



# The Global Exchange For Advertising

March 2019

**rubicon**  
PROJECT

## FORWARD-LOOKING STATEMENTS

This presentation and management's prepared remarks during the conference call, and management's answers to questions during the conference call may include, forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning our anticipated financial performance, including, without limitation, revenue, advertising spend, non-GAAP net revenue, non-GAAP income (loss) per share, profitability, net income (loss), Adjusted EBITDA, earnings per share, and cash flow; strategic objectives, including focus on header bidding, mobile, video, and private marketplace opportunities; investments in our business; development of our technology; introduction of new offerings; the impact of our acquisition of nToggle and its traffic shaping technology on our business; the effects of our cost reduction initiatives; scope and duration of client relationships; the fees we may charge in the future; business mix and expansion of our mobile, video and private marketplace offerings; sales growth; client utilization of our offerings; our competitive differentiation; our market share and leadership position in the industry; market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including ad requests, fill rate, paid impressions, average CPM, take rate, and advertising spend; benefiting from supply path optimization; and factors that could affect these and other aspects of 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. These risks include, but are not limited to: our ability to continue to grow and to manage our growth effectively; our ability to develop innovative new technologies and remain a market leader; our ability to attract and retain buyers and sellers and increase our business with them; our vulnerability to loss of, or reduction in spending by, buyers; our reliance on large sources of advertising demand; our ability to maintain and grow a supply of advertising inventory from sellers and to fill the increased inventory; the effect on the advertising market and our business from difficult economic conditions or uncertainty; the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand; our ability to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms; our ability to introduce new offerings and bring them to market in a timely manner, and otherwise adapt in response to client demands and industry trends; the increased prevalence of header bidding and its effect on our competitive position; uncertainty of our estimates and expectations associated with new offerings, including header bidding, private marketplace, mobile, and video; lower fees and take rate and the need to grow through advertising spend increases rather than fee increases; our ability to compensate for a reduced take rate by increasing the volume and/or value of transactions on our platform and increasing our fill rate; our vulnerability to the depletion of our cash resources as we incur additional investments in products and technology; our ability to support our growth objectives with reduced resources from our cost reduction initiatives; our ability to raise additional capital if needed and/or to renew our working capital line of credit; our limited operating history and history of losses; our ability to continue to expand into new geographic markets; our ability to adapt effectively to shifts in digital advertising; increased prevalence of ad-blocking or cookie-blocking technologies; the slowing growth rate of online digital display advertising; the growing percentage of online and mobile advertising spending captured by owned and operated sites (such as Facebook and Google); the effects, including loss of market share, of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors; the effects of consolidation in the ad tech industry, such as AT&T's acquisition of AppNexus; acts of competitors and other third parties that can adversely affect our business; our ability to differentiate our offerings and compete effectively in a market trending increasingly toward commodification, transparency, and disintermediation; requests from buyers and sellers for discounts, fee concessions or revisions, rebates, refunds, favorable payment terms and greater levels of pricing transparency and specificity; potential adverse effects of malicious activity such as fraudulent inventory and malware; the effects of seasonal trends on our results of operations; costs associated with defending intellectual property infringement and other claims; our ability to attract and retain qualified employees and key personnel; our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies; and our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards. We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent Quarterly Reports on Form 10-Q. These forward-looking statements represent our estimates and assumptions only as of the date made. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, any guidance we may provide will generally be given only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Investors should read this press release and the documents that we reference in this press release and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

- **Revenue grew 32%** year over year to \$41.4 million in Q4 2018
- **Cash flow positive** (ex working capital) in Q4 2018 - 1 year ahead of target
- Adjusted EBITDA margin of **24%** in Q4 2018
- Share gains -- video and audio continue as significant growth drivers
- **Video revenue was \$20 million** for 2018 or 16% of revenue and more than doubled in Q4 year-over-year
- Take rate increased 150 bps to **13.8%** in Q4 2018 sequentially
- Expecting Q1 2019 revenue to increase approximately **25%** year over year



