

PubMatic

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Q2 2023 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES
FUELING ADVERTISING INNOVATION

August 8, 2023

SAFE HARBOR

This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of Q3 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 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 9, 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.

The trademarks included herein are the property of the owners thereof and are used for reference purposes only.

MISSION

PubMatic Fuels the Endless Potential of Internet Content Creators

Q2 2023 FINANCIAL HIGHLIGHTS

REVENUE

\$63.3M

+0.5% YOY

GAAP NET INCOME

(\$5.7M)

-9% MARGIN

ADJUSTED EBITDA¹

\$12.0M

19% MARGIN

CASH FLOW FROM OPERATIONS²

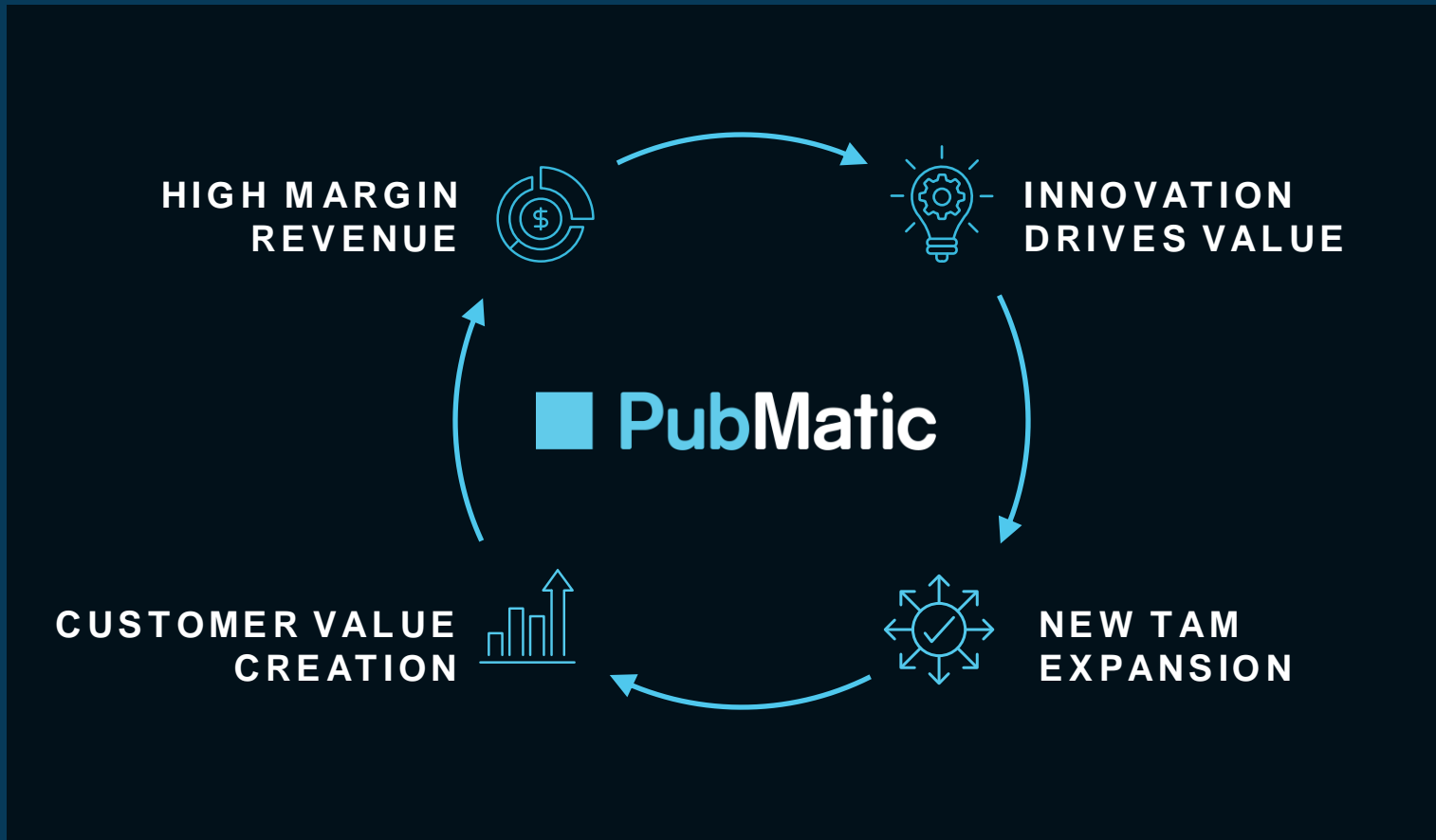
\$15.8M

INCLUDES \$5.7M BAD DEBT EXPENSE³

¹ Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See reconciliation in Appendix. ² Cash flow from operations is net cash provided by operating activities.

