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CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

Daniel Paul Day *B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst*

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

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

Matthew John Swanson *RBC Capital Markets, Research Division - Associate VP*

Nicholas Todd Zangler *Stephens Inc., Research Division - Analyst*

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

PRESENTATION

Operator

Hello and welcome to the Magnite First Quarter 2023 Earnings Conference Call. (Operator Instructions) Please note, today's event is being recorded.

I'd now like to turn the conference over to your host today, Nick Kormeluk, Investor Relations. Please go ahead, sir.

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

Thank you, operator, and good afternoon, everyone. Welcome to Magnite's First Quarter 2023 Earnings Conference Call. As a reminder, this call is being recorded. Joining me on the call today are Michael Barrett, CEO; and David Day, our CFO. I would like to point out that we have posted financial highlight slides 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, uncertainties and assumptions are set forth in the company's periodic reports filed with the SEC, including our first quarter 2023 quarterly report on Form 10-Q and our 2022 annual report on Form 10-K. We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary today will include non-GAAP financial measures, including revenue 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 incremental metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be onetime in nature, and we may or may not provide an update on the future of these metrics. I encourage you to visit our Investor Relations website to access our press release, financial highlights deck, periodic SEC reports and 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 G. Barrett - *Magnite, Inc. - President, CEO & Director*

Thank you, Nick. Q1 was a standout quarter for Magnite. Revenue ex-TAC grew 8%. CTV revenue ex-TAC grew 10%. Adjusted EBITDA came in at $23 million, and we posted an adjusted EBITDA margin of 20%, all exceeding our guidance for the quarter.

We continue to demonstrate the value of a differentiated strategic sell-side partner in the ad tech ecosystem. Our growth and outperformance relative to walled gardens and numerous peers in Q1 is further evidence that our strategy is working and there is a big opportunity for a leading sell-side platform to serve the open Internet.

It is most evident in CTV where having an ad server is becoming critical to long-term success given that so much inventory is still transacted directly. CTV publishers require a fully integrated offering that maximizes yield across their portfolio of programmatic and direct inventory, providing tremendous performance advantages.

At an increasing pace, we are seeing undifferentiated SSPs struggle as they are unable to serve customers in new formats or geographies with the depth of tools and solutions that customers demand. This has resulted in market share gains for Magnite, and we believe there are significant opportunities for market share gain in the future.

As we look forward, our growth expectations for 2023 have improved from our last update, and we expect this strength to continue throughout the year. David will provide greater detail on our financial results and future outlook in his prepared remarks.

Our CTV results were propelled by strong performance in our SpringServe ad server business and by our managed service business where we saw good traction with new and existing partners. We've had success this quarter with our lead partners in CTV that include LG, VIZIO, GroupM, Disney, Fox and Roku, who recently announced changes to their go-to-market strategy. Our momentum with these partners is very visible with our active participation in the Upfronts and NewFronts that have recently kicked off where programmatic continues to play a bigger role, especially as it relates to direct deals.

On the new CTV partner front, Rakuten TV, one of the leading video on demand platforms in Europe, recently adopted the SpringServe tile solution. As a reminder, this proprietary ad unit provides publishers with the flexibility to showcase custom ad creative within the streaming interface in any size in a wide variety of formats. Rakuten joins VIZIO and others who are now leveraging tiles to create incremental revenue opportunities and enhance the advertising experience and effectiveness within their platforms.

Moving on to DV+. We continue to build momentum with our initiatives in this business. DV+ revenue ex-TAC grew 7% year-over-year, showing further improvement in share gains. We have seen broad-based improvement this quarter across many of the leading DSP partners we work with. As I have mentioned in the past, DV+ growth is a result of many incremental wins and improving the fill rates between our publishers and DSPs, and we look forward to continued strength as we drive further improvements in the quarters to come.

We had a very busy quarter from a platform perspective. In February, we officially launched Magnite Streaming. Magnite Streaming is our next-generation CTV and OTT platform that merges the best features, functionality and technology for Magnite and SpotX. Customer feedback so far has been very positive. Migrations to date have gone very well, and we expect to have all migrations completed shortly after the end of Q2 as planned.

