PubMatic

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Q1 2023 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES
FUELING ADVERTISING INNOVATION

May 9, 2023

SAFE HARBOR

This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of Q2 2023 and full-year 2023 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, new products, 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. All information in this presentation is as of May 9, 2023. 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, Free Cash Flow, 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.

MISSION

PubMatic Fuels the Endless Potential of Internet Content Creators

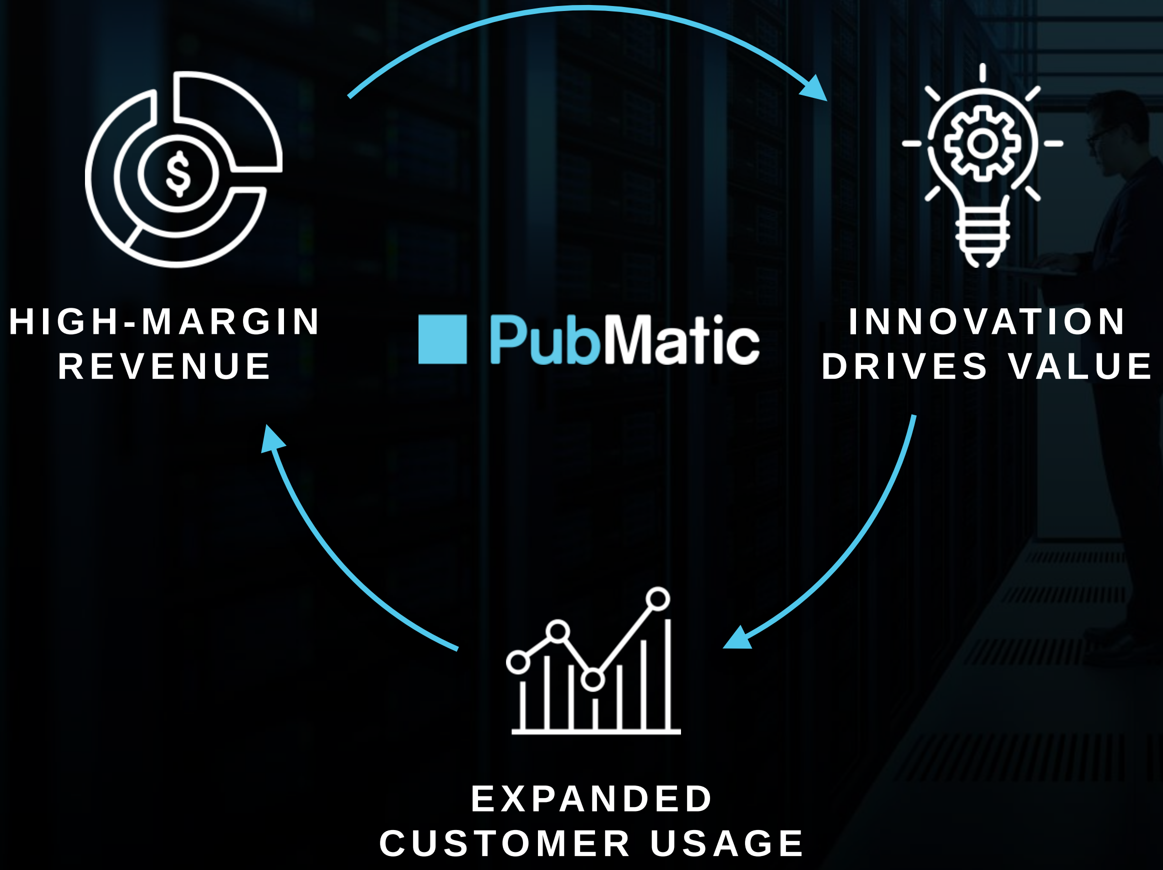
Q1 2023 FINANCIAL HIGHLIGHTS

REVENUE	GAAP NET INCOME	ADJUSTED EBITDA[1]	CASH FLOW FROM OPERATIONS[2]
$55.4M	($5.9)M	$8.4M	$12.8M
+2% YOY	-11% MARGIN	15% MARGIN	

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

2 Cash flow from operations is net cash provided by operating activities.

INDUSTRY CONSOLIDATION CREATES FOUNDATION FOR DEEPER CUSTOMER RELATIONSHIPS



65+

NEW PUBLISHERS SIGNED IN Q1 2023

NEARLY 1,700

PUBLISHER AND APP DEVELOPER CUSTOMERS GLOBALLY

CONNECTED TV & ONLINE VIDEO DRIVE REVENUE GROWTH

GLOBAL OMNICHANNEL VIDEO AD SPEND (2023)[1]

$215 BILLION

ONLINE VIDEO: **$150 BILLION**

CTV: **$65 BILLION**

CTV REVENUE GROWTH YOY IN Q1 2023

50%+

MAJOR GLOBAL CTV PUBLISHERS GROWING THEIR ACTIVITY WITH PUBMATIC

A+E NETWORKS

iQIYI

[1] PubMatic analysis of industry analyst data, includes programmatic and non-programmatic ad spend

