

PubMatic

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# Q3 2022 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES  
FUELING ADVERTISING INNOVATION

November 8, 2022

# SAFE HARBOR

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This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of Q4 2022 and full-year 2022 operating results or financial performance, market size and growth opportunities, the calculation of certain of our key financial and operating metrics, capital expenditures, plans for future operations, competitive position, technological capabilities, and strategic relationships, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “would,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith beliefs and assumptions as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to, our dependency on the overall demand for advertising and the channels we rely on; our existing customers not expanding their usage of our platform, or our failure to attract new publishers and buyers; the rejection of the use of digital advertising by consumers through opt-in, opt-out or ad-blocking technologies or other means; our failure to innovate and develop new solutions that are adopted by publishers; limitations imposed on our collection, use or disclosure of data about advertisements; any failure to scale our platform infrastructure to support anticipated growth and transaction volume; macroeconomic conditions, including any instability resulting from inflation, interest rates, foreign currency exchange rates or the conflict in Ukraine; any failure to comply with laws and regulations related to data privacy, data protection, information security, and consumer protection; and our ability to manage our growth. Moreover, we operate in a competitive and rapidly changing market, and new risks may emerge from time to time. Additional information about risks and uncertainties associated with our business are disclosed in our reports filed from time to time with the Securities and Exchange Commission, including our most recent Form 10-K and any subsequent filings on Forms 10-Q or 8-K, available on our investor relations website at <https://investors.pubmatic.com> and on the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov). All information in this presentation is as of November 8, 2022. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

In addition to financial information presented in accordance with U.S. generally accepted accounting principles (“GAAP”), this presentation includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, non-GAAP net income, non-GAAP net income margin and non-GAAP diluted EPS. We believe that this information can assist investors in evaluating our operational trends, financial performance, and cash generating capacity. These non-GAAP measures are presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. These non-GAAP measures have limitations as analytical tools. For example, other companies may calculate non-GAAP metrics differently or may use other metrics to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial metrics as tools for comparison. They should not be considered in isolation or as a substitute for analysis of other GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is included at the end of this presentation.

This presentation contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such data after the date of this presentation.

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## MISSION

# PubMatic Fuels the Endless Potential of Internet Content Creators

## Q3 2022 FINANCIAL HIGHLIGHTS

### REVENUE

**\$64.5M**

**+11% YOY**

### GAAP NET INCOME

**\$3.3M**

**5% MARGIN**

### ADJUSTED EBITDA<sup>1</sup>

**\$25.3M**

**39% MARGIN**

### CASH FLOW FROM OPERATIONS<sup>2</sup>

**\$28.1M**

<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See reconciliation in Appendix.

<sup>2</sup> Cash flow from operations is net cash provided by operating activities.

# SELL-SIDE TECHNOLOGY IS INCREASINGLY RELEVANT TO THE DIGITAL ADVERTISING ECOSYSTEM



# THE OPEN INTERNET IS GAINING SHARE

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OPEN INTERNET vs. SOCIAL  
YOY AD SPEND GROWTH

**1.5X+**

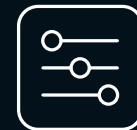
Source: MAGNA

## VALUE OF INDEPENDENT TECHNOLOGY

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**Transparency**



**Control**



**Quality**

# AUDIENCE TARGETING MOVES TO THE SELL-SIDE, UNLOCKING OPPORTUNITY FOR PUBMATIC



**Known Identity**



**1<sup>st</sup> & 2<sup>nd</sup> Party Data**



**Contextual Signals**



**Seller-Defined Audiences**



**Modeled Audiences**

**ACTIVATING DATA  
ON THE SELL-SIDE  
DELIVERS SCALE &  
ROI FOR BUYERS**

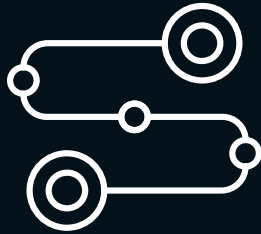
**STRENGTH IN DATA  
ACTIVATION OPENS  
RETAIL MEDIA  
OPPORTUNITY**

**Wunderkind**

**Kroger** PRECISION MARKETING | POWERED BY **4.51°**

# EXPANDING USAGE VIA SUPPLY PATH OPTIMIZATION UNDERScores INCREASED VALUE FOR BUYERS

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Q3 2022 SPO SHARE OF  
TOTAL ACTIVITY

**OVER 30%**

BUYERS ARE  
CONSOLIDATING  
SPEND ON  
PUBMATIC

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ENHANCED  
MEASUREMENT &  
REPORTING  
CAPABILITIES

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# THE RISE OF AUTOMATED CONNECTED TV GROWS THE PROGRAMMATIC OPPORTUNITY



