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PRESENTATION

Operator

Good afternoon. Welcome to Magnite's First Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note that this event is being recorded.

I would now like to turn the conference over to Nick from Investor Relations. Please go ahead.

Nick Kormeluk - *Magnite, Inc. - VP of IR & Head of Global Real Estate*

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's First Quarter 2021 Earnings Conference Call.

As a reminder, the comparisons you will see in the 10-Q as reported include the financial results of Telaria for the first quarter of 2021, but for the first quarter of 2020, the results do not include Telaria given the merger date of April 1, 2020. During the course of this call, when we refer to results and associated year-over-year comparisons with the phrase as reported, we are referring to the basis as reported in our 10-Q. When we make comments referring to pro forma comparisons, we are including Telaria for the first quarter of 2020 in order to provide additional detailed insight that management also uses to evaluate our business performance.

When discussing pro forma information as it relates to the SpotX acquisition, we are also including the preliminary and unaudited results of SpotX for the relevant period. The closing date of our SpotX acquisition was April 30, 2021. As a result, please keep in mind that our reported results for Q2 2021 will only include 2 out of 3 months for the quarter. We will be referencing revenue results for SpotX for Q1 2021. These results are preliminary and unaudited and are subject to change.

As a reminder, this conference call is being recorded. Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlight slides to our Investor Relations website to accompany today's presentation.

Before we get started, I'll remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements, including, but not limited to, statements concerning our anticipated financial performance and strategic objectives,

including the potential impacts of COVID-19 on our business as well as statements concerning the acquisition of SpotX and the potential benefits and synergies we expect to realize therefrom.

These statements are not guarantees of future performance. They reflect our current views with respect to future events and are based on assumptions and estimates and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. A discussion of these and other risks, uncertainties and assumptions is set forth in the company's periodic reports filed with the SEC, including our 2020 annual report on Form 10-K and our 10-Q for Q1 2021. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including adjusted EBITDA; non-GAAP income per share; and with respect to pro forma comparisons that include SpotX results and our expectations for Q2 2021, revenue excluding traffic acquisition cost, also referred to as revenue ex TAC. We had previously used the term non-GAAP net revenue for this metric but will be using revenue ex TAC going forward to standardize to this more commonly used terminology. Reconciliations between GAAP and non-GAAP metrics for all our reported results and the preliminary unaudited SpotX results can be found in our earnings press release and in the financial highlights deck that is posted on our Investor Relations website.

At times, in response to your questions, we may offer incremental metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be onetime in nature, and we may or may not provide an update in the future of these metrics. I encourage you to visit our Investor Relations website to access our press release, financial highlights deck, periodic SEC reports and webcast replay of today's call to learn more about Magnite.

I will now turn the call over to Michael. Michael, please go ahead.

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

Thank you, Nick.

You've heard us talk in the past about the attractive CTV opportunity. Following the very recent close of our SpotX acquisition, this gets even more exciting as we believe we are clearly a leading independent CTV platform. Prior to SpotX, I was very pleased with our CTV team, business, traction with customers and technology prowess to serve industry-leading customers like Disney. But adding SpotX to our business is transformational and immediately gives us much greater scale with a broadened offering, specifically in additional software capabilities and in a very attractive and strategic managed service business.

We believe the combination is transformative because it immediately gives us critical mass and scale in CTV and more than doubles the size of our CTV business, which would have represented 35% of revenue ex TAC in Q1 on a combined pro forma basis. It brings us direct relationships with clients like Roku, and deeper relationships with Samsung, ViacomCBS, NBC, Discovery-Scripps, Fubo, Pluto, VIZIO and others. It more than triples our dev team in CTV, giving us tremendous resources to support customers and accelerate technology development. It gives us a managed services capability, which serves as a very powerful onboarding ramp to move ad dollars from linear TV to CTV, and it creates access to a larger pool of data to help accelerate our best-in-class identity solutions for CTV and OLV ecosystems.

