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# Q2 2022 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES
FUELING ADVERTISING INNOVATION

August 8, 2022

# SAFE HARBOR

This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of Q3 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. All information in this presentation is as of August 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

## Q2 2022 FINANCIAL HIGHLIGHTS

| REVENUE | GAAP NET INCOME | ADJUSTED EBITDA[1] | CASH FLOW FROM OPERATIONS |
|---|---|---|---|
| $63.0M | $7.8M | $23.0M | $20.5M |
| +27% YOY | 12% MARGIN | 37% MARGIN | |

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

# PUBMATIC IS COMMITTED TO BUILDING DIGITAL ADVERTISING'S SUPPLY CHAIN OF THE FUTURE

1 | All advertising will become digital, and all digital advertising will become programmatic

2 | The ad-supported Open Internet will thrive

3 | Omnichannel platforms will win vs. point solutions

4 | Long term success requires differentiated infrastructure

## The Supply Chain of the Future

- TRANSPARENT
- EFFICIENT
- EFFECTIVE
- PRIVACY-COMPLIANT
- ENVIRONMENTALLY SUSTAINABLE

# CONSOLIDATION AND EXPANDED CUSTOMER USE OF OUR PLATFORM FUEL GROWTH

## Publishers & App Developers

**130%**

Q2 2022 NET REVENUE RETENTION RATE[1]

## Advertisers & Agencies

**30%**

Q2 2022 SPO SHARE OF TOTAL ACTIVITY

## Demand Side Platforms

**NEARLY 2X**

INCREASED CAPACITY FROM A MAJOR DSP[2]

[1] Net dollar-based retention is calculated by starting with the revenue from publishers in the trailing twelve months ended June 30, 2021 (“Prior Period Revenue”). We then calculate the revenue from these same publishers in the trailing twelve months ended June 30, 2022 (“Current Period Revenue”) (including any upsells and net of contraction or attrition but excluding revenue from new publishers. Our net dollar-based retention rate equals the Current Period Revenue divided by Prior Period Revenue.

[2] From Q1 2022 to Q2 2022.

# CONSOLIDATION FUELS LONG RUNWAY FOR GROWTH

**ESTIMATED PUBMATIC MARKET SHARE[1]**

**3-4%**

**LONG-TERM MARKET SHARE OBJECTIVE**

**20%+**

## CONSOLIDATION DRIVERS

- Omnichannel Platform
- Addressability & Supply Path Optimization
- Efficient Infrastructure

[1] As of December 31, 2021

# DRIVING OMNICHANNEL EXPANSION FROM FASTEST GROWING FORMATS

CTV / OTT

Online Video

Mobile App & Web

## GLOBAL, OMNICHANNEL SCALE DRIVES DURABLE GROWTH

CTV REVENUE GROWTH YOY IN Q2 2022

**OVER 150%**

OMNICHANNEL VIDEO SHARE OF REVENUE IN Q2 2022

**OVER 30%**

# AUDIENCE ADDRESSABILITY INNOVATION DRIVES EXPANSION OF PLATFORM USAGE & SUPPLY PATH OPTIMIZATION

- Known Identity
- 1st & 2nd Party Data
- Contextual Signals
- Seller-Defined Audiences
- Modeled Audiences

