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PRESENTATION

Operator

Good day, and welcome to the Magnite Q3 2025 earnings conference call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Nick in Investor Relations. Please go ahead.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's third quarter '25 earnings conference call. As a reminder, this conference is being recorded.

Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlight slides on our Investor Relations website to accompany today's presentation.

Before we get started, I will remind you that our prepared remarks and answers to questions will include information that may be considered to be forward-looking statements, including, but not limited to, statements concerning our anticipated financial performance and strategic objectives, including the potential impact of macroeconomic factors on our business. These statements are not guarantees of future performance.

They reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. A discussion of these and other risks, uncertainties and assumptions is set forth in the company's periodic reports filed with the SEC, including our quarterly reports on Form 10-Q and our 2024 annual report on Form 10-K. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including contribution ex-TAC or less traffic acquisition costs, adjusted EBITDA and non-GAAP income per share. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release and in the financial highlights deck that is posted on our Investor Relations website. At times, in response to your questions, we may offer additional metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be onetime in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit our Investor Relations website to access our press release, financial highlights deck, periodic SEC reports and the webcast replay of today's call to learn more about Magnite.

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

Michael Barrett - *Magnite Inc - CEO*

Thank you, Nick. Q3 came in strong, and we once again exceeded total top line expectations with CTV contribution ex-TAC growing 18% and 25%, excluding political. DV+ continued to perform well, growing in line with expectations. Adjusted EBITDA was also strong at $57 million, beating expectations, resulting in a margin of 34%.

Our performance in CTV was driven by growth of our largest publisher partners, significant traction with agency marketplaces, ClearLine adoption, positive SMB trends and programmatic expansion in live sports. Our most significant growth came from the industry's largest players, including LG, NBCU, Netflix, Roku, Vizio, Walmart and Warner Bros. Discovery.

Regarding Netflix, we've supported the expansion of their ads business to all ad-supported markets. The pacing of the Netflix ramp has gone very well, and we remain excited about our continued growth opportunity with them in 2026. Roku is also -- Roku also continues to be a very fast-growing publisher with the Roku Exchange, where Magnite is the preferred programmatic partner. This quarter, in particular, demonstrated especially great momentum where our partnership saw meaningful traction in sports and in attracting SMBs to their platform. We continue to explore areas for further expansion of our relationship to drive more revenue for them. Warner Bros. Discovery has also made great progress with its NEO platform launching in September. NEO, a new ad platform, will provide buyers direct access to Warner Bros. entire premium video inventory through one simplified and intuitive user interface where Magnite is helping to power transactions.

ClearLine continues to gain momentum with over 30 clients, and we recently rolled out a number of key enhancements to the product. Earlier this year, we announced that native home screen units are available through ClearLine. This update will enable buyers and curators to discover, package and activate inventory in one platform with the most comprehensive access to differentiated supply, unique first-party data and content signals.

Finally, we also announced plans to integrate AI assistance and Agentic workflows into ClearLine, which will be powered in part by technology from our acquisition of streamer.ai, which we announced in September. As I've mentioned before, the CTV advertising opportunity for small and medium-sized businesses is enormous, but it's historically been bottlenecked by complexity and high cost. To address this, streamer.ai gives small businesses the tools to create production quality CTV commercials in minutes and in an extremely cost-efficient manner. We're licensing Streamer to large media owners, commerce players, agencies, DSPs and other media buyers so they can help their SMB clients easily break into CTV advertising, and the response has been very positive.

We've announced two client wins since the acquisition, ITV, which is the UK's largest commercial broadcaster, and Wolt, which is part of DoorDash with many more to come. We are seeing agencies becoming more active in their programmatic SPO efforts, and it's driving spend now. We have long supported agencies and have dedicated teams in place to support their growth efforts in this area. As evidence of this acceleration, ad spend from top holds grew nearly 20% in Q3 year-over-year.

A significant driver of our growth with agencies is from Magnite's powered buyer marketplaces. These private label marketplaces allow agencies to connect directly with publishers to develop curated pools of inventory that are enriched by proprietary data are DSP agnostic and maximize working media spend.

Our combined CTV ad serving and SSP platform, SpringServe, continues to be a significant differentiator for us with publishers. As well as offering a leading ad server in CTV, SpringServe plays a crucial role as the mediation layer for publishers. In addition to supporting traditional DSP to SSP connections, our unique position enables us to provide a direct connection for buyers directly into the ad server.

We just added Viant's Direct Access product to our list of direct integrations that include Amazon APS, Yahoo's Backstage and Trade Desk's OpenPath. SpringServe also allows publishers to maximize their yield by unifying demand from these direct ad server integrations directly amongst buyers that connect to our SSP.

