tax year ending in or before 2017 can offset 100% of taxable income, are available for carryback, and expire 20 years after they arise.

At December 31, 2021, unremitted earnings of the subsidiaries outside of the United States were approximately $29.3 million, on which the Company recorded a provisional transition tax of $5.0 million. The Company's intention is to indefinitely reinvest these earnings outside the United States. Upon distribution of those earnings in the form of a dividend or otherwise, the Company would be subject to withholding taxes payable to various foreign countries and, potentially, various state taxes. The amounts of such tax liabilities that might be payable upon actual repatriation of foreign earnings, after consideration of corresponding foreign tax credits, are not material.

The following table summarizes the activity related to the unrecognized tax benefits (in thousands):

	Amount
Balance as of December 31, 2019	$ 4,720
Increases related to current year tax positions	—
Decreases related to current year tax positions	(2,294)
Increases related to prior year tax positions	788
Balance as of December 31, 2020	3,214
Increases related to current year tax positions	200
Decreases related to prior year tax positions	(41)
Increases related to prior year tax positions	342
Balance as of December 31, 2021	$ 3,715

Interest and penalties related to the Company's unrecognized tax benefits accrued at December 31, 2021, 2020, and 2019 were not material.

Due to the net operating loss carryforwards, the Company's United States federal and a majority of its state returns are open to examination by the Internal Revenue Service and state jurisdictions for all years since inception. The 2017 U.S. Income Tax Return for Telaria was under examination by the IRS, which was closed during the period ended June 30, 2021 with no change to tax as reported. The IRS is currently conducting a Form 1042 Withholding Tax Audit for Telaria for 2017. The Company has not received IRS findings related to this audit. For the Netherlands, New Zealand, Malaysia, and the United Kingdom, all tax years remain open for examination by the local country tax authorities, for France only 2019 forward are open for examination, for Singapore 2018 and forward are open for examination, for Australia, Brazil, and Germany 2017 and forward are open for examination, for Canada 2016 and forward are open for examination, and for Japan and Italy 2015 and forward remain open for examination.

The Company does not expect its uncertain income tax positions to have a material impact on its consolidated financial statements within the next twelve months.

Note 16—Leases

The Company has operating and finance leases for office facilities, data centers, and equipment. The lease terms of the Company's leases generally range from 1.0 year to 10.0 years, and the weighted average remaining lease term of leases included in the lease liability is 6.3 years as of December 31, 2021. As of December 31, 2021, a weighted average discount rate of 5.09% has been applied to the remaining lease payments to calculate the lease liabilities included within the consolidated balance sheets.

For the years ended December 31, 2021, 2020 and 2019, the Company recognized $20.7 million, $13.4 million and $7.8 million of lease expense, respectively, which included operating lease expenses associated with leases included in the lease liability and ROU asset on the consolidated balance sheets. In addition, for the years ended December 31, 2021, 2020 and 2019, the Company recognized expenses of $35.1 million, $20.4 million and $10.0 million, respectively, for cloud-based services and other lease costs related to data centers and $1.2 million, $1.0 million and $1.2 million, respectively, of lease expense related to short-term leases that are not included in the ROU asset or lease liability balances.

The maturity of the Company's lease liabilities associated with leases included in the lease liability and ROU asset were as follows as of December 31, 2021 (in thousands):

Fiscal Year		
2022	$	22,491
2023		19,354
2024		16,522
2025		8,796
2026		6,734
Thereafter		27,095
Total lease payments (undiscounted)		100,992
Less: imputed interest		(15,363)
Lease liabilities—total (discounted)	$	85,629

The Company also received rental income of $4.4 million, $3.7 million, and $0.3 million for real estate leases for which it subleases the property to a third party during the years ended December 31, 2021, 2020, and 2019, respectively. Rental income is included in other income in the consolidated statements of operations.

In addition to the lease liabilities included in these consolidated financial statements at December 31, 2021, during the three months ended December 31, 2021, the Company entered into an agreement for an office lease in Canada which has not commenced as of December 31, 2021, and is therefore, not included in the lease liability on the balance sheet. The Company has future commitments totaling $0.7 million over the course of 5.0 years for this office lease.

As part of the April 30, 2021 acquisition of SpotX, the Company acquired finance leases related primarily to computer equipment and network hardware. These finance leases are included within lease liabilities - current portion and lease liabilities, non-current in the amounts of $0.8 million and $0.3 million, respectively, as of December 31, 2021.

Note 17—Commitments and Contingencies

Commitments

The Company has commitments under non-cancelable operating leases for facilities, certain equipment, and its managed data center facilities (Note 16).

As of December 31, 2021 and 2020, the Company had $5.1 million and $6.3 million, respectively, of letters of credit associated with office leases available for borrowing, on which there were no outstanding borrowings as of either date.

Guarantees and Indemnification

The Company's agreements with sellers, buyers, and other third parties typically obligate the Company to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to the Company's own business operations, obligations, and acts or omissions. However, under some circumstances, the Company agrees to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. For example, because the Company's business interposes the Company between buyers and sellers in various ways, buyers often require the Company to indemnify them against acts and omissions of sellers, and sellers often require the Company to indemnify them against acts and omissions of buyers. In addition, the Company's agreements with sellers, buyers, and other third parties typically include provisions limiting the Company's liability to the counterparty, and the counterparty's liability to the Company. These limits sometimes do not apply to certain liabilities, including indemnity obligations. These indemnity and limitation of liability provisions generally survive termination or expiration of the agreements in which they appear. The Company has also entered into indemnification agreements with its directors, executive officers and certain other officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No material demands have been made upon the Company to provide indemnification under such agreements and there are no claims that the Company is aware of that could have a material effect on the Company's consolidated financial statements.

Litigation

The Company and its subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to their business activities and to the Company's status as a public company. Such matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of the Company's business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of December 31, 2021. However, based on management's knowledge as of December 31, 2021, management believes that the final resolution of these matters known at such date, individually and in the aggregate, will not have a material adverse effect upon the Company's consolidated financial position, results of operations or cash flows.

Employment Contracts

The Company has entered into severance agreements with certain employees and officers. The Company may be required to pay severance and accelerate the vesting of certain equity awards in the event of involuntary terminations.

Note 18—Debt

Long term debt as of December 31, 2021 consisted of the following:

		December 31, 2021 (in thousands)
Convertible Senior Notes	$	400,000
Less: Unamortized debt issuance cost		(9,643)
Net		390,357
Term Loan B Facility		358,200
Less: Unamortized discount and debt issuance cost		(24,934)
Net		333,266
Less: Current portion		(3,600)
Total non-current debt	$	720,023

The Company did not have any debt outstanding as of December 31, 2020. Maturities of the principal amount of the Company's long-term debt as of December 31, 2021 are as follows (in thousands):

Fiscal Year		
2022	$	3,600
2023		3,600
2024		3,600
2025		3,600
2026		403,600
Thereafter		340,200
Total (discounted)	$	758,200

Amortization of the debt issuance cost and the discount associated with our indebtedness totaled $4.9 million for the year ended December 31, 2021 and were immaterial for the years ended December 31, 2020 and 2019. Amortization of debt issuance costs is computed using the effective interest method and is included in interest expense.

Bank Loan

On September 25, 2020, the Company amended and restated its loan and security agreement with Silicon Valley Bank ("SVB") (the "Loan Agreement"), which was scheduled to expire on September 26, 2020. The Loan Agreement provides a senior secured revolving credit facility of up to the lesser of $60.0 million and 85% of eligible accounts receivable, with a maturity date of September 25, 2022. The Loan Agreement includes a letter of credit, foreign exchange and cash management facility with a sublimit up to $10.0 million. On April 30, 2021, the Company entered into the Credit Agreement. In connection with entering into the Credit Agreement, the Loan Agreement with SVB was terminated on April 30, 2021. As of the termination date, there were no amounts outstanding under the Loan Agreement.

Convertible Senior Notes and Capped Call Transactions

In March 2021, the Company issued $400.0 million aggregate principal amount of 0.25% convertible senior notes in a private placement, including $50.0 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment options of the initial purchasers (collectively, the "Convertible Senior Notes"). The Convertible Senior Notes will mature on March 15, 2026, unless earlier repurchased, redeemed or converted. The total net proceeds from the offering, after deducting debt issuance costs paid by the Company, were approximately $388.6 million. The Company used approximately $39.0 million of the net proceeds from the offering to pay for the Capped Call Transactions (as described below).

The Convertible Senior Notes are senior, unsecured obligations and (i) will be equal in right of payment with the existing and future senior, unsecured indebtedness; (ii) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the Convertible Senior Notes; (iii) effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness, including amounts outstanding under our Loan Agreement or our new Credit Agreement (see section below); and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of the Company's subsidiaries that do not guarantee the Convertible Senior Notes.

