# PubMatic Investor Presentation

November 12, 2024

# SAFE HARBOR

This presentation contains forward-looking statements regarding our future business expectations, including but not limited to our guidance relating to our revenue, adjusted EBITDA, and adjusted EBITDA margin for the fourth quarter and full year 2024 and capex for the full year 2024, our expectations regarding our free cash flow, capital expenditures, future hiring, future market growth, our long-term revenue growth and our ability to gain market share. These forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions and may differ materially from actual results due to a variety of factors including: our dependency on the overall demand for advertising and the channels we rely on; our existing customers not expanding their usage of our platform, our failure to attract new publishers and buyers; our ability to maintain and expand access to spend from buyers and valuable ad impressions from publishers; 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; the war between Ukraine and Russia and the ongoing conflict between Israel and Palestine, and the related measures taken in response by the global community; the impacts of inflation as well as fiscal tightening and changes in the interest rate environment; public health crises, including the resulting global economic uncertainty; limitations imposed on our collection, use or disclosure of data about advertisements; the lack of similar or better alternatives to the use of third-party cookies, mobile device IDs or other tracking technologies if such uses are restricted; any failure to scale our platform infrastructure to support anticipated growth and transaction volume; liabilities or fines due to publishers, buyers, and data providers not obtaining consents from consumers for us to process their personal data; 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. 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.

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 November 12, 2024. 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 dollar-based retention, 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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WHAT WE DO

# PubMatic is Building a Better Supply Chain for the Future of Advertising on the Open Internet

# Sell-side technology like PubMatic's is critical to the growth of the open internet

## OUR CORE BELIEFS

| | |
|---|---|
| 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

- Omnichannel
- Global
- Transparent
- Efficient
- Effective
- Privacy-Compliant

# PUBMATIC OFFERS A LEADING VALUE PROPOSITION ACROSS THE ECOSYSTEM

## We empower customers in three differentiated ways:

### INTEGRATED PLATFORM

PubMatic's omnichannel sell-side technology efficiently and effectively connects buyers and sellers

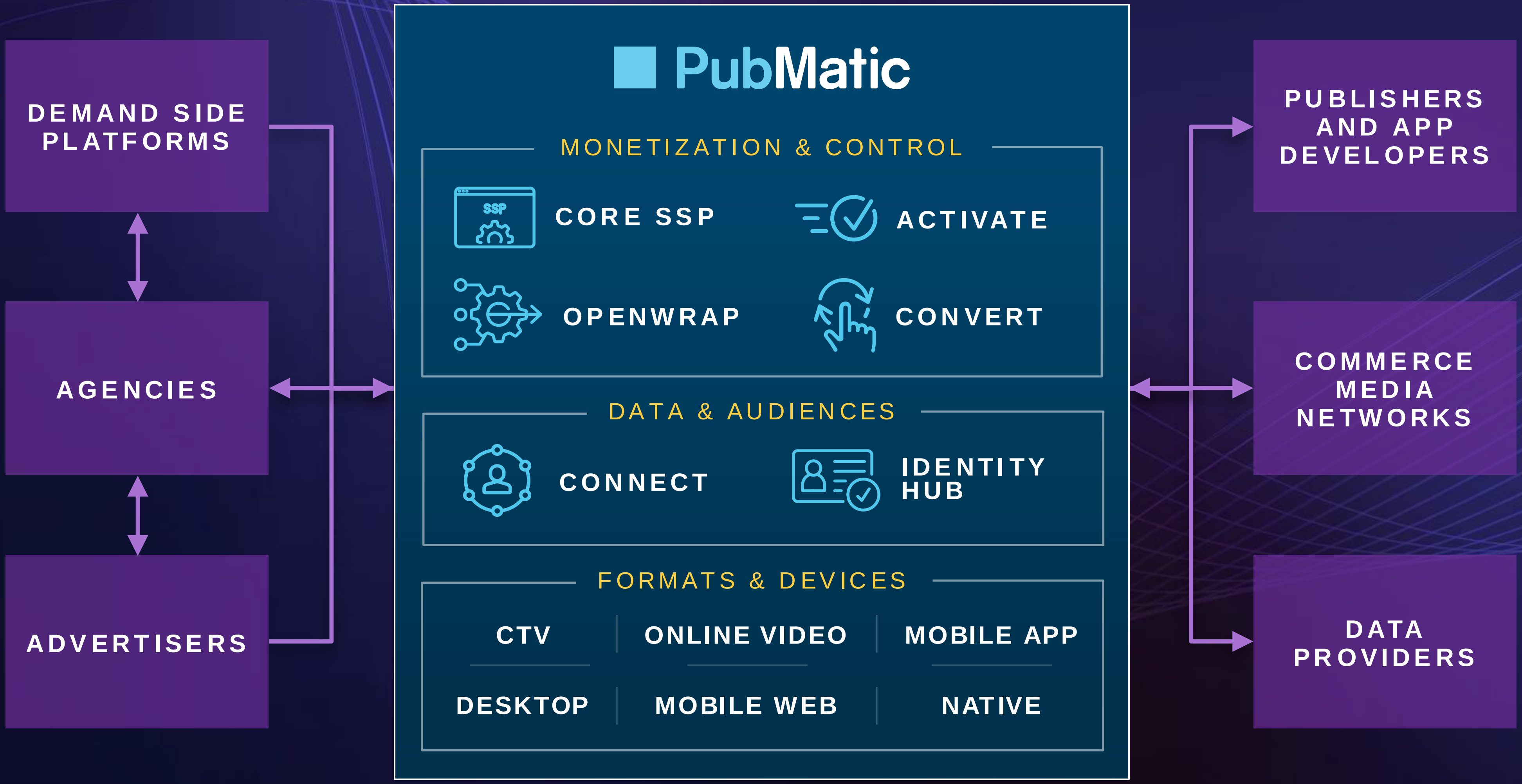
### CUSTOMER CONTROL & PARTNERSHIP

Our best-in-class products and customer service empower customers with unprecedented access and control to enable their business model

### SUSTAINED INNOVATION

We own and operate a global infrastructure so we can innovate quickly and without restraint

# PUBMATIC'S FULL-STACK AD TECH DELIVERS VALUE FOR ALL INDUSTRY PARTICIPANTS



# INVESTMENT HIGHLIGHTS

**Scaled Business With Expanding Market Opportunity**

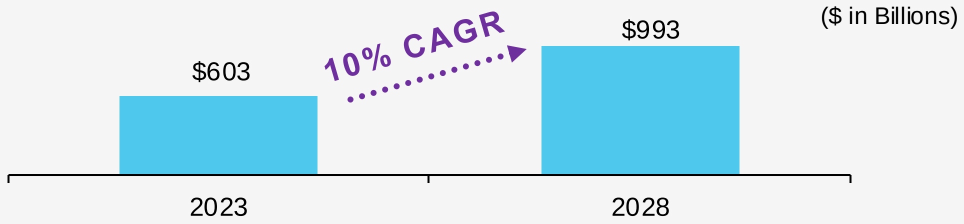
**Strong & Growing Customer Relationships**

**Investments Fuel Revenue Growth & Market Leadership**

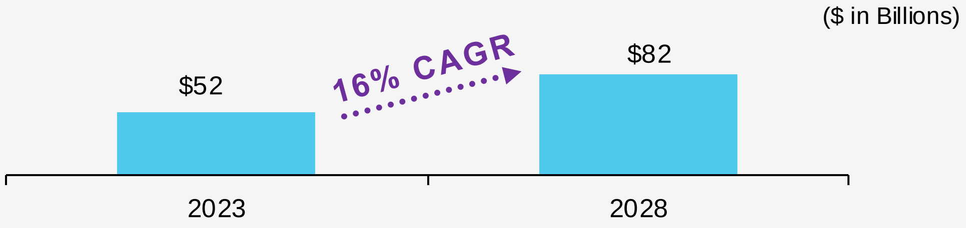
**Durable Business Model Drives Margin Expansion & Healthy Cash Flow**

