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Q1 2020 Rubicon Project Inc Earnings Call

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PRESENTATION

Operator

Good day, and welcome to The Rubicon Project first quarter 2020 earnings conference call. All participants will be in listen-only mode. (Operator Instructions) After today's presentation, there will be an opportunity to ask questions. (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 ***The Rubicon Project, Inc. - VP of IR & Head of Global Real Estate***

Thank you, operator, and good afternoon, everyone. Welcome to Rubicon Project's first quarter 2020 earnings conference call following our merger with Telaria. Since the Telaria merger closed subsequent to the close of the first quarter, full financial results and our 10-Q will be presented on a Rubicon Project standalone basis, and we will provide summary results and commentary for Telaria's first quarter performance. On this call, we will provide commentary on combined business trends following the impact of COVID-19 and actions we are taking to adjust.

As a reminder, this conference call is being recorded.

Joining me on the call today are Michael Barrett, CEO; David Day, our CFO; and Mark Zagorski, President and COO, for the Q&A session, all from different locations.

I would like to point out that we have posted our financial highlights slides to our Investor Relations website to accompany today's presentation.

Before we get started, I'll remind you that our prepared remarks and answers to questions will include information that might be considered to be forward-looking statements, including, but not limited to, statements concerning our anticipated financial performance and strategic objectives, including the potential impacts of the COVID-19 pandemic 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, including the respective 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 period reports filed with the SEC, including our 2019 annual report on Form 10-K and subsequent filings, and including our 10-Q for the first quarter of 2020. We undertake no obligation to update forward-looking statements or relevant risks.

Our comments here 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 one-time in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit the 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 Rubicon Project.

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

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Thank you, Nick. The world's health, behaviors, the global economy, advertising, and more specific to us, the digital programmatic advertising market, have all changed quite significantly since our last earnings call, which was just 10 weeks ago.

On the one hand, we are thrilled with the completion of our merger with Telaria, which is transformative for our combined future. On the other hand, it seems a bit trivial to be presenting our financial results at a time when the world is squarely focused on fighting this pandemic and dealing with the many lives that have been so severely impacted.

Operating safely now and returning to normal business operations is a goal we all share, and we take our job to best manage through this turbulent time for shareholders, employees and customers very seriously.

So how have we been affected and responded? We officially closed the majority of our offices in conjunction with the California and New York orders on Friday, March 20, and some sooner, like Milan and Tokyo. And we strongly encouraged working from home even before then across all of our global offices. We continue to operate and perform at a high level with minimal disruptions, as our teams have always been very adept at working while traveling and from home.

We first noticed an impact on spend and revenue in mid-March. Prior to mid-March, we were tracking within the range of our revenue guidance for Q1. The impact continued to worsen through the first half of April before showing signs of stabilizing in the second half, with total April revenue down roughly 30% year-over-year.

As a result, we increased our previously announced synergy cost-reduction targets of $15 million to $20 million to now exceed $20 million in cost reductions. We have also taken additional short-term actions to lower costs, which David will discuss in more detail.

On a more positive note, CTV has continued to grow, albeit at a lower rate, with a year-over-year increase in April of approximately 10%, and has also stabilized in the last several weeks. As an omnichannel SSP, we have significant diversity across ad categories and even more so post-merger with CTV.

As you can imagine, certain verticals have been significantly impacted, such as travel and media and entertainment, whereas others have benefitted, such as e-commerce, technology, direct-to-consumer and performance advertising. It's reasonable to expect that as many of the sectors in the economy reopen and rebound, advertising and our corresponding revenue in those areas will follow.

We have seen a surge in ad request volumes, and although the ad spend is late for many publishers, the increase in ad-supported CTV viewership and behavioral changes has the potential to result in larger and broader audiences as we exit the pandemic.

Post-COVID CTV ad slot availability grew roughly 25% when compared to pre-COVID volumes. We continue to evangelize the benefits of programmatic to CTV publishers looking to achieve efficiencies and monetize increased ad avails correlating with the boom in viewership.

Lastly, we remain focused on accelerating SPO as buyers and sellers look to consolidate spend around the most financially stable companies.