**Efficiency**

UNIFIED BIDDING  
OPENS MORE  
BUYING POTENTIAL  
IN CTV

WPP

F:NECAST



**Measurability**

OPENWRAP OTT  
ENHANCEMENTS  
DRIVE VALUE FOR  
PUBLISHERS

MY | CODE

true digital



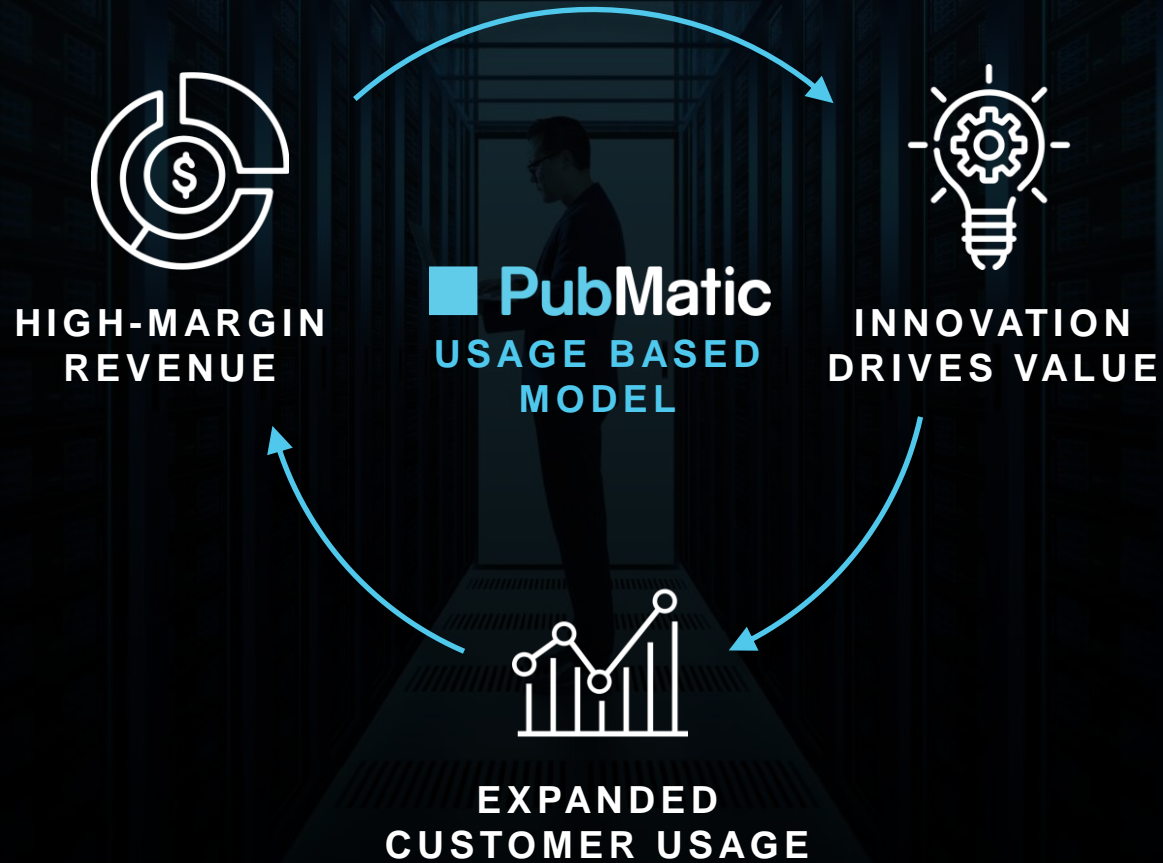
**Scale**



**Transparency**



# USAGE-BASED MODEL FUELS RESILIENCE AND MARKET SHARE GAINS



# DUAL FOCUS ON REVENUE GROWTH & PROFITABILITY PROVIDES FOUNDATION FOR LONG-TERM SUCCESS



**Innovation unlocks revenue today and should result in outsized gains in the future**



**Focus on maximizing efficiency of capex and opex investments in the near-term**

## **Long Track Record of Success**

**PROFITABLE GROWTH**

**SIGNIFICANT FREE CASH FLOW**

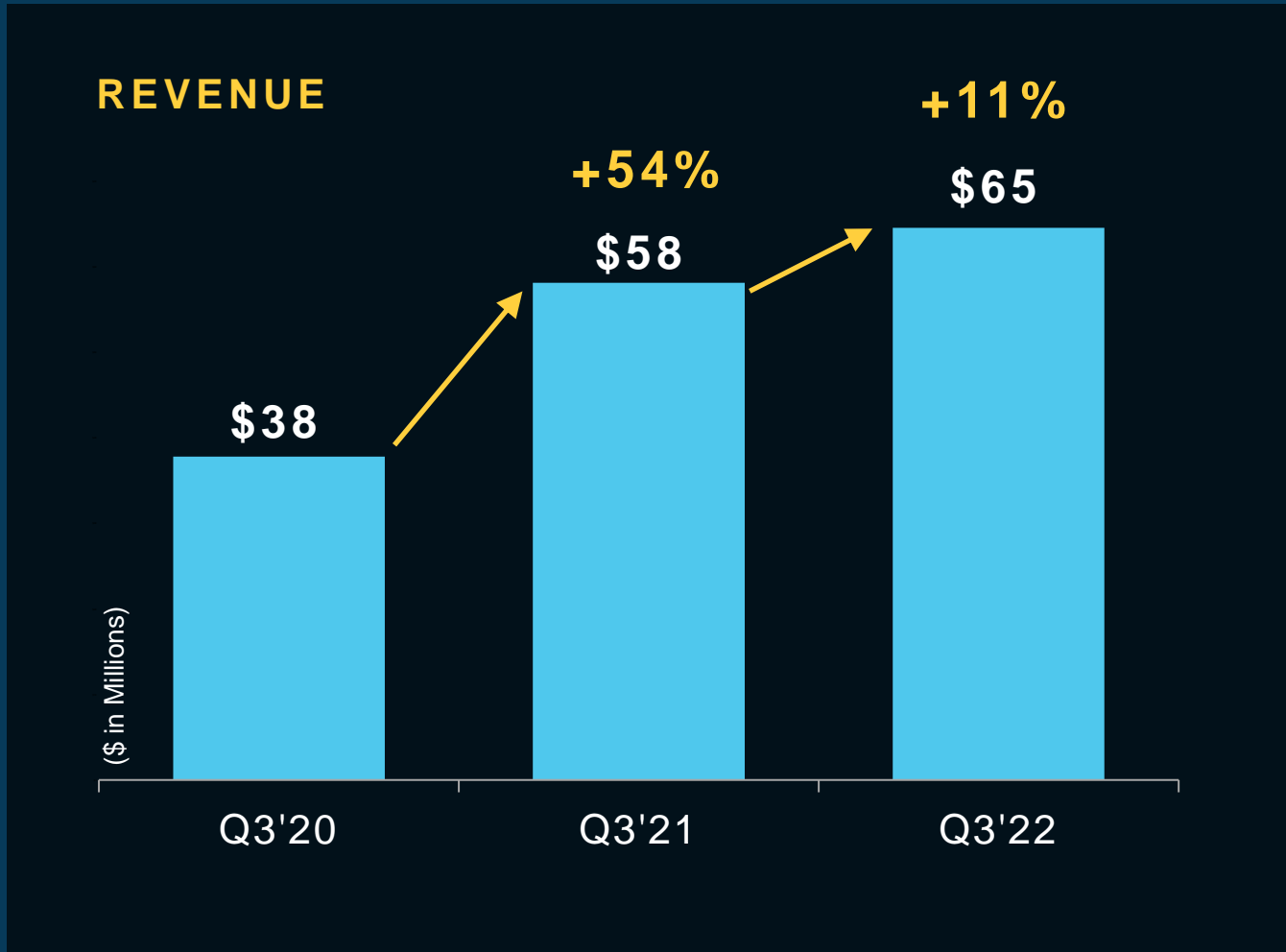
**STRONG BALANCE SHEET**

**ZERO DEBT**

# Financial Results

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# Q3 2022 FINANCIAL HIGHLIGHTS



## GAAP NET INCOME

**\$3.3M**

5% NET INCOME MARGIN

