

PubMatic

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Q4 and FY 2022 Earnings Presentation

TOKYO MILAN NEW DELHI LOS ANGELES
FUELING ADVERTISING INNOVATION

February 28, 2023

SAFE HARBOR

This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of Q1 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, 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.

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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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FY 2022 FINANCIAL HIGHLIGHTS

REVENUE

\$256.4M

+13% YOY

GAAP NET INCOME MARGIN¹

11%

\$28.7 MILLION

ADJ. EBITDA MARGIN²

38%

\$98.0 MILLION

NET CASH FROM
OPERATIONS

\$87M

FREE
CASH FLOW³

\$38M

¹ FY 2022 GAAP Net Income includes \$5.9 million unrealized loss on equity investments.

² Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. A reconciliation of Adjusted EBITDA to net income is provided on a separate slide in this presentation.

³ 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).

Q4 2022 FINANCIAL HIGHLIGHTS

REVENUE

\$74.3M

-1.7% YOY

GAAP NET INCOME
MARGIN¹

17%

\$12.8 MILLION

ADJ. EBITDA
MARGIN²

44%

\$32.6 MILLION

OMNICHANNEL
VIDEO REVENUE YOY

25%

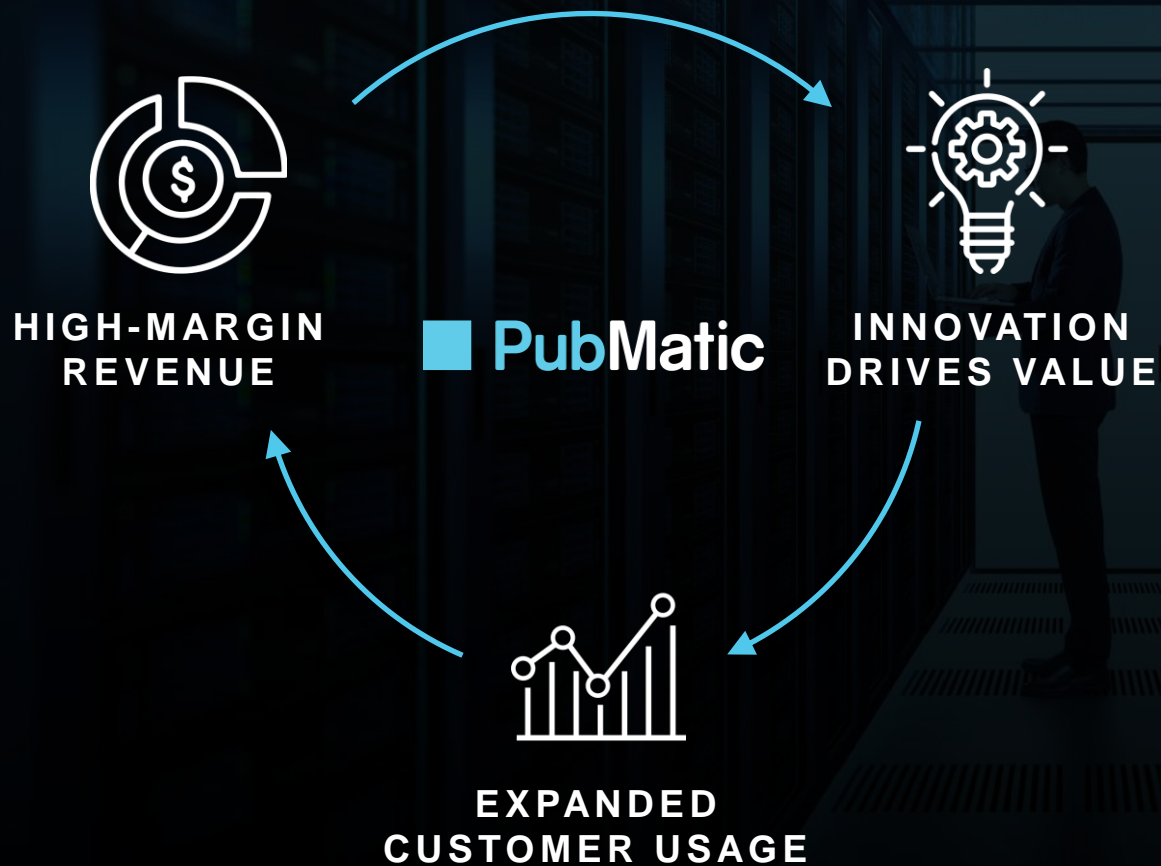
CTV REVENUE
YOY

OVER 2X

¹ FY 2022 GAAP Net Income includes \$5.9 million unrealized loss on equity investments.

² Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. A reconciliation of Adjusted EBITDA to net income is provided on a separate slide in this presentation.

TRANSLATING ECONOMIC CHALLENGES INTO A COMPETITIVE ADVANTAGE FOR GROWTH



PubMatic Competitive Advantage

STRONG FINANCIAL PROFILE

OWNED & OPERATED INFRASTRUCTURE

ROBUST GO TO MARKET TEAM

HIGHLY FOCUSED INNOVATION

OPEN INTERNET OPPORTUNITY DRIVING MARKET SHARE GAINS

ESTIMATED PUBMATIC
MARKET SHARE¹

4-4.5%

LONG-TERM MARKET SHARE
OBJECTIVE

20%+

VALUE OF INDEPENDENT TECHNOLOGY



Efficiency



Transparency



Control



Quality

¹ In 2022. Excludes China.

OUR TOTAL ADDRESSABLE MARKET IS EXPANDING

HIGH GROWTH FORMATS



CTV / OTT



Online Video



Mobile App



GEOGRAPHIC EXPANSION



France



Spain



S. Korea



China

TOTAL PUBLISHERS CUSTOMERS
IN Q4 2022

1,600+

GO TO MARKET FOCUS ON EXPANDING PREMIUM PUBLISHER RELATIONSHIPS

PORTFOLIO OF STICKY PRODUCTS & SOLUTIONS



Wrapper



Mobile App SDK



Identity Solutions



Data Solutions

2022 PUBLISHER INITIATED
LOGO RETENTION¹

97%

2022 NET DOLLAR-BASED REVENUE
RETENTION²

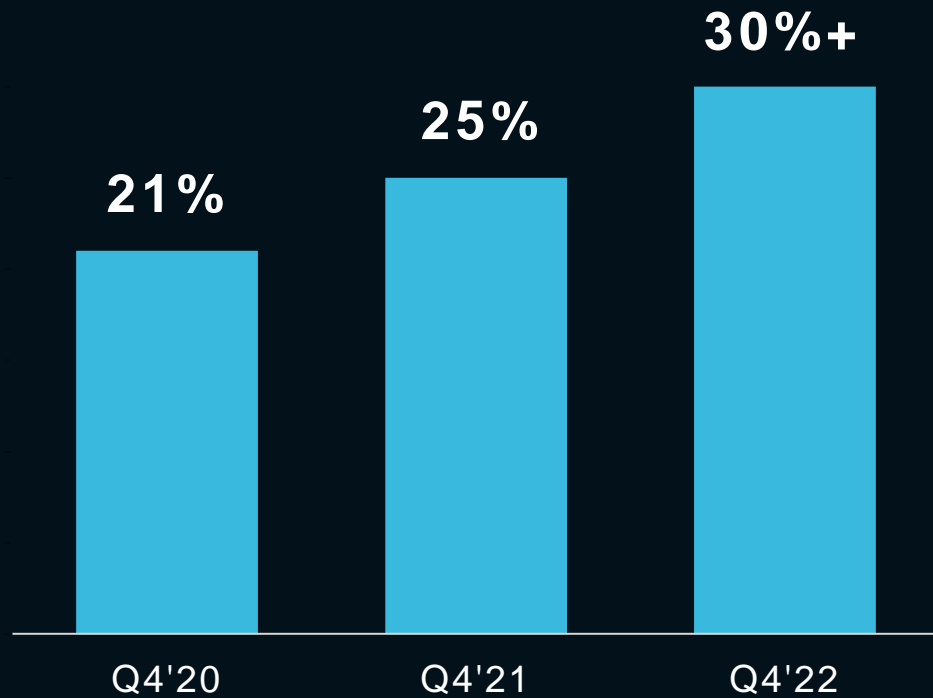
108%

¹ Represents how many customers that generated revenue in 2021, also generated revenue in 2022.

² 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.