³ On June 30, 2023, a Demand Side Platform buyer filed for Chapter 11 bankruptcy. As a result of this bankruptcy, we recorded incremental bad debt expense of \$5.7M which is reflected in our GAAP net income and adjusted EBITDA results for the period.

TARGETED INVESTMENTS AND EFFICIENT OPTIMIZATION DRIVE PUBMATIC'S LONG-TERM VALUE CREATION



PRODUCT LAUNCHES
GROW TOTAL
ADDRESSABLE MARKET

 **Activate**

 **Convert**

CONNECTED TV EMBRACES PROGRAMMATIC AUTOMATION, UNLOCKING GROWTH OPPORTUNITIES FOR PUBMATIC



CTV REVENUE
GROWTH YOY IN
Q2 2023

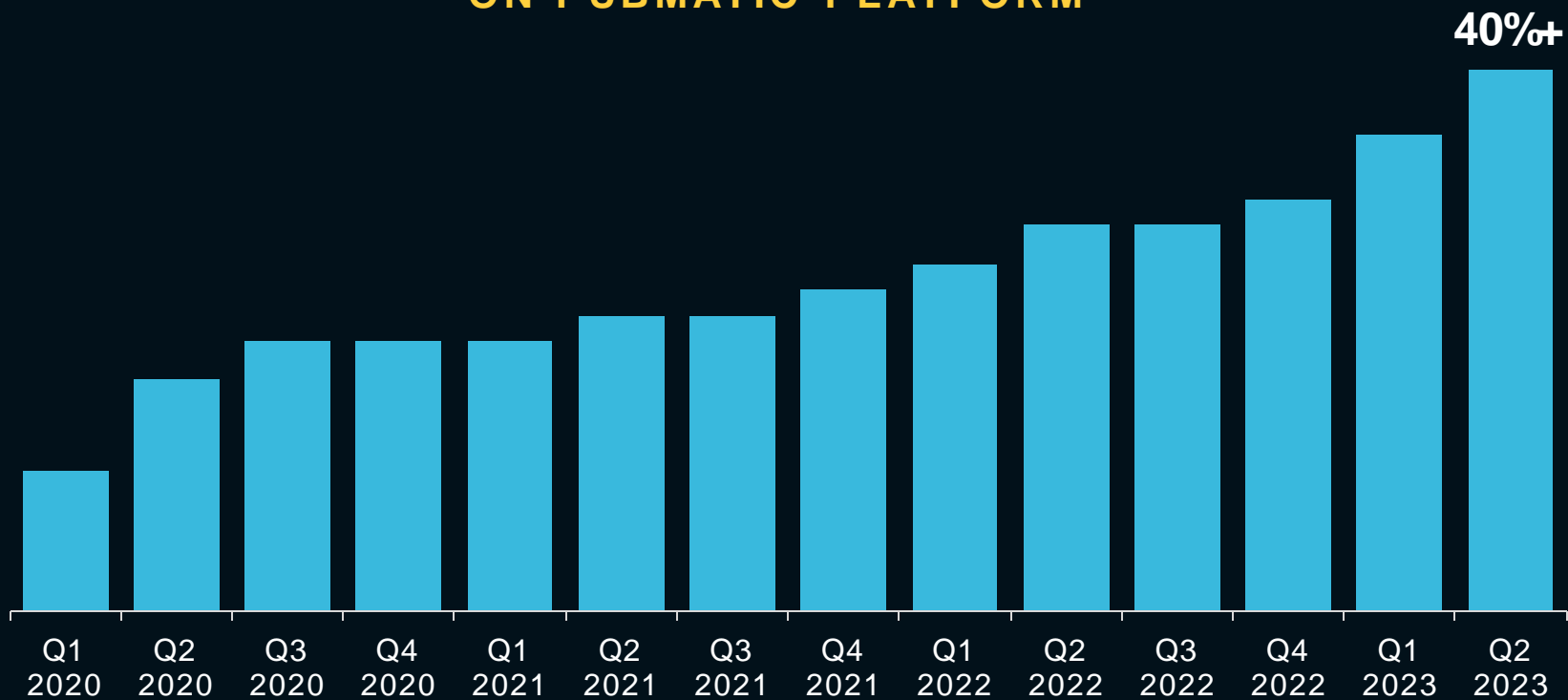
30%+

MAJOR CTV
PUBLISHERS
GROWING THEIR
ACTIVITY WITH
PUBMATIC



SUPPLY PATH OPTIMIZATION GROWTH DRIVES TOP LINE GROWTH & MARGIN EXPANSION

SPO SHARE OF TOTAL ACTIVITY¹
ON PUBMATIC PLATFORM



LONG-TERM SPO
EXPECTATION

50%+

ACTIVATE GAINING TRACTION AS BUYERS SEEK GREATER CONTROL & EFFICIENCY OVER MEDIA BUYS

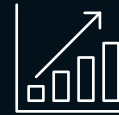
 **Activate**

is an end-to-end SPO solution that allows buyers to execute non-bidded deals on the PubMatic platform.

