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Q3 2020 Magnite Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 09, 2020 / 9:30PM GMT

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PRESENTATION

Operator

Good afternoon, and welcome to the Magnite Third Quarter 2020 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded. I would now like to turn the conference over to Nick Kormeluk of 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 Third Quarter 2020 Earnings Conference Call. As a reminder, the comparisons you will see in the 10-Q as reported include the combined financial results in the third quarter of 2020, but for 2019, the results do not include Telaria.

During the course of this call, when we refer to results associated to 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 proforma comparisons, we are using combined company metrics for the prior year period in 2019 as the basis for comparison in order to provide additional detailed insights to business proforma that management also uses to evaluate our business performance.

As a reminder, this conference call is being recorded. Joining me on the call today are Michael Barrett, CEO; David Day, our CFO; and Tom Kershaw, our Chief Technology Officer, is also joining us for the Q&A session. 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 will 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 impact of COVID-19 on our business.

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 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, included with respect to the severity and duration of the COVID-19 pandemic.

A discussion of these and other risks, uncertainties and assumptions is set forth in the company's periodic [date] reports filed with the SEC, including our 2019 annual report on Form 10-K and subsequent filings, and including our 10-Q for the third quarter of 2020. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release and in the financial highlights deck that is posted on our Investor Relations website. We define cash flow as adjusted EBITDA less capital expenditures, which excludes changes in working capital. 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 on 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 you, Michael. Please go ahead.

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

Thank you, Nick. Our revenue performance in the third quarter was strong across the board, and these trends are continuing into the fourth quarter, demonstrating the value we provide as the leading independent sellside platform. Our strong top line outpaced category and industry performance and meaningfully exceeded trends that we shared on our last earnings call. This led to rapid margin recovery, demonstrating the power we have in our financial model and the discipline to deliver profitable earnings growth.

I'll get right to the overview of the Q3 2020 results. Q3 revenue was \$61 million, which equates to a 62% as-reported increase year-over-year, 12% proforma increase year-over-year and a 44% sequential increase over Q2 reported revenue of \$42.3 million. CTV Q3 revenue was \$11.1 million, representing an increase of 51% year-over-year on proforma basis. Q3 adjusted EBITDA turned positive with a 23% margin at \$13.7 million.

The recovery we're experiencing is broad-based and is taking place across all formats and device types led, of course, by CTV. I'd like to provide some color on recovery trends in sectors. Overall, revenue growth trends continue to show strength 5-plus weeks into the fourth quarter, and we expect them to continue.

Key drivers in the third quarter included political spending and the return to live sports. We saw strong performing verticals, including technology in Home & Garden, and trend improvement in weaker sectors such as shopping and automotive. It's also notable that even in regions where COVID case counts have recently increased, we have not seen interruptions or pauses in spend.

To start the fourth quarter, we've seen some more normalized seasonal patterns returning. This comes from retailers pushed to drive holiday shopping earlier than in prior years, Prime Day in October, continued strength from sports and new streaming TV content. We are seeing continued strong postelection year-over-year growth in CTV even without the benefits of political spending.

I'd like to provide an update on the Rubicon project and Telaria merger integration and our go-to-market efforts, a couple of key points. Our employees have done a remarkable job of coming together, allowing us to go to market and execute for customers on the buyer side and publisher side, driving market share gains with new and existing customers. We exceeded our original merger cost synergy targets ahead of schedule and have positioned the business well to deliver strong financial leverage with revenue growth.

We've also made progress in non-CTV video revenue, which returned to growth at 3% year-over-year proforma growth for Q3. This is an area of focus we identified when we announced the merger. CTV continues to lead our growth and the drivers are powerful. We believe the events of this past year have significantly accelerated the adoption of the ad-supported programmatic CTV. These drivers are further acceleration of cord cutting, causing a faster disruption to the linear TV advertising world, with over \$63 million or 38% of U.S. viewers in aggregate now unreachable via pay TV according to eMarketer and a projected 35% U.S. CTV ad spend growth in 2020.

Additional drivers include expansion of live sports access on ad-supported CTV; broader consumer acceptance of ad-supported free or lower-cost content as the economy and consumer spending has been impacted; dramatic acceleration of content on ad-supported platforms like publishers acquiring or launching their own platforms; CTV publishers looking for better efficiencies and improved monetization; and lastly, marketers wanting more control and flexibility of their spend as evidenced by Proctor & Gamble's public statements. CTV political spend was a positive contributor to Q3 growth as expected. This election season showed just how powerful and effective CTV advertising can be.