**ACTIVATING DATA ON THE SELL-SIDE DELIVERS RESULTS FOR BUYERS**

Banana Boat
Lotame

**MAJOR GLOBAL AGENCIES ARE GAINING VALUE FROM CONNECT**

havas media
matterkind
pHd

# DELIVERING TRANSPARENT & EFFICIENT ADVERTISING ACROSS THE OPEN INTERNET

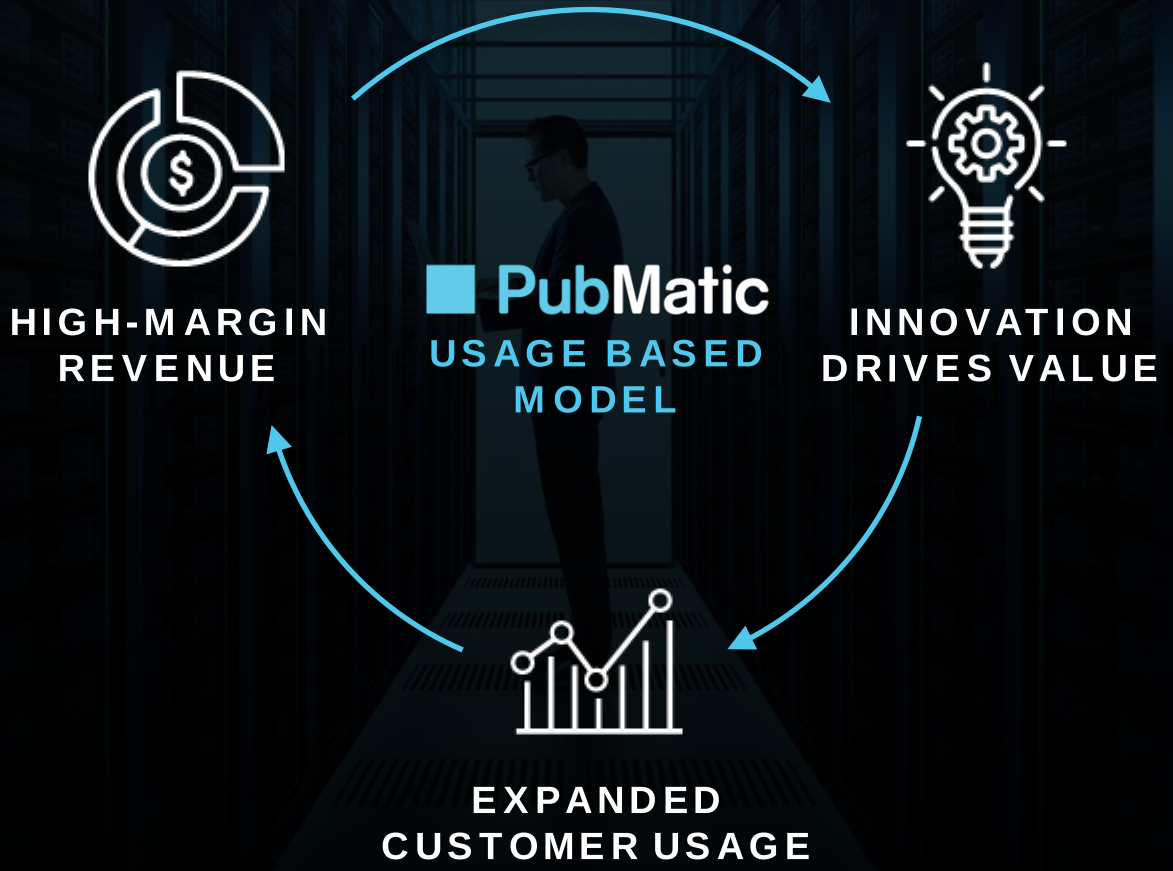
Specialized cloud infrastructure for digital advertising