## ADJUSTED EBITDA<sup>1</sup>

**\$25.3M**

39% ADJ. EBITDA MARGIN

## CASH FLOW FROM OPERATIONS<sup>2</sup>

**\$28.1M**

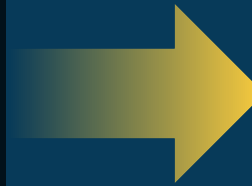
<sup>1</sup> Adjusted EBITDA is a non-GAAP measure. A reconciliation of Adjusted EBITDA to net income is provided in the Appendix.

<sup>2</sup> Cash flow from operations is net cash provided by operating activities.

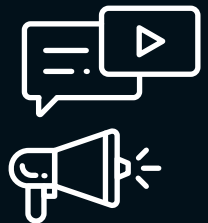
# BUSINESS MODEL REDUCES IMPACT OF MACRO-ECONOMIC HEADWINDS



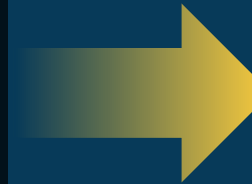
**Economic Pressures  
Impact Display  
Advertising Growth**



**Favorable Revenue /  
Margin Mix Towards  
Omnichannel Video**



**Softness in Ad Spend  
Across Select  
Verticals**



**Diversification and  
Breadth of  
Advertisers Limits  
Impact**

# DIVERSIFIED BUSINESS DRIVES GROWTH

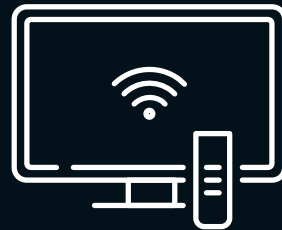
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**YOY OMNICHANNEL  
VIDEO<sup>1</sup> REVENUE  
GROWTH**