On the product front, we also announced the launch of ClearLine in early April. ClearLine is a self-service solution that provides agencies direct access to buy premium video inventory across all Magnite publishers and is ad server-agnostic. ClearLine significantly increases spend going towards working media, makes it easier for sellers and agencies to securely share data and helps Magnite publishers generate more revenue and develop new sources of unique demand.

This product captures CTV ad dollars that have traditionally been transacted outside the programmatic channel through direct deals, and therefore, represents an incremental opportunity to bring additional ad spend into the ecosystem. In addition to our agency launch partners, we've received positive feedback from publishers as well who see this as a potential alternative to drive additional revenue.

ClearLine has been portrayed by some in the press as an alternative to DSPs. This couldn't be further from the truth. DSPs will remain the primary method for agencies to access premium video inventory on our platforms. ClearLine represents a programmatic market expansion for publishers, agencies and DSPs. We are excited to share more details on ClearLine's traction in the coming quarters.

Also on the technology front, we announced that SpringServe will be joining the Amazon Publisher Services, or APS, Ad Server Certification Program for streaming TV. Working with APS through the certification program is a significant opportunity for our SpringServe publishers as it will add Amazon DSP demand to their existing monetization solutions.

We've been doing a lot of work behind the scenes in CTV audience creation and targeting, helping media owners extract greater value from their first-party publisher data while carefully protecting the confidentiality of their user IDs. This is a big shift from the browser world of display and online video where the buy-side would typically perform this work through third-party cookies. More to come on this in the quarters ahead.

Before I turn it over to David to cover the financials, I'd like to mention the promotion of David Buonasera to the role of Magnite's new CTO. He's been pretty busy, as you can see from the platform and partner developments I just covered. David joined the company in 2021 when we acquired SpringServe, which he helped cofound and scale to a leader in video ad serving with an impressive global client list.

Prior to his appointment as our CTO, David was serving as a member of our office of the CTO as well as leading our SpringServe and CTV platform engineering efforts. He's a phenomenal leader and technologist, and we're thrilled to have someone with David's unique experience and capabilities lead our global technology organization. Welcome, David.

So with that, I'll turn the call over to David Day for more details on the financials. David?

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

Thanks, Michael. Q1 finished with strong momentum. As Michael mentioned, revenue ex-TAC, adjusted EBITDA and adjusted EBITDA margin all exceeded our guidance for the quarter. Total revenue for Q1 was $130 million. Revenue ex-TAC was $116 million, up 8% from Q1 of 2022. CTV revenue ex-TAC was $46 million, up from $42 million or 10% from last year. DV+ revenue ex-TAC was $70 million, an increase of 7% compared to Q1 last year.

Automotive, travel and food and beverage were our top growth verticals for the quarter. Consumer categories, such as technology, retail and health and fitness, made more modest improvements. Our revenue ex-TAC mix for Q1 was 40% CTV, 40% mobile and 20% desktop. From a geographic perspective, we saw good international growth that was roughly double the growth rate of the U.S.

Total operating expenses, which includes cost of revenue, for the first quarter increased to $231 million compared to $158 million in the same period a year ago, with the increase primarily driven by $53 million of noncash accelerated amortization resulting from our platform consolidation. Adjusted EBITDA operating expense was $93 million and within our guidance range. This was an increase of less than 1% sequentially from Q4. We would typically see a bigger increase seasonally, but the impact was offset by our risk actions. The increase from $78 million in Q1 of last year resulted from increased platform and personnel expenses, along with return-to-office, travel and event-related costs.

Net loss was $99 million for the quarter compared to net loss for the first quarter of 2022 of $45 million, which includes the previously mentioned $53 million of accelerated amortization expense. Adjusted EBITDA was $23 million versus $29 million for the same period last year, and adjusted EBITDA margin was 20%. Note that we calculate our adjusted EBITDA margin as a percentage of revenue ex-TAC.

GAAP loss per basic and diluted share was $0.73 for the first quarter of 2023 compared to a loss of $0.34 for the first quarter in 2022. Non-GAAP earnings per share in the first quarter of 2023 was $0.04 compared to $0.08 reported last year. The $53 million of accelerated amortization expense had a negative impact on GAAP loss per share of $0.39 and a negative impact on non-GAAP earnings per share of $0.09 in Q1. The reconciliations to non-GAAP income and non-GAAP earnings per share are included with our Q1 results press release.

