

PubMatic

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# Q3 2023 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES  
FUELING ADVERTISING INNOVATION

November 8, 2023

# 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 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 conflicts in Ukraine and Israel; 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, 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.

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## MISSION

# PubMatic Fuels the Endless Potential of Internet Content Creators

## Q3 2023 FINANCIAL HIGHLIGHTS

### REVENUE

**\$63.7M**

**-1% YOY**

### GAAP NET INCOME

**\$1.8M**

**3% MARGIN**

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

**\$18.2M**

**29% MARGIN**

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

**\$23.8M**

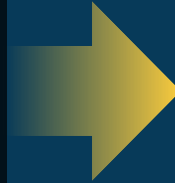
<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See reconciliation in Appendix.

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

# SELL-SIDE TECHNOLOGY IS MORE IMPORTANT THAN EVER, FUELING LONG-TERM GROWTH OPPORTUNITIES FOR PUBMATIC



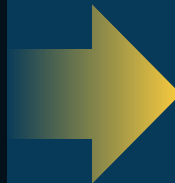
**Programmatic  
Direct Deals**



**As buyers embrace programmatic automation for CTV, sell-side technology offers direct access at scale**



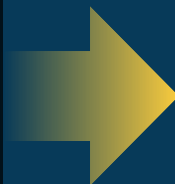
**Consumer  
Privacy**



**With consumer privacy changes, sell-side technology that sits closer to the consumer is increasingly important**

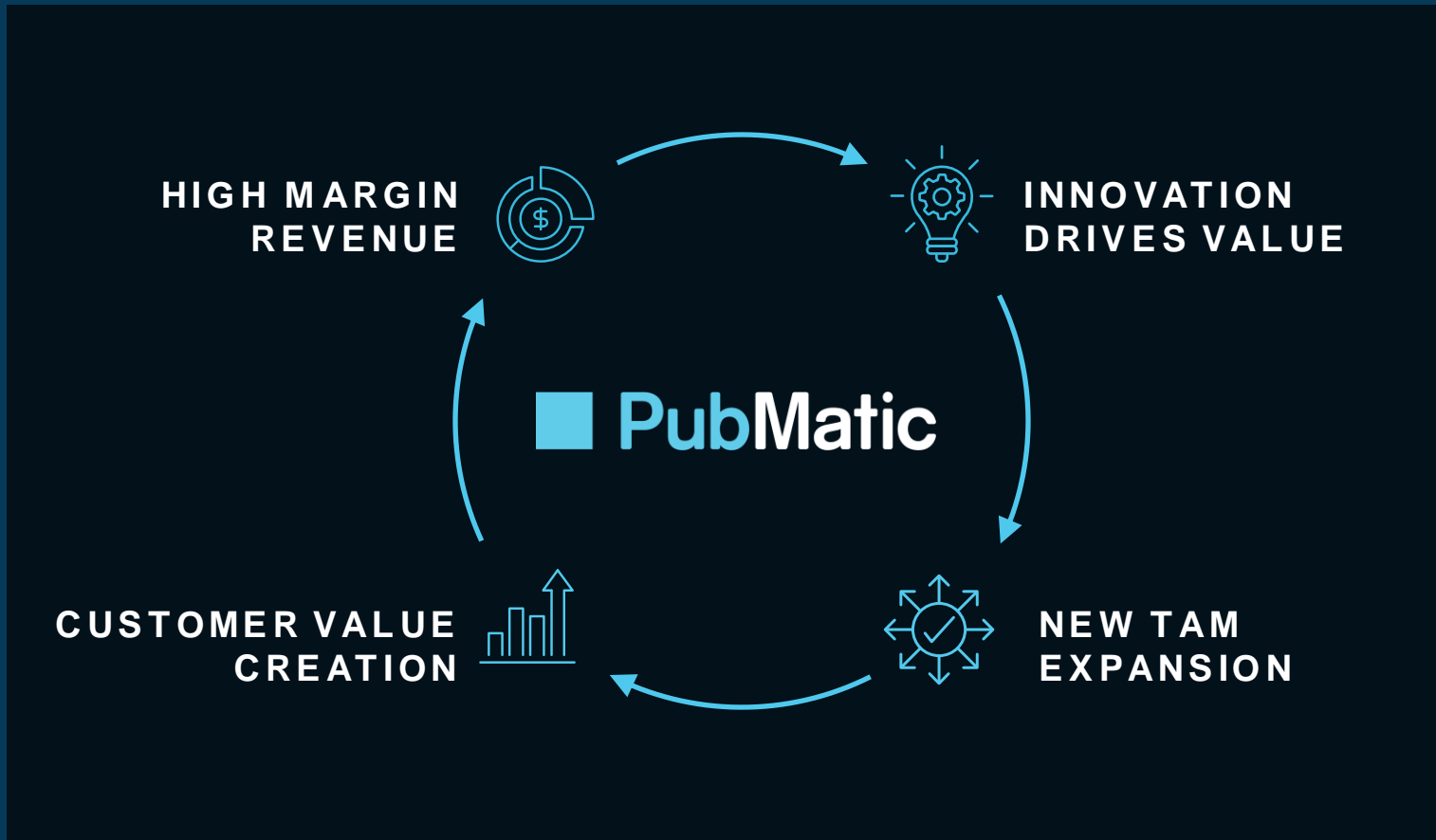


