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<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

I'm Justin Patterson. I lead the Internet and Digital Media Research team at KeyBanc. Really excited to have Adam Singolda, the CEO and Founder of Taboola with us here today. Adam, welcome.

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

Thank you. Thank you. Thank you. It's nice to be in-person, real people and all that jazz.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

We're no longer disembodied Zoom heads. So it's a good feeling.

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

I was a bit concerned that you're just an AI implementation, Justin, all these Zoom calls, Metaverse, I wasn't sure about the AR.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

My wife tells me that all the time. So to get things off, Adam, perhaps give an overview of Taboola and what problem you're trying to solve both for the advertiser and the publisher.

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

Yeah. So I started Taboola 14 years ago with a vision to help consumers discover things they may like, but they never knew existed. So think about it like a search engine, but in reverse, you go to Google if you know what you want, but what happens when you have no idea what you should do next? So the mission, the vision was to build a recommendation engine for the open web. So consumers can discover things, what to read, what to watch, what to buy. And over time, we only have 24 hours a day that will never change. And over time, Taboola convene directly with consumers, wherever they might be.

We started with powering recommendation for publishers. So you've seen us before, if you've been on CNBC or ESPN or Bloomberg or whatever your passion is, usually the bottom of the article, you'll see more from CNBC powered by Taboola. And then thus, usually it's a field of recommendation and below that, or side by side to that, it'll say paid

by an advertiser recommendation. So it could be sending you to a Wayfair to discover furniture or something like that.

And as you think, macro, the opportunity Taboola has the open web, which is everything outside of Google phase with Amazon. It's about a \$64 billion market. But the open web is still, so that's all the publishers. We love apps on our phone, but that space is to monetize primarily using banners. Banners are those cubes you see on the web that you never click on, or if you do, it's usually a mistake. And that's been around for 30 years. So as I imagine, all of our children's future internet experience, I imagine it's going to be much more like a TikTok, Snap, Twitter experience where they read the news, that it's a feed of more editorial recommendations and more paid recommendations.

So we're driving that revolution to kind of replace traditional advertising experience in open web with personalized recommendations much like Instagram and things of that nature. And then over time, and we'll start seeing that momentum over the last six months, we're also asking ourselves, where else can we be beyond just the open web or the publisher's – traditional publisher websites. And we expand it into device manufacturers. So if you have Apple, you swipe right, you see Apple news, and that's news powered on your phone, Apple thinks services matter a lot. And Apple runs that business. And I believe that's a good strategy for Apple, but it's even more important for the rest of the world.

So we're doing that for Samsung and Xiaomi and Vivo and ZTE. If you're flying back home tonight at the airport, you'll see an iPad as you buy your own food and drinks, there's a button called news. That's brought by Taboola. So over time we're getting all of that great content into devices. I'm still shocked if my Tesla does not have Taboola, it has Spotify, but over time, cars should have Taboola too. So I can have local news and podcasts and radio, but the next-generation. So that's kind of our mission and we're 1,800 people having a good time.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Great to hear. So for the way you articulated it, it kind of feeds back right to the strategy, there's Taboola anywhere. And then there's Taboola Recommend Anything. Let's start with the Taboola Recommend Anything. You acquired a company called Connexity last year. Talk about just, what was the reason for that acquisition and then your initial learnings from that so far.

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

Yeah, we've been thinking about, so the strategy of recommending anything is mainly around how can we diversify the recommendation engine. So we get to be more relevant for consumers. So we started with content and video, but we were running what else can we recommend so people engage with Taboola. We were always very excited about e-commerce because we thought, it's a big space. There's a huge world outside of Amazon. And the question was, who's going to own that space. And especially in the

back of a pandemic, we've realized that there's such a big opportunity specifically for websites and e-commerce because we're home. I'm not sure we'll be ever coming back fully to whatever we did before, but we'll be trusting our home a lot more in the future, right. We've learned that in the pandemic and we've all seen this experience.

