

Company Name: Taboola (TBLA)
Event: 24th Annual Needham Growth Conference
Date: January 11, 2022

<<Laura Martin, Analyst, Needham & Company>>

Good morning. Welcome to the second day of Needham's Growth Conference now in its 24th year. My name is Laura Martin. I'm the senior media and internet analyst at Needham & Company. Our format today is a 40-minute fireside chat. And as we talk, I would love it. If you could put questions into the chat box, it takes about three minutes for them to get to me. So enter them as soon as you have them. So, I don't miss any at the end of the day.

I'm happy to welcome to the stage, the Founder and CEO of Taboola, Adam Singolda. Taboola is the leading recommendation engine for the open web with approximately \$1.6 billion in annual revenue, 650, sorry – \$655 million of ex-TAC gross profit and \$200 million of adjusted EBITDA expected in 2022 by our estimates.

Okay, Adam, so nice to be with you today. I stood up, I got off my chair, because I knew this was going to be a really dynamic hour. Let's give, let's do an overview for people who aren't as familiar as you and I are with Taboola, why don't you give us a quick overview of Taboola, where it fits in the ad tech ecosystem and why don't give us some financial metrics off the top of your head.

<<Adam Singolda, Founder and Chief Executive Officer>>

Okay, cool. So, and hey everyone, hey, Laura, always great to kick off the year with you, as we were getting ready to rock and roll. So Taboola, I started Taboola 14 years ago with a vision to help consumers discover things they may like, but they never knew existed. Many of you listening in have seen Taboola before, when you're read an article on CNBC or ESPN or many amazing websites that you love. At the bottom of the article, it says you may like recommending you the sites own editorial content. So more from CNBC.

And then below that or side by side to that, it will say from the web. So it's kind of like an Instagram feed of recommendations that you can see all across the open web. People click on Taboola and they discover something last year it was about 30 billion times. So, we have a tremendous amount of scale. We reach about 0.5 billion people every day. We have 9,000 publishers that work with us. And our vision is really to power recommendations for the open web. The open web is about \$64 billion.

So, you have Google for search, Facebook for social, and then you have this open web, but there's no one company that kind of has access to all the open web and can give advertisers a way to be recommended or surface an open web at scale. And that's the company we – we're working hard at building. We're having a good time. Management has been together for about 10 years now. And we're growing and we're public for six months now, and Laura is working with us and all good stuff.

<<Laura Martin, Analyst, Needham & Company>>

Okay, great. Let's do some industry insights here, because you're a good thinker on the industry. Double-sided. Double-sided end-to-end. So, you own both the DSP and an SSP, which makes you double-sided or end-to-end. And we hear from the largest open internet players, CEOs that no, no, no, the that's not the right way to do it. That has conflicts of interest. You should either be a specialist SSP like magnite or a specialist DSP like Trade Desk and buy-in and to an AcuityAds. Can you talk about that, Adam, and how you think about why is end-to-end better in your mind than being a pure-play DSP or SSP?

<<Adam Singolda, Founder and Chief Executive Officer>>

I think it's much harder to do what we're doing, but when you're doing it and the dividend, you can, pay over time to your client's partners, and yourself is significant. So, let's just unbundle the question. Taboola basically, we like Apple with iPhone, we produce it's an ecosystem that we operate internally. On the one side we have publishers work with us exclusively long-term and globally. So, if you think about any publisher working with us, they'll have three, four or five NDTV just announced a 10-year partnership. I would be in my 50s when we renew that partnership. And then, so that's one side, which means that it's very predictable.

We know we have a very unique access to data, because we see everyone again and again and again. So if you go to USA today, today, we'll see you tomorrow. So there's, – there's a lot of predictability and great access to data and on the advertiser side, but 90% of our revenue comes from advertisers work with us direct. We have a pixel on their page. We know our clients really well. That means the advantages, this two-sided marketplace that we operate gives us, which investors should care about. One it's very predictable.

If you think about advertising in general, over the last 10 years, the biggest question mark was, can you be predictable like Google? Now, why is Google and Facebook so predictable? They own the consumer relationship supply, and they own the advertiser relationship demand. In many ways, we're trying to build the Google for the open web and the way to do it is to benefit from the same thing that's make Google and Facebook so predictable, because again, they have both supply and demand. They're not dependent on anyone else to hopefully deliver something, right?

