Taboola

Q4 2025 Prepared Remarks

Aadam Anwar, Head of Investor Relations

Thank you, and good morning everyone. And welcome to Taboola's fourth quarter and full year 2025 earnings conference call. I'm here with Adam Singolda, Taboola's Founder and CEO, and Steve Walker, Taboola's CFO. The company issued earnings materials today before the market and they are available in the Investors section of Taboola's website.

Now, I'll quickly cover the safe harbor. Certain statements today, including our expectations for future periods are forward-looking statements. They are not facts and are subject to material risks and uncertainties described in our SEC filings. These statements are based on currently available information and we undertake no duty to update them, except as required by law. Today's discussion is also subject to the forward-looking statement limitations in the earnings press release. Future events could differ materially and adversely from those anticipated.

During this call, we will use terms defined in the earnings release and refer to non-GAAP financial measures. For definitions and reconciliations to GAAP, please refer to the non-GAAP tables in the earnings release posted on our website.

With that, I'll turn the call over to Adam.

Adam Singolda, Founder & CEO

Thanks, Aadam. Good morning, everyone, and thank you for joining us today.

We're closing up 2025 with another strong quarter - exceeding the high end of our guidance across our key metrics. The year has been defined by disciplined execution and more importantly - we're seeing clear early signs of acceleration in the growth of business from our new advertising platform - Realize. In 2025, we repurchased 77 million shares for a total of $254 million, reducing our share count by roughly 18%. while continuing to invest in R&D to support our long-term growth ambitions.

Before getting into the details, let me remind you who we are. Taboola is one of the largest performance advertising companies outside of Search and Social, focused on the open web. Every day, billions of consumers read, watch, and engage with trusted publishers and communities across the open web. Similar to how Google and Meta understand intent within their own platforms, Taboola understands intent across the open web and turns it into measurable outcomes for advertisers. When someone reads about the Knicks, plans a vacation, or checks the latest news on their favorite local site, we transform that moment of interest into measurable results for advertisers. That scale, that proprietary intent data, and the AI-driven conversion machine we've built - that's Taboola.

Turning to our results. In 2025, ex-TAC gross profit reached $714 million, up 7% year over year, and Adjusted EBITDA grew 7% to $216 million. We began the year guiding to 2% and exited the year at 7%, a clear acceleration which I'm happy about - while I believe double-digit growth is the right long-term pace for this business. We're not there yet, but our 2025 performance gives us confidence we're going in the right direction. We also generated $163 million in free cash flow, up 10% year over year, representing approximately 76% conversion from Adjusted EBITDA.

Looking ahead, we expect 7% ex-TAC Gross Profit growth and 30% Adjusted EBITDA margins while continuing to invest in accelerating our growth rates, and continuing our primary use of cash to aggressively repurchase shares.

In 2025, Realize, our advertising platform, helped increase the number of Scaled Advertisers and grow the budgets we manage for them. In 2025, Scaled Advertisers grew 6%, with average revenue per scaled advertiser up 2%. These results are reflected in the financial performance I shared earlier.

A strong example is Personal Finance, one of our Ideal Customer Profiles. Advertisers such as NerdWallet, Motley Fool, and QuinStreet adopted Realize and leveraged newer capabilities like predictive audiences and format diversification. As a result, they grew meaningfully beyond their historical spend levels, with some becoming top advertisers at Taboola. When I think about what will continue accelerating Taboola's growth, I am laser focused on improving retention rates and increasing spend over time. While many things can help, this is the most important one. Examples like these are encouraging and reinforce that our strategy is working.

As we look ahead, we are concentrating on three priorities.

First, investing in our technology to continue to advance Realize as we continue to expand our strategy to become the leading performance advertising company outside of Search and Social. We're investing heavily in AI-driven optimization, predictive targeting, onboarding automation, and stronger measurement & attribution to make the platform even more intelligent and easier to adopt, while directing budgets toward the best-performing opportunities. While I think we're making good progress, there is a lot more for us to do here and our R&D team is hard at work rolling out capabilities that advertisers are asking us to further drive advertiser success.

Second, we restructured our sales organization around our Ideal Customer Profile, where we are seeing stronger retention and spend-growth over time. The advertiser outcomes we delivered in 2025 are giving us clearer signals on which advertisers to prioritize, how to reach them, and what success on Realize should look like. To further support these efforts, we recently welcomed Krishan Bhatia as our new Chief Business Officer, overseeing revenue and partnerships and bringing additional focus and expertise to supercharge advertiser, agency and publisher relationships to accelerate growth.