The Convertible Senior Notes accrue interest at 0.25% per annum payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2021. The Convertible Senior Notes will mature on March 15, 2026 unless they are redeemed, repurchased or converted prior to such date. The Convertible Senior Notes are convertible at the option of holders only during certain periods and upon satisfaction of certain conditions.

Holders will have the right to convert their notes (or any portion of a note in an authorized denomination), in the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (ii) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (iii) upon the occurrence of certain corporate events or distributions on the Company's common stock; (iv) if the Company calls such Convertible Senior Notes for redemption; and (v) on or after September 15, 2025, until the close of business on the second scheduled trading day immediately before the maturity date, holders of the Convertible Senior Notes may, at their option, convert all or a portion of their Convertible Senior Notes regardless of the foregoing conditions at any time from, and including, September 15, 2025 until the close of business on the second scheduled trading day immediately before the maturity date.

Upon conversion, the Convertible Senior Notes may be settled in shares of the Company's common stock, cash or a combination of cash and shares of the Company's common stock, at the Company's election. All conversions with a conversion date that occurs on or after September 15, 2025 will be settled using the same settlement method, and the Company will send notice of such settlement method to noteholders no later than the open of business on September 15, 2025.

The Company may not redeem the Convertible Senior Notes at their option at any time before March 20, 2024. Subject to the terms of the indenture agreement, the Company has the right, at its election, to redeem all, or any portion (subject to the partial redemption limitation) in an authorized denomination, of the Convertible Senior Notes, at any time, and from time to time, on a redemption date on or after March 20, 2024 and on or before the 40th scheduled trading day immediately before the maturity date, for cash, but only if the "last reported sale price," as defined under the Offering Memorandum, per share of common stock exceeds 130% of the "conversion price" on (i) each of at least 20 trading days, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date we send such notice. In addition, calling any note for redemption will constitute a "make-whole fundamental change" (as defined below) with respect to that note, in which case the conversion rate applicable to the conversion of that note will be increased in certain circumstances if it is converted after it is called for redemption. If the Company elects to redeem less than all of the outstanding notes, then the redemption will not constitute a make-whole fundamental change with respect to the notes not called for redemption, and holders of the notes not called for redemption will not be entitled to an increased conversion rate for such notes as described above on account of the redemption, except to the limited extent described further below. No sinking fund is provided for the Convertible Senior Notes, which means that the Company is not required to redeem or retire the Convertible Senior Notes periodically.

If a fundamental change occurs, then each noteholder will have the right to require the Company to repurchase its notes (or any portion thereof in an authorized denomination) for cash on a date (the "fundamental change repurchase date") of the Company’s choosing, which must be a business day that is no more than 45, nor less than 20, business days after the date Magnite distributes the related fundamental change notice.

If an event of default, other than a reporting default remedied by special interest as defined in the indenture agreement, occurs with respect to the Company or any guarantor, then the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding will immediately become due and payable without any further action or notice by any person. If an event of default (other than a reporting event of default described above with respect to Magnite or any guarantor and not solely with respect to a significant subsidiary of the Company’s or a guarantor, other than the Company or such guarantor) occurs and is continuing, then the trustee, by notice to the Company, or noteholders of at least 25% of the aggregate principal amount of notes then outstanding, by written notice to the Company and the trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding to become due and payable immediately.

The Convertible Senior Notes have an initial conversion rate of 15.6539 shares of common stock per $1,000 principal amount of the Convertible Senior Notes, which will be subject to customary anti-dilution adjustments in certain circumstances.

In connection with the pricing of the Convertible Senior Notes, the Company entered into privately negotiated capped call transactions with various financial institutions (the "Capped Call Transactions"). The Capped Call Transactions were entered into with third party broker-dealers to limit the potential dilution that would occur if the Company has to settle the conversion value in excess of the principal in shares. This exposure will be covered (i.e., the Company will receive as many shares as are required to be issued between the conversion price of $63.8818 and the maximum price of $91.2600). Any shares required to be issued by the Company over this amount would have net earnings per share dilution impact. By entering into the Capped Call Transactions, the Company expects to reduce the potential dilution to its common stock (or, in the event the conversion is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion its stock price exceeds the conversion price under the Convertible Senior Notes. The Company paid $39.0 million for the Capped Call Transactions, which was recorded as additional paid-in capital, using a portion of the gross proceeds from the sale of the Convertible Senior Notes. The cost of the Capped Call Transactions is not expected to be tax deductible as the Company did not elect to integrate the capped call into the Convertible Senior Notes for tax purposes. The cost of the Capped Call Transaction was recorded as a reduction of the Company’s additional paid-in capital in the accompanying consolidated financial statements.

As noted in Note 2, the Company early adopted ASU 2020-06 effective January 1, 2021. The Company has not elected the fair value option, the embedded conversion features are not required to be bifurcated under the accounting guidance, and the convertible debt was not issued with a substantial premium. As such, the Company accounted for the Convertible Senior Notes as a liability in its entirety. Under the guidance, all the embedded features of the Convertible Senior Notes met the definition of a derivative. These features included a contingent call option, contingent put options, and conversion features. The contingent call option and contingent put options are clearly and closely related to the debt host and, therefore, do not require bifurcation. As the conversion features are indexed to the Company’s own equity and would be equity classified if they were freestanding instruments, the scope exception in ASC 815-10-15-74(a) applies and these conversion features will not be bifurcated under ASC 815.

The new accounting guidance also eliminated the bifurcation models of ASC 470-20 and eliminated the treasury method approach to earnings per share. Accordingly, earnings per share on convertible debt instruments should only be calculated under the If-Converted method. Under the guidance above, the Company will assume settlement in shares.

The Company incurred debt issuance costs of $11.4 million in March 2021. The Convertible Senior Notes are presented net of issuance costs on the Company's consolidated balance sheets. The debt issuance costs are amortized on an effective interest basis over the term of the Convertible Senior Notes and are included in interest expense and amortization of debt discount in the accompanying consolidated statements of operations. The following table sets forth interest expense related to the Convertible Senior Notes for the year ended December 31, 2021:

	December 31, 2021 (in thousands)
Contractual interest expense	$ 786
Amortization of debt issuance costs	1,798
Total interest expense	$ 2,584
Effective interest rate	0.82 %

Amortization expense for the Company's debt issuance costs for fiscal years 2022 through 2026 is as follows (in thousands):

Fiscal Year	Debt Issuance Costs
2022	$ 2,288
2023	2,288
2024	2,288
2025	2,288
2026	491
Total	$ 9,643

Credit Agreement

On April 30, 2021, the Company entered into a credit agreement (the "Credit Agreement") with Goldman Sachs Bank USA as administrative agent and collateral agent, and other lender parties thereto. The Credit Agreement provides for a $360.0 million seven-year senior secured term loan facility ("Term Loan B Facility") and a $52.5 million senior secured revolving credit facility (the "Revolving Credit Facility"). As part of the Term Loan B Facility, the Company received $325 million in proceeds, net of discounts and fees, which were used to finance the SpotX Acquisition and related transactions, and for general corporate purposes. Loans, if any, under the Revolving Credit Facility are expected to be used for general corporate purposes. The obligations under the Credit Agreement are secured by substantially all of the assets of the Company and those of its subsidiaries that are guarantors under the Credit Agreement.

Amounts outstanding under the Credit Agreement accrue interest at a rate equal to either, (1) for the Term Loan B Facility, at the Company’s election, the Eurodollar Rate (as defined in the Credit Agreement) plus a margin of 5.00% per annum, or ABR (as defined in the Credit Agreement) plus a margin of 4.00%, and (2) for the Revolving Credit Facility, at the Company’s election, the Eurodollar Rate plus a margin of 4.25% to 4.75%, or ABR plus a margin of 3.25% to 3.75%, in each case, depending on the Company’s first lien net leverage ratio. As of December 31, 2021, the contractual interest rate related to the Term Loan B Facility was 5.75%.

The covenants of the Credit Agreement include customary negative covenants that, among other things, restrict the Company’s ability to incur additional indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments. In addition, the Credit Agreement contains a financial covenant, tested on the last day of any fiscal quarter if utilization of the Revolving Credit Facility exceeds 35% of the total revolving commitments, that requires the Company to maintain a first lien net leverage ratio not greater than 3.25 to 1.00. As of December 31, 2021, the Company was in compliance with its debt covenants.

