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CORPORATE PARTICIPANTS

Nick Kormeluk *Magnite Inc - Investor Relations*

Michael Barrett *Magnite Inc - President, Chief Executive Officer, Director*

David Day *Magnite Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Jason Kreyer *Craig-Hallum Capital Group - Analyst*

Daniel Kurnos *Benchmark Company - Analyst*

Laura Martin *Needham and Company - Analyst*

Shweta Khajuria *Wolfe Research - Analyst*

Matthew Swanson *RBC Capital Markets - Analyst*

Aaron Samuels *Susquehanna International Group - Analyst*

Eric Martinuzzi *Lake Street Capital Markets - Analyst*

Zach Cummins *B. Riley Securities - Analyst*

Arthur Chu *BofA Global Research - Analyst*

PRESENTATION

Operator

Good day and welcome to the Magnite fourth-quarter 2024 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.

Nick Kormeluk - *Magnite Inc - Investor Relations*

Thank you, operator, and good afternoon everyone. Welcome to Magnite's fourth-quarter 2024 earnings conference call. As a reminder, this conference 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 on 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 impacts of macroeconomic factors 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.

A discussion of these and other risks and uncertainties and assumptions is set forth in the company's periodic reports filed with the SEC, including our 2024 Annual Report on Form 10-K. We undertake no obligation to update forward-looking statements.

Our commentary will include non-GAAP financial measures including contribution ex-TAC or less traffic acquisition costs, adjusted EBITDA, and non-GAAP income per share. 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.

At times, in response to your questions, we may offer additional metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be one time 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 the webcast replay of today's call to learn more about Magnite.

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

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thank you, Nick. We once again exceeded top-line guidance growth and CTV for Q4, and although our Q4 results in DV+ were disappointing, I'm very proud of the terrific year that our team produced. We generated contribution ex-TAC of \$607 million and processed ad spend of over \$6 billion. We generated adjusted EBITDA of \$197 million and \$118 million of free cash flow, all record highs for Magnite.

These results demonstrate that we've made the right long-term investments, are focused on the right part of the market, and are making tremendous progress. We are very confident in our future.

For Q4, CTV contribution ex-TAC increased 23% year over year, outpacing our guidance of 18% to 21%, and for full year 2024, CTV contribution ex-TAC grew 19%.

In contrast, our DV+ business in Q4 came in later than we expected at 1% contribution ex-TAC growth as a result of some unusual spend patterns post-election. This caused total Q4 results to come in below our range. That said, we're happy to report that DV+ has rebounded nicely to start 2025, and David will walk through more details in his remarks.

In contrast to DV+, our CTV business continued to grow with significant momentum. Performance was driven by overall ad spend growth and a stabilizing year-over-year average take rate, illustrating a better product mix.

Our most significant growth in Q4 came from Roku, LG, Vizio Walmart, Disney, Fox, Warner, Discovery, and Paramount. Netflix continues to ramp, and we remain bullish about our Netflix opportunity as they significantly grow their global ad tier and corresponding ad revenue. They will be a key programmatic partner as they expand the rollout of their ad platform in 2025.

Live sports had strong growth in the fourth quarter, and we expect that to continue. We are encouraged by Disney's focus on live sports and NCAA football, specifically in Q4, and their pending acquisition of Fubo to become one of the market's largest live TV subscriber bases. We also continue to strengthen our international sports business with the addition of new partners, including FIFA and Sky New Zealand.

Lastly, we announced a deal with DirecTV to expand our partnership in their streaming business on top of our efforts in Satellite TV. ClearLine, our self-service direct buying platform, posted very strong growth in Q4 and is showing great promise for 2025.

The agencies and brands we work with continue to ramp their buying, and when buyers use ClearLine, not only do we receive a fee for use of the product, but many of these buyers also leverage our data, leading to additional revenue opportunities.

ClearLine, along with SpringServe, also power our agency marketplaces. These marketplaces, which are leveraged by GroupM and Horizon, among others, provide agencies with their own end-to-end private label platform and establish direct connections with sellers, allowing more spend to go to working media. We believe agency marketplaces are a differentiated product offering for Magnite and will contribute nicely to our growth throughout 2025.

Now to DV+. As I mentioned earlier, to start 2025, the business has resumed growing at healthy pace in the mid-to-high single digits. We've seen this rebound broadly across verticals, and we're also seeing some benefits from ramping new deals, leading us to believe that the business has normalized after the unusual Q4 trend we experienced.