# Who We Are

# Rubicon Project (NYSE: RUBI)

- The independent global exchange for advertising
- Headquartered in Los Angeles
- 400+ employees
- Operating in 30+ markets globally



# What We Do



# Our Business: Matching Buyers & Sellers

## Publishers & App Developers Want

To drive revenue for all impressions by leveraging turnkey access to billions of dollars of demand, and provide a quality experience for those accessing content

## Advertisers Want

To safely reach high quality audiences at scale, across devices no matter where they engage

**1,300+ MEDIA COMPANIES  
WITH >1 MILLION WEBSITES  
& 60,000 APPS**



HEADER  
BIDDING  
PREBID.JS  
SDK  
xAPI  
TAGS



Helping advertisers efficiently and effectively find consumers wherever and whenever they access technology  
We do this through a variety of integrations across any format on any device in an automated fashion to reach  
**~1,000,000,000 consumers**

OMP  
PMP



OTT



Desktop



Video



Mobile In-App



Mobile Web



OOH



Programmatic TV



Audio

**CONNECT WITH 900,000+  
BRANDS, AGENCIES & DSPS**





# RUBI Actions Taken / Differentiators

## Past

- Header bidding
- Mobile, video, audio & digital out of home
- Bought traffic shaping technology
- Estimated Market Rate (EMR) pricing tool
- Transparency
- Eliminated buyer fees

## Present

## Future

- **Publisher tools & products**
- **Video, audio, mobile app...**
- **Network efficiency**
- **Header bidding**