The Credit Agreement includes customary events of default, and customary rights and remedies upon the occurrence of any event of default thereunder, including rights to accelerate the loans, terminate the commitments thereunder and realize upon the collateral securing the obligations under the Credit Agreement. The Credit Agreement calls for customary scheduled loan amortization payments of 0.25% of the initial principal balance payable quarterly (i.e. 1% in aggregate per year) as well as a provision that requires the Company to prepay the Term Loan B based on an annual calculation of cumulative free cash flow ("Excess Cash Flow") generated by the company as defined within the terms of the Agreement. The Company was not required to make any such mandatory prepayment required by the Excess Cash Flow provision for the period ended December 31, 2021.

On June 28, 2021, the Company entered into an Incremental Assumption Agreement (the "Incremental Agreement") to the Credit Agreement. Pursuant to the terms of the Incremental Agreement, the Company’s existing revolving credit facility under the Credit Agreement was increased by $12.5 million (the "Incremental Revolver"), and the letter of credit sublimit under the Credit Agreement was increased by $5.0 million. The Incremental Revolver bears the same interest rate as the existing revolving credit facility and has the same maturity date as the existing revolving credit facility. No other terms of the Credit Agreement were amended. As a result, amounts available under the Revolving Credit Facility were $65.0 million. At December 31, 2021, amounts available under the Revolving Credit Facility were $59.9 million, net of letters of credit outstanding in the amount of $5.1 million.

The following table summarizes the Term Loan B Facility at December 31, 2021:

	December 31, 2021 (in thousands)
Term Loan B Facility	$ 358,200
Unamortized debt discounts	(9,738)
Unamortized debt issuance costs	(15,196)
Debt, net of debt discounts and issuance costs	$ 333,266

The Company incurred debt issuance costs of $27.7 million in April 2021, of which $10.8 million were associated with debt discount netted against the proceeds and $16.9 million were associated with other deferred financing costs associated with the Term Loan B Facility. Debt outstanding under the Term Loan B Facility are presented net of issuance costs on the Company's consolidated balance sheets. The debt issuance costs are amortized on an effective interest basis over the term of the Term Loan B Facility and are included in interest expense and amortization of debt discount in the accompanying consolidated statements of operations. The following table sets forth interest expense related to the Term Loan B Facility for the year ended December 31, 2021:

	December 31, 2021 (in thousands)
Contractual interest expense	14,074
Amortization of debt discount	1,062
Amortization of debt issuance costs	1,657
Total interest expense	16,793
Effective interest rate	7.00 %

Amortization expense for the Term Loan B Facility debt discount and debt issuance costs for fiscal years 2022 through 2028 is as follows (in thousands):

Fiscal Year	Debt Discount	Debt Issuance Costs
2022	$ 1,580	$ 2,466
2023	1,564	2,441
2024	1,548	2,416
2025	1,532	2,391
2026	1,516	2,366
Thereafter	1,998	3,116
Total	$ 9,738	$ 15,196

Note 19—Stockholders' Equity

On December 13, 2021, the Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to $50.0 million of its common stock over the twelve month period commencing December 10, 2021. The repurchase program allows the Company to repurchase its common stock using open market stock purchases, privately negotiated transactions, block trades or other means in accordance with U.S. securities laws. The number of shares repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, share price, trading volume and general market conditions, along with working capital requirements, general business conditions, other opportunities that the Company may have for the use or investment of its capital and other factors. The share repurchase program does not obligate the Company to repurchase any particular amount of common stock and may be suspended, modified or discontinued at any time at the Company’s discretion. The Company intends to finance the share repurchase program through cash on hand.

Under the share repurchase program, 349,245 shares were purchased in open market purchases through December 31, 2021 for a total of approximately $6.0 million at an average of $17.20 per share. Approximately $44.0 million worth of shares may yet be purchased under the plan. For accounting purposes, common stock repurchases under our stock repurchase program are recorded based upon the purchase date of the applicable trade. Repurchased shares are accounted for as treasury stock in the consolidated balance sheets.

Note 20—Related Party Transactions

During the years ended December 31, 2021, 2020, and 2019, the Company did not enter into any transactions with its related parties or affiliates of its related parties requiring disclosure pursuant to the applicable rules of the Financial Accounting Standards Boards or the U.S. Securities and Exchange Commission.

Note 21—Subsequent Events

In January 2022, the Company retired 349,245 shares of treasury stock, which was recorded as a reduction in additional paid in capital. Additionally in January 2022, the Company repurchased and retired 377,000 shares of common stock through open market purchases under the share repurchase program for $5.6 million at an average price of $14.94, which was also recorded as a reduction in additional paid in capital.

On February 1, 2022, the Company granted 5,918,007 restricted stock units, 699,194 stock options, and 86,806 performance stock units to the Company's employees. The options granted will vest over four years from grant date, with 25% vesting after one year and the remainder vesting monthly thereafter. The RSUs granted will generally vest over four years from issuance with 25% after one year, and the remainder vesting quarterly thereafter. Between 0% and 150% of the performance stock units will vest on the third anniversary of its grant date based on certain stock price performance metrics.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives of ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. There is no assurance that our disclosure controls and procedures will operate effectively under all circumstances. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted below.

We completed the SpotX Acquisition on April 30, 2021. See Note 10 of "Notes to Consolidated Financial Statements" for more information. We are currently integrating SpotX into our operations and internal control processes. As we complete this integration, we are analyzing, evaluating, and where necessary, making changes in control and procedures related to the SpotX business, which we expect to complete within one year after the date of acquisition. Pursuant to the SEC’s guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our internal controls over financial reporting at December 31, 2021 excludes SpotX to the extent that they are not yet integrated into our internal controls environment.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act).

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As permitted by the Securities and Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. During the quarter ended June 30, 2021, the Company acquired SpotX, Inc. Pursuant to applicable rules, because the Company has not yet fully incorporated the internal controls and procedures of the acquired entity into the Company's internal control over financial reporting, management excluded certain elements related to the acquired business from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2021. The excluded elements of the SpotX business, which are comprised of transactions on the legacy SpotX platform, represented approximately 34% of the Company's revenue and 10% of the Company’s total assets as of and for the year ended December 31, 2021.

Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021. Deloitte & Touche LLP has independently assessed the effectiveness of our internal control over financial reporting and its report is included under "Item 8. Financial Statements and Supplementary Data."

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be included in our Proxy Statement for the 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement") to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, or the 2022 Proxy Statement, under the headings "Proposal 1—Election of Directors," "Delinquent Section 16(a) Reports," (if applicable) and "Corporate Governance" and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be included in the 2022 Proxy Statement under the headings "Executive Officers" and "Executive Compensation" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be included in the 2022 Proxy Statement under the heading "Common Stock Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be included in the 2022 Proxy Statement under the headings "Certain Relationships and Related Person Transactions" and "Director Independence" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the 2022 Proxy Statement under the heading "Proposal 2—Ratification of the Selection of Deloitte & Touche LLP as Independent Registered Public Accounting Firm" and is incorporated herein by reference.

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

2. Financial Statement Schedules

No financial statement schedules are provided because the information called for is not required or is shown in the financial statements of the notes thereto.

3. Exhibits

EXHIBIT INDEX

Number	Description
2.1	Agreement and Plan of Merger, dated as of December 19, 2019, by and among The Rubicon Project, Inc., Madison Merger Corp., and Telaria, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 20, 2019).†
2.2	Stock Purchase Agreement, dated as of February 4, 2021, by and between Magnite, Inc., RTL US Holdings, Inc., and solely for certain sections therein, RTL Group S.A.. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 5, 2021).†
2.3	Amendment to Stock Purchase Agreement, dated as of April 30, 2021, by and among Magnite, Inc., RTL US Holding, Inc., and RTL Group S.A. (incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2021).
3.1	Sixth Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2014).
3.2	Certificate of Amendment to the Sixth Amended and Restated Certificate of Incorporation of Magnite, Inc., dated June 30, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2020).
3.3	Fourth Amended and Restated Bylaws of Magnite, Inc., dated June 30, 2020 (incorporated by reference to Exhibit 3.4 to the Registrant’s Quarterly Report on Form 10-Q filed with the Commission on August 10, 2020).
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed with the Commission on February 25, 2021).
4.2	Indenture, dated as of March 18, 2021, between Magnite, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K filed with the Commission on March 19, 2021).
4.3	Form of 0.25% Convertible Senior Notes due 2026 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.2 of the Registrant’s Current Report on Form 8-K filed with the Commission on March 19, 2021).
10.1+	The Rubicon Project, Inc. 2007 Stock Incentive Plan and forms of agreements for employees thereunder (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1/A filed with the Commission on March 20, 2014).

