

Company Name: Taboola (TBLA)

Event: 18th Annual Needham Technology & Media Conference

Date: May 17, 2023

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

I'm happy to have on stage, Adam Singolda. Adam founded Taboola in 2007 from his parents' house in Israel. Adam's vision was to build a recommendation engine that would help people discover things they may like and never knew existed. Today, Taboola is a leading recommendation company for the open web. Prior to founding Taboola, he served in the Israeli Defense Forces as a research and development engineer and manager. Having graduated from IDF Officers Academy with honors, he studied computer science at the Open University of Israel. Does that mean you didn't graduate?

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

I did not graduate.

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

Okay. That's what it implies that you studied there. Okay. No problem.

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

I tried.

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

Yeah. Okay.

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

But then the passion to start Taboola was just, it was too good to be true. I had to do it.

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

Okay. I just want to make sure, it was what it implied. Okay. Great. Okay. So leadership, the first question I have today for every CEO on my stage is, can you share an example from your past that helped you become the kind of leader you are today? I'm very interested in your answer, Adam.

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

Okay. I mean, I think Taboola is – I was saying, how do you scale a startup? We're fairly flat, very transparent, very passionate. And I think before – Taboola is my first job, right, and before

that, I spent only seven years in the Army. And what's unique about that experience when you are an engineer in the Army, is that you can't hire more, you can't fire anyone. You can't give promotions. Everybody make the same money. It's as flat as it gets. But then your mission is very important, right. So you kind of have to make it work. And from a cultural perspective, it's such a unique experience because nowhere else you have that experience that you're there. It's mandatory service. I mean, I did more. I spent about seven. It's mandatory service and the team that you're working with, you have to win with what you have.

And it's very much like a startup. I think when you start a company, you have a limited resource and you have to make it work with what you have and build a culture that supports innovation. You have to be better than bigger companies. And up until now, we're 1,700 people, 1,800 people strong. I spend so much of my time on culture and what does it feel to beatable and how we can execute better and faster and stronger. And I think a lot of it comes from the Israeli culture, the army, a lot of it is, yes, we can, the Israeli chutzpah, it can – sometimes we think we can do even more than we – maybe too much. But for the most part, we believe we can. And I think if you spend some time, I was lucky to be where I was. You get to exercise that culture with your team and really try to build products.

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

Yeah. Doran said that the 60 day war that he fought in Lebanon changed his leadership forever.

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

That's big.

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

I said, because you have to kill people. And he is like, well, that wasn't really my takeaway, but same. He was the other person, only other person that used the army experience in his – he's older than you, but used that war to say it forever changed his form of leadership.

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

Yeah.

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

High stakes. High stakes. But I like this point that you can't hire anybody. You can't fire anybody. You can't pay anybody. You still got to get the job done.

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

And you have to be great at it, because what's on the line...

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

There's a lot of stake.

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

It's a lot on the lines.

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

Yeah. There's lives at stake, not just money.

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

This is not CPM going down 15%, you know what I'm saying.

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

People are dying here.

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

Yeah. It's like it was a big deal. So when you do this for seven years,

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

That's very funny, Adam. Okay. Let's go back to Taboola and why don't you, to level set for the people in the room, who don't know the story, why don't you give a brief overview of your key revenue streams and growth drivers?

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

Yeah. So Taboola, we operate in the open web, which is about \$70 billion market. It's currently mostly display advertising. And we think there's a transition from display advertising, for the most part to more of a native personalized AI driven advertising, much like Twitter or Snap obviously, Facebook and so forth. So we are that driver. We're that engine that kind of bring that recommendation feed into the open web.

Today, we have about 15% of our revenue. 15% is e-commerce. So in our feeds and variety of different placements, you may see a retailer like Walmart or others. So that's about 15%. It's great revenue. I can talk about that more. About 10% of our revenue is video. So much when you scroll on Instagram, some of the ads or video ads, that's about 10%. About 5% is Taboola News. Taboola News, which is growing very fast and it's a great business. It's where we take our publishers' content. It's basically Apple News for Android devices. We integrate our – all of our publishers' content and feed on Xiaomi and Oppo and Samsung and many OEMs. It was last year, it crossed the \$50 million in revenue, and it's growing very fast, and it's a great business because one, the market is huge. We're basically expanding and creating a market, but also it's

very synergetic to our core business, because you only get to be on those devices if you work with Taboola.