Audio, which is part of our DV+ supply footprint, continues to be a solid growth driver, and we see our partners focusing more and more on programmatic ad revenue. We are excited about the growth opportunities of partners such as iHeart and Spotify this year and beyond, as this channel grows.

Now I'd like to turn to AI, where we have some really exciting new initiatives. We have a long history of using machine learning to optimize our data centers and efficiently process trillions of ad requests per day. These tools reduce our costs and the cost for buyers, allowing them to spend more across Magnite.

In addition, these tools that power operational efficiencies for clients behind the scenes, in 2025, we will be releasing a number of new client-facing tools powered by generative AI. As an example, we recently launched in beta a generative AI feature for our curator product that allow buyers to quickly and easily identify the optimal audiences to meet their marketing goals while improving match rates.

Other AI-powered tools include, in DV+, a yield optimization engine for our demand manager header bidding solution, and in CTV, a tool for automating and standardizing content classification signals.

We are optimistic that these tools will help drive significant value for our partners and look forward to additional AI-driven product releases throughout 2025. These advances will just further solidify us as the leading independent SSP.

Before I turn the call over to David, I'd like to address, head-on, comments by the Trade Desk in their earnings call two weeks ago regarding their OpenPath initiative in CTV and the presumption that it will ultimately displace SSPs.

Large parts of this argument are flat and wrong, but before I get into our points of contention, first, a point of agreement. I can't blame them for thinking most SSPs are headed for irrelevance. But it's not because the SSP model is inherently flat or inefficient. It's because most SSP's tech is undifferentiated and outdated.

Most of our competitors in the streaming space have taken display advertising technology and hacked it into working with CTV. Because they have no CTV ad server, they're limited to acting as a reseller of non-unique inventory in an open market capacity. It's a low-value practice.

Meanwhile, our CTV offerings are purpose-built for the space, including our streaming SSP platform, and critically, our SpringServe ad server, which is the industry's leading programmatic mediation layer.

Magnite doesn't need to rely on reselling inventory because our tech has earned us direct relationships with every major streaming platform other than YouTube. We can now reach over 90% or 92 million US households in over 90% or 75 million European households in EMEA's big five countries, which is amazing if you think about it.

Trade Desk also argues that OpenPath is more efficient for sellers and avoids the unnecessary fees of middlemen, yet the Trade Desk charges sellers a healthy fee to use OpenPath in addition to their fees on the buy side. In reality, the economics are unchanged for publishers. How's that more efficient?

Moreover, they claim that each seller using OpenPath would be better served conducting its own yield management. This misses the very obvious fact that most sellers don't have this technology and would be incredibly expensive and inefficient to build in-house.

Building their own tech wouldn't be just inefficient, but disadvantageous, as none have access to the reams of pricing data that inform Magnite's yield management systems. As a result, sellers would be far more likely to leave money on the table. This is why sellers connecting to OpenPath continue to find enormous value in using SpringServe.

Further, the Trade Desk argument ignores the importance of diversity of demand. While they are obviously a huge player, no one DSP can represent all the world's demand for every geo and use case. In addition to established DSPs, we are seeing an explosion of DSPs focused on SMBs and performance advertisers.

These essential demand sources aren't accessible through OpenPath and it's impractical to think sellers will tap into all of them by integrating and managing dozens of direct connections. That is exactly what Magnite is built for.

Simply put, OpenPath doesn't replace the need for yield management or a mediation level. So even as OpenPath grows, Magnite's technology will still be used and valued by publishers in the vast majority of OpenPath CTV transactions. But a future dominated by OpenPath is not in the best interest of sellers. Trade Desk talks a lot about objectivity, but let's be clear, as a DSP, their allegiance lies with the buy side.

Despite their marketing effort, OpenPath is not about providing long-term value to sellers. It's about extracting more fees from every transaction that runs through their platform. It's about accelerating the commoditization of sellers' inventory and data.

We see what happens when one player becomes too dominant on both the buy and the sell side of this industry and sellers always end up getting the short end of the stick.

As a sell-side company, Magnite's mission is to protect the interests of media owners. Like the Trade Desk, we believe in the open internet, but we also believe that for it to thrive, there must be a healthy and fair value exchange between buyers and sellers. That's the future that technology like SpringServe enables, and that's the future we'll always be working towards.

