



## Q1 2024 and FY 2024 Key Highlights

### **Q1 Financials - beat high end of guidance across all key metrics**

- Q1 2024 Revenues \$414M, Gross profit \$109M, ex-TAC Gross Profit \$139M, Net loss \$26M, Non-GAAP Net Income \$4M, Adj. EBITDA \$23M, Free Cash Flow \$27M
- Accelerating YoY growth: Revenues +26%, ex-TAC +20%, Adj. EBITDA +132%, FCF +140%

### **2024 Guidance - expecting strong Q2 and FY 2024 YoY growth across all metrics**

- Q2 guidance: \$425M in Revenues (+28% YoY), \$115M Gross profit (+18% YoY), \$145M ex-TAC Gross Profit (+18% YoY), \$25M Adj. EBITDA (+60% YoY)\*
- 2024 accelerating growth: ~\$2B in Revenues (+33% YoY), ~\$545M Gross profit (+28% YoY), ~\$670M ex-TAC Gross Profit (+24% YoY), \$200M+ Adj. EBITDA (2x+ YoY), \$100M+ FCF (~2x YoY)\*
- Reiterating 2024 Adj. EBITDA \$200M+ (30% margin) and \$100M+ Free Cash Flow

**Share Buyback** - Bought back \$28M in shares in Q1; \$92M remaining under current buyback authorization (~7% of current market cap); expecting buyback program to continue through 2024

### **Engaging/reaching users - Yahoo crossed \$100M+ in Q1; Apple News going global**

- Yahoo - good progress; \$100M+ revs on Yahoo supply in Q1, led by tier 1 advertiser demand
- Apple News & Stocks partnership expands significantly to now include US and UK markets
- Taboola News innovations focused on vertical videos and utilities (weather, games, etc.)

### **Improving yield - number one goal in 2024**

- Focusing on improving retention rates and growing NDR
- Max Conversion/AI nearly 60% of revenue; drives double-digit NDR improvement
- Focus on premium/quality advertising experiences; Premium Brand & Agency demand now accounts for 20%+ of revenue and growing fast; launch of Taboola Select and onboarding of Yahoo Omni advertisers transformational to driving yield
- Double-digit eCommerce growth in Q1 underscoring strong momentum

\* at guidance midpoints

Dear Shareholder,

We had a strong start with Q1 results above the high end of our guidance range.

Ex-TAC of \$139M grew 20% vs last year, Adjusted EBITDA of \$23M grew more than 100%, Free Cash Flow was \$27M in Q1, and also more than doubled last year. All metrics beat the high end of our guidance range and are on track to meet our full year 2024 guidance. These growth rates demonstrate meaningful acceleration versus a year ago.

Over 100% of our Free Cash Flow in Q1 was spent on share buybacks, underscoring our strong commitment to shareholder returns and confidence in our long-term strategy and ability to execute.

With a strong Q1 and Q2 guidance showing double-digit growth versus same time last year, we are reiterating our 2024 guidance, which projects accelerated growth on every metric: Revenues growing 33% to nearly \$2B,



ex-TAC growing 25% to almost \$670M, Adj. EBITDA of over \$200M growing approximately 2x 2023, and \$100M+ Free Cash Flow which is also 2x levels of 2023.

**Guidance Summary Shows Accelerated Growth in 2024 Across All Key Measures**

	Q2 2024 Guidance		FY 2024 Guidance	
	Q2 2024	YoY % Growth	FY 2024	YoY % Growth
(Unaudited; dollars in millions)				
Revenues	\$410 - \$440	28%	\$1,892 - \$1,942	33%
Gross profit	\$110 - \$120	18%	\$535 - \$555	28%
ex-TAC Gross Profit	\$140 - \$150	18%	\$656 - \$679	24%
Adjusted EBITDA*	\$20 - \$30	60%	\$200+	103%
Non-GAAP Net Income	\$0 - \$10	456%	\$84 - \$104	188%

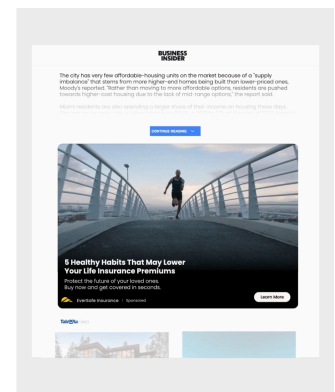
(All percent changes are year over year based on the midpoint of the guidance.)