So, that's, it's predictable. It's very product led as an example, if we want to create a field product or we want to create a carousel experience like Facebook has, or Instagram has or we want to launch a subscription unit, we can do whatever we want. Because we own that relationship with the publisher we can innovate. If we were to buy an IAB unit like a DSP would, we have no way to go outside of the borders of the box, right? We're limited by the box. Taboola is not limited by anything. So it gives us a product opportunity to innovate and come up with new ad experiences that a DSP couldn't do, but we can, gives us data that we have that other companies may not have.

And eventually it results with higher yield, which means we can generate higher revenue to the open web and publishers, which is very important. It makes us more competitive. It makes us

win and grow. And it's also open web friendly, because it means there's not a bunch of fees between, so when an advertiser pays us, we pay the publisher. There's no sequence of companies between the advertiser and the publisher that collects stuff. So it's also very friendly to the ecosystem, because we're able to move more money to the needs, to – those who need the money, which is journalism and publishers, and so forth.

So for those reasons, I really like it. It's just much harder to do, because we operate both businesses internally. We have publisher organization and advertiser organization. But I think it's much closer to companies like Facebook and Google, which is what the investors I think are looking for.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Well, let's stay on the feed point, because the open internet, when you use the specialized SSPs and DSPs take rates in total are about 50%. Your take rate, I think is about 37. If I remember 32, 37. So that is part of this next thematic topic I want to talk about, which is supply path optimization. So part of running end-to-end, or a two sided platform is that you have a lower take rate, a lower feed than the open internet where they specialize. But one of the guys I was asking about supply path optimization today was talking about the number of people in the supply chain. People are cutting them out, because they don't talk to each other and frequency capping. They think of as part of supply path.

So, let's talk about this generally this theme, Wall Street's discussing, which is supply path optimization. What do you think, are we going to get take rate pressure on the entire open internet, and how do you see Taboola as positioned within the supply – and supply type optimization, which is a term of art in ad tech really means fee pressure, take rate pressure, downward pressure on fees from advertisers or publishers.

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah, and I think so, we are already optimized, because we're not buying inventory on the one side and most of our revenues direct from the advertiser side. So, I think some companies are speaking about, mid-20s, mid-30s supply path optimization. We are already there by the nature of the business that we've built with publishers and advertisers. And I think that also means we're able to, like I said earlier, pay more. We did – we did give guidance that over time we believe our margin will go out as we continue to grow the company. So right now, we're mid-30s. We believe that's going to be north of 40%. So over time.

And again, the reason is it's very efficient to be in the Taboola ecosystem, because you're one step away from the advertiser. There's no – for 90% of the revenue, right? So for the vast majority of our business, it's advertisers to work with us directly, they're using smart bid, which is our AI to help them succeed, which we could talk about that too. And the publishers basically are very close to the client who pays them with us trying to optimize using AI so that they'll generate higher yield.

So, I think it's much friendlier to the publishers and to the advertiser, because the advertiser has more buying power, because they're very close to the publisher. It's almost direct, just Taboola between them optimize and using AI. So, I think it's actually very important to measure that metric. And I think for us, we're already at what companies I think aspire to be we're out – we're there now, which is a good thing. And again, I believe for us, the opportunity with margin is to go up and we did say that publicly that we'll get to north of 40%.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, you're not going to be negative effect. You don't think you're negatively affected by supply take – supply path optimization or pressure on take rates. You're already below everybody.

<<Adam Singolda, Founder and Chief Executive Officer>>

Because we're already optimized. We are – we are work. So, when we think about the percentage of advertisers work with us directly and the percentage of publishers that we work directly, it's all direct already.

<<Laura Martin, Analyst, Needham & Company>>

Yeah. Okay.

<<Adam Singolda, Founder and Chief Executive Officer>>

So there's nothing to optimize. So, I think that vision people are speaking about is Taboola's reality today. And from that perspective, we're comfortable with where we are financially as well as that opportunity to make it better.

<<Laura Martin, Analyst, Needham & Company>>

Perfect. COVID-19, big thought topic of conversation across industries, not just in ad tech, but can you talk about what trends accelerated during COVID? And what is here to stay? And how that affects Taboola and their business?