**Supply Chain  
Efficiency**



**An increased focus on supply chain efficiency from both buyers and sellers favors tech that provides customer control**

# BUILDING TECHNOLOGY FOR THE FUTURE CREATES OPPORTUNITIES FOR MARKET SHARE EXPANSION



ACCELERATED PACE OF INNOVATION FUELS NEW PRODUCT DEVELOPMENT

 **Activate**

 **Convert**

# STRONG PIPELINE FOR ACTIVATE DRIVES SUPPLY PATH OPTIMIZATION GROWTH

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ESTIMATED TAM EXPANSION<sup>1</sup> FROM

 **Activate**

**\$65 BILLION**

SPO SHARE OF TOTAL ACTIVITY  
ON PUBMATIC PLATFORM

**45%**

BRANDS & AGENCIES ARE  
SEEING SUCCESS WITH  
ACTIVATE, DRIVING EXPANDED  
USAGE OF THE PLATFORM

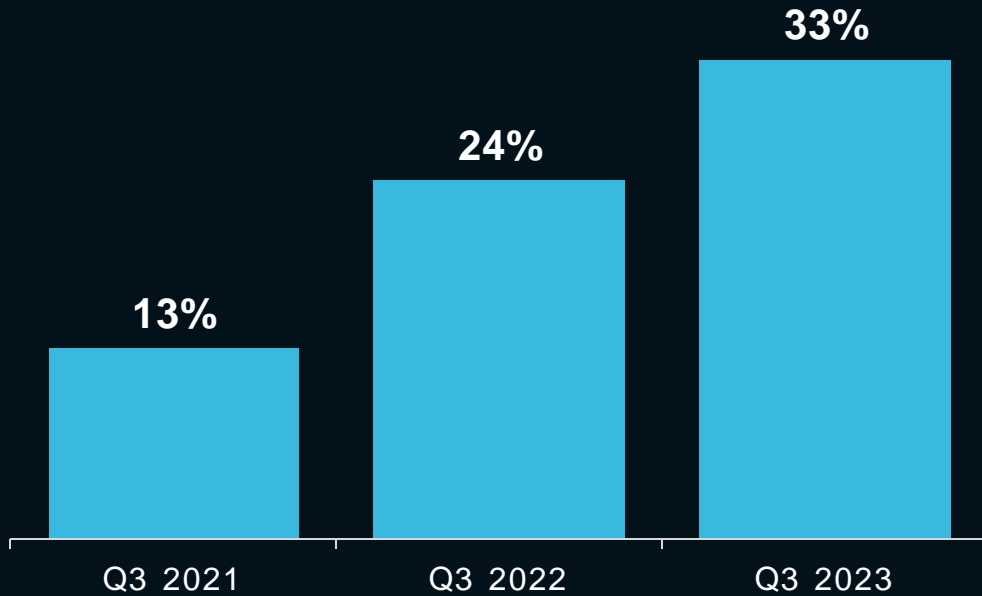
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**MARS**

<sup>1</sup> PubMatic analysis of industry analyst data, includes programmatic and non-programmatic ad spend

# SUPPLY PATH OPTIMIZATION HELPS STRENGTHEN DIRECT PUBLISHER RELATIONSHIPS, PARTICULARLY IN CONNECTED TV

**PRIVATE MARKETPLACE (PMP) & PROGRAMMATIC GUARANTEED (PG) SHARE OF TOTAL ACTIVITY ON THE PUBMATIC PLATFORM**



**MAJOR VIDEO & CTV PUBLISHERS GROWING THEIR ACTIVITY WITH PUBMATIC**



**FREEWHEEL**  
A COMCAST COMPANY

# TRACK RECORD OF BUILDING TECH FOR PUBLISHERS SERVES AS LAUNCHPAD FOR COMMERCE MEDIA OFFERING



is a unified technology platform for commerce media, combining onsite and offsite capabilities

