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PRESENTATION

Operator

Good evening, and welcome to the Magnite First Quarter 2022 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Nick Kormeluk, Head of Investor Relations. Please go ahead, sir.

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

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's First Quarter 2022 Earnings Conference Call. As a reminder, the comparisons you will see in the 10-Q as reported include the financial results of SpotX and SpringServe for Q1 2022. But for periods prior to the acquisition dates, the results do not include SpotX or SpringServe, which were acquired in April 30, 2021, and July 1, 2021, respectively.

Through the course of this call, when we refer to results and associated year-over-year comparisons with the phrase as reported, we are referring to the basis as reported in our 10-Q. When we make comments referring to pro forma comparisons, we are including SpotX and SpringServe for the relevant pre-acquisition period in order to provide a like-to-like comparison. Please keep in mind as it relates to SpotX and SpringServe acquisitions, prior quarterly results are estimated and unaudited.

As a reminder, this conference call is being recorded. Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlights slides on our Investor Relations website to accompany today's presentation.

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

These statements are not guarantees of future performance. They reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or

achievements to be materially different from expectations or results projected or implied by forward-looking statements. A discussion of these and other risks, uncertainties and assumptions is set forth in the company's periodic reports filed with the SEC, including our first quarter 2022 quarterly report on Form 10-Q and our 10-K. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including revenue 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 incremental 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 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 G. Barrett - Magnite, Inc. - President, CEO & Director

Thank you, Nick. We delivered strong Q1 results on total revenue, CTV revenue, adjusted EBITDA and free cash flow, and we're providing a positive outlook for Q2. David will provide greater detail on Q1 results and Q2 outlook. I'd like to use my remarks today to focus on our broader strategic view of the industry. Recently, questions have been raised about the relevance of the sell side platform, and where it might sit in a world where sellers can connect directly to buyers. We've said before that we don't see these connections as a threat. And today, I'm going to go further and say that we see them as an indication that the SSP is becoming more valuable than ever, and Magnite's independent omnichannel approach positions us to lead the group long term.

To understand our perspective, I think it's helpful to explore the evolution of Magnite and SSPs more generally. First, I'll focus on the role of the SSP and DV+ and then I'll transition to CTV. Let's start in the early 2000s when programmatic wasn't yet a saying and display publishers made most of their money selling ad inventory directly, which they book in their primary ad server, usually Google's DFP. They sell everything they could direct and throw the remaining impressions, known as remnant, into the bargain bin, where dozens of ad networks jockey to get first look. It was difficult and inefficient for publishers to predict which of these networks would make them the most money. So in 2007, ad network optimizers, such as the Rubicon project, emerged to help publishers maximize their remnant yield.

In the 2010, as programmatic buying ramped up and DSPs gradually replaced ad networks, the ad network optimizer retained the SSP, managing yield across all indirect sources and offering an array of additional services, such as tools for private deals, ad quality, billing and reconciliation and real-time reporting and controls. In this era, most publishers partnered with one SSP, relying on them to navigate a rapidly changing space and maximize what was quickly becoming a significant portion of the revenue.

In 2015, programmatic truly kicked into high gear when publishers began calling direct and programmatic demand simultaneously known as header bidding. The practice was difficult to manual, but it finally put programmatic on a level playing field, and publishers were leaving far less money on the table. In time, publishers learned that the more SSPs they called in their headers, the more money they made, which was once a valued one-on-one relationship became one of many, and the SSP was pushed away from its core yield management role and towards something closer to an ad exchange.

At this time, we saw an opportunity to embrace the disruption by helping to make header bidding more transparent and flexible. We cofounded prebid.org, an open source header bidding framework, and launched Demand Manager, a suite of software, that makes it easy for publishers to configure and optimize their prebid headers. As header bidding expanded and even as buyers dramatically limited their connections to only the most credible SSPs, it became increasingly clear to buyers that the header model was inefficient and expensive as it required them to bid against themselves, so the same impression across the multiple exchanges.

The Trade Desk's recent announcement of OpenPath is in many ways a response to these inefficiencies by attempting to acquire supply directly from the very largest publishers. Though some publishers will add OpenPath as a demand source, we expect it will be supplementary to other sources and paths, not a replacement for them. After all, it's not just the Trade Desk or even just DSPs looking from our direct access to publishers, it's also agencies.

As a result, large publishers will need to manage and optimize a growing list of newly minted direct connections with buyers, something they can't do by adding another SSP into the header. Instead, don't need to partner with one scaled unconflicted SSP to unify the auction, optimize yields and deliver a full suite of seller-focused tools, including the ability to embrace and activate the shift towards seller-centric audience and identity. In many ways, this is a return to the one-on-one publisher SSP relationship that preceded header bidding.