Now for Q1 results. For Rubicon Project standalone, Q1 revenue was $36.3 million, reflecting year-over-year revenue growth of 12%. As I stated at the top of the call, we were on pace to fall within our guidance through mid-March. Q1 adjusted EBITDA was $2.8 million. While the merger was not completed until April 1, on a standalone basis, Telaria's Q1 total revenue was $15.1 million, up 11% year-over-year, and Telaria's Q1 CTV revenue was $9.1 million, an increase of 74% year-over-year.

As I mentioned, we were thrilled to close our merger with Telaria. The merger rationale remains unchanged in the current environment and was driven by the scale and strength of the omnichannel combined businesses and the opportunity in CTV. We believe that adoption of ad-supported CTV is at an inflection point for growth and is transforming now.

Here's what we're seeing from the consumer, publisher and buyer perspectives. On the consumer side, CTV viewership is up from the global shelter-at-home orders, and consumer discretionary spending is under significant pressure from unemployment and job losses, accelerating cord-cutting trends in the shift from subscription to lower-cost ad-supported models.

On the buyer side, upfront ad buys from brands and agencies have been and are expected to be cancelled, shifting more spend from linear to the spot market that programmatic serves. CTV has become the focal point in discussions with our buyers, as further evidenced by the trade desk's recent update on CTV acceleration.

From the publisher side, programmatic CTV addresses subscription fatigue and gives publishers flexibility to optimize their revenue models. It drives higher CTNs, allows publishers to use their first-party data to make advertising more addressable, and has the potential to drive internal efficiencies from a cost and pricing perspective.

Shifting gears, we continue to see strong adoption of Demand Manager. At the end of Q1, we had 156 live contracts, as compared to 86 at year end. Revenue was growing, and we expect it will continue to steadily grow in 2020. The current environment is very supportive of increased Demand Manager adoption as publishers look to decrease costs and optimize revenue. While the short-term negative impact of COVID-19 is unclear at this time due to lower ad spend, we are very happy with the increased interest, pipeline growth and long-term prospects.

The key growth drivers for our business remain the same. We are focused on continuing to invest in CTV as our fastest growth area, driving revenue synergies in the combined OTT video businesses, accelerating SPO as the transparent independent omnichannel partner, and growing our publisher-focused pre-bid offering with Demand Manager.

Times like today, with radical changes in daily behaviors, business closures, uncertainty and economic recession, provide transformational opportunities in markets such as ours. Our employees have proven to be extremely resilient when facing these tough challenges and are showing they are capable of doing this by working harder, balancing working from home, and not just maintaining but continuing to allow our company to play offense.

I couldn't be more proud of the efforts I've seen from our team and the company that we are already becoming post-merger and will be on the other side of COVID-19. The fact that we've live through a very difficult industry transition over the last few years has prepared us very well for this situation and has allowed us to execute in this environment very calmly and thoughtfully.

During that time, there were quarters in which our year-over-year revenue declined by over 50%. We cut costs, continued to build our tech, we turned our business to growth, and made great progress and profitability, which was not easy to balance. I am very confident that on the other side of the recession, whenever that is, we will emerge as a much stronger and better-positioned company.

With that, I will hand things over to David, who will go into greater detail regarding our Q1 financial performance, cost reductions and expectations.

David L. Day *The Rubicon Project, Inc. - CFO*

Thanks, Michael. We had very solid results for Q1 considering the revenue drop-off we experienced in the second half of March. On a standalone basis, Rubicon Project delivered $36.3 million in revenue, a 12% increase year-over-year. I believe it's helpful to note that we were tracking in line with our guidance prior to the impact of COVID-19.

We delivered adjusted EBITDA of $2.8 million for a margin of 8% in Q1 2020, as compared to approximately break-even adjusted EBITDA in Q1 2019. The Q1 year-over-year increase in revenue was driven by 22% mobile growth and continued strength in audio. Desktop revenue was flat year-over-year.

Operating expenses, which in our case includes cost of revenue, for the first quarter of 2020 were $47 million, versus $45.7 million in the same period a year ago, driven primarily by one-time merger-related costs.

On an adjusted EBITDA basis, operating expenses, including cost of revenue, for the first quarter were $33.5 million, as compared to $33.2 million in Q4 2019 and as compared to the $32.5 million in Q1 2019. This was also below the $35 million in total adjusted EBITDA operating expenses we expected.