CONTINUOUS PRODUCT INNOVATION DEEPENS PUBLISHER RELATIONSHIPS

YOY GROWTH OF SIGNED OPENWRAP AGREEMENTS IN Q1 2023

27%

UNIFIED BIDDING ACROSS FORMATS AND CHANNELS

- CTV / OTT
- Online Video
- Mobile App
- Native
- Desktop / Web

PUBLISHERS ARE EMBRACING OPENWRAP AS ALTERNATIVE TO RESOURCE-INTENSIVE PREBID SETUPS

edmunds

SUPPLY PATH OPTIMIZATION ACCELERATION WIDENS COMPETITIVE ADVANTAGE

SPO SHARE OF OVERALL ACTIVITY ON PUBMATIC PLATFORM IN Q1 2023

35%+

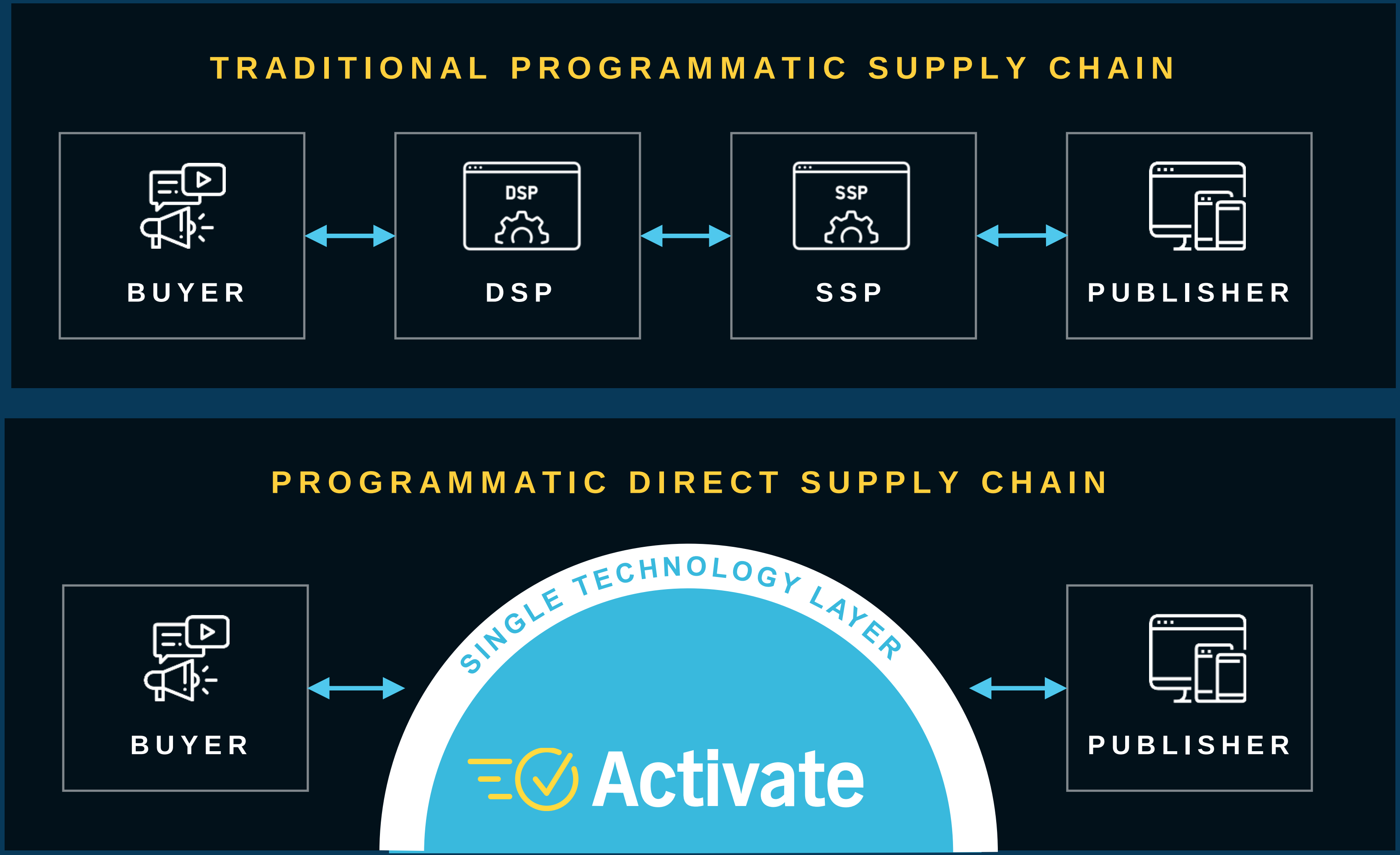
SEQ INCREASE IN BUYERS INTERESTED IN ENGAGING IN SPO FOR THE FIRST TIME IN Q1 2023

80%+

DRIVERS OF SPO ON PUBMATIC

- Global Scale
- Omnichannel Platform
- Transparency
- Efficient Infrastructure

INTRODUCING A NEW INDUSTRY PARADIGM FOR THE SUPPLY CHAIN OF THE FUTURE



Activate is an end-to-end SPO solution that allows buyers to execute non-bidded deals on the PubMatic platform.