Live sports continues to drive growth in our business, and we see tremendous potential in the future as programmatic adoption continues to escalate. We have seen new contributions notably from Disney of NFL and college football as well as Major League Baseball in the WNBA. Our live stream accelerator product, which was specifically developed for live sports is currently utilized by numerous partners globally. Leaders in this area are choosing Magnite because of our unique tech and continued commitment to invest in this area.

On the DV+ side of the business, Q3 contribution ex-TAC was up 7% or 10% excluding the impact of political last year. Our DV+ business continues to benefit from ramping partners as well as new client wins. A notable update is that our partnership with Pinterest began to ramp in Q3.

In particular, we've been really pleased with the progress of our Commerce Media offering as our roster of partners continues to grow. We've announced partnerships with Best Buy, RE/MAX, Western Union, PayPal and Connective Media by United Airlines. Commerce entities are attracted to the unique technology Magnite provides. They each have some form of O&O inventory and leverage Magnite DV+ or SpringServe tools for monetizing or ad serving. In addition, these entities possess valuable first-party data and are utilizing ClearLine to layer their first-party data on top of third-party supply for curation. The first-party data enriches the supply and allows commerce entities to package their media with data to extend their overall footprint.

Our fastest-growing format in TV+ in the third quarter was audio. We are gaining traction in this area and see it as a significant opportunity in the future. Earlier this year, Spotify announced its new Spotify Ad Exchange or SAX, and selected Magnite as its global programmatic partner. SAX has integrated SpringServe to power its omnichannel advertising across audio, video and native display. Acast, a leading podcast monetization platform, announced a partnership with Magnite during the third quarter as well. This strategic collaboration will make Acast podcast inventory, which includes more than 140,000 podcasts and more than 1 billion listens quarterly available to advertisers through Magnite's infrastructure.

Turning to AI. We delivered another quarter of progress and have an increasingly clear view of how Agentic technologies will show up across the industry and in our products. In October, an industry association comprised of some of the industry's best regarded executives introduced the Ad context protocol or AdCP, a proposed standard for how buy and sell-side agents will transact. When you look into the structure, you see that the agents are designed to operate on top of the transactional infrastructure that exists today, much of which we've built. As always, these transactions must be vetted, negotiated, processed and cleared in a privacy-compliant manner, jobs we excel at. We envision the new world as one where sell-side assets, in particular, are going to be even more valuable and especially Magnite with our strong publisher relationships, SPO partnerships and leading technology.

A key focus of our AI efforts involves the integration of the Model Context Protocol, or MCP, a generalized open standard that lets agents and LLMs connect to external systems and data. The AI business we recently acquired, Streamer, is built on MCP, and we've wired its foundation into ClearLine, enabling partners like the aforementioned ITV and Volt to generate CTV creative, receive campaign recommendations and place buys.

ClearLine is the first of several Magnite products to integrate MCP. This work will enable agents to that automate tedious tasks such as setup and adjustment to surface valuable insights and drive increased monetization while freeing partners valuable time. Beyond agents, we continue to strengthen the machine learning that powers many of our products and operations, improving optimization, raising win rates and lowering unit costs.

We're also applying AI across our internal operations, combining process redesigns with efficiency gains and investing in the platform services and training our teams need to serve our growing partner list without meaningfully increasing headcount.

Next, I want to provide an update on the Google Ad tech trial. As you likely know, Judge Brinkema concluded a two-week trial on the remedies phase of the DOJ's case in early October. The post-trial briefing has recently been filed and closing arguments are scheduled for November 17. After that, it will likely take some time for Judge Brinkema to issue a final order outlining the remedies she'll put in place. At this stage, having found that Google had illegally engaged in a series of anticompetitive acts to establish monopolies in the ad exchange and ad server market, both structural and behavioral remedies remain on the table, structural referring to the forced divestiture of parts of their ad tech business and behavioral being a set of rules and practices designed to rectify and prohibit Google's illegal anticompetitive conduct.

We think there are merits to both types of remedies and have confidence that the court will reach the right outcome. The remedy hearings in September did not change our positive outlook about remedies. Ultimately, our point of view is that any decision that helps restore competition and eliminates Google self-preferencing behavior will be a big win for the open Internet as well as Magnite specifically. To that point, as we've said previously, every 1% of market share that shifts to Magnite as a result of these remedies could mean $50 million of additional contribution ex-TAC on an annualized basis and at a very high 90% plus flow-through margins. Needless to say, we're watching developments in this case very closely.