10.2+	The Rubicon Project, Inc. 2014 Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on April 8, 2016).
10.3+	Form of Stock Option Grant Notice and Award Agreement for Employees under The Rubicon Project, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2(B) to the Registrant's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.4+	Form of Restricted Stock Unit Grant Notice and Award Agreement for Employees under The Rubicon Project, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2(C) to the Registrant's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.5+	Form of Stock Option Grant Notice and Award Agreement for Non-Employee Directors under The Rubicon Project, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2(D) to the Registrant's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.6+	Form of Restricted Stock Unit Grant Notice and Award Agreement for Non-Employee Directors under The Rubicon Project, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2(E) to the Registrant's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.7+	The Rubicon Project, Inc. 2014 Employee Stock Purchase Plan, as amended and restated on July 26, 2018 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 7, 2018).
10.8+	The Rubicon Project, Inc. 2014 Inducement Grant Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Commission on April 8, 2016).
10.9+	Telaria, Inc. 2013 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 99.2 to the Registrants' Registration Statement on Form S-8, dated April 9, 2020)
10.10+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A filed with the Commission on March 20, 2014).
10.11+	Form of Executive Severance and Vesting Acceleration Agreement by and between the Registrant and certain of its executive officers (incorporated by reference to Exhibit 10.23 to the Registrants Form 10-K filed with the Commission on February 27, 2020).
10.12+	Executive Employment Agreement between the Registrant and Michael Barrett, dated March 16, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on March 22, 2017).
10.13+	Executive Severance and Vesting Acceleration Agreement between the Registrant and Michael Barrett, dated March 16, 2017 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Commission on March 22, 2017).
10.14+	Executive Severance and Vesting Acceleration Agreement between the Registrant and Aaron Saltz, dated April 1, 2020 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2020).
10.15	Office Lease between BRE HH Property Owner LLC and Magnite, Inc., dated November 20, 2020 (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the Commission on February 25, 2021).
10.16*	Sublease between Zillow Group, Inc. and Magnite, Inc., dated September 21, 2021.†
10.17	Form of Capped Call Transaction Confirmation (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on March 19, 2021).
10.18	Credit Agreement, dated as of April 30, 2021, by and among Magnite, Inc., Goldman Sachs Bank USA, as administrative and collateral agent, and the other lender parties thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2021).
10.19	Registration Rights Agreement, dated as of April 30, 2021, by and between Magnite, Inc. and RTL US Holding, Inc (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2021).
10.20	Incremental Assumption Agreement dated as of June 28, 2021, relating to the Credit Agreement dated as of April 30, 2021, among Magnite, Inc., each Issuing Bank, the Swingline Lender, the other Lenders party thereto and Goldman Sachs Bank USA, as administrative agent and as collateral agent for the Lenders (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on July 2, 2021).
21.1*	List of Subsidiaries.
23.1*	Consent of Deloitte & Touche LLP.

31.1*	Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*(1)	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.ins *	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.sch *	XBRL Taxonomy Schema Linkbase Document
101.cal *	XBRL Taxonomy Calculation Linkbase Document
101.def *	XBRL Taxonomy Definition Linkbase Document
101.lab *	XBRL Taxonomy Label Linkbase Document
101.pre *	XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
\+ Indicates a management contract or compensatory plan or arrangement
† Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

(1) The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of Section 18 of the Exchange Act of 1934, as amended (the "Exchange Act"), and is not to be incorporated by reference into any filing of Magnite, Inc. under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGNITE, INC.
(Registrant)

/s/ David Day
David Day
Chief Financial Officer
(Principal Financial Officer)

Date February 23, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Michael Barrett Michael Barrett	President, Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2022
/s/ David Day David Day	Chief Financial Officer (Principal Financial Officer)	February 23, 2022
/s/ Brian Gephart Brian Gephart	Chief Accounting Officer (Principal Accounting Officer)	February 23, 2022
/s/ Paul Caine Paul Caine	Director	February 23, 2022
/s/ Robert J. Frankenberg Robert J. Frankenberg	Director	February 23, 2022
/s/ Sarah P. Harden Sarah P. Harden	Director	February 23, 2022
/s/ Doug Knopper Doug Knopper	Director	February 23, 2022
/s/ Rachel Lam Rachel Lam	Director	February 23, 2022
/s/ James Rossman James Rossman	Director	February 23, 2022
/s/ Robert F. Spillane Robert F. Spillane	Director	February 23, 2022
/s/ Lisa L. Troe Lisa L. Troe	Director	February 23, 2022

SUBLEASE

THIS SUBLEASE (this "Sublease"), dated as of September 21, 2021 is entered into by and between **ZILLOW GROUP, INC.**, a Washington corporation ("Sublandlord"), and **MAGNITE, INC.**, a Delaware corporation ("Subtenant").

Recitals

A. Pursuant to that certain Agreement of Lease between Sublandlord, as tenant, and 1250 Broadway Associates LLC, as landlord ("Landlord") dated October 19, 2018 (the "Master Lease"), Sublandlord leases certain premises consisting of the entire 8th, 9th, 10th and 11th floors, and a portion of the 12th floor, of the building located at 1250 Broadway, New York, New York (the "Building"; such premises being more particularly defined in the Master Lease and defined herein as the "Master Leased Premises"). A true and complete copy of the Master Lease (other than certain redacted terms) is attached as **Exhibit A** to this Sublease and incorporated by this reference. Capitalized terms herein not otherwise defined herein shall have the same meanings as provided in the Master Lease.

B. Sublandlord desires to sublease the entire 9th floor of the Master Leased Premises to Subtenant, consisting for purposes of this Sublease of 27,040 rentable square feet (as depicted on **Exhibit B** attached hereto, the "Premises"), and Subtenant desires to sublease the Premises from Sublandlord, upon the terms and conditions provided for herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, Sublandlord and Subtenant covenant and agree as follows:

Agreement

1. **Premises**. Sublandlord hereby subleases to Subtenant, and Subtenant hereby takes and hires from Sublandlord, the Premises, on and subject to the terms, covenants and conditions set forth in this Sublease. Subtenant shall use the Premises only for the purposes and in compliance with the uses stated in the Master Lease.

2. **Term**.

(a) Subject in all events to receipt of Landlord's Consent pursuant to the provisions of Section 12 hereof, the term of this Sublease (the "Sublease Term") shall commence on the date (the "Commencement Date") that Sublandlord has delivered the Premises with the Delivery Conditions (as hereinafter defined) having been satisfied in Sublandlord's good faith determination (provided, however, that Sublandlord shall provide not less than (10) days' prior written notice of the date that Sublandlord will deliver the Premises), and shall expire on April 30, 2030 or such earlier date upon which the term of this Sublease shall terminate pursuant to the terms hereof (as applicable, the "Expiration Date"). As used herein, the term "Delivery Conditions" shall mean and refer to the conditions set forth on **Exhibit C** attached hereto.

Subtenant shall have a period of thirty (30) days following the Commencement Date to notify Sublandlord if, in Subtenant's good faith determination, any of the Delivery Conditions is not satisfied. If Subtenant identifies any matters pursuant to the preceding sentence, Sublandlord and Subtenant shall conduct a joint walk-through inspection of the Premises in good faith to agree on a scope of work to correct the same. Sublandlord shall promptly correct the conditions identified and agreed-upon during the walk-through inspection at Sublandlord's sole cost and expense.

(b) Within thirty (30) days after the Commencement Date, Sublandlord and Subtenant shall prepare and execute a letter setting forth the Commencement Date and the Sublease Term substantially in the form of **Exhibit D** attached hereto.

(c) Upon the expiration or earlier termination of the Sublease Term, Subtenant shall not be required to remove or restore any Subtenant or Sublandlord improvements, or to remove any fixtures or cabling, unless Subtenant's alterations or improvements trigger the removal and restoration requirements of the Master Lease, pursuant to Article 6 of the Master Lease. In such event, Subtenant shall be responsible for the removal of the applicable alterations or improvements and the restoration of the Premises in accordance with the provisions of Article 6 of the Master Lease. In addition, upon the Expiration Date, Subtenant shall be responsible for the removal of its moveable personal property, furniture and equipment pursuant to Article 6 of the Master Lease, including the FF&E (as hereinafter defined).

(d) Prior to taking occupancy of Premises, Subtenant shall furnish to Landlord and Sublandlord an insurance certificate evidencing Subtenant's compliance with the insurance requirements of Section 12.4 of the Master Lease. Such requirements shall include, without limitation, naming Landlord (and any other parties designated by Landlord) and Sublandlord as additional insureds under Subtenant's commercial general liability policy.

(e) On the Commencement Date, Sublandlord shall convey to Subtenant the furniture, fixtures, equipment set forth on **Exhibit E** attached hereto (collectively, the "FF&E") by the delivery by Sublandlord of a bill of sale substantially in the form attached hereto as **Exhibit G** attached hereto.

3. **Rent**.