ACTIVATE BRINGS PROGRAMMATIC BENEFITS TO DIRECT DEALS ACROSS HIGH-VALUE FORMATS

ACTIVATE LAUNCH PARTNERS

MARS

dentsu

havas media

OMG Omnicom MediaGroup

fuboTV

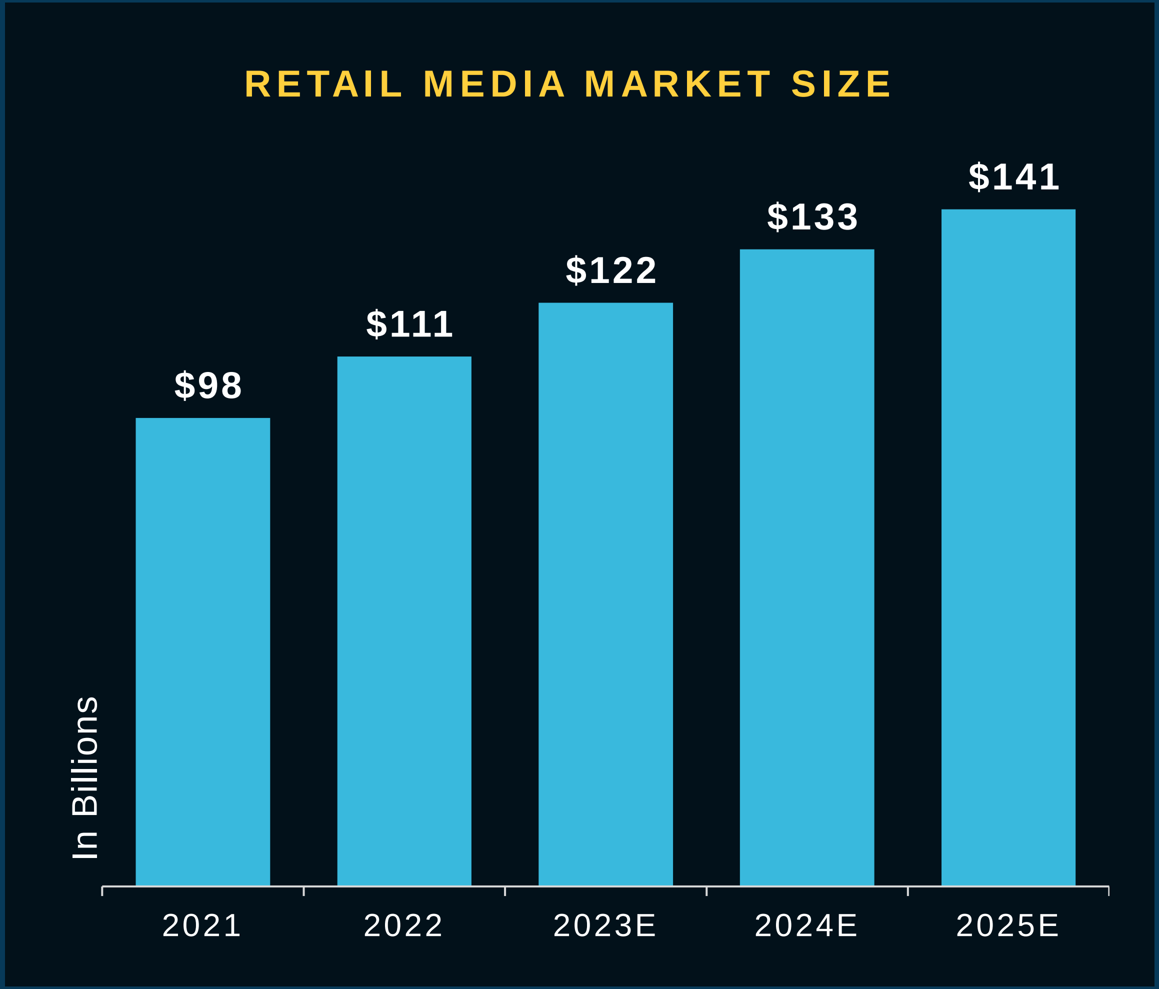
LG

groupm

EXPECTED PUBMATIC BENEFITS OF ACTIVATE

- Increased Programmatic TAM
- Accelerated Shift to CTV and Online Video Formats
- Greater Stickiness With Buyers
- Increased Revenue For Publishers

COMMERCE MEDIA REPRESENTS A STRONG GROWTH OPPORTUNITY



Source: GroupM, December 2022

MAJOR RETAILER AND COMMERCE COMPANIES ARE WORKING WITH PUBMATIC

Kroger PRECISION MARKETING POWERED BY 84.51°

lyft

Tripadvisor

SOLID FOUNDATION FOR LONG-TERM SUCCESS

PubMatic continues to consolidate the market as customers seek alternatives to the walled gardens

Focused investment strategy optimized to drive market share gains and shareholder returns