We expect to recognize additional accelerated amortization expense of $53 million in Q2 and $8 million in Q3 this year. There were 135 million weighted average basic and diluted shares outstanding for the quarter of 2023. Fully diluted weighted average shares utilized for non-GAAP earnings per share were $144 million for the first quarter.

Capital expenditures, including both purchases of property and equipment and capitalized internal use software development costs, were $10 million for the quarter. Operating cash flow, which we define as adjusted EBITDA less CapEx, was $14 million for the quarter. Our net interest expense for the quarter was $8 million.

During the first quarter, we purchased and retired approximately $50 million in face value of our convertible notes using approximately $41 million in cash, resulting in a discount of approximately 19%. We have $34 million remaining under our current program for the repurchase of common shares and/or convertible debt.

Cash balance at the end of Q1 was $237 million. The reduction from year-end is based on use of cash for the repurchase of our convertible notes, typical seasonality and timing of receivable payments around quarter end.

Our net leverage ratio was approximately 2.5x at the end of Q1, down from 3.1x year-over-year. We expect the ratio to be meaningfully below 2x at year-end.

We are excited about our business and ability to generate strong cash flow while providing the flexibility to reduce debt and maintain a healthy cash position. We continue to expect to generate significant free cash in 2023, especially in our seasonally strong second half. And we will continue to evaluate the best use of our cash as it relates to debt reduction and share repurchases.

I will now share our expectations for the second quarter and thoughts for the year. Our guidance is based on recent growth trends, although we have been somewhat measured due to the continued uncertainty in the macro environment. For the second quarter, we expect revenue ex-TAC to be in the range of $132 million to $136 million. We expect revenue ex-TAC attributable to CTV to be in the range of $56 million to $58 million. We expect adjusted EBITDA operating expenses to increase slightly from Q1 to between $94 million and $96 million, which implies adjusted EBITDA margin of approximately 29% for Q2 at the midpoint.

For 2023, we expect our revenue ex-TAC growth rate for the full year to be in the high single digits, assuming current course and speed. We expect that adjusted EBITDA OpEx will be lower in the second half of the year compared to the first half as we complete our CTV platform migration and remain focused on managing costs across the business. We anticipate full year adjusted EBITDA will be comparable or better than 2022 and that adjusted EBITDA margins will show meaningful improvement in the second half of 2023. Our full CapEx expectation is unchanged, and we expect $40 million or less in 2023. And lastly, we continue to expect full year free cash flow to exceed $100 million.

Q1 performance gives us a great start to 2023, and our differentiated market position as the leading independent sell-side advertising company puts us in a great place to accelerate growth and expand margins as the market improves.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from Laura Martin with Needham.

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

Great beat and nice quarter, you guys. Congratulations. Upfront week is next week. I'd like to drill down a little bit on ClearLine. One is I know that GroupM was your launch partner. Do you expect other partners in ClearLine announced imminently? And two, what's your business model? How do you make money from the ClearLine product? That's my first question.

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

Yes. Laura, it's Michael. Yes. Great question. So yes, we're looking forward to Upfronts. As we said in the script, programmatic is playing a bigger and bigger role, and therefore, Magnite is as well.

You're right about GroupM. I do anticipate further announcements regarding client adoption of ClearLine. Timing to be determined. But yes, the marketplace has reacted really positively. And again, to be clear, this is great for the industry because we're talking about freeing up those linear dollars that have been clogged largely because of the inability to transfer on the fee structure that is currently in place in programmatic. So we think it's super exciting.

As it relates to the fee structure for ClearLine, we're quite facile about it. We would charge advertiser percentage of media, a CPM base fee, a SaaS kind of base fee. So those conversations are ongoing, and we're quite flexible as it relates to what the model looks like.

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

Terrific. And then on my second question is about the 2 servers. I thought your point about ad servers was really interesting. You said that you'd have, it sounds like, a majority adoption of the combined new platform by the end of the second quarter. Is it your feeling that as we're modeling the back half, therefore, we get to close down one of the 2 platforms, and therefore, there's cost savings in the back half of the year?

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

Yes. This is David, Laura. That's correct. So we'll have decreased costs from fully shutting down the legacy on-prem platform. It'll be offset -- those costs will be offset slightly as the new Magnite Streaming platform uses more cloud costs. So there'll be some offset there. But net-net, it will decrease costs in Q3 and Q4.