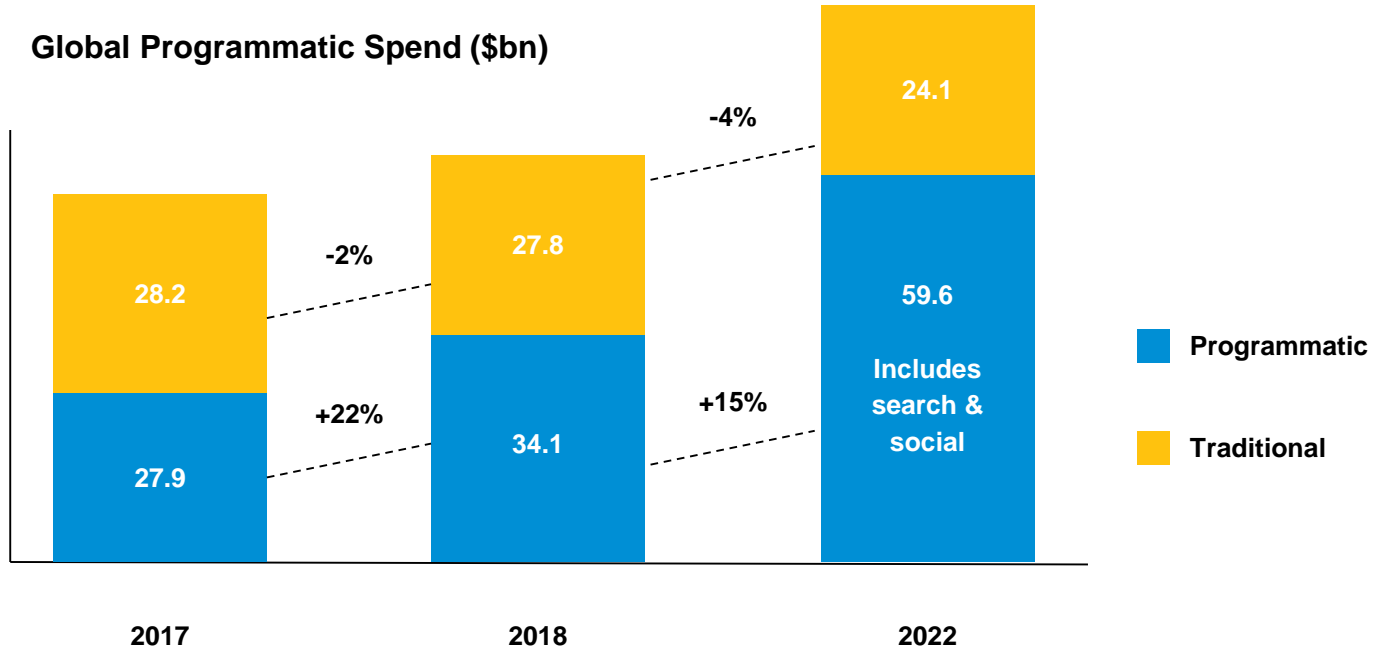




## Large & Growing TAM

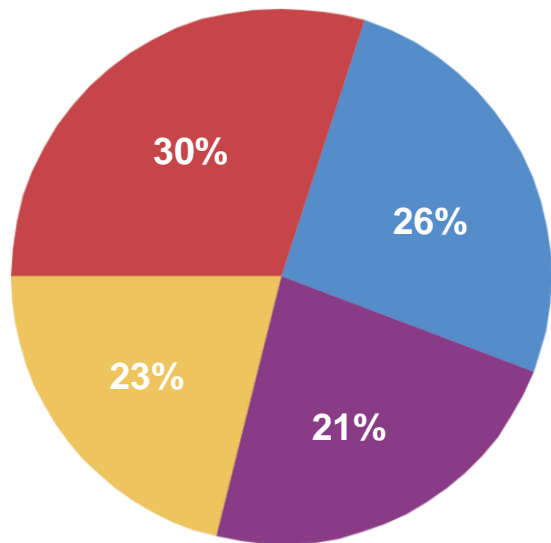
# Opportunity: \$34B Digital Addressable Market

Global Programmatic Spend (\$bn)



Source: MAGNA 2018 Programmatic Forecast

# 2022 Global Programmatic Forecast by Format



**“Mobile is fastest growing sub-segment – comparable to video and faster than social.”**

Desktop Banner

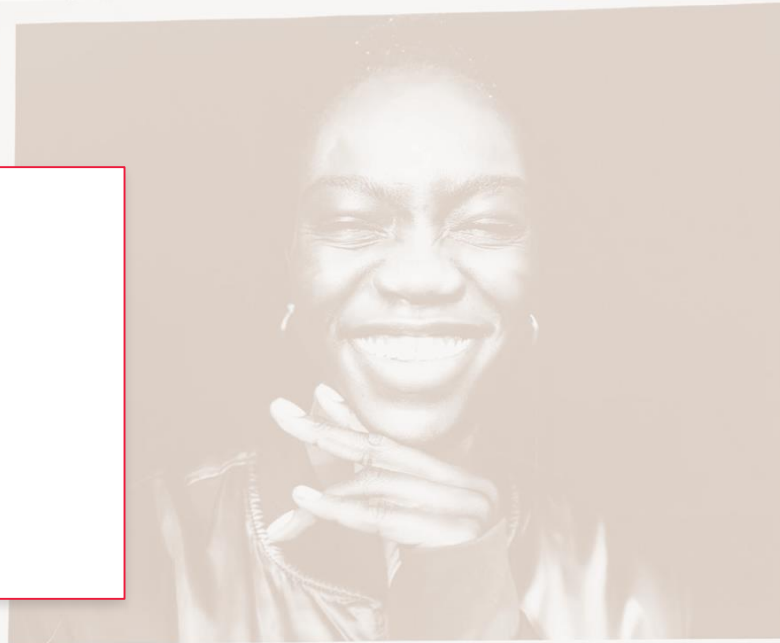
Mobile Banner

Desktop Video

Mobile Video

*Source: MAGNA 2018 Programmatic Forecast for 2022 Percent of Total*

# Growth Opportunity



by Nyamuoch G.