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah. So, one thing if to remember that Taboola even when you look at 2021, which was a good year for us, right? Like we finished with north of 30% growth over 2020, and that was when Taboola had a good 2020. So a lot of companies had a bad 2020, so 2021 looked good. We had a good 2020 and a great 2021. So, which is – which I think shows our again, stability, predictability and ability to execute even when we're working from home and how we benefit from this growth. So, let's think about two things that happen in the pandemic, that I think are interesting.

One is the, yet about 100 million businesses in the world. Many of them are yet to advertise. And I think that through the pandemic, many of them have realized that it's such a huge opportunity to take part in the advertising ecosystem, and to be a successful advertiser, because you can't rely anymore on brick and mortar and the opportunity to reach people online is just so great. So, we're seeing this push of advertisers coming in, and I think there's a huge opportunity over years to come in many ways where like in 2030, we're in the future. Because what would've taken us 10 years, has taken us a year.

And the second thing is that people have changed. If you thought about before the pandemic, if I told you that people would go to the doctor on their iPhone, you would've thought that I'm crazy, but now, telemedicine is such a huge category in healthcare. Online is such a huge category. And it's almost low request to imagine that I will wait to see a doctor before I go online and talk to someone now. Right. But that happened through the pandemic, because I couldn't see the doctor, same for online education, same for how we get food, same for commerce, how we buy things. I can tell you something, if you saw in Connexity the company, we acquired a few months ago.

We saw through their data that first of all, you all know that, Black Friday went down 28% people didn't go in to brick and mortar. But what we saw on Connexity is that people are becoming better shoppers. So the value of a click for e-commerce became better through the pandemic, which means we were people, the mass market consumers are becoming better shoppers online. They don't just click it. Don't convert, they click and convert more. So, I think this trend is interesting because people have changed. They're trusting, they're trying things online, like never before and for Taboola, it's great, because there's no better place than open web to drive consideration with consumers to think about a new product Lego.

If I wanted to get you to consider buying Lego, which obviously, I'm a big fan, what's a better way of getting you to do that than sending you to a sequence of articles that might spark your curiosity and excitement versus an ad that you might see on Facebook, right? Or a banner that you might see on social. So, the opportunity for the open web to build this trust with consumers and then get them to try a new service and the form advertising is massive. So again, the markets has changed macroeconomics and consumers change. So, I think net-net there's a positive opportunity for the open web for the next decades.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Let's do a little privacy and then we're going to go into Taboola, this is our last industry question. Cookies, IDFA looking now to the 2023, a major topic is the lack of – loss of cookies from Google. How does cookies deprecation impact Taboola? And can you make a case as to why Taboola is uniquely positioned take advantage of this? And similarly to date what has been the impact on Taboola of the iOS upgrades 14.5 and 15.1?

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah. So, I think this is one of those questions that it's best to answer the future by looking at the past. Right. So as a proxy for what's going to happen. So Apple has started deprecating cookies

back in 2017. In 2022, you're looking at Taboola's performance on Safari it's public information. You can check it out. You've seen in our yield, which is our ability to monetize consumers in Safari, within the Apple containers, as went up, as Apple continued to deprecate cookies.

And, when IDFA happened in the second half of last year, you saw that we bit and raised our guidance and we finished 2021 strong. So overall, what you're seeing is that for the past five years, really we're navigating this privacy dynamics well. And the reason is that Taboola, because going back to your through side of the marketplace, because we're not buying inventory and hope it's going to work out, but whether render our own experience or own products on a publisher and have full visibility to everything on the page, we're able to not rely on third-party cookies. We are the publisher. We have our own first-party cookie, but more than that, we have access to the context of the page. And advertisers are buying from us this curiosity graph.

People will read about this, may also like to click on that, may also like to convert to that. And this has nothing to do with you as a person. It has a lot to do with you and the situation you're in. So, I think that contextual is the new – it's the new west village, it's the new pink, and I think it's going to come in strong, because users, privacy is no longer something general counsels talk about, it's something consumers are aware. My mom doesn't want Facebook to track her. She doesn't likely targeting, and she's my mom. She's not a tech person. She's just a wonderful woman. And but she understands privacy now. This is new.