Operator

And the next question comes from Shyam Patil with Susquehanna.

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

Great job on the results. Had a couple of questions. Michael, I know you had talked about this in the script, but can you just talk a little bit more about how you're feeling about the CTV business right now? Obviously, you had a great quarter. But how are you just thinking about the CTV business for the balance of this year and kind of growth? And how new initiatives like ClearLine merely are into that?

And then second question, we're hearing a lot about walled gardens potentially opening up. How big of a tailwind do you think that will be for you guys? And is this something that you think would impact the business in the near term? Or is it more kind of an intermediate to long-term kind of business impact from walled gardens opening up?

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

Yes. Great questions. I think CTV growth, again, is kind of a victim of the macro environment. And you look at the linear companies that reported this week, all had a really tough quarter. You look at YouTube's number, you can kind of tease out Roku's number from their platform number. And it's all been kind of some pretty decent headwinds. And although we showed low double-digit growth, I think that we anticipate the business to continue to grow perhaps at that rate, perhaps a little more, a little less. But we're not in normal times, and so I think that we're still kind of facing that macro challenge.

Upfronts will be very interesting to see the strategy between buyer and seller and how much gets committed, how much doesn't. Some of that could be a boon for CTV from a spot perspective, but more and more, CTV is being included into the bigger picture of the futures kind of upfront model. So I think that we remain bullish long term on CTV. I just think we got to kind of muscle through the next couple of quarters from a macro standpoint.

And as it relates to walled gardens, I mean, I think we're seeing some benefits immediately when certain platforms that we had kind of not been able to access are now opening up and we're able to pipe demand into it. So those are all good guys. I think generally speaking, the same of the kind of demise of the walled garden is going to play itself out over time. So I think it's a longer-term good guy for us.

But I think undoubtedly, folks are seeing that creating a lot of hurdles and effort for buyers to plug into your platform of premium video is a lot more challenging than trying to create like a search walled garden, right? Search is kind of a monopoly with Google. It's really hard to run the table on premium video as a monopoly. And I think more and more folks are seeing that in order to take full advantage and maximum monetization, you're going to have to open up and allow the whole ecosystem to be a part of it.

Operator

And the next question comes from Jason Kreyer with Craig-Hallum.

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

Nice quarter. Michael, you talked a few different times about programmatic taking a more prominent role on the upfront. I was wondering if you can talk more about that, why the role is expanding this year and where you see the benefits to Magnite.

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

Well, I think it's a combination of a couple of things, Jason. I think that publishers and buyers getting more comfortable with programmatic in high-value inventory like CTV, desire of buyers really wanting to use data overlaid buys from a targeting standpoint and publishers being more acquiescent given the environment that we're in and how powerful those agency dollars have become overnight given the kind of macro dampening of spend. And lastly, I think the efficacy of it, folks are seeing how well it can work. You look at someone like Disney company that's proclaimed that by 2025, they want over 50% of all their inventory sold programmatically. You don't have to look much further than the success that Hulu has had doing that to understand that there's a really nice way you can thread the needle between direct sales -- the traditional direct sales and upfront to overlaying that with programmatic combined with that.

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

And then just between ClearLine and OpenPath, and I think we've seen other solutions hit the market in this kind of end-to-end type of offering, maybe what's the view of all these different solutions over the next several years? Like over the long term, how do you expect all this stuff to play out?

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

I think that it's easier to comment upon our product than it is others. It won't stop me from doing it, but it's easier for me to do it than others. With ClearLine, there's a stated goal in mind, and that was our top publishers came to us and our top agency partners came to us and said, hey, if we're really ever going to unlock those dollars that are being sold directly in those dollars that are in the linear world that want to move into programmatic but can't stomach the take rates that are normally associated with the programmatic buy, can we just move them forward at a lower cost of service?

And as you know, ClearLine has been a product that we've been kind of dogfooding ourselves over the past year with our managed service team. They've been using that as their kind of buying tool to process our direct-sold business. So we have a lot of experience with it. It's been really successful. We have an agency that's up and going on it that's had great success and has been singing its praises. So I think it will accomplish that goal.