Selfies on iPhone X



LAMAR

- Video
- Supply Path Optimization / SPO
- Publisher Strategy & Tools

- Offerings in CTV, mobile app, mobile web, display, digital out of home...
- \$156 million in Ad Spend in 2018
- \$20 million in revenue in 2018
- Revenue more than doubled in Q4 2018
- Re-investing in business



# Supply Path Optimization



- Buyer driven
- Result of header bidding
- Started in early 2018
- Accelerating in 2019
- Changes competitive landscape
- RUBI very well positioned – Now



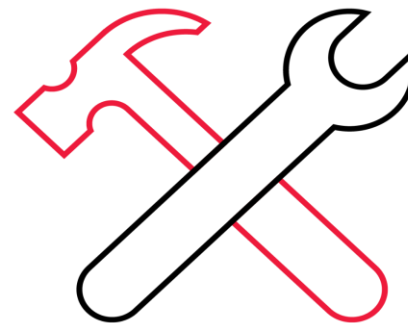
# Publisher Challenges

- Header Bidding (HB) lift played out
- Publishers under CPM & revenue pressure
- Existing HB solutions too technically complex or opaque
- Publishers looking for a strategic HB partner across all inventory
- Fewer independent, trusted, scaled partners available

**BACK  
TO THE FUTURE**

- Future of HB must be open-source (Prebid) to be trusted
- Must include tools/services to reduce complexity
- Must empower pubs to make quick, informed decisions
- Must operate across all demand sources (even non-RP)
- Already offering to some of our largest pubs
- Increasingly important part of our solution

## PUB TOOLS



***2018 Marked Record for Rubicon Project Amounts Paid to Sellers***

# Long-Term Vision

- Leading independent exchange
- Offer broadest & fastest growing inventory
- Monetize billions of ad spend
- Capture 10-15% share of addressable market
- Grow annual revenue 20% plus
- Deliver 25% plus adjusted EBITDA margins

# Conclusion

## Strategy

- Offer the broadest inventory
- Invest in products, tools, high growth areas & efficiency
- High volume transparent exchange
- Lowest total cost of supply - traffic shaping, better win rates, no buyer fees

## Leadership & Performance

- Experienced management team
- Achieved 2018 cost reduction targets
- Cash Flow (less working capital) & AEBITDA positive in 4Q 2018

## Executing on Value Proposition

- Strong position in header bidding, mobile, mobile app & video
- Delivering value to buyers and sellers
- Revenue growing – started in Q4 2018
- Re-investing in business

# Q4 2018 Summary

Financial Measures (\$MM except per share data)	Three Months Ended		
	12/31/2018	12/31/2017	Change Favorable / (Unfavorable)
<b>Revenue</b>			
Mobile revenue	\$22.8	\$16.0	43%
Desktop revenue	\$18.6	\$15.4	21%
Revenue	\$41.4	\$31.4	32%
<b>Advertising spend<sup>(1)</sup></b>			
Mobile advertising spend	\$169.7	\$116.5	46%
Desktop advertising spend	\$131.5	\$129.8	1%
Take Rate <sup>(2)</sup>	13.8%	12.8%	100 bps
<b>Net loss</b>			
Adjusted EBITDA <sup>(3)</sup>	\$9.9	(\$6.2)	n.m.
Adjusted EBITDA margin <sup>(3)</sup>	24%	(20%)	44 ppt
Basic and Diluted loss per share	(\$0.04)	(\$0.48)	92%
Non-GAAP earnings (loss) per share <sup>(4)</sup>	\$0.03	(\$0.28)	n.m.

(1) Advertising spend represents the total volume of spending between buyers and sellers transacted on our platform. See later slide for a reconciliation of GAAP revenue to advertising spend.

(2) Take rate represents revenue divided by advertising spend.

(3) See later slide for a reconciliation of net loss to adjusted EBITDA. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

(4) See later slide for a reconciliation of net income (loss) to non-GAAP net loss and calculation of non-GAAP earnings (loss) per share.