ESTIMATED TAM EXPANSION¹

\$65 BILLION

EXPECTED PUBMATIC BENEFITS OF ACTIVATE



Increased Programmatic TAM



Accelerated Shift to CTV and Online Video Formats



Greater Stickiness With Buyers



Increased Revenue For Publishers

INTRODUCING A MORE EFFICIENT SOLUTION FOR COMMERCE MEDIA

INEFFICIENCIES OF COMMERCE MEDIA BUYING



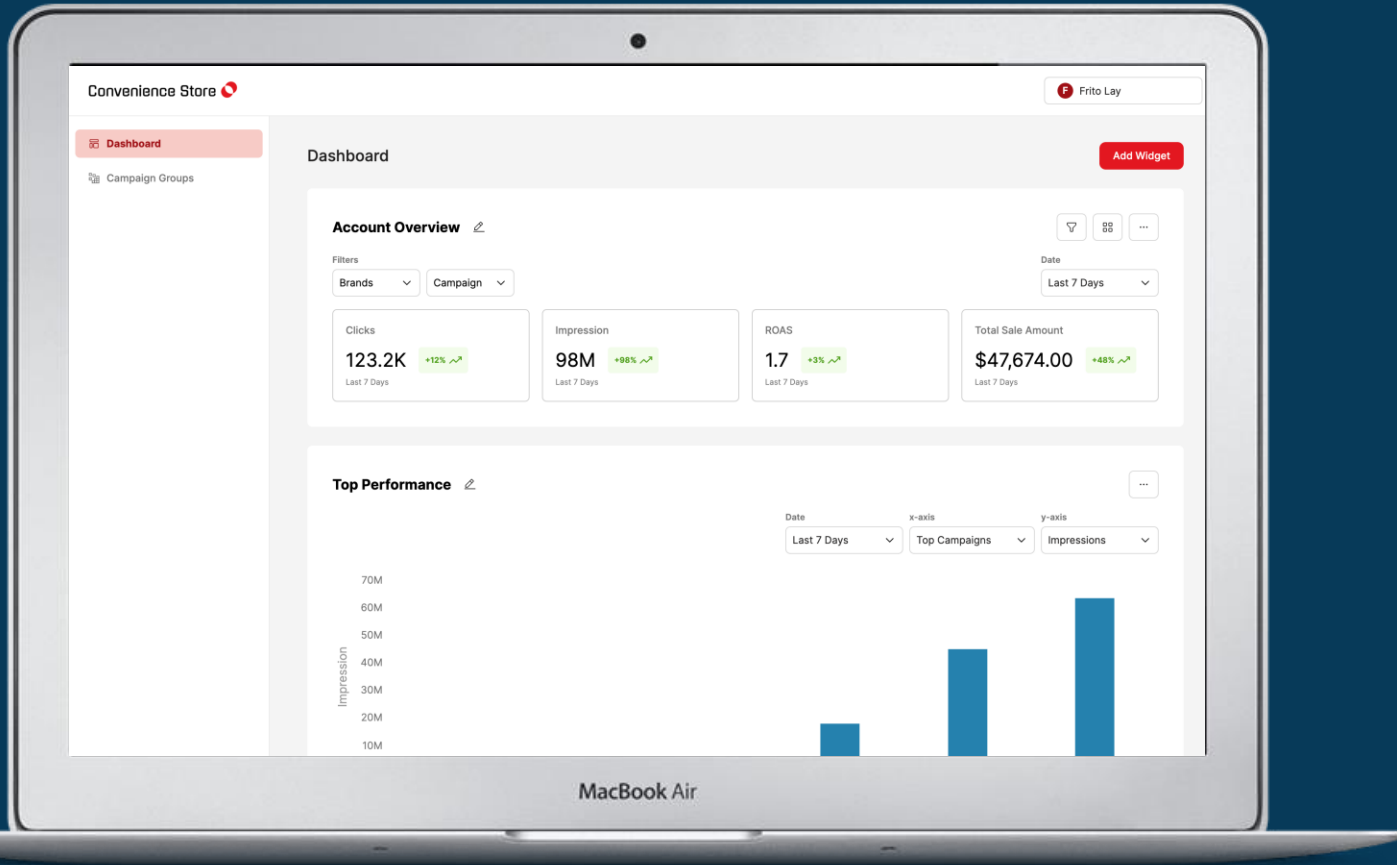
THE NEW COMMERCE MEDIA SUPPLY CHAIN



 **Convert**

is a unified self-service advertising platform for commerce media, combining onsite and offsite capabilities