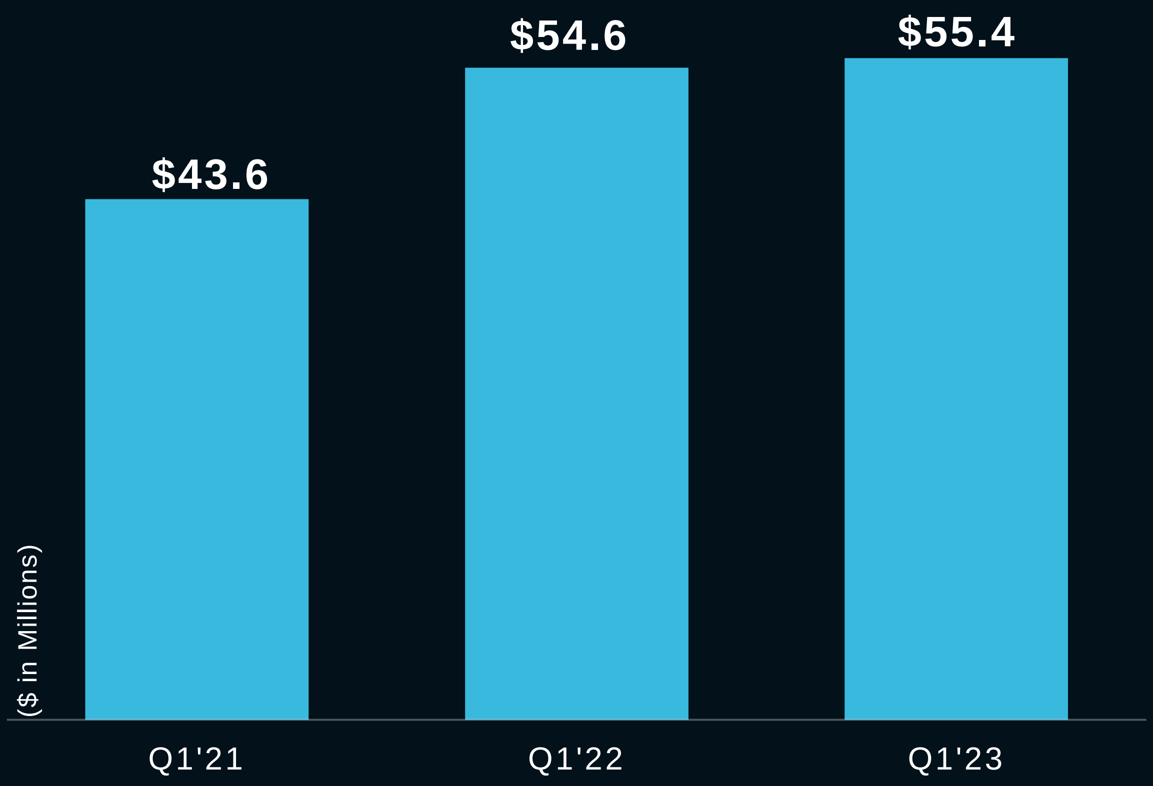
Key Differentiators Drive Rapid TAM Expansion

- OMNICHANNEL PLATFORM
- GLOBAL SCALE
- STRONG FINANCIAL PROFILE

Financial Results

Q1 FINANCIAL HIGHLIGHTS

REVENUE



GAAP NET INCOME

($5.9M)

-11% NET INCOME MARGIN

ADJUSTED EBITDA[1]

$8.4M

15% ADJ. EBITDA MARGIN

CASH FLOW FROM OPERATIONS[2]

$12.8M

[1] Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See reconciliation in Appendix.

[2] Cash flow from operations is net cash provided by operating activities.

PLATFORM DIVERSITY AND STRONG CUSTOMER RELATIONSHIPS DRIVE REVENUE BENEFITS

YOY OMNICHANNEL VIDEO[1] REVENUE GROWTH

13%

TTM-Q1'23 NET DOLLAR REVENUE RETENTION RATE[2] OF PUBLISHERS

105%

TTM-Q1'23 SPO BUYER NET SPEND RETENTION RATE[3]

116%

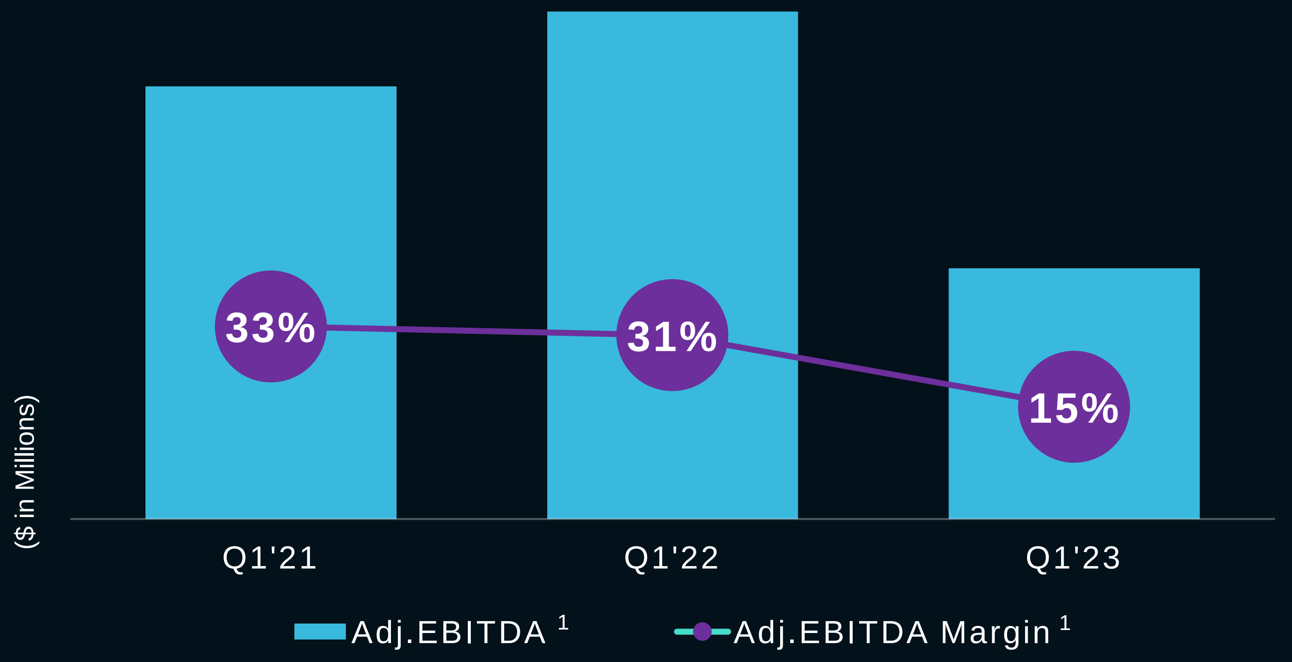
[1] Omnichannel video, which spans across desktop, mobile and CTV devices, is the sum of online digital video plus CTV/OTT.