Five years ago, if you're inviting me to this chat, privacy would be something lawyers talked about. It would be some policy page on a website. It's no longer that people don't like to be tracked. They don't want to be followed. They want you to create a great advertising experience without freaking amount. And that's contextual. And that's why Taboola is the recommendation engine looking at what the page is about. And people who read this also during that can benefit from we already are.

So that's kind of what happened. And I think this can be a positive opportunity for us, because it'll affect the advertising industry one way or another. And I think for us, hopefully that means more advertisers coming in and trying to succeed with us.

<<Laura Martin, Analyst, Needham & Company>>

Super helpful, Adam. Thank you for spending 15 minutes on industry. We're now going to move to Taboola. I really love your thinking on these ideas. So helpful. Let's look five years out. Let's talk about Taboola. How do you envision digital advertising changing over that time and where is Taboola? How does Taboola benefit from that macro change?

<<Adam Singolda, Founder and Chief Executive Officer>>

So, we talked about some of them, so just, five years looking ahead, I think when we talked about the pandemic and the changes that will bring, I think e-commerce will be bananas big. I think that, I think the open web is going to drive the future it's Amazon 2.0, because we love buying online and we're going to need someone to give us a good advice. I need all recipes to tell me which pen to buy for my kitchen. I need someone to tell me what to do, and it's not going

to be a store, and it's not going to be Facebook. It's going to be a great website. I love and trust whether that's a local site that I love or a big one. I don't think it's only meant for the big publisher. It can also be a great niche blog or week stage or whatever that I love and I trust. And I relate to you.

So, I think there's going to be big e-commerce. I think a third, if not more of the open web will be e-commerce. By the way that means that I think if you don't have an e-commerce strategy, it's like not having a mobile strategy in 1997, when mobile came up, you know, I think we're going to go back to this fireside chat five years from now, we came back and said, we couldn't believe people didn't build e-commerce strategy, knowing how big it's going to be. So that's the second thing I think it's going happen.

And privacy will be making waves one way or another, which we've talked about too. So that's kind of for Taboola as we navigate those things. I like our position a lot. I mean, I think from a core perspective, we're taking a very product led approach. We invest a \$100 million a year to build products and technologies that publishers and advertisers want they need. So that we never become a vendor. I think, publishers want to work with people in a deeper way. They want less vendors and more partners, and they want to do that for a long time.

So, when you choose who you're going to work with for the next five years or 10 years, it has to be someone you want to entire organization to use, if can be about money. So this strategy has been really helpful. I mean, for us, you may have seen over the last six months, I mean, a new partnership has announced almost on a weekly basis globally, and I'm talking amazing stuff. I mean, like just 10 days ago with Taboola and I was telling my team, the reason I love that partnership more than others is that I got a call from the Chief Editor on Thanksgiving, and she said, let's talk editorial technologies and data. And I was like, that's amazing. I mean, to have the Chief Editor call you on a holiday, it's not about the check. It's not about the revenue. It's not about clicks. It's about value to the entire editorial organization none of our competitors does that.

I don't think anyone in the advertising ecosystem does that invest so much in providing technologies to the editorial organization. So, when you have the Chief Editor choose Taboola, that's a good thing for me. So in our core business, we're seeing great wins NBC Sports future in the UK, NDTV, just amazing publishers choosing Taboola that, and that's a big market. It's, we're guiding from 1.6 billion out of 64. So there's a lot of room for us to continue to go. So this platform strategy of providing a lot of technology is working for us. I think we also are able to generate higher yield than other companies, which means that the only way we lose a deal is if someone is losing money. 70% of Taboola is 120% of other companies, which is also a good place for us to be, because short in a long-term, nobody can lose so much money.

I'm okay with people losing money, if that's the only way to take our business. So that's in our core business. And then over the next five years we talked about what else can Taboola recommend? Commerce has already 15% of our business, brands and agencies and video, which is high impact placements is already 15%. So, you have this like 15%, 15% high value revenue coming in and growing and improving our yield. And then the question is, what else do we get

into over the next five years? Whether that's audio games, what other segments specialize in so we can create the value for those advertisers.