So if you are a publisher that has to decide, who do I sign up with? Of course, there's the revenue piece, but then you ask yourself, who's going to get me into e-commerce? Taboola. Who's going to put AR on my homepage? Taboola. And who's going to get me more traffic because I want to make – I want to grow the pie, Taboola from Taboola News. So all of those things play together from a revenue mix, but also how it's synergetic to each other.

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

Okay, great. So let's talk about Yahoo!, so you signed a 30-year deal with Yahoo! and why don't you talk about like, where you are in that process and what it does, how it transforms this company. It was a transformative deal, so post-Yahoo! versus we just did pre-Yahoo!?

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

Yeah. Laura, I'm very, very excited about the Yahoo! partnership. So just as a reminder we signed a very unique partnership with Yahoo!, it's a three kind of leg partnership. On the one side Yahoo!'s native advertisers will transition to be Taboola's native advertisers as well as the DSP. Yahoo! has a very successful DSP. It will exclusively buy native on Taboola. So that means more demand and it's great demand. Because the only way you can buy Yahoo! today is through Gemini and their DSP. There's no other way to get Yahoo!. So now the only way to get native advertising on Yahoo! will be through Taboola, which is great. So we're getting advertisers.

The second thing is data. We reach about 600 million people a day. Yahoo! reaches almost 900 million people a month. Those are super users. They love Yahoo!. Obviously we love Yahoo! Finance, but people love all of Yahoo! and they go again and again. They buy things and they stick around. So from that perspective, once we launch fully on Yahoo!, we'll connect the pipes and we'll just be – we'll have better frequency in our space to see people more often and to see what they read, and then what do they click on? It makes all the difference from a scale perspective, if I see more people and I see how they behave, my engine is better for advertisers and for content. And it gives us also advantage versus other companies.

So data matters, especially if you think about privacy and all those things, contextual data matters even more. And the third one is will be on yahoo.com on all the sites. So that's what the deal entails. Interesting, by the way, that's while most of Taboola's revenue today is bottom of article and a little bit of homepage in section front, it's actually most of – most native advertising companies in the world started from bottom of article, but they wanted to get to the homepage one day. And Yahoo! is 100% homepage and never launched bottom of article just yet. So it's great. Also from an advertiser perspective, it's going to diversify our placement so much. You're going to have a lot of bottom of article with Disney and CBS and NBC and all this stuff. And then Yahoo! will be a lot of homepage.

So I love that deal. It makes us bigger, bigger matters because I think one of the fundamental challenges with ethic, in my opinion, this is may be better than me, but is that from an investor's

perspective, Google is big safe, Facebook is big, safe, Ethic, 30, 40 companies, for advertisers, it's such a shitshow. Who do I buy different consoles, different account management team, different bidding strategies. Tough. For investors, it's tough because they're saying like, who's going to be the winner? So many companies, most of them are small and to be bigger.

And to me bigger by the way is, are you at the \$5 billion in revenue range. \$10 billion revenue range, we're going to be at 2.5. So by far we'll be even bigger than anyone else. But even that is not big enough in my opinion. It's just going to make us bigger. So Yahoo! is making us bigger, closer to being that must by making us more competitive. So publishers and advertisers would choose Taboola even more, as part of that.

And what I said in the letter and on our earning is that we're spending, there's great momentum between the teams. I actually adjusted an offsite with Yahoo! last week with senior management. It's great. We're spending more time thinking how we can accelerate the plan. So we are always thinking about faster, bigger, Laura, this is what we do.

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

So right about that, what am I thinking?

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

More up and right always.

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

But no sleep. Sleep is for when you're dead.

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

You can sleep just a bit less.

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

Okay, There we go.

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

So basically what we're saying in our guideline we assume that Yahoo! is not this year, but we are looking for ways to accelerate that revenue and capture revenue this year. And I'm excited about that because it can affect 2023 and 2024, so that's good. And then we did give guidance next year. That assumes again, a fairly conservative assumption that Yahoo is fully launched mid of next year, which we're trying to accelerate. We say that Taboola will generate at least \$200 million of EBITDA, at least \$100 million of free cash flow. We're trying to also get our investors to focus on free cash flow per share, which is also why we're doing the buyback that we

announced. We as management care about free cash flow and EBITDA and of course, ex-stack and we want investors to together with the management to think about those metrics.