Keeping with the same example I mentioned earlier, in 2025, we generated $120 million in personal finance revenue within a $15 billion U.S. market. Today, we capture only 1% to 10% of advertisers' total spend which underscores the significant runway ahead as we deepen relationships. At the same time, we are prioritizing new advertisers similar to the ones already succeeding on our platform, and entering those conversations with a clear understanding of their goals and what performance they should expect from Realize. By focusing on the right advertisers, not just volume, we're strengthening partnerships, expanding wallet share, and positioning Taboola as a core, long-term growth channel for advertisers.

Lastly, on brand and perception. Since launching Realize one year ago, we've made meaningful progress in how advertisers view Taboola. As advertisers see clear results and expand their budgets with us, we're building trust and steadily positioning ourselves as a platform advertisers should test and scale beyond Search and Social. There is still work ahead, but Realize is proving to be a strong engine not only for performance, but also for long term brand credibility.

As we think about our partners and the open web in the context of AI, this is one of Taboola's greatest structural advantages.

AI is a commodity, anyone can download an open source of Llama and get going. AI can replicate features. It can improve interfaces. It can even outperform some raw models we developed. But that alone just doesn't matter. Without proprietary data and distribution, it is a very powerful engine with no fuel.

Our data is our fuel, and it is unique to Taboola. Hundreds of millions of times each year, people across our network make decisions to buy, subscribe, or take action. That creates a rare form of performance-driven intent data that directly determines advertiser outcomes.

Think of it as a "secret language" of intent that exists only because of our deep integrations across the open web and our singular focus on performance advertisers. Without these signals, advertisers cannot effectively optimize, scale, or generate strong return on investment.

We get this data by having code on page, integrated across 14,000 publisher properties such as ESPN, Yahoo, USAToday, The Independent and others, giving us first party access to more than 600 million daily users. Those direct relationships, built over many years, generate real time intent signals at massive scale.

When I look at our partners - what stands out is the strength of their brands, the trust and communities they've built over many years. Users go to them directly, whether through their websites or their dedicated apps.

As a result, they have little to no reliance on search traffic, while direct traffic continues to grow. This dynamic keeps our company-wide exposure to search in the single-digit percentages, with about a third of our supply coming from in-app usage.

In an AI-driven world, two assets ultimately matter most: proprietary data and distribution. And we have both.

In summary, 2025 was not just about beating the numbers, but rather a validation that our strategy is working. We executed with discipline, accelerated the business, returned significant capital to shareholders, and invested heavily in the platform shaping our future. Realize is delivering the type of results we want to see, making new and existing advertisers successful while changing how the market sees Taboola.

We're still early, but we're operating with greater clarity and urgency than ever. Our mission remains, to help performance advertisers grow, help publishers win, and build the leading performance advertising company beyond Search and Social. As more players compete for advertising budgets, they will need a trusted friend. And Taboola is a great friend.

With that, I'll hand it over to Steve.

Steve Walker, CFO

Thanks, Adam, and good morning, everyone. We are pleased to close out the year on a strong note. In the fourth quarter, we continued to build on the momentum we generated throughout the year, delivering results that exceeded the high end of our guidance across our key metrics.

Revenues in the fourth quarter grew 6% to $522.3 million and for the full year increased 8% to $1.91 billion. One of our key priorities this year was expanding advertiser budgets, and with the rollout of Realize, our performance advertising platform, and the introduction of new embedded features, we were able to successfully execute on that objective. This momentum was reflected in our Scaled Advertiser metrics in the fourth quarter, with a 3% increase in the number of Scaled Advertisers and a 2% increase in Average Revenue per Scaled Advertiser. We also enjoyed strong growth from non-scaled advertisers during the quarter, which contributed about 1% to our year-over-year growth. This indicates that we had a large number of advertisers testing Realize for the first time, even if we have not had a chance to scale them as of yet. For the year, Scaled Advertisers grew 6% and the Average Revenue per Scaled Advertiser grew 2%. Realize continued to improve retention and increase ad spend among existing advertisers compared to the same period last year. As I've noted in prior quarters, we're particularly encouraged by growth in the number of Scaled Advertisers, as they continue to be an important driver of future growth.

Ex-TAC gross profit in the fourth quarter was $212.8 million, representing margins of approximately 41%. The fourth quarter results were flat year-over-year, as expected, due to the lapping of a challenging comparison with a strong Q4 2024. For the full year, ex-TAC Gross Profit increased 7% to $713.5 million. This growth was driven largely by the scaling of Realize, which drove growth in advertising spend, as well as continued strong performance from Taboola News.