And for several reasons, no platform is better positioned to lead in this role than Magnite. First, our deep expertise in prebid, now the preeminent header bidding standard and our work enhancing it, expanding it with double -- Demand Manager, puts us in a unique position to be the clear leader for yield management across every type of demand, including display, audio and video, and we've only just begun to scratch the surface on maximizing the value of each impression through machine learning and AI.

Second, as the industry moves away from the third-party cookie and other buy-side identifiers towards solutions that are seller-centric, our robust audience technologies bolstered by our recent acquisitions of Nth Party and Carbon and our deal management tools, which are among the best of the business, will enable publishers to activate and monetize their audiences across every media type with an eye towards privacy and security.

Third, our relationships with brands and agencies are strong and continuously growing, which benefits our seller clients by bringing them new and unique pools of demand. Our recently announced preferred partnership with GroupM is a great example of this. And lastly, Magnite's omnichannel footprint enables us to meet our clients' needs across a wider range of channels and formats, including CTV, which other SSPs talk about doing, but no independent SSP can match our full stack of capabilities in this area.

And that's a good transition to CTV, which is fundamentally different from DV+ and how it operates. Because CTV is a world in which there's a finite amount of available inventory and viewer experience takes precedent over CPMs, there isn't the same need for header bidding. Direct selling plays a dominant role in CTV and probably always will. Even if the means of executing these direct sales is increasingly programmatic, in many cases, there's no auction at all. For this reason, our clients prefer to work primarily with Magnite, and they look to us to provide far more than the highest bid.

We have a track record of building custom software and unique features for a broad range of CTV industry players. These range from device manufacturers and OEMs, such as LG, VIZIO, Samsung and Roku to virtual MVPDs such as Fubo, Hulu, Sling and DIRECTV to digital first and free ad-supported streaming TV services like Pluto, Tubi and Crackle and broadcasters and programmers such as Disney, Discovery, Fox and A&E. For many of these companies, we're not just helping them sell or serve the ads, but more importantly, to manage a highly complex series of decisions that balance revenue targeting and enforcement of business rules while fiercely guarding viewer experience and publisher data.

Moreover, by integrating our proprietary ad service SpringServe, we offer CTV sellers a holistic yield management solution that drives value across their entire ad business by dynamically allocating between programmatic and nonprogrammatic inventory, and we are constantly innovating to solve the evolving needs of CTV sellers. For example, through SpringServe's newly announced BingeWatcher product, a tool set to rapidly review creators and improve the user experience. We see our ability to address the nuanced needs of CTV clients through advanced software solutions as a formidable barrier to entry for our competitors.

In the final analysis at Magnite, we believe strongly in 2 key principles: one, all media display, CTV, audio, you name it, will be bought, sold or executed programmatically; and two, sellers will always need a scaled and unconflicted agent to help them make the most of every programmatic opportunity. A bet on Magnite is a bet on these principles.

With that, I will hand the call over to David, who will provide additional detail regarding our financial performance and expectations. David?

David L. Day - Magnite, Inc. - CFO

Thanks, Michael. Despite macro headwinds, we are pleased that Q1 revenue came in consistent with our guide. Adjusted EBITDA came in above our implied guidance, which resulted in strong cash flow and non-GAAP earnings per share. We also see this translating into solid guidance for Q2, but I'll cover after I discuss the first quarter results.

Total revenue for Q1 was \$118.1 million. Revenue ex TAC was \$107.1 million, up 79% from Q1 2021 on an as-reported basis and up 15% on a pro forma basis. CTV revenue ex TAC was \$42.3 million in Q1 2022, up from \$12 million or 253% from last year on an as-reported basis and up 27% on a pro forma basis. Mobile revenue ex TAC grew 12% and desktop revenue ex TAC grew 3% year-over-year, both on a pro forma basis. Our revenue ex TAC mix for Q1 2022 was 40% CTV, 35% mobile and 25% desktop.

Operating expenses, which, in our case, includes cost of revenue for the first quarter were \$157.9 million versus \$74.5 million in the same period a year ago. Increases were primarily driven by the acquisition of SpotX, including the amortization of acquired intangibles and by increase in personnel related expenses. Adjusted EBITDA operating expenses, which represents the difference between revenue ex TAC and adjusted EBITDA, was \$78.2 million for Q1, an increase of \$3.7 million sequentially and up from \$50 million in Q1 2021, also driven primarily by the acquisition of SpotX in the year-over-year comparison.