INTRODUCING A NEW INDUSTRY PARADIGM FOR THE COMMERCE MEDIA SUPPLY CHAIN OF THE FUTURE



COMMERCE
OFFERING
LAUNCH
PARTNERS

dentsu

IPG

lyft

MiQ

wallapop

STRATEGICALLY POSITIONED FOR LONG-TERM, DURABLE GROWTH



Optimizing capacity to accelerate shift towards higher value formats and channels



Expanding our total addressable market with focused innovation

Drivers of Market Consolidation

OMNICHANNEL PLATFORM

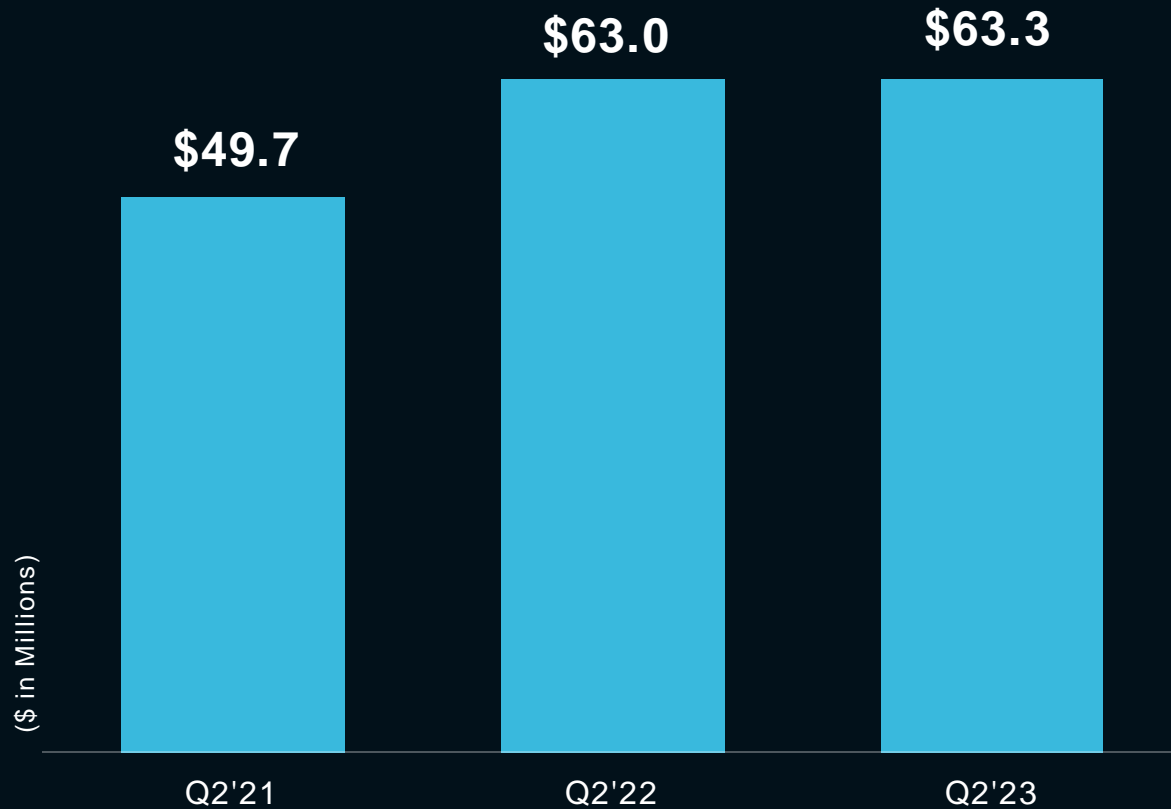
GLOBAL SCALE

STRONG FINANCIAL PROFILE

Financial Results

Q2 FINANCIAL HIGHLIGHTS

REVENUE



GAAP NET INCOME

(\$5.7M)

-9% NET INCOME MARGIN

ADJUSTED EBITDA¹

\$12.0M

19% ADJ. EBITDA MARGIN

FREE CASH FLOW²

\$10.8M

On June 30, 2023, a Demand Side Platform buyer filed for Chapter 11 bankruptcy. As a result of this bankruptcy, we recorded incremental bad debt expense of \$5.7M which is reflected in our GAAP net income and adjusted EBITDA results for the period

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

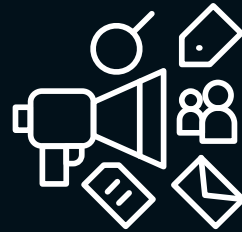
² Free Cash Flow is a non-GAAP measure. A reconciliation of free cash flow to net cash flow provided by (used in) operating activities is provided in the Appendix.