Let's now shift gears and dig into Q1 revenue results for both companies. First, Magnite. Magnite stand-alone results for Q1 included revenue of \$60.7 million for Q1 2021, up 67% from Q1 2020 on an as reported basis, and up 18% on a pro forma basis, inclusive of Telaria. CTV revenue of \$12 million, representing an increase of 32% year-over-year on a pro forma basis. SpotX's preliminary and unaudited stand-alone results for Q1 included revenue ex TAC of \$31.2 million, up 45% year-over-year, of which \$19.7 million was attributable to CTV, up 70% year-over-year.

At a high level, combined on a pro forma basis, including SpotX's Q1 2021, we would have had \$91 million in total revenue ex TAC, representing 58% year-over-year growth, and \$32 million in CTV revenue ex TAC, representing 53% year-over-year growth. Our results reflected strong growth in core programmatic business across channels with high profitability and margin expansion. SpotX's results far exceeded our expectations and showed clear signs that they are executing well on their strategy, especially in CTV. They captured linear TV ad dollars through their managed

service business and had healthy contribution from software services. These results help show the financial power of the combined company and highlight CTV's revenue growth momentum. We have line of sight for total revenue ex TAC of well over \$0.5 billion in 2022, with future adjusted EBITDA margins in the 30s.

Our strategy for CTV doesn't change with SpotX's pairing, only amplifies our executional surety, scale and future industry leadership. Our strategy to grow CTV revenue is twofold. First part is to convert direct CTV deals that are currently being sold by in-house reps into programmatic channels. Second is to facilitate and accelerate linear TV ad dollars moving over to CTV. As a programmatic-first platform, our success in CTV has largely come from winning additional programmatic share within the CTV bucket or Step 1 of our strategy. This has been particularly effective with digital-first CTV publishers like Pluto, Hulu and Tubi.

With our acquisition of SpotX, we now have more powerful tools for the second prong of the strategy, accelerating the shift of linear TV ad dolls to programmatic CTV. SpotX brings a very robust managed service offering that is directly aimed at capturing these linear ad dollars. It provides traditional TV advertisers that are used to transacting to insertion orders and purchasing within the upfronts and scatter market with a comfortable on-ramp into digital CTV. Together, we are the clear independent industry leader, have much greater scale, more inventory, much, much more efficient development road map, greater support resources, product and partner diversity, giving us the opportunity to drive accelerated industry growth.

On the identity front, we feel we are very well prepared for the future. The elimination of third-party cookies makes our role significantly more important than in the past. Most importantly, our pub side solution or audience marketplace, which relies on consented first-party identifiers managed by publishers, continues to grow as a percent of our business and dovetails perfectly with our strategy for CTV. We also saw IDFA restrictions come into play just a couple of weeks ago. This change is very new, and we've not observed any discernible impact yet, but we are well positioned to help the ad community pivot to a new identity framework.

Our business is largely tied to the broader economic recovery in the U.S. and globally, since ad budgets are typically deployed to stimulate demand when marketers are convinced there is customer engagement and follow-through. The long-awaited recovery in very large key sectors of ad spend has begun. This is evident in the following sectors as seen in recent ad spend. Travel has experienced a strong resurgence as seen in spend, travel bookings, theme park reopening and recent commentary from multiple airlines, with a lot of room to continue to grow. Entertainment is staging a comeback with audiences coming back to live sports, concerts, Broadway and movie theaters, all looking to sell seats after a very long drought. And auto has also shown improvement relative to prior trends.

There is a lot to unpack this quarter as it relates to our Q2 guidance. David will cover this in more detail, but I wanted to make a few things very clear. On a combined pro forma basis, CTV was 35% of our business and growing in excess of 50% year-over-year in Q1. Although the Magnite CTV growth rate stand-alone was a bit softer than that, we've seen material acceleration in Q2, allowing us to raise our expectations for the second quarter.

We continue to be on track to exceed industry growth rates for CTV for the full year, and SpotX CTV is seeing continued strength as well. Lastly, as you might expect with SpotX just closing, we have a lot of work ahead of us in integrating 2 very strong and high-performing teams to now serve a broader set of customers. The results of these efforts will be a more scaled and powerful company that can help accelerate the growth of programmatic within the already attractive and fast-growing CTV market and further separate us from the competition.

With that, I will hand things over to David, who will go into greater detail regarding financial performance and expectations. David?