BUYERS ARE CONSOLIDATING THEIR MEDIA SPEND ON PUBMATIC

SPO SHARE OF TOTAL ACTIVITY



CONTINUE
TO EXPAND
RELATIONSHIPS
WITH AGENCIES

group^m

havas
media group

horizonmedia

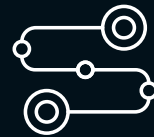
ACCELERATING CADENCE OF PRODUCT INNOVATION TO FUEL FUTURE GROWTH



2022 YOY INCREASE IN
PRODUCT & FEATURE
RELEASES

30%

PRIORITY AREAS FOR 2023 INVESTMENT



Supply Path Optimization



Retail Media

SOLID FOUNDATION FOR LONG-TERM SUCCESS



Economic environment favors scaled companies that are efficient, innovative, nimble and profitable



Aligned investment strategy and optimize for maximum productivity

Long Track Record of Financial Strength

CONSISTENT PROFITABILITY

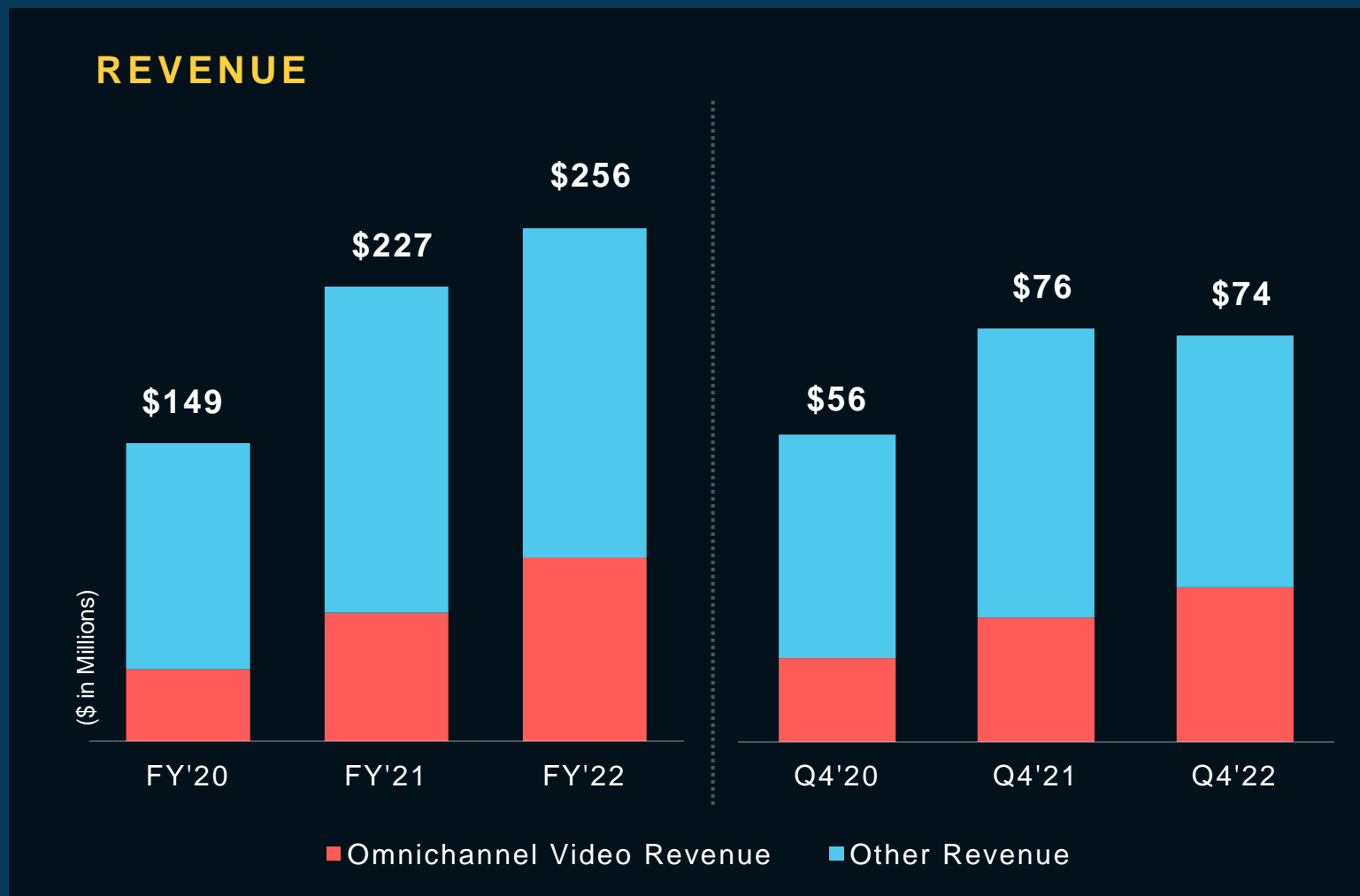
STRONG BALANCE SHEET

HEALTHY FREE CASH FLOW

ZERO DEBT

Financial Results

FY REVENUE GROWTH OUTPACED MARKET GROWTH

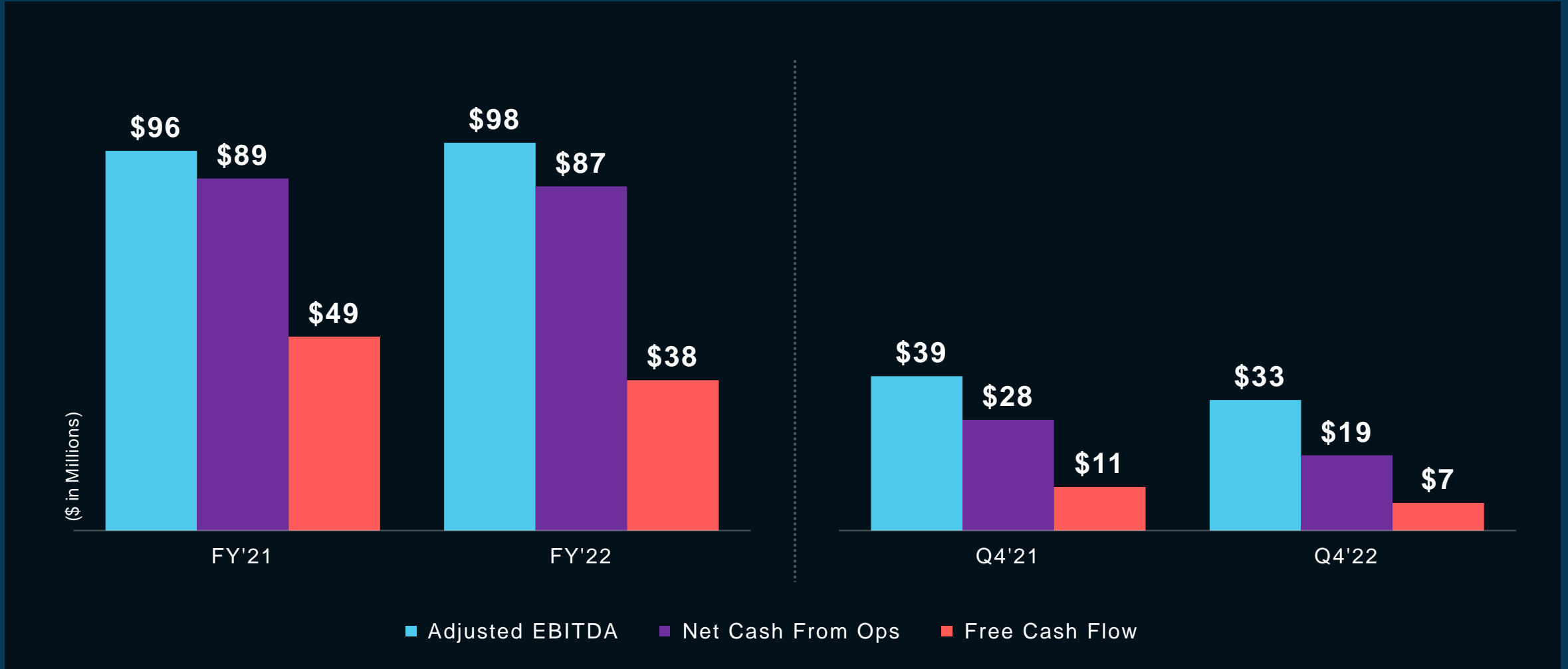


FY REVENUE
13% YOY

FY OMNICHANNEL VIDEO
42% YOY

2022 REVENUE
2X 2019

CONSISTENT AND DIFFERENTIATED FINANCIAL RESULTS



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

2 Cash flow from operations is net cash provided by operating activities.

3 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).