In closing, we delivered strong Q4 CTV results, with overall quarterly results being negatively impacted by DV Plus's post-election spending pause. However, our recent trends give us comfort that DV Plus headwinds are not structural, as we've seen a normalization of trends in Q1. The strategic investments we've made to create the world's leading programmatic CTV platform are clearly paying off, and we are incredibly excited for the remainder of 2025.

With that, I'll turn the call over to David for more detail on the financials. David?

David Day - *Magnite Inc - Chief Financial Officer*

Thanks, Michael. The fourth quarter was unusual for Magnite. We continued with very significant momentum in our CTV business and came in above the high end of top-line expectations, with 23% year-over-year growth in contribution next tax.

As Michael mentioned, however, we experienced an unusual post-election pause in our DV+ business during the fourth quarter. In the run-up to the election, we saw normal levels of paid impressions and CPMs in our non-political business, with CPMs roughly flat year over year. Immediately following the election, CPMs dropped significantly, 15% to 20% down through the end of the quarter.

As a result, we did not see the normal holiday ramp in our DV+ business, resulting in 1% growth for the quarter and the underachievement compared to our expectations. This was radically different from our experience in both the 2020 and 2022 election cycles, and this trend was consistent with the weaker-than-expected results reported by other open Internet industry players.

When all was said and done, we saw soft vertical demand in DV+ in 13 of the 18 categories we tracked. In particular, we witnessed pullbacks in consumer categories, health and fitness, retail, automotive, and food and beverage.

Other than the benefit from political, the only other bright spot was technology. As Michael mentioned, and as I'll highlight in guidance, DV+ has returned to mid-to-high single-digit growth in Q1, which gives us some comfort that lower-than-expected DV+ results in Q4 were an anomaly.

Turning now to full-year results, we generated record contribution ex-TAC of \$607 million and processed ad spend of over \$6 billion. We also generated record adjusted EBITDA of \$197 million and \$118 million of free cash flow. We ended the year with \$483 million in cash and our net leverage ratio has been reduced to 0.4x.

Our business is performing well and our capital structure is robust. Total revenue for Q4 was \$194 million, up 4% from Q4 2023. Contribution ex-TAC was \$180 million, up 9%. CTV contribution ex-TAC was \$78 million, up 23% year over year and again above the top end of our guidance range. Ad spend growth and strong momentum with our SpringServe ad serving drove the outperformance in the fourth quarter.

DV+ contribution ex-TAC was \$102 million, an increase of 1% from the fourth quarter last year as we discussed. Our contribution ex-TAC mix for Q4 was 43% CTV, 40% mobile and 17% desktop. From a vertical perspective, as expected and as we discussed last quarter, political was the strongest performing category at approximately 6.5% of contribution ex-TAC.

Total operating expenses, which includes cost of revenue for the fourth quarter, were \$154 million, a slight increase from \$152 million for the same period last year. Adjusted EBITDA operating expense for the fourth quarter was \$104 million within our guidance range. The increase from \$95 million last year was primarily driven by personnel software cloud costs.

I'd like to touch on our tech stack cost initiatives that particularly impact our CTV profitability and scale. First, our tech team continues to make gains in reducing per unit cloud costs, which have allowed us to manage significant ad request volume increases with modest cost increases. To this end, our costs per ad request in 2024 has decreased 26% in DV+ and 45% in CTV. Our focus on scale improvement and efficiency is one of our top priorities and these efforts will continue in 2025.

In addition to our per unit cloud cost efforts, we've also been increasing our focus on optimizing our hybrid structure to move additional functions from cloud to on-prem. We expect that these initiatives will lead to increasing margin expansion rates in 2026 and beyond, with some potential for benefit in the second half of this year. We will have more to report in coming quarters on these efforts.

Net income was \$36 million for the quarter compared to net income of \$31 million for the fourth quarter of 2023. Adjusted EBITDA grew 9% year over year to \$77 million, reflecting a margin of 42% which compares to \$70 million last year.

As a reminder, we calculated adjusted EBITDA margin as a percentage of contribution ex-TAC. GAAP earnings per diluted share increased 50% and it was \$0.24 for the fourth quarter of 2024 compared to \$0.16 for the fourth quarter of 2023.

Non-GAAP earnings per share in the fourth quarter of 2024 grew 17% and was \$0.34 compared to \$0.29 last year. Reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q4 results press release.

Operating cash flow, which we define as adjusted EBITDA less capex, was \$64 million for the quarter. Cash generation was very strong in the fourth quarter and our cash balance at the end of Q4 was \$483 million, an increase of \$96 million or 25% from the end of Q3.