You want to buy something for your kitchen, you go to all recipes, you want to buy a product technology, you go to CNET, New York Times bought Wirecutter. So what we started seeing, we start seeing signs of big publishers that have a good brand that becoming e-commerce companies, as they have the trust of consumer, that they can review products and people would buy it. So they said, okay, the New York Times is doing that. CNET is doing that, Review.com you say today, they're doing that, but what about the rest of the internet and Taboola is the internet company, we're the publisher company. So we said what if we owned that technology? And we could help every publisher to build a CNET or Wirecutter strategy on their own.

So we thought about organic or inorganic. It's very hard to build an e-commerce business, as you can imagine, building trust with retailers at the technology and all those things. And there was one company, but only one called Connexity. And they were the largest one about when we bought them, it was about almost \$100 million of revenue. And they've been doing this for 15 years. The next in line after Connexity was about a 10th of their size. So we figured this an offensive/defensive move. If we were able to buy them, the difference would be, well, there's no second to buy. There's no one else to buy.

So if you think e-commerce is big in the advertising space, other companies we compete with, they would have to build it. So we thought that's a good thing to do. And the second thing was we thought we saw a huge synergy opportunity starting now. We didn't want to wait. So we were able to buy the company for \$800 million, mostly cash. And the company's fantastic, management has been together for a long time. And we were merging our people and we're starting to see, we have announced basically over the next four to five years, we're seeing \$100 million of synergies just on top of what they already grow as a business.

And just to give you a sense, Taboola operates in 22 countries. Connexity operates mainly in the U.S. Taboola has globally 600 salespeople, 150 people just sell to advertisers. Connexity has two. We have 9,000 publishers. They have less. So there's just so much data. They have – we see what people read. That's our curiosity graph. We reach about half a billion people every day. People click on Taboola 30 billion times, but on Connexity, people buy a million, it's a million times a month. A million times a month someone takes a credit card and buys something through Connexity, like on all recipes, powered by Connexity, all these examples.

So now we're thinking we can merge the data. So we'll know what people read, what people buy. So there's just so much to do. We got excited. We did it. And now we're working on merging the companies, the people, the stacks, all of that.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Got it. And I know it's still very early on in that integration. You've got synergies, targets for the next several years. Appreciate the way you phase those out. What has surprised you the most, so far since just integrating Connexity into your business?

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

Yes, few things one we saw in Q4, interesting data, especially as Black Friday and all those big events, usually in the e-commerce were very down. We saw that online on Connexity, we looked in their data over the last many, many years. People became better shoppers. So a click of the consumer, many of us here, I'm sure, you become better at, so if you click on something, you're more likely to buy it versus how we used to be a year beforehand. That's what we saw under our data. So that was interesting to see kind of the human behavior, how we all change as human beings that was interesting. The second thing was, we never thought of, we thought about Connexity to a different market. We never thought we'll see other markets trying to come to the U.S. So that was a surprise.

So we saw a big surge in China, coming from China, from retailers – Chinese retailers, many of them we love. I mean, a few DJI is a great Chinese brand of the drones. If you like to fly drones, there are many, so we saw surge of retailers from China wanting to come to the U.S., and they were looking for non-Amazon opportunities to reach consumers here. And that was a surprise for us as well. So now we're thinking about what other markets retailers might want to get to the U.S. And as we bring Connexity to other markets, maybe U.S. retailers want to get to other markets. So this whole export business was a surprise to us. It was not on our original synergy list as we announced it to investors.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Great. And to shift to the other side, Taboola anywhere, you didn't mention Taboola News earlier, talk about just the current state of that product and how you're envisioning growing that over the coming year.

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

Yeah. So we started Taboola News, I think roughly three years ago, it's kind of a company under – Taboola is a company, a startup of startups at this point because we have e-commerce now, we have Taboola News. So Taboola News is our – we started about three years ago and we got a lot of momentum over the last six to nine months. Primarily is right now Samsung, which is obviously an amazing partner. I mean, outside of Apple, I'm not sure if it's more important or less important, but it's definitely in the same circle.

We started getting – we start seeing very top tier OEMs, believing services matter and specifically understanding that they might need a partner to do that, to execute on bringing services to their phone. So if you put yourself in the shoes of a manufacturer -

OEM manufacturers, they don't want to just sell devices because eventually there's a cap on how much they can grow that business.

