

## PUBMATIC Q2 2025 EARNINGS CALL: PREPARED REMARKS

### SAFE HARBOR

A copy of our press release can be found on our website at [investors.pubmatic.com](https://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](https://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 August 11, 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, Cash Flow from Operations 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

Thank you, Stacie and welcome everyone.

We delivered a strong second quarter, with revenue and adjusted EBITDA ahead of expectations. Revenue from our underlying business, which excludes the affected DSP and political advertising, grew 19% year-over-year. Importantly, our reported revenue returned to year-over-year growth at 6%.

Outperformance was driven by CTV and emerging revenue streams which includes Activate, sell-side data targeting, and commerce media, as clients increasingly turned to the PubMatic platform for greater performance, transparency, and control over their digital advertising strategies. Once again, our robust business model drove the incremental revenue

through to the bottom line. We delivered 20% adjusted EBITDA margin, marking our 37th consecutive quarter of adjusted EBITDA profitability.

I am proud of these results and the value that PubMatic delivers to clients. Our journey to transform the business started years ago, evolving from an SSP provider only to an end-to-end platform serving publishers, ad buyers, commerce media networks, and data providers and curators. We pioneered Supply Path Optimization and launched Activate to put more control in the hands of advertisers and agencies. We delivered significant growth with sell-side data targeting and commerce media. We expanded relationships with the world's largest streamers with CTV now representing nearly 20% of total revenue, and we recently added a top 5 U.S. streamer which increased our market penetration to 26 of the top 30 global streamers. The execution in these secular growth areas has been strong, and yet our financial results are not yet reflecting where I know they can be.

Today, our top legacy DSP partners contribute the majority of ad spend on our platform. Historically, this strategy has delivered growth and scale. But platform changes on their end are often done with limited visibility and create revenue headwinds for us while we take steps to mitigate them. The most recent example occurred just last month in July and will impact our revenue in the second half of this year as we work through mitigation initiatives. Steve will provide more details in a few minutes.

I've seen this industry evolve for two decades, and it's clear that we are at an inflection point. The lines between SSPs and DSPs are blurring, and AI is fundamentally changing how advertising is created, transacted, and optimized. Long-term, we believe the reshaping of the programmatic ecosystem will be to our advantage. The status quo simply won't do.

As we look to the second half and beyond, our key priority is to accelerate stronger, more sustainable growth. As our model continues to deliver significant efficiencies via AI and software optimizations, we are able to fund, even accelerate, investments to match the pace of change we're seeing across the ecosystem. This includes:

- diversifying our DSP mix;
- accelerating investment on the buy-side;
- advancing our leadership in CTV;
- scaling emerging revenue streams; and
- integrating AI across our tech stack and operations.

The good news is that we have already been investing in these areas. We have the team, the tech, the customer relationships, and the financial resources to accelerate the opportunities in front of us. My confidence stems from the progress we've already made in these areas.

## **DIVERSIFYING OUR DSP MIX**

First, we have been actively diversifying our DSP mix over the past couple of years. Performance marketers and mid-tier DSPs are gaining share of ad budgets as spend shifts to ROI-based outcomes, including in CTV. We see this on our platform: ad spend from these newer DSPs is growing at 20%+ rates, and we're adding more of these high-growth ad buyers to our platform every quarter, including SMB CTV ad platforms like MNTN and tvScientific, and China-based performance DSPs to support their non-China business. Collectively, these DSPs strengthen our platform and bring better demand diversity, buyer resilience, and platform stickiness.

## **ACCELERATING INVESTMENT ON THE BUY-SIDE**

Second, we are accelerating investment on the buy-side. The momentum we are seeing with our direct buying platform, Activate, is a testament that our strategy is working. Buying activity more than doubled from Q1 to Q2 as advertisers look

beyond legacy platforms for increased performance, control, and transparency. We're seeing success across both brand and agency partners. Omnicom Media Group Germany recently used Activate to power a CTV campaign for a leading online marketplace for handmade goods and was able to exceed their client's performance benchmarks. According to their Managing Partner, Nicolai Keiland, the collaboration with PubMatic allowed the agency to "implement an efficient programmatic setup for the CTV campaign that delivered impressive results in both visibility and brand impact."

At the same time, commerce media players are integrating with Activate to power their programmatic advertising businesses. PayPal is leveraging Activate to combine their unique transaction-based audience data from over 430 million accounts with PubMatic's premium inventory to streamline campaign execution for advertisers across multiple formats including CTV. This demonstrates how buyers are increasingly turning to PubMatic's unified platform to improve targeting precision, reduce operational complexity, and scale their programmatic commerce media strategies efficiently.