ESTIMATED TAM EXPANSION<sup>1</sup>

**\$10 BILLION**

## CORE PUBLISHER STRENGTHS FUELING COMMERCE MEDIA GROWTH



Omnichannel Monetization



Unified Auctions & Header Bidding



Audience Extension



Data Monetization



# ACCELERATED INTEREST IN COOKIE ALTERNATIVES ACROSS THE OPEN INTERNET CREATES OPPORTUNITIES FOR CONNECT

## ALTERNATIVE IDs



## DATA PROVIDERS



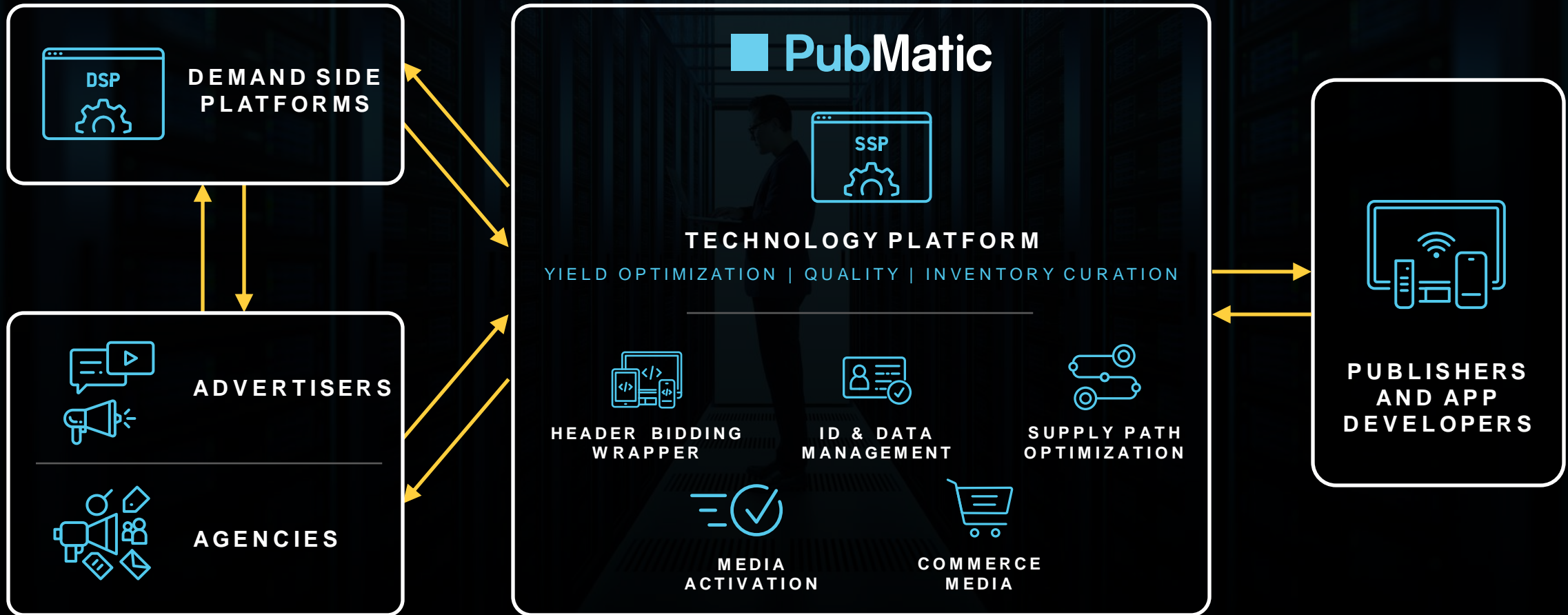
SHARE OF PUBMATIC IMPRESSIONS WITH ALTERNATIVE TARGETING SIGNALS AVAILABLE

74%

NUMBER OF ALTERNATIVE IDs INTEGRATED

29

# PUBMATIC IS WELL POSITIONED TO DELIVER CUSTOMER VALUE IN THE SUPPLY CHAIN OF THE FUTURE

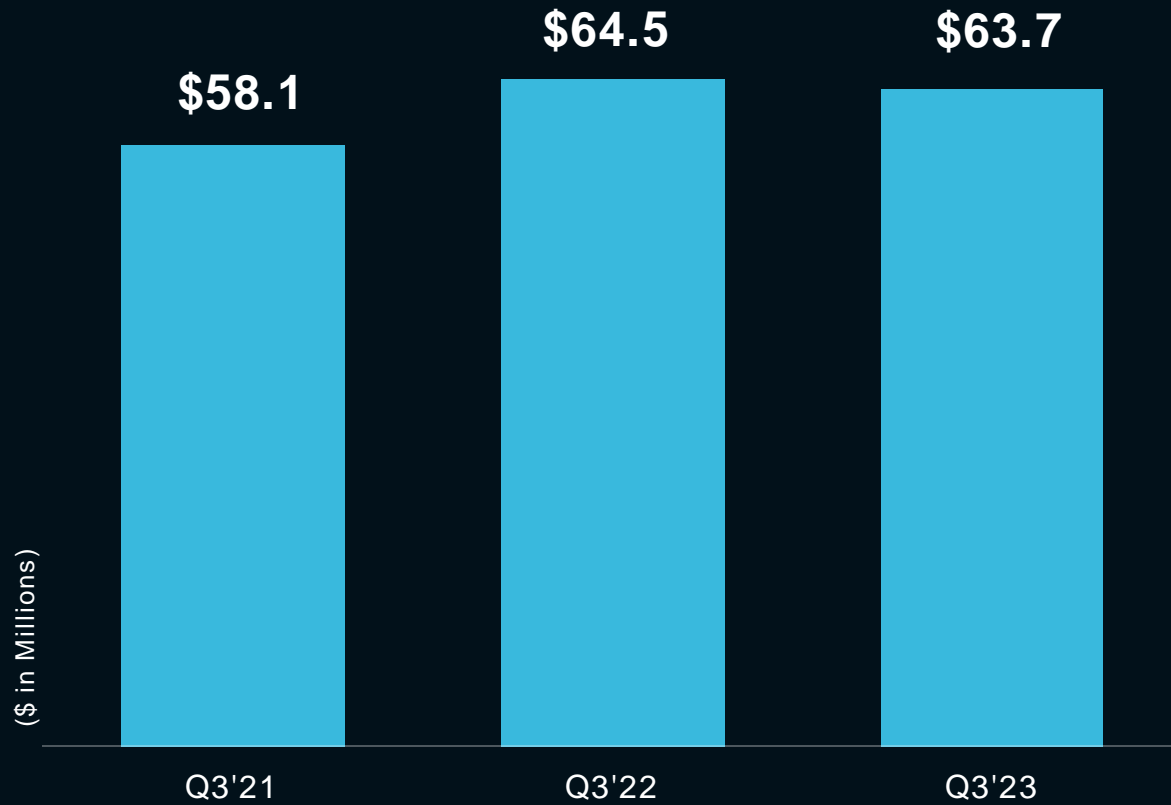


# Financial Results

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# Q3 FINANCIAL HIGHLIGHTS

## REVENUE



## GAAP NET INCOME

**\$1.8M**

3% NET INCOME MARGIN

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

**\$18.2M**

29% ADJ. EBITDA MARGIN

## FREE CASH FLOW<sup>2</sup>

**\$17.2M**

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

<sup>2</sup> 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.

# GROWTH IN MONETIZED IMPRESSIONS DELIVERED REVENUE AHEAD OF GUIDANCE



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**OMNICHANNEL  
VIDEO REVENUE  
EXCEEDED  
EXPECTATIONS**



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**DISPLAY REVENUE  
EXCEEDED  
EXPECTATIONS**