## COMMITTED TO RUNNING A SUSTAINABLE, RESPONSIBLE ADVERTISING PLATFORM

**PERCENT RENEWABLE ENERGY POWERING GLOBAL DATA CENTERS**

**100%**

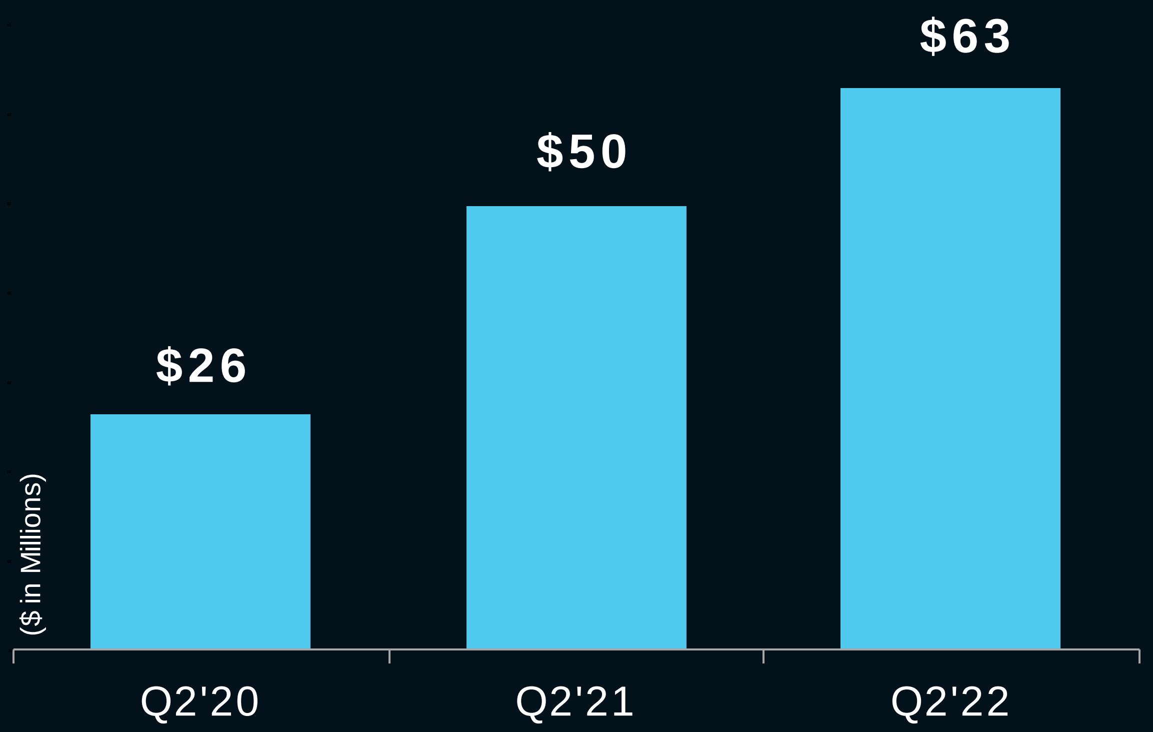
# CONSOLIDATION ON PUBMATIC PLATFORM DRIVING CONTINUED MARKET SHARE GAINS



# Financial Results

# Q2 2022 FINANCIAL HIGHLIGHTS

## REVENUE




## YOY REVENUE GROWTH

**27%**

## NET INCOME MARGIN

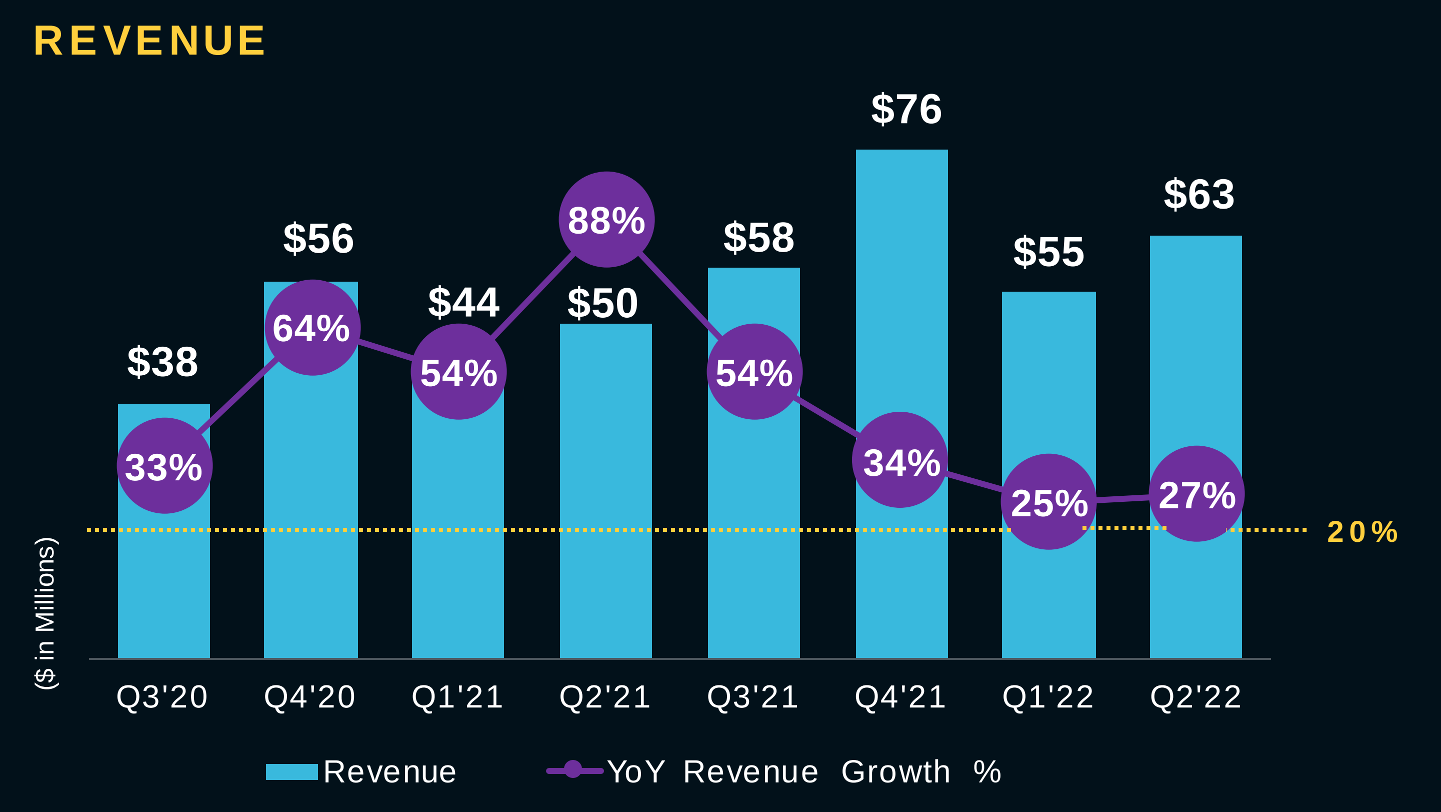
**12%**

## ADJUSTED EBITDA MARGIN[1]

**37%**

[1] Adjusted EBITDA is a non-GAAP measure. A reconciliation of Adjusted EBITDA to net income is provided in the Appendix.

# STRONG TRACK RECORD OF DURABLE GROWTH AND PROFITS




**8th**
CONSECUTIVE QUARTER OF 20%+ REVENUE GROWTH

**13th**
CONSECUTIVE QUARTER OF POSITIVE GAAP NET INCOME

**25th**
CONSECUTIVE QUARTER OF POSITIVE ADJ. EBITDA[1]

[1] Adjusted EBITDA is a non-GAAP financial measure. See reconciliation in Appendix.