# OMNICHANNEL FOCUS POSITIONS PUBMATIC WELL ACROSS KEY GROWTH AREAS

## GLOBAL DIGITAL AD SPEND[1]

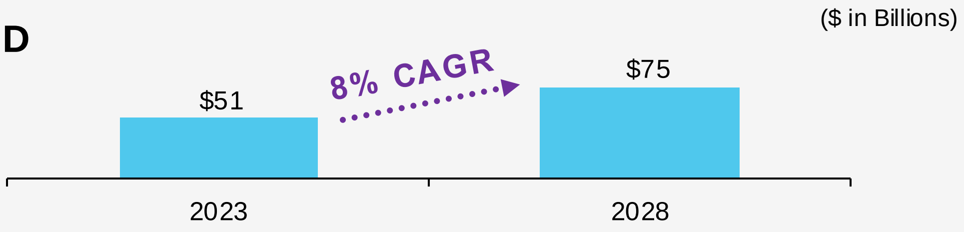



## MOBILE APP AD SPEND[2]

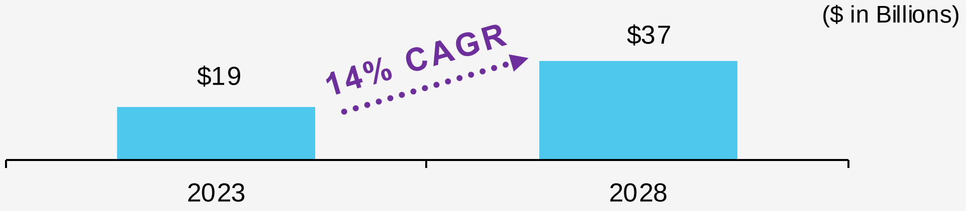



## DIGITAL VIDEO AD SPEND[2]

(EX. OTT / CTV)




## CTV/OTT AD SPEND[2]




## NEW PRODUCTS SIGNFICANTLY EXPAND TAM

- **Activate enables direct insertion order buys to shift to programmatic, growing TAM by $65 billion[2]**
- **Convert adds commerce media solutions, expanding TAM by $10 billion[2]**

[1]eMarketer, 2024 [2]Magna, 2024 (excludes walled gardens spend)

Note: Figures exclude search, email, and online classifieds except for global digital ad spend estimates.

# OMNICHANNEL + OPEN INTERNET OPPORTUNITY DRIVING MARKET SHARE GAINS

**ESTIMATED PUBMATIC MARKET SHARE[1]**

**4-4.5%**

**LONG-TERM MARKET SHARE OBJECTIVE**

**20%+**

[1] In 2023. Excludes China.

## SECULAR SHIFTS DRIVE GROWING LONG-TERM OPPORTUNITIES

Shift to Programmatic

Buyer Consolidation via Supply Path Optimization

Growth in CTV, Commerce & Mobile App Channels

Increased Use of Data Targeting to Drive Higher ROI

OUR BUSINESS MODEL

# Deeper Customer Relationships & Growth via Land and Expand

## PUBLISHER FOOTPRINT

# We work with the world's leading content creators across CTV, online video, mobile app, display and native

# SCALED CONNECTED TV BUSINESS & POLITICAL SPEND FUEL Q3 GROWTH

**100%+** YOY Increase in CTV monetized impressions

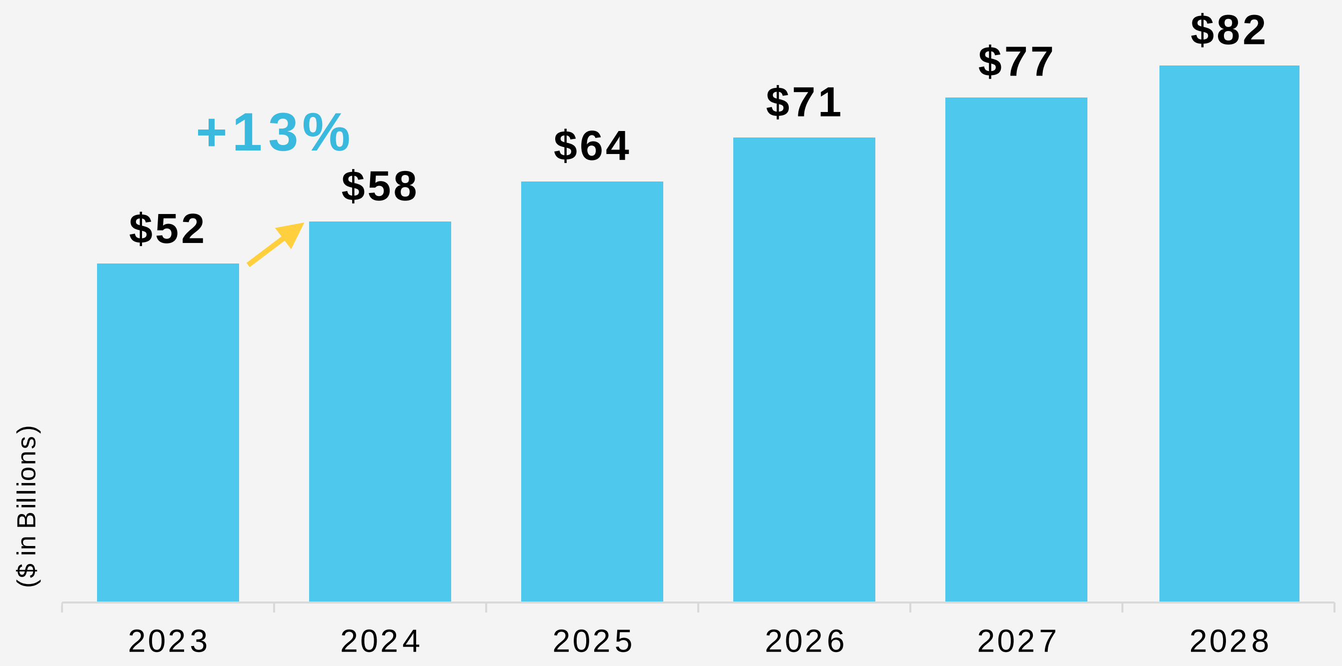
**70%** Penetration of the top 30 streaming publishers[1]