And then another side is where else can we be? You've seen our momentum with Taboola News, which is Taboola Android devices with Samsung and Xiaomi and others. But over the next five years, we launched this bitter technology with Microsoft. Where else can we use that to get other access to other consumer touch points, connected TV, perhaps podcasters so much I'm shock that my Tesla doesn't have Taboola and start of it. That's what shocking to me. How can Elon sell cars without Taboola showing news and podcasts and videos and in my car? So, I think over time, over the next five years, we should be in other places recommending news that we offer Samsung. That's kind of five year thinking.

<<Laura Martin, Analyst, Needham & Company>>

Five year time. You're going to have news feeding in your Tesla, that's your goal?

<<Adam Singolda, Founder and Chief Executive Officer>>

Taboola in Tesla. Yeah. I think that the fact I go in my car and I have Spotify for music, but I can click Taboola and check local news here at identify New Jersey is may know, it's crazy. It's such a huge...

<<Laura Martin, Analyst, Needham & Company>>

An open note to Elon Musk. Call me.

<<Adam Singolda, Founder and Chief Executive Officer>>

I'm just saying, technically radio was always great, but better way of doing radio, which is Taboola in the car. So, we have all the news.

<<Laura Martin, Analyst, Needham & Company>>

Well, one of the things you said, in that prior answer, Adam, was that not to have a e-commerce strategy is like not having a mobile strategy 10 years ago. So let's, it's been about Quinn fairness, it's only been about a quarter since you close Connexity, at which point you got a mobile strategy. So, can you tell us how it's going? And remind us about how – what Connexity does for Taboola sort of empire synergies you see from the acquisition?

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah. First of all, Laura, we have to keep getting you excited. We can't tell you all of our good things ahead of time. So every quarter I'm giving you a little bit. So, Connexity, which is one of the largest open web commerce companies in the world. Now, part of Taboola is essentially doing something very similar to us. The operator two sided marketplace with retailers on the one side and on the other side, publishers all of you, yet you know and love. And we all seen, this

wired cutter strategy by the New York Times, whereby you have a great brand and you extend it to offer high intent content for consumers to consider making approaches. So that strategy is happening by, in small scale now, and with Connexity, we believe we can essentially expand that globally to all of our publishers and advertisers and help our publishers build the commerce strategy for the next five years.

We've seen, since we got Connexity, it's been a great momentum. They beat their numbers. They unseen public publishers choosing Taboola based on the vision of what we do together with Connexity. I mean, the synergies will take us four years, but just speaking about synergies with the public markets and publishers, getting curious about it, just that vision alone is interesting enough for publishers to, say we want to be in that. And a lot of our recent announcements included Connexity, which is great for us, because you believe it's a differentiation.

And again, I spoke about shoppers users are becoming better shoppers. So, I think the trend will also be that they yield opportunity from commerce will go up. Beyond that we started with the synergies. We, we're bringing our teams together. So in the UK, they're already together, New York will happen the first half of this year. Culture is a big deal for me and the management and the CEO, Bill at Connexity. We're trying to make sure that in three, six months, if you join Taboola, you wouldn't know who came from where. So, we want to make sure we're one. And so we're spending a lot of time on culture and, and we started already focusing on using ad sales of Taboola, Connexity had two ad sales. We have 150 before. I mean, Taboola before Connexity.

So Connexity used to be owned by a private equity, which means they built a very big business almost a \$100 million of ex-TAC with two ad sales people, right? So, we started by having our ad sales people now sell Connexity. And the next step is to triple charge the publisher side of the business, which will start this year. So I'm very excited about it. One, because I believe it's going to be a big portion of the open web's future. And I think that consumers will need a trusted source to make a decision to make a purchase in times when they're more home, more remote and actually prefer it.

So, we did say that we believe over the next four years, there's going to be synergies of about a \$100 million of ex-TAC, we'll build another Connexity over the next four years. And we said about a third of our business, as well as our publishers will be commerce. So and then I think it's worth mentioning that as you know, one of the competitive advantages of Taboola in the advertising space is, or yield is stronger than others. As we merge Connexity into Taboola, which we're starting to do Connexity is about one million purchases a month. We'll be able to have better data sets and the yield we believe will go up.

So that will make us even more competitive even on our existing publisher base. So there's lot of good stuff, on that front. And I do believe that also listening to the market, everybody wants an e-commerce strategy. Everybody's seen great companies like Meredith and Conde and the New York Times, and they want to do that, they want that too Red Ventures, good companies or other, doing good things. But then the question is how can the entire open web do the same?