STRONG PUBLISHER AND BUYER RELATIONSHIPS DRIVE REVENUE RETENTION



**2022 NET DOLLAR
REVENUE RETENTION RATE¹
OF PUBLISHERS**

108%



**2022 SPO BUYER NET SPEND
RETENTION RATE² FOR BUYERS
WITH A 3+ YEAR TENURE**

124%

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

PLATFORM DIVERSITY FUELS GROWTH AND RESILIENCY

DIMENSIONS OF PLATFORM DIVERSITY

OMNICHANNEL
REVENUES

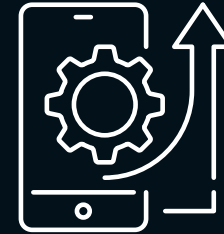
AD VERTICAL
SPENDING

GEOGRAPHIES



Q4 2022
OMNICHANNEL VIDEO¹
SHARE OF REVENUE

34%



Q4 2022
MOBILE ADVERTISING
SHARE OF REVENUE

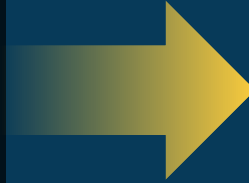
57%

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

MULTIPLE BUSINESS MODEL LEVERS



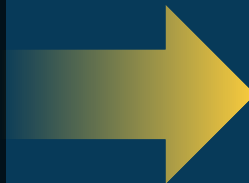
**Owned & Operated
Infrastructure**



**Expect 50%+ reduction in
2023 capex investment**