**250+** Gen AI solution led to incremental publishers opening up access to political ads

[1] Based on internal PubMatic analysis

# MOBILE APP CONTINUES TO DRIVE REVENUE GROWTH AND DIFFERENTIATION

## Mobile App Ad Spending, Worldwide[1]





[1] MAGNA Global, 2024, excludes search and social advertising

## SUPPLY PATH OPTIMIZATION

# Leading ad buyers are consolidating activity on our platform via SPO, driving more spend through PubMatic

### ADVERTISERS

### AGENCIES

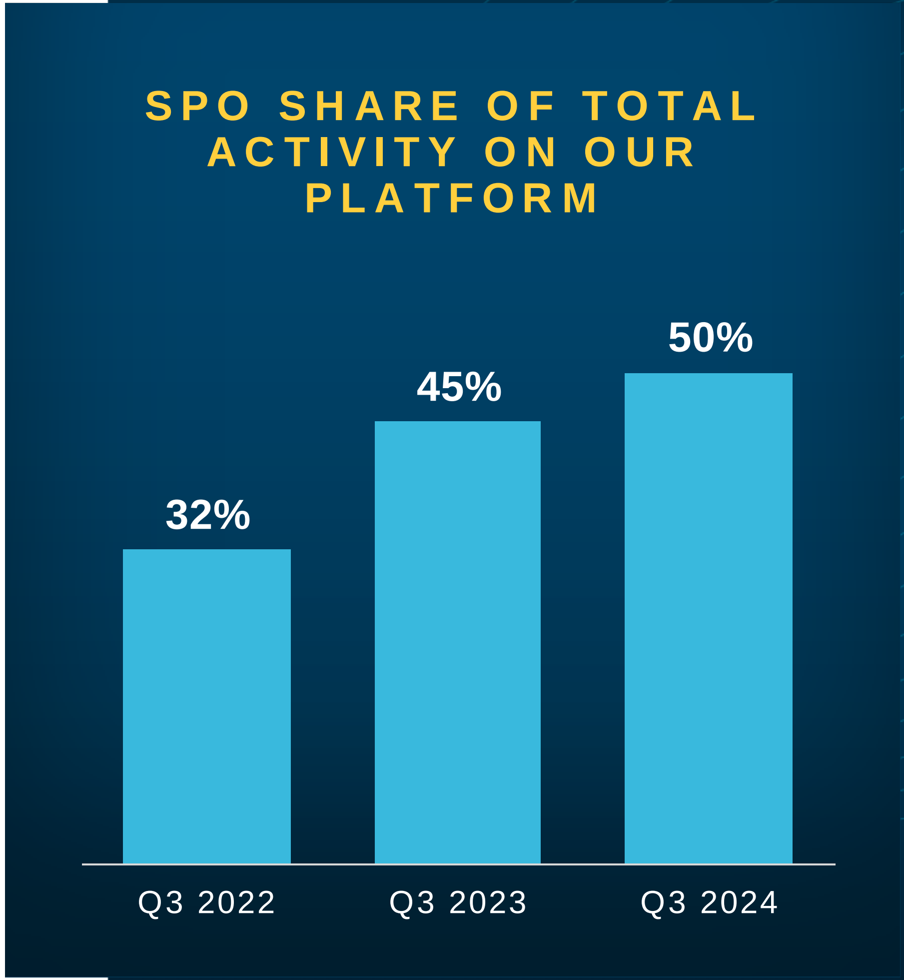
### DSPs

# SUPPLY PATH OPTIMIZATION ACCELERATION WIDENS COMPETITIVE MOAT

**Large greenfield opportunity as only one third of advertisers have engaged in SPO[1]**

**Growing buyer-focused team by ~50% to accelerate spend over the mid-term**

**Continued consolidation as scale requirements of digital advertising mount**




[1] Source: Association of National Advertisers, December 2023

# LAND & EXPAND STRATEGY DRIVES EFFICIENT GROWTH

| | |
|---|---|
| **Adding New Publisher Logos** | Continue to acquire new sell-side customers globally, including CTV, transactional commerce, and mobile app clients |
| **Revenue Growth From Existing Publishers** | Net dollar-based retention on a TTM basis was 112%[1] |
| **Spend Growth From Existing Buyers** | Net spend retention rate from SPO partners with at least three years of spending was 113%[2] |

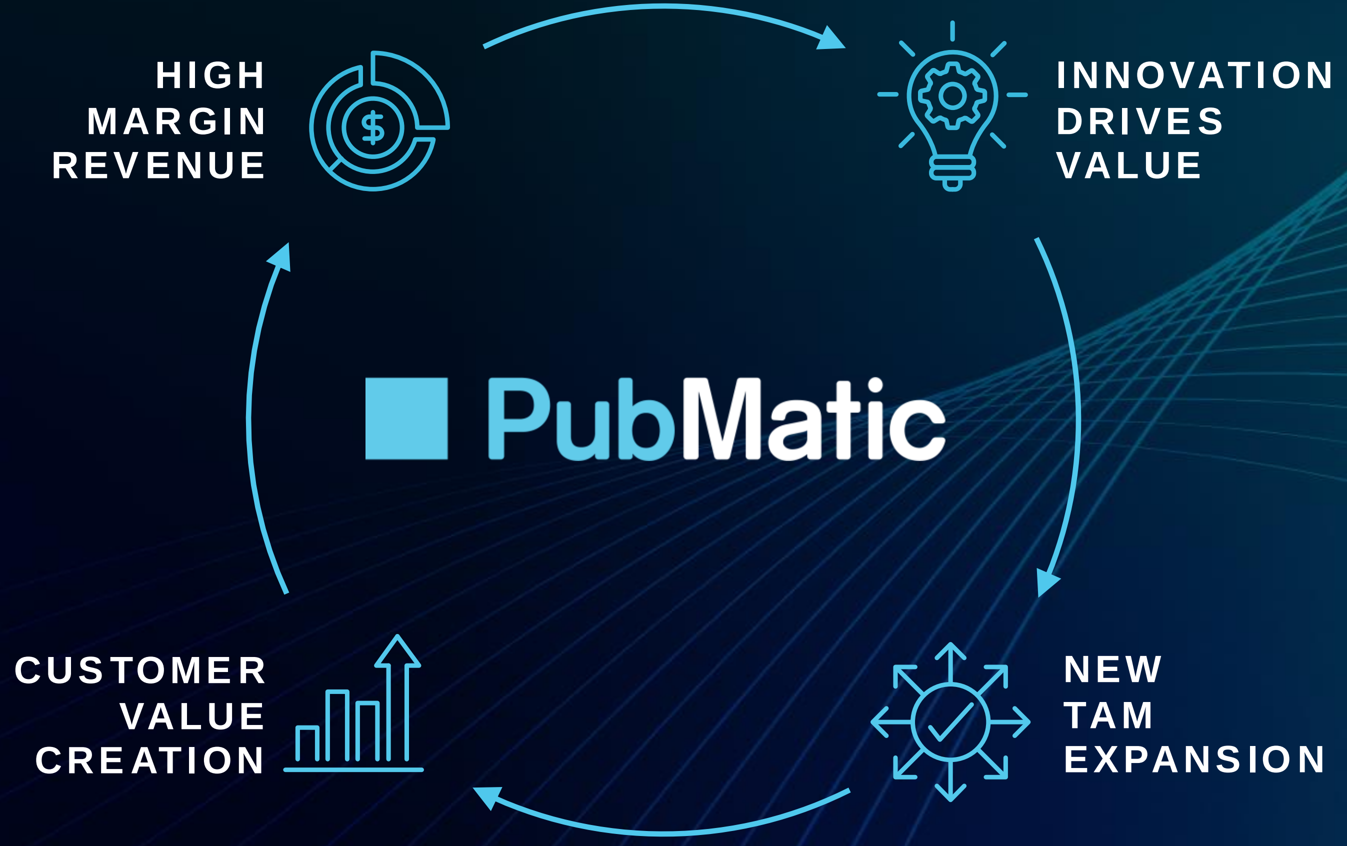
[1] We calculate our net dollar-based retention rate by starting with the revenue from publishers in the last prior year ("Prior Period Revenue"). We then calculate the revenue from these same publishers in the current year ("Current Period Revenue"). Current Period Revenue includes any upsells and is 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.

[2] 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 year ("Prior Period SPO Buyer Spend"). We then calculate the spend from these same buyers in the current year ("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

OUR BUSINESS MODEL

# Innovation Drives Consolidation and TAM Expansion

## We continue to invest and innovate, unlocking new avenues for growth



# PUBMATIC'S PRODUCT STRATEGY

## ONE INTEGRATED PLATFORM

**PRODUCT VISION**

**To build a better future for advertising on the open internet**

Bring media owners and buyers closer for more efficient and performant advertising transactions

Maximize yield across channels & formats by applying the latest technology, including machine learning and AI excellence

Future proof addressability with privacy-safe solutions that make valuable data sets, including commerce media, available on the open internet

# TECHNOLOGY INNOVATION ACCELERATION WIDENS COMPETITIVE MOAT

| | |
|---|---|
| OpenWrap | Wrapper Software |
| Activate | Buyer SPO Solution |
| Connect | Audience Targeting |
| Convert | Commerce Media |