We've seen with Apple, actually, there's so many iPhones we can sell, but the services is practically unlimited. So whether that's payment, healthcare and news so we – I wish I had on – I use iPhone. I should probably switch to Samsung to represent. But if you swipe right, you see Taboola feed on your Samsung in many countries and it's extending. Xiaomi did something differently, which is it's live now globally almost. But if you buy a Xiaomi device and you just look at your phone, there's like a hint that you can swipe right. And it's trying to predict what you might like to read. And it's a lot of fun things like food of the day or from our partners, we might send you to merit to all recipes or something like that. So that's – we now have two experiences on a device.

One is the Minus One, the traditional Apple news type product. And the other one is what you call Wake Screen, which is you just look at your device and it shows you the average person looks a hundred times on their device a day. So there's a big opportunity there. So now we're cross-selling into between the OEMs, we've announced publicly that about 400 million times a month, there's some level – some sort of engagement with Taboola News, whether that's people clicking to read or they scroll things of that nature. So it's growing fairly fast. And the reason I like Taboola News is because over time, if we make it successful and successful for us is north of \$100 million a year and Taboola under \$100 million, like it's a great hobby, north of \$100 million you deserve something, a plaque. So first of all, it's getting financial traction. So in our 2022, we're starting to bake in Taboola News growth. That's the first time it happened.

So it's starting to become financially interesting. And two, when Taboola News gets to become hundreds of millions of dollars in revenue, it's going to be not only financially great for us. It's also going to change our core business because what happens if let's say you buy a Samsung device, you click on NBC News, we're sending you to NBC News. So when we send it to the website, NBC News says, I get traffic from Google, Google matters. I get traffic from Twitter, Twitter matters, and I get traffic from Taboola, Taboola matters. So then when we think about Taboola versus anyone in the advertising space that fights with Taboola, we'll be able to go to publishers and say, we'll pay a lot of revenue, but we'll also get people to come to your site from Taboola News. So that's going to be even more strategic. So that's why I love that business.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Definitely. So really quick housekeeping question, before I go deeper down that publisher path, just when you say \$100 million, are you talking ex-stack or just gross revenue?

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

No, I meant gross revenue, but yeah, out of the 1.6 billion in guidance, I would say a \$100 million and above your...

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Okay, perfect.

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

We get jiggy with you.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

It's rare, I go speechless on a panel, but the Will Smith referenced it, well done. All right. So thinking about just the publisher relationships, you've really had a lot of good momentum this past year, more advertisers or more publishers, excuse me, renewing, popping times at longer lengths. What's driving that?

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

Yeah. We had a really amazing time. And we – and it's almost every week that we announced a very big name last week, it was E! Online, before that was McClatchy, we have a really good ride and it's really fun to see. We get to work with incredible publisher partners globally. So the main reason we're seeing this momentum now all of you try to imagine you're a publisher and you're trying to think, who do I work with? There are many companies who can pay you something for advertising on your site. Taboola tends to be the highest. We're always – the vast majority of our publisher relationship, Taboola is a top three revenue source. So we're very good at what we do at driving revenue.

To the point that if someone takes the publisher from Taboola, a lot of times, the only way that happens is if they lose significant amount of revenue, which is not a scalable business. But otherwise we – 70% of Taboola is 120% of other companies. So we're very good and we're the largest. So we have a favour effect of just revenue opportunity. So that's one. The second thing is that we have – we invest \$100 million a year in R&D to develop technologies publishers need. So that when publishers think about who to work with, the revenue is one thing, but then they say, what else can you do for me?

So we have as an example, Newsroom, which is it's a product that's just geared for editors and writers. So if you are McClatchy who just done with Taboola, the lady that was quoted in the announcement, Christie, who just texted me this morning. She chose Taboola because she wanted all of her writers and editors of McClatchy to have this technology. It allows you to AB test different things on your site. So you can just test which creative works for you. You get insights. And as of last, we just announced the homepage for you, which is essentially a way to personalize your entire homepage.

We worked on this entire thing for the last five years. It's a lot of work. It's a company like it's secondly could have been a SaaS company that sells software to publishers, we give it for free. And we have about 1,000 publishers using it out of our 9,000, usually the big ones, and over 1,000 obviously writers using that. So try to imagine, by the way,

taking a publisher from Taboola that the 100 writers are using that every single day, you would have to pay so much money. You would have to overrule the entire control organization, we're the only company in the world that has that.