(a) The rent payable by Subtenant for the Premises shall consist of base rent ("Base Rent") plus certain additional rental ("Additional Rent"), all as provided below in this Section 3. Base Rent, Additional Rent, and any other charges due under this Sublease are hereinafter referred to collectively as "Rent." All Rent shall be paid to Sublandlord by wire transfer pursuant to the instructions set forth immediately below, or to such other person or to such other place or by such other method as Sublandlord may from time to time designate in writing.

Bank: [Redacted]
Address: [Redacted]

Routing & Transit #: [Redacted]
Credit Account #: [Redacted]
Account Name and Address: [Redacted]

(b) Subtenant shall pay to Sublandlord in advance, commencing on the Commencement Date and on or before the first day of each month thereafter occurring during the Sublease Term, without prior notice, demand, deduction or offset, monthly Base Rent in the amounts pursuant to the following schedule:

Months	Per RSF	Base Rent per Annum	Base Rent per Month
Commencement Date – 60 full calendar months thereafter	$66.00	$1,784,640.00	$148,720.00
Expiration of prior period - Expiration Date	$71.00	$1,919,840.00	$159,986.67

Notwithstanding anything to the contrary contained herein, the first eleven (11) months of Subtenant's Base Rent obligation shall be abated (the "Abatement Period"), provided, however, if Subtenant shall be in default of any of its obligations under this Sublease following the expiration of any applicable notice and cure period during the Abatement Period, Subtenant shall not be entitled to any further abatement of Base Rent under this Section 3(b), provided, however, that if Subtenant cures the default, Subtenant shall be entitled again to abatement of Base Rent during the following period, provided that the Abatement Period is still in effect. If the Commencement Date is a day other than the first day of a calendar month, the Base Rent for the month in which the Commencement Date occurs will be prorated (based on the actual number of days in such month) and such prorated Base Rent shall be paid by Subtenant on or prior to the Commencement Date.

(c) Subtenant shall pay, as Additional Rent (to Sublandlord or as Sublandlord may direct (including to Landlord)), in accordance with the terms of Article 3 of the Master Lease but subject to this Section 3(c), the following:

(i) Tenant's Tax Payment and Tenant's BID Payment as applicable solely to the Premises ("Tenant's Share", as applicable to Subtenant, being 4.012%); provided, however, for purposes of Subtenant's obligation hereunder, (i) "Base Tax Factor" shall mean the Taxes for the fiscal year commencing July 1, 2022 and ending June 30, 2023; and

(ii) Tenant's Operating Payment as applicable solely to the Premises ("Tenant's Share", as applicable to Subtenant, being 4.012%); provided, however, for purposes of Subtenant's obligation hereunder, (i) such payment obligation shall commence as of January 1, 2023 and (ii) "Base Operating Factor" shall mean the Operating Expenses paid or incurred for the calendar year commencing January 1, 2022 and ending December 31, 2022.

(d) Subtenant shall pay, as Additional Rent (to Sublandlord or as Sublandlord may direct (including to Landlord)), in accordance with Section 4.1 of the Master Lease, electricity at a rate of one hundred and three percent (103%) of Landlord's actual cost per kilowatt hour for electricity for the Premises. Landlord's actual cost shall be for the electric energy consumed in the Premises, which electric energy shall be measured by a submeter that shall measure only Subtenant's electrical consumption.

(e) In the event of any casualty or condemnation affecting the Premises, Rent shall be proportionately or fully abated in accordance with the terms of the Master Lease. Further, in connection with any abatement right under the Master Lease, Rent shall be correspondingly and proportionately abated hereunder for as long as such abatement shall continue under the Master Lease.

4. **Condition of Premises; Alterations.**

(a) Sublandlord subleases the Premises to Subtenant strictly in their present "as is, where is" condition, subject to satisfaction of the Delivery Conditions.

(b) All costs of use, maintenance, repairs and replacement of any supplemental HVAC systems serving the Premises shall be the responsibility of Subtenant, to the extent same is the responsibility of Sublandlord under the Master Lease.

(c) To the extent consent of Landlord is required under the terms of Article 6 of the Master Lease, Subtenant shall not make any alterations or improvements to the Premises (and shall not choose architects, engineers, contractors or subcontractors to perform same) without the prior written consent of Landlord and Sublandlord. All alterations or improvements performed by Subtenant shall be made in accordance with the requirements of the Master Lease, in a good and workerlike and lien-free manner, and in accordance with all applicable laws. Copies of all items required to be delivered under Article 6 of the Master Lease (including, without limitation, plans and specifications and lien waivers) shall be delivered by Subtenant to each of Landlord and Sublandlord. Sublandlord shall not charge any fees associated with the review of any plans or the oversight of any work in connection with any such alterations or improvements (excluding any actual out of pocket costs) and will use reasonable efforts to respond to Subtenant's submissions of plans (or revisions thereof) within ten (10) business days from Subtenant's submittal.

5. **Master Lease; Subordination.**

(a) This Sublease is and shall at all times remain subject and subordinate to all of the terms, covenants and conditions of the Master Lease, and Landlord shall have all rights in respect of the Master Lease and the Premises as set forth therein. Subject to the provisions of Section 6 hereof, except for (i) payments of Rental (as defined in the Master Lease) by Sublandlord to Landlord pursuant to the provisions of the Master Lease and (ii) Sublandlord's obligation to maintain insurance (which does not negate Subtenant's obligation to also maintain insurance), and (iii) any obligation inconsistent with the express terms of this Sublease, Subtenant hereby assumes and agrees to perform for Sublandlord's benefit, during the term of this Sublease, all of Sublandlord's obligations under the Master Lease with respect to the Premises that accrue during the Sublease Term (collectively, the "Assumed Obligations").

(b) This Sublease is and shall at all times remain subject and subordinate to any ground lease, deed of trust, mortgage or other security instrument now or hereafter encumbering the Building or the Premises.

6. **Incorporation of Master Lease.**

(a) Subject to the exclusions, limitations and modifications set forth in this Sublease, the terms, provisions, covenants and conditions of the Master Lease are incorporated in this Sublease by reference so that, except to the extent that they are excluded, limited or otherwise modified by the provisions of this Sublease for the purpose of incorporation by reference, each and every term, covenant and condition of the Master Lease binding on or inuring to the benefit of the landlord thereunder shall, in respect of this Sublease, bind or inure to the benefit of Sublandlord, and each and every term, covenant and condition of the Master Lease binding or inuring to the benefit of the tenant thereunder shall, in respect of this Sublease, bind or inure to the benefit of Subtenant, with the same force and effect as if such terms, covenants and conditions were completely set forth in this Sublease, and as if the words (i) "Landlord" and "Tenant," or words of similar import, wherever the same appear in the Master Lease, were construed to mean, respectively, “Sublandlord” and “Subtenant” in this Sublease, (ii) “Premises,” wherever the same appears in the Master Lease were construed to mean “Premises” in this Sublease, (iii) “Lease,” or words of similar import, wherever the same appear in the Master Lease, were construed to mean this “Sublease,” and (iv) the words “Escalation Rent,” or words of similar import, wherever the same appear in the Master Lease, were construed to mean the Additional Rent payable under Section 3 of this Sublease. Subtenant represents that it has examined, read and is thoroughly familiar with the unredacted terms, covenants and conditions of the Master Lease, and Subtenant accepts those terms, covenants and conditions and obligations thereof that have been incorporated herein.

(b) Subject to subsections (a) and (c) of this Section 6, the following sections of the Master Lease are not incorporated as a part of this Sublease and are expressly excluded herefrom:

(i) any provision (w) that is inconsistent with another express provision contained in this Sublease, (x) that is inapplicable to the Premises (i.e., the 9th floor of the Master Leased Premises), (y) that relates to a period of time that is prior to or beyond the Sublease Term or (z) that is redacted from the copy of the Master Lease attached hereto; and

(ii) The Reference Page (other than the terms “Permitted Use” and “Late Charge”), Sections 2.1, 2.2, 2.5, Article 3 (other than the payment obligations thereunder, subject to Section 3 above), Article 4 (other than the payment obligations thereunder, subject to Section 3 above), Section 6.5, Section 6.7, Article 10, Section 12.1(A) (other than the first two (2) sentences thereof), Section 12.5, Section 12.6, Article 13 (subject to Section 9 hereof), Article 14 (subject to Section 9 hereof), the penultimate sentence of Section 16.1(A), Sections 18.1(B), 28.1, 28.2 (provided that Sublandlord shall be required to use commercially reasonable efforts to cause Landlord to perform its obligations thereunder and Subtenant shall be obligated to pay for services utilized by Subtenant during Overtime Periods as set forth in such Section) and 28.3, Article 31, Article 35, Article 38, Sections 40.2, 40.10, and 40.19, Article 41, Article 42, Article 43, Article 44, Schedules A-1, A-2, A-4 and A-5, Schedule F, Schedule H, Schedule I, Schedule K, Schedule L, Schedule M and Schedule N.