<<Laura Martin, Analyst, Needham & Company>>

Okay. Let's talk. So, you're doing a lot of work in moving your company, like up to like what I would call premium, premium space or premium high impact placements. So, you said on your last call, that brands and agencies are about 15% of your business. Connexity is also an additional 15% of your revenue. So added together. If my math is right around a third of your businesses in higher value areas. Can you continue to mix like mix up? And what I mean by that is go to premium products? And it seems like there's been quite a few high impact placement announcements, which is like your mid article and your videos. How are you winning this new supply from publishers, like NBC Sports? And how do you, and how – what impact can that have on driving revenue growth?

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah, so first of all, it's you're right. And it's interesting. Taboola is becoming video company, e-commerce company. It's almost like, when Google bought YouTube that, that was their premium layer on top of search, which was very performance driven, right? So in similar fashion, we have this huge demand performance advertising business, and then you have these, our YouTube strategy our high impact placement is where brands and agencies take premium placements, meet article HomePay section fund. And now with commerce, that's going to be another layer of our business and the two of them are almost, as you said, a third. So one they'll grow and the more they grow, the blended yield of Taboola gets stronger, which means that all of our placements generate more revenue. So that is strategically important to us because it means, again, that it's too responsible not to choose Taboola financially.

And then, scale matters in our space. So that's, that's why I like it. And I think over time, you may see other types of specialized segments in that mix. I mentioned maybe games, audio, and other things. So, we'll always be continuing our journey on diversifying the mix of things we specialize such as video and commerce. And that's, that's part of our strategy to recommend anything. So I think that's right.

The reason we win it is that if you're a publisher and you have usually what do we replace? Right. So mid article, usually what they have, there is a banner, and SSP right? So on the homepage, mid article, usually there's a banner there. So, what we say is we say, we can replace that banner with a carousel, that half of the recommendations will be your own content. So if you go to NBC Sports and you seen in article, you see this carousel beautiful, that shows NBC Sports content, a video, NBC Sports content, a performance suggestion. NBC Sports and so forth and so forth.

So if you are publisher, first of all, you're replacing a banner with editorial stuff. I like it. Two, it tends to generate more revenue, because we have video demand and all of our performance and Connexity fighting for that spot and brands and agencies love it, because they want to be visible. They want to be isolated brands and agencies as well. They want to create these environments that are kind of fully owned by the brand. So they like this mid article or homepage and are willing to pay a premium for it. So it also tends to generate significant more revenue to us and our publishers.

So the publisher gets more revenue. They get editorial content surface, not only ads. It reminds me when I started to build a 14 years ago, at the bottom of the article, there used to be Google essence. You remember that product? It was this like text ads by Google. Yeah. And we called publishers and said, look, we're going to do half of it. We'll present your own content. And the other half is going to be paid recommendations, and we'll pay more. It's been a general, it was a no brand. So it's kind of like, I'm reliving my life again, only now I'm instead replacing text ads or by Google, we're kind of replacing banners, which is good because it's a huge market in the open web. And it gives us new types of revenue with brands and agencies. And I think publishers also prefer to go deeper with Taboola, they trust us. We're very aligned with publishers. We talked about supply optimization. It's very tech driven orientation. So, I think publishers also appreciate doing more with us, which is vertical growth for Taboola, as we continue to upgrade publishers to do more video with us.

<<Laura Martin, Analyst, Needham & Company>>

I have tons and tons of question. I want to ask the Microsoft question here first, before we go to the four questions from the audience, and then we will follow ques. So, let's talk about Microsoft first. Microsoft was about 20% of your revenue last year we estimate. Can you talk about your recent announcements where you extended the Microsoft contract through mid 2024 and how is the new relationship with Microsoft additive to Taboola?

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah. So, I mean, this is quite exciting. We both, you start a quote by Taboola and by Microsoft in a press release. It's essentially a growth story for both Microsoft and Taboola. And what tends behind this is over the last few years, Microsoft is created inventory on the Microsoft ecosystem. Microsoft is not a traditional publisher that was only available for bidders. So we, as part of that, we did not have access to that environment. So there's a lot of growth opportunity that was kind of kept out of Taboola, and Taboola was a good partner with Microsoft and we had a good integration with them. So, what we did was we worked with them to build this bidder that can essentially do two things for us, three things, but with Microsoft two things and I'll explain that.