Costs for the first quarter were lower than expected primarily driven by slower hiring, consistent with the overall labor market, lower technology and cloud costs and lower office and travel expenses in the quarter. Net loss was \$44.6 million in the first quarter of 2022 as compared to a net loss of \$12.9 million in the first quarter of 2021. The increase in net loss was primarily attributable to an increase in amortization of acquired intangibles related to the SpotX acquisition, which had no cash impact.

Q1 2022 adjusted EBITDA was \$28.8 million, an increase of 208% versus prior year, resulting in a margin of 27% as compared to adjusted EBITDA of \$9.4 million or a margin of 16% in the first quarter of 2021. This was driven by continued organic revenue growth and by the acquisition of SpotX. Note that we calculate our adjusted EBITDA margin as a percentage of revenue ex TAC.

GAAP loss per share was \$0.34 for the first quarter of 2022 compared to GAAP loss per share of \$0.11 in the same period in 2021. Non-GAAP earnings per share in the first quarter of 2022 was \$0.08, which was up compared to non-GAAP earnings per share of \$0.03 reported for the same period in 2021. There were 132.2 million weighted average basic and diluted shares outstanding for the first quarter of 2022. Fully diluted shares utilized for non-GAAP earnings per share were 143.7 million for the first quarter of 2022.

Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs, were \$8.7 million for the first quarter of 2022, in line with our expectations. Operating cash flow was \$20.1 million in the quarter, which we define as adjusted EBITDA less CapEx. Our interest expense for Q1 2022 was \$7.1 million, of which roughly \$5.7 million was cash. At the end of Q1, we had \$204.6 million in cash on the balance sheet. For Q1, our cash outflows included \$21 million for our acquisition of Carbon.

Our priorities for the deployment of capital remain balanced and have not changed. Regarding M&A opportunities, we believe that we have the core assets that we need at this point in time, although we will always consider tuck-ins or acquire that would expand our talent pool or accelerate our product features and functionality, such as our recent acquisitions of Nth Party and Carbon.

Regarding debt, we continue to reduce our net leverage ratio, which was approximately 3.1x at the end of Q1 as compared to 6.2x at the time we closed SpotX at the end of April last year. This represents further progress towards our ultimate goal of 2x or less. As it relates to our \$50 million share buyback program announced in December, we repurchased 931,000 shares for \$12 million in Q1, leaving \$31.9 million in the program at the end of the quarter.

In addition, for our regular RSU vesting during the quarter, we utilized the withhold-to-cover method to cover employee taxes withholding 315,000 shares for \$4 million. As a result, share dilution was reduced by about 1.2 million shares during the quarter. We expect to continue a balanced approach to reducing leverage and share repurchases throughout the remainder of 2022.

I will now share our future expectations. We'd like to reiterate that we expect revenue ex TAC for the full year 2022 to be well above \$500 million. We expect revenue ex TAC for the second quarter to be in the range of \$123 million to \$127 million. We expect revenue ex TAC attributable to CTV for the second quarter to be in the range of \$51 million to \$53 million.

We expect adjusted EBITDA operating expenses in Q2 to be \$83 million to \$85 million, implying an adjusted EBITDA margin of 33% at the midpoint. The sequential increase in adjusted EBITDA operating expenses is primarily driven by an increase in technology infrastructure costs, hiring, a full quarter impact of our return to office and the return of T&E and marketing events.

For the second half of 2022, we expect quarterly adjusted EBITDA operating expenses to increase roughly \$3 million to \$4 million each quarter. These increases are primarily the result of return to office costs and increased head count and other technology operating costs to support our growing business. We continue to expect that CapEx for 2022 will be between \$40 million and \$45 million. And for 2022, we continue to expect that we will generate over \$100 million in free cash flow. We define free cash flow as operating cash flow less cash interest payments. We continue to target long-term annual revenue ex TAC growth of 25% and adjusted EBITDA margins of 35% to 40%.

We're very pleased with our results for the first quarter of 2022 and are optimistic about our growth trajectory, especially in the back half of the year. We have a very attractive financial model, and expect increasing flow through over time from revenue growth to adjusted EBITDA margin expansion to free cash flow.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Laura Martin with Needham.

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

Let's start with CTV. Do you feel that Netflix adding an ad tier and Disney earlier than that adding an ad tier is good for the ecosystems' cost per thousand or bad, like -- and I'm looking sort of short term, long term. Could you speak to these big streamers adding ad tiers in the next 12 months?

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

Laura, it's Michael. I'll jump on that, and David can pile on if he'd like. I see there's nothing but good. You know how the dollars are just starting to shift from linear into CTV. And this will be inexorable march as more and more consumers decide to consume their entertainment, news, sports in that manner. And I think that they're going to be measured in the ad load. And so even though there's scarcity in the market today, it's not exactly inflating prices. I think with the CPMs now -- the advanced targeting that you're able to do versus what linear always had. So I think over time, even though it's more inventory, I don't see it having a dramatic impact on CPMs because of adding more supply into the marketplace.