On a related note, we recently announced that we had filed our own lawsuit against Google relating to its anticompetitive conduct. The suit, which seeks financial damages as well as other remedies, is a follow-on action to the DOJ litigation and builds on the allegations proved in that case. The complaint further details how Google's illegal conduct served to provide Magnite and other independent players the opportunity to compete fairly and grow their businesses while harming advertisers and publishers alike. We're at the early stages of the process, and we'll provide further updates on the litigation as it progresses.

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

David Day - *Magnite Inc - Chief Financial Officer*

Thanks, Michael. As Michael mentioned, we had a very strong Q3 with standout performance in CTV, achieving 18% contribution ex-TAC growth or 25%, excluding political, exceeding our expectations. DV+ performed well and was in line with our guide. Adjusted EBITDA was solid as well, growing 13% to $57 million and beating expectations, resulting in a 34% margin. We're pleased with these results, particularly the acceleration in CTV growth, which was significantly above market growth.

Total revenue for Q3 was $179 million, up 11% from Q3 of 2024. Contribution ex-TAC was $167 million, up 12%, exceeding the high end of our guidance range. CTV contribution ex-TAC was $76 million, up 18% year-over-year or 25% excluding political, exceeding the top end of our guidance range, as I mentioned. DV+ contribution ex-TAC was $91 million, an increase of 7% or 10%, excluding political from the third quarter of last year. This result was in line with our guidance range.

Our contribution ex-TAC mix for Q3 was 45% CTV, 39% mobile and 16% desktop. From a vertical perspective, health and fitness, shopping and technology were the strongest performing categories, while automotive was one of our weakest performing categories.

Total operating expenses, which includes cost of revenue, were $154 million, an increase from $147 million for the same period last year. Adjusted EBITDA operating expense for the third quarter was $110 million, in line with expectations and an increase from $99 million in the same period last year. The increase was primarily driven by personnel expenses and higher cloud and data center costs supporting the growth of our CTV business and investment in CTV-related features and functionality.

Our net income was $20 million for the quarter compared to net income of $5 million for the third quarter of 2024. As I previously mentioned, adjusted EBITDA grew 13% year-over-year to $57 million, reflecting a margin of 34%. As a reminder, we calculate adjusted EBITDA margin as a percentage of contribution ex-TAC.

GAAP earnings per diluted share were $0.13 for the third quarter of 2025 compared to $0.04 for the third quarter of 2024. Non-GAAP earnings per share for the third quarter of 2025 was $0.20 compared to $0.17 last year. The reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q3 results press release.

Our cash balance at the end of Q3 was $482 million, an increase from $426 million at the end of the second quarter. Operating cash flow, which we define as adjusted EBITDA less CapEx, was $39 million.

Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs were $18 million. In addition, as Michael mentioned earlier, we acquired Streamer for $10 million.

As we've discussed, our technology team has made significant progress improving operational efficiency and reducing per unit cloud costs, which is allowing us to manage significant increases in ad request volumes with modest total cost increases. As part of our ongoing efforts to enhance efficiency and maximize the value of our hybrid infrastructure, we've been evaluating the optimal allocation of on-prem and cloud resources.

As a result, we decided to increase our CapEx investment by $20 million this quarter, specifically investing in two new data center build-outs in Ashburn, Virginia and Santa Clara, California to secure future data capacity needs. We now expect CapEx for Q4 and the full year to be approximately $23 million and $80 million, respectively. For 2026 and beyond, we believe this increased investment will lead to additional efficiencies and plan to reinvest some of the savings in critical growth areas. We expect CapEx to be in the $60 million range in 2026.

Net interest expense for the quarter was $5 million. Net leverage for the quarter was well below our goal of less than 1 times and came in at 0.3 times at the end of Q3, down from 0.6 times at the end of the second quarter. Just as a reminder, the $205 million principal balance of our convertible notes is a current liability on the balance sheet as the notes mature this coming March. We plan to pay off the converts with cash at maturity and have sufficient liquidity to do so.

During the first three quarters of the year, we repurchased or withheld over 3.3 million shares for approximately $50 million. We have an $88 million remaining in our authorized share repurchase program, which we will continue to deploy opportunistically.

I will now share our thoughts about the fourth quarter and outlook for 2026. Consistent with last quarter and given the concentration of political spend in the fourth quarter last year, we will provide guidance both with and without political contribution ex-TAC to show underlying business performance. For the fourth quarter, we expect contribution ex-TAC to be in the range of $191 million to $196 million, which represents growth of 6% to 9% or 13% to 16%, excluding political. Contribution ex-TAC attributable to CTV to be in the range of $87 million to $89 million, which represents growth of 12% to 14% or 23% to 25% when excluding political.