I'm excited about the potential this partnership has in the near-term, but more importantly see it as a blueprint for broader adoption across the commerce media landscape. As more commerce players seek to activate their data in premium, brand safe environments, our end-to-end platform provides scalable programmatic infrastructure that complements their direct sales efforts. These integrations unlock high-margin revenue opportunities for PubMatic across data, media, and buying technology, further diversifying and accelerating our growth engine.

To support growth, we are adding headcount in our go-to-market teams, with a focus toward independent agencies and direct brand relationships. This complements our ongoing leadership in supply path optimization, which continues to represent a majority of activity on our platform.

## **ADVANCING OUR LEADERSHIP IN CTV**

To capitalize on this increased demand, our third priority is to advance our leadership position in CTV, as buyers increasingly move budgets from linear to programmatic streaming. CTV revenue grew over 50% year-over-year in Q2 indicating continued significant market share gains.

International expansion and new innovative formats are driving CTV growth. In a recent landmark partnership with Nippon TV, one of Japan's largest broadcast companies, PubMatic is now powering programmatic access to their traditional broadcast TV inventory for the first time. This reflects a broader trend among broadcasters globally who are turning to PubMatic to modernize their monetization strategies at scale.

We were also selected as the exclusive SSP partner for performance marketing company WunderKIND's launch of Pause Ads across their premium CTV inventory.

Also driving growth in CTV are our curated marketplaces. Most recently, we launched our Live Sports Marketplace, allowing advertisers to access sports inventory from FanServ, MLB, FuboTV, DirecTV, Spectrum Reach and Roku. Our proprietary marketplace solves ad monetization for one of the most underserved and high-potential segments. FanServ's VP of Demand Partnerships, Ben Goodfriend, explains, "it empowers brands to connect meaningfully at the exact moments that matter most, across every platform they love." As our growing live sports footprint expands, related buyer activity in the first half of 2025 was up nearly 3X year-over-year.

## **SCALING EMERGING REVENUE STREAMS**

Fourth, we continue to scale emerging revenue streams that monetize outside of traditional auction dynamics. This includes platform fees from data curation, commerce media, and enterprise software solutions, all of which are high-margin and contribute to the natural flywheel of our existing platform.

For example, we recently partnered with Trainline, Europe’s leading train and coach app with 27 million active customers worldwide. This commerce-focused company has integrated with our platform to drive incremental, performance-based revenue at scale. By leveraging our SSP as well as our Connect and OpenWrap offerings, they are monetizing both on-site inventory and offsite activations. This allows us to diversify our revenue via our SSP, data and software fees.

Connect is a powerful solution that allows data owners, publishers, and commerce media networks to create curated audience segments using their first-party data. For example, one large digital media company with a diverse portfolio across technology, gaming and shopping leveraged our platform to unify audience data across their properties. This enabled advertisers to tap into an expansive set of high-value audience segments like “tech enthusiasts” or “deal seekers.” By offering these holistic, cross-property segments, the publisher is able to drive increased advertiser demand and improve CPMs. Plus, they are able to use Activate to monetize that audience across third-party inventory as well.

These use cases demonstrate how publishers are moving from selling ad space to selling true audience insight, and how PubMatic is empowering them to do it with full control and transparency, all while unlocking revenue streams outside of traditional DSP-controlled auction dynamics.

## **INTEGRATING AI ACROSS OUR TECH STACK AND OPERATIONS**

And finally, as we accelerate these priorities, AI is a critical component integrated across our tech stack to further automate decisioning and streamline activation. This not only drives cost efficiency for our customers but enhances campaign performance and optimization. In the past 12 months alone, we’ve launched multiple AI-powered capabilities that will help drive even greater adoption and usage of our platform, including:

- PubMatic for Buyers, our generative AI media buying solution launched in May, that enables advertisers to build optimized campaigns using natural language prompts. Our solution lets buyers run campaigns through Activate or their DSP of choice, accelerating setup and improving time-to-value;
- PubMatic Assistant, an AI-powered analytics engine that allows publishers and buyers to access insights, troubleshoot issues, and guide campaign decisions through an intuitive, chat-based interface;
- Predictive diagnostics that detect yield anomalies in real time and surface optimization opportunities via agentic AI workflows to improve publisher monetization with less manual effort; and
- A dynamic floor yield module, currently in beta, that uses live auction signals to adjust pricing per impression, outperforming static solutions in early testing.

We have owned and operated our infrastructure for many years and optimized our integrations with industry-leading technology solutions to deploy high-performance machine learning models that enable increased data ingestion and faster processing, setting us apart from others. The scale, premium inventory and wide variety of data sets on our platform allow us to deliver measurable results that give us a differentiated advantage.