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

And to compare that \$200 million of EBITDA to last year's actual for just Taboola standalone.

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

So last year was 150.

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

Right.

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

And this year it's guidance for 70.

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

Next year's 200.

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

200. Yeah. And that's basically not fully, and 2025 will have full Yahoo! for the year.

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

Yeah. Right. Okay. And I didn't realize that those, so that's interesting what you were saying. 600 daily people a day on Taboola and 900 million people a month. I didn't realize those were different metrics. I thought those were same store comps.

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

No, they do a monthly and we do day-a-day.

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

Okay. So what's your monthly, you probably know that off the top of your head. What's your monthly, it's probably 900, right?

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

It's over a billion I think.

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

Okay, so it doubles your size to ish.

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

It's going to get, it's going to make us reach more people a day and also it's worth we spoke about diversification. It is worth mentioning that Taboola is also today very globally diversified. We're about 40 plus percent U.S. And then the rest outside of the U.S., Yahoo! is more U.S. So this will make our U.S. business stronger.

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

Okay. And Yahoo! is all U.S.

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

Most U.S.

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

Okay, great. Let's talk about one of the things you said, so this is a really busy Yahoo! year, a lot of engineering resource going into onboarding Yahoo!. But you said on your most recent call, you're onboarding a lot of supply in 2023. So where are you winning new customers and why, given that you've got this huge, Yahoo! deal's going to double your size, like why are we doing anything except for Yahoo!, I'm lost on that? I know.

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

Laura, of course, we want to take – we want to work with all the publishers in the world. And so to answer your question, first of all is we're seeing great momentum for publishers. By the way, last year was a record year for Taboola. So if you put yourself in the mindset of a publisher, publishers want to work with companies that do three things.

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

And probably tell them what a publisher is because they might think it's a newspaper.

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

So a publisher could be like an NBC News or a Condé Nast or someone like that. So publishers want to work with someone that can generate revenue.

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

Yeah.

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

They want to make sure they're working with someone that can do more than just revenue ideally. So as an example bring AI to the organization, help their editorial teams to know which content to write and A/B test titles and different things. They want to help work with someone that can diversify their revenue so they can get subscription revenue and newsletter revenue. They want to grow traffic.

So Taboola, about seven years ago or so, we made this strategic decision to invest in R&D more than others, so that we're becoming – can become more strategic to publishers. So when you're for publisher, you're working with us, you're saying, wow, Taboola is generating more revenue than other companies.

But look, they're going to onboard all of our writers to use Newsroom. They're going to put us on Taboola News. So we get traffic from Xiaomi. They're going to help us – they're going to get into e-commerce TIME.com with Jessica Sibley, the new CEO. We just announced that they launched TIME Stamped, which is a business that just e-commerce powered by Taboola. So we're doing all those things for publishers, which makes us so much more strategic than ethic. And in return, one, it's very hard not to choose Taboola. I joked in my letter that, back in the day, if you remember, nobody got fired for choosing IBM. And it's a safe bet to choose Taboola, because you're going to have make a lot of people happy, it's organization and you're going to get more growth from a revenue perspective. So, and I love that. And that's thanks to our great employees and engineering team that have done so much great work over the years to build those services and technologies publishers appreciate. And you've seen that in our results. They choose Taboola, you've seen our ex-TAC margin, it's almost double any other company in our space.

And you all know that if a company has better margin, they have competitive advantage, there's not a way to justify higher gross margin. So this past quarter, we announced Condé Nast chose Taboola, Univision, KiKa in Germany, it's a global phenomena. So that's great. And we're – as we continue to invest in advertiser success, we'll continue to grow the pie even bigger and bigger.

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

Okay. And Yahoo! helps you do that because it makes you more scalable. It makes you scaled.

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

Well, they give us more advertisers, which is good, right. They'll give us more data and they give us more scale. So more advertisers will say, well, this is bigger now. It's worth trying Taboola. Eventually my dream is to become a must buy for the open web. I want advertisers to say, of course, search is working. Of course, social is working, but the open web is too big to miss out. It's safe, it's privacy safe. Because it doesn't use, privacy stuff. It's contextual. And who is our open web partner. And I hope to realize that company over time, and I want to get to the size that you say Taboola is a must buy.

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

And it's easy to use like search and social.