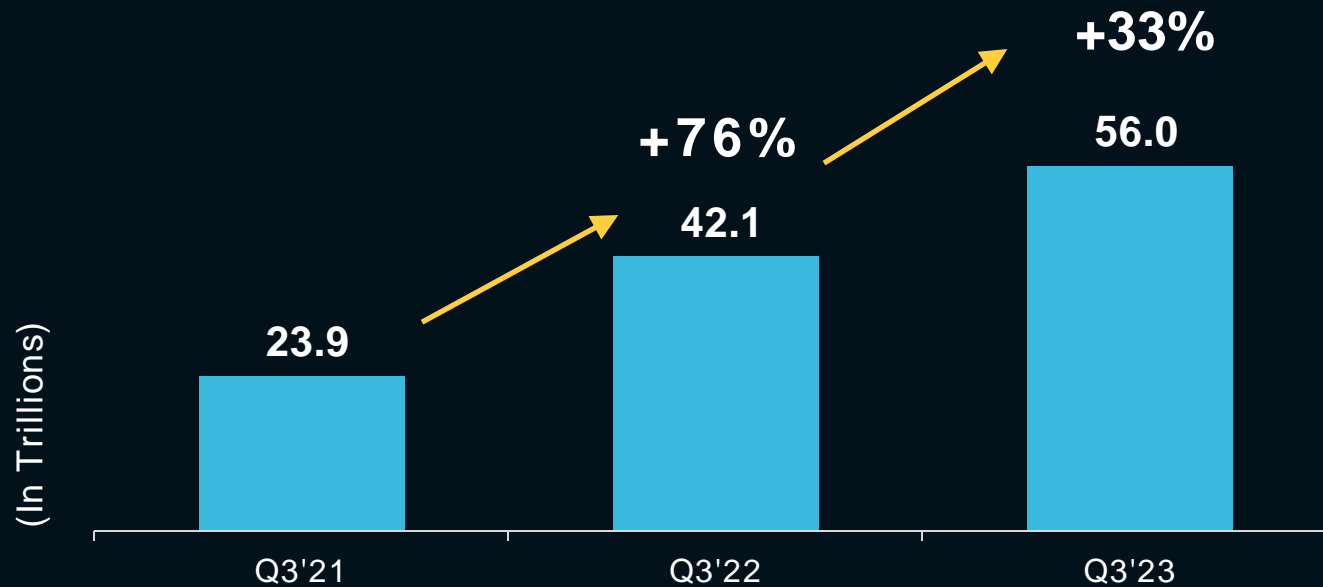


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**MAINTAINED  
STRONG GROWTH  
AMONG TOP 10 AD  
VERTICALS**

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

## AD IMPRESSIONS PROCESSED



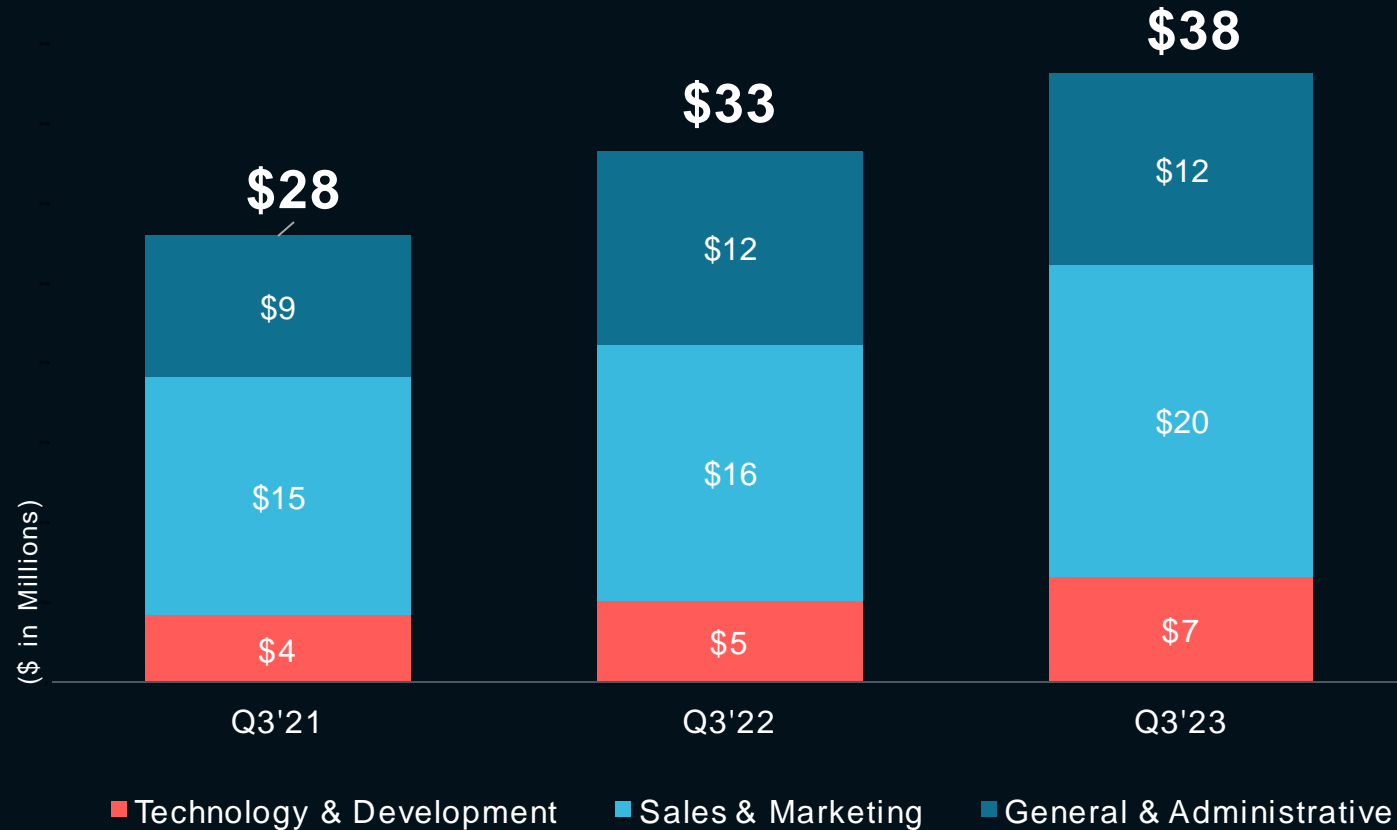
**20%+**

YOY INCREASE IN AD  
IMPRESSION CAPACITY IN  
Q3 2023

**9%**

YOY REDUCTION IN COST  
OF REVENUE PER MILLION  
IMPRESSIONS PROCESSED  
IN TTM-Q3 2023

# OPERATING EXPENSES: TARGETED INVESTMENTS FOR GROWTH



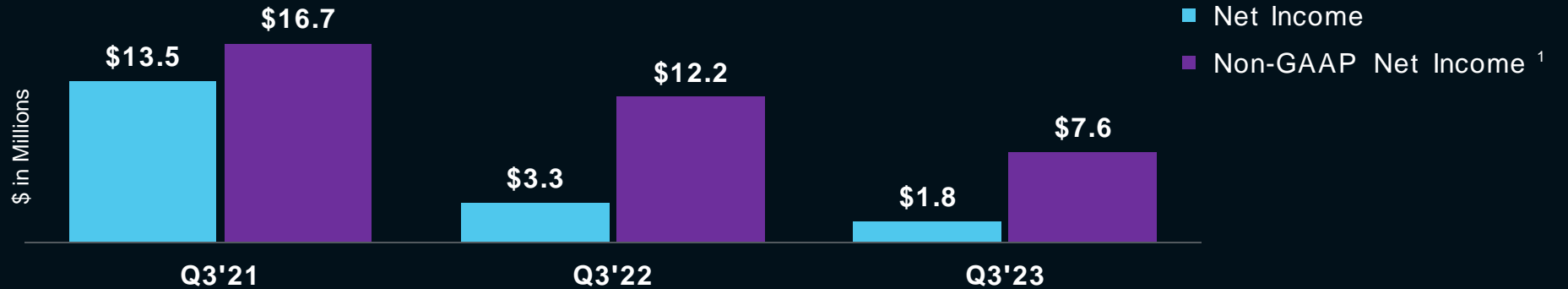