**Note: Numbers rounded for presentation purposes**

# DIVERSIFIED SCALE DROVE ADVERTISER SPEND GROWTH IN Q2 2022

YOY AD SPEND GROWTH OF TOP 10 AD VERTICALS

**40%+**

## MULTIPLE VERTICALS DELIVERED STRONG GROWTH

- Shopping
- Travel
- Food & Drink
- Arts & Entertainment

PubMatic

# STRONG REVENUE GROWTH ACROSS CHANNELS IN Q2 2022

**YOY MOBILE & OMNICHANNEL VIDEO[1] REVENUE GROWTH**

**43%**

**YOY CTV REVENUE GROWTH**

**150%+**

**YOY DISPLAY REVENUE GROWTH**

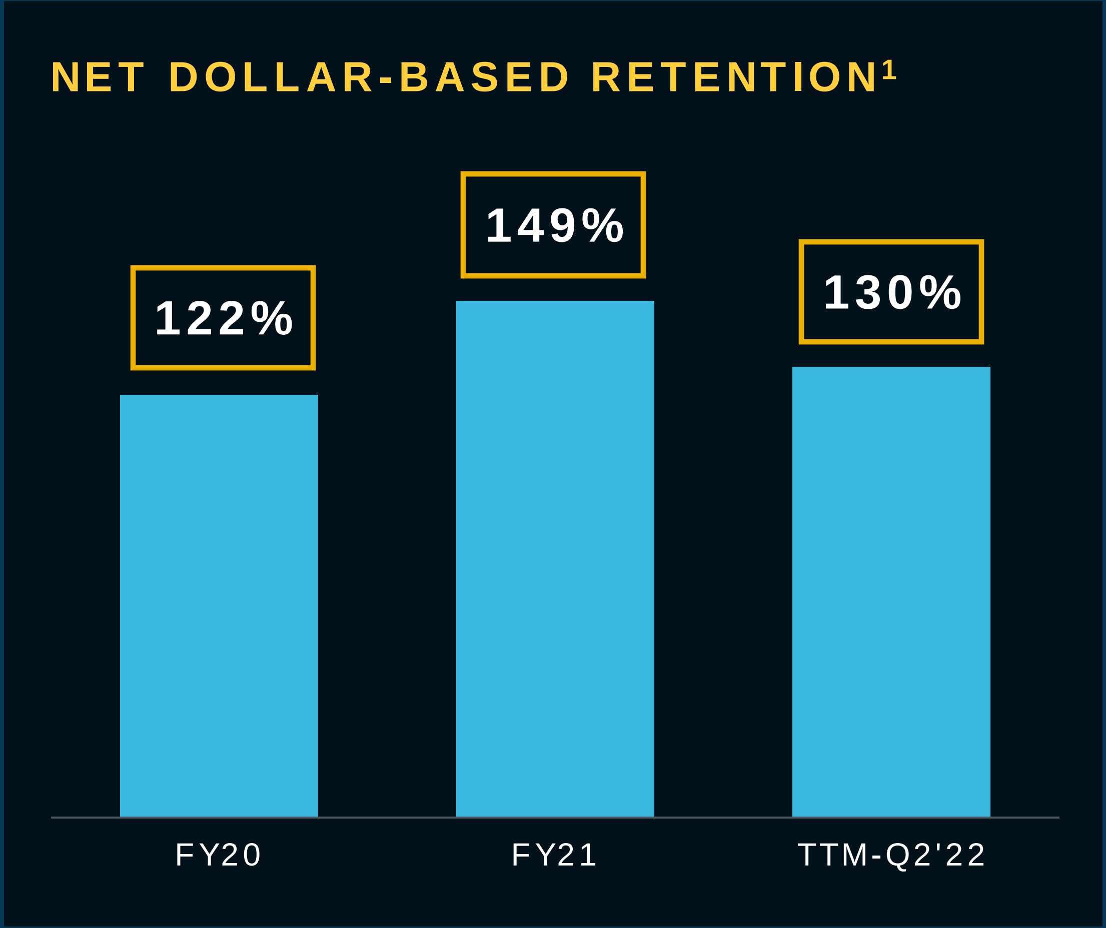
**19%**

[1] Omnichannel video is the sum of online digital video plus CTV/OTT.

# GROWING REVENUE VISIBILITY AND PREDICTABILITY

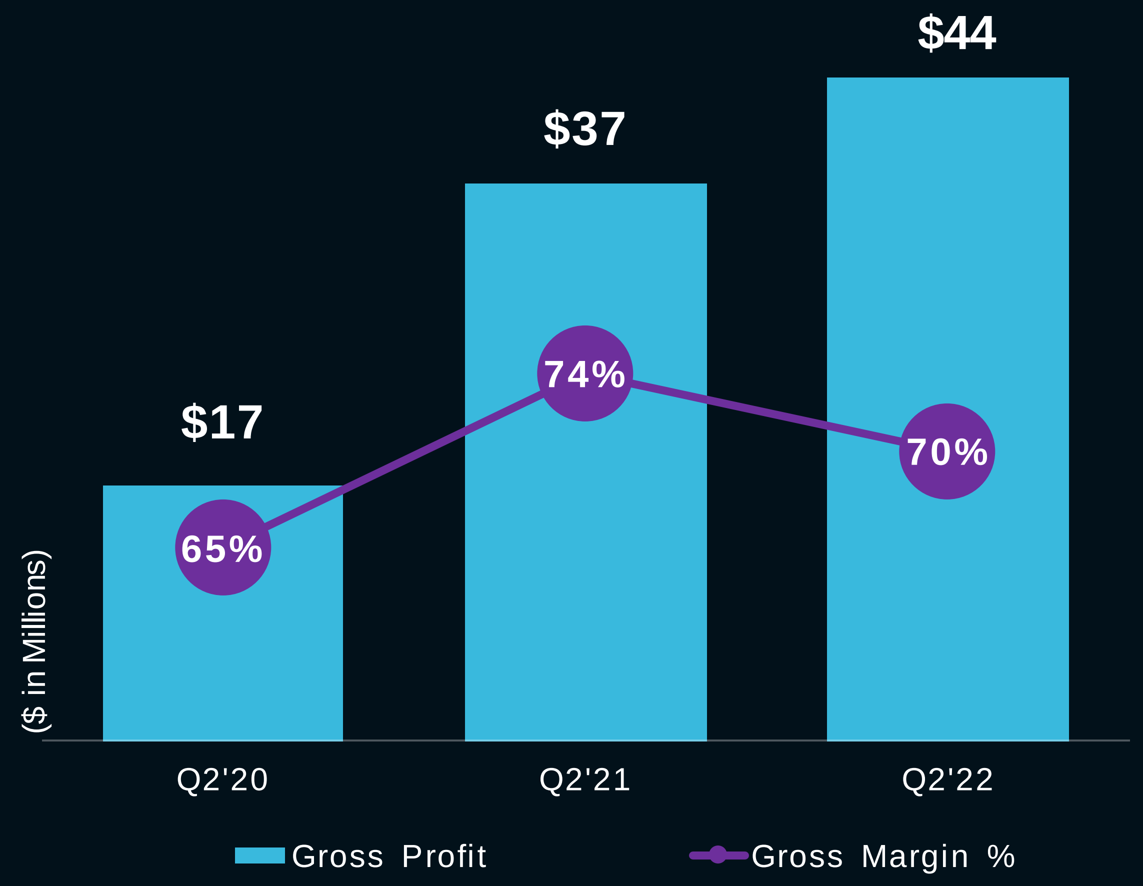
Expanded Usage from Buyers Via Supply Path Optimization