DIVERSIFIED GROWTH DRIVERS OFFSET CHALLENGING AD SPEND ENVIRONMENT



Q2 2023 YOY
CONNECTED TV
REVENUE GROWTH

30%+



Q2 2023 YOY
REVENUE GROWTH OF
TOP 10 AD VERTICALS

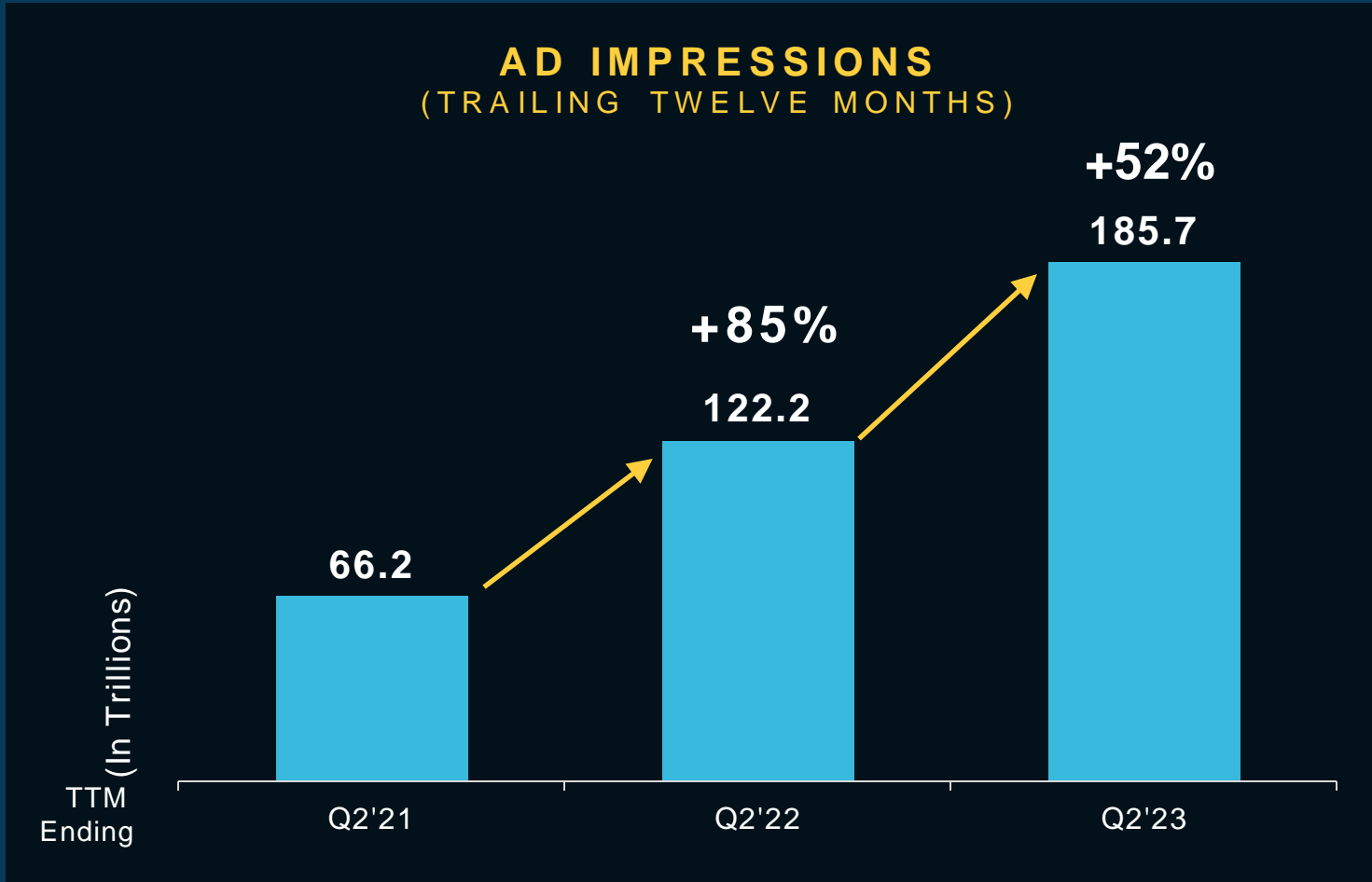