Based on these findings, we published a case study in August that shows marketers across various sectors, how they can use CTV in their future campaigns. As we've indicated previously, our most notable partners include the likes of Disney, Hulu, Sling, Pluto, DISH, Tubi and Crackle; device manufacturers such as Samsung, Sony, LG and Vizio; and broadcasting cable partners like Discovery, FOX and NBC.

On the publisher side, we help content providers monetize their inventory that runs through Roku, Fire Stick, Apple TV, Chromecast, PlayStation and Xbox devices to name a few leaders. Overall, we believe these trends are driving marketers to accelerate the move of linear TV ad dollars to CTV advertising. This move has begun in the back half of 2020 as upfronts have been greatly reduced and marketers begin planning for 2021. These trends are further supported by comments made by The Trade Desk and Roku on their earnings call last week.

I'll now pan back to talk about the benefits of our enhanced go-to-market strategy. As the leading independent and scaled omnichannel platform, we are seeing tangible results with buyers and sellers that we believe are resulting in market share gains. I wanted to share a few examples of how this is working on the agency, brand and publisher fronts.

On the agency side, Omnicom U.S. selected Magnite to power the new Omnicom marketplaces, Magnite's differentiated buyer tool suite, coupled with access to both traditional and CTV inventory made us the ideal launch partner. As part of this effort, Omnicom is bringing large and engaged advertisers that want to ship spend into curated, premium and transparent inventory. The launch is taking place this quarter on desktop and mobile with CTV expected in 2021.

On the brand marketing side, with the leading consumer packaged goods, or CPG brand, Magnite leveraged its existing CTV relationship into a broad programmatic buy across all inventory types. With the multiplatform opportunity, this advertiser was able to plan their campaign, secure their desired audience and unique campaign reach all through one Magnite buy. As a result, this brand's spending with Magnite over a 3-month span increased from 100k in the prior year to over 2.5 million in Q3 2020.

On the publisher side, in early October, Disney announced the strategic reorganization of its media and entertainment businesses to combine all of their streaming services as a key growth driver for the entire company. As Disney announced a few weeks back, their offering is powered by Magnite. This further solidifies our already strong relationship with Disney and Hulu on CTV as well as across their non-CTV and display business.

Today, I'll cover how targeted advertising is changing for the open web and the opportunity this presents for Magnite. Despite the pending death of the third-party cookie, targeted advertising isn't going anywhere. Instead, it's quickly shifting from an identity model powered by buyers to one enabled by publishers empowered by global SSPs like Magnite. The first chapters of programmatic history were largely dominated by buyers because the system relied on their distribution of third-party cookies to aggregate and find audiences.

Within 18 months, the third-party cookie and mobile identifiers such as Apple's IDFA, will be replaced by more consumer-friendly means of identity that work in the world of GDPR and CCPA. Of the proposed alternatives, the vast majority lean heavily on first-party identifiers implemented by publishers, not buyers.

Because publishers have direct relationship with consumers, they're best positioned to obtain user consent for implementing first-party identifiers. That said, for this publisher-centric identity model to work effectively across massive volumes of sites and consumers, the industry requires sellside infrastructure and tools. We are well positioned to be one of the only companies with the scale of publisher relationships to do this.

This shift towards sell-side addressability is much more than theoretical. Magnite is already helping its seller clients profit from it. A year ago, almost none of the revenue we made for publishers was derived from audience segments created within our own technology.

Today, more than 10% of our revenue is generated from audience segments we create on the Magnite marketplace, and we believe related revenue will more than double by the end of 2021. Further, because we believe strongly that identity should be open source, free and interoperable with all existing and future solutions, we will continue to partner with the prebid.org community on identity standards and technologies, including taxonomies, for how audience segments should be expressed.

Keep in mind, these solutions will be joined by first-party consented targeting that will continue to play a role in the market for some time to come as seen in recent news from The Trade Desk, LiveRamp and Criteo, all supporting an open-source unified ID. In summary, targeted advertising isn't going anywhere. And global SSPs, such as Magnite, will be absolutely central to making it work.

Now an update on Demand Manager, where we continue to see strong adoption by leading publishers. At the end of Q3, we had 187 live contracts as compared to 172 at the end of Q2. We are seeing larger publishers sign up recently, and we are deploying new Demand Manager formats, such as mobile, which was announced 2 weeks ago.