So one in our existing business, we work with them to make sure that it's a quality integration and we can sustain the revenue have. So that's what, that was one thing. The second thing was to make sure that it's better can have access to inventory. We never had before. That was the second thing, which we believe will grow the partnership. And the third one for us, that's more for Taboola. We purpose that technology in the open web. So, now we can bid on other types of inventory, like display and social. So and as part of that, we announced that we also signed an agreement until July 2024, which may investors were curious about. So, now we have this long-term agreement. The downside we believe is something we worked well on with Microsoft and as an outside creation with more inventory we never had before. And, we like the fact that Microsoft worked with us, that there were, we announced it together. We believe that shows intimacy and good partnership.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, you don't think it's a net negative to the 20%, you don't think it risks the 20% of revenue coming from Microsoft?

<<Adam Singolda, Founder and Chief Executive Officer>>

Microsoft actually is mid teens now. So it's a smaller portion of our overall revenue.

<<Laura Martin, Analyst, Needham & Company>>

Okay.

<<Adam Singolda, Founder and Chief Executive Officer>>

So now, we believe it's a positive opportunity for both Microsoft and definitely Taboola because we'll be using this also outside of Microsoft. So we think it's a growth opportunity within Microsoft for the reasons I mentioned, but we intend to do more with it.

<<Laura Martin, Analyst, Needham & Company>>

So, I got a bunch of questions over here. Let's see. Let's do this one first. Why come public via a SPAC right? Other than an IPO, what's you thinking again?

<<Adam Singolda, Founder and Chief Executive Officer>>

The name of God, not just joking. So when we did it, first of all, the reason we did it was because we, we really like the ION team Gilad, who's a CEO who joined our board. I knew him before we had relationship with the board level. He's a great guy. And the firm is great. They're very lean in very partner like energy, think about going public, for founders, it's a big deal, you know? So you think about the next 20 years of your life running a public company and, or more, and you really want to make sure that you surround yourself with good people who have good motivations to do everything that's about to come. And Gilad came from the public market sector.

So, I thought it's going to be a great addition. I thought time, we were ready to be a public company, and I guess what happened was since that decision, six months after SPAC became less cool, but hopefully, right now we're 2022, as we continue to beat and raise and grow this business to something investors really like, it's \$1.6 billion business, \$20 million of adjusted EBITDA we convert 60% of free cash flow. There's a lot of things investors, I think have never, haven't seen it in a long time outside of Google, Facebook, Amazon. So hopefully, as we build relationship with investors, it will be less about Y stack and more about it's a good public company and let's get close to it.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Can you talk about the synergies of a \$100 million that of EBITDA with Connexity that you've mentioned is that all new revenue, or are there any cost synergies in that?

<<Adam Singolda, Founder and Chief Executive Officer>>

It's new. So this is not a cost story where everybody stays on board. This is a growth story. So the \$100 million is a growth story, new revenue at SPAC, yeah. It's coming from primarily, I mean, I can talk about it, but you come from, you have advertising synergies, publishing synergies, data synergies and global. So Connexity is more key markets were in 22 countries. So there's lot, these are all growth net growth.

<<Laura Martin, Analyst, Needham & Company>>

Okay. How long will you continue to provide Connexity standalone revenue and EBITDA?

<<Adam Singolda, Founder and Chief Executive Officer>>

We're already now running the numbers are combined. So the numbers, the guidance is for both companies combined.

<<Laura Martin, Analyst, Needham & Company>>

So, you're not going to, you're going to stop now, like from now on, we're not going to get any standalone Connexity numbers, right?

<<Adam Singolda, Founder and Chief Executive Officer>>

Even in Q4, I think it's, it was already merged. But definitely 2022 guidance is for both companies combined.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, we're not going to be able to break them out apart at all. Okay. Skimlinks revenue, I don't know what that is, Adam, what is Skimlinks revenue?