Capital expenditures, including both purchases of property and equipment and capitalized internally used software development costs, were \$12 million for the quarter, bringing the total to \$52 million for the full year.

Our net interest expense for the quarter was \$5 million. As mentioned, our net leverage ratio was 0.4x at the end of Q4, a sequential improvement from 0.9x at the end of Q3. We continue to focus on managing shareholder dilution after having successfully lowered our leverage.

For the full year 2024, our repurchase program and withhold to cover activity have effectively reduced dilution by 3.2 million shares for \$37 million. As a result, the increase in total shares outstanding at the end of 2024 was limited to 2% compared to the end of 2023. We currently have \$110 million remaining in our authorized share repurchase program, which we will look to deploy strategically.

I'll now share our expectations for the first quarter of 2025 and our current thoughts about the full year. For the first quarter, we expect contribution ex-TAC to be in the range of \$140 to \$144 million, contribution ex-TAC attributable to CTV to be in a range of \$61 million to \$63 million,

Contribution EX-TAC attributable to DV+ to be in the range of \$79 to \$81 million, and we anticipate adjusted EBITDA operating expenses to be between \$111 million and \$113 million, which implies adjusted EBITDA margin of over 20% for Q1 at the midpoints.

For the full year, we anticipate total contribution EX-TAC to grow above 10% or mid-teens excluding political, adjusted EBITDA to grow in the mid-teens with adjusted EBITDA margin to expand at least 100 basis points over 2024, and free cash flow to grow in high-teens to 20%.

In addition, we expect total CapEx to be approximately \$60 million, supporting our tech stack efficiency efforts as I noted earlier. Overall, the fourth quarter and full year 2024 were strong for Magnite despite the unexpected volatility in the post-selection DV+ results.

We had some very significant wins during the year, including Netflix, and continue to add cutting-edge capabilities to our industry-leading CTV toolset. We've also set a high priority on the cost efficiency of our tech stack and have made significant strides this year. The team is performing well, and we are excited about what the future holds in 2025 and beyond.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jason Kreyer, Craig-Hallum.

Jason Kreyer - Craig-Hallum Capital Group - Analyst

Great, thank you guys. So obviously ended the year on a strong note and connected TV, but the guide for Q1 seems to reflect a little bit of a slow down there. So just wondering if you can get a little context on what you're seeing here in the early stages of 25.

David Day - Magnite Inc - Chief Financial Officer

Yeah, I'll take that. I think, well, in DV+, let's let's let's split the businesses there. We're actually seeing a nice rebound, especially from Q4 and so as mentioned, we're seeing, current growth in the, mid to high single digits, and so that's we think, running nicely and CTV we've typically had, Q1 is a low point in our year to year growth, and, if, I don't think you got anything else Michael you want to add, but, I think it's expectations. Yeah.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

It's pretty market representative.

Jason Kreyer - Craig-Hallum Capital Group - Analyst

Okay, got it. Thank you. I wanted to touch on some of the stuff you talked about, SMBs you highlighted working with some partners to bring, greater budget online and allow that cohort of the industry that hasn't participated in CTV in the past to give them access to that. So just wondering if you can talk about what your role is there and what you're seeing and and what the timing looks like for for those entities to be able to participate.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Yeah, great question, Jason. I think we're, relatively early stages there, right? It's a two part move. First, these newer entrants have to bring on board these performance advertisers that generally are used to the metrics of the DV plus world, right? And so the ability to couple.

The impact of the CTV ad coupled with advertising on DV Plus at the same time and weighing whether or not that's more affectatious is the start of a journey. But there is, a ton of appetite and I think if you Read every Q4 or even earlier, earnings from any of the big streamers.

They've all pinned their hope on, hey, we're not just looking to shift dollar for dollar from linear to streaming. We need to expand the pie if we're going to be successful like tech companies and so they're really leaning into a world of 10,000 advertisers, not 500 advertisers, so the whole industry. Is leaning into that and our role specifically is to bring that great supply to them.

There's no way they can create direct relationships, plug in directly, access all the supply that we can globally, and so we're a quintessential SSP in that respect, but as I mentioned in our script, a uniquely advantaged SSP giving our programmatic mediation layer with all the top streamers.

Jason Kreyer - *Craig-Hallum Capital Group - Analyst*

All right. Thank you.

Operator

Dan Kurnos, Benchmark Company.