So that's one thing that helps us win a lot of publishers. Connectivity with e-commerce helps us. If you're a publisher, you want to become Wirecutter, you either work with us or you don't think e-commerce is important. And the third one is Taboola, which I mentioned, which is how do you drive people back to your site? Because you know, Google and Facebook are semi-evil and can never really trust them for a long time.

You need a friend, everybody who needs a friend and Taboola will be – as we make this a big business will send I believe millions of people to your site. So between those three things, we're the only – it's a lot of investment on our side, but it pays off one because we win more than we lose. And two, when we win, we capture more margins. So if you look at Taboola, will not only grow in the fastest on a pro forma basis – on a reported basis this year north of 25% and we were able to beat and raise central and public. We generated 35% ex-TAC margin, which is what we keep after we pay our publishers.

Our competitors keep between two-thirds to half of what we keep and we're bigger and we're growing faster. And as investors know, gross margin is usually a good proxy for competitive advantage. So that for us, we win, we capture more margin, we're able to generate EBITDA and free cash flow, we converted 60% of that over two years or so. So that all of those things help us to win publishers and I'm happy to say that if I don't remember which publisher, we don't lose a lot of publishers, but if we lose a publisher usually it's a very costly exercise.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Right, right. A little disappointed that you said, everybody needs a friend versus you've got a friend in me because that was really deep, deep boy story.

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

You're right. I should really get more of this.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

I digress, but sticking with that theme of just people needing friends, it's a very difficult environment for a lot of publishers right now where you're seeing some that tried to be subscription-based, ultimately sell to the New York Times and others, you're seeing just the challenges from the privacy landscape, the measurement landscape. As you consider just all of that going on in the macro background, how do you think about the pace of publisher wins the pipeline over the next few years?

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

We have a really good pipeline. I would say, we said this publicly as well. I would say right now our pipeline is, if I look at years back, it's bigger than I would expect it to be. Also with e-commerce now as part of our arsenals what is even a publisher has expanded. So we can even expand that to new types of publishers. So we have great pipeline. I think also because of the privacy, because Taboola is, again, we spoke about that, but 90% of our revenue comes from advertisers work with us directly. So that means that again, if you compare Taboola to the advertising space, most companies in advertiser space, traditionally outside of Google, Facebook and Amazon, most of the revenue come from programmatic pipes. That means they get dollars from advertisers that never met the advertiser.

If you want a banner company, or if anyone in the advertising space, most of the revenue, from what I can tell today, reading the reviews, it's coming from programmatic pipes with us, it's directed the advertiser. So we have good predictability on our advertiser base. We get good data and we're hard coded on the page because we run the recommendation. So we're very contextually driven versus third-party cookies, which we know what happened with that. In IDFA, so in Q4 when IDFA rolled out, it hurt Facebook, significantly. Our yield went up in Q4 much like if you follow our investor deck you will see that over the last five years, since Apple launched ITP and blocked two, our Safari performance went up. So Taboola is very contextual driven company. And in fact, I think that's going to be the future even for social companies.

It's kind of mind boggling that Facebook is making money by tracking consumers across our apps. I mean, again, going back to our kids, I think they're going to be looking at the way money's being made now with third-party cookies and privacy and all those things much, like we all look at smoking cigarettes on flights. It's just going to be crazy that sometime in the past, people used to do it. And I just don't think it's going to be part of the future. So I'm very happy from our position because it's very contextual what you read as a proxy for who you are versus your identity. So publishers enjoy that and I think it gives us momentum. And I'm very optimistic.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Yeah. It kind of brings us full circle to just search engine in reverse. You're using context, you're using data across the web to improve the outcome for the publisher, for the advertiser. I think one of the cool products we've seen over the past year around that, which is a SmartBid Dimension AI. Talk about what that product is and maybe how it embodies the engineering culture at Taboola.