When looking at our core business, our main focus in 2024 is (1) making our advertisers successful, and, in return, growing our yield year over year, as well as this year - (2) ramping Yahoo.

I just came back from an offsite where a lot of what we talked about is our determination to expand our initiatives to make Taboola a company recognized for quality across all fronts - delivering premium experience to users and publishers, and attracting tier 1 performance advertisers. As I wrote this letter, I'm happy to say that we just crossed the 20% mark of our revenue coming from top brands and agencies, and it's growing fast. We think there is big upside here in many ways...more than I've imagined in the past. You will hear me speak about it a lot this year and onwards as I think this can be material to our partners and to us driving yields even faster.

**Taboola Select**

- Curated Ecosystem**  
of premium editorial publishers
- Engaging Placements**  
where users are highly engaged
- Advanced AI**  
to deliver against your performance goals



Let me share a bit more on this. We've recently launched "Taboola Select" as a way for premium performance advertisers to reach our top ~15% of publishers (Yahoo, Apple, NBC, Disney, etc.) with a premium standalone ad experience. Big brands are willing to pay a premium for it, while focused exclusively on performance. This is Not a "branding play." We're not looking for top of the funnel budgets here, but to enable big performance budgets to go beyond social/search to the open web and Taboola's new offering. Between Taboola Select, our Yahoo partnership, our Apple partnership, and the success of tier 1 advertisers (Hulu, Citi, Verizon) - we hope to differentiate ourselves in the marketplace, and help drive yields even faster.



Our biggest R&D/Product investment is making advertisers successful. I'm happy to share that Maximize Conversions adoption continues to grow and is now almost 60% of our revenue. We're focused on improving our retention rates, and increasing budgets (NDR) and we're seeing encouraging results from advertisers migrating to Max Conversions/AI, including double-digit growth in NDR for advertisers who have migrated to Max Conversions versus ones who have not. On improving retention rates, our main work is to reduce "cold start" by training our AI models, and taking advantage of our massive amount of 1st party data and clickstreams to look for similar past advertisers, and bring that knowhow front and center.

Switching gears to our second top priority this year, ramping Yahoo. We continue to make progress migrating Yahoo's tier 1 omnichannel advertisers to Taboola and achieved our goal in Q1 to exceed \$100M in revenue on Yahoo supply. While there is still a lot of work to be done, we couldn't be more pleased with our partnership with Yahoo, the work between our leaderships, and the encouraging performance advertisers are seeing when using Taboola's technology. One recent success story was with one of the world's largest personal finance software companies where the ad performance was so strong that they increased their budget more than 2x over the course of the campaign and are now one of the largest advertisers on the Taboola network. If there was ever a proof that AI matters, this is a good example of it.

We spoke last quarter about our relationship with Apple. I'm happy to share that it has now expanded to new markets. Previously, Apple had selected us to monetize Apple News and Apple Stocks as an Authorized Reseller. This started in Australia and Canada last quarter and just recently, we expanded our role to serve as an Authorized Reseller for Apple News and Apple Stocks in the US and UK markets. I couldn't be more proud of the Taboola team supporting our efforts here. We have a lot to learn as we onboard this amazing new partnership, and I remain confident that Apple will become one of our most important partners.

Turning now to our growth engines - Taboola News, eCommerce and our bidder. Product innovation and commercial wins continue to drive our momentum here. Our key investment for Taboola News is getting more vertical videos/reels-type content onto it, and diversifying to utilities users may like to engage with such as Weather, Gaming. Our ambition here is that over the next few years, people spend 30min+ a day with us. On the eCommerce front, we launched AP's new eCommerce site powered by Taboola, and we recently integrated with Amazon's DSP to allow Amazon sellers to extend their budgets into Taboola. For example, let's say you have a store on Amazon - you can now extend your reach using Amazon DSP on the Taboola open web network of publishers.