Daniel Kurnos - *Benchmark Company - Analyst*

Great. Thanks. Good afternoon, Michael. Maybe just on just how should we think over the medium term about the growth of your CTV ex-TAC business now that you have all these wins? I mean, obviously it's going to be lumpy with Netflix and timing is hard so maybe spread that out for us so we can get a normalized rate and then on some of the data initiatives are we talking, utilizing the data you have to improve. The conversion or drive more business wins or are you talking about new business lines that can actually add incremental revenue to the growth story?

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thanks. Yeah, Dan, great question. So CTV growth rate, I think, we've been pretty consistent in saying We have every expectation to outgrow the market. That market numbers bounced all around, given, the economic backdrop of, the last eight quarters or so.

But, I think we've seen the latest folks that we use mid-teens, and so we fully expect on a full year basis, sure there'll be market quarter differences but to outpace the market in that respect, and as far as the inventory coming online, that's, it's hard to project that largely because some of that's just out of our control and it's 100% go to market strategy for some of our newer streaming partners.

But again, as it specifically relates to Netflix, I feel very comfortable that our statements that we originally said stand, and that is exiting '25 they'll be one of our largest CTV clients.

David had some point to add about comps.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I was just going to say, also if you think about our guide for 2025 and the political comp, if you strip out political, our guide, conservative, what I would say guide, not knowing the ramp of Netflix and others would imply closer to 20% CTV growth next year and so. Important just to keep that political comp in mind.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Yeah, and then lastly on the data piece of it, yeah, data, it's a new bucket of revenue opportunity for us, as you know very well. Most data surcharges or data sales have occurred at the DSP level on the buy side. And we're seeing a big uptake of our curation tools, and buyers coming in and utilizing our data warehouse, if you will, our data storefront, and in that instance, our publishers and us can participate in those economics.

Daniel Kurnos - Benchmark Company - Analyst

Thank you, both. I appreciate it, guys.

Operator

Laura Martin, Needham and Company.

Laura Martin - Needham and Company - Analyst

Hi there. My first one is on Gen AI wanted to drill down there a little more. It sounds like you're introducing a bunch of products in '25 and I'm interested. Do you expect those to bring in new clients, to increase the revenue for existing clients to lower client churn? And then related to the cost side of Gen AI, you did \$56 million of CapEx in 2024.

How much do you -- I'm very surprised you're going on prem because a lot of this Gen AI stuff is with a large language model that's housed at Google or Amazon or over at OpenAI. So I'm curious as to bringing on-prem, increasing your CapEx on on-prem versus using the cloud. So could you, so that's my first question is, could you talk a little more about your Gen AI strategy in 2025, please?

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

You bet, Laura. I'll jump on the first part of the question and let David answer the second part.

I would say generally speaking, the tools that we have launched in that on the launching pad are definitely with an eye towards existing clients to make their life easier, to make it more efficient, and to have them spend more. So I would say the general focus of the first wave generation is to increase revenue with existing clients.

David Day - Magnite Inc - Chief Financial Officer

Great. And on the CapEx, we had \$52 million in CapEx in 2024, and as you highlighted, we did, we do expect about 60 million in 2025. That's actually not related to our the Gen AI efforts. It's really more related to primarily our CTV business that primarily runs today on AWS.

AWS per unit costs, even as they're being optimized for certain applications can be up to 8 times more expensive than bringing those activities on-prem. And so there's actually a very significant ROI ROI from that incremental CapEx spend.

And the ability to bring some of that activity on-prem. So it's really, the CapEx is much more about our optimization efforts of our tech stack and actually giving us greater opportunity to expand our margins. As we swap out more expensive AWS cloud costs in the future to cheaper on-prem costs.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

And as it relates to the specific tools we talked about, we believe the economic packaging of those tools can push the cost of the additional servers for those specific tools onto the end user and so therefore we don't anticipate. 10s of millions of incremental costs as it relates to cloud usage because of LLMs.

Laura Martin - Needham and Company - Analyst

Okay, super helpful. And then my second one is, I understand you feel like you're provoked by the Trade Desk comments, and then I appreciated your pushback on, why SSPs are still required. I guess my question, my big picture question is the open internet healthy? We have the largest DSP and the largest SSP in a public war now of war.

About the relative usefulness of their services, but they are part of an ecosystem, and I'm just wondering, do you feel that the rise of Amazon's competitive layer is threatening the open internet and creating slowing growth, which is creating more friction among the open internet ecosystem? Do you feel the open internet is healthy in today's world?