We’re moving fast on the AI front and it’s changing the game. It’s opening up the market in new ways and deepening our customer engagements.

We believe that focusing on these key priorities will ultimately result in a stronger, more sustainable revenue profile for PubMatic over time, and drive better outcomes for our customers and shareholders. Further, these priorities are converging with a major inflection point in the industry that we believe could result in significant market share expansion.

The recent ruling in the Google ad tech antitrust trial confirmed what we’ve long known: we’ve been operating in a monopolistic environment for decades. And yet, PubMatic has grown our market share.

Now, with remedies on the horizon, we're entering a new chapter. Advertisers and publishers will need trusted, independent technology providers with the scale and innovation to replace what they've relied on in legacy systems. PubMatic is that partner.

We anticipate that a significant portion of Google's 60% market share will be up for grabs in 2026. Further, we estimate that a 1% market share shift to PubMatic would represent approximately \$50-75 million in net revenue, with most of that flowing through to our bottom line. This is a singular, once in a generation opportunity.

On top of that, given our full-stack platform and breadth of capabilities, we believe any structural changes could unlock multiplicative effects as ad buyers expand adoption of our end-to-end platform – such as adding audience targeting functionality or consolidating buying via Activate and Supply Path Optimization.

## **IN CLOSING**

In closing, our Q2 results reflect strong secular growth and highlight how our platform is meeting the needs of today's digital advertising ecosystem. While we are actively addressing the recent disruption related to one of our DSP partners and seeing early signs of stabilization, it only reinforces conviction in our strategy – to diversify demand and revenue streams and invest in the highest growth areas. We're building for what we believe will be one of the largest market shifts our industry has seen in years. As the programmatic ecosystem evolves, customers are demanding performance, control and transparency – all of which is increasingly dependent on AI.

We've built the platform that gives buyers and publishers choice and independence. We have the team to deliver. And we are making the investments. I'm confident that we are building a stronger, more sustainable growth business that creates long-term value for our customers and shareholders.

I'll now turn the call over to Steve for the financial details and outlook.

## **CFO REMARKS**

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Thank you Rajeev and welcome everyone.

We delivered a great second quarter and exceeded both revenue and adjusted EBITDA guidance. Driving this performance were secular growth areas, CTV and emerging revenue. We ended the quarter with strong margins and healthy free cash flow.

We have made significant progress in transforming our business – and as Rajeev discussed earlier, we are accelerating our efforts. We proactively began evolving PubMatic several years ago from an SSP provider to an end-to-end platform. This evolution has significantly increased our total addressable market, and we have accelerated growth in key secular areas and improved our profit mix.

Today, I will briefly comment on the second quarter highlights which underline our confidence in our go-forward strategy. I'll then spend the remaining time outlining our second half plan, anticipated changes and how it flows through to our outlook.

## REVENUE

Starting with the revenue highlights. Omnichannel video revenues grew 34% year-over-year and represented 41% of total revenues in the quarter. CTV revenues increased by over 50% year-over-year for the fourth consecutive quarter and represented approximately 20% of total revenue in the quarter.

Emerging revenue streams more than doubled year-over-year and accounted for 8% of total revenue in the second quarter. Within this category, Connect, our curation and data business, continued its rapid revenue growth trajectory, growing over 100% year-on-year as publishers and buyers prioritize sell side targeting through a more controlled and transparent environment. Our strong momentum is being driven by expanded AI product capabilities and expanded sales team.

Revenue from display was flat year-over-year, a significant improvement from Q1's year-over-year decline of 10%. As a reminder we lapped a sizable DSP headwind in the second quarter. And as we had anticipated, this DSP's spend returned to year-over-year growth in July.

We processed approximately 78 trillion impressions in Q2, which was 28% higher than last year and a 4% increase vs. Q1. I want to give a little more color on the composition of these impressions to address concerns around AI search traffic, as it relates to our business. Nearly 60% of all of these impressions were CTV and mobile app which are unaffected by AI search. The remaining impressions are largely from web based premium publishers which are primarily accessed via direct navigation rather than search. Additionally, with our expanding publisher and streaming partnerships, we have growing access to more high value traffic from which to choose and process.

With respect to Q2 ad spending, in aggregate, the top ten ad verticals grew in the mid-single digit percentages year-over-year. Health & Fitness, Technology & Computing, Travel, and Arts & Entertainment, each increased over 20%. We saw softer trends for Shopping, Automotive and Business which declined by single digit percentages.

On a regional basis, EMEA and APAC revenues grew +18% and +7% respectively, while Americas declined -1%.