We are particularly pleased with the signing and onboarding of the Weather Channel. IBM Watson Advertising is working with Magnite to leverage Demand Manager for control and insights into the digital advertising ecosystem. Our Demand Manager revenue continues to grow. And we are ahead of our contract signing targets for the year, which bodes well for the future as publishers look to decrease cost and optimize revenue.

We continue our focus on the following key growth drivers: Growing CTV, which will continue to be our most exciting opportunity for the foreseeable future; accelerating market share gains across formats and device types as we consolidate a fragmented marketplace as a transparent independent omnichannel partner; expanding our publisher-focused prebid offering with Demand Manager; and lastly, playing a leading role in the changing landscape of targeted advertising with broad reaching identity solutions.

I'm proud of the efforts that our team has undertaken and of their performance in this challenging work-from-home environment. Their client dedication and adaptability are evident in our results. With that, I will hand things over to David, who will go into greater detail regarding our Q3 financial performance, cost reductions and Q4 expectations. David?

David L. Day Magnite, Inc. - CFO

Thanks, Michael. As Michael described, we're pleased to report continued improvement and strength in our top- and bottom-line performance. Q3 is illustrative of the power of the leverage we have in our financial model with recovery in margins. Q3 2020 revenue of \$61 million represented a year-over-year increase in as-reported revenue of 62%, attributable to the Telaria merger and a significant recovery from COVID-driven lows and was up 12% on a proforma basis.

The revenue recovery was broad-based across device types and formats, led by CTV growth of 51% on a proforma basis. Also notable in Q3 was that display revenue grew 9% year-over-year on a proforma basis, which demonstrates share gains in a contracting market.

Based on device type, Q3 revenue for mobile increased 14% and desktop declined 3% on a proforma basis. Revenue mix for Q3 2020 was 18% CTV, 48% mobile and 34% desktop. Operating expenses, which, in our case, includes cost of revenue for the third quarter of 2020 were \$71.9 million versus \$44.3 million in the same period a year ago. Increases are driven by the inclusion of Telaria operational and purchase accounting-related expenses and from \$2.3 million of nonrecurring merger and merger-related restructuring expenses for certain personnel and professional service-related expenses, which are excluded from adjusted EBITDA. On an adjusted EBITDA basis, operating expenses, including cost of revenue, for the third quarter were \$47.2 million as compared to \$31.5 million in Q3 2019.

This was below the \$49 million to \$50 million in total adjusted EBITDA operating expenses we originally expected, driven primarily by the timing of synergy savings and temporary cost reduction efforts, including the deferral of some non-time-sensitive projects. We've achieved the \$20 million in run rate cost savings which we had targeted as of the end of the third quarter of 2020.

Our GAAP-based gross margin for the third quarter was 66%, up from 49% in Q2 2020 and also up from 63% in Q3 of 2019 on an as-reported basis. Net loss was \$10.5 million in the third quarter of 2020 as compared to a net loss of \$6.2 million in the third quarter of 2019. Adjusted EBITDA was a positive \$13.7 million resulting in a margin of 23%, much better than originally estimated due to strong revenue growth and the lower adjusted EBITDA, operating expenses, as was noted. This strong incremental flow-through of revenue to adjusted EBITDA shows the leverage we have in our financial model from incremental revenue growth.

GAAP loss per share was \$0.10 for the third quarter of 2020 compared to GAAP loss per share of \$0.12 in the same period in 2019. Non-GAAP income per share in the third quarter of 2020 was \$0.06 compared to non-GAAP loss per share of \$0.02 reported for the same period in 2019. There were 110.4 million weighted average basic and diluted shares outstanding for the third quarter of 2020. There would have been an additional 5.7 million shares included in the diluted share count had the company posted net income versus a net loss consistent with antidilutive accounting rules.

For purposes of estimating full year EPS calculations, please also keep in mind the impact of the April 1, 2020, merger closing date and the lower share count that should be used for Q1 and the postmerger share count for Q2, 3 and 4. Capital expenditures, including purchases of property and equipment as well as capitalized internal use software development costs, were \$5.3 million for the third quarter of 2020, in line with our guidance.

We closed the third quarter with \$104 million in cash, a slight decrease from the \$107 million balance at the end of Q2. The cash decrease was driven primarily by an expected usage of working capital, which we highlighted in our last call and which was offset -- mostly offset by positive free cash flow of \$8 million for the quarter, which we define as adjusted EBITDA less CapEx.