In DV+, our guide reflects slightly lower growth versus the year-to-date performance due to a couple of factors. First, in October, we've seen some additional drop in vertical spend in automotive and some additional weakness in technology and in Home and Garden, indicating a slightly softening macro environment. We're also seeing some spend movement from online video to CTV, which makes a ton of sense given more competitive CTV CPMs and expanded SMB access to CTV inventory.

Lastly, we've seen some near-term pressure from a recent feature change by a top DSP partner affecting all SSPs. Despite these factors, we're still experiencing -- or expecting growth in DV+ and expect contribution ex-TAC for DV+ to be in the range of $104 million to $107 million, which represents growth of 2% to 5% or 7% to 10%, excluding political.

We anticipate adjusted EBITDA operating expenses to be between $112 million and $114 million and CapEx of approximately $23 million, including the incremental investment mentioned earlier.

For the full year 2025, which is implied in the Q4 guide, we continue to expect total contribution ex-TAC growth above 10% or mid-teens, excluding political, adjusted EBITDA to grow in the mid-teens, representing increased margin expansion of approximately 180 basis points at the midpoint. And we're raising CapEx to be approximately $80 million.

Now turning to 2026. I want to point out that our estimates do not include any potential market share gains as a result of remedies from the Google Ad tech trial. We currently expect contribution ex-TAC growth for 2026 to be at least 11%. We also expect to get back into our target margin range, which is 35% at the low end, inclusive of a sizable investment in people we are making to support our growth initiatives and CapEx to be approximately $60 million.

The third quarter was really positive for Magnite as we continue to see significant traction from our partners and from our strategic initiatives. I'm excited about the progress in our business and look forward to continued momentum into 2026.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Shyam Patil, Susquehanna.

Shyam Patil - *Susquehanna - Analyst*

Hey guys, Nice job on the quarter. Michael, I have a question for you. A fairly kind of recent question or even discussion has been around The Trade Desk, Kokai and OpenPath and the potential impact to Magnite, just given some of the impact that we've seen it have on others in the industry. Can you just talk about this and maybe just also talk about your value add to the ecosystem? Thank.

Michael Barrett - *Magnite Inc - CEO*

Yeah, Thanks for the question, Shyam. Yes, so in late Q3, Trade Desk made a software change to their operating system that prioritized OpenPath as a default path for supply. And since that occurred, we've worked with all of our major buyers, which include agency holding companies to reconnect Magnite as a preferred supply path. And as we noted in the script, Magnite powers many of the Holdco buyer marketplaces, so connection to Magnite is essential for their business. So there was impact.

We project impact for Q4 and that kind of softer DV+ guide that we put forth. But we do feel as though the bulk of the impact has already occurred that it's been limited to DV+. We've been able to work with our largest buyers, again, many of the agency holding companies to reconnect Magnite. And we feel confident going forward that, that will mitigate any negative financial impact in out quarters.

I will say we definitely support Trade Desk's goal of cleaning up the ecosystem and cutting out supply players that provide very little value. And I assure you this move will do that. But I also think this shows Magnite's importance to the buying community, the profile of the media that we supply, the services that we provide building their businesses, by our marketplaces on our rails and obviously, the importance that we bring to the supply side.

So I think that certainly, Magnite's proven its efficacy in the industry. And I think that the strength of those relationships will help us mitigate any headwinds that come from these changes or other changes for other DSPs.

Shyam Patil - *Susquehanna - Analyst*

Thank you, Michael

Operator

Dan Kurnos, The Benchmark Company.

Dan Kurnos - *The Benchmark Company - Analyst*

Thanks, Michael, just to obviously tack on to that. I don't want to read too much into the press release, but you said DV+ continues to perform well, growing in line with expectations, driven by exclusive partner expansion. I think we all believe Amazon is your fastest-growing DSP partner, and it seems like you're gaining share across kind of DV+ with them as they expand. So maybe your thoughts as they press their own DSP and your partnership there?

And then secondarily, SMB is becoming a real thing now. I think people forget how deeply integrated SpringServe is with all of the DSPs, but just kind of your thoughts on where you're at from the SMB marketplace from an integration perspective, how you're attacking the market directly. And if you want to bring up some of the streamer AI stuff, again, that's fine, too.

Michael Barrett - *Magnite Inc - CEO*

Yeah. Thanks for the question, Dan. Yes, listen, our spend from the leading DSPs remain very strong. We are closing that gap that we had highlighted multiple quarters ago, where the total ad spend was outpacing the contribution ex-TAC growth. And that's narrowed, but we still have a very healthy spend pattern. And with all DSPs, and Amazon, in particular, is having a banner year, and we really enjoy that partnership both with Amazon as a buyer of inventory and Amazon as a publisher where we can help them monetize the inventory there.