**45%**



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**YOY CTV REVENUE  
GROWTH**

**150%+**



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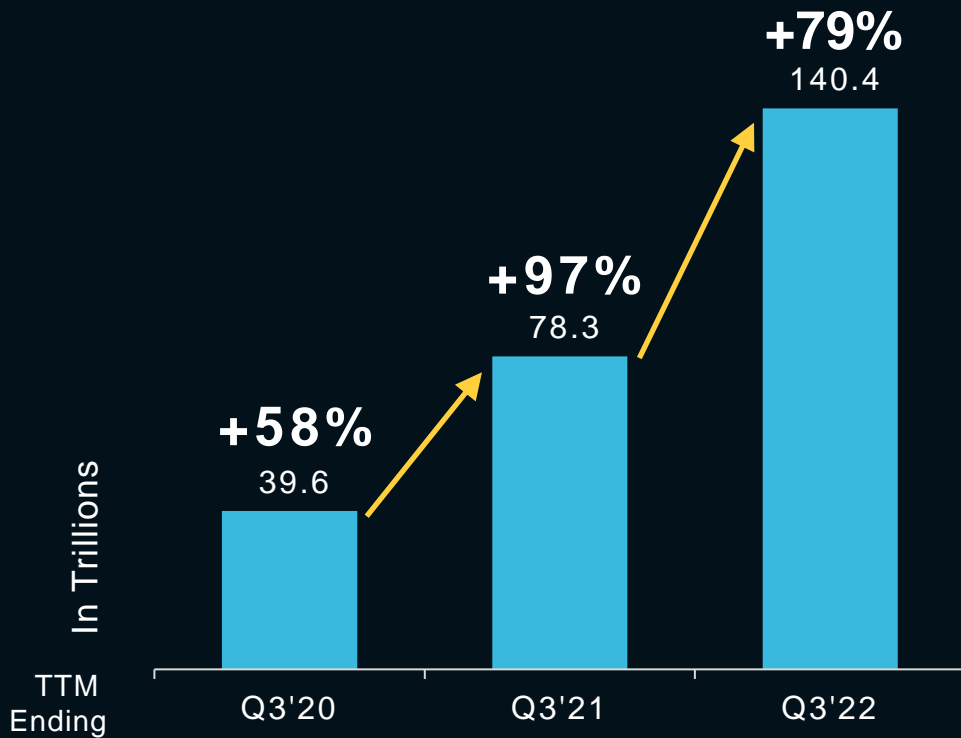
**YOY AD SPEND  
GROWTH FROM TOP  
10 VERTICALS**

**19%**

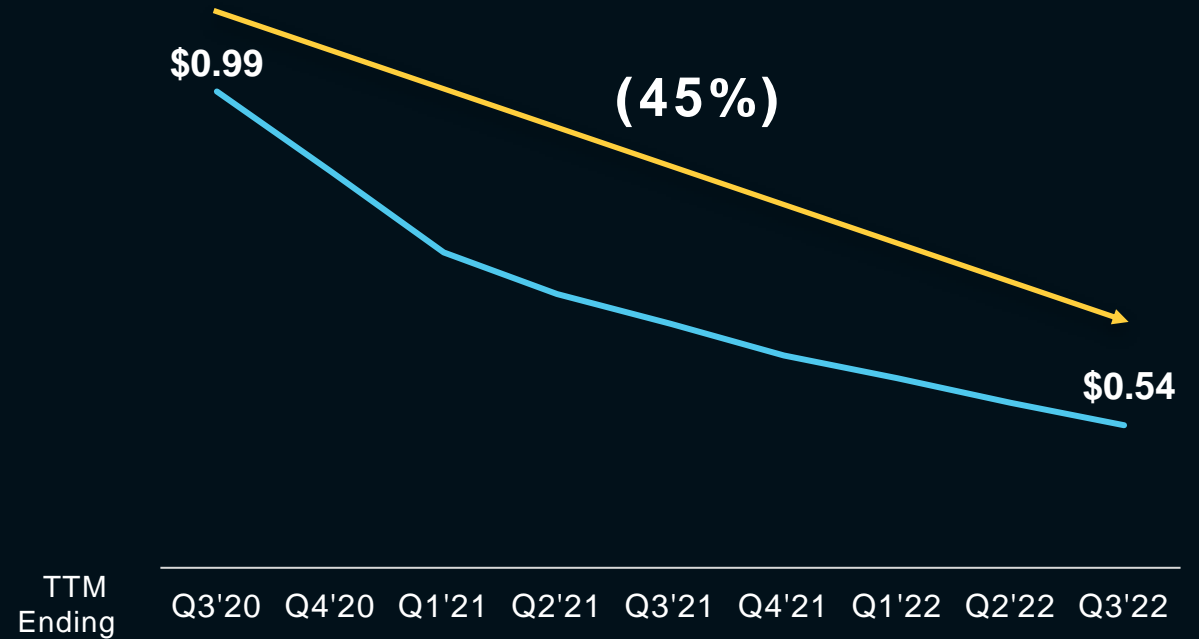
<sup>1</sup> Omnichannel video is the sum of online digital video plus CTV/OTT.