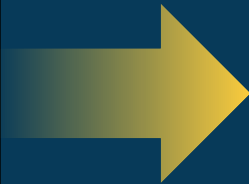
**Efficient
Development Org**



**\$30M+ in annual savings by
leveraging off-shore
development resources**

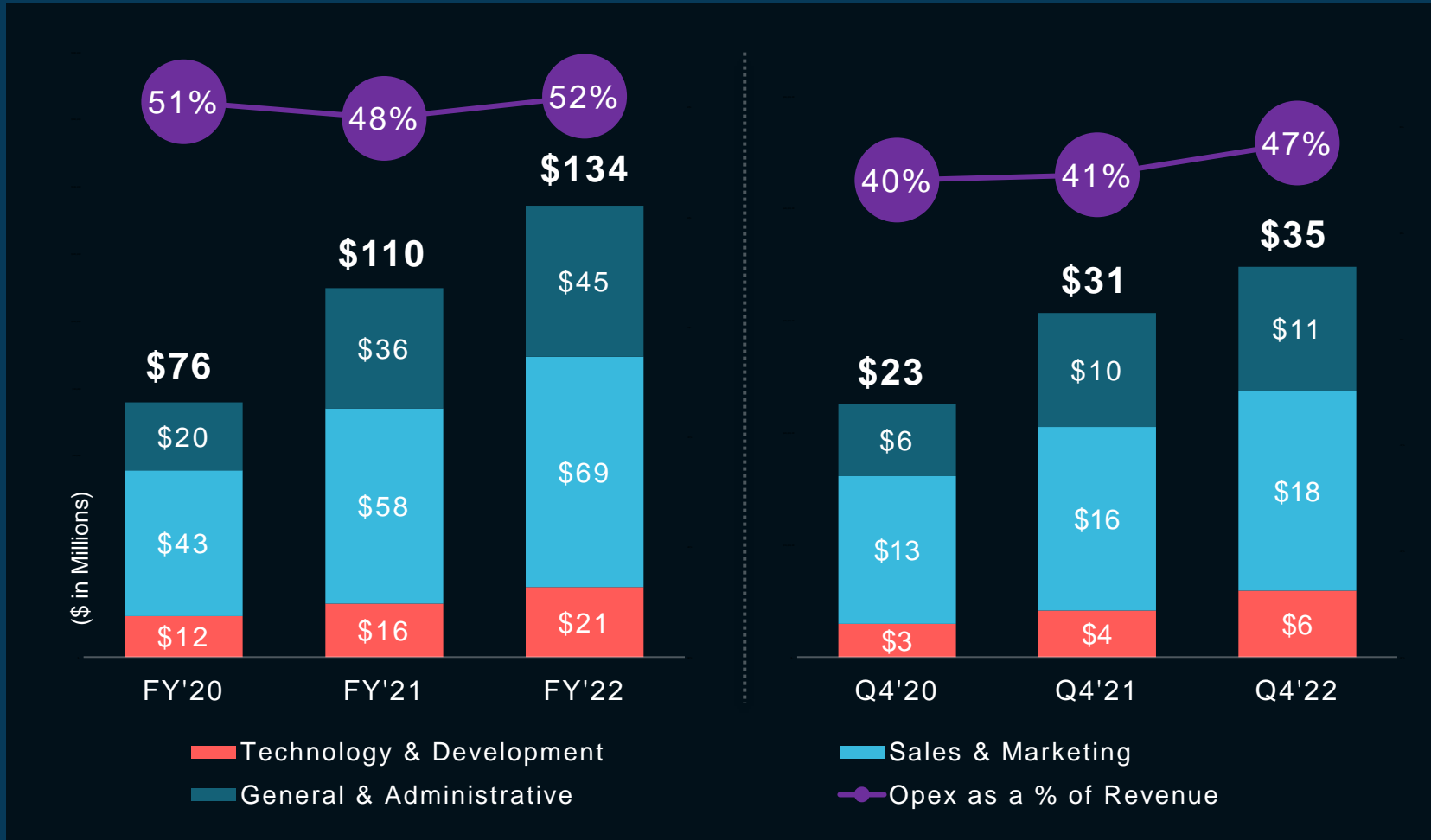


**Operational
Excellence**



**\$10M contributed to 2H'22
bottom line by adjusting
expenses and investments**

GAAP OPERATING EXPENSES: INVESTING FOR GROWTH



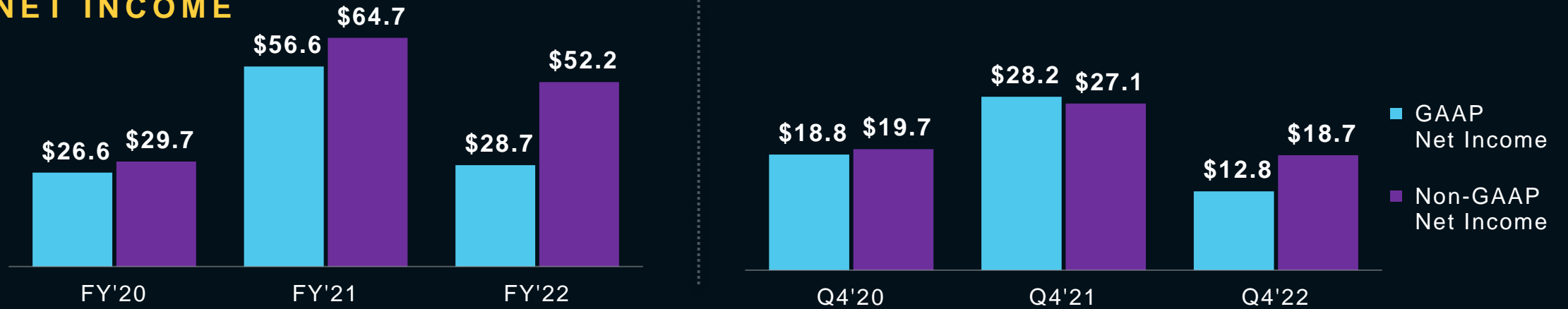
DRIVERS

- Increased headcount by 23% with majority hired for India technical team
- Opex includes incremental costs for Martin acquisition of \$3.3M and \$2.0M in FY'22 and Q4'22, respectively; stock-based compensation of \$22.1M and \$5.9M in FY'22, and Q4'22, respectively

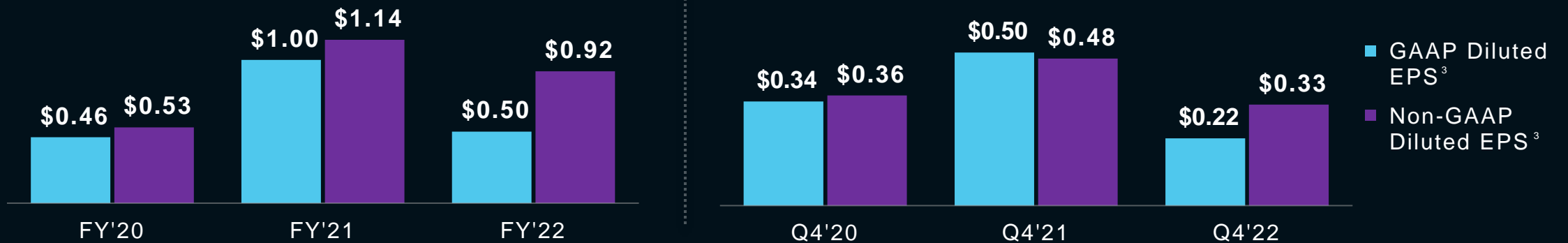
Subtotals for each bar may not add up to total due to rounding.