(c) The following limitations shall apply to the interpretation and enforcement of the incorporated terms, covenants and conditions of the Master Lease:

(i) No provision of the Master Lease shall be deemed incorporated herein to the extent such provision is inconsistent with, conflicts with or cannot reasonably be interpreted together with any express provision of this Sublease.

(ii) Except as otherwise provided herein (including the first sentence of Section 8 hereof), the time limits contained in the Master Lease for the giving of notices, making of demands or performing of any act, condition or covenant on the part of the tenant thereunder (including the cure of any default), or for the exercise by the tenant thereunder of any right, remedy or option, are changed for the purposes of incorporation herein by reference by shortening the same in each instance by two (2) business days, so that in each instance Subtenant shall have two (2) business days less time to observe or perform or cure hereunder than Sublandlord has as the tenant under the Master Lease.

(iii) Any non-liability, release, indemnity or hold harmless provision, and any provisions pertaining to waiver of subrogation rights and or the naming of a party under an insurance policy, in the Master Lease for the benefit of Landlord that is incorporated herein by reference, shall be deemed to inure to the benefit of Sublandlord and Landlord, for the purpose of incorporation by reference in this Sublease.

(iv) Any obligation of Sublandlord that is contained in this Sublease by the incorporation by reference of the provisions of the Master Lease and not otherwise inconsistent with any express term of this Sublease shall be observed or performed by Sublandlord using commercially reasonable efforts to cause Landlord under the Master Lease to observe and/or perform the same upon notice from Subtenant. Subtenant shall not in any event have any rights in respect of the Premises greater than Sublandlord's rights under the Master Lease, and notwithstanding any provision to the contrary, Sublandlord shall not be obligated to perform obligations that pertain to the Premises and common areas for which Landlord is obligated under the Master Lease or Subtenant is responsible under this Sublease, and are part of this Sublease by the incorporation by reference of provisions of the Master Lease, and Sublandlord shall have no liability to Subtenant for any such matter whatsoever, except that Sublandlord shall be obligated to use commercially reasonable efforts, upon request of Subtenant, to cause Landlord to observe and/or perform Landlord's obligations under the Master Lease. Subject to the foregoing, Sublandlord grants to Subtenant, to the extent not expressly excluded by the terms of this Sublease, the right to receive all of the services available to the Premises that are to be provided by Landlord under the Master Lease (including, without limitation, with respect to access to the Premises, cleaning services, and freight elevator and loading dock usage, Sublandlord acknowledging that Subtenant shall have no liability to Sublandlord for charges for services provided to the Premises except to the extent imposed on Sublandlord pursuant to the Master Lease and provided that the same are required to be paid by Subtenant hereunder). Subtenant hereby expressly waives the provisions of any statute, ordinance or judicial decision, now or hereafter in effect, which would give Subtenant the right to make repairs at the expense of Sublandlord, or to claim any actual or constructive eviction by virtue of interruption in access or services to, or failure to make repairs in or to, the Premises or the Building.

(v) With respect to any approval or consent required to be obtained from Landlord under the Master Lease, such approval or consent must be obtained from both Landlord and Sublandlord (such consent not to be unreasonably withheld, conditioned or delayed by Sublandlord). Any approval or consent required of Sublandlord conclusively shall be deemed reasonably withheld if approval or consent also is required of Landlord, and Landlord withholds Landlord's approval or consent.

(d) Subtenant shall fully perform all of the Assumed Obligations and shall indemnify, defend, protect, and hold harmless Sublandlord from any and all liability, damages, liabilities, claims proceedings, actions, demands and costs (including reasonable attorneys' fees) resulting, directly or indirectly, from Subtenant's failure to perform the Assumed Obligations.

(e) Without limiting the generality of the foregoing, for purposes of incorporating the terms, covenants and conditions of the Master Lease into this Sublease, the following provisions of the Master Lease are amended as follows:

(i) Subtenant shall protect, defend, indemnify and hold Sublandlord harmless from and against all liability as Sublandlord may incur to Landlord as a consequence of Subtenant's failure to timely surrender possession of the Premises in the condition required by this Sublease, unless and to the extent the same is due to the act or omission of Sublandlord or its agents or employees.

(ii) Sublandlord shall only be required, after written request by Subtenant, to use commercially reasonable efforts to cause Landlord to perform any repairs or restoration or provide any services called for thereunder (including, without limitation, Landlord's obligation to provide services pursuant to Article 28 of the Master Lease and Landlord's obligation to make repairs pursuant to Article 7 of the Master Lease). For purposes of this Sublease (including Section 6, Section 8 and Section 10 hereof), “commercially reasonable efforts” shall not include the pursuit of legal action by Sublandlord against Landlord.

(iii) Under Article 27 of the Master Lease, Sublandlord’s notice address shall be as provided adjacent to Sublandlord’s signature below, or at such other address as Sublandlord may from time to time designate in writing to Subtenant; and Subtenant’s notice address shall be as provided adjacent to Subtenant’s signature below. Any notice required or permitted under this Sublease shall be deemed to have been delivered upon actual receipt or upon refusal of delivery. Notices under this Sublease shall be permitted to be transmitted by overnight courier service, in addition to the other methods permitted under the Master Lease.

(iv) The rentable area of the Premises as specified in Recital A above is only an approximation and no variation between the amount so stated and the actual rentable area of the Premises shall alter the obligations of Sublandlord and Subtenant under this Sublease.

(v) All references in the Master Lease to any work to be performed by Landlord or Sublandlord for the initial delivery of the Premises to Subtenant shall be disregarded, as Subtenant has agreed to accept the Premises in the condition described in this Sublease. All references to the “Post-Commencement Work” in the Master Lease are deemed to be deleted.

(vi) Subtenant may not sublease all or any portion of the Premises or assign its interest in the Sublease without the prior written consent of both (i) Sublandlord (which shall be granted or withheld in accordance with the standards for Landlord’s consent in the Master Lease, except that Sublandlord shall have no recapture right), and (ii) Landlord (which consent may be withheld in its sole discretion, except to the extent otherwise set forth in Landlord’s Consent). In determining whether or not to grant consent, Subtenant shall provide (i) Sublandlord with such information regarding the proposed sublessee or assignee as Landlord is entitled to receive with respect to a proposed sublease or assignment under the Master Lease, and (ii) Landlord with such information as Landlord may require in its sole discretion (except to the extent otherwise set forth in Landlord’s Consent).

(f) Sublandlord covenants and agrees that (i) it will comply in all material respects with the terms of the Master Lease, except to the extent that such non-compliance is caused by the act or omission of Subtenant, (ii) it shall not at any time during the Sublease Term, unless otherwise agreed to by Subtenant in its reasonable discretion, enter into any amendments, modifications or other agreements with Landlord relating to the Master Lease that would adversely affect Subtenant’s occupancy or use of the Premises or would increase its obligations or reduce its rights hereunder and (iii) it shall not at any time during the Sublease Term, unless otherwise agreed to by Subtenant in its sole and absolute discretion, agree to any early termination of the Master Lease, including the exercise of Sublandlord’s rights under Section 44.3. of the Master Lease, if such termination would adversely affect Subtenant’s occupancy or use of the Premises or would increase its obligations or reduce its rights hereunder.

7. **Brokerage.** Except for Cushman & Wakefield, Inc. (“Broker”), each party warrants and represents to the other that such party has not retained the services of any real estate broker, finder or any other person whose services would form the basis for any claim for any commission or fee in connection with this Sublease or the transactions contemplated hereby. Each party agrees to save, defend, indemnify and hold the other party free and harmless from any breach of its warranty and representation as set forth in the preceding sentence, including the other party’s reasonable attorneys’ fees and disbursements. Sublandlord shall pay all commissions due to Broker arising out of this Sublease pursuant to a separate written agreement.

8. **Defaults**. Notwithstanding the incorporation of Article 18 of the Master Lease herein, with respect to subsection 18.1(A) thereof, in the event any failure by Subtenant to pay Rental when due continues for more than three (3) business days after written notice from Sublandlord, an Event of Default shall have occurred and Sublandlord may take any and all actions permitted to be taken by Landlord under the Master Lease; provided, however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Tenant fails to pay Rent when due and, during the 12 month interval preceding such failure, Landlord has given Tenant written notice of failure to pay Rent on more than two (2) prior occasions. If Landlord shall fail to perform an obligation with respect to the Premises which Landlord is required by the Master Lease to perform and pursuant to such failure is in default under the Master Lease and such failure materially and adversely affects Subtenant's occupancy or use of the Premises (any such failure, a "Landlord Default"), then upon written request of Subtenant, Sublandlord shall promptly make demand upon Landlord to remedy such Landlord Default. If Landlord does not remedy such default in a commercially reasonable time period (or such time period as may be required by the terms of the Master Lease), then Subtenant may make written request of Sublandlord to use, and Sublandlord shall use, commercially reasonable efforts to enforce any and all of Sublandlord's right as Tenant under the Master Lease (provided, however, in no event shall Sublandlord be obligated to initiate litigation or any other adversarial proceeding against Landlord).