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Well, I think it's very healthy, Laura, and I also think that, this isn't some back alley fight between us and Trade Desk. Jeff has a very clear view of how he thinks the world's going to play out, and he thinks it's going to end with a thriving open internet. We have the exact same worldview. We differ as to how it gets there and who enjoys the spoils of that.

But largely speaking, yes, Amazon can suck dollars out of what so-called Open Internet. But more and more what we're seeing is Amazon is a buyer of open internet inventory. They may have, incredibly sophisticated buying capabilities, but they are very intent on being the largest.

General DSP in the in the world and that would have to include buying open area inventory. So we have a very tight partnership with them and they're fast growing on our platform and I think they're more of a More of a validation of the open internet than someone that is trying to underpin it.

Laura Martin - Needham and Company - Analyst

Thank you very much.

Operator

Shweta Khajuria, Wolfe Research

Shweta Khajuria - Wolfe Research - Analyst

Thanks a lot for taking my questions. Let me try two, please. On OpenPath, Michael, you gave a a very great, I guess a lot of good color, and I think that was much needed, so thank you for that.

My question for you is, so how should we think about, you talked about publishers end up getting about the same amount of revenue irrespective of whether they go through Magnite or an SSB versus OpenPath. So could you please help us understand that? And second is on CPMs.

What drove the CPM pressure in the fourth quarter and what gives you confidence right now? Is it simply a function of CPMs bouncing back and things are back to normal? Any comment there would be helpful. And how did you see that, what did you see through the quarter to date? So how did January trend versus February.

And then if I could please try a third one, could you please help us unpack your 2025 guidance a little bit to the degree that you can comment on incrementality from any of these new partnerships? How should we think about that? Thanks a lot.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Yeah, thanks for that. I'll hit the OpenPath economics. I think what wasn't broadly understood was that when a publisher engages with OpenPath, there is a fee that they are charged by Trade Desk. That fee can range as high as high mid-single digits to mid digit -- mid-single digits.

Depending on the type of service we provide for a CTV publisher, it's just an absolute swap out of our costs to trade out costs. So in terms of fees and in terms of the tightening of the supply chain, the economics really are unchanged. Publisher we've heard this from multiple publishers. So ultimately there's no huge savings here for advertisers and or publishers.

And so that's what I was bringing to light that the statement that this is a sweeping recalibration of efficiency. It is for one player as it relates to the CPMs, I'll defer to David. He has all the data.

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I think, I mean, at the highest level there was just a drop in demand in November and December. One can speculate where that came from, where there are concerns about having a, messy election results or, it's hard to speculate. But the fact was that there was just less demand in the fourth quarter running up to the holidays in the DV+ business.

In January and February we have seen a significant rebounds, so that demand has come back. CPMs have improved, and so that gives us, confidence going forward. And it also helps, it's an unusual year end we have an extra month, we're reporting, so we're two months into our quarter and so we have some, reasonable visibility that That that rebound has sustained, for a good part of this quarter and it and it gives us additional confidence.

And then from a third question on the From a guidance perspective, incrementality with our deals, new deals, I mean, we, we've talked in very general terms about what the impact of some of our deals could be. We don't control the timing of that and so, we attempt to be, somewhat conservative in the guidance that we're giving.

If you're talking about incrementality from a flow through, what is interesting that at current revenue growth rates, we have a certain financial and flow through profile, but incremental revenue on top of that baseline flows through to EBITDA, at a much higher rate. And so to the extent we have upside, you'll see better impact and proportionate, better proportionality on the impact on EBITDA.

Shweta Khajuria - *Wolfe Research - Analyst*

Okay, that's helpful. Thanks, Michael. Thanks, David.

Operator

Matt Swanson, RBC Capital Markets.

Matthew Swanson - RBC Capital Markets - Analyst

Yeah, thank you so much for taking my question. Maybe following up just where you were there, David, on the drop of demand you saw in November and December, it just, it didn't seem like it really impacted CTV or did you see a similar dynamic, but it just outperformed anyway due to the strength, just trying to put some guard rails around that.

David Day - Magnite Inc - Chief Financial Officer

Yeah, no, we didn't really see the same impact. I mean, it is a very different world with, lots of demand coming in and so, if there was some impact, it was certainly masked by, other growth in demand and we feel like, there's we're a share gainer in that space, so could it have grown higher in that quarter maybe, but we didn't see, drop in CPMs or any similar activity in CTV.