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

Yeah. So I mentioned how much we invest in R&D, and so SmartBid is the name for our AI. We got into – before this it's my first job, before this I spent seminars in the Israeli Army in the NSA version of Israel and we have amazing talent at Taboola from a technology perspective. Some of the smartest people I've ever met in my life. And about



five years ago, we got into deep learning. I think there's a huge confusion about what AI really is, because everybody puts that on their presentation.

But I can tell you there's a huge difference between deep learning DL machine learning, ML and bullshit BS. And there's a lot of bullshit going on. It's very, very hard. With real AI, you can imagine that soon enough we'll be able to speak to our dogs. That's going to happen soon. That's how hard it is to do AI. So it's very hard to do that and to build a recommendation engine then unless second can predict, what someone wants to do is a very difficult challenge. So SmartBid is our name for what we do. Specifically on the advertiser side, we have about 15,000 advertisers working with us directly. That represents 90% of our revenue.

And SmartBid, we launched last quarter Dimensions, which is essentially allowing advertisers to kind of – it's kind of our autonomous experience for advertisers. So they come to Taboola. They say our goal is to I'm Wayfair, my goal is to get someone to sign up to my newsletter, which is in that as an example. And then they come to Taboola, they open an account, they define the goal, they put a pixel on their page, thank you for signing up to the newsletter and that's it.

Taboola from that point on takes control of the experience SmartBid Dimensions basically looks at 40 dimensions that's the number republished. A Dimension could be not only if the site is an entertainment website, but what is the article about? So let's say an entertainment website, which traditionally would not get insurance ads wrote this great article about insurance for millennials. That page would get insurance ads. In the past, we did not do it and advertisers couldn't just target that specific page. With Dimensions they can do that.

So that was a great step forward. Then there's great roadmap for SmartBid and by the way we have on the 29th in March with Investor Day, which is not as cool as this event, but I mean, it's a really cool event. And we have our Head of AI and our COO and our VP Strategy and some our really cool leaders coming in. We have investors, so remember this, we're going to talk a lot about that from the AI perspective, we're going to give you some examples.

So SmartBid in Q4 since we launched Dimensions taught itself something new, which was nice to see. So in Q4, we start seeing that based on what you're reading, we're able to calibrate your intent to buy something, which traditionally would really only work with retargeting. In the past, the way I would know you want to buy something is by you visited a website, then I retarget you not – you go to a website for shoes and suddenly the internet becomes shoes, ads, which is going away because the third party cookies are going away. SmartBid starts seeing that it based on the sequence of things you're reading we're getting close to almost accurate targeting experience.

It's not live on everyone, but it's working for a few advertisers and we think that's going to rollout. So we're going to talk about that on March 29th. And I expect SmartBid will continue to teach itself new things. And it's a huge source of investment for us because

we believe we're still small. We have 15,000 advertisers, Google has 10 million. Facebook has I think, 9 million. So there's so much growth for us if we can make just advertisers successful.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Fantastic. Now I know we're just about out of time. So perhaps in a quick 30 second pitch or so given all the product momentum you have right now, what do you think is the reasonable growth rate for Taboola going forward?

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

So we did give guidance for – and my CFO is here, I can only say things my CFO approves, so just to be clear but in the mid-term, we're going to be growing at 20 plus percent ex-TAC. We mainly look at ex-TAC and EBITDA because gross revenue can play with that. You can do bad deals. We don't like to do bad deals. So ex-TAC is what's left for us. Again, we grew that over 20% last year, we're guiding for reported basis over 25% this year. And we said mid-term is going to be over 20%. Again and again, our EBITDA margin is already at over 30%. We've said that will take us time. It just happened faster than we thought. But that's kind of our financial guidance.

And over time I hope to be interacting with consumers wherever they might be. I also think we'll see many new companies becoming advertising companies. I think Uber will show ads. I think Tesla will show ads. I think Netflix will show ads. It's such a humongous market. I think eventually any company that reaches consumers like Amazon, which was selling products within less than five years became the third largest advertising company in the world, now to that business. So I think everybody will go Amazon. And for us, it's a great opportunity because we're good at what we do.

<<Justin Patterson, Analyst, KeyBanc Capital Markets Inc.>>

Great. Well, thank you very much, Adam. And we look forward to getting jiggy with you at the Analyst Day in a few weeks.

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

Thanks.