Our header bidder is still small, but the potential here over time is in integrating it across our thousands of publishers, including Yahoo into their display stack, which is an opportunity that can be quite meaningful.

We are extremely excited by the prospects of our Taboola growth engines and their ability to create synergies with the core Taboola publisher network over the long term.

As a reminder, the way we grow revenue as a company is reaching users as well as growing yield. Below is an update.



## User Engagement (reaching more users more frequently)

### Core (bottom of article on traditional publisher sites)

Publishers choose us for three reasons: (1) higher revenue (2) publisher platform - editorial tech, homepage personalization, eCommerce expansion, etc. and (3) audience growth.

Publisher win rates continue to improve, with strong new publisher partners joining the Taboola family from around the globe in Q1, including 20 Minutes, Ringier Axel Springer Poland, Webedia Group, RTL Belgium and El Colombiano. We also renewed and expanded our scope with existing publishers, including Globes, El Nacional, Ciaopeople, Clutchpoints and more.

### Beyond Our Core:

- **Taboola News** - Taboola News is where we aggregate our publishers' content and create a personalized experience, pre-installed on Android devices which is another way for us to reach users. On the heels of a very strong 2023, we started 2024 with a heavy focus on innovation, mainly diversifying the formats users are seeing such as adding vertical videos, as well as adding utilities that make the experience more personalized, such as showing the weather, games, stocks and others. Taboola News is very much early in its journey with a lot of growth opportunities between further engaging users, capturing more time with them, and optimizing yields which we barely started working on.
- **Bidding** - This is where we take advantage of our direct demand, unique data and AI to bid on inventory that is not exclusively ours. Microsoft continues to be our largest Bidder partner, and we continue to leverage our new bidding technology in many more places as we work to expand our scope on their digital properties. Our bidding business can become material over the next few years as we integrate this on thousands of our publishers' sides, as well as potentially on Yahoo display business.

## Monetization (Yield)

Yield is our ability to monetize user's time. Compare this to how Meta or Google uses ARPU. We think Taboola can double or more over time by just improving yield, and we also think that as we attract premium advertisers we can accelerate our growth even faster. This is why yield is our #1, #2 and #3 priority as a company. To improve retention rates (new advertisers), and grow budgets (existing advertisers) - we invest in AI / data and grow our pool of advertisers while focusing on quality.

### AI / data

We use deep learning and AI, which have been at the heart of Taboola's technology since inception. We want the ARPU, or value per person, to be worth a lot more for our publishers while at the same time improving quality.

We continue to see strong adoption of Maximize Conversions, our recent AI investment to drive advertiser success, which now represents almost 60% of our revenue in only 6 months. It allows advertisers to stop "guessing" CPC or CPM (representing how much they're willing to pay per click/view), and just tell us their business objective, give us a budget, and that's it. Imagine a flower store, opening a campaign with Taboola,



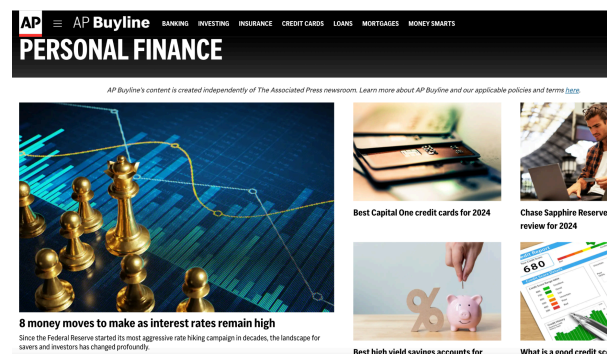
saying “I have \$5,000, go get me people who want to buy flowers.” We are already seeing improvement in NDR through Maximize Conversions.