# OWNED & OPTIMIZED INFRASTRUCTURE DRIVING DOWN UNIT COSTS WHILE IMPROVING CUSTOMER OUTCOMES

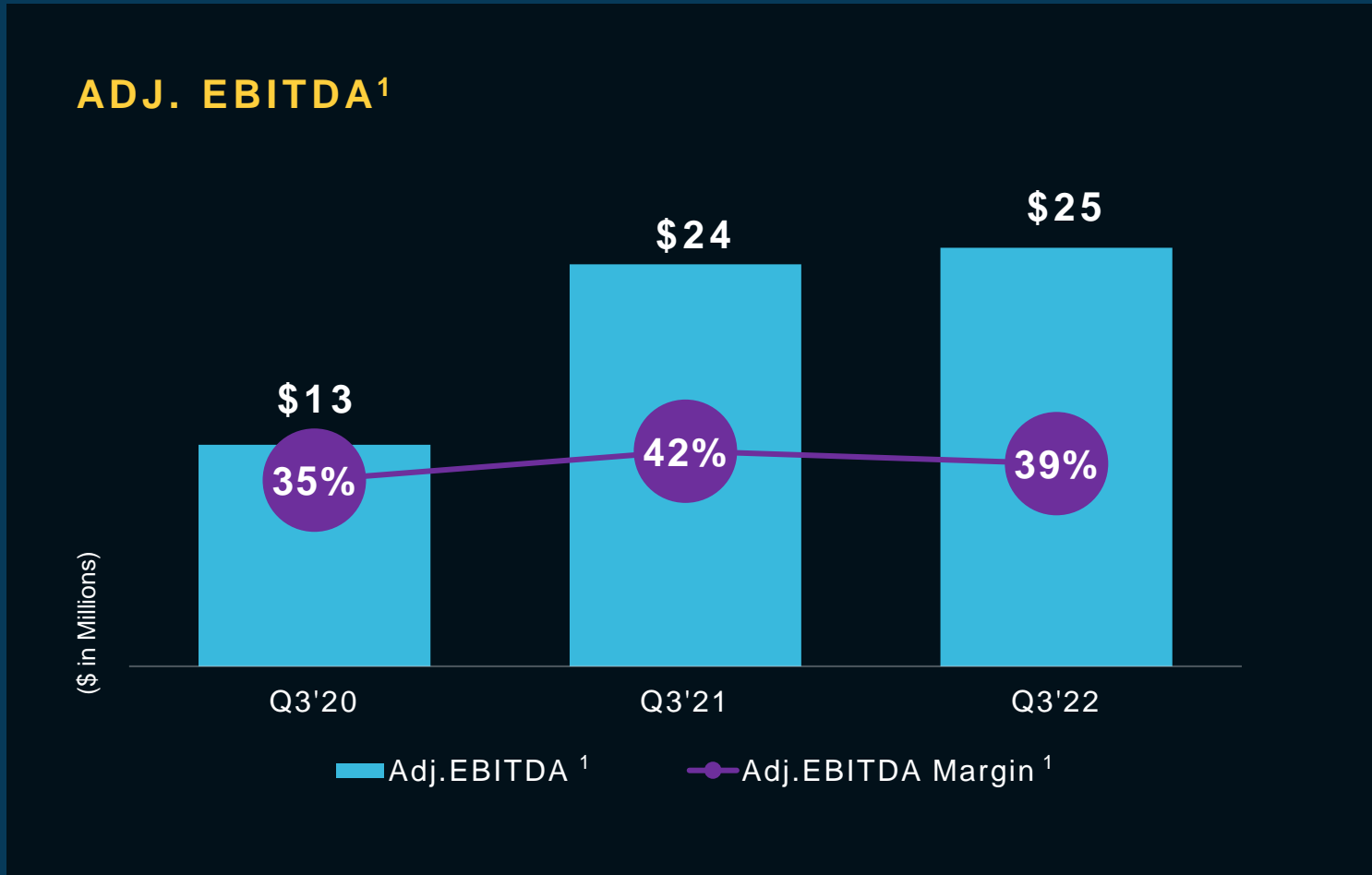
## AD IMPRESSIONS (TRAILING TWELVE MONTHS)