8%



Q2 2023 YOY
EMEA REVENUE
GROWTH

16%

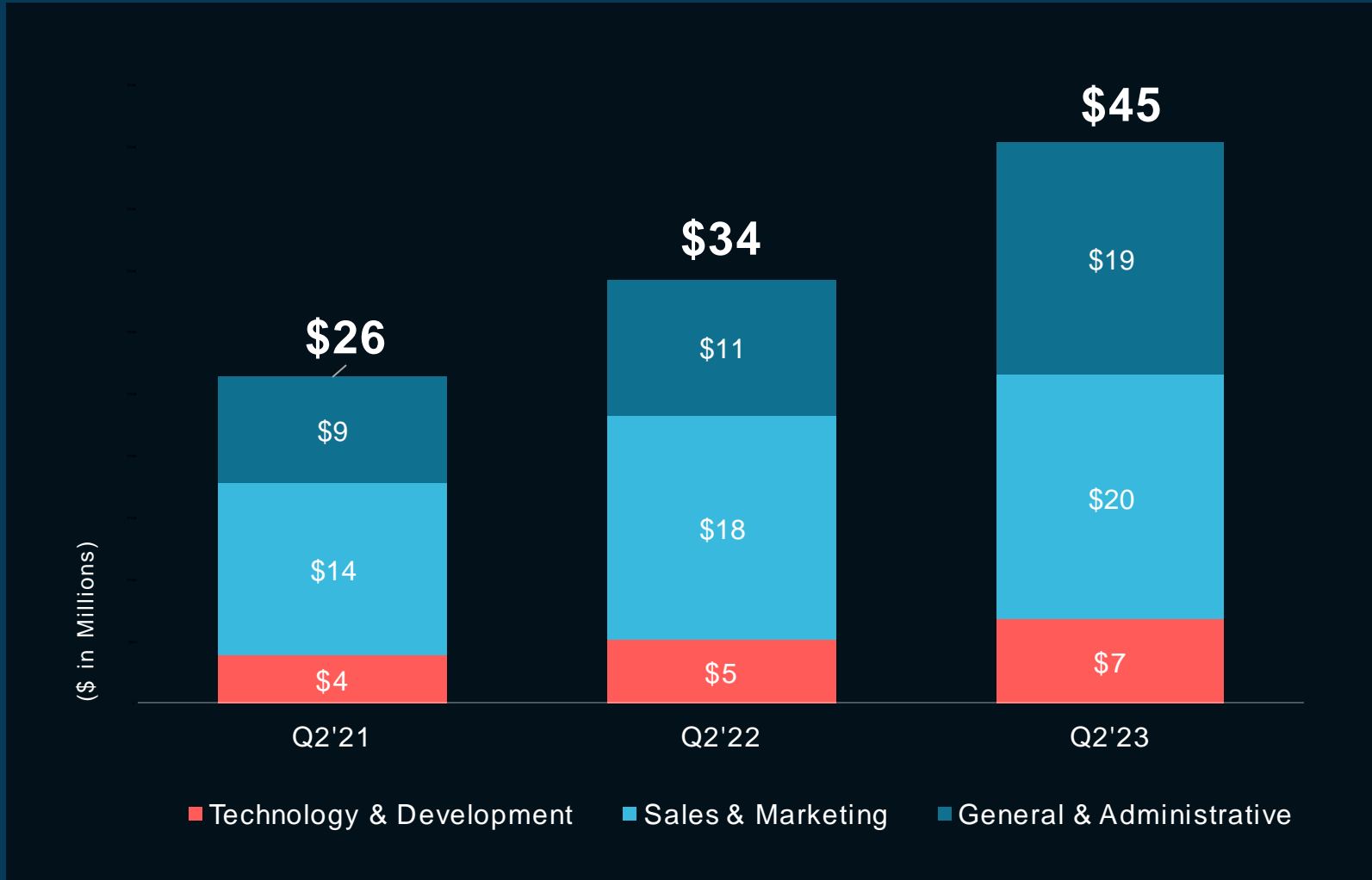
OWNED & OPERATED INFRASTRUCTURE DRIVING DOWN UNIT COSTS WHILE IMPROVING CUSTOMER OUTCOMES