Later in the year, we expect to launch Maximize Revenue, our advanced AI-powered bidding offering for campaigns that have more sophisticated requirements. By the end of 2024, we expect most of our revenue to be using advanced AI powered bidding.

**Grow pool of advertisers, focusing on quality**

Having more advertisers is important as it gives our AI more to choose from, it diversifies the ad experience for users and it’s a way to further drive quality up. It is also allowing us to enter new segments of advertisers where there may be a premium embedded in it -- such as with eCommerce, or with big performance advertising, and over time - gaming, app install and others. Below are our 2024 focus areas to grow our pool of advertisers with a greater focus on quality:

- **Drive faster adoption of AI and GenAI** - as advertisers use GenAI to create creatives that are prompted by our proprietary data, as well as adopt advanced bidding strategies like Max Conversions, they are able to be more successful with Taboola. That means we retain more new advertisers, and those who stay spend more with us (NDR). Additionally, many campaigns get blocked for creatives that do not adhere to our policies, and GenAI can help those advertisers come up with titles and thumbnails that are “policy perfect” so they get quick approvals, and can start their campaign.
- **Migrate Yahoo advertisers** - Q1 was a great start with many new tier 1 advertisers introduced to Taboola and we’re seeing good performance. We are on track to complete the migration by mid year as planned. There is a lot of work left to do especially with meaningful sized advertisers, this is our key focus, and where we have the most to gain as a company.
- **Make top brands successful looking for performance with Taboola Select** - I’m happy to say that we just crossed the 20% of our revenue driven by top tier brands and agencies. As part of our focus on quality advertising experiences, we’ve launched a new way for tier 1 advertisers as a new segment of advertisers to easily buy premium ad experiences on the top ~15% publishers including Yahoo, Apple, Disney, and many others on our network. We think this offering will be well suited to many of the new tier 1 advertisers that are looking to drive performance in a premium environment in the open web.
- **Make retailers successful** - making retailers as a segment of the advertising market successful is a meaningful way for us to grow the pool of advertisers. eCommerce had a great 2023 and a strong start to 2024, benefiting from our combined firepower - Connexity, Skimlinks and Taboola. eCommerce exTAC grew solid double digits and exceeded our expectations in Q1. Leveraging Connexity’s retailer relationships and massive product catalog along with Taboola’s proprietary recommendation engine, we built several new product recommendation and comparison shopping widget solutions and those products are now in beta with several publishers with





many more in the pipeline. In addition, Turnkey Commerce continued to see explosive growth with its Time Stamped partnership and the launch of AP Buyline Shopping powered by Taboola in the quarter.

## In Summary

We had a great Q1. Our business momentum and growth rates are accelerating.

Our main focus this year is on making advertisers successful and ramping Yahoo.

There is a lot of exciting momentum all around, in our core market -- we're now live on Apple News in all markets where it's available with the addition of the US/UK. It's huge validation of our technology and value proposition to advertisers. Together with our premium publishers - Disney, NBC, Associated Press and others, Taboola Select now allows advertisers to pay a premium to get to the top of our network. Premium brand & agency spend has become a material part of our business crossing 20% of revenue and growing fast, proving that our offering is increasingly attracting bigger tier 1 demand. You'll hear me speak a lot more in years to come about quality, and attracting premium segments of advertisers as I think it's great for users, publishers, as well as helping grow yield even faster.

When looking at our investment in technology and how it pans out -- seeing almost 60% of our revenue coming from advertisers who adopted Maximize Conversion and AI is encouraging as those are seeing double digit growth in their ability to spend on Taboola.

Our growth engines: eCommerce, Taboola News and header bidding are showing strong momentum and becoming more and more synergetic to our core business - making our publisher and advertiser business stronger.

I'm excited to be exactly where we are, we know what we need to do, we have an incredible team all around the world working hard to build the very first "must buy" advertising company for the open web.

Here's to a record year!