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 on a net basis.

I will now share some indications for our fourth quarter. We expect revenue for the fourth quarter to be in the range of \$72 million to \$75 million, and we expect CTV to continue with strong year-over-year growth rates. Our revenue growth estimates represent greater than 20% sequential growth, in line with prior seasonal patterns. These estimates also assume no additional negative COVID-related impacts.

We expect that adjusted EBITDA operating expenses in Q4, including cost of revenue, will be approximately \$50 million to \$52 million, which includes the reinstatement of some of our temporary COVID-related cost reductions. As a result, we expect our adjusted EBITDA margin in Q4 to be approximately 30%. We expect the CapEx for the full year 2020 will be roughly \$24 million, a slight increase to prior expectations, in order to support growing volumes and specific growth opportunities in APAC.

We are very pleased with our revenue growth and with our cost management through these challenging and very unpredictable times. The efforts we've undertaken position us well to adapt quickly to any potential future macro volatility to capitalize on the significant growth opportunities ahead of us and to drive increasing flow-through and profitability.

We will continue to balance investments to support top line growth along with healthy margins. With that, let's open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) and our first question comes from Jason Kreyer of Craig-Hallum.

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

Nice work on the quarter. Wondering if you could give any more color on the nature of the relationship with Disney? I mean we know that Telaria had a contract in place with Hulu that was going to be up for renewal in February. So just wondering if you can give details like if that's been restructured and what segments within Disney or what brands at Disney it covers? Just any more color on that would be great.

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

Yes. Jason, it's Michael. Yes. I think at this point, it's safe to say we feel really good about our relationship with Disney powering their Hulu cross-platform initiative is definitely, I think, of voted confidence for Magnite in the decision of bringing together this omnichannel company.

And I think when the time is appropriate, we'll be able to talk more about the status of the relationship.

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

Fair enough. You gave some good color, Michael, on the connected TV opportunity. It just piggybacking off kind of your expectations for the future. You kind of mentioned what Procter & Gamble has said and the accelerated pivot for the consumer. How does this manifest for Magnite? I mean, what do you hear from publishers? What are your expectations for upfront next years? Curious any thoughts you have going into '21 around, what happens with CTV after everything we've been through these last 6 months?

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

Yes, great questions. And of course, there's 2 angles to come at that from, right, the publisher side and the buyer side, the agencies and having spent a fair amount of time with both, not surprisingly, they have slightly different opinions about how it's all going to play out. So I would just relay their sentiment, and that is I think that buyers who've gone through this process, this COVID 2020. And I think as seen by and large, that the CPM or the value of their inventory wasn't negatively impacted by data-targeted programmatic advertising. I think, as we know, not to dwell too long on the history lesson of programmatic advertising, but it did begin as a remnant business in the display world, right? And the knock on programmatic was, the minute it left the direct selling world and went to programmatic, CPMs are going to plummet, and there goes your business.

And although that's an accurate observation, the reality was, there were gobs of inventory. It wasn't scarce, and monetizing it for \$0.01 was probably better than not monetizing it at all. And it didn't have that upstream impact to the direct selling CPMs. And so I think that with that fear taken away for publishers after they saw the performance of what programmatic has done for their businesses, that there's a greater inclination to utilize it or have it as part of their monetization strategy. And I think we've commented in quarters past that we've kind of seen a pull-forward of maybe 1 year or 1.5 years or that eventually working its way out to being front and center. So we think we'll be able to see more inventory than we've ever seen in the coming quarters.

As far as agencies are concerned, there's always been a lot of tension about the upfronts anyway. And so that's going to play itself out. I don't think anything happens in the advertising business that's been in place for 70-or-so-odd years. I don't think it evaporates overnight. But safe to say, I think more and more marketers and agencies would prefer to negotiate more on a calendar basis or less of an upfront obligation than has been traditionally done in the linear TV world, if that answers your questions.

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

Yes. That's helpful color. Maybe just one last one from me. So you talked about the audience segmentation revenue, and I wasn't expecting to hear that, that's already up to 10% there. But can you walk through how the revenue progression kind of works from one end to the other? I'm not sure if you're working with DSPs or agencies to deploy that? Or who is involved in those conversations if you're going direct to the brand did to work that out? And just kind of more color on how it works.