David L. Day - Magnite, Inc. - CFO

Thanks, Michael.

We are pleased to announce a very solid Q1, an update on accelerating business trends since then, details on SpotX performance and an overview on financing for the SpotX acquisition. As Michael mentioned, for Q1, we delivered revenue of \$60.7 million, up 67% from Q1 2020 on an as reported basis and up 18% on a pro forma basis. Growth was led by CTV at 32%, with OLV growing at 13% year-over-year, both on a pro forma basis.

While SpotX had a very robust CTV growth this quarter, we're cognizant that our Q1 CTV performance was lighter in March than we would have liked, and we've seen a noticeable trend improvement as we moved into Q2. This is reflected in our guidance, and our full year outlook continues to outpace the market.

Q1 revenue for mobile increased 20% and desktop grew 10% on a pro forma basis, with mobile growth driven by mobile app supply, in particular from OLV and audio ad formats. Our revenue mix for Q1 2021 was 20% CTV, 46% mobile and 34% desktop.

Operating expenses, which, in our case, includes cost of revenue, for the first quarter were \$74.5 million versus \$47 million in the same period a year ago. Increases were primarily driven by the inclusion of Telaria operating expenses and some relative increases in cost of revenue due to increased amortization resulting from the Telaria merger and from SpotX pre-acquisition related expenses.

On an adjusted EBITDA basis, operating expenses, including cost of revenue for the first quarter, were \$51.4 million as compared to \$33.5 million in Q1 2020, also driven primarily by the addition of the costs resulting from the Telaria merger. Adjusted EBITDA operating expenses were similar to the \$52 million level in Q4 2020.

Our GAAP-based gross margin for the first quarter was 66%, up from 61% in Q1 2020 on an as reported basis. Net loss was \$12.9 million in the first quarter of 2021 as compared to a net loss of \$9.7 million in the first quarter of 2020. Adjusted EBITDA was \$9.4 million resulting in a margin of 15%, slightly higher than originally expected due to benefits on both the revenue and expense side. GAAP loss per share was \$0.11 for the first quarter of 2021, compared to GAAP loss per share of \$0.18 in the same period in 2020. Non-GAAP income per share in the first quarter of 2021 was \$0.03 compared to non-GAAP loss per share of \$0.06 reported for the same period in 2020.

There were 115.3 million weighted average basic and diluted shares outstanding for the first quarter of 2021. The additional shares that were not counted for anti-dilutive calculation purposes in Q1 was approximately 13.2 million shares.

Capital expenditures, both purchases of property and equipment and capitalized internal use software development costs, were \$9.3 million for the first quarter of 2021, in line with our expectations. Free cash flow was slightly positive in the quarter, which we define as adjusted EBITDA less CapEx.

Our acquisition of SpotX closed on April 30. Total consideration consisted of \$640 million in cash and approximately 12.37 million shares for a total value of \$1.14 billion based on the value of our stock on the date of closing. Our financing for the acquisition consisted of the issuance of \$400 million in convertible senior notes and the issuance of a \$360 million senior secured term loan.

We completed the \$400 million convertible senior notes offering prior to the end of Q1. We received net proceeds from this transaction of \$389 million after offering expenses. \$80 million of the proceeds, as per our SpotX purchase agreement, were used to increase the cash component of the purchase price and to correspondingly reduce the number of shares issued. The notes are due in 2026 and bear interest of 25 basis points payable semiannually in arrears. We also utilized \$39 million of the proceeds to purchase a capped call, effectively increasing the conversion premium on the convertible senior notes to 100% or \$91.26 per share.

Subsequent to the end of the quarter and concurrent with the close of the acquisition, we also closed a \$360 million 7-year senior secured term loan facility. The term loan bears interest at LIBOR with a floor of 75 basis points plus 500 basis points. The loan also requires 1% in annual principal payments payable quarterly.

As part of the financing, we also replaced our current SVB line of credit with a 5-year \$52.5 million senior secured revolving credit facility. Additional details related to our convertible notes and senior secured facilities can be found in our 8-K and 10-Q filings.