We continued to benefit from the traffic-shaping, filtering and general efficiency gains we discussed in the past. As a result, our gross margin for the first quarter was 61%, up from 53% in the same period a year ago. We believe these tools are crucial differentiators for us in managing infrastructure costs, as we have seen a large increase in ad requests. In April, we experienced a surge of ad requests, representing a year-over-year increase of over 50%.

One-time, deal-related costs in Q1 were approximately $2 million and are excluded from adjusted EBITDA.

Net loss was $9.7 million in the first quarter of 2020, as compared to a net loss of $12.5 million in the first quarter of 2019. As I mentioned earlier, adjusted EBITDA was $2.8 million, which represents an 8% margin, compared to adjusted EBITDA break-even reported in the same period one year ago. The improvements in net income and adjusted EBITDA were driven primarily by higher revenues, as we've been able to run at an essentially flat cost base for the last 6 quarters.

GAAP loss per share was $0.18 for the first quarter of 2020, compared to GAAP loss per share of $0.24 in the same period in 2019. Non-GAAP loss per share in the first quarter of 2020 was $0.06, compared to non-GAAP loss per share of $0.14 reported for the same period in 2019.

Capital expenditures, including purchases of property and equipment as well as capitalized internal-use software development costs, were $4.8 million for the first quarter of 2020, in line with our guidance. We closed the first quarter with $71 million in cash, a decrease of $18 million from the $89 million balance at the end of Q4. The cash decrease was driven primarily by deal-related costs of approximately $2 million, cash used to cover taxes for restricted stock vesting in January of $7.5 million, and a working capital decrease of roughly $6 million. We began this next chapter as a combined company with approximately $125 million in cash.

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. The potential magnitude of these swings may also be influenced by the impact of COVID-19, particularly on our buyers, although we have not experienced significant issues to date.

In connection with the Telaria merger, which closed on April 1, 2020, the company previously announced expected annual run rate cost synergies of $15 million to $20 million, with expected areas of synergy to include duplicative public company costs, vendor rationalization, overlapping general and administrative costs, and other operational streamlining. We currently expect total annual run rate cost reductions from these combined activities to exceed $20 million.

As a result of these efforts, we are reducing headcount by approximately 8% of our combined workforce. The headcount reductions will occur in the second quarter of 2020, although timing for a number of individuals involved in integration and transition activities will occur late in the year. Given the timing in implementing these synergies and the impact of one-time severance and other costs, the majority of the cost savings will not be realized until late this year, but should be fully realized in early 2021.

Given the significant impact resulting from COVID-19, we are also taking additional short-term actions such as compensation reductions, which include a 30% reduction to CEO salary and board retainer, and a hiring freeze. As expected, we will also have lower costs from marketing events and travel. The temporary reductions will benefit us immediately and remain in place until such time as we see a sustainable recovery in revenue.

I'll now share some indications for our second quarter. In addition, given the complexities of the cost impact of the Telaria merger and the related expected merger cost synergies, the short-term cost reductions due to COVID-19, and some incremental tech stack investments planned for 2020, I will also provide more detail regarding our adjusted EBITDA operating expense expectations for the rest of the year.

We expect revenue for the second quarter to be in the range of $36 million to $39 million. These revenue expectations are based on the level of year-over-year revenue decline that we are currently experiencing. It is, of course, challenging to handicap how revenue will respond in these very uncertain times, although we have seen revenue stabilization and are cautiously optimistic that trend will continue. We expect that adjusted EBITDA operating expense in Q2, including cost of revenue, will be approximately $48 million to $49 million.

We have been able to generate significant efficiencies in our business despite steep increases in ad volumes, which were further magnified in April from COVID inventory surges. This efficiency comes as a direct result of the benefit from our traffic-shaping and other tech stack capabilities, which are even more valuable in times like these for us and valuable in helping customers manage efficiency by keeping or limiting their QPS levels, or queries per second, with minimal impact to revenue.