When I talked about market expansion, I meant it, and that is I don't believe that, that is the best use of programmatic longer term, just translating a direct-sold deal to workflow through the pipes. I think we all believe in a world where there's data overlaid on it. We believe in a world -- in a biddable world, whether it's invite-only auction or open auction. And I think those dollars, well, once they get acclimated into the programmatic ecosystem, will expand into that, and that presents a bigger opportunity for monetization to publishers and DSP participation because there's -- as we said, until we're blue in the face, we are not building a DSP here. What we're doing is building an on-ramp to allow those dollars that are direct sold to be able to get into the ecosystem. And then once in there, we see them flourishing and going in a more programmatic kind of auction-oriented world.

Operator

And that question comes from Nick Zangler with Stephens.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Analyst*

Just on ClearLine, just delving deeper here, how would you describe the difference between an agency buying CTV ad inventory directly as they do now from publishers versus buying on ClearLine? Obviously, I see the benefit of wanting to buy on ClearLine versus a DSP because you could avoid some of the higher take rates, but just trying to better understand why they need to make that shift from buying directly from publishers and instead utilize ClearLine. Obviously, low take rates in, I think, both cases, but what's the real benefit of driving those -- that ad spend from direct into the ClearLine channel?

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

Yes. Nick, it's a great question. And I think some of it just goes to the heart of -- and not going through every bells and whistle about it. But the real heart of it is this ability to overlay data to it, right? If you buy direct from a publisher, you're basically buying audience segments that have been defined by the publisher. And whether it's dayparted or whatever the case might be, it's just a very traditional way of doing it.

And if you buy it through ClearLine, you're starting to get those programmatic capabilities of data targeting, audience segmentation that involves advertiser data and publisher data mixed in to create unique segments to purchase. So I think you're starting to get a level of data overlay and targeting that aren't available to you if you were just to place an ad insertion with a ad server.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Analyst*

Okay. So that makes sense. But then -- so I understand those benefits. But then I guess the next question is then how would you compare the ClearLine offering with potential target -- targeting specific audiences, maybe providing some measurable feedback versus what the DSPs offer, right? Because now you're talking, if you're going to switch to ClearLine, obviously, you get a lower take rate. But just how would you compare what a DSP offers from a targeting measurable feedback opportunity versus what ClearLine offers?

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

Yes. Another great question. And again, each DSP is slightly different. But listen, I would say that there's comparable value proposition when you're talking about just translating what is kind of a straight-up kind of audience buy that you would normally do direct to what ClearLine could do versus what a DSP could do at that level. But where DSPs shine and excel is when it starts to come to finding audiences across a wider array of inventory and in a biddable format, right?

And so we're just really talking about -- training wheels probably isn't the right way, but it's the lowest form of programmatic, right? It's mostly workflow with some data versus what a DSP would provide, which is a robust full-fledged offering across the spectrum of ways that you can buy -- purchase programmatically.

Nicholas Todd Zangler - *Stephens Inc., Research Division - Analyst*

Got it. And then for publishers, obviously, the draw is -- for ClearLine is just, hey, why not open myself up to yet another source of demand? And I would assume there's limited hurdles in getting a publisher set up with ClearLine.

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

That's exactly right. Yes.

Operator

And the next question comes from Matt Swanson with RBC Capital Markets.

Matthew John Swanson - *RBC Capital Markets, Research Division - Associate VP*

Congratulations on the quarter, I guess, would be the first thing. If we look back kind of to mid-February to the strong results now, it might be hard to parse it out, but I mean, how much of it was the macro performing better than expected versus your company-specific execution? Obviously, it kind of takes a bit of both to deliver results like this.

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

Yes. I mean I think if you look across the -- all the folks that have printed this week and last week, I think you're certainly seeing a market share acceleration for Magnite. And listen, we benefited from freshening ad spend environments like everyone, like if you -- when we talked about the end of Q4 going into Q1 last year, the end of December and the beginning of January were quite dismal, painting a pretty bleak picture for 2023. And then you started to see things pick up in February and in March and continuing.

And so I think that we certainly benefited from that. But I think we punched above our weight. And if you look at other people's performance, ours excelled. So kudos to the team for doing things that others aren't and taking share.

Matthew John Swanson - *RBC Capital Markets, Research Division - Associate VP*

And then both for the quarter but then also for the Q2 guide, adjusted EBITDA was really strong relative to some of the headwinds we had talked about with the platforms coming together. Is that just kind of a product of the top line outperformance, and then obviously, it's the structure you have to be able to drop that down to the bottom line? Or was there anything else like maybe more efficiencies than you expected from combining the platforms?