Dovetailing with Rajeev's comments, we also made progress diversifying DSP spend across our platform. In the second quarter, we expanded the share of spending from DSPs outside the top five as spend from performance marketers and mid-tier DSPs grew over 20% year-over-year.

## NET INCOME & ADJUSTED EBITDA

Turning to profitability.

Our robust, leveraged cost model highlights that when we meet or beat our revenue targets, we deliver high incremental flow through. Our revenue outperformance and continued focus on efficiency enabled us to significantly exceed the upper end of adjusted EBITDA expectations by over 15%, inclusive of a significant FX headwind.

Q2 adjusted EBITDA was \$14.2 million, or 20% margin, and was our 37th straight quarter of adjusted EBITDA profitability. Included was a foreign exchange impact of approximately \$2 million, due to the weakening U.S. dollar over the quarter.

Total operating expenses in the second quarter were \$50 million, flat with Q1, as ongoing cost savings from AI-driven efficiencies funded investments in high-growth secular areas. On a year-on-year basis we managed our total headcount growth to less than 3% and realigned our team and resources to the highest growth areas like CTV, emerging revenues and SPO. We increased our buyer-focused sales team members by over 20% compared to Q2 last year, which helped diversify revenue and drive our quarter's top line results.

Q2 GAAP net loss was \$(5.2) million or minus \$(0.11) 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 allowing us to consistently invest for revenue growth. Over the last four years, since Q2 2021, we have produced approximately \$350 million in net cash from operations and more than \$180 million in free cash flow.

In the second quarter we generated \$14.9 million in net operating cash flows and free cash flow of \$9.3 million. We ended the quarter with \$117.6 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 Q2, we have bought back 12.2 million Class A common shares for \$178.2 million. We have \$96.8 million remaining in our repurchase program authorized through the end of 2026.

## **LATEST TRENDS**

To recap, through the first half of the year, our results came in well ahead of our expectations driven by CTV, growth in sell side data targeting and Activate. We added new publishers and DSPs to the platform, continued to scale commerce media and are seeing significant growth in Connect.

Looking to the second half of the year, we are confident that we will continue to see growth in these secular areas. Our end-to-end platform, SPO and recently launched AI driven solutions are helping customers scale their ad businesses while streamlining their operations.

At the same time, beginning in July, we saw a headwind emerge from another top DSP buyer which recently made platform changes. As a result, we saw a notable drop in spend in July from this DSP which has stabilized in August. Given the scale and complexity of our real time platform, we anticipate it will take us several months to iterate and optimize our activity with this DSP. Outside the top 5 DSPs, all other DSP spend increased over 30% year-over-year in July.

To successfully navigate this headwind and to accelerate the key priorities that Rajeev outlined, we are well positioned both in terms of our capabilities and financial resources. We have a highly disciplined team focused on driving incremental cost efficiencies led by an AI first strategy.

We will optimize our existing resources and apply them to where we can achieve accelerated, sustainable revenues. Our financial discipline combined with our operating capabilities provides a strong foundation to deliver on our priorities.

## **OUTLOOK**

Turning to our outlook for the third quarter, we are taking a conservative approach as it relates to the current impact from the large DSP and the continued uncertainty in the macro environment. Our July revenues came in slightly below last year and we saw some sequential weakness vs June in several consumer discretionary ad verticals.

We expect Q3 revenue to be in the range of \$61 to \$66 million. As a reminder, Q3 last year included approximately \$5 million in political advertising, or 7% of revenue.

We expect Q3 operating expenses to be relatively flat with Q2 as we realign resources and work aggressively to diversify our DSP spend and deliver continued growth in key secular areas.

We expect our Q3 adjusted EBITDA to be in the range of \$7 to \$10 million, which also factors in a \$1 million plus incremental impact of continued weakness of the US dollar.

We are maintaining our full year capex projection at \$15 million, which is a year-over-year reduction, made possible by optimization efforts and cost-saving measures.

## **IN CLOSING**

In closing, in Q2, we delivered strong growth in key secular areas, continued investing for long term growth and benefitted from our robust operating model.

While our outlook includes a reduction in ad spend from one of our top DSP partners, the underlying health of the business remains strong while we mitigate the impact.

We are optimizing resources to accelerate our key priorities that include:

- diversifying DSP mix and expanding investment on the buy-side;
- growing CTV, scaling emerging revenue streams; and
- integrating AI across our tech stack and operations.

We have a healthy balance sheet and generate positive cash flow and are confident in our long-term strategy to drive durable, accelerated growth, increased profitability, and maximized shareholder value.

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