## Q3'23 INVESTMENT

- Continued innovation investment with new engineers added in India Development Center
- Incremental Martin expenses (Martin acquired in September 2022)

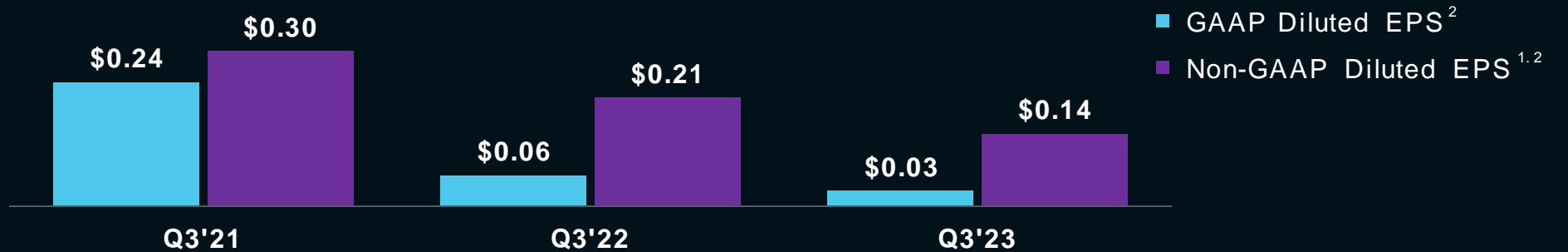
Subtotals for each bar may not add up to total due to rounding.

# GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE

## GAAP AND NON-GAAP NET INCOME



## GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE



<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.