~70%
YOY REDUCTION IN TOTAL
CAPEX FOR 2023 COMPARED
TO 2022

85%
MARGINAL PROFITABILITY¹
IN Q2 2023

OPERATING EXPENSES: TARGETED INVESTMENTS FOR GROWTH



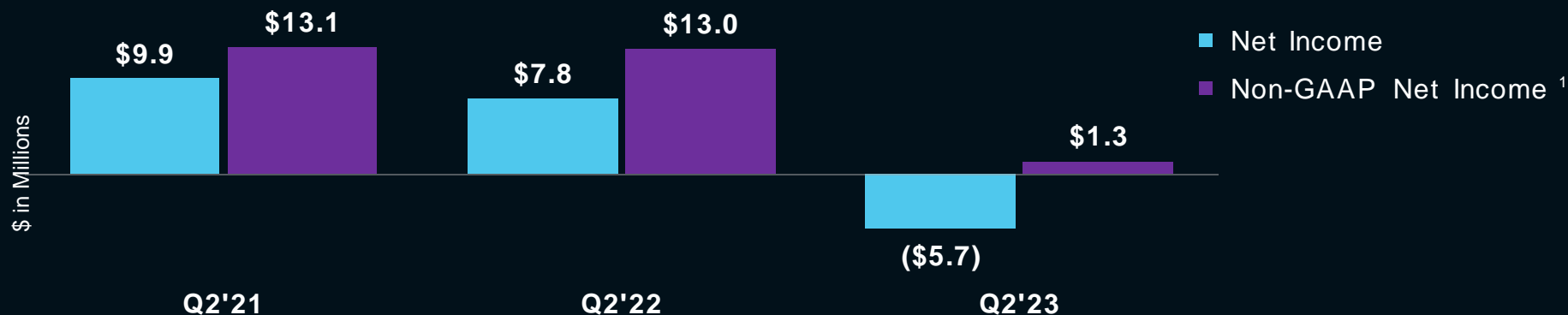
DRIVERS

- Q2'23 operating expenses include incremental costs for Martin acquisition of \$2.1M
- Q2'23 operating expenses include a one-time bad debt expense of \$5.7M
- Q2 operating expenses increased less than 10% after adjusting for these incremental costs

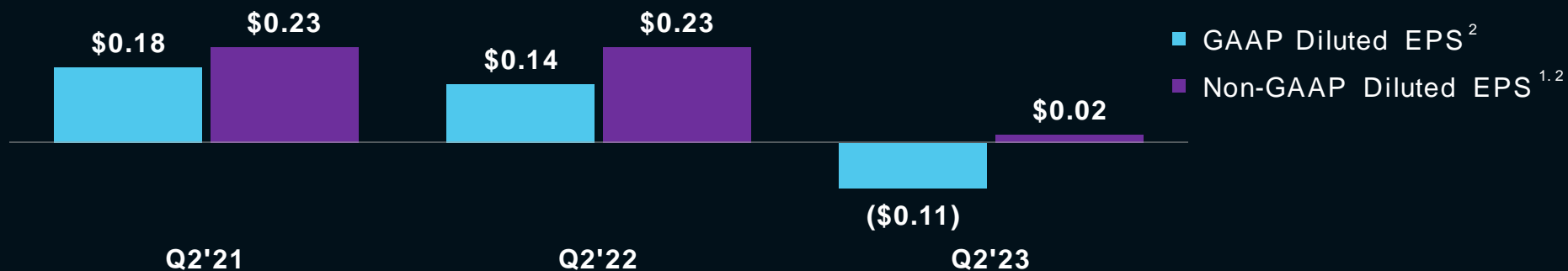
Subtotals for each bar may not add up to total due to rounding.

GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE

GAAP AND NON-GAAP NET INCOME



GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE

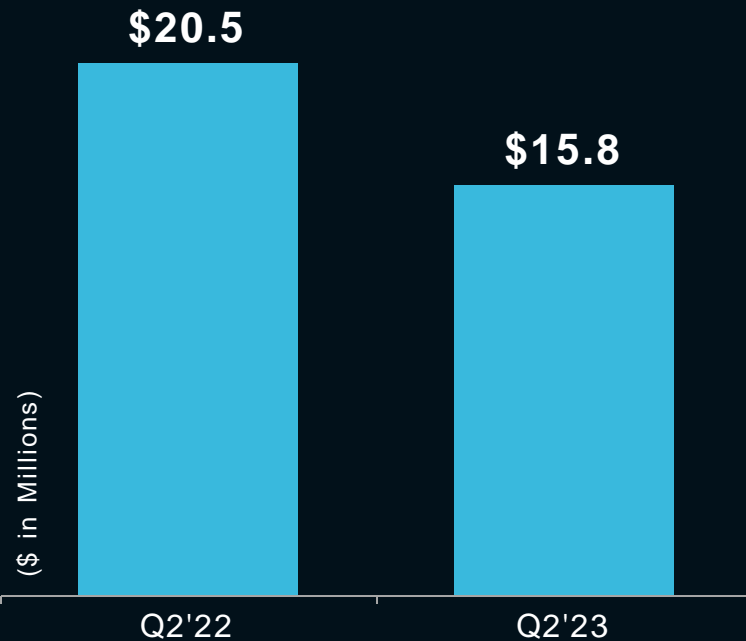


¹Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP measures. A reconciliation of Non-GAAP net income to net income is provided in the Appendix. ²EPS = Earnings per share