Matthew Swanson - RBC Capital Markets - Analyst

And then maybe one for both of you that's a different version of Shweta's question. The secular growth drivers that you called out for big investments in 2025, we talked AI curation, ClearLine agency marketplaces, we spent a lot of time on CTV, but how should we think about those in terms of how monetizable they are this year, just in whatever color you guys are, comfortable with?

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Yeah, I mean, I'll handle the opener. I think with many of these partnerships as we talked about, they're very strategic and will be longer term, mid term to fully ramp a lot of these partnerships, we are very dependent upon our partner, in terms of selling it through, I think agency marketplaces are a great example of that. We've been working with GroupM now for maybe going close to 4 years, and for the first two years, it was a concept.

That was pitched to their clients. The clients dabbled with it and now it's, a roaring marketplace. And so I think a lot of these examples like the Uniteds of the world, even in Netflix, Media Ocean, etc. These just take longer to play out, so.

I wouldn't anticipate, a hockey stick happening any particular quarter for any of these. They just simply grow and add to the general revenue growth that we anticipate in 2025.

Matthew Swanson - RBC Capital Markets - Analyst

Thank you.

Operator

Shyam Patil, Susquehanna.

Aaron Samuels - Susquehanna International Group - Analyst

Hey, this is Aaron on for Shyam. Thanks for taking our questions. Maybe for starters, I just wanted to double click on DD+ and the volatility that you saw post-election. How did the CPM and demand drop off that you saw in 4Q compared to prior election cycles and if that was more severe, what do you think caused that?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I'll take that. Yeah, as we mentioned earlier, I think it was very different than, 2022 and 2020 cycles. So in those cycles we did, there was actually increased, the CPMs did not really drop and so it was dramatically different from that perspective. And as far as the cause again, we know what the output is, one can speculate as to the cause, whether folks just wanted to stay out of the market, assuming that there'd just be, really challenging, political turmoil after the election, or what you may, but we saw the drop and now we've seen recovery and so, I don't have a lot better insight than, what others might speculate. I don't know, Michael, if there's anything else.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

No, it's just look at like any political season we know political spend crowds out consumer ad spend. It gets pretty expensive and it's tough to compete against political, so it's quite common. To see some larger advertisers pause and then kick in with their seasonal advertising in December after the general election.

We just didn't see that and it's a unique phenomenon, and I the fact that the advertising resumed in January, kind of, and the fact that this happened exactly the day after the election, we had this cratering of CPMs, all fingers point to the election, but it's hard for us to get any more definitive or have any other theories because frankly we're out of them.

We have correlation. Causation is, another level.

Aaron Samuels - *Susquehanna International Group - Analyst*

Got it. And then if I could ask a second question, I appreciated the commentary in response to the OpenPath comments from the Trade Desk. Michael, I guess I'd be curious to hear, what would you highlight as the top two or three differentiators of Magnite's SSP versus OpenPath.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Well, I think it's pretty clear that OpenPath is a very valuable source of demand. It begins and ends there. But demand is the lifeblood for publishers. However, it's just one DS pay. And as Jeff pointed out, if you're going to do this, you better build your own yield management as a publisher, and we vociferously disagree with the publisher has the capability to build yield management, let alone have the data that we have to feed yield management. So I would say, largely speaking, we, our biggest our biggest.

Value above OPath is we bring the world's demand. We bring every DSP under the sun. We bring global demand. The Trade Desk isn't even operating in Latin America. We are, so we absolutely can bring all this demand and we add yield management to it.

And so we're making sure that we're keeping the buyers honest and the publishers are getting the best possible rate. And so that is not what OpenPath is. OpenPath is just a pipe of demand, valuable demand, but I think we could argue for the same fee. You get Trade Desk and the world's demand with yield optimization.

Aaron Samuels - *Susquehanna International Group - Analyst*

That's helpful. Thank you, both.

Operator

Eric Martinuzzi, Lake Street.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Yeah, just one question/clarification. You mentioned political at 6.5% of contribution ex-TAC in Q4. What was it for the year?

David Day - *Magnite Inc - Chief Financial Officer*

For the year it was 3.2%.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Got it. Thanks.

David Day - *Magnite Inc - Chief Financial Officer*

You bet.

Operator

Zach Cummins, B. Riley FDR.

Zach Cummins - *B. Riley Securities - Analyst*

Hi. Good afternoon. Thanks for taking my questions. I just wanted to ask about the CTV business.