NET INCOME AND DILUTED EARNINGS PER SHARE

NET INCOME



DILUTED EARNINGS PER SHARE

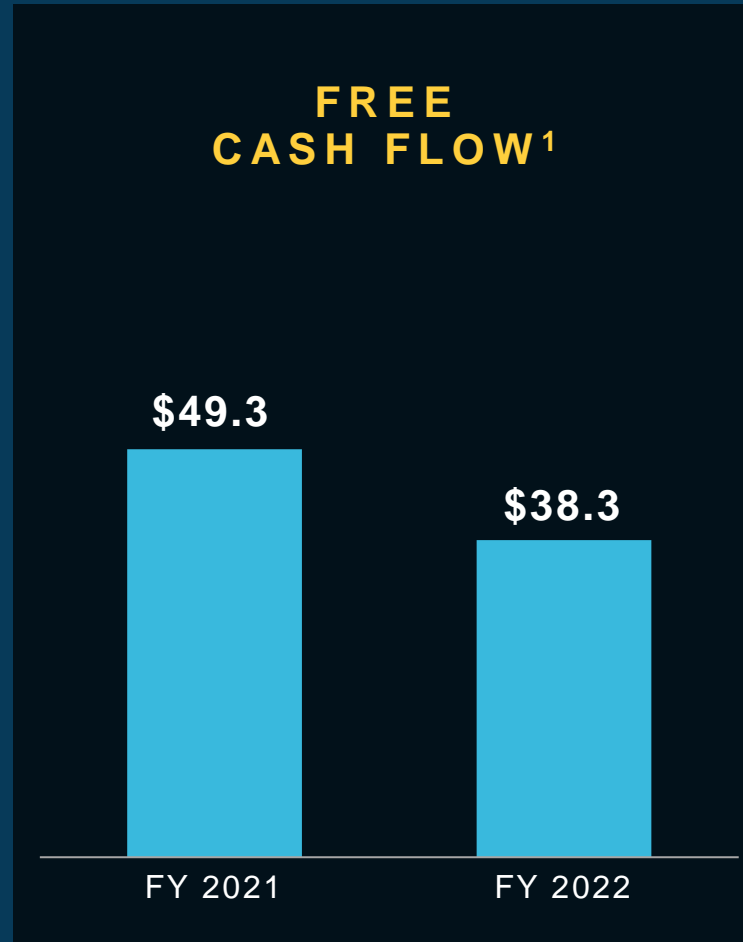
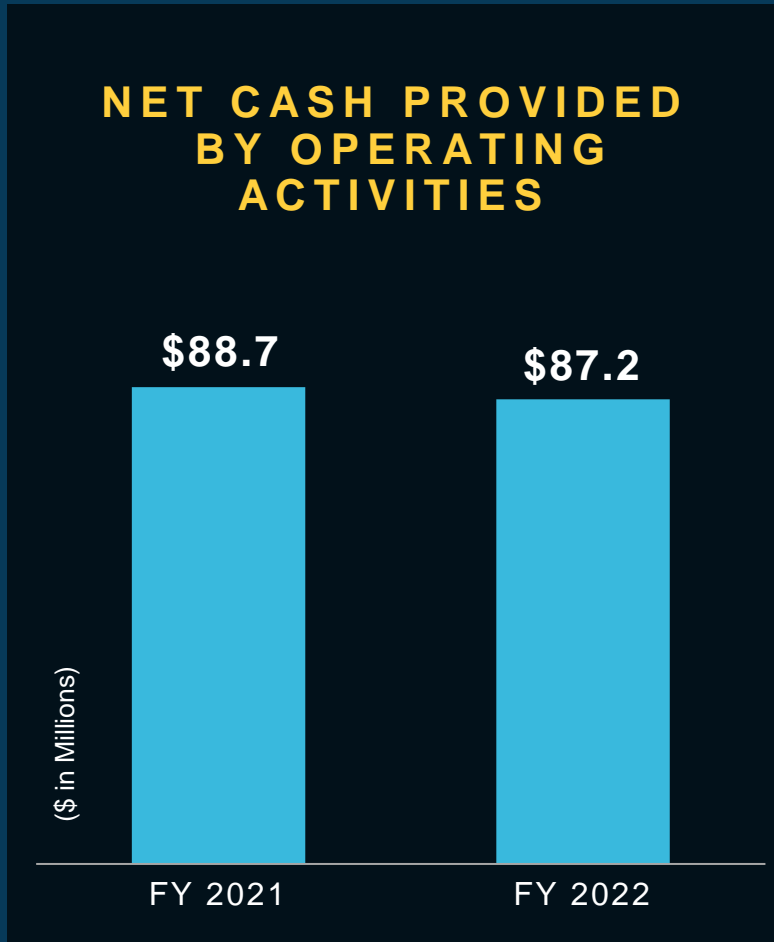


¹Q4 2021 and FY 2021 GAAP Net Income include an unrealized gain on equity investments before tax of \$5.4M. FY 2022 GAAP Net Income includes \$5.9 million unrealized loss on equity investments.