And the SMB is a very exciting chapter. Obviously, partners like Mountain are doing a phenomenal job and buying a lot of supply from us. And the idea of Streamer is to help folks like that, not just Mountain, but other DSPs that may not have the tools to attract SMB dollars or merchants or agencies. And so the idea is that we offer the streamer product to those folks that have direct relationships with SMBs. The idea isn't for us to be chasing SMBs ourselves, but to make sure that, that spend winds up on our platform. And that's why we're super excited about the Streamer acquisition because it accomplishes that.

In addition, as we pointed out, we get the side benefit of having this AI infusion, this AI-first way of thinking into our technology organization. And you see that already ClearLine is being built on MCP Rails. And so it's going to help accelerate our total kind of AI agentic focused business. So very, very happy with that acquisition.

Dan Kurnos - *The Benchmark Company - Analyst*

Super helpful, Michael. And despite all the noise, really nice print and outlook.

Operator

Jason Kreyer, Craig-Hallum.

Jason Kreyer - *Craig-Hallum - Analyst*

Thank you guys. So, Michael, I appreciate the comments on AI, and you had talked about AdCP. You had mentioned the sell-side's role becoming more important. And maybe can you just expand on how Magnite's role changes in a more agentic world?

Michael Barrett - *Magnite Inc - CEO*

Yeah, Thanks, Jason. Obviously, early days and a lot of this exists on whiteboards, but I do think that the shift that we've seen in the non-agentic world, the idea of first-party data owned by the large media companies becoming extraordinarily important and their desire to keep that data as close as possible to the supply side. So we're playing a huge role in the audience creation business today. And we see that as accelerating.

I think that the key really as you look at AdCP, you start to realize that the idea of inventory sitting way over here and dollars from buyers sitting way on the other side of an exchange, you start to see a world where they're comingled. And the as you start to look at the value, the idea of whoever has the access to that valuable supply as it gets comingled has a leg up. And so we feel very bullish about not just our prospects, but the prospects for the supply side in this new kind of agentic world.

Jason Kreyer - *Craig-Hallum - Analyst*

Appreciate that. I wanted to follow up on live sports is kind of your perspective on supply and demand because it seems like there's a ton of demand for more dollars flowing into live sports. Curious the perspective you get from publishers moving inventory into programmatic or even moving inventory into biddable and how that progresses over time.

Michael Barrett - *Magnite Inc - CEO*

Yeah, I mean it's thanks, Jason. It's accelerating for sure, and it is playing a meaningful impact to our revenue. again, let's be careful here. I don't think the Super Bowl is going to be programmatic anytime soon, but we're seeing a ton of inventory from college football. We're seeing NFL inventory. And so it's not just relegated to second-tier leagues or sports, if you will. And it's very, very early, right? Programmatic is not being utilized to its fullest capacity. So we're at the early stages of this, and we're pleased with our product lead in this area. We talked about LSA in the script. And Disney has really been a key partner in the expansion of our footprint in sports inventory programmatically. So we feel real good about where we stand in it and the TAM that's associated with it.

Dan Kurnos - *The Benchmark Company - Analyst*

Great, thanks, Michael

Operator

Shweta Khajuria, Wolfe Research.

Shweta Khajuria - *Wolfe Research - Analyst*

Okay, thank you for taking my question. Okay. Michael, could you please talk to where we stand on Google AdTech case? There is this rising level of expectation that maybe structural breakup is not going to happen and even on the behavioral side, perhaps expectations have come down a little bit. Is there any reason to think that? And where do you think -- how do you think it went? And any update on the time line from your vantage point?

And then the second question I have is on 2026 guidance. David, is it possible to comment on what's baked into your guidance and what would drive upside from your base case?

Michael Barrett - *Magnite Inc - CEO*

Shweta, it's Michael. Yes, no, we were very encouraged by the remedies hearings. It pretty much stayed to the script. The DOJ was pressing for structural changes. Google was recommending behavioral. And we've always, I think, been very clear that we don't view structural as the only way to win in this scenario that a level fair playing field is exactly what we're looking for, what Judge Brinkema is very aware of. And I think we feel very good about the direction it's heading, structural or behavioral.

So I think our outlook on it remains unchanged, and our outlook has always been quite positive, and we think it's a generational opportunity for a company like Magnite.