<<Adam Singolda, Founder and Chief Executive Officer>>

It's a company Connexity as acquired. Okay. But again, we, for us it's connection your publishers connects for retailers. We don't really think of it in that way, but Skimlinks is the publisher front name that Connexity has for publishers. So publishers would know what Skimlinks is. So whoever asked that question, probably close to the publisher side, but what you need to know is, what you think about this investor is commerce under retail side is advertisers and commerce on the publisher side, which was a company Connexity called Skimlinks.

<<Laura Martin, Analyst, Needham & Company>>

Okay. There is another question here is specifically regulating to Connexity, Adam, how much was CPA, which is cost per action just for the audience, how much was CPM and which is cost

per thousand, which is sort of top of funnel. And was there any CPC? So cost per click business at Connexity is what they're asking?

<<Adam Singolda, Founder and Chief Executive Officer>>

So what we did say publicly, which is one of the reasons why I wanted to partner with Connexity in an M&A structure is more than 50% of the business is CPC, which is uniquely rare. Most of the commerce business in the world is via affiliate marketing, via CPA, which means there is no risk. And you only pay for acquisition like you said. Connexity is built direct-to-retailer business. And many of them more than 50% pay them on a per click basis. And Connexity technology is able to then optimize for the right conversion. So they optimize per CPA, but they pay CPC. And then about a third or so is CPA. So it's a third CPA or so, and two third CPC.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Going back to Microsoft, that's super helpful. When does the new Microsoft deal start? When do you – when can you start fitting on the new inventory and when can other or start fitting on the inventory they had access to, I guess when's the new deal start?

<<Adam Singolda, Founder and Chief Executive Officer>>

I can't remember what we spent public today, I mean, 2022, we'll – we've been working on it for a while now with them. But it's going to roll out in 2022. So most people, most of our existing advertisers wouldn't know the difference. Because we've been testing this in any case we've been bidding one way number for the past few years. So most, our existing business will not notice the status quo. What we hope you'll see is more inventory than never had before. So that's the experience we, our advertisers new and existence should experience.

<<Laura Martin, Analyst, Needham & Company>>

Okay, perfect. We have two minutes remaining. So my last question to you, Adam, is when you think about what you want to accomplish in 2022, what is that? And then secondly, what do you think Wall Street's missing about the Taboola story that you want to highlight as we walk out the door here?

<<Adam Singolda, Founder and Chief Executive Officer>>

So 2022, I mean Metaverse no, I'm just, okay. So I think us, for us, it's, I mainly want to firstly what I care the most about, because I feel pretty good about the business is that as we grow from 1,700 people to more than 2,000, we continue to scale our startup in a way that's fun and we can continue to execute and people want to do this forever, because I think it doesn't matter who does anything first it's only about who does it better. And I think Taboola's opportunities to continue to execute and have a good time doing it. So personally, what I cared the most about is the culture and people how they feel, when they come to work, even though that's kind of a Disneyland for geeks to Taboola, but that's, that's what I cared most about.

I think in terms of what people are missing, I don't think people are, I think most people don't know us yet, you know? And I'm very encouraged about the type of investors that are leaning in with us. I can tell you, we're getting really great time with them. People are coming in for broad product sessions like you and I had, it's really nice to see investors spending so much time to get to know us. And I think it's just a matter of time as we continue to one, show the market of our execution capabilities and surprise them with good news as we continue to scale Taboola. And on the other side, just, get people to know us. So that it'll take some time to as we continue to grow. But overall I think it's mainly about being patient that execute and doing the good things.

<<Laura Martin, Analyst, Needham & Company>>

All right and just getting awareness. It sounds like awareness is a key goal of yours.

<<Adam Singolda, Founder and Chief Executive Officer>>

Yeah. We're still new. So, I think the more people get to know us, I'm actually surprised by how much time and how detailed people get to, which is really great to see, because we have the team to showcase all the good things we're working on. So it's fun. It's fun to spend some time and we learn too, as you executives about what people care about and how they think of us.

<<Laura Martin, Analyst, Needham & Company>>

I will call it there. Adam, any closing remarks before we leave, we have about 60 people watching you right now.

<<Adam Singolda, Founder and Chief Executive Officer>>

I really hope we'll do this next time in person.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Me too. Thank you everybody for being with us. Thank you Adam, for taking the stage really lovely to you as always, really fun. Thank you so much. Bye everybody.