Our financing resulted in an overall blended interest rate of 3.7%, including the amortization of financing fees. At current interest rates, we expect quarterly total interest expense of approximately \$7.1 million, of which, on average, \$5.4 million would be the cash interest component. Quarterly principal payments will be \$900,000.

At the end of Q1, we had \$469 million in cash and cash equivalents on the balance sheet. As noted, the increase from year-end was driven by the convertible note financing. We expect cash used for deal-related expenses in Q2 2021 to equal approximately \$54 million, consisting of \$21 million in banking fees, \$29 million in debt financing costs and \$4 million in legal and other related expenses. We expect our cash balance at the end of Q1 2021, when accounting for the term loan, payment for SpotX, deal fees, operating expenses and including CapEx for the combined company, to be in the range of \$125 million to \$150 million. As a reminder, our cash balances can swing disproportionately, both up and down, compared to the run rate of our business since we collect and pay the gross amount of flow-through to our sellers while we record revenue primarily on a net basis and even more so with higher revenues with SpotX going forward.

As Michael briefly covered, on a stand-alone basis for Q1 2021, SpotX generated revenue ex TAC of \$31.2 million, up 45% year-over-year, of which \$19.7 million was attributable to CTV, up 70% year-over-year. We continue to target in excess of \$35 million in run rate operating cost synergies, with more than half of the synergies targeted to be realized within the first year of combined operations.

I will now share expectations for our second quarter, which includes only May and June for SpotX since the acquisition closed on April 30. Due to the complexities caused by a mid-quarter close, we will be providing additional details regarding CTV revenue expectations for Q2. We'll also be providing certain growth rate expectations on a pro forma basis as if SpotX had closed on April 1, at the start of the quarter, to provide even more insight on performance. We do not anticipate that we will provide forward-looking CTV-specific revenue expectations in the future.

We expect revenue ex TAC for the second quarter to be in the range of \$92 million to \$96 million. We expect revenue ex TAC attributable to CTV for the second quarter to be in the range of \$30 million to \$34 million. We expect revenue ex TAC attributable to CTV to grow greater than 90% year-over-year for pro forma full quarter Q2 2021, that is as if the SpotX acquisition occurred on April 1, 2021. We expect that adjusted EBITDA operating expenses in Q2, including cost of revenue, will be \$68 million to \$70 million.

Given the many moving parts in our cost base for Q3, including the mid-quarter SpotX acquisition close, increasing costs related to COVID recovery consisting of some additional office event and travel costs, and our SpotX acquisition-related cost synergy initiatives, we're also providing adjusted EBITDA operating expense expectations for Q3. We expect that adjusted EBITDA operating expenses in Q3, including cost of revenue, will be in the range of \$76 million to \$79 million.

Shifting now to our long-term financial targets. We're raising our long-term annual revenue ex TAC growth target from 20% to 25% based on a greater CTV mix now that we've closed the SpotX acquisition. On our last call, we raised our long-term adjusted EBITDA margin targets to 30% to 35% and are keeping those targets as is driven by continued financial leverage, profitability of CTV, the addition of the high-margin SpotX business and our targeted \$35 million-plus of synergy savings. We are thrilled to have closed the SpotX acquisition and look forward to working with our new teammates from SpotX and executing on our integration plans. We also look forward to the acceleration of our CTV business and to the increased and sustainable margins that it will bring and to sharing our first quarterly financial results as a combined company in Q2.

With that, let's open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Laura Martin from Needham.

Laura Anne Martin - *Needham & Company, LLC, Research Division - Senior Research Analyst*

Michael, I would be interested in your thoughts about why the CTV growth is different on a pro forma basis? Like SpotX up at 70%, you guys down at the 32% level on a pro forma basis. And if you care to comment, why Roku's at 100% year-over-year growth was so much higher?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Laura, thanks for the question. Yes. So I think March was a bit of a disappointment for us at Magnite. I think if you look at the combined company going forward, you're just going to have a greater line of CTV products that each kind of address a different sliver of the marketplace. We talked a bit about the SpotX managed service business, which was able to extract linear dollars into CTV, a capability that we did not build out at Magnite, but saw it as something incredibly attractive at SpotX, along with a few other products. But as we said, so we have acceleration in Q2 for Magnite's business. And if you look at the 2 combined, you're 90%-plus growth range for Q2. So all is well there.