[2] We calculate our net dollar-based retention rate by starting with the revenue from publishers in the last twelve month period ("Prior Period Revenue"). We then calculate the revenue from these same publishers in the current twelve month period ("Current Period Revenue"). Current Period Revenue includes any upsells and is net of contraction or attrition but excludes revenue from new publishers. Our net dollar-based retention rate equals the Current Period Revenue divided by Prior Period Revenue.

[3] We calculate our Supply Path Optimization ("SPO") net spend retention rate by starting with the spend from SPO buyers that have been buyers on our platform for at least three years, in the last prior twelve months ("Prior Period SPO Buyer Spend"). We then calculate the spend from these same buyers in the current twelve months ("Current Period Spend"). Current Period SPO Buyer Spend includes any upsells and is net of contraction or attrition but excludes spend from new SPO buyers. Our net SPO retention rate equals the Current Period SPO Buyer Spend divided by Prior Period SPO Buyer Spend

STRONG TRACK RECORD OF DURABLE GROWTH AND PROFITS

ADJ. EBITDA[1]



28th

CONSECUTIVE QUARTER OF POSITIVE ADJ. EBITDA[1]

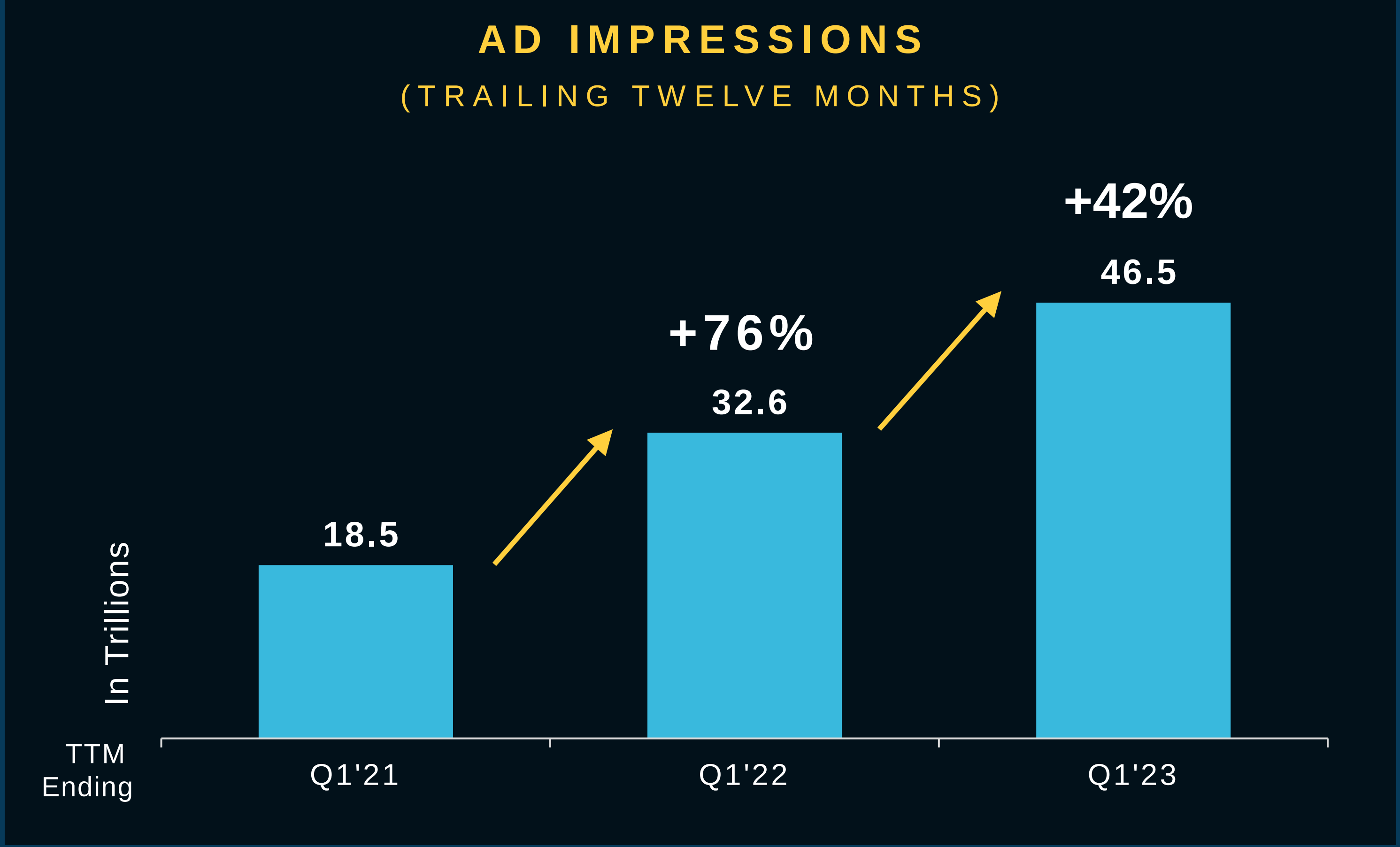
9th

CONSECUTIVE YEAR GENERATING CASH FROM OPERATIONS

[1] Adjusted EBITDA and Adjusted AEBITDA Margin are non-GAAP financial measures. See reconciliation in the Appendix.