## COST OF REVENUE PER ONE MILLION AD IMPRESSIONS (TRAILING TWELVE MONTHS)



# STRONG TRACK RECORD OF DURABLE GROWTH AND PROFITS



**14<sup>th</sup>**  
**CONSECUTIVE QUARTER OF  
POSITIVE GAAP NET INCOME**

**26<sup>th</sup>**  
**CONSECUTIVE QUARTER OF  
POSITIVE ADJ. EBITDA<sup>1</sup>**

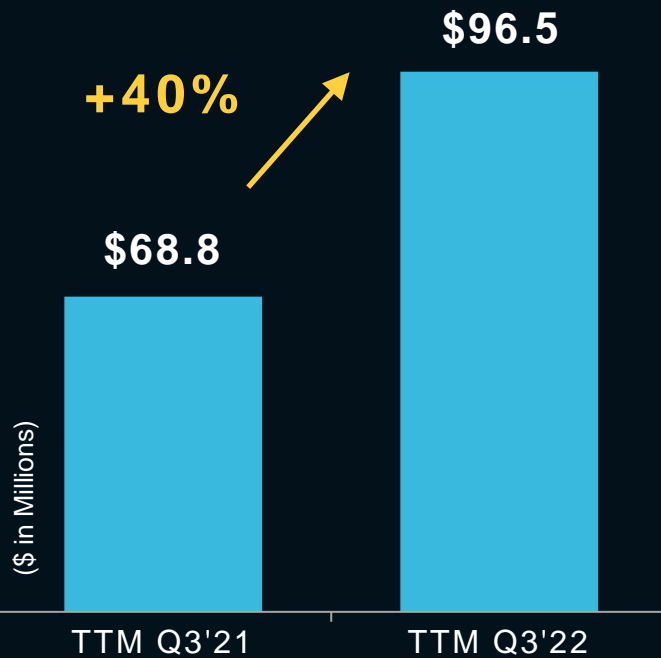
<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. See reconciliation in Appendix.

Note: Numbers rounded for presentation purposes

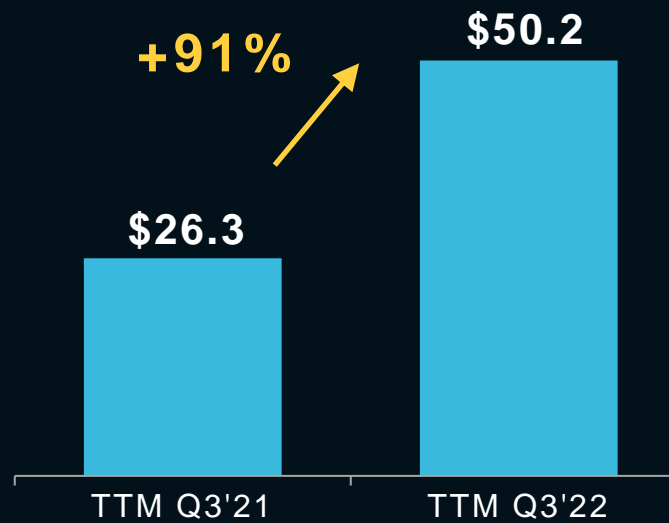


# DELIVERING CASH FLOW

## NET CASH PROVIDED BY OPERATING ACTIVITIES



## FREE CASH FLOW<sup>1</sup>



## DRIVERS

- Workflow automation
- Continuous optimization of infrastructure (software and hardware)
- Offshore R&D leverage
- Focus on profitable publishers and ad impressions
- Efficient capacity expansion to capture growth / market share
- Working capital efficiency

<sup>1</sup>See calculation in Appendix.