Expanded Usage from Publishers Via Land & Expand Strategy




[1] Net dollar-based retention is calculated by starting with the revenue from publishers in the trailing twelve months ended June 30, 2021 ("Prior Period Revenue"). We then calculate the revenue from these same publishers in the trailing twelve months ended June 30, 2022 ("Current Period Revenue") (including any upsells and net of contraction or attrition, but excluding revenue from new publishers. Our net dollar-based retention rate equals the Current Period Revenue divided by Prior Period Revenue.

# ROBUST GROSS MARGINS




## DRIVERS

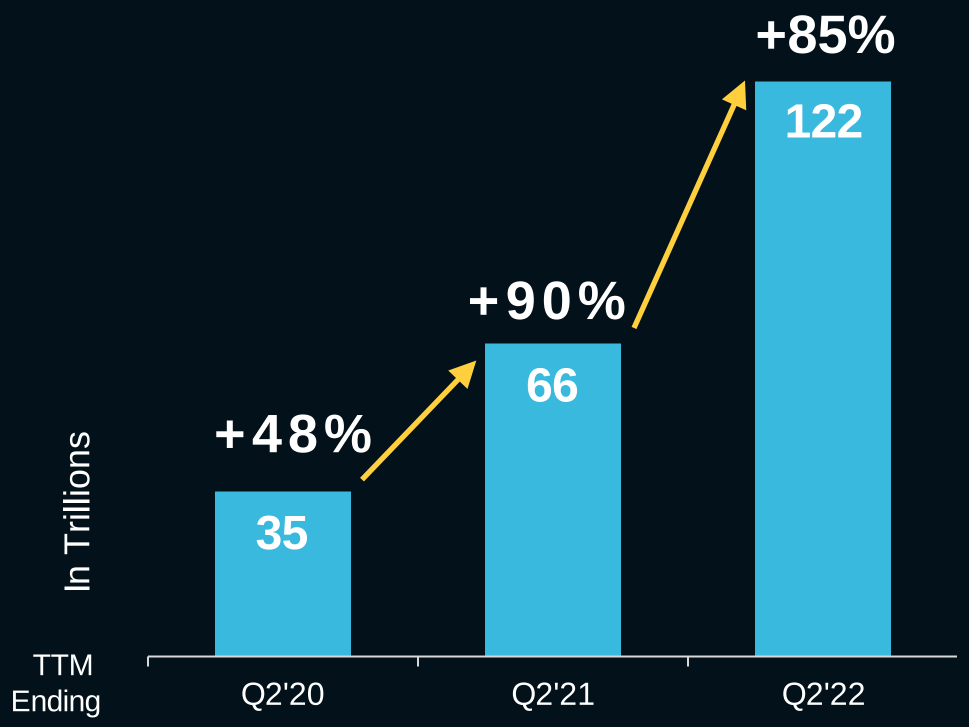
High marginal profitability from structural leverage:

- Increased investments in capacity for future growth
- Scale efficiencies from continued reduction in cost of revenue per million impressions processed
- High infrastructure utilization