Our efficiency gains and careful cost management have allowed us to keep adjusted EBITDA operating expenses relatively flat over the last 6 quarters despite significant ad request volume growth. That said, we are planning for some incremental investment in our serving costs over the remainder of the year. Part of the investment will include greater leverage of cloud capabilities, which in the short term will add incremental costs, but which we believe in the long term will provide additional benefit to our overall serving cost efficiencies.

Inclusive of our cost-reduction efforts mentioned earlier, we expect that adjusted EBITDA expenses will increase by an additional $1 million to $2 million per quarter in Q3 and in Q4 from our Q2 expectations. Our goal for adjusted EBITDA expense is to remain in the $50 million to $52 million range per quarter for the second half.

We expect that one-time deal- and merger-related cash payments for both companies in Q2 2020, including banking, legal and severance costs, will be approximately $16 million. We expect Q2 2020 CapEx to be approximately $3.5 million and expect that CapEx on a combined basis for the full year 2020 will be roughly $22 million, compared to our prior standalone estimate of slightly higher than $20 million.

As Michael mentioned, we have successfully navigated similar challenging financial waters before. We will continue to be prudent in our cost expenditures while also leveraging our balance sheet to continue important investments in CTV, Demand Manager, tech stack efficiency, and other initiatives so that we will be ideally positioned to capture market share and more accelerated growth coming out of this recession.

We remain very excited about the market opportunity as a much stronger company following our combination with Telaria. Once revenue growth returns, we are confident we will demonstrate the leverage in our financial model, as we did over 2018 and 2019.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). The first question comes from Jason Kreyer of Craig-Hallum. Please go ahead.

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

Michael, I wanted to ask you. Just maybe you can walk through what the environment has looked like over the last 8 weeks kind of a media type or a channel basis. You gave commentary on CTV. It sounds like that's been a little bit more resilient. But perhaps you can provide some qualitative remarks on the differences between display and audio and video and different types.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Hey, Jason. Yes, great question, and I think that we've seen channels that were growing -- media type channels that were growing faster than channels like, say, for instance desktop display, perform slightly better in this environment just given the rate of growth that they had coming into it and the popularity from advertisers. But it's safe to say that with the lightened ad load and the decrease in whole categories of advertising, that no one channel or media is immune from just a decline in spend, including CTV. But as we said, it's a bright spot. It's still growing -- certainly not at the 74% range that it was in Q1, but we anticipate it to continue to grow, which is a real outlier.

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

And Michael, I wanted to get your perspective on connected TV. This is kind of the first public forum since the merger was completed, so perhaps you can give like the Rubicon perspective on where you see connected TV going and then what Rubicon needs to do to get there above and beyond the assets you've acquired with Telaria.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Jason, unbeknownst to you, we have a special guest person on the Q&A, which is Mark Zagorski, so we have the expert online to answer any specific questions. I'll give the Rubicon flavor, and then Mark can chime in.

So here's what's super exciting for me about it, and we're getting fast up to speed on understanding CTV as well as the Telaria team has, but the good news is that team remains intact. They're a key asset for the new company, and they have hit the ground running, and they are as excited as we are to be able to come as this omnichannel offering.

So if you look at our customer sets, you have the pure CTV players, and so what can Rubicon bring to that? Well, I think it can bring added investment in technology, it can bring added sales resources, but more importantly, we've lived through this header bidding war for the last several years, and I'm not intimating at all that CTV is going in the way of header bidding, but there will be unified demand solutions that will come to market, and I think we're really well-positioned as a company with our experience in the header, coupled with Telaria's long-time experience in CTV.

And lastly, for companies like Disney and entertainment companies that have multiple media properties, that do everything from banner ads to CTV to audio, being able to be that one-stop shop for them that's independent, global-scaled, that's where we see the kind of excitement.

Mark, do you want to expand on anything?

Mark Zagorski

Sure. I think Michael nailed the key points. I'll just kind of, Jason, talk from 2 aspects, the first being the macroeconomic environment and then micro, how it relates to us. I think from a macro perspective on the CTV front, we are -- I think we're heading into a watershed moment for the future of CTV, and specifically based on some of the things that Michael mentioned in his script, which is, A, you've got the dynamics on the consumer side changing rapidly, which is cord cutting is accelerating, which we're seeing across the board, but also consumer habits around watching AVOD and ad-supported CTV have just accelerated, and we've known that. We see that in the statistics.

