

PUBMATIC Q1 2025 EARNINGS CALL: PREPARED REMARKS

SAFE HARBOR

A copy of our press release can be found on our website at investors.pubmatic.com.

I would like to remind participants that during this call, management will make forward-looking statements, including without limitation, statements regarding our future performance, market opportunity, growth strategy and financial outlook.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and future conditions. These forward-looking statements are subject to inherent risks, uncertainties and changes in circumstances that are difficult to predict. You can find more information about these risks, uncertainties and other factors in our reports filed from time to time with the Securities and Exchange Commission and are available at investors.pubmatic.com, including our most recent Form 10-K and any subsequent filings on Forms 10-Q or 8-K.

Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. All information discussed today is as of May 8th, 2025 and we do not intend, and undertake no obligation, to 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, today's discussion will include references to certain non-GAAP financial measures, including Adjusted EBITDA, Non-GAAP Net Income and Free Cash Flow. 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. A reconciliation of these measures to the most directly comparable GAAP measures is available in our press release.

And now, I will turn the call over to Rajeev.

CEO REMARKS

Thanks Stacie, and welcome everyone. We are pleased to have exceeded our guidance for Q1 on both the top and bottom line, driven by the secular growth areas in our business. Excluding the affected DSP and political spend, year-over-year revenue growth accelerated to 21%, up from 17% in the second half of last year.

We saw particular strength in CTV, which grew over 50% year-over-year. Also driving strength in Q1 was supply path optimization, or SPO, which represented a record at over 55% of total activity as agencies and advertisers prioritize the efficiency, data, and high ROI that the PubMatic platform delivers.

This success highlights the clear differentiation of our platform. The investments we've made in Activate for SPO, Convert for commerce media and Connect for curation are resonating with key stakeholders across the digital supply chain – publishers, media buyers, commerce media networks, and curation and data partners. Further, these investments are driving significant growth while also diversifying our business, creating sticky customer engagement and fueling performant advertising on our platform. Our business continues to shift to secular growth areas, an important transformation that will provide resiliency as we navigate the current ad spend environment.

Moreover, there are two significant and recent developments that provide long-term tailwinds to our business. First, the verdict in the Google ad tech anti-trust case will provide us with a more level playing field in the open internet. This is somewhat dependent on the timing and outcome of appeals and remedies, but the court's decision forces a major shift in the market as publishers and buyers opt for independent and transparent solutions. As a leading SSP provider, PubMatic is already positioned to take advantage of this structural shift.

Second, Google recently announced that third party cookies will continue in the Chrome browser. We have built an innovative platform around a variety of data solutions over the past five years, which will continue to drive growth in newer media environments like CTV and commerce media, while at the same time browser-based content and ad monetization will now continue without dramatic interruption.

PREPARING FOR THE FUTURE

The fundamentals of our business are strong. Looking beyond the isolated impact of the single DSP buyer which we will lap in just a few weeks, and the tailwinds from political advertising last year, our business is performing well and on track to grow 15%+ with healthy margins and cash flow.

Moreover, our durable financial profile positions us well for macroeconomic uncertainty, which we believe creates more opportunities for us. Our strength lies in maintaining focus and executional rigor while being adaptable and agile.

This is a familiar playbook for us, one we used to successfully manage through the Great Financial Crisis and the Covid-induced recessions. Coming out of both periods, we significantly accelerated growth and drove durable market share gains. This was largely due to our agile approach to going after secular growth drivers and our ability and will to invest responsibly through each downturn.

Although we are not immune to some of the potential negative effects of the economic environment, we firmly believe that digital advertising will come out of this period bigger than before, with an accelerated shift to programmatic and a heavy reliance on AI-driven solutions. Periods of economic stress are terrific opportunities for us to deepen our relationships with customers – publishers need our help more than ever to drive monetization of their inventory and audiences, and buyers will lean into the flexibility and accountability of programmatic advertising.