Note: Numbers rounded for presentation purposes

# INVESTMENTS IN INNOVATION FUEL OPERATIONAL SUCCESS



YOY INCREASE IN INDIA-BASED TECHNOLOGY TEAM HEADCOUNT IN Q3 2022

**46%**

## INNOVATION DRIVES GROWTH POTENTIAL



Supply Path Optimization

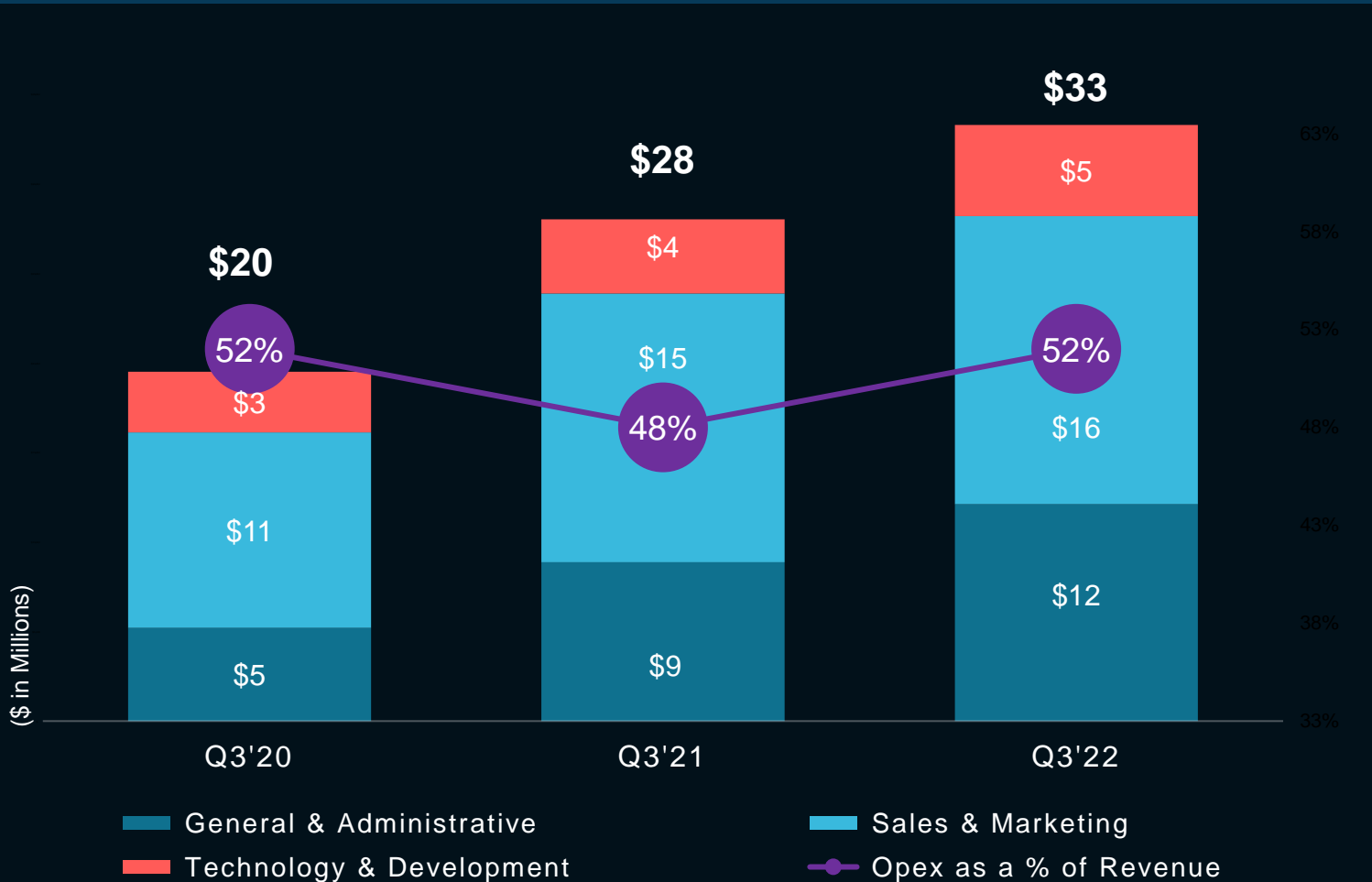


Acquisition of Martin



Foundation for Future Innovation

# OPERATING EXPENSES: INVESTING FOR GROWTH

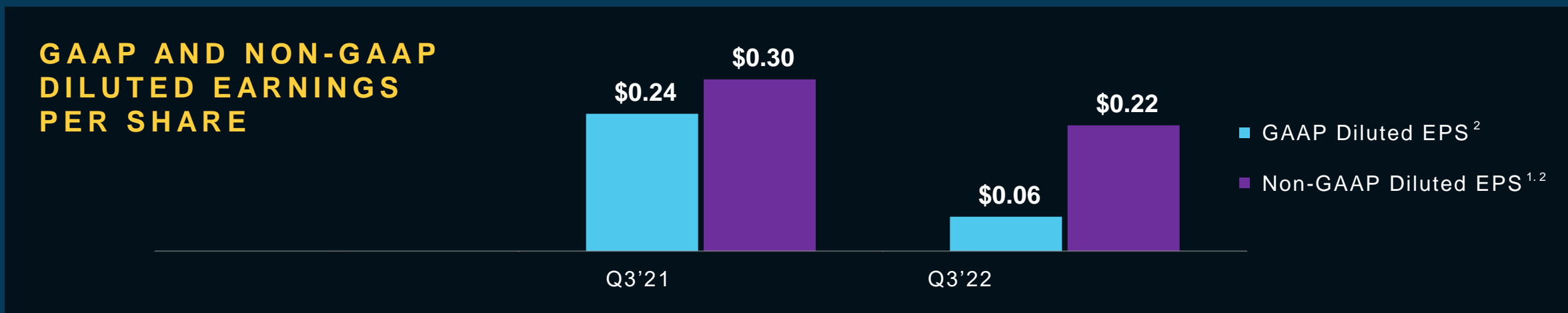


Subtotals for each bar may not add up to total due to rounding.