And I think what we're doing is we're creating habits on the consumer side that are going to be hard to break when we come out on the other side of this, of the COVID issue.

On the buyer's side, we've also seen things like cancellation of upfronts and increases in direct-to-consumer spending and increases in performance metrics that are needed for advertising, and particularly around television and CTV spending. Those 2 things come together bode well for the CTV business in general. I'm just saying some of the things that we've seen in the past are just getting accelerated by the current environment.

On a micro basis for us as a company, I think Michael really said it all, which is the fact that as the companies that we work with look to streamline and cut costs and have less partners versus more, there's really very few options for them to do so across multiple platforms -- desktop, mobile, display, audio, CTV. And we're that option.

And then secondly, as there are drivers towards efficiencies in the CTV space, so moving towards unified auctions or more streamlined auctions. The capabilities that Rubicon has worked on in the last several years with pre-bid and with the solutions they've built are going to lend themselves well to the CTV platform that we previously had built at Telaria.

So, look, there are lots of things to get through, but I think if you look at the macro trends and where we're sitting from a micro perspective, both from a build and a strategic position, those are good things, and I think they're things to look forward to.

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

Last one for me, just on Demand Manager. Can you comment anything specifically on what you're hearing from customers that are adopting the platform in this environment? I mean, it would seem to be this is a great opportunity for buy versus build, where you can essentially bring in an outside solution that requires less headcount and comes at a cost that would be much lower than that headcount. I'm wondering if you're getting that kind of feedback from publishers, or is it just something that publishers can't focus on right now given the volatile economic backdrop?

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

No, I think you hit the nail on the head with that description. We've always said with Demand Manager our biggest competition is pre-bid, right, and opensource software is free, and it's opensource, but it requires quite a bit of capabilities to run it effectively and to maximize the monetization, and unfortunately that usually means people, in-house engineers, building special tools, et cetera.

So, yes, we think it's a wonderful backdrop, and we are hearing inbound from our clients who not too long ago said, no, we're covered, we've got this solution in-house, that are reaching out and really kicking the tires. So, yes, we think it's an opportunity for Demand Manager to achieve all the things that you laid out when you said in your opening.

Operator

The next question comes from Lee Krowl of B. Riley FBR. Please go ahead.

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

I wanted to start off on a point of clarification around guidance. You guys said that you were modeling the numbers you provided based on the observed trend quarter to date. Is the quarter-to-date trend down 30%? Is that the right assumption that drives that guidance?

David L. Day ***The Rubicon Project, Inc. - CFO***

So our April, on a weighted average basis, was 30% down. The trend that we saw in April was some degradation over the first half of the month, and then a stabilization in the latter half of the month. And so that guidance is based on just a few percentage points higher than that 30%. But that's correct, we've seen stabilization, and that's the visibility that we have, and so our guidance is based on that observed trend that we have so far.

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

And then you kind of provided some detail across inventory types. Maybe come at it from a different angle, but it looks like domestically revenue growth was pretty solid, while international was flat year-over-year. Any additional color on the dynamics of domestic versus international?

David L. Day ***The Rubicon Project, Inc. - CFO***

I can take some of that, and then, Mike, if you want to weigh in. Last fall, we talked about the impact of a couple of things, one some inventory -- low-value inventory culling that we undertook, and also a move to cut out our resellers. And so the industry is focused on limiting the number of hops that any given ad slot takes in the ecosystem, and so impacts disproportionately impacted our international business versus our domestic business, and so I think that was one of the primary drivers.

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

And then based off kind of your enthusiasm around Demand Manager and the stated interest and contracted interest versus last quarter's update, fully appreciating the macro backdrop is what it is, but is there a chance you guys could provide maybe an update to the $5 million expectation for the year? Assuming that it's more transactional-based and we've seen a significant increase in total volumes of impressions, would that lend itself to perhaps track higher than that $5 million initial guidance?