Our plan is to once again leverage the many factors within our control and position ourselves to drive accelerated market share over the medium term. Given our past success in doing this, coupled with a large and growing TAM, we plan to manage the business under the following three guiding principles:

1. anticipate where advertising growth will move to as the market rapidly evolves;
2. closely manage costs in order to preserve agility and protect our balance sheet and our free cash flow; and
3. align the mix of investment and resources towards the high growth opportunities so our growth accelerates on the other side.

PRINCIPLE 1: ANTICIPATE WHERE ADVERTISING GROWTH WILL MOVE TO AS THE MARKET RAPIDLY EVOLVES

Based on our prior experience, we know that the market will rapidly evolve. We intend to continue to play offense, which will position us for accelerated growth once we emerge from a cautious macro environment. We are preparing for more pronounced shifts in ad spend in key programmatic-driven areas.

First, we anticipate an acceleration of the ad spend shift from linear TV to streaming. Based on the current economic environment, there is a growing likelihood that advertisers will step back from making significant upfront commitments in exchange for the flexibility that the spot market offers. The spot market will be heavily transacted programmatically whereas the upfront market is not. Programmatic also brings a higher degree of measurement and accountability. Our platform is already scaled for this dollar shift, given the investment we have made in buyer and seller relationships in CTV and premium online video, PMP and PG capabilities, AI solutions for deal management and optimization, and more. Recall that PubMatic has over 80% penetration of the top 30 streamers.

Second, we anticipate a more pronounced shift from upper funnel advertising strategies to lower funnel – in other words, a shift from brand advertising to performance. This will ultimately benefit new performance channels in the open internet like commerce media and advanced data and targeting solutions. In both areas, we have made significant advancements with our Convert and Connect solutions, including innovation around first party data and identifiers.

Third, we anticipate increased spend consolidation as ad budgets come under greater scrutiny and marketers seek greater efficiencies. SPO initiatives are a clear and obvious way for marketers to offset any potential decline in their ad budgets. With Activate, buyers can consolidate ad spend, access curated audiences, increase performance and gain tangible cost and operational efficiencies which will better position them to maintain and grow their businesses.

And finally, AI driven capabilities that can both drive growth and create efficiencies will be increasingly attractive to both new and existing customers. Over the past several years, we fully embraced Generative AI, expanding our multi-decade focus on machine learning. The investments we've made are now translating into a steady stream of customer solutions.

Yesterday we announced the industry's first Gen AI-powered, end-to-end platform that gives buyers direct access to nearly the entire open internet. Our technology simplifies and optimizes every stage of the media buying process – from inventory discovery and forecasting to curation, activation, and performance optimization. By unifying supply-side intelligence with AI-powered buying tools in a single platform, we aim to deliver greater efficiency, ease of use, and better outcomes for advertisers and agencies.

With anticipated shifts in ad spend, this unified experience gives buyers exactly what they need to plan and refine campaigns with unprecedented ease. By simply describing their ideal inventory in natural language, our Generative AI models instantly create optimized deal packages, eliminating manual workflows, reducing time-to-launch, and improving targeting precision. Buyers can then seamlessly activate those deals either through Activate, gaining full supply chain transparency, control, and efficiency, or push them to their DSP of choice.

GroupM, a global partner and early adopter of our Activate platform, is among the beta testers of this unified experience. Andrew Meaden, GroupM's Global Head of Investment explained, "Our long-standing partnership with PubMatic is based on a shared commitment to privacy-first, AI-powered innovation and helps us stay ahead in a rapidly evolving industry. PubMatic's new unified platform will help us deliver smarter, more efficient campaigns for our clients."

As AI becomes foundational to programmatic success, PubMatic is uniquely positioned to lead with differentiated technology, a scaled platform, and a commitment to delivering tangible business outcomes for both buyers and publishers.

PRINCIPLE 2: CLOSELY MANAGE COSTS IN ORDER TO PRESERVE AGILITY. WE WILL PROTECT OUR BALANCE SHEET AND OUR FREE CASH FLOW.

Our second priority is to safeguard our balance sheet and free cash flow, while remaining agile in order to capitalize on opportunities as they arise. We will tightly manage costs and use our well-honed playbook to drive continued opex and capex efficiencies.