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

David, anything from you?

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

No, got it covered.

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

No. Okay. Excellent. That's super helpful. And then secondly, you said in your prepared comments, Michael, that you thought everything was going to be programmatic. And the second thing you said was sellers will always need an independent sell side platform. So I just wanted to push on that a little bit because we have NBC having a captive SSP and FreeWheel and now we have Xandr being bought by Microsoft. And I do get questions from investors about why doesn't Disney just buy an SSP and do it itself. So when you said the second thing you see is that the sellers will have to have an independent platform, is that really being borne out by the largest sellers, do you think?

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

Well, I think that our -- the meaning there, Laura, was that the vast majority of publishers don't have the means and/or ability to land a major tech player to bring in-house. There are obviously always examples of folks that do it. And then, of course, the pendulum swings both ways Microsoft picked up Xandr from AT&T, who tried to do it in-house and that didn't work out so great. And Fox had unruly and they've said that in Altice has been rumored to be looking to move teams. And so I think these things are somewhat cyclical.

But our meaning is that I think folks have learned when they put all their eggs in one basket in the DV+ world, as it relates to Google, a little by little over the course of 15 years, they learned that it wasn't the most efficient way, and they broke the system by doing prebid and bringing header bidding into the world. And I think that it's not Washington folks that -- if your partner is independent, isn't he in conflict if he doesn't own inventory, doesn't sell ads against other inventory, then that's in their transparent and above board. I think that our meaning of that is that the vast majority of publishers need that type of a profile of the company.

Operator

Our next question is from the line of Jason Kreyer with Craig-Hallum.

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

So kind of an in line Q1 from the top line perspective, but when we look at the Q2 guide, that looks a lot more robust, particularly on the CTV side. So just curious if maybe you can parse out the puts and takes on what you saw last quarter versus how things are progressing kind of a month into Q2 here?

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

Yes, I'll take it first, and then David can help as well. Yes, so Jason, I think that -- look, we saw the same impact that others did in the face of the crisis in the Ukraine, our CPMs across the board, in particularly EMEA, they plunged dramatically. A lot of big CPG multinational corporations kind of suspended spend. And so it definitely had headwind impacts on the Q1 results. And we see it continue into Q2. But what changes about Q2? Well, obviously, we think that there's going to be some aiding of political that's going to kick in for midterms.

We also think that we've seen some strengthening in some verticals that hadn't been back to normal since the pandemic. We also see some strength in our managed service business on the CTV side with the return of some of the important ad verticals, I wouldn't say 100% return by any stretch, but strengthening. So we feel we feel good about Q2 uptick over Q1. I don't know, David, if you have any more specificity to add.

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

Yes. No, I think that's right. I think I would still say cautiously optimistic in Q2 just because there's so much going on. But certainly, as Michael mentioned, as we especially get into the latter half of the year with the political, with our GroupM SPO deal. We're continuing to -- in the upfront

process, agencies are really going to be pushing for greater amounts to run through programmatic, and the feedback that we're getting from agencies is some optimism in the second half with spending and some committed budgets.

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

David, wondering if maybe you can just quantify that impact that Russia or EMEA might have had in Q1 or your Q2 guide?

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

Yes. A couple of factors that we're observing. One is we had a small number of Russian publishers who we no longer have on the exchange, that had a smaller impact. We've also seen some softening of CPMs, particularly in our DV+ business in EMEA. And we think that comes from, I suppose, some general skittishness around the Ukraine situation. Also a lot of advertisers don't like to be advertising around these kinds of events even though there's a ton more inventory, there isn't as much advertising demand. And also a strong dollar, so we've had -- we normally don't see significant impacts from the normal FX volatility, but there's been a very significant strengthening in the dollar. And so we've seen -- and so that impacts those CPMs as well.

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

Perfect. And then just a follow-up for me. So any updates on the relationship with Disney, kind of looking at this 2 ways. Just first, any indications in your potential involvement with an ad support to Disney+? And then second, I know we're starting to approach the term on that 18-month agreement from a year ago. So just curious if you have any thoughts on where that engagement goes from here?

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

Yes, Jason, the relationship remains incredibly strong. The renewal is coming up, as you pointed out, but we don't perceive any material change there. And be -- as for Disney+, I think it validates the model rate, the idea of having an ad-supported tier. And although it's obviously Disney's decision and how they go to market with Disney+ and the other streaming assets, our understanding is it's all going to be available through DRAX and obviously, we powered a nice chunk of that. And so therefore, we say there's nothing but a positive opportunity.