David L. Day ***The Rubicon Project, Inc. - CFO***

I think it's too early to really weigh in on that, because because it is ad spend-based, you have a very definitive drop in our revenue because of that current environment. And so there will be puts and takes with just the lower revenue from the current base, although we do think there could be an acceleration or an increase in perhaps expected installs, but it's really tough to try to figure out how those are going to balance out with each other.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Lee, in terms of the pricing model, we had -- because it's a relatively new product, we went to market with several pricing models. It seems like the model that publishers are most comfortable with is that share of spend model, although many have asked for more of a SaaS-like pricing. You can imagine in this environment, to go from the -- to go over to the cost ledger is a tough journey for any vendor, and so I think that that model, the shared media, will probably stay the course for the vast majority of our clients this year. So we're quite exposed to ad spend in that instance.

Operator

The next question comes from Matthew Thornton of SunTrust.

Unidentified Analyst

This is Anthony [Duplissey] on for Matt Thornton. You acknowledged this a little bit earlier, and it is still early on in the merger, but are there any early warnings in the marketplace that would provide truth points for Rubicon and Telaria coming together maybe relating to how you're faring with buyers as they pursue supply path optimization or maybe cross-selling successes that you're seeing so far with clients, or anything else specifically that you want to highlight?

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

This is Michael, Anthony. Good question, and it's certainly pretty early. The deal closed 4-1, so we really couldn't even go to market until that point, right? And then there's also the uncertainty, right? We didn't know if we were going to be out of the offices for a month, for three weeks, so there was a tendency at that point to say, hey, out of the gates, let's just stay focused as 2 separate companies because working from home after the merger is completed, boy, that's a lot to chew off.

But very quickly, as we realized that this was going to be the new norm for quite some time, particularly for folks based in New York and Los Angeles and London and Milan and Tokyo, that we said, okay, let's accelerate it. Let's collapse the teams. We had already on day one collapsed the buy side team, so that team is able to talk to agencies as one company, and we quickly collapsed the sales side teams.

So I'm just amazed, given this environment and the challenges of working remotely, how quickly we've been able to engage with clients and have some real substantive conversations. So the energy is there, the interest is there, and I would just say look towards future quarterly calls for proof points and examples that we'll share with you.

Operator

The next question comes from Kyle Evans of Stephens. Please go ahead.

Kyle William Evans ***Stephens Inc., Research Division - MD***

I'll lead out with one that you guys have talked on in the past, and I'm sure by the time we get closer to the end of the 2 years that Chrome gave us, you'll be thoroughly sick of talking about it, but any update on kind of what you're seeing in the privacy sandbox in terms of replacing the targeting and tracking that's in jeopardy because of the deprecation from Chrome? And then I've got some follow-ups.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

No real substantive updates, per se. One of the well-timed events we've ever had was we were able to squeeze in -- before the pandemic really reared its head, we were able to squeeze in a customer conference and be able to include the senior Telaria folks and their customers, and it was a full day of talking about how pre-bid could help in that respect, how can pre-bid help publishers with their first-party data and help -- how can it sync it to the buyers' identifiers, and a ton of promising discussion, a ton of promising energy came out of it.

It's one of many legitimate efforts that are out there. It's the only one that I kind of think is truly a universal solution as opposed to proprietary solutions. But the industry is hard at work, and unfortunately there's no silver bullet that we can report upon that's going to be the cure-all for the third-party cookie world.

Obviously, it warrants mentioning that because of over 50% of our business is mobile app, we've been working without cookies for a long time, and you talk to Mark and their team in the CTV world, there's never been a cookie. So we're quite used to working in a range in between buyers and sellers without cookies, but unfortunately, Kyle, nothing earth-shattering to report in terms of our efforts to come up with a unified solution.

Kyle William Evans ***Stephens Inc., Research Division - MD***

Well, we still all have some time here, so we'll figure it out.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Yes, we do.

Kyle William Evans ***Stephens Inc., Research Division - MD***

Maybe an update on the competitive landscape. I'm interested to know kind of how SPO has been accelerated because of the pandemic, economic downturn.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

I mean, it's hard to say we've seen it when you're saying that you're trending to 30% down, right, but, hey, maybe that 30% could have been 50%. There is no question that most of the calls that I am involved with from our buy side partners and our sales side publishing partners is all about stability. It's all about balancing. It's all about I'm a seller and I've been burned previously on this sequential liability when size maker, when Videology went bankrupt, how am I getting protected by you against this, and obviously we welcome to our strict protocols and how we manage our receivables, and to date they've been very satisfied with our answers, very satisfied with us as one of their lead partners, and likewise as buyers.