2023 YOY INCREASE IN SOFTWARE RELEASES

**60%**

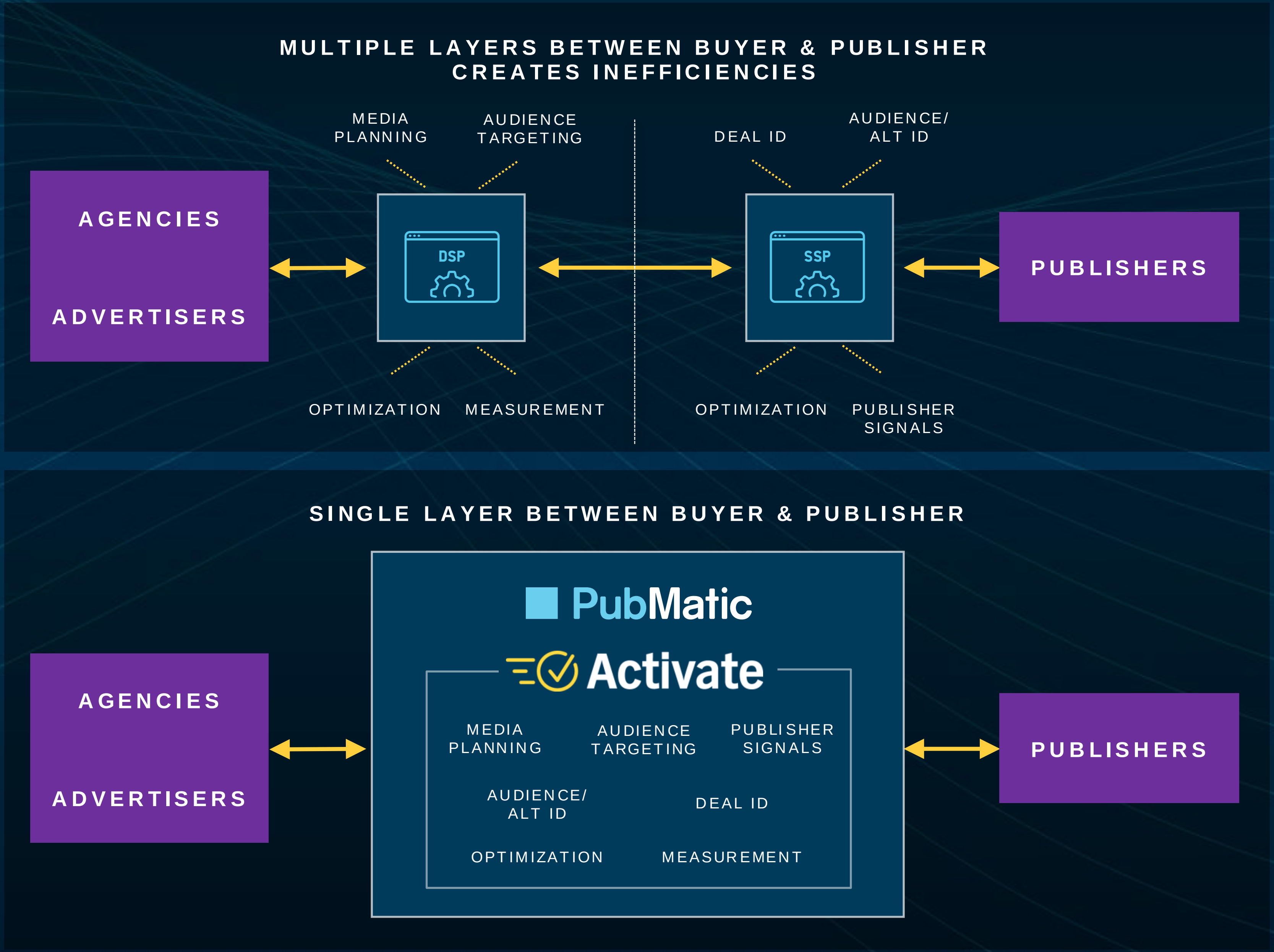
## SUPPLY PATH OPTIMIZATION

# Activate

Allows direct insertion orders (IOs) to be executed programmatically

Brings incremental ad dollars into the ecosystem

Gives publishers access to unique ad demand



# MARS PETCARE EXCEEDS INCREMENTAL SALES GOALS BY LEVERAGING ACTIVATE

"One of the primary goals of our media at Mars is to drive business efficiencies through new and innovative approaches to the way we buy and deliver our media. We were able to accomplish this in spades by leveraging PubMatic Activate to go direct to supplier, effectively circumventing the standard tech fees that are charged through multiple technology platforms. This was a complete game changer for us."

**JONATHAN TUTTLE**
ASSOCIATE DIRECTOR, MEDIA
MARS PET NUTRITION NORTH AMERICA


**20%** OVER PERFORMANCE AGAINST SALES LIFT GOALS[1]

**126%** OVER DELIVERY IN INCREMENTAL SALES GOALS[1]

[1]NCS Sales Lift Study

INTEGRATED RETAIL MEDIA SOLUTION

# Convert

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

## CORE PUBLISHER STRENGTHS FUELING COMMERCE MEDIA GROWTH

- Omnichannel Monetization
- Unified Auctions & Header Bidding
- Audience Extension
- Data Monetization

# PUBMATIC'S SCALE, TECHNOLOGY & INNOVATION DRIVES NEW CUSTOMERS TO ITS PLATFORM

| | |
|---|---|
| ROBLOX | Attracting new entrants to programmatic advertising |
| instacart | Offsite media opportunities fuel sell-side opportunity |
| X | Opening up traditionally closed ecosystems to open internet ad spend |

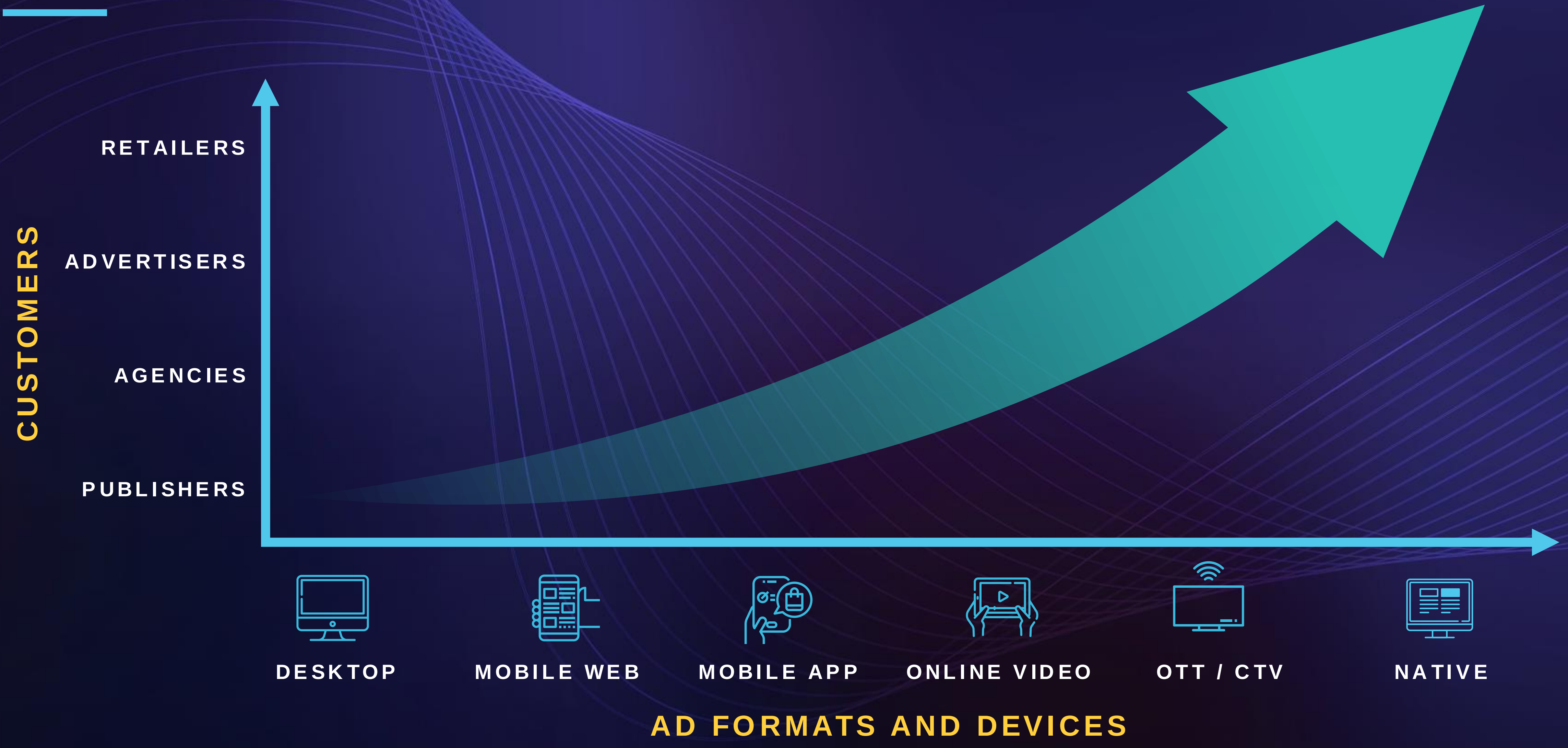
## PUBMATIC IS BUILDING AHEAD OF MAJOR INDUSTRY TAILWINDS

SPO & Industry Consolidation

Growth of Connected TV

Rise of Commerce Media

# MULTIPLE GROWTH DRIVERS INCREASE UTILIZATION OF OUR CLOUD INFRASTRUCTURE




Note: Chart does not depict underlying data, but is intended to illustrate the Company's beliefs regarding the extension of its infrastructure to additional ad formats and customer types as a driver of its addressable market and growth.