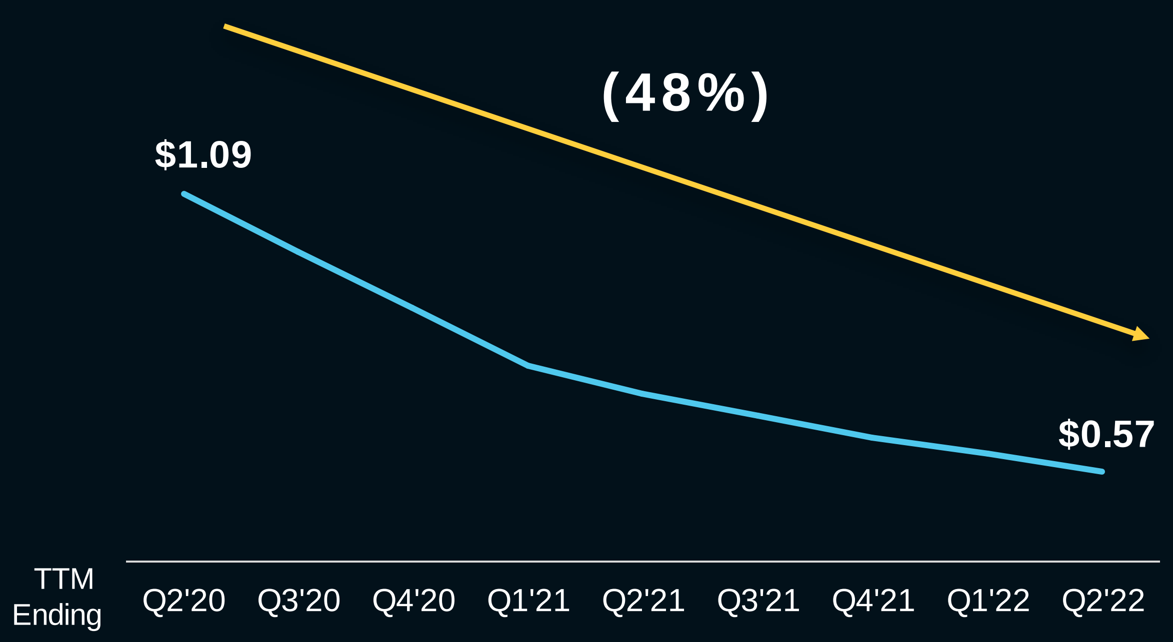
Note: Numbers rounded for presentation purposes

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

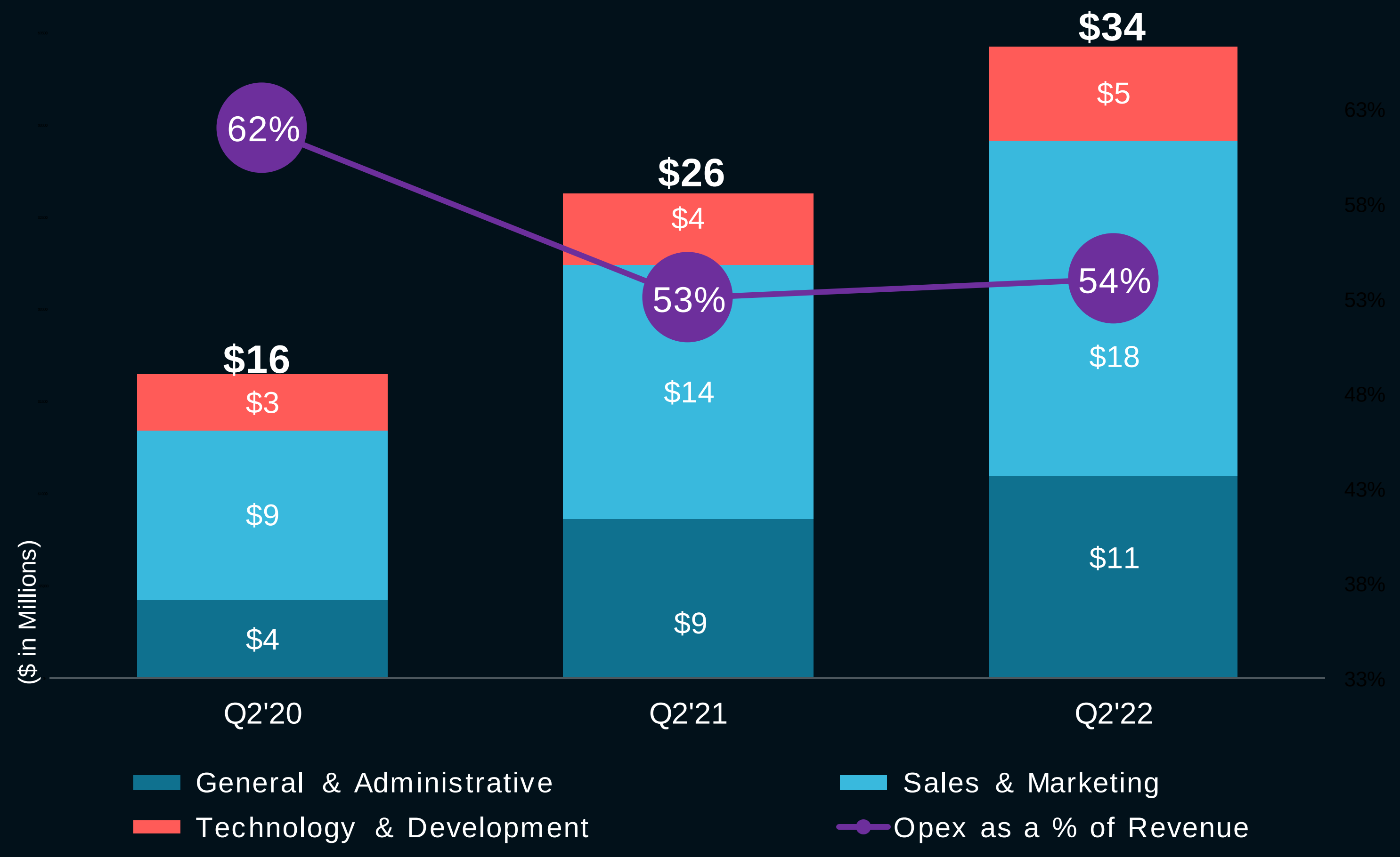
## AD IMPRESSIONS (TRAILING TWELVE MONTHS)