And so I really do think it's a flight to quality in a time like this, and obviously the biggest guy we've got to compete against in that is Google. But I think that if you look at independent players, no one looks quite like us from a balance sheet standpoint, its ability, access to capital, and someone who's been there for publishers for as long as we have, so I feel really good about where we sit in this whole piece of the SPO puzzle. But a puzzle nonetheless, right?

Kyle William Evans ***Stephens Inc., Research Division - MD***

Right. Last one -- well, maybe my last one. Any kind of distinct differences in terms of the unit volume, unit pricing trends across desktop, mobile, audio, CTV? I mean, obviously CTV is faring better, but 75% to 10%, which I think is what you said, is still a pretty sharp trend down. I'm just curious as to what you're seeing on shelter-in rates.

David L. Day ***The Rubicon Project, Inc. - CFO***

Sure. So you're talking about on the revenue side, right? So from a pricing perspective?

Kyle William Evans ***Stephens Inc., Research Division - MD***

Yes.

David L. Day ***The Rubicon Project, Inc. - CFO***

Yes, and I think it's been pretty widely reported in the press, so you saw very significant drops in CPMs really across the board, because it makes sense. You've got an increase in supply in CTV and really through every channel, and you've got lower demand. And so those CPMs have dropped, but the volume of paid impressions compensates partially for that CPM drop. So that's the dynamic that we've seen. I don't know, Mike, if you want to add anything to that.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

No. Mark, do you have any specifics that you have on the CTV side that you want to share?

Mark Zagorski

Look, I think on the CTV side, what's interesting is that although we've seen some compression of CPMs, as David had noted, we also are seeing that as an opportunity for new advertisers to come into the space, right? So as we noted in the script, we're seeing an increase in direct-to-consumer performance advertisers, who've really never had an opportunity to get in, and I think this could be, again, another pivotal moment where we've opened an entire category of advertising to a new vector of advertisers.

So, again, lots of things in flux, but because of that, we've seen some green shoots and different things pop up out of the place.

Kyle William Evans ***Stephens Inc., Research Division - MD***

And I think this is maybe related to the question I just asked, but somebody alluded to kind of a 50% increase in ad requests. I want to make sure that I understand exactly what's driving that dynamic, please.

Mark Zagorski

I'll jump in from the CTV side. What we've seen -- I think there are too many factors, but first is a massive increase in viewership that's happened on ad support television, and that's companies like Pluto and Tubi who have published -- they've seen viewership levels go through the roof during the pandemic, not just because of what's going on because of the stay-at-home orders, but also because, if you remember, Tubi was recently acquired by Fox, and they have moved very quickly to new Fox programming on the Tubi, so not only through AVOD, but also doing some things around newer shows like Masked Singer and other content moving to Tubi.

Pluto continues to expand its amount of content that has been licensed from the Viacom catalog onto its system. So you've got more people at home watching more AVOD because of cord cutting, but you also have more content coming across there. That has created an interesting dynamic on the advertiser side that has created more avails. There are just more avails because of more people watching.

That being said, there's also pullback in how much has been sold directly, right? So if you have those 2 factors, which is, A, more content, more viewing, and B, less being sold directly because the sales forces are just, A, not in the field and not able to deliver, it's created an increase in the number of total avails that we see coming through the CTV part of our system.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

And I think that's very similar for all of the media types. You just have a huge surge in viewership, usership, and then a decrease in direct-solds, resulting in a lot of publishers reaching out to us to see if we can sell an ad avail.

Operator

As there are no further questions, this concludes our question-and-answer session. I would like to turn the conference back over to Michael Barrett for any closing remarks.

Michael G. Barrett ***The Rubicon Project, Inc. - CEO & Director***

Thank you. We're pleased to deliver these Q1 results and share with you how we view the current market. Despite the challenges facing us, we remain very excited about the future long-term growth prospects of our business, especially CTV.

We look forward to talking to many of you through virtual investor conferences in May hosted by Craig-Hallum and Needham. Thank you again for joining us for our Q1 results call. Have a good evening, and please stay safe and well.

Operator

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