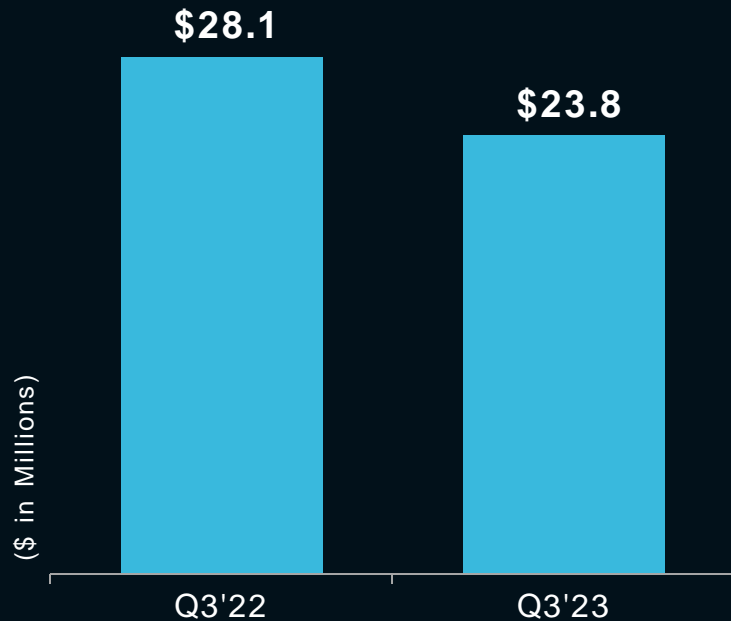
<sup>2</sup> EPS = Earnings per share

Note: Numbers rounded for presentation purposes

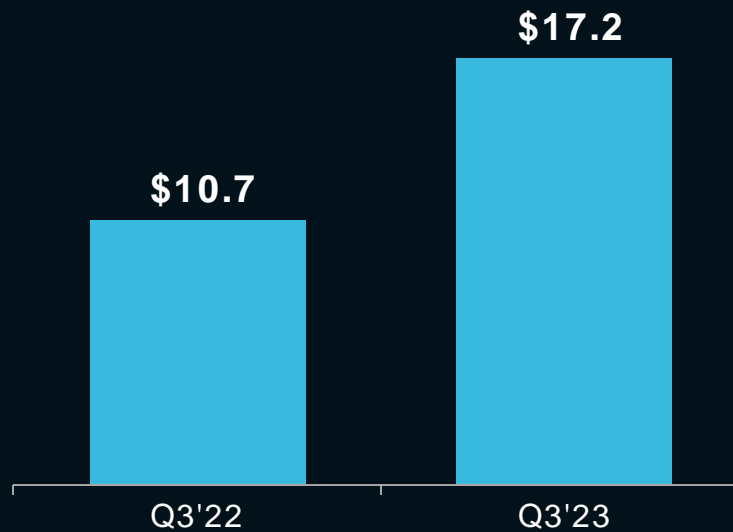


# DELIVERING CASH FLOW

## NET CASH PROVIDED BY OPERATING ACTIVITIES



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



## STOCK REPURCHASE PROGRAM (AS OF 10/31/23)

**\$47M**

**CASH USED TO  
REPURCHASE  
3.3M SHARES  
(~6% FDSO<sup>2</sup>)**

<sup>1</sup> 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.

<sup>2</sup> FDSO = fully diluted shares outstanding.

Note: Numbers rounded for presentation purposes

# Q4 2023 GUIDANCE

(\$ in Millions)	Q4 2023	
	Low	High
<b>Revenue</b>	\$76	\$80
<b>Adjusted EBITDA</b>	\$32	\$35
<b>Adjusted EBITDA Margin</b>	42%	44%

Note: Numbers rounded for presentation purposes

FY 2023 we expect CapEx to be in the range of \$10M - \$13M  
(compared to \$36M in 2022, ~70% 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.

# 2023 OPERATING PRIORITIES

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**GENERATE  
SIGNIFICANT FREE  
CASH FLOWS**



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**TARGETED  
INVESTMENTS TO  
ACCELERATE  
REVENUES WHEN AD  
SPEND STABILIZES**



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**DRIVE COST  
STRUCTURE  
EFFICIENCIES THAT  
LEAD TO MARGIN  
EXPANSION**

# Appendix

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# NON-GAAP FINANCIAL MEASURES (QUARTERLY)