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

Yes. Jason, why don't I avail ourselves of the expert Tom Kershaw in maybe bringing [late time] without mentioning names, a case study of how it's worked with particular publishers, the data and how the economics work.

Thomas Kershaw *Magnite, Inc. - CTO*

Yes. Sure. I mean, the way it works today is buyers bring segments to us. And they'll bring that segment to us in the form of an ID. So that buyer could be an agency or a brand to say, this is the group I want to find and target. And we'll load those identities into the platform and then use those to create a deal ID. So we then send to the buyer a deal that says here's auto intenders or here's sports car enthusiasts or here's people who like purple shoes. So we create these segments based on information buyers give us today. We expose that in the form of a deal ID. So that audience is given to them as a deal ID.

What we're doing now is with third-party cookies going away is using publisher data to do that. So publish your first-party information about sites that have been visited or context or things that publishers have learned about that user's journey. So the economics stay very similar to the way it is today, but the segment creation moves to the sell side. So we're doing this now using buyer data. And the big trend you're going to see a lot of in 2021 is leveraging seller data because, after third-party cookies and IDFA's are removed, that seller data is the thing that's going to still be there. It's the thing that's going to be persistent and present. And that model is going to really explode at that time.

Does that answer your question, kind of the basics of how it works?

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

Yes. That's very helpful. Appreciate it.

Thomas Kershaw *Magnite, Inc. - CTO*

Like I said, we're doing that at scale.

Operator

The next question comes from Laura Martin of Needham.

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

So my first one is you bought a Trade Desk, and their CTV revenue grew 100% and yours grew 51% proforma. So I'm just wondering what the leakage is, and why you wouldn't see -- since you're the largest sellside platform and they're the largest (inaudible) why wouldn't those be closer in growth rates?

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

Laura, it's Michael. Yes. So I think that Trade Desk growth rate is something we can corroborate on our side as well because that's around the exact same if not a little bit more growth in spend that they are doing on our platform. So if I think you look at Trade Desk success, it's probably more a case of stealing share than it is structural that DSP has a shot at a higher growth rate than an SSP. So I think we've talked at length about our vision for the sellside that we know it's more fragmented than the buy-side, but we do believe that it will behave over time like the buy-side, and there'll be outsized winners, a handful, maybe just 1 or 2, and that will be Magnite. And so I think that we're outpacing industry growth in the rates of the high 20s, 30s that eMarketer and others have talked about. So I think we feel like we're gaining share on our side. And I think to come as to the ultimate steady state for us in terms of when supply path optimization happens on this SSP side.

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

Okay. That's super helpful. And then the market was down -- Magnite of course is down 3% until you guys got earnings -- fabulous earnings, topped up a lot. My question is, do you think that the upfront -- because now production is going to start if the Pfizer vaccine works, means we're going to go back to full production, full movies, which is good for you, and then back into the normal upfront so that maybe we're going to have a 1-year benefit from upfronts, and it actually won't persist once upfronts come back. Do you have a point of view on the relative benefit to Magnite of only having 1 year off of upfronts versus maybe a couple years off of upfront.

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

Yes. Another great question. Obviously, just conjecture on our part. But again, in talking with buyers, I -- case in point with Disney's across platform play in streaming, they have -- programmatic has never been more important to their business in many, many, many publishers' businesses, so even if upfront's return in earnest, there's always going to be inventory available for us to access. So I don't know necessarily if the return to upfronts is the death of a CTV growth by any stretch. I think the big key, Laura, this 2020 with the audience adoption, right? Where the eyeballs are, dollars will follow, and the upfront is not necessarily going to eat up all that inventory. So I think that we stand very well positioned going forward. And as we've talked on a number of occasions, we kind of think that 2020 has kind of pulled forward 2 more years of this maturation and programmatic as a monetization strategy for publishers will be a very important piece of the puzzle.

Operator

The next question comes from Shweta Khajuria of RBC Capital Markets.

Shweta R. Khajuria *RBC Capital Markets, Research Division - Assistant VP*

Okay. Let me try a few, please. Could you talk about the fourth quarter trend? Understood on your thought process for upfront and trends next year. Could you please talk about what you saw in the fourth quarter? You've qualitatively talked about the strength. Any quantitative sort of comments on CTV, and how we should think about it for the fourth quarter? And then the second question is, how

does Trade Desk commentary on unified ID and their strategy to address a cookie-less future impact Magnite business or if at all, given that you have audience segmentation based on publisher access to data?