Operator

Our next question comes from the line of Shyam Patil with Susquehanna Financial Group.

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

Nice quarter and outlook. I had a couple of questions. Michael, when you were talking about the ecosystem in your prepared remarks, you talked about independence of these becoming more valuable. And I know you talked about that a little bit in the first question. But can you just talk a little bit more about what kind of conversations you're having now with your larger publisher partners, given OpenPath? And what do you foresee in terms of economics and market share for Magnite going forward kind of related to OpenPath?

And then second question, in terms of CTV, how are you guys thinking about the pro forma growth there throughout the year? I know you're cautiously optimistic with a lot of moving parts. But how are you guys just thinking about the pro forma growth for CTV throughout the year? And generally speaking, at a high level, what do you think is the right kind of baseline as we kind of think about this business over the next few years? I know you said at least market growth rates, but is it -- are you still thinking like 30% plus, 40%, 50%? Just how are you thinking about this growth opportunity?

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

So I'll let David take the pro forma growth for CTV. But as it relates to OpenPath, I think it's a nascent formation. We have heard much from publishers other than the folks that were listed that were going to take part in the beta. I think that, as we pointed in our remarks, others will seek direct path, particularly agencies, I think agencies feel that part of their value to their advertising clients is their relationship with publishers.

The challenges a lot of them don't have the technology to work directly with publishers and that's why I think you see deals like the GroupM deal that we announced and the OMD deal we've talked about in IPG and EVAs, that working with a technology partner to be -- to try to work their way out of like a header bidding open auction and more of a structured relationship with the publisher is a trend that's only going to continue. It adds a degree of complexity for our publishers, and that's why we think that our thesis is that an SSD will never be more valuable because they are the ones that can help manage this complexity and manage the yield of the complexity.

And the other thing that we're seeing in terms of conversations with publishers is a growing appetite for publisher-centered first-party data to be completely candid. As long as a third-party cookie exists, it's going to be hard to make that like revolutionary. It might be evolutionary. But once the cookie is deprecated, I think you're going to see a big rush to first-party data being readily used by buyers that's provided by the sell side, and the tools that we've acquired are going to play an integral role in that. So quite excited about those developments. And David, maybe you want to talk about the pro forma growth CTV expectations.

David L. Day - Magnite, Inc. - CFO

Yes. So we grew pro forma CTV in Q1 at 27%. And as we mentioned, especially in the second half of this year, we have some really significant tailwinds. And so we see upside certainly to those growth rates. And we've always talked about the CTV business being very volatile, it's nascent, and so that will continue. But we do believe that over time, our growth rates should definitely exceed those of market, which I think folks handicap in the low 30% range right now. And so we should take our share and then some as the market continues.

Operator

Our next question comes from the line of Tim Nollen with Macquarie.

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

I'd like to pick up on the Q2 guidance again, please. The last couple of quarters, you've talked about a few supply chain issues in the auto business. It sounds like that seems to have moved past you now and in fact, seems to be something positive. If there's anything you could give us a bit more in terms of that or any other sectors that are affecting your Q2 number because on a very difficult comparison actually in Q2, I think it's very nice to see a 25% growth forecast for the top line. And then relatedly, the new fronts and the upfronts are upon us now. I just wonder if there's any particular role you could point to that you're playing in that process, and if there's any news flow to look forward to as this upfront season is upon us or not?

David L. Day - Magnite, Inc. - CFO

Yes, I'll start with the Q2 and -- go ahead.

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

No, you...

David L. Day - Magnite, Inc. - CFO

Okay. Yes, I think on Q2, we're still seeing, I don't know that we're really past the issues that we talked about. I think supply chain, particularly auto remains a challenge. Not sure that, that gets resolved fully this year. And so we see continued headwinds there. The Ukraine situation, I think, still has a little bit of a dampening effect, particularly in our EMEA business. So we factored that into our guide. I think where we've seen improvement, I think travel, in particular, has had some rebound, still not fully back to pre-COVID levels by any margin, but we've seen significant improvement there and have expectations for growth there.

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

Yes. And Tim, I'll comment on the new front, upfront. Yes, so they just saw kicked into gear. I would say that the biggest difference this year than in previous years is the kind of direct involvement of players like Magnite in the conversation as it relates to chunks of the upfronts being allocated programmatically. And I think if you look at the GroupM premium marketplace and their partnership with us there, I think you're going to -- we certainly hope that, that will have an impact in terms of moving dollars over.