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

Yes. Matt, it's David. I'll take that. Yes, that's exactly right. It's top line overperformance dropping through to the bottom line.

Operator

And the next question comes from Dan Day with B. Riley FBR.

Daniel Paul Day - *B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst*

So just at face value, you've rolled out ClearLine. PubMatic had Activate earlier this week. It seems like they're going after similar markets. Maybe just compare and contrast those. You touched on it a little earlier in the Q&A, but I'll ask it a little more directly.

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

I'm sorry, Dan. So the question was the difference between PubMatic's product and ours?

Daniel Paul Day - *B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst*

Yes, just compare and contrast Activate and ClearLine.

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

Yes. I mean it's kind of hard to contrast to a product that isn't in the market yet where ours has been up and operating for over a year. But that said, my understanding from the call and from reading about it is that they're quite excited about the opportunity in CTV like we are. But I would caution that no matter how great your buyer interface might be or the tools or the bells and whistles, you need to have access to that CTV supply.

So if you're talking about transitioning linear dollars that are used to buying broadcast and used to buying high-quality inventory to the programmatic world, well, you're going to want to buy that same inventory. And so you better have access to that supply. And I think we feel really, really good about our differentiated position there that we have access to that supply. It's sitting on the platform. Folks know us as that player that has that supply in the platform. And so I think it's a very different conversation that we will have with buyers than anyone else in the space.

Daniel Paul Day - *B. Riley Securities, Inc., Research Division - Senior Equity Research Analyst*

Just one follow-up. You spent a lot on the convert buybacks this quarter. Just maybe think about that versus the common. Do you have a specific goal of getting the convertible debt down to a certain level? What is it that might make you more inclined to turn that repurchases back to the common?

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

Yes. We think that given our overall debt quantum, it's just prudent to continue to reduce that overall level of debt. We have a target to get our net leverage ratio well below 2x, and we don't see significant debt as a future long-term component of our capital structure. And so the converts, in particular, have a due date. It's still a ways off, in early 2006 (sic) [2026], but we think it's prudent to reduce that tranche of our debt that has the earliest due date. And so our focus is there.

There's also a significant discount to face value. So we were able to purchase that at a 19% discount. And so it's guaranteed accretion there. And so we took the sure bet on that.

Operator

And the next question comes from Shweta Khajuria with Evercore ISI.

Unidentified Analyst

Hello? Could you hear me? Sorry.

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

Now we can.

Unidentified Analyst

Okay. Sorry about that. I'm asking a question for Shweta here. What's the difference between ClearLine and PubMatic's Activate?

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

Yes. We hit that a couple of questions ago. And it's quite difficult to answer that question given the fact that they just announced it yesterday and it's kind of not even in market yet, where ours has been up and going for over a year.

So ultimately, we feel like in order to move those dollars over that are being transacted directly, particularly in CTV, the difference maker will be access to supply. And we feel very good about our position there in terms of access to the premium CTV inventory that these buyers want to purchase.

Unidentified Analyst

Is there anything you can share on the ad demand trend quarter-to-date?

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

Sorry, I didn't -- could you say that again? I couldn't quite understand that.

Unidentified Analyst

Is there anything you can share on ad demand trend quarter-to-date?

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

Nothing that we haven't talked about in the script.

Operator

Thank you. This concludes our question-and-answer session. I would like to turn the floor to Michael Barrett for any closing comments.

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

Thanks so much, Keith. Bear with me. Yes. So I'd like to thank our great Magnite team for putting up another strong quarter and working hard behind the scenes to deliver. We have a great opportunity ahead of us to continue to gain share, advance the ad-supported CTV market in its transition from linear and accelerate our growth when the market begins to recover. We look to reward shareholders that support us along this journey.

We look forward to speaking with many of you at our upcoming investor events. SIG will host our post-Q1 virtual investor meetings tomorrow. We'll be attending the Needham conference in New York on May 17, the B. Riley conference in Beverly Hills on May 25, the Craig-Hallum conference in Minneapolis on May 31 and the Evercore conference in New York, also on May 31. We will also be participating in meetings with SIG in Boston on June 5 and in Chicago with Stephens on June 6. Have a great evening. Thank you.

Operator

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