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



# OPERATING EXPENSES: INVESTING FOR GROWTH



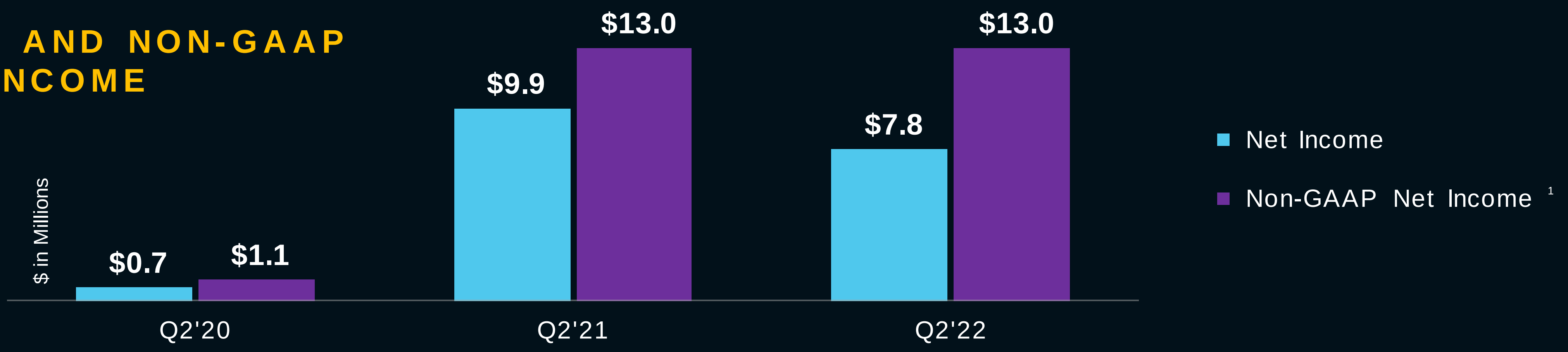

## DRIVERS

- Increased headcount by 25% with focus on technical and go-to-market teams
- Q2'22 includes incremental stock-based compensation and return to office costs
- Scale efficiencies

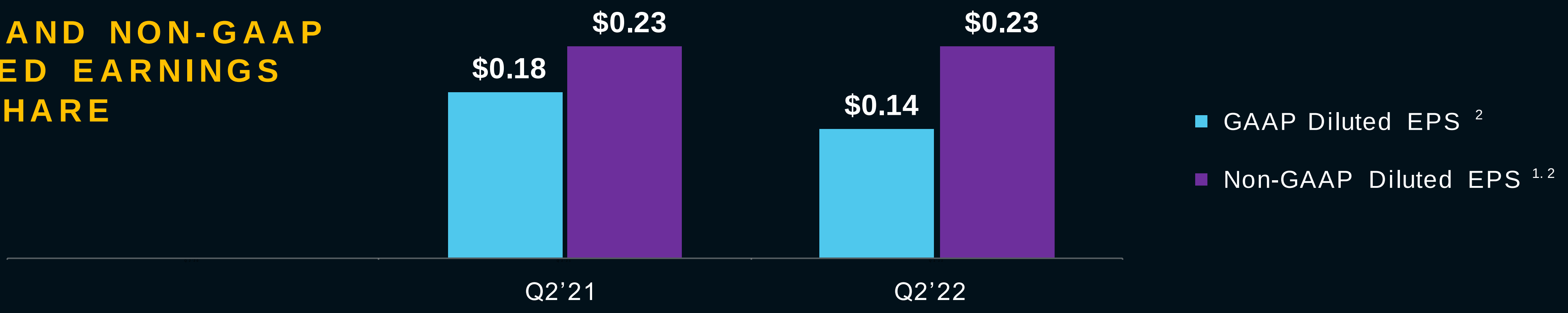
Subtotals for each bar may not add up to total due to rounding.

# GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE

## GAAP AND NON-GAAP NET INCOME




## GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE



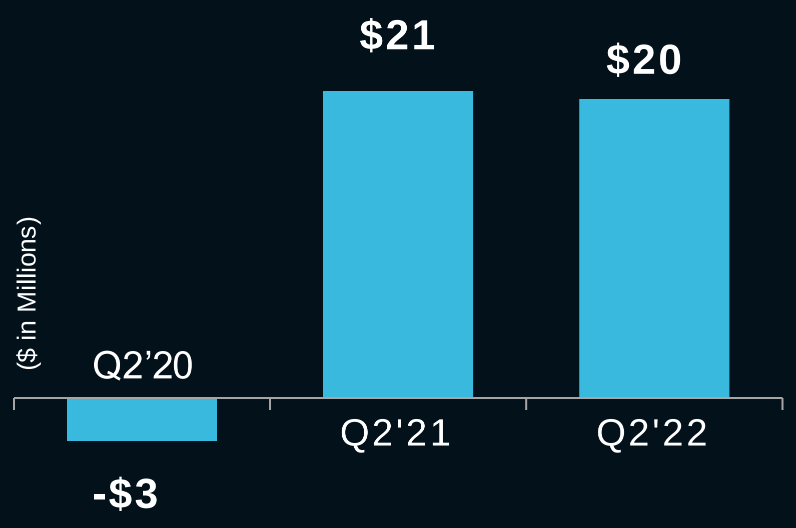

[1]Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP measures. A reconciliation of Non-GAAP net income to net income is provided in the Appendix.