Whereas before the upfronts would conclude pretty much as historically they have, and then programmatic would probably play much more in the spot world. There's many, many more conversations regarding having programmatic front and center in the actual upfronts itself, the guaranteed world. So it's -- yes, it's a nice development, early stage, and not sure that there'll be a milestone announcement or event, but hopefully, it would play through in our back half numbers, as David kind of alluded to in his prepared remarks.

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

So if I could have a quick follow-up on that, please, Michael. So does that mean more direct deals now being done with a programmatic component, which is just naturally good for your business? And would there be -- as opposed to, I guess, the kind of falling to remnant spot inventory kind of over time is kind of what you were saying, just to make sure I understand that?

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

Yes, that's correct that the -- buyers have always won in this, right? And it was a change for sellers, who had their linear strategies, the broadcaster programmers. And so what you're seeing now is that much more of a kind of a mutual agreement at the table, at the bargaining table during the upfront about a chunk of the dollars being allocated programmatically as part of the guarantee.

So if you're an agency or your guaranteeing one of the broadcasters \$50 million, you, in the past, wanted some of that to go programmatically, it was never part of the deal. You're seeing more and more of the agreement that we agree that blank is going to be served programmatically. And so that's -- yes, that's -- it's the maturation that we thought was going to happen in the business. It's just that I think like, again, feels like the GroupM deal you're going to -- that shows you how vested they are wanting to transact business-wise this way.

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

Right. And that would presumably be good news. Any news that we do get in the next few weeks or whatever would presumably be good across the next several quarters then because this would be deals being struck across the upcoming TV seasons, right, over the next 3, 4 quarters?

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

That's exactly right, yes.

Operator

Our next question comes from the line of Matt Swanson with RBC Capital Markets.

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

Michael, if I could ask my quarterly DV+ question. I know last quarter, you didn't really want to get into the specifics of the investments. But could you maybe just comment for us how you feel about the progress you're making on those investments that you've done? Or maybe what sort of returns you're starting to see so far?

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

Yes, Matt, great question. I think that as we've talked about this in the past, DV+ in a world where you're transacting hundreds of millions of auctions a day every little bit tweak here or tweak their results in improvement. And if you look at the laundry list, it's numbers into that. The hundreds of things that you can constantly be doing, some of it is fixing things, others innovating and things, speed of auction, your hardware settings, all the way to making sure that the plumbing is clean and the connections are good with buyers and the sellers. So it's an ongoing effort.

I wish there was a seminal product or project that we could point to that once it's completed, it unlocks the flood gates. But it's a constant area of maintenance for us, innovation for us and admittedly, an area that was under maintenance or innovated over the years as we acquired the CTV assets. So we have some catch-up to do. I'm pleased with the focus on it. I think our results can get better and improve over time. So I think that we've analyzed where we can gain improvement, where our highest return for investment will be and are well down the path in those areas.

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

That's super helpful. And then this is probably a little bit, David, a little bit, Michael. But when we're thinking about the full year guide, and you mentioned Q2 starting to see some political, obviously, the CTV environment has changed so much since the last midterm cycle. And it feels to me like midterms might be a little bit better positioned than general election for you because of the emphasis on targeting, right, because they're all regionalized elections. Can you just talk a little bit maybe about how you're thinking about the political spend this year and whether or not you do think there could be a bigger shift towards CTV?

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

Yes. I think we feel as though if and when we see the impact of political spend for the midterms, it will be predominantly through CTV. I think there'll be some online video bought as well. But I think CTV will be a primary focus, and you're right, it will be highly directed in those battleground states. And you probably saw a release with that. The folks from scripts, who are bundling inventory from other non-script stations to create a bigger pool of available inventory in those markets, and they're working exclusively with us on that.

And so -- and of course, we have our direct team in the middle markets in the states working with the top agencies that are specialized in spend. And so our best guess is that this midterm probably will behave more like a general election like 2 years ago than it will like a traditional midterm, especially as it relates to CTV. So yes, we're cautiously optimistic that we're going to see some flow through in Q2 and certainly in the back half of the year. I don't know, Dave, if you have any other thoughts or specifics.

David L. Day - Magnite, Inc. - CFO

I think you covered it. I think there'll be some flow through in Q2. I don't -- it won't be super significant. I think the vast majority will be Q3 and Q4. And yes, as far as the volume of spend, as Michael mentioned, maybe similar to Presidential and with this recently leaked news on Roe v. Wade, that would be a supercharge, that spend as well, so time will tell.

Operator

Our next question comes from the line of Vasily Karasyov with Cannonball Research.

Vasily Karasyov - Cannonball Research, LLC - Founder

I wanted to ask you a question about political. And my question is this, if you look at broadcasting companies, they -- in years when they have strong political spending, the nonpolitical advertising revenue growth is usually depressed from what they call displacement, right? When they -- because political campaign's pay are not price sensitive, they just outbid nonpolitical advertisers.