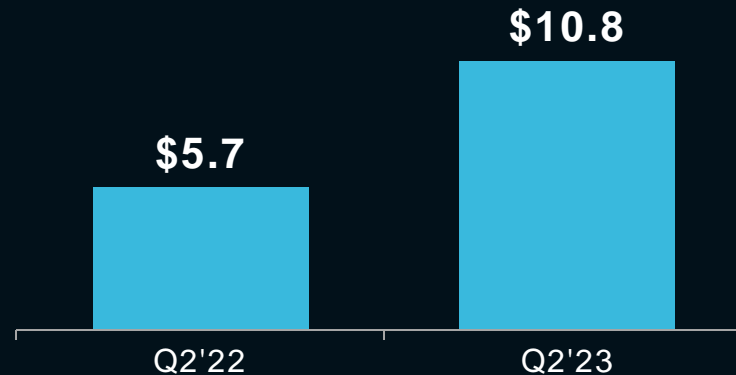
³On June 30, 2023, a Demand Side Platform buyer filed for Chapter 11 bankruptcy. As a result of this bankruptcy, we recorded incremental bad debt expense of \$5.7M which is reflected in our GAAP net income and adjusted EBITDA results for the period
 Note: Numbers rounded for presentation purposes

DELIVERING CASH FLOW

NET CASH PROVIDED BY OPERATING ACTIVITIES



FREE CASH FLOW¹



STOCK REPURCHASE PROGRAM (AS OF 7/31/23)

\$27M

**CASH USED TO REPURCHASE
1.8M SHARES
(~3% FDSO²)**

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.

² FDSO = fully diluted shares outstanding.

Note: Numbers rounded for presentation purposes

Q3 2023 GUIDANCE

(\$ in Millions)	Q3 2023	
	Low	High
Revenue	\$58	\$61
Adjusted EBITDA	\$13	\$15
Adjusted EBITDA Margin	22%	25%

Note: Numbers rounded for presentation purposes

FY 2023 we expect CapEx to be in the range of \$10M - \$13M
(vs. \$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



**GENERATE
SIGNIFICANT FREE
CASH FLOWS**



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



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

Appendix

NON-GAAP RECONCILIATION – ADJUSTED EBITDA

(\$ in Millions)	Three Months Ended June 30,		
	2021	2022	2023
Net Income	\$9.9	\$7.8	(\$5.7)
Add back (deduct):			
Stock-Based Compensation	3.6	5.4	7.3
Unrealized gain(loss) on equity investments	-	0.9	-
Depreciation and Amortization	5.1	7.3	10.9
Interest Income	(0.1)	(0.3)	(2.2)
Acquisition-related and other expenses	-	-	1.2
Provision for Income Taxes	-	1.9	0.5
Adjusted EBITDA	\$18.6	\$23.0	\$12.0
Revenue	\$49.7	\$63.0	\$63.3
Adjusted EBITDA Margin	37%	37%	19%

NON-GAAP NET INCOME RECONCILIATION

(\$ in Millions, except for Non-GAAP Diluted EPS ¹)	Three Months Ended June 30,		
	2021	2022	2023
Net Income	\$9.9	\$7.8	(\$5.7)
Add back (deduct):			
Stock-Based Compensation	3.6	5.4	7.3
Unrealized (gain)loss on equity investments	-	0.9	-
Acquisition-related and other expenses	-	-	1.2
Adjustment for income tax benefit on stock-based compensation	(0.5)	(1.1)	(1.4)
Non-GAAP Net Income	\$13.1	\$13.0	\$1.3
Non-GAAP Diluted EPS¹	\$0.23	\$0.23	\$0.02
Revenue	\$49.7	\$63.0	\$63.3
Non-GAAP Net Income Margin	26%	21%	2%

Note: Numbers rounded for presentation purposes

¹ EPS = Earnings per share.

FREE CASH FLOW RECONCILIATION

(\$ in Millions)	Three Months Ended June 30,		
	2021	2022	2023
Net Cash provided by (used in) Operating Activities	\$21.1	\$20.5	\$15.8
Deduct:			
Purchases of Property and Equipment	(11.5)	(12.2)	(1.1)
Capitalized Software Development Costs	(1.8)	(2.5)	(3.9)
Free Cash Flow	\$7.7	\$5.7	\$10.8
Revenue	\$49.7	\$63.0	\$63.3
Free Cash Flow Margin	16%	9%	17%

Note: Numbers rounded for presentation purposes