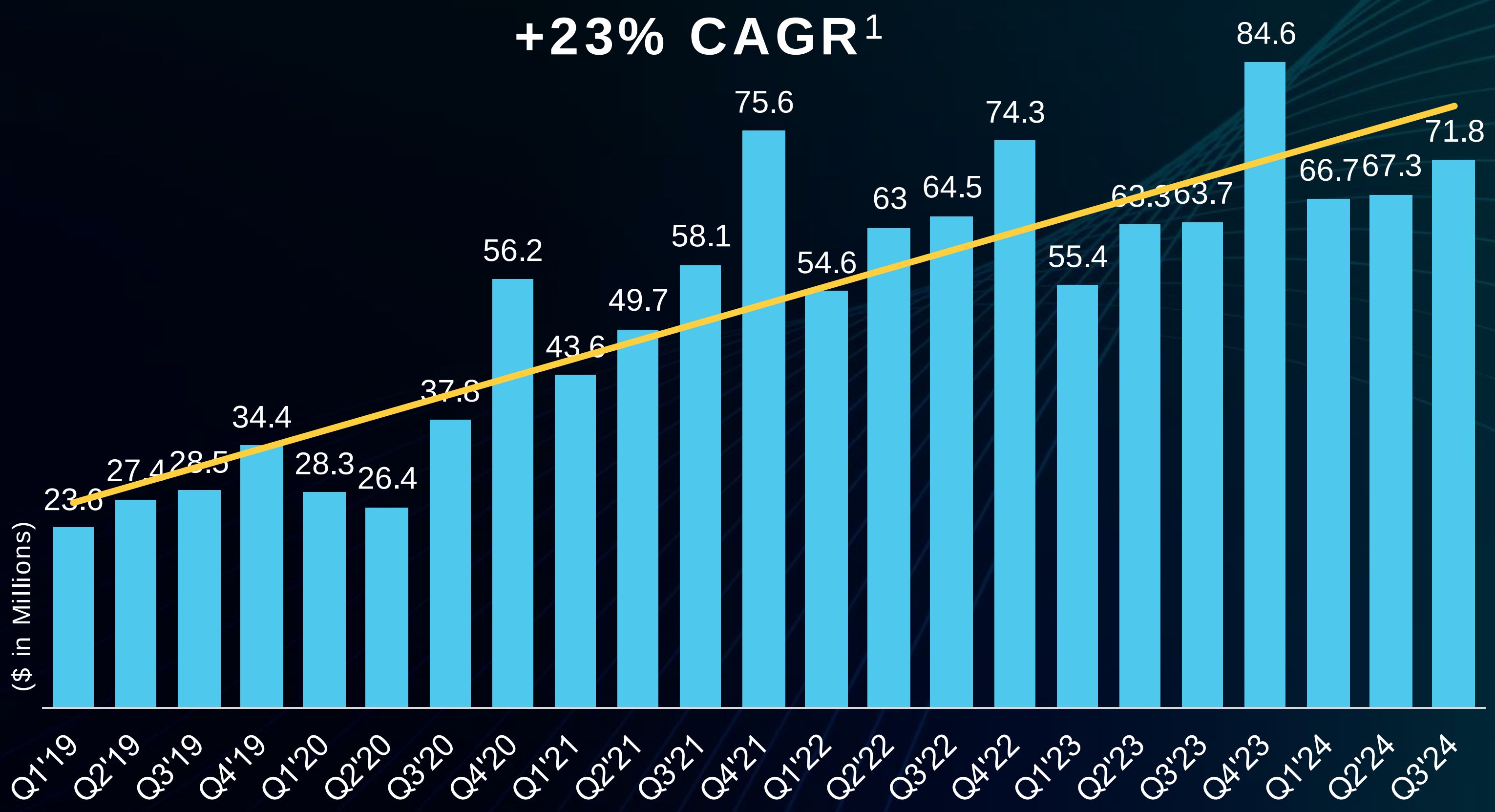
# LONG-TERM COMPETITIVE ADVANTAGES

1. Revenue Growth Ahead of Market Growth
2. Differentiated Adjusted EBITDA and Free Cash Flow Generation
3. Strong Publisher and Buyer Relationships
4. Diversified Omnichannel Platform
5. Durable Business Model

# Financial Highlights

# PROFITABLE GROWTH DRIVES MARKET SHARE GAINS

## REVENUE




CONSECUTIVE QUARTER OF POSITIVE ADJ. EBITDA[2]