So given that you, as an SSP, are probably more on the supply constraint side, are you seeing anything like that? Is this a scenario that you're thinking about that it may not be 100% additive when all the expected political comes in? So I know we are in an uncharted waters there, but would appreciate your thoughts here.

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

Yes. Vasily, it's a very keen observation, and there's far less supply constrained in online video. So I think what you see in the online video is that there's just -- there's always a lot of inventory, and therefore, there's a lot less displacement. In CTV, I think you do see some displacement, but I think that, that -- any displacement is more than made up for, as you pointed out, there's not a lot of price elasticity as it relates to CPMs and so you're seeing higher CPMs. And so although -- and even though inventory generally speaking is very tight in the CTV world, it's not always all sold, and there's different day parts and things like that where political may be less sensitive about running it. And so I think that -- all in all, we have seen historically that even if there's a displacement, it's a net positive because of the rates as it relates to Magnite.

Vasily Karasyov - Cannonball Research, LLC - Founder

So if -- just a follow-up. If we look at the previous political cycle, did you see any displacement at all? I'm just curious.

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

Yes. I mean I think that, generally speaking, especially if you get into Q4, so right at the tail end of the election cycle, those are pretty tight windows anyway. And so there was certainly some displacement there. But as I said before, it was still a good guide because of the rates that displace these buyers were significantly higher than market.

Operator

Our next question comes from the line of Nick Zangler with Stephens.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Senior Research Associate*

Thinking about these new AVOD services, you touched on Disney+, but with regard to Netflix, maybe Apple TV Plus, just in general, if you could comment on how do you think about your ability to win new business? And for these large streaming services, how long do you suspect it would take to go from having absolutely nothing to something with regard to building an ad business?

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

Yes. Nick, I'll jump on that one. So yes, it's a very fair question. And then, of course, you start to ask, are you launching in the U.S.? Are you launching in foreign countries, if you're never had an ad business before? It's hard to predict how long it would take, especially if you're starting from scratch. But one would say it's obviously a multi-quarter journey, given the fact that you haven't even pitched your customer base on this tier, trying to figure out what the cannibalization might be, et cetera, et cetera. So I think that there's a lot more that goes into it, obviously, than just ad technology. But as it does relate to ad technology, I think we are extraordinarily well positioned as we talk about all the assets that we have in not just doing the traditional work of bringing demand like an SSP to fill these ad slots but having the server to actually serve them.

And there's one thing everyone needs. It doesn't matter if you're a legacy broadcaster or a new program or a platform, you need an ad server, right? You need something that can serve ads if you're going to get into the ad business, so the very minimum. We have the leading CTV ad server and especially if you don't have a legacy business, there's not really a need for a server that was built in the online video world that meets the conditions and rules that broadcasters needed to spread the needle between linear and streamed.

So I think we feel really good about the company that we've built. And obviously, every day, we're helping these new services get off the ground and sell ads, and some of them have a direct sales team where the rules of engagement are quite structured, and others don't have any direct sellers, and they rely upon us for the vast majority of their demand. So I just think it's a validation for the company we've built, it's a validation on the -- for the consumer in terms of choice, right? And I think we really enjoy the position we have in the marketplace right now.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Senior Research Associate*

I agree. It's good to hear. And then just one more for me. You briefly touched on it, but any update just with regard to the construction of the seller defined audiences, maybe specifically within CTV, utilizing that first-party data from publishers? I know you guys keep making acquisitions here, for sure. So are you monetizing audience segmentation and creation at all yet? And maybe you could just comment on the overall road map within seller defined audiences?

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

Yes. So early days, right, as I said before to one of the other questions, as long as the third-party cookie world exists, it's hard to generate enough urgency on the publisher side because it's a need that necessarily doesn't match what buyers want. But the minute third-party cookies go away, buyers are desperately going to need these targeting parameters. And so that's where the publisher gets in.

So what we're doing is building for that future. We know it's coming. We know that it will happen. It will be multiple solutions, but we feel very good about the assets that we have and the work that we're doing right now on those assets. We do a ton of data overlays in CTV right now, some of it first party, a lot of it third party. And so I would say CTV is even more advanced than DV+ as it relates to data-oriented packages and quite easier frankly, and probably more valued audiences, just given the logged in nature of the user, right?

Many, many open web sites and apps don't have a logged in component and it makes profiling an audience a little bit more difficult than the logged in user approach of CTV. And so yes, I think in CTV, you're going to find that that's going to quickly move to the front and center buyer needs because of the displacement of the cookie.

Operator

Our next question is from the line of Matt Thornton with Truist Securities.