And as far as Roku is concerned, I think those owned and operated platforms, they have kind of a different business model, different business metrics. So it's tough to compare us directly to Roku. Obviously, same category, but I think that we feel really good about our long-term position as this leading platform, independent for the open web. And I think the numbers that David shared reflect that and the margins of the business reflect that as well.

Laura Anne Martin - Needham & Company, LLC, Research Division - Senior Research Analyst

Great. And then my follow-up would be, you're doing a lot of business with like Samsung and Disco and Fubo. These are really high-quality names for your CTV opportunity. Could you talk about whether you continue to see consolidation in SSPs behind Magnite as you have in the past?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Thanks, Laura. Yes, I do think that, certainly, on a broader scale legacy Rubicon, the more of the display world, you have a header bidder, header bidding popularity that will necessarily keep a handful of SSPs in business. But when you go into the CTV business, you start to see that SSPs are much less frequently used by platforms, and the ones that are used have outsized share of wallet and inventory. So we're going to, I think that we've built the company now with SpotX that really separates us from anyone else in the industry. We think it creates that separation and acceleration, and we feel very good about our market position vis-a-vis the competition.

Operator

Our next question is from Jason Kreyer from Craig-Hallum.

Jason Michael Kreyer - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Michael, just wanted to get your view of your major differentiation with competitors. You folded in Telaria and SpotX in the past year. One of the things I've discussed with you guys has been the engineering talent. Just curious at how you turn this massive network of development teams and engineers into a wider competitive advantage.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Great question, Jason. Thanks for asking. I think that engineering talent is prized by any technology company in any walk of life. But I would say that as it relates to CTV specifically, we view that, and we've talked about this in the past, we view that much more as a software-first world. Whereas if our job in the display world was just to harness demand for publishers, it's going to be a lot more nuanced in the CTV world. This is highly valuable inventory. It's traditionally sold direct by publisher. Buyers want to buy it programmatically. So publishers are meeting that demand in the marketplace, but they're going to want much greater control over it. They're going to want software to be able to do it themselves and we'll get paid appropriately for that.

And so I think that when you look at the laundry list, the road map that we had as Magnite stand-alone and you look at SpotX's road map and you combine the talent of both those teams and the sheer numbers, as I cited, the tripling of the size, that we'll be able to start to pound out software innovation unlike anyone else in the industry. And that really will create separation. And oftentimes, in the display SSP world, there's a lot of, well, our algos are better, we can bring an extra \$0.05. I think in this world, there's tangible benefits to working with us that other folks can't replicate as it relates to software and the product development cycle that we're going to be able to accelerate. So really, really excited about that.

Jason Michael Kreyer - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Perfect. On the privacy, I know it's early days on IDFA. We still haven't seen anything on cookie deprecation, but just wondering if you can give us a feel for commentary with publishers and buyers. We've thought that you've been in an enviable position there. But just curious, like is that being shared to you with people that you talk to? And is that translating into you winning more business right now?

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

Yes. I think, Jason, it's just all too early to tell in terms of percentage of iOS 14.0, I think, is the -- 14.1, the operating system. We're in the single digits in terms of folks that have downloaded the operating system or bought a new device that has the operating system installed. So it's just, it's too early to tell. I mean, I do think that the marketplace is pretty prepared for it. The things we've been doing in audience marketplace on our side, working with publishers.

Of course, as you well know, our exposure to IDFA hasn't been all that great. And obviously, in the CTV business, that's not germane. So we feel confident that our predictions that IDFA will not have a material impact to any of our revenue forecast that we put out there exist.

Jason Michael Kreyer - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

And I wanted to go back to Laura's question on the Q1, the lighter CTV revenue that you guys had commented on too. I mean, I think you alluded to kind of increasing the organic Q2 CTV growth. So I'm just wondering, like is there any way to parse out your guidance for Q2 on connected TV in terms of what you expect SpotX to contribute versus what legacy Magnite is contributing to that?