Kind regards,  
-- Adam Singolda  
Founder & CEO Taboola



### **\*About Non-GAAP Financial Information**

This letter includes ex-TAC Gross Profit, Adjusted EBITDA, Free Cash Flow and Non-GAAP Net Income (Loss), which are non-GAAP financial measures. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing the Company's financial results. Therefore, these measures should not be considered in isolation or as an alternative to revenues, gross profit, net income (loss), cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that the Company's presentation of these measures may not be comparable to similarly-titled measures used by other companies.

The Company believes non-GAAP financial measures provide useful information to management and investors regarding future financial and business trends relating to the Company. The Company believes that the use of these measures provides an additional tool for investors to use in evaluating operating results and trends and in comparing the Company's financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. Non-GAAP financial measures are subject to inherent limitations because they reflect the exercise of judgments by management about which items are excluded or included in calculating them. Please refer to the appendix at the end of this letter for reconciliations to the most directly comparable measures in accordance with GAAP.

### **Note Regarding Forward-Looking Statements**

Certain statements in this letter are forward-looking statements. Forward-looking statements generally relate to future events including future financial or operating performance of Taboola.com Ltd. (the "Company"). In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expect", "guidance", "intend", "will", "estimate", "anticipate", "believe", "predict", "target", "potential" or "continue", or the negatives of these terms or variations of them or similar terminology. Such forward-looking statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward looking statements.

These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by the Company and its management, are inherently uncertain. Uncertainties and risk factors that could affect the Company's future performance and cause results to differ from the forward-looking statements in this shareholder letter include, but are not limited to: the Company's ability to grow and manage growth profitably, maintain relationships with customers and retain its management and key employees; changes in applicable laws or regulations; the Company's estimates of expenses and profitability and underlying assumptions with respect to accounting presentations and purchase price and other adjustments; the extent to which we will buyback any of our Ordinary shares pursuant to authority granted by the Company's Board of Directors, which may depend upon market and economic conditions, other business opportunities and priorities, satisfying required conditions under the Israeli Companies Law and the Companies Regulations or other factors; the \$100 million buyback authorization referenced in this shareholder letter replaces our former share buyback program which was largely exhausted; the Company's ability to transition to and fully launch the native advertising service for Yahoo on the currently anticipated schedule; the ability to generate or achieve the increase in Adjusted EBITDA and Free Cash Flow in 2024 or our expected revenue run-rate once Yahoo integration is live, in each case to the levels assumed in this shareholder letter or at all; ability to attract new digital properties and advertisers; ability to meet minimum guarantee requirements in contracts with digital properties; intense competition in the digital advertising space, including with competitors who have significantly more resources; ability to grow and scale the Company's ad and content platform through new relationships with advertisers and digital properties; ability to secure high quality content from digital properties; ability to maintain relationships with current advertiser and digital property partners; ability to prioritize investments to improve profitability and free cash flow; ability to make continued investments in the Company's AI-powered technology platform; the need to attract, train and retain highly-skilled technical workforce; changes in the regulation of, or market practice with respect to, "third



party cookies” and its impact on digital advertising; continued engagement by users who interact with the Company’s platform on various digital properties; reliance on a limited number of partners for a significant portion of the Company’s revenue; changes in laws and regulations related to privacy, data protection, advertising regulation, competition and other areas related to digital advertising; ability to enforce, protect and maintain intellectual property rights; risks related to the fact that we are incorporated in Israel and governed by Israeli law; the potential impacts of the war in Israel to the Company’s operations; and other risks and uncertainties set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 under Part 1, Item 1A “Risk Factors” and in the Company’s subsequent filings with the Securities and Exchange Commission.

Nothing in this letter should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on these forward-looking statements, which speak only as of the date they were made. The Company undertakes no duty to update these forward-looking statements except as may be required by law.





## APPENDIX: Non-GAAP Reconciliation

### RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (UNAUDITED)

The following table provides a reconciliation of revenues to ex-TAC Gross Profit.

	Three months ended March 31,	
	2024	2023
	(dollars in thousands)	
<b>Revenues</b>	<b>\$ 414,008</b>	<b>\$ 327,686</b>
Traffic acquisition cost	275,120	211,946
Other cost of revenues	29,935	26,148
Gross profit	\$ 108,953	\$ 89,592
Add back: Other cost of revenues	29,935	26,148
<b>ex-TAC Gross Profit</b>	<b>\$ 138,888</b>	<b>\$ 115,740</b>

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA.