David Day - *Magnite Inc - Chief Financial Officer*

Great. And Shweta, on the guide for '26, I think a number of items. As a general matter, we've tried to be somewhat conservative given the continued tenuous nature on the macroeconomic environment. We have zero dollars baked into that for any Google remedy outcomes. Again, we're trying to be modest. So there's midterm elections. And so we've taken a fairly modest approach there. We'll see what kind of competitive races we have when that comes around.

And I think the other factor is we have a number of tailwinds around some of these deals that we've signed, Commerce Media, we've got these AI initiatives -- the challenge is it's so hard in this space to sort of peg the timing of when some of those might accelerate. And so I think we've layered in modest expectations on those fronts. And so I think that could also create potential upside there.

Shweta Khajuria - *Wolfe Research - Analyst*

Thanks Michael.

Operator

Laura Martin, Needham.

Laura Martin - *Needham & Company - Analyst*

Hi there. So, Michael, for you, you guys represent primarily premium CTV ad units. And what I'm interested in is there's excess supply in CTV generally because there's FAST channel selling CTV ad units at $6 and $7. My question is, can your CPMs and ad units, are they immune? Or is they're bleeding into those lower -- are they competing with those lower-cost ad units, which puts downward pressure potentially on your rev share over time?

And then for David, I'm going to push on you a little bit. You just raised the CapEx to $20 million in Q4. And in your last breath, you said you were adding FTEs. So what we've seen when guys raise their CapEx estimates generally is they cut FTEs. They use capital to actually replace FTEs. So why do -- why are you projecting both more growth in CapEx and faster full-time equivalent employee growth? I would love clarity on that.

Michael Barrett - *Magnite Inc - CEO*

Yeah. Thanks, Laura. Yes, as it relates to the CTV CPM trends, we've seen a bit of stability for the last several quarters. And there are definitely trade-in bands, right? Like so you have the super premium, you have premium and then you have a broader batch of inventory maybe in the FAST channels.

And they've been pretty steady and consistent. You may have buckets of dollars flow in each of those channels. But generally speaking, I think people are aware of what the value of a Netflix ad is compared to perhaps an ad in an unspecified program in a free TV watch channel. Not that it doesn't have value, it just has a different value.

You also keep in mind that these folks have great first-party data, which helps really differentiate themselves from free TV, where folks don't necessarily have to be registered or you have their personal information. And so that valuable first-party data helps separate it as well. So, yes, I don't see this as a race to the bottom or an existential threat to our revenues in the coming quarters.

David Day - *Magnite Inc - Chief Financial Officer*

Great. And on the CapEx discussion, yes, good question. And so I'll bifurcate kind of the discussion into -- there are really two separate decisions. So the first side on the CapEx we had two primary objectives. The first was to secure additional space on the East Coast and on the West Coast for future expansion. And so as you know, there's some scarcity in data centers for space, and we wanted to make sure and lock down the expansion space that we need looking out the next couple of years. And so there's some overhead infrastructure and other things that are related to that. And this is all under the umbrella of optimizing our hybrid infrastructure.

So, as you know, in CTV, we run a hybrid infrastructure with significant activity on the cloud, but moving to a greater proportion of our activity on-prem, which is cheaper. And so a portion of that CapEx expansion went directly to additional machines moving on-prem to move processing volume AR processing from the cloud to on-prem. And so the financial result of that is -- would normally be margin -- greater margin expansion in 2026. So these machines are going in place late this year, early next year. And so that would be the normal output.

And what we're saying is as a separate decision, we have so much potential and opportunity on the CTV front that we felt like it was important to accelerate some of our investment activities. And so that is adding software engineers, product folks to focus and accelerate audience work, live sports development, ClearLine and then also AI implementation. So both in our product, but also for internal efficiencies. And so for some of those categories, you need some upfront investment to get the payoff in the future. And so it's kind of two separate decisions going on there, and we're just allocating some of that additional margin to some really important investment initiatives. Hopefully, that helps.

Laura Martin - *Needham & Company - Analyst*

Yeah, thank you

Operator

Barton Crockett, Rosenblatt.

Bart Crockett - *Rosenblatt - Analyst*

Okay, great. Thanks for taking the questions. First, I wanted to ask about the outlook in '26 on CXT growing at least 11% as you put it. and that would be including the contribution from political. So maybe ex political, it's at least like 9%, 10% or something like that. In 2025, your ex political growth rates, you say is mid-teens. So ex political, you're talking about a slowdown. And I'm just wondering what's behind that? Why the slowdown? Is that conservatism? Or is there something happening with autos or The Trade Desk tariffs? So that's the first question.

Michael Barrett - *Magnite Inc - CEO*

Yeah, I think there's an element of conservatism in there. I would say also DV+ was particularly strong in 2025. And so there's sort of maybe a little reversion to the mean. We kind of target that at mid-single-digit growth. And so I think that's part of that equation as well.