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

Exactly. It's like which brings us to investing in performance advertising and billing strategies and all those things. How do you make it easy for advertisers to succeed?

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

And is that generative AI, I know you have a lot of AI going on at your shop?

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

It's not only that, the generative AI really helps on the creative side. So if you think about the advertisers needed to come up with which title should they use on Taboola, it helps them say, don't let us give you 10 options. If they have to think which thumb should they use on Taboola, we can tell them, don't worry about it. Are you an insurance advertiser? We've seen 500 like you, let us suggest something. So here again comes the advantage of being the biggest is that we've seen so many advertisers succeeding in the past that we can prompt generative AI and say, we know what worked in the past. Let us suggest few things that might work for you too.

So that's what we're doing right now. And over time, I think there's going to be an opportunity with models to also create the landing page so that it's going to be fully automatic automated. I'm going to come in.

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

You mean, personalized landing pages, when I land on it, when I click the page I see is different than the page you see when you click. Is that what you mean?

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

I mean, maybe some variations. Yes. But even just the basic stuff, where should they put the button on the page? What's the content I should write? Just creating the page, it's such a big deal. So I think that's going to take some time, but I'm seeing some demos on that. It's really cool. So that's – but the biggest investment we're making is really – it's really on the core matching. How do you match ads with consumers? And the second thing is on the bidding strategies.

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

Okay.

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

Think about today when advertisers work with companies like us, including Taboola, they go to Facebook and they say, I'm a flower shop. I know that a client for my shop is worth \$50. So I'm willing to – I'll pay \$50 any day of the week to get a client to my flower shop. Here's \$10,000. Go get me clients. That's what it feels like to buy from Facebook and to buy Google. Go buy ethic today, anyone including Taboola, and we're the best at it in the open web. You have to come to Taboola. I have to say, well, your CPC – we're asking them for the CPC what is the charge per click?

You know that a \$50 per client for the flower shop, what is a click? So they have to say, okay, I'll give you \$0.50, \$0.70, \$0.20 so we're taking them on this process, which was in kind of like an open web invention of trying to come up with billing strategies that are not like the wall gardens. So for Taboola now we launched Target CPA, which is the goal you want to get to, but you're still buying CPC, the second half of the...

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

What's a Target CPA? So let's...

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

That's the target.

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

Like return on ads?

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

No, it's like the target acquisition cost. How much are the \$50? That's what it is. But you still have to give us the CPC. On the second half of this year, we're launching max conversions, which basically means it's Google, Facebook, you're coming to Taboola, you open a campaign, you're saying I'm a flower shop. My objective is to get clients from my flower shop. I'm willing to pay \$50. Here's the budget. Get me as many clients as you can.

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

Okay.

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

And if you're doing a good job, I'll do more.

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

Okay.

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

So that's the biggest.

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

So you're going to try to take money from social and from search?

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

Incremental, I don't think we're not going to take money away, but if it works, it's going to be incremental.

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

But wouldn't it take it from Snap? It would take it from somewhere where they're doing performance advertising right now.

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

Think most of these advertisers, the performance one, if it works, if you meet their threshold for success, they'll just do as much as they can.

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

But isn't that true of CPC, which is what you have now?

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

They can, but it's complicated.

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

Okay.

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

So it's true. So we have 18,000 advertisers performance, working with us. It's amazing. But it's still complicated. So that's something that I want to get it to be such that anyone can be successful.

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

So are you basically turning into a self-service kind of thing?

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

We have self-service now, but the experience, once you're trying to buy, you have to create a campaign for the CPC. It's more complicated. We're trying to simplify that by launching these billing strategies. So that all you have to tell us is your objective, your budget, and you're done.

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

Okay.

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

So that's...

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

Do you have to download creative or are you guys making the creative?

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

Generally, I will suggest creative.

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

Okay.

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

So we'll use GPT top technologies to do that as well, which is now in beta. So you can imagine that on the second half of this year, and just as a reminder, we invest in performance advertising the most. We have 200 engineers doing that. And the upside is the biggest. This is the most exciting tract Taboola has...

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

Okay.

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

...the performance advertising.

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

Okay. And I mean, one of the things you said on your call is that I know you were in Israel for all of April and you said you were really working, the biggest team is now working on your core

business, which is performance advertising and really trying to, I mean, even little incremental improvements generate...

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

Right.