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

I'll kick it to David on some of the specifics there. But suffice to say, Magnite is growing in terms of, it's back to where we always thought it would be and then some. So I think that this is in the case of, in Q2, particularly, SpotX coming in and saving the show, if you will. I think both are growing exceptionally well. And any kind of slowdown that we witnessed in Magnite in March has been more than made up for. But David, do you have any more color to bring to that?

David L. Day - *Magnite, Inc. - CFO*

No, I think that covers it.

Operator

Our next question is from Shyam Patil from Susquehanna.

Shyam Vasant Patil - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

I had a couple of questions on CTV. Michael, I know you've talked about the March trends. I was just wondering if you could maybe elaborate on some specifics on what you think kind of caused the trends in March. And I know things have accelerated nicely since then in April and so far in May. Could you talk about what's driving that acceleration? I know it seems like it's more than just the comp. Can you just talk about what's driving that acceleration?

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

Yes. Thanks for the question. So I think that there's, in any kind of nascent marketplace and CTV is certainly nascent, there's going to be aberrational blips on a 3-month cycle. We obviously tore it apart to really look at it. And in some instances, you're finding that more of the inventory is sold direct outside of the programmatic channel. Programmatic is nascent for some of these publishers. As I had cited before, our line of products in the programmatic CTV business didn't have as many pieces to them as the Telaria folks, I mean, I'm sorry, as SpotX did.

So it's part of the thesis of acquiring SpotX is to increase our capabilities in those areas for more revenue opportunities. So I would think that, again, as you go forward, strengthening ad market overall, some of those key categories that we're lagging because of the pandemic are kicking back in, in Q2, and CTV is certainly being the beneficiary of that. So I would say that Q2 is behaving in excess of what we would have thought going into it and Q1 was strong going in and then had a weaker March. And again, probably a handful of reasons there, but nothing systemic or anything that takes the bloom off the rose in terms of our position in CTV or the attractiveness of that marketplace.

Shyam Vasant Patil - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Great. And then just a follow-up. I just want to clarify. I think you've already kind of hinted at it. But in the past, you've kind of talked about growing CTV kind of in the 50% range or higher. When you look out, has anything kind of changed your view on your ability to do that?

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

No, no, nothing at all. I think that you look at the, if the 2 companies were combined in Q1, you would have had excess of 50% growth rate there, acceleration in Q2. So no, we feel good about that.

Operator

Our next question is from Nick Zangler from Stephens.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Senior Research Associate*

I'm really interested in the future potential of utilizing first-party data. I think you guys have previously stated that around 10% of revenues are effectively sourced by utilizing first-party data from publishers, and this would be expected to grow given IDFA and the future elimination of cookies in Chrome. I'm wondering if there's any way you could size up this opportunity as we push forward and maybe comment on what future penetration could be? And then with that, given the rising value of first-party data within the overall ad tech ecosystem, your close relationship with publishers, can you just talk about how Magnite's value within the overall ad exchange improves given how close you are to publishers and what that might mean for customer stickiness, take rates, et cetera?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Thanks, Nick. All good questions. I'll hit some of them and David can chime in as well. I don't think, when we broke out the number a couple of quarters ago, I think it was an attempt to give a sizing to it. It has since increased, but I don't think we're going to be in a cadence of quoting a specific number every quarter. David, is there any more color as it relates to what it means to our share in terms of revenue?

David L. Day - Magnite, Inc. - CFO

Yes. So we talked about it when we talked about it a few quarters ago of being, of 10% of our revenue with that growing to 20% or greater in 2021. And so we continue to steadily grow. And I think that opportunity certainly accelerates in 2022. We're still a ways away from Google removing support of third-party cookies. And so when that occurs, it will accelerate rapidly beyond that.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Awesome. And then in terms of value for Magnite, I think you touched on a really important point there, Nick. And that is, I think that generally speaking, before this whole addressability and identity, call it, crisis, certainly exacerbated by the deprecation of third-party cookies and IDFA, I think that we were never thought of as a category, the supply side, as strategic as perhaps the demand side because the demand side was closer to the data implementation for the ad buys from their clients, and we're just the aggregator of inventory.