9. **Early Termination of Master Lease.** Where the Master Lease grants Sublandlord any discretionary right to terminate the Master Lease as to all or any portion of the Premises, whether due to casualty, condemnation, or otherwise, including, without limitation, pursuant to Section 44.3. of the Master Lease, Sublandlord shall not exercise any such right unless consented to by Subtenant in Subtenant's sole and absolute discretion if such termination would adversely affect Subtenant's occupancy or use of the Premises or would increase its obligations or reduce its rights hereunder. In connection with any casualty or condemnation affecting the Premises, Subtenant shall have the same rights to terminate this Sublease within the same time periods set forth under the Master Lease in Articles 13 and/or 14 of the Master Lease (except that for purposes of clause (iii) of Section 13.3(A) of the Master Lease, the word "Term" shall refer to the Sublease Term). Sublandlord shall promptly forward to Subtenant any communication from Landlord with respect to any damage or destruction or condemnation of the Premises. Landlord's recognition of Subtenant as a direct tenant in the event of a termination of the Master Lease shall be governed by the terms of the Landlord's Consent.

10. **Consents Under Master Lease.** If Subtenant desires to take any action which requires the consent of Landlord pursuant to the terms of the Master Lease, then (a) Subtenant shall not take any such action until it obtains the consent of Sublandlord (whose consent may not be unreasonably withheld, conditioned or delayed, except as otherwise set forth herein) and Landlord, and (b) Subtenant shall request that Sublandlord obtain Landlord's consent on Subtenant's behalf and Sublandlord shall use commercially reasonable efforts to obtain such Landlord's consent, unless Landlord agrees that Subtenant may contact Landlord directly with respect to the specific action for which Landlord's consent is required. Subtenant shall reimburse Sublandlord for all reasonable out-of-pocket costs actually incurred by Sublandlord in processing any request by Subtenant for Landlord's or Sublandlord's consent.

11. **No Third Party Rights.** Except as otherwise expressly provided herein, the benefit of the provisions of this Sublease is limited to Sublandlord and Subtenant and to their respective successors and permitted assigns. No third party shall be construed to have any rights as a third party beneficiary with respect to any of the provisions of this Sublease.

12. **Landlord's Consent to Sublease.** This Sublease is subject to the consent of Landlord, which consent shall be evidenced on Landlord's standard form (the "Landlord's

Consent”). Sublandlord agrees to use commercially reasonable, good faith efforts to obtain the Landlord’s Consent as soon as reasonably possible following execution of this Sublease by Subtenant and Sublandlord. In the event that the Landlord’s Consent is not obtained by the date that is sixty (60) days after the date hereof, each of Sublandlord and Subtenant shall have the right to terminate this Sublease by providing written notice of termination to the other party. Sublandlord shall pay all administrative fees, costs and expenses charged by Landlord in connection with obtaining the Landlord’s Consent. In the event of any conflict between this Sublease and the Landlord’s Consent, the terms of the Landlord’s Consent shall control.

13. **Counterparts.** This Sublease may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

14. **Status of Lease.** Sublandlord hereby represents and warrants to Subtenant that (i) a true, correct and complete copy of the Master Lease (other than certain redacted terms) is attached hereto as **Exhibit A** and has been executed and delivered by Landlord and Sublandlord and constitutes the entire agreement of the parties thereto relating to the lease of the Premises (other than such redacted terms), (ii) no default or breach by Sublandlord or, to Sublandlord’s knowledge, by Landlord, has occurred or presently exists under the Master Lease and (iii) subject to receipt of Landlord’s Consent, Sublandlord has the right and power to execute and deliver this Sublease and to perform its obligations hereunder.

15. **Quiet Enjoyment**. Sublandlord covenants and agrees with Subtenant that upon Subtenant paying the rent and additional rent reserved in this Sublease and observing and performing all of the other obligations, terms, covenants and conditions of this Sublease on Subtenant’s part to be observed and performed, Subtenant may peaceably and quietly enjoy the Premises during the term; provided, however, that this Sublease shall automatically terminate upon termination of the Master Lease and Subtenant shall have no claim against Sublandlord unless such termination was caused by the default of Sublandlord in the performance of its obligations under the Master Lease which have not been assumed by Subtenant hereunder or Sublandlord’s voluntary termination or modification of the Master Lease, including Sublandlord’s exercise of its right to terminate the Master Lease under Section 44.3 of the Master Lease, in violation of the terms of this Sublease.

16. **Freight Elevator**. Subtenant shall have the use of the freight elevators during regular Building hours pursuant to the terms of the Master Lease. Subtenant shall pay Landlord’s standard rates for overtime hours, if required, provided, however, Sublandlord shall pay any such overtime rates associated with Subtenant’s move-in, if Landlord requires overtime usage of the freight elevators in connection therewith.

17. **Signage.** Sublandlord shall use commercially reasonable efforts to have Landlord approve Subtenant’s signage in the Building lobby in the approximate location of Sublandlord’s existing signage, in the elevator lobby on the floor containing the Premises and on the entrance doors to the Premises, although Sublandlord shall have no liability if Landlord fails to approve such signage.

18. **Limitation of Damages**. Under no circumstances shall either party to this Sublease be liable for any indirect, incidental, special or consequential damages arising out of this Sublease, including, without limitation, any damages arising from lost revenues, profits, use or business opportunity, regardless of the cause of such damages and whether or not the other party was aware or should have been aware of the possibility of these damages; provided, however, that Subtenant will remain liable for any such damages as and to the extent

Sublandlord is liable for same under the Master Lease as a result of Subtenant's breach or default hereunder with respect to the Premises.

19. **Entire Agreement**. This Sublease, the Landlord's Consent and **Exhibits A – G** attached hereto contain all of the agreements of the parties with respect to the subject matter hereof, and there are no verbal or other agreements that modify or affect this Sublease. This Sublease and **Exhibits A – G** attached hereto supersede any and all prior agreements made or executed by or on behalf of the parties hereto regarding the Premises.

20. **Terms and Headings**. The words "Sublandlord" and" Subtenant" include the plural as well as the singular, and words used in any gender include all genders. The titles to sections of this Sublease are not a part of this Sublease and shall have no effect upon the construction or interpretation of any part hereof.

21. **Severability**. Any provision of this Sublease that shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof, and the remaining provisions hereof shall nevertheless remain in full force and effect.

22. **Governing Law; Jurisdiction**. This Sublease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. The proper place of venue to enforce this Sublease is New York County, N.Y. In any legal proceeding regarding this Sublease, including enforcement of any judgments, each party irrevocably and unconditionally (i) submits to the jurisdiction of the courts of law in New York County, N.Y.; (ii) accepts the venue of such courts and waives and agrees not to plead any objection thereto; and (iii) agrees that service of process may be effected at the address specified for such party in this Sublease, or at such other address of which the other party has been properly notified in writing, and nothing herein will affect either party's right to effect service of process in any other manner permitted by applicable law.

23. **Sublandlord Representations**. Sublandlord hereby represents to Subtenant, to Sublandlord's actual knowledge:

(a) The building systems servicing the Premises are in good working order;

(b) The Premises is in compliance with (i) all applicable codes, laws and regulations, including, but not limited to the New York City building code, the local laws pertaining thereto, including fire and life-safety codes, and Title III of the Americans with Disabilities Act, and a Certificate of Occupancy, free and clear of outstanding construction liens and/or outstanding violations with the Department of Buildings, FDNY or the Fire Marshal that would delay Subtenant's occupancy or construction (including permitting); and

(c) The Premises are in compliance with applicable laws governing the presence of hazardous materials and toxic mold.