Have you seen any, I mean, worth calling out and make shift within that business? I, it seems like it's relatively stable throughout 2024, so just curious of how you're thinking about that mix moving forward, in 2025 and beyond?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I think that's a pretty accurate statement. Like if you look at our mix of where the revenue comes from, what types of publishers, and the mix of the products that they use from us, it's been quite stable. We think in 2025 on the margin. We'll be bringing more demand as a Magnite as opposed to publishers sold programmatic.

We think that the expansion of media plans will bring on publishers that rely a lot more upon us for demand than perhaps that Disney relies upon us for demand. So I think that over time we totally anticipate. That mix changing, but I think, as you go through 2025, still the bells of the ball or the big premium streamers that everyone wants in their media plans and those guys, as prefer to sell their programmatic deals direct.

Understood and just one quick follow up just curious of your recent partnership announcement with X. Can you talk about your role in that partnership and how we should think about the potential contribution from that over time?

Yeah, it was the partnership announcement that wasn't a partnership announcement. It was a press article, so we're somewhat limited to describe the deal. I think you can probably anticipate further information downstream, but that was a little premature, but again, a reporter doing what a reporter does.

Zach Cummins - *B. Riley Securities - Analyst*

Understood. Well, thanks for checking my questions and best of luck with the rest of the quarter.

Michael Barrett - *Magnite Inc - President, Chief Executive Officer, Director*

Thank you, Zach.

David Day - *Magnite Inc - Chief Financial Officer*

Thank you.

Operator

Omar Dessouky, Bank of America.

Arthur Chu - *BofA Global Research - Analyst*

Hey, guys. it's Arthur on for Omar. Thanks for taking the question. So David, I wanted to touch on your comment about, being able to lower your cost per ad request meaningfully by, I guess optimizing the number of a requests you sent to DSPs.

How should we think about seeing that efficiency improvement because it sounds like in theory, if you have a model that's able to predict, how ESPs are going to respond to various different a requests.

Your model should be able to like keep on getting better as you ingest more data into the feedback loop. So in theory, like your efficiency should just keep on getting better. I guess what are your thoughts on that notion, where do you see the seeding of that efficiency gain and where do you think you are on that curve?

David Day - *Magnite Inc - Chief Financial Officer*

Yeah, I think there's a couple elements to those efficiency gains, and it's interesting that you highlighted something that we've actually been doing for a long time. So there's a brains, so there's a core cost of processing an ad request and a core cost of sending that ad request out out to, DSPs and that.

And so there's a core cost to that, but there's brains behind that and how efficiently you filter what's valuable and where it should be sent. And so that part we've been actually working on, we, we've had going for a long time and that's been, part of our significant success.

What, and that will continue to grow and to improve over time. But there's some step function gains in one on the per unit cost and utilizing the cloud, we're relatively new to that in the last couple of years as we've acquired our CTV businesses and put them together in Magnite streaming and with SpringServe and so we continue, so there's some upside there.

And then really the big step function is certain of those activities can be run much more efficiently on prem. And we're just in the phase now of really sorting that out and optimizing that. And so I think that's where the biggest gains will come over time.

And so it's a very long answer and way of saying a lot of good things happening, I think. The quantification of what that means when, I think, we'll have more to discuss in the coming quarters as we get further through that work and have better visibility.

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

And we definitely intend to continue to improve upon the unit costs, but corresponding to that is we are doubling. Volume and so you're going to always see a steady layer cost. It's just that we're going to be able to do twice as much and our lifeblood is auctions and volumes. So that's a really good thing. You shouldn't expect this to go to zero because we're going to be taking on more and more volume at affordable cost.

Arthur Chu - BofA Global Research - Analyst

Got it. Thank you very much, guys. Appreciate it.

David Day - Magnite Inc - Chief Financial Officer

Right. Thanks, Arthur.

Operator

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

Michael Barrett - Magnite Inc - President, Chief Executive Officer, Director

Thank you, Megan. Thank you all for joining us and your support. We have a very exciting 2025 ahead of us that I feel very good about. The Magnite team is performing at a high -- a very high level, and I love our resilience even when the market throws its challenges like in Q4 and our ability to bounce back quickly.

We look forward to speaking with many of you at our upcoming investor events. We are participating in the Susquehanna conference tomorrow; Benchmark meetings in Boston on March 6; Craig-Hallum meetings in Chicago and Minneapolis on March 12 and 13; Bank of America meetings in New York on March 19; RBC meetings in Kansas City in Denver on March 25 and 26; and B. Riley meetings in San Francisco on March 31.

Thank you, all, for joining and have a great evening.

Operator

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

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