And so I think that, generally speaking, people viewed that as a more strategic piece of the marketplace. And I think there's a growing understanding that if that was indeed the case, if value was being attributed to DSPs because of their role in being able to make this ad buying smarter, well, then you certainly can see that in the SSP world now where no matter what the solution is, whether it's Apple, whether it's Google, if you're consented and you get the consent of the individual, then you are able to use first-party cookies. And the only person that can do that really is the publisher because they have the relationship, and they need an SSP to help them normalize that information, put it in taxonomies that's understood by buyers, create secure levels so that only buyers can do certain things with it, all those things fall to the SSP to help the publishing partner. So we feel as though we're in a terrific crossroads here for the industry and for Magnite in particular just given the evolution of the shift from third party to first party.

Nicholas Todd Zangler - Stephens Inc., Research Division - Senior Research Associate

That's super helpful. And I think that's still pretty underappreciated in the market. And then just to close here, obviously, there just seems to be a lot more premium CTV inventory coming to market. Within the last quarter, we've had Discovery+, Paramount+. They've come out. As more of this premium inventory has come into the market, just what's overall been the impact to the business at Magnite and SpotX and are you winning some of this new inventory that's out there and are you seeing any impact on CPMs towards existing inventory as the supply has seemingly materially increased?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. No. Thanks, Nick. So no declination in CPMs at all. It still remains, relatively speaking, a scarce high-value inventory. So even with additional supply coming to market, we haven't seen price degradation. I think a lot of the launch strategies of these plus services are centered around direct sold, sponsorship in nature, and so the inventory doesn't instantly become programmatic-ready. But I think after that initial phase occurs, we're just going to be able to have opportunity to gain access to more top-tier supply, and that obviously will be a plus for our business model.

Operator

Our next question is from Vasily Karasyov from Cannonball Research.

Vasily Karasyov - Cannonball Research, LLC - Founder

I wanted to follow up, Michael, on your remarks about increased business opportunity with Roku now that SpotX is integrated. So in terms of how that nitty-gritty works, can you give us a little more detail why you're getting more, A, why you're getting more access to Roku inventory? Is it just because SpotX has relationships with more apps? And then the second one is, I'm sure you know that Roku is talking a lot and pushing to advertisers their OneView platform. And I was wondering if that makes your life easier, harder or makes no difference whatsoever? So if you could help us understand that.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Sure. Great question. So I think that as it relates to specific SpotX initiatives, implementations, products that given that we just closed the deal, that we owe you and the rest of the community a far deeper dive into the SpotX business and product lines, et cetera. But I'm going to defer that for another call, perhaps next quarter, just given the recency of the close. And as it relates to your question, the specifics of mentioning Roku in the script, yes, an answer to that question. We mentioned it because the SpotX team has a relationship with Roku, again, to be defined greater going forward.

And as it relates to Roku's business, there is a push and a pull. They've certainly done a very, very good job in terms of measurement. They've done a very good job in terms of products like OneView. But there is kind of a, where we get involved and helpful is the idea that a Discovery who distributes their programming in a number of different platforms, including Roku, their goal is to try to aggregate all their inventory in one location and sell it to one advertiser and not have advertisers buying their inventory outside of them. Obviously, it occurs, but their stated goal would be to try to bring it all into one place, one view on their side. And so that's where an SSP adds a tremendous amount of value. And I think we'll just see this evolve over time. But the premium content channels on a Roku that we have relationships with really desire aggregating that inventory along with their Amazon inventory, along with all sorts of other distributed inventory on VIZIO or Samsung and try to bring it in one location to make it easy for buyers to buy all of that inventory.

Operator

Our next question is from Matthew Thornton from Truist Securities.

Matthew Corey Thornton - Truist Securities, Inc., Research Division - VP

Maybe one for Michael and one for David, if I could. Michael, can you just walk us through how you're thinking about operating the business going forward here. Is it just CTV versus non-CTV, how you're thinking about branding, how you're thinking about integration time line with SpotX and ultimately, kind of the go-to-market strategy there? Do you think you can drive revenue synergies and kind of what that go-to-market looks like?