We're also intently focused on generating efficiencies through the use of Gen AI across our business operations, as I mentioned last quarter. Its application within our engineering organization is allowing us to accelerate innovation without expanding headcount, generating improved productivity and faster deployments.

PRINCIPLE 3: ALIGN THE MIX OF INVESTMENT AND RESOURCES TOWARDS THE HIGH GROWTH OPPORTUNITIES SO OUR GROWTH ACCELERATES ON THE OTHER SIDE.

By tightly managing costs and driving efficiencies, we're able to shift our growth investments to the areas with the highest returns. In particular, we are expanding the scale and specialization of our global sales organization, including:

- the team that serves agency holding companies to drive growth in SPO and Activate;
- our independent agency and advertiser sales team which we believe represents an incremental \$15 billion addressable market for SPO in the next few years;
- sales specialists dedicated to specific products such as Activate, CTV, commerce media, online video and mobile app;
- and finally, our curation sales team as sell-side targeting becomes more prominent and data partners and curators look to activate their first party data on the PubMatic platform.

This disciplined and forward-looking framework aligns with the growth opportunities we see across our key customer segments.

PUBLISHERS & STREAMING COMPANIES

On the publisher side of our business, we have deepened our relationships with leading CTV platforms. Our partnership with Spectrum Reach, the advertising division of Charter Communications, brings greater demand efficiency and robust curation across their CTV marketplace, while our work with TCL is helping to drive advertiser access to live sports streaming, a segment that is both rapidly growing and notoriously challenging to monetize effectively.

We're not just seeing strong growth in the US, but also in key international markets like Europe, Australia, India and Japan. For example, we recently expanded our partnership with the BBC to monetize their free ad supported streaming channels. We are also seeing a broader trend with traditional broadcasters globally turning to PubMatic to drive monetization of their increasingly streaming-based consumption.

MEDIA BUYERS (AGENCIES, ADVERTISERS & DEMAND SIDE PLATFORMS)

On the demand side, we are seeing momentum accelerate across agencies, advertisers, and DSPs. We have seen activity from mid-market DSPs that specialize in performance marketing almost triple on a year-over-year basis. These platforms are rapidly scaling their spend on PubMatic thanks to our premium supply, addressable audiences, and full-funnel capabilities.

Additionally, as I predicted a few quarters ago, we are seeing a marked increase in SPO activity with direct advertisers, both at the head of the market and among the next tier, as they take a more active role in their buying strategies and consolidate around trusted, performance-oriented partners. In recognition of the performance impact PubMatic is driving for advertisers, PubMatic received the Supply Path Optimization Award as part of AdExchanger's 2025 Programmatic Impact Awards for how we helped Mars Petcare exceed sales goals.

In addition, Kroger Precision Marketing, looking to improve its customer acquisition marketing by eliminating unnecessary supply chain inefficiencies, partnered with PubMatic to target and curate data on the sell-side. Not only did our solutions boost video performance, but Kroger also consolidated ad spend on PubMatic, reducing its supply partners by more than 70%. According to KPM's manager of media activation and buying, "PubMatic has consistently been achieving efficient supply-path strategies backed by data, especially in online video, where their performance outshines competitors. Their platform helps us exceed our goals and solve our inefficiency challenges."

COMMERCE MEDIA NETWORKS

More broadly, commerce media continues to be one of the fastest-growing segments in programmatic, and we expect that trend to accelerate due to its measurable performance.

With the investments we've made, commerce media networks can monetize both their audience data offsite as well as their onsite inventory in a privacy-safe, efficient way. In fact, our platform gives commerce companies full control over their data and direct access to premium demand and transparent reporting, while giving buyers greater efficiency and performance.

For example, a leading casual dining brand reduced customer acquisition costs by 11% by leveraging Instacart's audience segments across our premium inventory. Previous campaigns that relied on DSP-based audience targeting struggled with data leakage and low match rates, which resulted in higher costs and limited reach.