And then final one is on Disney, please. So Disney is now, as you've mentioned, is trying to aggregate their OTT platform. How material of an opportunity can that be for Magnite? How just that decision from Disney, how important is it for Magnite? And just not only this year but over the next couple years.

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

Great. So in order, a question asked, David, do you want to comment upon fourth quarter quantitative trends in particular, I guess, CTV focus?

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

Yes, sure. Yes, I think as we mentioned, we're seeing the same momentum that we saw in Q3 in early Q4 and expect the same kind of growth in our CTV business. So one question that one might have is on the political spend front, as you look at 2020, in total, political spend represented in the lower single digits as a percentage of our spend. And so that won't have a huge impact in Q4 from a dropoff perspective. And so yes, after coming out of 2 quarters of extreme volatility in Q2 and Q3, I think the message for Q4 is we're seeing a little bit of normalcy. I'm not sure what normally is today, but more normalcy from the standpoint of the trends that we're seeing, a little bit less volatility and normal seasonal patterns kicking in from Q3 to Q4.

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

Outstanding. And Tom, would you like to talk about the Trade Desk unified ID with the question I think was friend, foe, coexist mutually? What does it mean to our initiatives and audience segmentation?

Thomas Kershaw *Magnite, Inc. - CTO*

Super friend, is the answer to that. I mean -- so we are big supporters out of the Trade Desk UID 2.0 initiative, and we've been working with them on prototypes and educating the industry via Prebid. Prebid is doing a lot of work try to support UID 2.0 as it rolls out. UID 2.0 is focused on getting users to log in and creating a single sign-in environment to the internet where users consent to a new internet targeting regime. And we think that is going to be a huge part of the internet. But there's also going to be a big part of the internet where you don't have a user login or the user does not want to provide e-mail address or some type of identifier. That's going to be the majority of the internet. So the Magnite-created segments or the publisher-created segments is going to be the majority of the internet going forward. And these 2 solutions will coexist very symbiotically with each other. And you have to have -- really kind of can't have one without the other. So you'll have logged-in users via a standard open-source method like TTD UID 2.0. And you have publisher-created segments where a login doesn't exist. And together, those 2 solutions will cover the vast majority of the internet at comparable spend and performance holds that we have today. So we're really excited about both in the way they're going to work together as we move towards the cookie-less environment.

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

And then the last question is about Disney, how material. So there are things we can and can't discuss about Disney, as I alluded to, Jason, at the top of the call. When there's an opportunity to discuss our relationship with Disney in greater detail, we'll certainly do so. But in terms of material, the materiality as it relates from a financial perspective, I think we'll still steer clear of describing or trying to scope the size of the Disney relationship at a deference to our partnership with Disney. But it is certainly material from a momentum and a proof of efficacy standpoint there's no bigger player out there in the AVOD world. And if you're working with them in a preferred partnership capacity or an exclusive capacity, it certainly has a halo effect with the other clients out there. So it's an extremely important strategic relationship for us, both financially and meaningfully on the qualitative side.

Operator

The next question comes from Lee Krowl of B. Riley Securities.

Lee T. Krowl B. Riley Securities, Inc., Research Division - Associate Analyst

Congrats on a very solid quarter. I wanted to ask my audience segmentation question online with everybody else on the call. If you had to kind of slice and dice from a different perspective, you guys are agnostic across audience segmentation or a standardization like UID, but is there a monetization difference between those? Is there an opportunity to generate a higher CPM from audience segmentation that accrues to Magnite versus an open web ID?

Thomas Kershaw Magnite, Inc. - CTO

I think over time, there is, but I think what we're trying to do right now is replicate the environment we have today and give buyers the opportunity to reach those audiences at scale and publishers the opportunity to keep CPMs growing the way they've been -- they've been grown. I think that there will be, by fusing buyer information and publisher data more effectively, theoretically, we'll be able to get even more precise and accurate delivery of relevant ads to users. So there is a hope for that, but honestly, I think the Phase I approach is to just get to a parity level where we shift away from cookies and have the same tools, the same revenue for publishers and the same outcomes for buyers. So I like the idea that we should shoot for the moon and get even better than we are today. But for now, let's just soft-land this, watch cookies go away and keep the plumbing the same, and then we'll go from there. That will probably be my answer to that question.