Bart Crockett - *Rosenblatt - Analyst*

Okay. All right. That's helpful. And then Michael, on the antitrust, I think one of the hopes is that there could be an impact in 2026, which was always predicated on the idea of behavioral that could be implemented quickly enough to actually matter in 2026. structural, of course, could be appealed and would take a long time. So it was never in the view that it could impact 2026.

So I'm just curious, based on what's happened with some of the discussion around some of the technologies, prebid maybe as a middleware, other things, how do you feel now about the possibility of there being behavioral remedies that could impact 2026 P&L for you guys?

Michael Barrett - *Magnite Inc - CEO*

Yeah. Great question, Barton. Look, it's obviously not included in the guide because there's just too many unknowns. But we always have felt that we -- if the rulings were -- if they paced along the time line that we expected and they are, that a judgment would be rendered in 2026, first half of it, and the belief that even if there were the judgment was structural that behavioral remedies will be put in place throughout the appeals process.

So we still feel relatively good that we'll see impact from this in 2026. But I think we've always been pretty clear that no one should be thinking about it in the first half of the year, they should be thinking about in the second half of the year.

Bart Crockett - *Rosenblatt - Analyst*

Okay. But just to follow up on that, technologically, are the things that are being discussed, looked at that you see as likely things that could be done quickly?

Michael Barrett - *Magnite Inc - CEO*

Yeah. The most common ones, I think, are when it's related to the sell side, yes. The buy side probably requires a little bit more, but it would -- yes, I'm sorry. Unified pricing, yes. So that would be something that could be done quite quickly.

I was just -- I'm sorry, I was talking to our General Counsel, who is the expert in the matter, probably be answering the question in not me. But yes, the unified pricing would be a big win, and that is something that could be done quickly.

Bart Crockett - *Rosenblatt - Analyst*

Okay, that's great. Thank you

Operator

Zach Cummins, B. Riley.

Zach Cummins - *B. Riley - Analyst*

Hi, good afternoon. Thanks for taking my questions. David, I think you mentioned in the script that some of your CTV strength was actually partially driven by some of your budgets from like mobile video actually moving into that direction. Is this a dynamic that you think could continue moving forward or more kind of a onetime thing that we experienced here in recent months?

David Day - *Magnite Inc - Chief Financial Officer*

No, I think it's a dynamic that moves forward. I do want to be clear that was sort of in a bucket of a handful of items. I would not call any of these -- any kind of earth-shattering volumes. It's just a little bit more on the margin. But we do think, especially in the -- I guess, in the shorter term that there's a shift in budgets that will continue with the SMBs into the CTV space. It's a new TAM for the company. And so -- but initially, I think the initial budgets probably are a little bit cannibalistic and then I think it draws from budgets that are outside of our ecosystem. So I think it's net-net, over time, it's a very positive development.

Zach Cummins - *B. Riley - Analyst*

Understood. And my follow-up question is just around Netflix. It seems like that relationship is progressing along pretty nicely. I mean any insight into how you think about ramping that up, whether that's just executing now that you're live in all their ad-supported markets or additional features you plan on helping them roll out on the ad platform? Any incremental color there would be great.

Michael Barrett - *Magnite Inc - CEO*

Yeah. We've always been pretty clear about that's their story to tell. So they did highlight their success programmatically in Europe, international markets. And so that's the big driver of the relationship and will continue to be so. But yes, I mean, it's -- the relationship is incredibly strong and expectations are exactly where we thought we would be at this time of the year.

Zach Cummins - *B. Riley - Analyst*

Great, thanks for taking my questions and best of luck with the rest of the quarter. Thank you

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Operator

Robert Coolbrith of Evercore ISI.

Robert Coolbrith - *Evercore ISI - Analyst*

Great, thank you very much. I wanted to go back to the Trade Desk change. Beyond the OpenPath issue, it seems like they and others are somewhat focused on dealing with the issue of reselling, particularly just given the changes to prebid transaction ID of late. Just wondering, given your direct publisher footprint, if you think there could ultimately be an opportunity to win some share in the market as the demand side looks at the issue of reselling, particularly given that there's reduced transparency around the transaction ID.

Michael Barrett - *Magnite Inc - CEO*

Yeah, it's a great question, Robert. And I think we're very excited about it. We're often painted as the foil to Trade Desk or Trade Desk encroaching on our turf. But I would say 99% of the stuff that Jeff does is brilliant, and we are so supportive of cleaning up the system. So if that is reselling -- and again, let's be clear, we don't believe Magnite is a reseller. I think the term applies to others, but we are a principal. We work directly with the publishers. We have a direct relationship, and we work with the top-tier biggest brands in the world.