DATA PARTNERS & CURATORS

We are seeing similar trends with data partners and curation platforms, who are increasingly pivoting toward sell-side targeting. This shift is being driven by structural industry changes—the shift away from third-party cookies, growing sensitivity around data privacy, and advertiser demand for more transparent, performant paths to inventory. As a result, sell-side activation is emerging as the preferred model, and PubMatic has built a unified, AI-powered platform that is delivering clear performance gains.

Publishers using our curation tools have seen up to 10% revenue gains due to an increased diversity of buyers and higher CPMs. At the same time, data owners are able to build new and scaled revenue streams. By expanding opportunities for our customers, we're able to generate incremental revenue through both SSP and curation-related transaction fees.

CONCLUSION

These quarterly highlights are just a handful of examples of how we're creating value across the entire supply chain. As audience targeting strategies continue to shift to the sell-side, PubMatic's end-to-end tools, including our new AI buyer platform, along with our scale and track record of innovation, make us an ideal partner to support customer growth.

We have a leading market position and are growing high double digits in key secular areas of the business. Highlighting the confidence in our strategy and our strong financial profile, the Board of Directors has expanded our repurchase plan by an incremental \$100 million dollars.

While the current environment has a degree of uncertainty, we firmly believe it also serves as a catalyst and will accelerate the shift to programmatic that will benefit our business and create outsized shareholder value over the long term.

I'll now turn the call over to Steve for the financials.

CFO REMARKS

Thank you Rajeev and welcome everyone.

We delivered a strong quarter with revenue ahead of expectations, driven by significant growth in the long-term secular drivers of our business: CTV, SPO and our emerging revenue streams. These drivers accelerated the growth of our underlying business to 21% year-over-year, up from 17% in the second half of last year. This excludes the large DSP buyer and political advertising, and now accounts for 70% of all revenue. Our growth clearly demonstrates the benefits we're gaining from increased scale, our winning product suite and investments in our go-to-market teams.

We also exceeded our adjusted EBITDA expectations as a result of our increasing mix towards secular growth drivers, ongoing optimization of our infrastructure, impact from prior investments and increased engineering efficiency with Gen AI.

REVENUE

Turning to the revenue breakdown for Q1. Once again, our secular growth areas powered our business.

Omnichannel video revenues in the quarter grew 20% year-over-year and represented 40% of total revenues in the first quarter. This was driven by strong CTV revenues which increased over 50% year-over-year.

Emerging revenue streams more than doubled year-over-year. Within this category, Connect, our curation and data business, continued its rapid revenue growth trajectory at over 100% year-over-year as buyers are increasingly using PubMatic to target audiences on the sell-side.

Revenue from display, which was disproportionately impacted by the large DSP buyer, declined 10% year-over-year. Excluding this buyer, all other display revenues grew strongly at over 20% year-over-year.

Q1 total revenue, inclusive of the impact from the DSP buyer, declined 4%. Our underlying business excluding this DSP and political advertising increased 21%. Notably, March was a strong month, and delivered better than expected results, which led to our over-achievement for the quarter.

Ad spend for our top ten ad verticals grew in the mid-single digit percentages year-over-year. Within the top ten, Health & Fitness, Food & Drink, and Style & Fashion, in aggregate, increased over 10%. We saw softer trends for Technology & Computing and Automotive which declined by over 10%.

On a regional basis, both Americas and EMEA declined slightly, while APAC grew over 8% year-over-year. As a reminder, we have limited exposure to China-based advertisers.

NET INCOME & ADJUSTED EBITDA

Turning to adjusted EBITDA, we significantly exceeded the upper end of expectations due to higher total revenues and the continued mix shift to high value channels and formats.

Q1 adjusted EBITDA was \$8.5 million, or 13% margin, and was our 36th straight quarter of adjusted EBITDA profitability. This result included a foreign exchange impact of approximately \$1 million, due to the weakening U.S. dollar over the quarter.

Our long track record underscores the intrinsic strengths of our durable business model. Over the last decade we have executed our strategy of owning and operating our programmatic infrastructure combined with a singular focus on operational excellence. This approach has enabled us to consistently drive productivity. Over the last two years, on a trailing twelve month basis, we have increased the number of impressions processed by 60% while managing our GAAP cost of revenue to an increase of 16% over this same period.