[2]EPS = Earnings per share

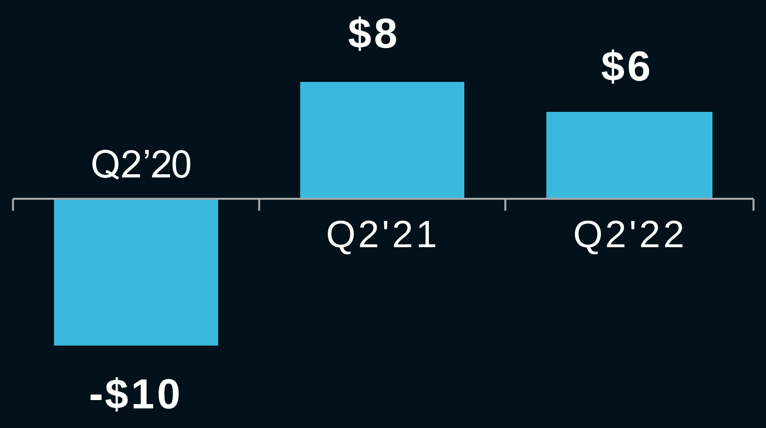
Note: Numbers rounded for presentation purposes

# DELIVERING CASH FLOW

## NET CASH PROVIDED BY OPERATING ACTIVITIES




## FREE CASH FLOW[1]




## 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

[1]See calculation in Appendix.

**Note: Numbers rounded for presentation purposes**

# 2022 GUIDANCE

| ($ in Millions) | Q3 2022 | | FY 2022 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **Revenue** | $66 | $68 | $277 | $281 |
| **Y/Y%** | 14% | 17% | 22% | 24% |
| **Adjusted EBITDA** | $23 | $25 | $103 | $108 |
| **Adjusted EBITDA Margin** | 35% | 37% | 37% | 38% |

**Note: Numbers rounded for presentation purposes**

We expect FY 2022 CapEx to be in the range of $33M – $36M.

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.

# Q2 2022 RESULTS UNDERSCORE STRENGTH OF OUR PLATFORM

1 | Structural Advantage in Owned & Operated Infrastructure

2 | Significant Growth in Digital Ad Spend Drives Addressable Market Expansion

3 | Scaled, Global Omnichannel Platform Driving Consolidation on PubMatic

4 | Consistently Profitable with Strong Cash Flow

# Appendix

# NON-GAAP RECONCILIATION – ADJUSTED EBITDA

| ($ in Millions) | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| Net Income | $0.7 | $9.9 | $7.8 |
| Add back (deduct): | | | |
| Stock-Based Compensation | 0.5 | 3.6 | 5.4 |
| Impairment of Internal Use Software | - | - | - |
| Unrealized gain(loss) on equity investments | - | - | 0.9 |
| Depreciation and Amortization | 3.8 | 5.1 | 7.3 |
| Interest Income | (0.1) | (0.1) | (0.3) |
| Provision for Income Taxes | 0.1 | - | 1.9 |
| **Adjusted EBITDA** | **$4.9** | **$18.6** | **$23.0** |
| Revenue | $26.4 | $49.7 | $63.0 |
| **Adjusted EBITDA Margin** | **19%** | **37%** | **37%** |

Note: Numbers rounded for presentation purposes

# NON-GAAP NET INCOME RECONCILIATION

| ($ in Millions, except for Non-GAAP Diluted EPS[1]) | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| **Net Income** | $0.7 | $9.9 | $7.8 |
| **Add back (deduct):** | | | |
| **Stock-Based Compensation** | 0.5 | 3.6 | 5.4 |
| **Unrealized (gain)loss on equity investments** | - | - | 0.9 |
| **Adjustment for income tax benefit on stock-based compensation** | (0.1) | (0.5) | (1.1) |
| **Non-GAAP Net Income** | **$1.1** | **$13.0** | **$13.0** |
| **Non-GAAP Diluted EPS[1]** | $0.00 | $0.23 | $0.23 |
| **Revenue** | $26.4 | $49.7 | $63.0 |
| **Non-GAAP Net Income Margin** | **4%** | **26%** | **21%** |

Note: Numbers rounded for presentation purposes



[1] EPS = Earnings per share.

# FREE CASH FLOW RECONCILIATION

| ($ in Millions) | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| Net Cash provided by (used in) Operating Activities | ($2.7) | $21.1 | $20.5 |
| Deduct: | | | |
| Purchases of Property and Equipment | (6.1) | (11.5) | (12.2) |
| Capitalized Software Development Costs | (1.5) | (1.8) | (2.5) |
| Free Cash Flow | ($10.2) | $7.7 | $5.7 |
| Revenue | $26.4 | $49.7 | $63.0 |
| Free Cash Flow Margin | (39%) | 16% | 9% |

Note: Numbers rounded for presentation purposes