**34rd**

CONSECUTIVE YEAR GENERATING CASH FROM OPERATIONS

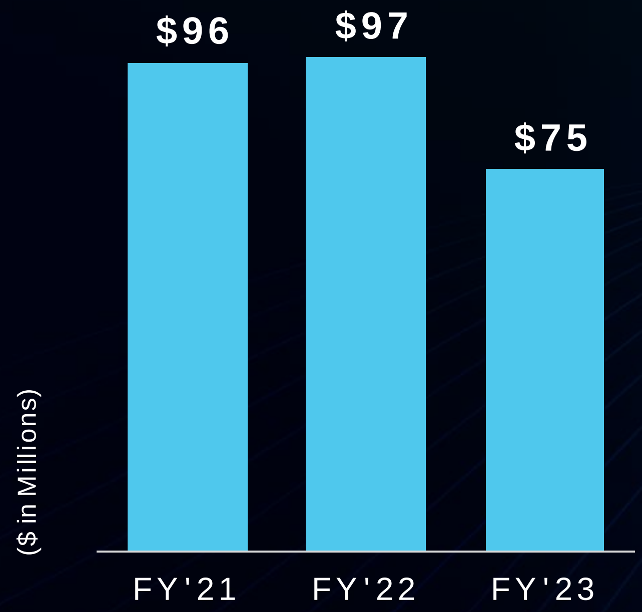
**10th**

[1] Compound Annual Growth Rate calculated based on TTM Q3 2020 vs TTM Q3 2024

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

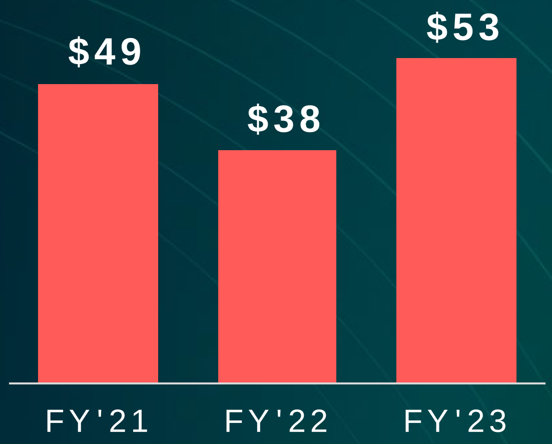
# PROFITABLE GROWTH FUELS DIFFERENTIATED FINANCIAL PROFILE

## ADJUSTED EBITDA[1]




## NET CASH FROM OPERATING ACTIVITIES


## FREE CASH FLOW[2]

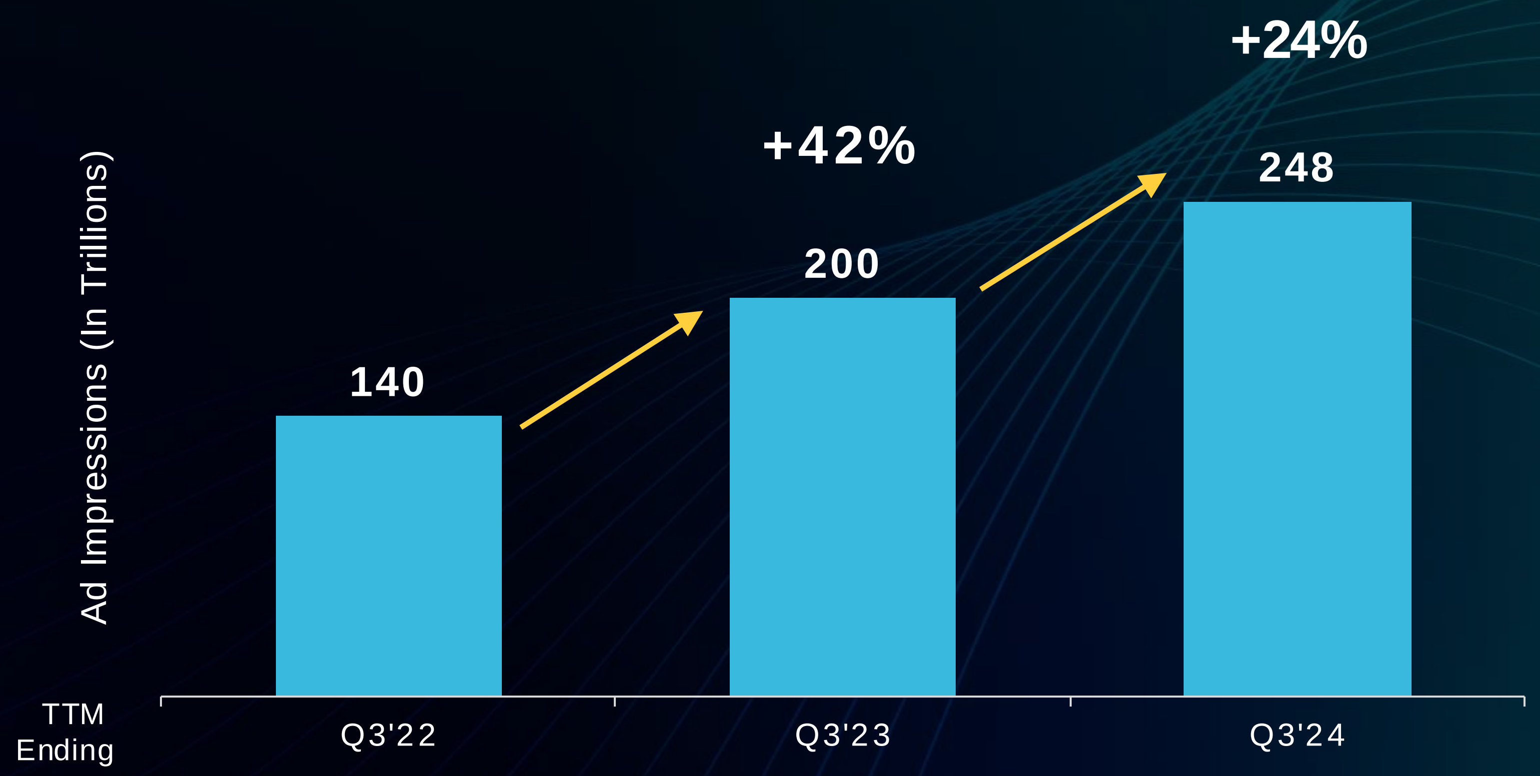



[1]Adjusted EBITDA is a non-GAAP measure. A reconciliation of Adjusted EBITDA to net income is provided in the Appendix.

[2]Free cash flow is calculated by taking cash provided from operating activities less capital expenditures (i.e. purchases of property and equipment and capitalized software development costs). Free cash flow is a non-GAAP financial measure. See reconciliation in Appendix.