Gross Profit for the quarter reached $175.6 million, with full-year Gross Profit totaling $569.5 million. In addition to growth in ex-TAC Gross Profit, this performance was driven by lower depreciation expenses on our servers, following a reassessment of their useful lives, as well as tax efficiencies, both of which offset higher hosting and data costs required to support the growth and scaling of our business.

In the fourth quarter, Net Income was $50.1 million, with Non-GAAP Net Income coming in at $79.1 million. For the full year, Net Income was $42.3 million, with Non-GAAP Net Income coming in at $168.6 million. Adjusted EBITDA for the quarter was $86.1 million. For the full year, Adjusted EBITDA was $215.5 million, representing a margin of 30%. This reflects continued discipline in expense management while maintaining targeted investments to support long-term growth.

Foreign exchange was a meaningful headwind in the quarter. On a constant currency basis, Q4 ex-TAC Gross Profit saw a tailwind of approximately $4 million, while operating expenses saw a headwind of approximately $7 million, primarily reflecting the strength of the Israeli shekel, where we have a significant employee and cost base. In total, FX represented roughly a $3.5 million headwind to Q4 EBITDA and about $11 million for the full year. Without this FX headwind, our full year Adjusted EBITDA would have been $226.3 million, which would have represented an EBITDA margin of 31.7%.

In terms of cash generation, we had $59.7 million in operating cash flow in the fourth quarter and Free Cash Flow of $46.9 million. For the full year, operating cash flow amounted to $208.4 million and Free Cash Flow was $163.4 million, representing a 76% conversion from Adjusted EBITDA. On average our free cash flow conversion from Adjusted EBITDA has remained above 70% over the last twelve consecutive quarters. As a reminder, last quarter we indicated that we now believe we can sustainably convert free cash flow at a 60% to 70% rate over any typical four quarter period. That is an increase from our prior expectations of 50% to 60%.

Capital expenditures in 2025 included internally developed software that were capitalized during the year and we expect these strategic investments to continue into 2026. These investments were primarily driven by three initiatives: continued development of Realize, investment in new publisher focused product capabilities, and investments in our eCommerce platform.

Turning to the balance sheet, we remain in a strong financial position. We ended the fourth quarter with a net cash balance of $18.6 million. Cash and cash equivalents totaled $120.9

million, which more than offset our long-term debt of $102.3 million. Early in 2025, we secured a $270 million revolving credit facility, which enabled us to fully repay our prior term loan while maintaining approximately $168 million of available liquidity as of December 31. The facility also reduced interest expense by $1.1 million in the fourth quarter and $4.8 million for the year.

We remain focused on disciplined capital allocation, prioritizing R&D investments while returning excess capital to shareholders via share repurchases. In the fourth quarter we repurchased approximately 18.6 million shares at an average price of $3.78, for a total consideration of $70.5 million. For the full year, we repurchased 76.9 million of shares at an average price of $3.30, which represented total repurchases of over $250 million. In 2025, we bought back about 18% of our outstanding shares, net of issuances. This reduced our total shares outstanding to approximately 276 million at the end of 2025 from about 337 million at the end of 2024. Since the inception of our share repurchase program in 2023, we have repurchased a total of 110.4 million shares at an average price of $3.49 for total consideration of $383.5 million. We currently have approximately $180 million remaining in our authorization and intend to continue to use a majority of our free cash flow to repurchase shares.

Moving to guidance, for the first quarter 2026, we expect Revenues to be between $444 and $462 million, Gross Profit to be between $119 and $125 million, ex-TAC Gross Profit to be $158 to $164 million, Adjusted EBITDA to range from $20 to $26 million and Non-GAAP Net Income to be $(1) to $7 million.

For the full year we expect Revenues to be between $1.99 and $2.05 billion, Gross Profit to be between $601 and $621 million, ex-TAC Gross Profit to be $753 to $774 million, Adjusted EBITDA to be $222 to $236 million, and Non-GAAP Net Income to be $165 and $191 million.

I would note that our Adjusted EBITDA guidance reflects a forecasted headwind from foreign exchange rates of approximately $11 million in operating expenses, partially offset by ex-TAC tailwinds. Without this headwind from foreign exchange, Adjusted EBITDA margins would have been over 31%.

In summary, Q4 results exceeded the high end of our guidance range across our key metrics, reflecting strong execution and continued momentum in the business. We are building on the traction we've seen with Realize and are focused on accelerating growth as our initiatives gain more traction this year. While we remain disciplined in our approach, the progress to date reinforces our confidence in our ability to return to sustainable double-digit growth over time.

With that, let's move to Q&A. Operator, can you please open the line for questions.