Matthew Corey Thornton - *Truist Securities, Inc., Research Division - VP*

Maybe two, if I could. First, on excuse me, Trade Desk moving away from Google open bidding. I know it's still fairly early, but I'm curious what you're seeing in terms of impact. I think the thinking had been from you and some of your peers that it could be neutral to positive? I'm kind of curious what the early read is there.

And then just secondly, any update on the merged platform, taking out of the best of Telaria, the best of SpotX. I think you've talked about having that out fully in market, I think it's by 1Q '23. So I'm just curious how that's progressing. And what might happen once that's fully launched? Is there any benefits from a share gain standpoint, from a cost efficiency standpoint? Just any color there would be helpful.

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

Matt, so as far as OB is concerned, Trade Desk definitely has moved away from it. We can see the flow of money from Trade Desk through OB has kind of gone down to a trickle. The reality is Google -- Trade Desk had moved away from open bidding incrementally over the last 1.5 years. They came to all the SSPs and they went to publishers, and they basically said, "Hey, we're buying your inventories through multiple paths. We've taken a look at it and the most efficient path is prebid or the most efficient path is Amazon. And so we're switching our dollars over to those paths."

And so OB was not a huge contributor for Magnite through -- from a Trade Desk spend standpoint. It's kind of hard to track it as to whether or not it's flowing through prebid, and it's also too early to see if the hundreds of SSPs that were in the OB program, if that shift of share to the validated SSPs of which Magnite is one of them for Trade Desk, that hasn't resulted in any huge wish right now. But I do think, again, very early days, and we could be seeing it just in prebid and not recognizing the specific dollars.

And as far as the platform consolidation concern, it continues at pace. That timing is around, right? As you know, it's all not just dependent upon us, it's when the publishers are going to be able to allocate the resources to move to the new platform. And so we've always felt as though Q4 and Q3 will be a cutoff for any migrations, and so we'll be migrating clients into 2023 Q1 for sure.

And to point to direct revenue boost, it's kind of difficult. We'll probably be able to educate you and others more as the platform comes online. But I think if you build a next-gen platform that has all the bells and whistles and all the -- that everyone's asked for, it just leads to more revenue opportunities in terms of access to inventory. So we feel pretty good about the path around there.

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

And from a cost efficiency perspective, you'll see that primarily in a more efficient technology infrastructure cost base.

Matthew Corey Thornton - *Truist Securities, Inc., Research Division - VP*

Okay. Got you. That's helpful. And maybe one quick follow-up, and this has been, I think, touched on it a couple of times. But I think that my question is, I think when you think about some of the opportunities or changes out there, so Disney launching an AVOD in the U.S. by fourth -- calendar fourth quarter or the Warner Discovery merger now being done, when you think about your full year commentary and guidance, and we don't need to get into specifics, but I guess does that contemplate or take anything into account in terms of some of these incremental perhaps opportunities out there? Or would you landing one of these or an increased role with one of these be incremental to kind of what you've talked about?

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

I think, Matt, whenever you look at new business opportunities, you're kind of baking it into a general forecast. So a lot of our business growth every year organic is same-store sales. But we always rely upon kind of an unknown number out there that will come from new, quiet relationships. And so I think by and large, it's already baked into the forecast in that and these things tend to start off as walk before you run types of relationships. And so I think that I wouldn't necessarily say that a one particular client out there might result in dramatically increased revenue for Magnite. I don't know, David, if you have a different view on that.

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

No, I think that's right. I mean it certainly would add to our ability to take market share. And -- but I think you've covered it.

Operator

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

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

Thank you, Ryan. I'd like to thank every Magnite team member for their hard work and efforts. We have one of the best teams in the industry, and their expertise and unmatched customer focus has yielded a very differentiated leading company with comprehensive customer solutions. We continue to see and invest in clear areas for growth in CTV, DV+ in audience and identity.

We've established ourselves as a critical long-term partner for many of our publishers and buyers, especially in CTV, and believe much of our future success lies in both our execution and in winning new business. We've never been more excited about the opportunity we have ahead of us.

As we look at the back half of the year, we feel strongly that our selection by GroupM and CTV, Disney+ recently announcing an ad-supported alternative, return of verticals, such as travel and political spend, are tangible examples of growth drivers for the quarters ahead. Almost all CTV streaming services have either launched or announced AVOD offerings, and even the largest subscription CTV streaming service has recently moved from a position of never to actively exploring it.

Thank you for joining us for our Q1 results call. We look forward to talking to many of you at virtual investor meetings hosted by SIG tomorrow, conferences by Needham on May 17th and Craig-Hallum on June 1st. Have a great evening.

Operator

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

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