# OWNED & OPERATED INFRASTRUCTURE DRIVES MONETIZED IMPRESSION GROWTH WHILE REDUCING UNIT COSTS

## AD IMPRESSION PROCESSING GROWTH
(TRAILING TWELVE MONTHS)




REDUCTION IN COST OF REVENUE PER MILLION IMPRESSIONS PROCESSED OVER THE LAST TWO YEARS

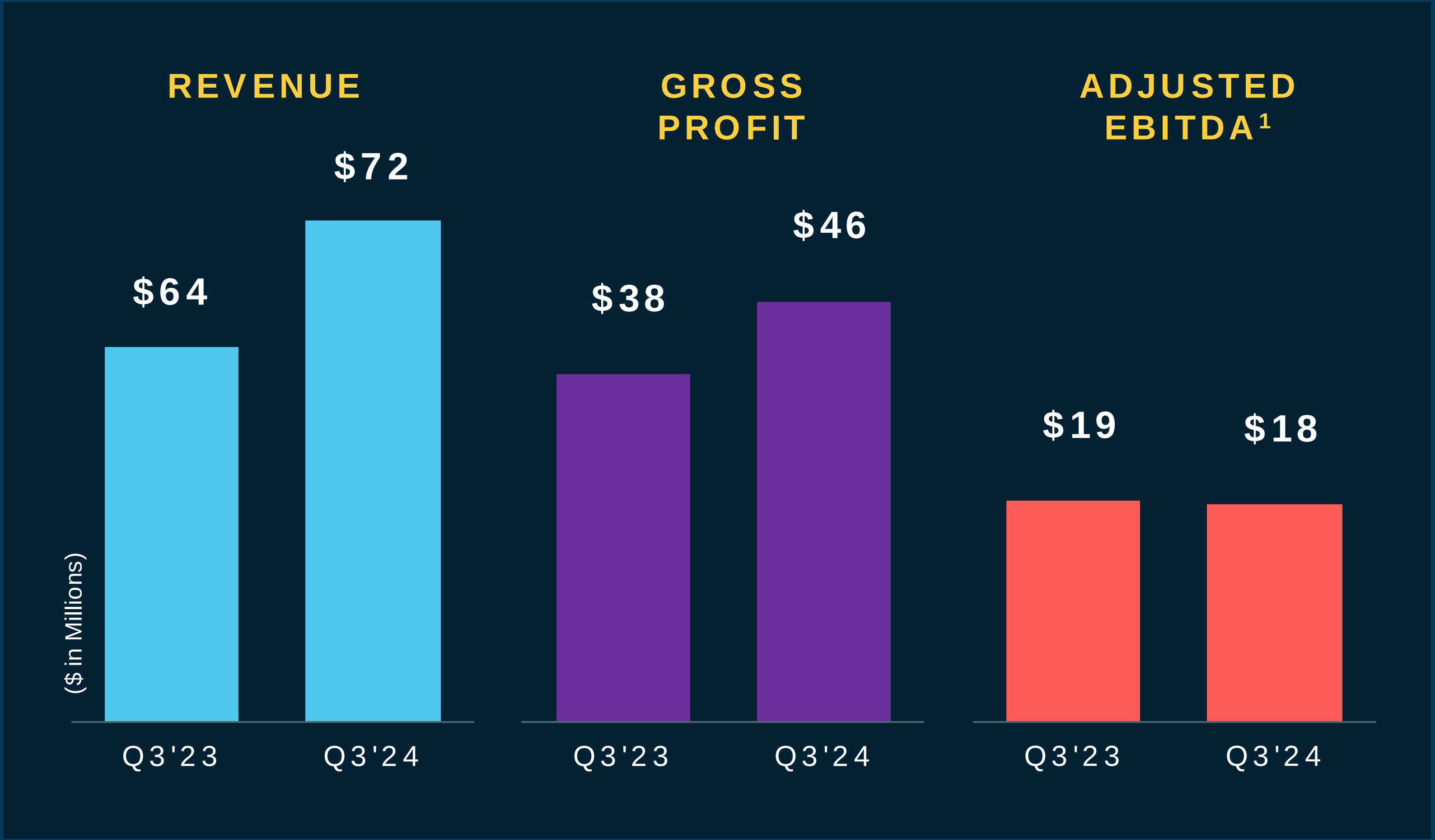
**25%**

YOY INCREASE IN MONETIZED IMPRESSIONS IN Q3 2024

**5%**

# Q3 2024 Financial Highlights

# CONTINUED REVENUE GROWTH & STRONG MARGINS




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

**REVENUE GROWTH YOY**

**13%**

**GROSS PROFIT GROWTH YOY**

**23%**

**GAAP NET LOSS**

**($0.9)M**

-1% MARGIN

**ADJUSTED EBITDA[1]**

**$18.5M**

26% MARGIN

# OMNICHANNEL PLATFORM FUELS STRONG SECULAR GROWTH

**OMNICHANNEL VIDEO[1] REVENUE GROWTH YOY IN Q3 2024**

**25%**

**MOBILE APP REVENUE GROWTH YOY IN Q3 2024**

**20%+**

**DIMENSIONS OF PLATFORM DIVERSITY**

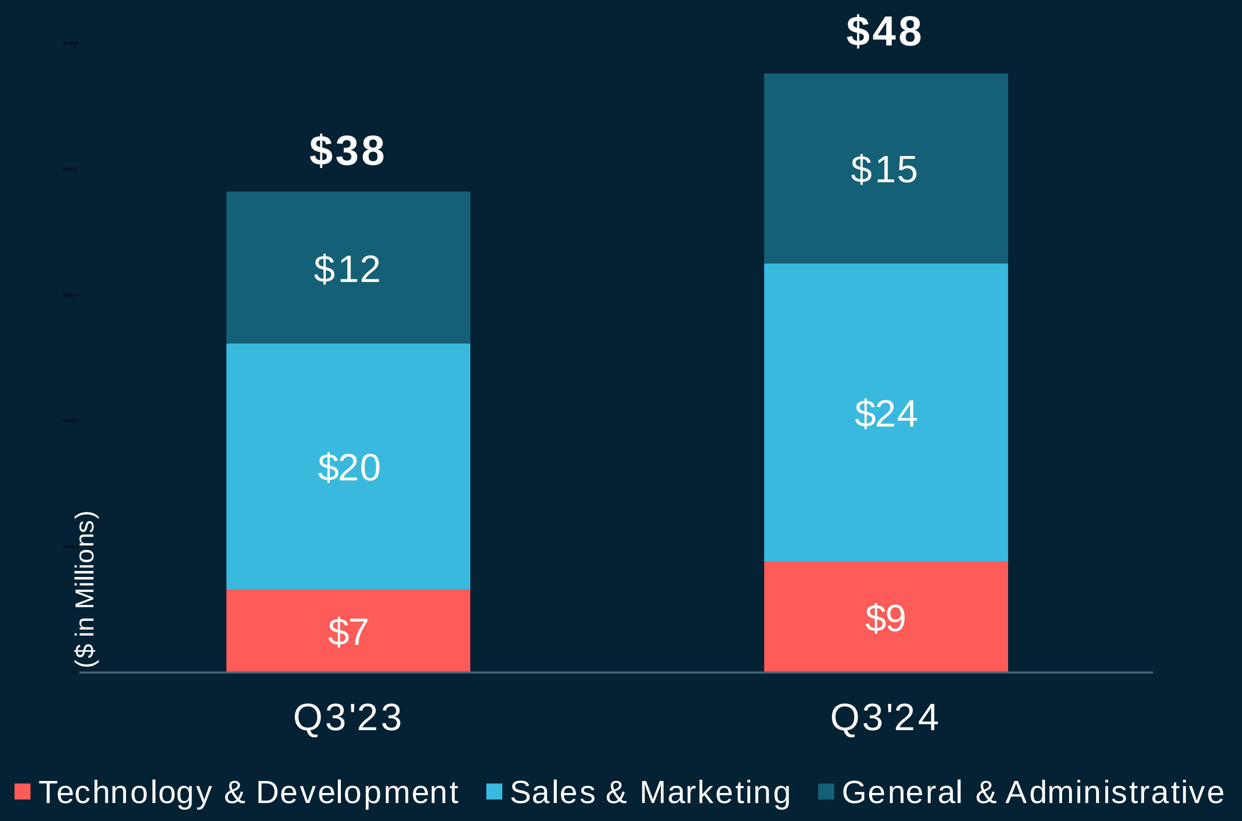
Omnichannel Revenues

Geographies

20+ Ad Verticals

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

# GAAP OPERATING EXPENSES: INVESTING FOR GROWTH




## DRIVERS

- Q3 2024 includes targeted investments in T&D and S&M headcount
- Q3 2024 net headcount additions +119 net compared to Q3 2023
- On track to fill the incremental roles planned for growth initiatives

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

# NET INCOME (LOSS) AND DILUTED EARNINGS PER SHARE

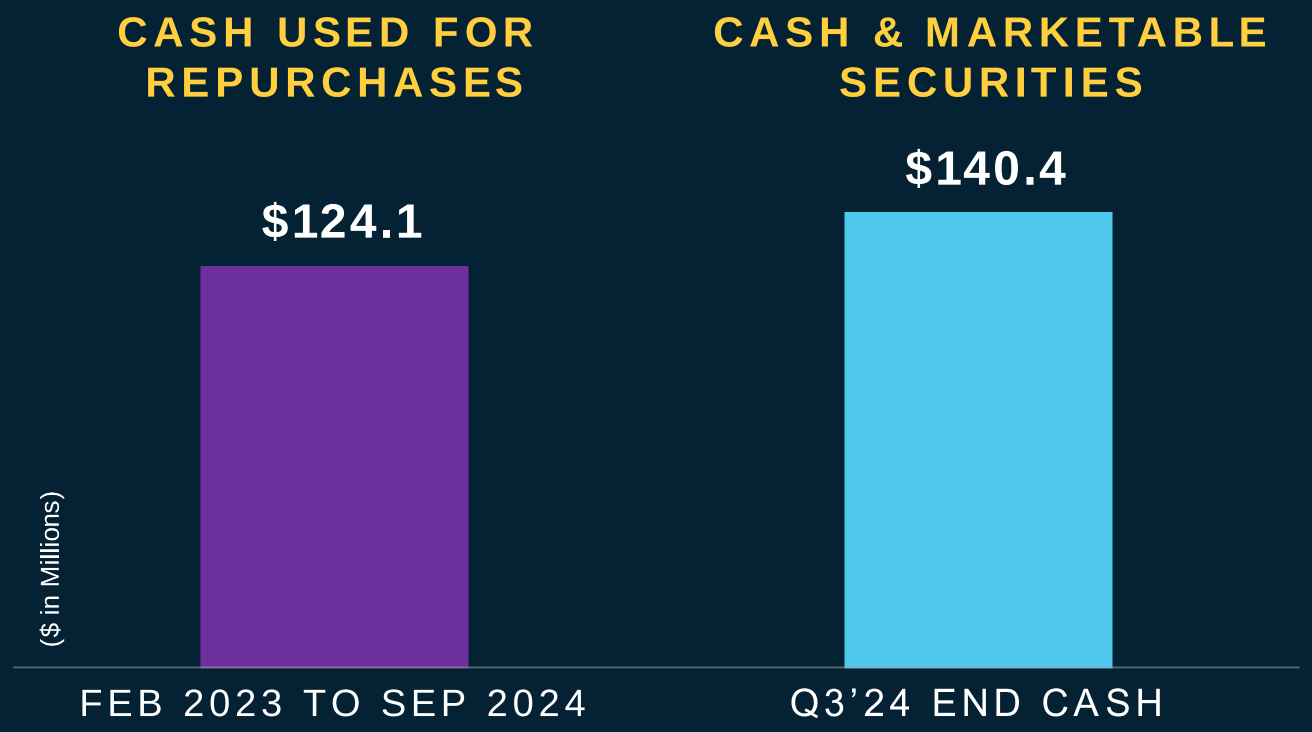
## NET INCOME (LOSS)[1]