Note: Numbers rounded for presentation purposes

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



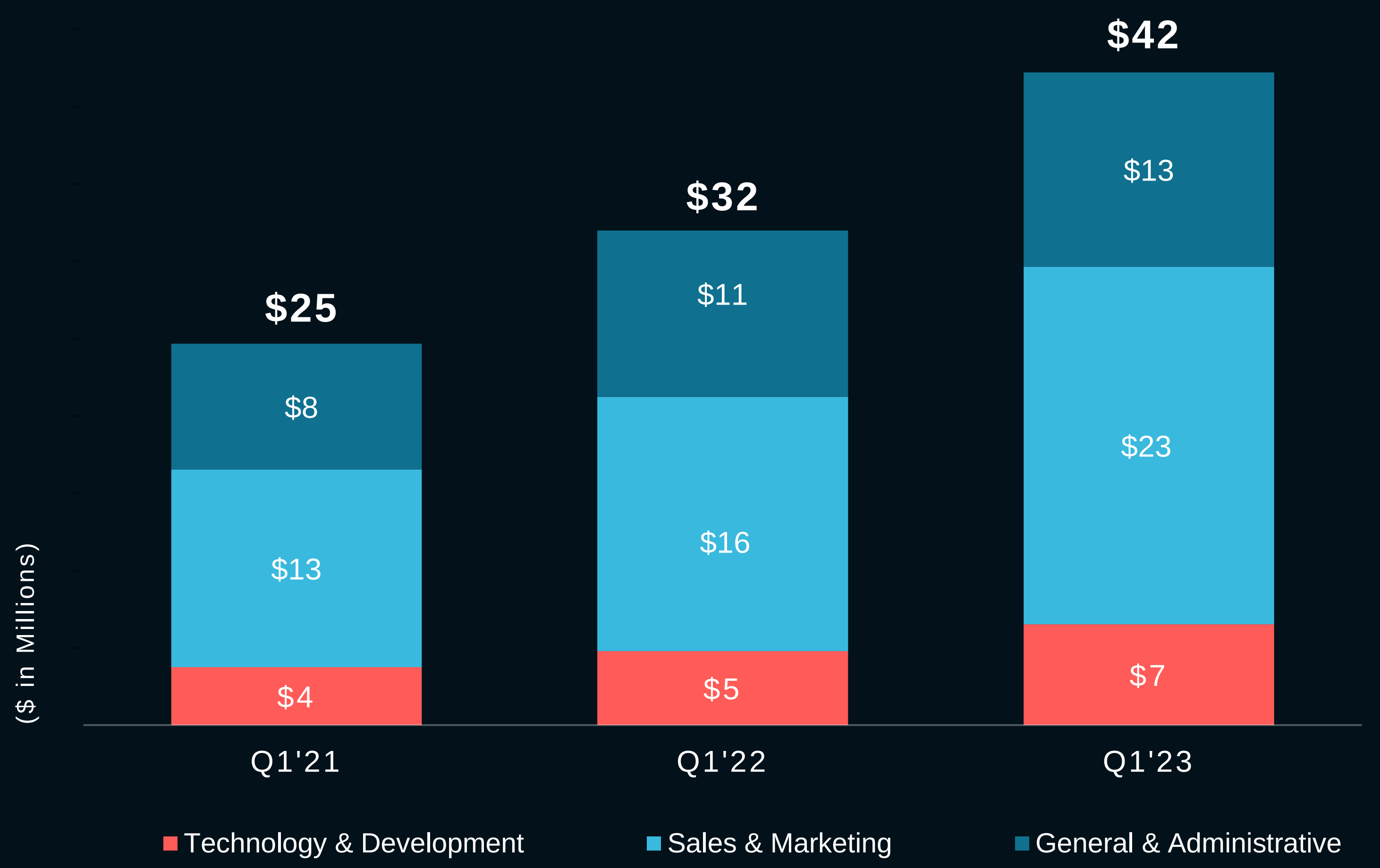
16%

REDUCTION IN UNIT COSTS YOY IN TTM-Q1 2023

OVER 60%

REDUCTION IN CAPEX IN 2023

OPERATING EXPENSES: INVESTING FOR GROWTH

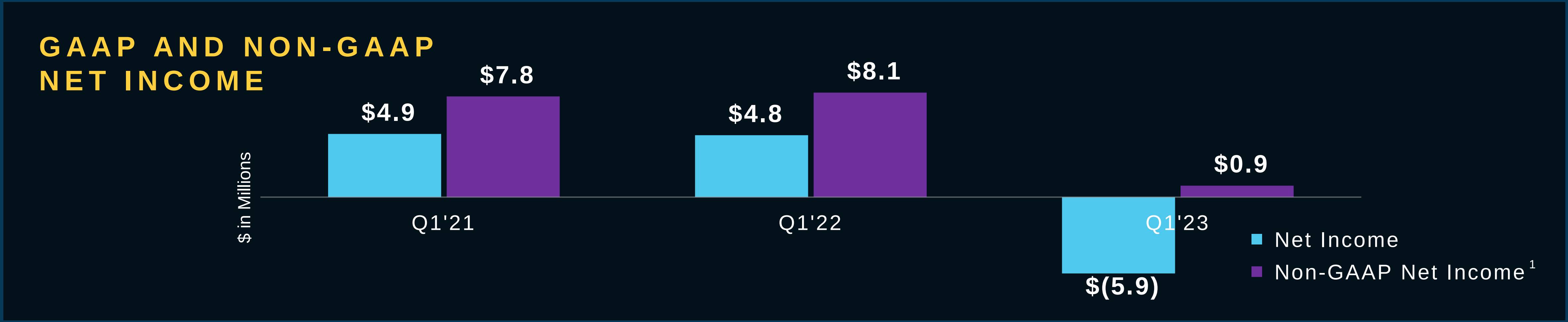


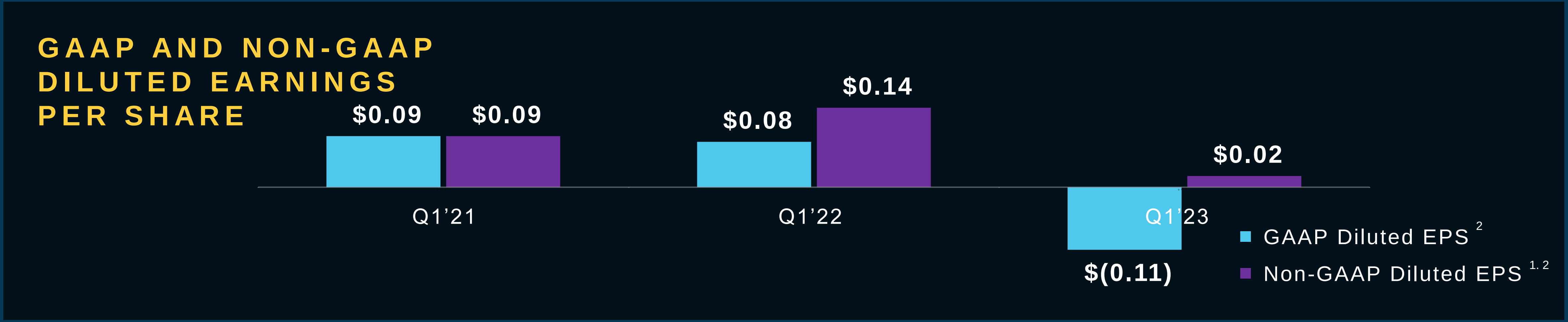
DRIVERS

- Q1'23 operating expenses include incremental costs for Martin acquisition of $2.8M and incremental stock-based compensation expense of $2.1M