(\$ in Thousands)	Q3 '23	Q2 '23	Q1 '23	Q4 '22	Q3 '22	Q2 '22	Q1 '22	Q4 '21	Q3 '21
<b>Net income (loss)</b>	\$1,773	(\$5,724)	(\$5,871)	\$12,781	\$3,326	\$7,819	\$4,779	\$28,239	\$13,526
Add back (deduct):									
Stock-based compensation	7,199	7,266	7,059	5,464	4,655	5,391	5,136	3,599	3,714
Depreciation and amortization	11,401	10,898	11,432	10,662	9,082	7,321	7,183	7,081	6,304
Unrealized (gain) loss on equity investments	-	-	-	-	6,405	915	(1,373)	(5,433)	-
Interest income	(2,245)	(2,176)	(1,891)	(1,170)	(596)	(325)	(122)	(92)	(79)
Acquisition-related and other expenses <sup>1</sup>	-	-	-	51	867	-	-	-	-
Provision for income taxes	111	545	(3,375)	4,034	1,398	1,927	1,403	5,504	799
<b>Adjusted EBITDA</b>	<b>\$18,239</b>	<b>\$10,809</b>	<b>\$7,354</b>	<b>\$31,822</b>	<b>\$25,137</b>	<b>\$23,048</b>	<b>\$17,006</b>	<b>\$38,898</b>	<b>\$24,264</b>
Revenue	\$63,677	\$63,330	\$55,407	\$74,296	\$64,501	\$63,032	\$54,552	\$75,556	\$58,086
<b>Adjusted EBITDA Margin</b>	<b>29%</b>	<b>17%</b>	<b>13%</b>	<b>43%</b>	<b>39%</b>	<b>37%</b>	<b>31%</b>	<b>51%</b>	<b>42%</b>

<sup>1</sup> We are no longer excluding the impact of post-acquisition cash compensation agreements for certain key acquired employees from the Martin acquisition from Adjusted EBITDA. The impact of this change to our adjusted EBITDA for the three and nine months ended September 30, 2022 is a decrease to Adjusted EBITDA income of \$0.2 million.

Note: Numbers rounded for presentation purposes

# NON-GAAP FINANCIAL MEASURES (QUARTERLY)

(\$ in Thousands)	Q3 '23	Q2 '23	Q1 '23	Q4 '22	Q3 '22	Q2 '22	Q1 '22	Q4 '21	Q3 '21
<b>Net income (loss)</b>	\$1,773	(\$5,724)	(\$5,871)	\$12,781	\$3,326	\$7,819	\$4,779	\$28,239	\$13,526
Unrealized (gain) loss on equity investments	-	-	-	-	6,405	915	(1,373)	(5,433)	
Stock based compensation	7,199	7,266	7,059	5,464	4,655	5,391	5,136	3,599	3,714
Acquisition-related and other expenses <sup>1</sup>	-	-	-	51	867	-	-	-	-
Adjustment for income taxes	(1,397)	(1,390)	(1,318)	(352)	(3,032)	(1,093)	(491)	669	(521)
<b>Non-GAAP net income</b>	<b>\$7,575</b>	<b>\$152</b>	<b>(\$130)</b>	<b>\$17,944</b>	<b>\$12,221</b>	<b>\$13,032</b>	<b>\$8,051</b>	<b>\$27,074</b>	<b>\$16,719</b>
Revenue	\$63,677	\$63,330	\$55,407	\$74,296	\$64,501	\$63,032	\$54,552	\$75,556	\$58,086
<b>Non-GAAP net income margin</b>	<b>12%</b>	<b>0%</b>	<b>0%</b>	<b>24%</b>	<b>19%</b>	<b>21%</b>	<b>15%</b>	<b>36%</b>	<b>29%</b>

<sup>1</sup> We are no longer excluding the impact of post-acquisition cash compensation agreements for certain key acquired employees from the Martin acquisition from Adjusted EBITDA. The impact of this change to our adjusted EBITDA for the three and nine months ended September 30, 2022 is a decrease to Adjusted EBITDA income of \$0.2 million.

Note: Numbers rounded for presentation purposes

# FREE CASH FLOW RECONCILIATION

(\$ in Millions)	Three Months Ended September 30,		
	2021	2022	2023
<b>Net Cash provided by (used in) Operating Activities</b>	\$26.4	\$28.1	\$23.8
<b>Deduct:</b>			
<b>Purchases of Property and Equipment</b>	(11.0)	(14.6)	(2.9)
<b>Capitalized Software Development Costs</b>	(1.9)	(2.8)	(3.8)
<b>Free Cash Flow</b>	<b>\$13.5</b>	<b>\$10.7</b>	<b>\$17.2</b>
<b>Revenue</b>	\$58.1	\$64.5	\$63.7
<b>Free Cash Flow Margin</b>	<b>23%</b>	<b>17%</b>	<b>27%</b>

Note: Numbers rounded for presentation purposes