## 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 (loss) is provided in the Appendix of this presentation.

[2] EPS = Earnings per share

# CAPITAL ALLOCATION




REPURCHASED

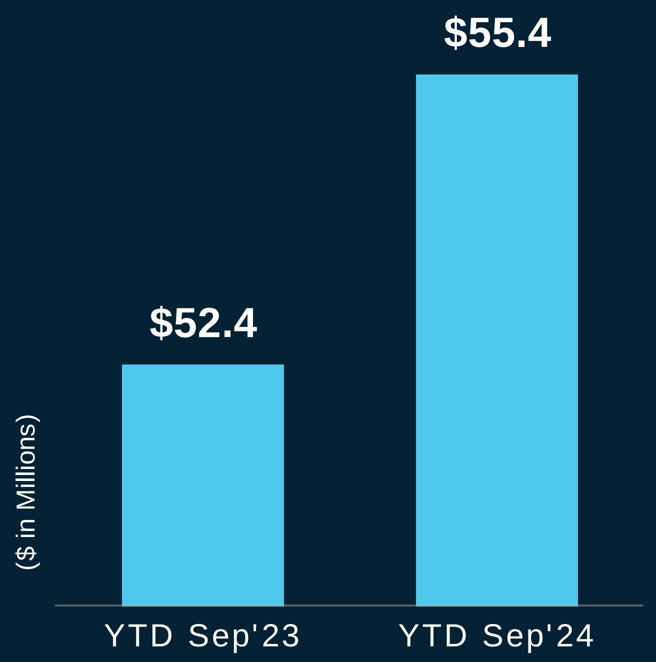
**7.6 MILLION**

CLASS A COMMON SHARES

(Feb. 1, 2023 - Sep. 30, 2024)

# FOCUS ON CASH FLOW

## NET CASH PROVIDED BY OPERATING ACTIVITIES




## FREE CASH FLOW[1]


## DRIVERS

- Capex investments for growth
- Near term cash flow impacted by change in DSP buyer mix
- DSOs expected to stabilize by midyear 2025

[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.
Note: Numbers rounded for presentation purposes

# EXECUTING ON 2024 OPERATING PRIORITIES

## ACCELERATE REVENUE WITH INCREMENTAL INVESTMENT

- Reallocation of Resources Against CTV
- Buyer-Focused Efforts
- Activate, Connect, Convert, OpenWrap

## DRIVE CONTINUED COST-EFFICIENCIES

- Efficiently Increasing Capacity
- AI-Based Optimization

# LONG TERM DRIVERS OF SHAREHOLDER VALUE

- Durable Business Model With Strong Cash Flows
- Efficient Cost Structure Driving Margin Expansion
- Sticky and Growing Customer Relationships
- Investing In High-Growth Revenue Opportunities

# Appendix

# FOUNDER-LED MANAGEMENT TEAM WITH PROVEN TRACK RECORD

## EXECUTIVE TEAM WITH 100+ YEARS OF INDUSTRY EXPERIENCE


**Rajeev Goel**
*Co-Founder & CEO*
*Director*


**Steve Pantelick**
*Chief Financial Officer*


**Amar Goel**
*Founder, Chief Innovation Officer & Chairman*


**Mukul Kumar**
*Co-Founder & President, Engineering*


**Paulina Klimenko**
*Chief Growth Officer*


**Johanna Bauman**
*Chief Marketing Officer*


**Nishant Khatri**
*EVP, Product Management*


**Kyle Dozeman**
*Chief Revenue Officer, Americas*


**Andrew Woods**
*General Counsel*


**Lorrie Dougherty**
*SVP, Human Resources*

## SUPPORTED BY EXPERIENCED BOARD MEMBERS


**Susan Daimler**
Zillow
SeatGuru by Tripadvisor


**Anton Hanebrink**
INTUIT


**Nick Mehta**
Gainsight


**Shelagh Glaser**
SYNOPSYS


**Ramon Jones**
Nationwide


**Jacob Shulman**
TEKION

# NON-GAAP RECONCILIATION – ADJUSTED EBITDA & NON-GAAP NET INCOME (LOSS)

| ($ in Thousands) | Q3'24 | Q2'24 | Q1'24 | Q4'23 | Q3'23 | Q2'23 | Q1'23 | Q4'22 | Q3'22 |
|---|---|---|---|---|---|---|---|---|---|
| **Net income (loss)** | ($912) | $1,971 | ($2,454) | $18,702 | $1,774 | ($5,724) | ($5,871) | $12,781 | $3,326 |
| Add back (deduct): | | | | | | | | | |
| Stock-based compensation | 9,457 | 9,699 | 9,111 | 7,337 | 7,200 | 7,266 | 7,059 | 5,464 | 4,655 |
| Depreciation and amortization | 11,384 | 11,336 | 11,212 | 11,039 | 11,401 | 10,898 | 11,432 | 10,662 | 9,082 |
| Unrealized (gain) loss on equity investments | - | - | - | - | - | - | - | - | 6,405 |
| Interest income | (1,969) | (2,340) | (2,564) | (2,515) | (2,246) | (2,176) | (1,891) | (1,170) | (596) |
| Acquisition-related and other expenses[1] | - | - | - | - | - | - | - | 51 | 867 |
| Provision for income taxes | 586 | 412 | (249) | 4,343 | 111 | 545 | (3,375) | 4,034 | 1,398 |
| **Adjusted EBITDA** | **$18,546** | **$21,078** | **$15,056** | **$38,906** | **$18,240** | **$10,809** | **$7,354** | **$31,822** | **$25,137** |
| Revenue | $71,786 | $67,267 | $66,701 | $84,600 | $63,677 | $63,330 | $55,407 | $74,296 | $64,500 |
| **Adjusted EBITDA Margin** | **26%** | **31%** | **23%** | **46%** | **29%** | **17%** | **13%** | **43%** | **39%** |

[1]Beginning in the third quarter of 2023, we no longer exclude the impact of post-acquisition cash compensation agreements for certain key acquired employees from the Martin acquisition from Adjusted EBITDA.
Note: Numbers rounded for presentation purposes

# NON-GAAP RECONCILIATION – ADJUSTED EBITDA & NON-GAAP NET INCOME (LOSS)

| (in thousands except per share data) | Q3'24 | Q2'24 | Q1'24 | Q4'23 | Q3'23 | Q2'23 | Q1'23 | Q4'22 | Q3'22 |
|---|---|---|---|---|---|---|---|---|---|
| **Net income (loss)** | ($912) | $1,971 | ($2,454) | $18,702 | $1,774 | ($5,724) | ($5,871) | $12,781 | $3,326 |
| Unrealized (gain) loss on equity investments | - | - | - | - | - | - | - | - | 6,405 |
| Stock based compensation | 9,457 | 9,699 | 9,111 | 7,337 | 7,200 | 7,266 | 7,059 | 5,464 | 4,655 |
| Acquisition-related and other expenses[1] | - | - | - | - | - | - | - | 51 | 867 |
| Adjustment for income taxes | (1,978) | (1,999) | (1,886) | (1,590) | (1,397) | (1,390) | (1,318) | (352) | (3,032) |
| **Non-GAAP net income (loss)** | **$6,567** | **$9,671** | **$4,771** | **$24,449** | **$7,577** | **$152** | **($130)** | **$17,944** | **$12,221** |
| Revenue | $71,786 | $67,267 | $66,701 | $84,600 | $63,677 | $63,330 | $55,407 | $74,296 | $64,500 |
| **Non-GAAP net income margin** | **9%** | **14%** | **7%** | **29%** | **12%** | **0%** | **0%** | **24%** | **19%** |
| Non-GAAP weighted average shares outstanding – diluted | 49,056 | 55,577 | 55,006 | 54,940 | 55,979 | 56,259 | 52,740 | 56,944 | 56,944 |
| **Non-GAAP diluted EPS** | **$0.12** | **$0.17** | **$0.09** | **$0.45** | **$0.14** | **$0.00** | **($0.00)** | **$0.32** | **$0.21** |

[1] We no longer excluding the impact of post-acquisition cash compensation agreements for certain key acquired employees from the Martin acquisition from Adjusted EBITDA.

# FREE CASH FLOW RECONCILIATION

| ($ in Millions) | Three Months Ended September 30, | | |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| **Net Cash provided by Operating Activities** | $19.1 | $23.8 | $28.1 |
| **Deduct:** | | | |
| **Purchases of Property and Equipment** | (11.7) | (2.9) | (14.6) |
| **Capitalized Software Development Costs** | (4.5) | (3.8) | (2.8) |
| **Free Cash Flow** | **$2.9** | **$17.2** | **$10.7** |
| **Revenue** | $71.8 | $63.7 | $64.5 |
| **Free Cash Flow Margin** | **4%** | **27%** | **17%** |

Note: Numbers rounded for presentation purposes