Lee T. Krowl B. Riley Securities, Inc., Research Division - Associate Analyst

Got it. That makes sense. And then just a point of clarification on the infrastructure progress. If I heard correctly that you saw non-CTV video grow year-over-year, is the implication there that the infrastructure initiatives are ahead of plan? I think last time you guys said that Q1 2021 was when you would have everything fully integrated. Just curious how much progress you've made and when you expect completion, if not already?

David L. Day Magnite, Inc. - CFO

Yes. Yes, to...

Thomas Kershaw Magnite, Inc. - CTO

I'll start and jump on that one, David, yes.

David L. Day Magnite, Inc. - CFO

Good. I'll start, and Tom, you can jump in. Yes. I think we're -- I think there's elements that are ahead of plan. I think there's definitely -- and I'm pleased with those results, but definitely more work to be done and not planning full victory yet. But Tom, why don't you jump in there.

Thomas Kershaw Magnite, Inc. - CTO

Yes. I would just add that our plan is to have a highly optimized CTV platform in a highly optimized omnichannel platform. So we believe we're going to have both. So the integration for us is about developing common methodologies and common -- a way for customers to interact with us even though the platform will be highly structured to maximize that particular format. Two of the things that we'll be integrating or already working to integrate that were on track to have in place by Q1 are identity and deals, which are key to everything we just talked about around segmentation.

So we're building a common identity structure between the 2 companies so that buyers can find audiences on CTV, on traditional video, on display, on audio and whatever format they want. And the fact that, that may live on one platform or the other is completely transparent to them. The other thing we're doing is developing a deals infrastructure where buyers and sellers can reach deals and negotiate transactions regardless of the media type. So the integration is coming along quite nicely. But I think we have the best of both worlds, and that we'll have this common user experience for buyers and sellers, but the platforms underneath them will be highly optimized to the media they're carrying.

Lee T. Krowl B. Riley Securities, Inc., Research Division - Associate Analyst

Got it. That's helpful. And then last question. You kind of highlighted some case studies and success with Omnicom agency and a CPG brand. Just kind of curious, are those agreements exclusive, meaning you are -- you represent the only SSP in that relationship. And

based on that answer, are there other agencies and brands in the pipeline that perhaps can have the sort of success you've seen with these initial 2 applications?

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

Yes. Lee, this is Michael. I'll jump on that one. By and large, I would characterize these as preferred relationships. I don't think it's in agency's best interest to only work with one SSP from a competitive dynamic. So I think what they do is they want to work with a preferred SSP that will do -- help them with customization, help them with their model, help them build out their -- the platform they desire, work with them to attract advertisers to it and publishers to it. And it just doesn't make a heck of a lot of sense for the agency to do that more than several times. And so -- but we're very pleased with the traction. Obviously, Omnicom very large media company -- media agency. And they're thinking not too dissimilar to how other agencies are approaching this next phase of programmatic. And I think once you build out a successful execution for one agency that it's quite likely you'll be a preferred partner for more than just one.

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

But I will say, this is David, we are the only partner in this initial launch phase. And so as they're rolling it out, they're sending all the business our way, and we're assisting them to get it off the ground.

Operator

The next question comes from Matthew Thornton of Truist Securities.

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

Thanks for taking the questions a couple if I could. I don't know if this is for Michael or David. First of all synergies. I think you said cost synergies, we've kind of already achieved what we set out to achieve. I'm curious where we are on revenue synergies in terms of go to market, are you still kind of operating somewhat siloed? Or are we already fully integrated? And really, the crux of that question is, do we still have opportunity to get to a fully integrated go-to-market where we can start to see revenue synergies still accelerate from here? That would be question number one.

Secondly, maybe for Michael, on the competitive landscape, you alluded to share gain. I'm curious if you're alluding to the CTV side or the non-CTV side or both. So maybe just a little more flavor and color around what you're seeing out there competitively.

And then one for David, just housekeeping. You guys used to talk about a legacy 25% EBITDA margin target for Rubicon. Curious if there's any update to that for the combined company.

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

Great. Yes, I'll take the top 2, and David can grab the next. So synergies from a revenue standpoint, that was the purpose of citing those 3 examples of working with an agency and creating a marketplace for Omnicom, working with a CPG brand and increasing their spend substantially because of the capabilities of the -- both the CTV and the non-CTV business. And obviously, we talked about Disney. So yes, there's -- we said we'd share examples when we had them. Those are the early examples, far more to come. Listen, it's been a spectacular effort by the team doing this all via Zoom with the customers. So I couldn't be more pleased with where we find ourselves with a differentiated voice in the marketplace and some of the early successes we're seeing. So yes, there's definitely more revenue synergies to come.