²Non-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 of this presentation.

³EPS = Earnings per share

FOCUS ON CASH FLOW



ANNOUNCING STOCK REPURCHASE PROGRAM

\$75M

CLASS A COMMON SHARES
THROUGH 2024

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.

2023 OPERATING PRIORITIES



**GENERATE SIMILAR
FREE CASH FLOWS
AS 2022**



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



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

2023 GUIDANCE

(\$ in Millions)	Q1 2023	
	Low	High
Revenue	\$50	\$52
Adjusted EBITDA	\$4	\$6
Adjusted EBITDA Margin	8%	12%

Note: Numbers rounded for presentation purposes

FY 2023 we expect:

- Adjusted EBITDA margin to be 30%+
- Free cash flow similar to 2022
- CapEx to be in the range of \$13M – \$16M (>50% 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.

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**

Appendix

NON-GAAP RECONCILIATION – ADJUSTED EBITDA

(\$ in Millions)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2020	2021	2022	2020	2021	2022
Net Income	\$18.8	\$28.2	\$12.8	\$26.6	\$56.6	\$28.7
Add back (deduct):						
Stock-Based Compensation	1.1	3.6	5.5	3.6	14.1	20.6
Unrealized gain(loss) on equity investments	-	(5.4)	-	(5.4)	(5.4)	5.9
Depreciation and Amortization	4.2	7.1	10.7	15.7	23.1	34.3
Interest Income	(0.1)	(0.1)	34.3	(0.5)	(0.3)	(2.2)
Acquisition-related and other expenses	-	-	0.8	-	-	1.9
Provision for Income Taxes	2.9	5.5	4.0	5.0	8.2	8.8
Adjusted EBITDA	\$26.9	\$38.9	\$32.6	\$50.3	\$96.2	\$98.0
Revenue	\$56.2	\$75.6	\$74.3	\$148.8	\$226.9	\$256.4
Adjusted EBITDA Margin	48%	51%	44%	34%	42%	38%

Note: Numbers rounded for presentation purposes

NON-GAAP NET INCOME RECONCILIATION

(\$ in Millions, except for Non-GAAP Diluted EPS ¹)	Three Months Ended December 31, Twelve Months Ended December 31,					
	2020	2021	2022	2020	2021	2022
Net Income	\$18.8	\$28.2	\$12.8	\$26.6	\$56.6	\$28.7
Add back (deduct):						
Stock-Based Compensation	1.1	3.6	5.5	3.6	14.1	20.6
Unrealized (gain)loss on equity investments	-	(5.4)	-	-	(5.4)	5.9
Acquisition-related and other expenses	-	-	0.8	-	-	1.9
Adjustment for income tax benefit on stock-based compensation	(0.2)	0.7	(0.4)	(0.5)	(0.6)	(5.0)
Non-GAAP Net Income	\$19.7	\$27.1	\$18.7	\$29.7	\$64.7	\$52.2
Non-GAAP Diluted EPS¹	\$0.36	\$0.48	\$0.33	\$0.53	\$1.14	\$0.92
Revenue	\$56.2	\$75.6	\$74.3	\$148.7	\$226.9	\$256.4
Non-GAAP Net Income Margin	35%	36%	25%	20%	29%	20%

Note: Numbers rounded for presentation purposes

FREE CASH FLOW RECONCILIATION

(\$ in Millions)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2020	2021	2022	2020	2021	2022
Net Cash provided by (used in) Operating Activities	\$8.6	\$28.5	\$19.4	\$24.3	\$88.7	\$87.2
Deduct:						
Purchases of Property and Equipment	(11.3)	(7.6)	(8.9)	(24.2)	(30.4)	(35.9)
Capitalized Software Development Costs	(1.6)	(2.2)	(3.4)	(7.2)	(8.9)	(13.0)
Free Cash Flow	(\$4.3)	\$18.7	\$7.0	(7.1)	49.3	38.3
Revenue	\$56.2	\$75.6	\$74.3	\$148.7	\$226.9	\$256.4
Free Cash Flow Margin	(8%)	25%	9%	(5%)	22%	15%

Note: Numbers rounded for presentation purposes