So I think anything that helps clean up the system that gets rid of the obfuscation, that the redundancy, I mean, the traffic that we have to process that is redundant traffic that is multiple bids just skewing of inventory of the same unit across the system, anything that can clean up the duplication or reselling is something we lean into, and we would definitely be a beneficiary of that action.

Robert Coolbrith - *Evercore ISI - Analyst*

Got it. Thank you very much

Operator

Tim Nolan of SSR.

Unidentified Participant

Oh, great, thanks, Michael. Michael, I'd like to come back to the discussion of the ad agencies, which you spoke about a little bit in your prepared remarks. There's been a -- there is a lot of change going on in the agency landscape, not to pick on names, but WPP and Dentsu are going through some turmoil right now. Omnicom and IPG are about to close this big merger. Publicis is riding high and it has a lot of its own in-house ad tech. I'm not trying to single out the agencies in terms of what you're going to reply to.

But my question is, with so much change going on amongst the agencies, does it create an opportunity for you to strengthen your SPO ties? What can you do with them given so much disruption in the market, including to their businesses? Are there things you can do to help them and in turn, things they can do that help you with supply path optimization.

Michael Barrett - *Magnite Inc - CEO*

Yeah, Tim, great question. And I'll take a cut at it. We're also very fortunate to have our President of Revenue here, Sean Buckley. And so I'll let him jump in on it as well.

But yes, I mean, these agencies obviously are going through some challenges. Their media businesses in the programmatic space, in particular, have lost some relevance. They seeded a lot of that control to the DSPs. And so we have seen over the last several years, a very lean in increased awareness of supply side, how they can regain those relationships with those publishers that trust them, how they can renegotiate proprietary data lay over their own data, get preferred pricing. And all of this has to be done in an efficient manner, a technological manner, and that makes us so important in that piece for them from a strategic standpoint. So yes, I think our value is only growing in importance for the holding companies, and we are very leaned in. And as we cited, we have a big team that works with them on a daily basis.

I don't know, Sean, if you want to add any more color.

Sean Buckley - *Magnite Inc - President - Revenue*

No, I totally agree. There's been a theme of the agencies really leaning in and working more with supply-side technology in a big way. I also think they've obviously either invested in or built out proprietary data products, and we've spent a lot of time integrating those products into our technology. And so we're very excited about the future we have with the agencies and holding companies.

Unidentified Participant

Great, thanks very much.

Operator

L Niber of Lake Street Capital Markets.

Unidentified Participant

Hey guys, thanks for taking my question. Regarding Google, I'm wondering if you guys are seeing a shift in publisher RFP activity or deal flow towards Magnite?

Michael Barrett - *Magnite Inc - CEO*

Are you -- regarding specifically the ad tech DOJ trial?

Unidentified Participant

Yeah, correct.

Michael Barrett - *Magnite Inc - CEO*

Yeah. No. So, to date, I mean, obviously, we have strong publisher relationships. But to date, there hasn't really been any movement because the structure remains the same, right? And so until that structure has either changed through divestiture or through behavior patterns, any of the share gains that we're seeing against our competitors aren't coming from Google. They're coming from the open web. And so all that is upside for us.

Unidentified Participant

Okay. That's it for me. Congrats again on the quarter. Thank you so much.

Operator

I would like to turn the conference back over to Michael Barrett, CEO, for any closing remarks.

Michael Barrett - *Magnite Inc - CEO*

Thank you, Cindy. I want to thank all of you for joining us today and for your continued support. Our business is performing well, particularly with our growth trends in CTV. We are encouraged by the momentum from our partners who include the world's leading streamers. Our team is constantly innovating and enhancing our industry-leading technology. I'm excited about the new functionality improvements that I discussed, which will further benefit our partners. We are very well positioned to build on our accomplishments and take advantage of the opportunities for growth and market share gains ahead.

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

Nick Kormeluk - *Magnite Inc - Investor Relations*

Yeah. Thanks, Michael. We look forward to speaking to many of you at our upcoming events. We have the SSR event virtually hosted by Tim Nolan tomorrow, that's a virtual NDR. We have the Seaport Virtual TMT Conference on the 17th of November, Craig-Hallum in New York on the 18th of November, Wells Fargo in the Rancho Palos Verdes Estates at -- on the 18th of November, the RBC Conference in New York on the 19th of November, Stephens virtually on the 21st, a West Coast roadshow on the week of December 8; and finally, Raymond James in New York on December 9. Thank you all, and have a great evening.

Operator

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