And then just for David. David, I think you gave a number for cash, \$125 million to \$150 million. I think that's kind of the attempt at the pro forma number exiting 1Q for all the deal costs out of the way. I just want to make sure that I heard that right. And when you think about the combined business now, maybe it's too early, but I'm curious if you have any thoughts as to what free cash flow conversion might look like, meaning EBITDA conversion to true free cash flow, what that might look like for the combined business going forward? Any color there would be great.

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

Yes. Matt, obviously, a lot to come in terms of, integration planning just kicked off. At a very high level, we completely expect to be one company, in market as one company for the second half of the year. So starting in July, it will be Magnite where the SpotX brand exists or does it become a product? Is it used in some other fashion? To be determined. But yes, a lot of devil in the detail. I mean, eventually, we will combine as one platform as well. And as we've talked about, our CTV platform is different than the ad engine that does the display. And so there's no need to do that final integration because they are both highly specific for what they do.

And none of that will be friction for our clients, our customers. There'll be a unified dashboard. Whether or not there's 2 platforms, 3 platforms behind it, it will be immaterial to the buyers and our sellers. And so we're really looking forward to that first milestone, which is in July going as one go-to-market company.

David L. Day - Magnite, Inc. - CFO

Yes. And Matt, yes, you've got that pegged right from a cash perspective that, that range is once the dust settles at the end of the quarter, that's the level or range that we're targeting. And from a free cash flow flow-through perspective, I think if you just step back, we talked about reaching over \$500 million in revenue at a 30%-plus adjusted EBITDA margin. So you can kind of order of magnitude take that and calibrate our growth from here to there to give you some high-level perspective on what the flow-through looks like.

As far as pegging that more specifically, it's a little bit early. We're still determining the exact timing of some of our cost synergies. There's a lot of work to do with getting our go-forward structure in place. And so we'll be able to, I think, provide more detailed color on that in the quarters to come.

Operator

Our next question is from Shweta Khajuria from Evercore.

Shweta R. Khajuria - Evercore ISI Institutional Equities, Research Division - Analyst

Let me try 2, please. Could you please talk about why SpotX CTV revenue growth is so much faster or was so much faster than Magnite's on an organic basis. What is really driving SpotX's growth rate? And then the second is, could you please comment on OLV growth? It was very healthy in the fourth quarter. Anything in particular other than the March commentary that you may want to call out?

Michael G. Barrett - Magnite, Inc. - President, CEO & Director

No, thank you. Yes. So we touched upon it briefly. And as I said before, we owe the community a deeper dive into the product lineup of SpotX. And never having been a public entity before and being a division of a public company, not a ton is known on the Street or in the community about SpotX. So we definitely owe that to you, and so some of that will become evident in terms of perhaps where the growth came.

We did mention their capabilities as it relates to managed services, and that is the extraction of like linear dollars, bringing it into CTV in an easy on-ramp. You find in these developing markets that some folks have the desire to want to buy CTV but not the capabilities. And if you provide that to them, it's a great business to get them acclimated to CTV and then continue to buy programmatically from there. So literally grabbing linear dollars then bring them into CTV. And that's a big piece of the growth rate differential along with some other products on the margins.

And as it relates to OLV, as we kind of said in Q4, we saw an amazing uptick of OLV towards the end of the quarter, which was kind of unprecedented at that juncture. So we feel as though comparing the 2 rates present some difficult comparisons because of the unusual nature of it. But I don't know, David, if you have anything else to share as it relates to that.

David L. Day - Magnite, Inc. - CFO

No, nothing to add. I think that clears it.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Michael Barrett for closing remarks.

Michael G. Barrett - *Magnite, Inc. - President, CEO & Director*

Thank you, operator. We are really pleased with the high-growth profile Magnite has with our revenue concentration in the fastest growth areas of the market, CTV and OLV. Since December of 2019, we have gone from an SSP without a CTV presence to now be the clear independent omnichannel market leader with the majority of revenue post-closing of the SpotX deal coming from CTV and OLV. The integration work begins now, and I feel more bullish than ever about the future of Magnite.

Thank you for joining us for our Q1 results call. We look forward to talking to many of you through virtual investor meetings and conferences hosted by Cannonball Research, Needham, Craig-Hallum, Evercore and SIG or Susquehanna in the next month and have a good evening.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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