	Three months ended March 31,	
	2024	2023
	(dollars in thousands)	
<b>Net loss</b>	<b>\$ (26,158)</b>	<b>\$ (31,313)</b>
Adjusted to exclude the following:		
Finance expenses, net	3,638	3,154
Income tax expenses (benefit)	4,287	(639)
Depreciation and amortization	25,321	22,601
Share-based compensation expenses	13,756	13,527
Holdback compensation expenses (1)	2,645	2,555
Other costs (2)	—	237
<b>Adjusted EBITDA</b>	<b>\$ 23,489</b>	<b>\$ 10,122</b>

<sup>1</sup> Represents share-based compensation due to holdback of Taboola Ordinary shares issuable under compensatory arrangements relating to Connexity acquisition.

<sup>2</sup> The three months ended March 31, 2023 includes one-time costs related to the Commercial agreement.



The following table provides a reconciliation of net income (loss) to Non-GAAP Net Income (loss).

	Three months ended March 31,	
	2024	2023
	(dollars in thousands)	
<b>Net loss</b>	<b>(26,158)</b>	<b>\$ (31,313)</b>
Amortization of acquired intangibles	15,935	15,969
Share-based compensation expenses	13,756	13,527
Holdback compensation expenses (1)	2,645	2,555
Other costs (2)	—	237
Revaluation of Warrants	39	(1,676)
Foreign currency exchange rate losses (3)	1,041	429
Income tax effects	(3,426)	(3,829)
<b>Non-GAAP Net Income (Loss)</b>	<b>\$ 3,832</b>	<b>\$ (4,101)</b>

<sup>1</sup> Represents share-based compensation due to holdback of Taboola Ordinary shares issuable under compensatory arrangements relating to Connexity acquisition.

<sup>2</sup> The three months ended March 31, 2023 includes one-time costs related to the Commercial agreement.

<sup>3</sup> Represents income or loss related to the remeasurement of monetary assets and liabilities to the Company's functional currency using exchange rates in effect at the end of the reporting period.

The following table provides a reconciliation of net cash provided by operating activities to Free Cash Flow.

	Three months ended March 31,	
	2024	2023
	(dollars in thousands)	
<b>Net cash provided by operating activities</b>	<b>\$ 32,395</b>	<b>\$ 17,524</b>
Purchases of property and equipment, including capitalized internal-use software	(5,589)	(6,350)
<b>Free Cash Flow</b>	<b>\$ 26,806</b>	<b>\$ 11,174</b>



## APPENDIX: Non-GAAP Guidance Reconciliation

### RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q2 2024 AND FULL YEAR 2024 GUIDANCE (UNAUDITED)

The following table provides a reconciliation of projected Gross profit to ex-TAC Gross Profit.

	<b>Q2 2024 Guidance</b>	<b>FY 2024 Guidance</b>
	<b>Unaudited</b>	
	(dollars in millions)	
Revenues	\$410 - \$440	\$1,892 - \$1,942
Gross profit	\$110 - \$120	\$535 - \$555
ex-TAC Gross Profit*	\$140 - \$150	\$656 - \$679
Adjusted EBITDA*	\$20 - \$30	\$200+
Non-GAAP Net Income*	\$0 - \$10	\$84 - \$104

Although we provide a projection for Free Cash Flow, we are not able to provide a projection for net cash provided by operating activities, the most directly comparable GAAP measure. Certain elements of net cash provided by operating activities, including taxes and timing of collections and payments, are not predictable therefore projecting an accurate forecast is difficult. As a result, it is impractical for us to provide projections on net cash provided by operating activities or to reconcile our Free Cash Flow projections without unreasonable efforts. Consequently, no disclosure of projected net cash provided by operating activities is included. For the same reasons, we are unable to address the probable significance of the unavailable information.