# Cash Flow and Balance Sheet Highlights

## Adjusted Cash Flow Highlights

(\$mm)

	Q4 2018	Q4 2017
Adjusted EBITDA	\$9.9	(\$6.2)
Less capital expenditures	(7.8)	(19.7)
Cash flow (excluding working capital changes)	\$2.1	(\$25.9)

## Balance Sheet Highlights

(\$mm)

	December 31, 2018	December 31, 2017
Cash & equivalents	\$80.5	\$76.6
Marketable securities <sup>(1)</sup>	7.5	55.0
Total cash + liquid assets	\$88.0	\$131.6
Debt + capital lease obligations	\$ Nil	\$ Nil

(1) Marketable securities at 12/31/17 include \$52.5 million current assets and \$2.5 million in long term marketable securities captured as other assets

# Reconciliations of Net Loss to Adjusted EBITDA & Revenue to Advertising Spend

Reconciliation of Net Loss to Adjusted EBITDA (\$MM)	Q4 2018	Q4 2017
Net loss	(\$2.2)	(\$23.8)
Add back (deduct):		
Depreciation and amortization, excluding amortization of acquired intangible assets	8.2	7.8
Amortization of acquired intangibles	0.8	1.3
Stock-based compensation expense	3.3	4.3
Impairment of intangible assets and internal use software	- -	4.6
Interest income, net	(0.2)	(0.2)
Foreign currency (gain)/loss, net	(0.1)	0.1
Provision for income taxes	0.1	(0.3)
Adjusted EBITDA / EBITDA (loss)	\$9.9	(\$6.2)

Reconciliation of Revenue to Advertising Spend (\$MM)	Q4 2018	Q4 2017
Revenue	\$41.4	\$31.4
Plus amounts paid to sellers	\$259.8	\$214.9
Advertising Spend	\$301.2	\$246.3



# Reconciliations of Net Loss to Non-GAAP Income (Loss)

Reconciliation of Net Loss to Non-GAAP Income (Loss) (\$MM, except share figures)	Q4 2018	Q4 2017
Net loss	(\$2.2)	(\$23.8)
Add back (deduct):		
Acquisition and related items, including amortization of acquired intangibles	0.8	1.3
Stock-based compensation expense	3.3	4.3
Impairment of intangible assets and internal use software	--	4.6
Foreign currency (gain)/loss, net	(0.1)	0.1
Tax effect of non-GAAP adjustments	(0.0)	(0.1)
Non-GAAP income (loss)	\$1.8	(\$13.6)
Non-GAAP earnings (loss) per share	\$0.03	(\$0.28)
Non-GAAP weighted-average shares outstanding (MM) <sup>(1)</sup>	54.2	49.3

(1) Weighted average shares of 1.3 million have been excluded from the calculation of the Q4 2017 net loss per share because they are anti-dilutive.

# Additional Reconciliations of Non-GAAP Financial Measures to GAAP Measures

Revenue & Advertising Spend Split by Channel			Q4 2018			Q4 2017		
Financial Measure: (\$MM)	Mobile	Desktop	Total			Mobile	Desktop	Total
GAAP Revenue	\$22.8	\$18.6	\$41.4			\$16.0	\$15.4	\$31.4
Plus amounts paid to sellers	146.9	112.9	259.8			100.5	114.4	214.9
Advertising Spend	\$169.7	\$131.5	\$301.2			\$116.5	\$129.8	\$246.3
Percentage of total Advertising Spend	56%	44%	100%			47%	53%	100%

Revenue & Advertising Spend Split by Geography			Q4 2018			Q4 2017		
Financial Measure: (\$MM)	Domestic	International	Total			Domestic	International	Total
GAAP Revenue	\$29.6	\$11.8	\$41.4			\$21.4	\$10.0	\$31.4
Plus amounts paid to sellers	183.0	76.8	259.8			135.9	79.0	214.9
Advertising Spend	\$212.6	\$88.6	\$301.2			\$157.3	\$89.0	\$246.3
Percentage of total Advertising Spend	71%	29%	100%			64%	36%	100%