We're also leveraging AI in our engineering organization, as well as across business functions. These efforts further allow us to accelerate our programmatic capabilities and expand our go to market efforts while tightly managing our costs.

Total operating expenses in the first quarter were \$50 million and reflected cost savings as well as the cumulative impact from investments in the high-growth, secular areas that are driving the double-digit percentage growth in our underlying business.

Q1 GAAP net loss was \$(9.5) million or minus \$(0.20) cents per diluted share.

CASH & CAPITAL ALLOCATION

Moving to cash and our capital allocation.

We have a healthy balance sheet and generate positive cash flow which provides financial stability, while at the same time allows us to consistently invest for revenue growth. Over the last four years we have produced nearly \$350 million in net cash from operations and more than \$180 million in free cash flow.

In the quarter we generated \$15.6 million in net cash provided by operating activities and free cash flow of \$7.3 million. We ended the quarter with \$144.1 million in cash and marketable securities and zero debt.

Given this strength, we continue to deploy our capital to maximize shareholder value. Since the inception of our repurchase program in February 2023 through the end of Q1, we have bought back 8.7 million Class A common shares for \$138.2 million. We had \$36.8 million remaining authorized through the end of 2025.

On May 7, our Board of Directors authorized a \$100 million expansion of the repurchase program and extended it through the end of 2026.

GUIDING PRINCIPLES & OUTLOOK

Our guiding principles that Rajeev outlined position us well for the current macro environment and the significant growth opportunities ahead.

History shows that uncertain times lead to rapid industry shifts and accelerated adoption of new tools and platforms. Our track record demonstrates we can successfully navigate these periods while continuing to strategically invest to take advantage of the opportunities that emerge.

We are taking a proactive approach by implementing a number of savings initiatives, unlocking incremental productivity gains and expanding AI adoption. This allows us to continue innovating and expanding our global sales team while carefully managing our cost structure. We expect operating expenses to increase sequentially in the low single digit percentages over the course of 2025.

Turning to the latest trends we are seeing, April revenues were in line with our expectations. We delivered over 15% growth in our underlying business. Total revenues, inclusive of the DSP headwind, were flat year-over-year, reflecting an improvement from the first quarter's year-over-year decline.

As a reminder, we have a well-diversified platform with over 20 different ad verticals and more than 50,000 advertisers spending on our platform every month. In April, we saw the benefits from this diversification. Our Health & Fitness and Arts & Entertainment verticals increased over 20% year-over-year in aggregate which helped offset softness in verticals such as the CPG-heavy Shopping vertical and Automotive which declined 10% year-over-year.

For Q2, we expect revenue to be in the range of \$66 to \$70 million and assumes 15%+ year-over-year growth of our underlying business. The low end of this range reflects conservatism in the event that a slowdown in ad spend were to develop for the remainder of Q2, which again we are not currently seeing.

We expect our Q2 adjusted EBITDA to be in the range of \$9 to \$12 million, which factors in the incremental impact of continued weakness of the US dollar.

Looking to the second half of the year, based on the strong momentum we are seeing in our underlying business, combined with the go-to-market and innovation investments we are making, we expect our underlying revenues to continue growing 15%+.

We remain confident that we will deliver second half year-over-year revenue growth, which includes a 5-7 percentage point headwind from political spend in the back half of 2024.

In terms of capex, through a combination of optimization efforts and cost saving measures, we anticipate reducing our full year capex by at least 15% to \$15 million.

IN CLOSING

In closing, I want to take the opportunity to summarize the key takeaways.

Our company delivered a strong first quarter. We stayed focused on driving our long term secular growth areas and exceeded our expectations with 21% growth for our underlying business.

We have implemented a prudent operational plan that allows us to continue investing behind the fastest growing programmatic opportunities, while also protecting our profitability and balance sheet. This, coupled with our durable business model, gives us confidence that we can successfully navigate the current environment and be well positioned for future market share gains.

I will now turn the call over to Stacie for questions.