24. **Security Deposit**. Subtenant has deposited with Sublandlord on the signing of this Sublease a security deposit in the amount of $513,760.00 (the "Security Deposit") in the form of a letter of credit attached hereto as **Exhibit F** (the "Letter of Credit") as security for the faithful performance and observance by Subtenant of the terms, provisions and conditions of this Sublease. Subtenant agrees that in the event of the occurrence of a default by Subtenant hereunder beyond the expiration of all applicable notice and cure periods, Sublandlord may draw so much of the Letter of Credit as is required to cure the default then occurring and use, apply or retain the such proceeds, to the extent required for the payment of any delinquent Rent, or any other sum as to which Subtenant is in default, or for any sum that Sublandlord is entitled to

expend by reason of the default (including any damages or deficiency accrued before or after summary proceedings or other re-entry by Sublandlord). In addition, Sublandlord may make multiple partial draws upon the Letter of Credit. If Sublandlord applies any portion or all of the proceeds of the Letter of Credit, Subtenant shall forthwith restore the amount so applied by delivering an additional or new Letter of Credit so that, at all times, the amount of the Letter of Credit and any proceeds retained by the Sublandlord shall not be less than the amount of the Security Deposit. Subtenant's failure to restore the amount so applied or retained within ten (10) Business Days after Sublandlord has drawn upon the Letter of Credit shall constitute an Event of Default under this Sublease. Provided there is no uncured default, any balance of the proceeds of the Letter of Credit held by Sublandlord and not used, applied or retained by Sublandlord as above provided, and any remaining Letter of Credit, shall be returned to Subtenant within thirty (30) days after the expiration of the Sublease Term and after delivery of possession of the entire Premises to Sublandlord in accordance with the terms of this Sublease.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the date first written above, intending to be bound hereby.

SUBLANDLORD:

ZILLOW, INC.

By: /s/ Toby Roberts
Its: SVP, Technology

Address:

Zillow Group, Inc.
1301 Second Avenue — Floor 31
Attn: Legal
Seattle, WA 98109
With a copy mailed to: legal@zillowgroup.com

SUBTENANT:

MAGNITE, INC.

By: /s/ Michael Barrett
Its: CEO

Address:

Magnite Inc.
6080 Center Drive, 4th Floor
Los Angeles, CA 90045
Attn: Nick Kormeluk
E-Mail: nkormeluk@magnite.com

EXHIBIT A

Redacted Master Lease

EXHIBIT B

Floor Plan of Premises

EXHIBIT C

Delivery Conditions

1. Sublandlord shall perform the following work to the Premises at Sublandlord's sole cost and expense.

   a. Remove all Sublandlord signage with respect to the Premises;
   b. Remove conference room reservation system holders from the outside of each conference room;
   c. Enclose the stairwell providing access between the Premises and the adjacent floors with drywall and a wood door with locks controlled from the interior of the Premises, including painting to match existing walls; and
   d. Paint, patch, repair any damages to the Premises, including to walls and carpeting, where necessary.

2. Sublandlord shall deliver the Premises in broom-clean condition, clear of all personal property (excluding the FF&E).

3. Sublandlord shall provide copies of maintenance records (to the extent in Sublandlord's possession) for any HVAC units or other system which Sublandlord controls or is required to maintain pursuant to the provisions of the Master Lease.

4. Sublandlord shall provide a full set of construction drawings relating to any construction performed by Sublandlord within the Premises, if any, including any alterations made throughout the term and any items which qualify as specialty alterations or require restoration pursuant to the provisions of the Master Lease

EXHIBIT D

Commencement Date Agreement

THIS CONFIRMATION OF COMMENCEMENT DATE AGREEMENT (this "Agreement") is made as of [_____________, 20__], between Zillow, Inc. ("Sublandlord"), and Magnite, Inc. ("Subtenant").

Sublandlord and Subtenant have entered into that certain Sublease, dated as of [_____________], 2021 (the "Sublease"), pursuant to which Sublandlord leased to Subtenant and Subtenant leased from Sublandlord certain premises consisting of approximately 27,040 rentable square feet, consisting of the 9th floor of the building located at 1250 Broadway, New York, New York, as such premises are more particularly defined in the Sublease. Capitalized terms used in this Agreement but not defined herein shall have the meanings given them in the Sublease.

Pursuant to Section 2(a) of the Sublease, Sublandlord and Subtenant hereby confirm that the Commencement Date is [_____________] and the Sublease Term expires on [_____________].

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SUBLANDLORD:	**SUBTENANT:**
ZILLOW, INC.	MAGNITE, INC.
By: __ Its: __	By: __ Its: __

EXHIBIT E

FF&E

EXHIBIT F

Form of Letter of Credit

EXHIBIT G

Form of Bill of Sale

BILL OF SALE

THIS BILL OF SALE (“**Bill of Sale**”) is made as of _______________, _____ between _______________, a _______________ (“**Assignor**”), and _______________, a _______________ (“**Assignee**”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Certain Defined Terms. Capitalized terms used but not otherwise defined herein shall have the meanings given such terms in that certain Sublease, dated as of _______________, 2021, between Assignor, as sublessor, and Assignee, as sublessee (the “**Sublease**”), pertaining to the sublease of the Premises.

2. Grant. Assignor hereby grants, bargains, sells, conveys, assigns and transfers to Assignee, and Assignee hereby takes, purchases, receives and accepts all of Assignor’s right, title and interest in, to and under all of the FF&E.

3. Severability of Provisions. If any part of this Bill of Sale is declared to be invalid or unenforceable by a court of competent jurisdiction, this Bill of Sale shall be construed as if such part did not exist, and the balance hereof shall be given full effect.

4. Sales Tax. Assignee agrees to pay and be responsible for the payment of any sales or use tax accruing from and after the date hereof that may be imposed by any taxing jurisdiction for all or any part of the FF&E. Assignor agrees to pay and be responsible for the payment of any sales or use tax accruing before the date hereof that has been or may be imposed by any taxing jurisdiction for all or any part of the FF&E.

5. No Impairment or Expansion. Nothing contained in this Bill of Sale shall be deemed to limit, waive or otherwise impair or derogate any representation, warranty, covenant or indemnification set forth in the Sublease or to waive or abrogate any limits on liability specified in the Sublease.

6. Severability of Provisions. If any part of this Bill of Sale is declared to be invalid or unenforceable by a court of competent jurisdiction, this Bill of Sale shall be construed as if such part did not exist, and the balance hereof shall be given full effect.

7. Governing Law. This Bill of Sale shall be governed by and interpreted in accordance with the laws of the State of New York, without reference to the choice of law provisions thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Bill of Sale as of the day and year first above stated.

ASSIGNOR:

____

By:______________________________
Name:
Title:

ASSIGNEE:

____

By:______________________________
Name:
Title:

Exhibit 21.1

List of Subsidiaries

Magnite CTV, Inc.
SpotX, Inc.
Magnite Australia PTY Limited
Magnite Servicos De Internet Ltda
Magnite SARL
Magnite GmbH
Magnite S.R.L.
Magnite K.K.
The Rubicon Project Netherlands B.V.
Magnite Singapore Pte Ltd.
Magnite Ltd
Magnite Canada, Inc.
SlimCut Media Canada Inc.
Magnite Apex, Inc.
5 Moon Media LLC
Magnite Bell, Inc.
Rubicon Project Unlatch, Inc.
Magnite Hopper, Inc.
Rubicon Project Daylight, Inc.
Project Daylight, LLC
The Rubicon Project Canada ULC
Telaria Ltd.
Magnite Holdings Pty Ltd
Magnite CTV Pty Ltd
Telaria (Singapore) Pte Ltd
Telaria SDN. BHD.
Magnite CTV (NZ) Limited
SpringServe, Inc.
SpotX Limited
SpotX Australia Pty Ltd
SpotX Singapore Pty Ltd
SpotX Japan G.K.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-195972, 333-201174, 333-204012, 333-219563, and 333-237613 on Form S-8 of our report dated February 23, 2022, relating to the consolidated financial statements of Magnite, Inc. and subsidiaries and the effectiveness of Magnite, Inc.'s internal controls over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

Los Angeles, California
February 23, 2022

Exhibit 31.1

Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Barrett, certify that:

1. I have reviewed this Annual Report on Form 10-K of Magnite, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Signature: /s/ Michael Barrett

Michael Barrett
President and Chief Executive Officer
(Principal Executive Officer)

Date February 23, 2022

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, David Day, certify that:

1. I have reviewed this Annual Report on Form 10-K of Magnite, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature: /s/ David Day

David Day
Chief Financial Officer
(Principal Financial Officer)

Date February 23, 2022

Exhibit 32

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Michael Barrett, President and Chief Executive Officer (Principal Executive Officer) of Magnite, Inc. (the "Company"), and David Day, Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. Our Annual Report on Form 10-K for the quarter ended December 31, 2021, to which this certification is attached as Exhibit 32 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date February 23, 2022

/s/ Michael Barrett
Michael Barrett
President and Chief Executive Officer
(Principal Executive Officer)

/s/ David Day
David Day
Chief Financial Officer
(Principal Financial Officer)

The foregoing certifications are being furnished pursuant to 13 U.S.C. Section 1350. They are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.