- Q1'23 includes additional sales & marketing cost of $2.5M related to in-person January global sales conference

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

GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE





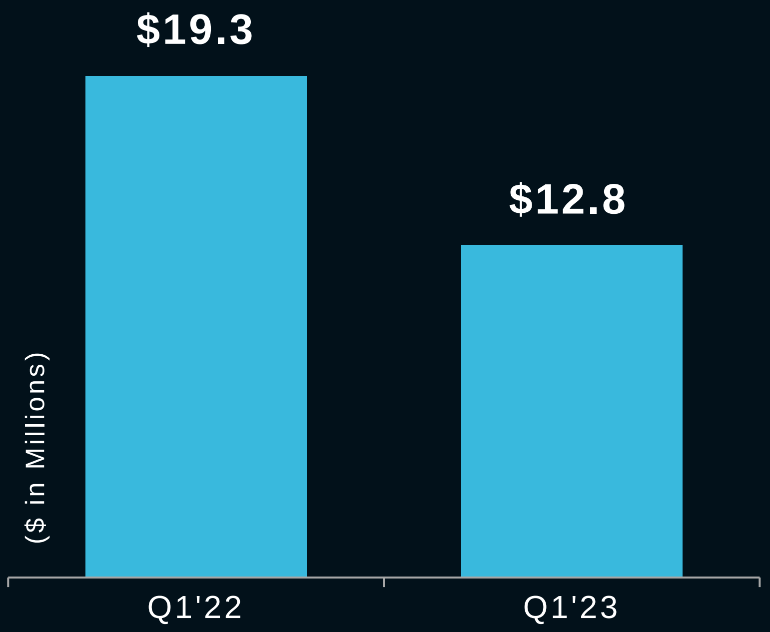
[1]Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP measures. A reconciliation of Non-GAAP net income to net income is provided in the Appendix.