As far as share gain, when we speak about share gain, I think we can confidently say across the board across CTV and on CTV. We see where we rank with our publishing partners in terms of their stack ranking of who brings them the biggest check. We are consistently at the top. And in cases where we weren't, we are now. And so that is definitely not just a rising tide. It's a rising tide plus hard work by the team to get more inventory, do a great job monetizing that with buyers. And so we're very confident that some of the success we're seeing is at the expense of our competitors. David, you want to handle the margin question?

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

Yes. Yes, no changes from an adjusted EBITDA margin perspective. We continue to target the 25% or greater adjusted EBITDA margins. We had 23% in Q3, and our guidance would imply a 30%-plus margin in Q4. There's still a lot going on with COVID and the volatility that we have. And so I suspect that, early next year, we'll be maybe addressing that more formally.

Operator

The next question comes from Kyle Evans of Stephens.

Michael Newton

And this is actually Michael Newton on for Kyle. Continuing on the UID 2.0 theme, we've seen good momentum for the solution via press releases from Criteo and Nielsen. But we still don't have really a good understanding of the time line for ultimate rollout of the tech. Help me think about what milestones we should be looking at for when the solution could ultimately go live? And the follow-up, what does, I guess, community owned really mean for UID? And what are the pros and cons of where that could eventually sit, whether it be with the IAB or somewhere else?

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

Well, in terms of time lines, we're starting to see -- we're prototyping the plumbing part of this right now. There's 2 pieces of this. The first is explaining to the users how the internet works and getting a new consent moment from them by the -- under which they provide login information. And the second is plumbing that log information in a secure way. So we're already down a road of both of those as an industry. I would expect to see the plumbing part of this in the real world in Q1. The -- and essentially, what we're talking of doing is taking anonymized versions of user identifiers, encrypting them and passing them to buyers into platforms. And then there's a shared encryption key that can be used to decrypt those values so that the value is only readable by those who are authorized. So to me, this is a really, really powerful way to reinvent how we interact with users and to provide persistent identifiers for buyers and sellers to action on. I think doing this in open source and in a community environment where the values are owned collectively is the right way to do this, and we have a huge amount of support up and down from buyers and sellers as this -- for this method. The IAB will -- could play a role. We need a neutral third party to administer the encryption keys. We also need standard methods for sending these values back and forth. But I think The Trade Desk is absolutely correct to do this in light of day in open source, owned by the community is the correct way forward, and it gives us the ability to -- instead of fighting over who owns what ID and slowing progress, we have to collectively develop a solution that's going to replace third-party cookies. We have 14 months to do it. And we're well on track to do it. And without open source and without cooperation, we'd have no chance in doing it. So not only is it the best way, it's really the only way. And we're huge supporters of that method.

Michael Newton

Got it. That's very helpful. And then just a quick other one. Any updates on supply path optimization. It sounds like you've made market share gains across the board. How much has the supply path optimization contributed to that?

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

Yes. Thanks, Michael. The -- so as we kind of talked about last quarter, the supply path optimization, we feel, continues. Case in point, announcement like working with Omnicom as a preferred partner, that's certainly a tangible sign of SPO. And it continues. I think there was a time when we thought maybe SPO looked more like a seller-braided flame out of a handful of general SSPs. And I think it's more going to look like the way it's playing out. And that is quarter-by-quarter on the margins, securing more dollars, gaining more share, outpacing industry growth, and all of that is attributed to taking dollars away from our competitors. So there's -- we'd love to be able to point to resounding evidence of SPO, but I think what we see every day in terms of our strength of our publisher relationships intersecting with the buyer side. That we have become this differentiated branded preference. That's a heck of a position to be in.

Operator

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

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

Thank you, operator. We're very excited to deliver strong Q3 results and to see the momentum we have as we enter the fourth quarter. Strategically, we've worked hard to align the business with material enduring growth platforms in the programmatic markets. With our team's great execution, we've been able to realize strong growth and to build a market leadership position. Even though there's much work ahead, I feel very bullish about the future of Magnite. Thank you for joining us for our Q3 results call. We look forward to talking to many of you through virtual investor meetings and conferences hosted by Needham, Craig-Hallum, RBC, and Stephens over the next 2 weeks. Thanks again, and have a good evening.

Operator

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

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