## DRIVERS

- Increased headcount by 29% with focus on technical and go-to-market teams
- Q3'22 includes incremental stock-based compensation and return to office costs
- Scale efficiencies

# GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE



<sup>1</sup>Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP measures. A reconciliation of Non-GAAP net income to net income is provided in the Appendix.

<sup>2</sup>EPS = Earnings per share

Note: Numbers rounded for presentation purposes

# 2022 GUIDANCE

(\$ in Millions)	Q4 2022		FY 2022	
	Low	High	Low	High
<b>Revenue</b>	\$75	\$78	\$257	\$260
<b>Y/Y%</b>	(1%)	3%	13%	15%
<b>Adjusted EBITDA</b>	\$33	\$36	\$98	\$101
<b>Adjusted EBITDA Margin</b>	44%	46%	38%	39%

Note: Numbers rounded for presentation purposes

We expect FY 2022 CapEx to be in the range of \$34M – \$36M.

2023 CapEx projected to be less than \$18M

Although we provide guidance for Adjusted EBITDA, a non-GAAP metric, we are not able to provide guidance for net income, the most directly comparable GAAP measure. Certain elements of the composition of GAAP net income, including stock-based compensation expenses, are not predictable, making it impractical for us to provide guidance on net income or to reconcile our Adjusted EBITDA guidance to net income without unreasonable efforts. For the same reason, we are unable to address the probable significance of the unavailable information.

# LONG TERM COMPETITIVE ADVANTAGES

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**1** | Scaled, Global Omnichannel Platform

**2** | Owned & Operated Infrastructure

**3** | Innovation Engine and Resources to Invest

**4** | Consistently Profitable with Strong Cash Flow

# Appendix

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# NON-GAAP RECONCILIATION – ADJUSTED EBITDA

(\$ in Millions)	Three Months Ended September 30,		
	2020	2021	2022
<b>Net Income</b>	\$6.2	\$13.5	\$3.3
<b>Add back (deduct):</b>			
<b>Stock-Based Compensation</b>	1.4	3.7	4.7
<b>Unrealized gain(loss) on equity investments</b>	-	-	6.4
<b>Depreciation and Amortization</b>	4.2	6.3	9.1
<b>Interest Income</b>	(0.1)	(0.1)	(0.6)
<b>Acquisition-related and other expenses</b>	-	-	1.1
<b>Provision for Income Taxes</b>	1.6	0.8	1.3
<b>Adjusted EBITDA</b>	<b>\$13.4</b>	<b>\$24.3</b>	<b>\$25.3</b>
<b>Revenue</b>	\$37.8	\$58.1	\$64.5
<b>Adjusted EBITDA Margin</b>	<b>35%</b>	<b>42%</b>	<b>39%</b>

Note: Numbers rounded for presentation purposes



# NON-GAAP NET INCOME RECONCILIATION

(\$ in Millions, except for Non-GAAP Diluted EPS <sup>1</sup> )	Three Months Ended September 30,		
	2020	2021	2022
<b>Net Income</b>	\$6.2	\$13.5	\$3.3
<b>Add back (deduct):</b>			
<b>Stock-Based Compensation</b>	1.4	3.7	4.7
<b>Unrealized (gain)loss on equity investments</b>	-	-	6.4
<b>Acquisition-related and other expenses</b>	-	-	1.1
<b>Adjustment for income tax benefit on stock-based compensation</b>	(0.2)	(0.5)	(3.0)
<b>Non-GAAP Net Income</b>	<b>\$7.5</b>	<b>\$16.7</b>	<b>\$12.4</b>
<b>Non-GAAP Diluted EPS<sup>1</sup></b>	\$0.00	\$0.30	\$0.22
<b>Revenue</b>	\$37.8	\$58.1	\$64.5
<b>Non-GAAP Net Income Margin</b>	<b>20%</b>	<b>29%</b>	<b>19%</b>

Note: Numbers rounded for presentation purposes

# FREE CASH FLOW RECONCILIATION

(\$ in Millions)	Three Months Ended September 30,		
	2020	2021	2022
<b>Net Cash provided by (used in) Operating Activities</b>	\$3.7	\$26.6	\$28.1
<b>Deduct:</b>			
<b>Purchases of Property and Equipment</b>	(5.5)	(11.0)	(14.6)
<b>Capitalized Software Development Costs</b>	(1.4)	(1.9)	(2.8)
<b>Free Cash Flow</b>	<b>(\$3.3)</b>	<b>\$13.6</b>	<b>\$10.6</b>
<b>Revenue</b>	\$37.8	\$58.1	\$64.5
<b>Free Cash Flow Margin</b>	<b>(9%)</b>	<b>23%</b>	<b>16%</b>

Note: Numbers rounded for presentation purposes