[2]EPS = Earnings per share

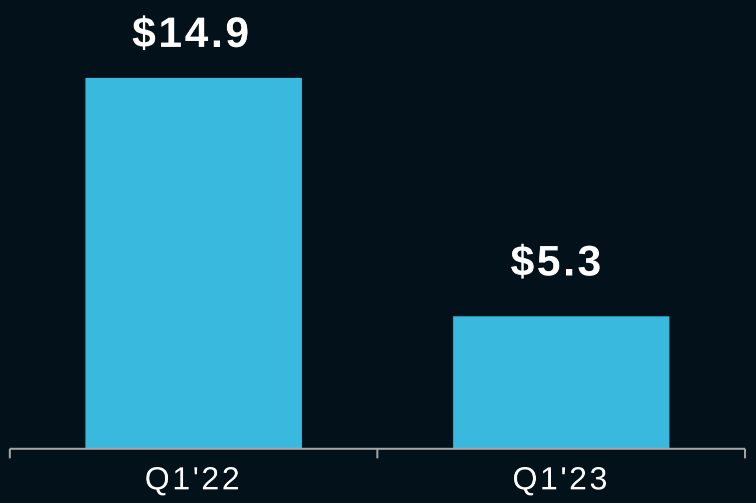
Note: Numbers rounded for presentation purposes

DELIVERING CASH FLOW

NET CASH PROVIDED BY OPERATING ACTIVITIES



FREE CASH FLOW[1]



STOCK REPURCHASE PROGRAM

$15.4M

CASH USED TO REPURCHASE

1.1M SHARES

(~2% FDSO[2])

[1] Free Cash Flow is a non-GAAP measure. A reconciliation of free cash flow to net cash flow provided by (used in) operating activities is provided in the Appendix.

[2] FDSO = fully diluted shares outstanding.

Note: Numbers rounded for presentation purposes

Q2 2023 GUIDANCE

($ in Millions)	Q2 2023	
	Low	High
Revenue	$58	$61
Adjusted EBITDA	$13	$15
Adjusted EBITDA Margin	22%	25%

Note: Numbers rounded for presentation purposes

FY 2023 we expect:

- Adjusted EBITDA margin to be 30%+
- Free cash flow on par with 2022
- CapEx to be in the range of $12M - $15M (>60% YoY reduction)

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 DRIVERS OF SHAREHOLDER VALUE

Durable Business Model With Strong Cash Flows

Efficient Cost Structure To Drive Margin Expansion

Strong and Growing Customer Relationships

Focused Innovation On High-Growth Revenue Drivers

Appendix

NON-GAAP RECONCILIATION – ADJUSTED EBITDA

($ in Millions)	Three Months Ended March 31,		
	2021	2022	2023
Net Income	$4.9	$4.8	($5.9)
Add back (deduct):			
Stock-Based Compensation	3.2	5.1	7.1
Unrealized gain(loss) on equity investments	-	(1.4)	-
Depreciation and Amortization	4.6	7.2	11.4
Interest Income	(0.1)	(0.1)	(1.9)
Acquisition-related and other expenses	-	-	1.0
Provision for Income Taxes	1.9	1.4	(3.4)
Adjusted EBITDA	**$14.5**	**$17.0**	**$8.4**
Revenue	$43.6	$54.6	$55.4
Adjusted EBITDA Margin	**33%**	**31%**	**15%**

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Note: Numbers rounded for presentation purposes

NON-GAAP NET INCOME RECONCILIATION

($ in Millions, except for Non-GAAP Diluted EPS[1])	Three Months Ended March 31,		
	2021	2022	2023
Net Income	$4.9	$4.8	($5.9)
Add back (deduct):			
Stock-Based Compensation	3.2	5.1	7.1
Unrealized (gain)loss on equity investments	-	(1.4)	-
Acquisition-related and other expenses	-	-	1.0
Adjustment for income tax benefit on stock-based compensation	(0.3)	(0.5)	(1.3)
Non-GAAP Net Income	**$7.8**	**$8.1**	**$0.9**
Non-GAAP Diluted EPS[1]	$0.14	$0.14	$0.02
Revenue	$43.6	$54.6	$55.4
Non-GAAP Net Income Margin	**18%**	**15%**	**2%**

Note: Numbers rounded for presentation purposes

[1] EPS = Earnings per share.

FREE CASH FLOW RECONCILIATION

($ in Millions)	Three Months Ended March 31,		
	2021	2022	2023
Net Cash provided by (used in) Operating Activities	$12.7	$19.3	$12.8
Deduct:			
Purchases of Property and Equipment	(0.3)	(0.1)	(1.4)
Capitalized Software Development Costs	(3.0)	(4.2)	(6.0)
Free Cash Flow	**$9.4**	**$14.9**	**$5.3**
Revenue	$43.6	$54.6	$55.4
Free Cash Flow Margin	**22%**	**27%**	**10%**

Note: Numbers rounded for presentation purposes