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

...a lot of cash because it sort of stacks it gets better. So tell us what you're working on and like in core business on the performance, the CPC side, the cost per click side of the business?

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

The biggest two things there are, one, on the core AI. So how do we better explore candidates for campaigns? So within those 18,000 advertisers as well as new advertisers, how do we make new advertisers churn less?

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

Okay.

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

So out of a 100 advertisers that come our way, how do we make sure that more of them graduate to become active advertisers. And the second thing is existing advertisers, how do we get them to spend more.

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

Okay.

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

So those two buckets are the buckets we're focusing on. And then specifically the two tracks that I spend more time with. The first one is the matching, how do you explore within this universe of advertisers, which one is the most suitable for the consumer. And the second one is debating strategies, which the biggest one is that's coming up, it's called max conversions.

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

Right.

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

Which is the one I just talked about whereby you just tell Taboola, get me as many clients as you can, and I want to see if you can do it.

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

Okay.

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

What we saw, it's interesting. What we saw is that advertisers mainly want to see their initial demand is to see that you can get any clients. Even if the clients, so let's have a flower shop again and my goal is \$50. Initially, what they really want to see is that you can get any clients, even if they cost them \$60, \$70 at first, they just want to see that your engine works.

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

Okay.

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

And then they'll optimize it to the \$50 and \$40. But at first we just want to get many, many conversions. We see that's – we're seeing that as a leading indicator to get advertisers to really work with you for a long time.

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

Okay.

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

So that's why we're launching max conversions, which should do exactly that.

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

All right. So they put in their budget and then they turn into their – they put in their objectives whether it's a walk into a drive-in to drive a car or buy plants or send coupons or something. And then it does feel like it's much more hands off. It does feel like you're targeting a smaller advertiser. Or is that you think your 18,000 guys, you've been using the...

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

I'll tell you – think about Google, Google has 9 million and most of them, the default campaign when you open a Google and Facebook campaign is max conversions, target CPA budget for million – and millions of advertisers say, well, Google AI probably does it better than I can do it. So they let Google do it and they let Facebook do it. So I think the advertiser community will be very excited to know that it – they can work with us like they work with Google and Facebook in

a similar way. And of course to optimize and get reports and account management. But it's just about – side it's about sophistication and AI. Right, this is us Taboola investing in AI, so that we can do the work.

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

Okay. Are you guys ahead in AI compared to other ad tech, do you think?

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

I think we're – given our size and where we are, I think we're amazing in that. But...

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

You are behind Google and Facebook.

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

But we're not Google and Facebook.

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

Yeah, that's fair.

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

We're not TikTok, so that's – I want to be that.

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

Okay. All right. Fair enough. You said – let's talk e-commerce. You bought Connexity in July of 2021 and now you have e-commerce in a box today. What's been Taboola's past so far and where are you going next with e-commerce, which is 15% of revenue you said it in your opening remark.

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

So e-commerce did better than expected in the first quarter. I think in general, you're seeing that advertisers the lower in the funnel they are. And they can really have this attribution to say, this is working for me. The more they spend. And obviously e-commerce is at the bottom of the funnel, which is great. That's why search is doing well. That's why e-commerce is doing well. So it's great for us. We're trying here as well...

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

Okay.

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

...to simplify the experience of e-commerce advertisers, retailers, to work with Taboola. So the initial things we're doing is just from a synergy perspective, because we bought Connexity.

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

Okay.

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

So we're bringing Connexity globally.

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

Okay.

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

We – it's now in India and other countries where we have offices and Connexity did not.

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

Okay.

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

We're taking Connexity's advertisers, we're launching them on the Taboola network. So we're doing cross sell, which is great. And we're seeing synergies. They're picking up. You mentioned the e-commerce in the box, which is we rolled out turnkey, which was the missing piece for Connexity. What happens is it turns out that most publishers want e-commerce revenue.

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

Okay.

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

Most retailers would love to be on a trusted publisher and generate leads from that publisher. But the gap is that there's not enough content that is – that has high...

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

E-commerce ready.

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

The e-commerce ready.

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

Okay.

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

Like, so if you think about, reading about Biden doesn't spark leads and no one's buying a drone after reading about Biden.

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

Yeah. Right.

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

Right. So you need to probably read about reviewing different drones or maybe comparison of different things. So you need to – if you follow the New York Times, they have Wirecutter, which is a great business.

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

Okay.

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

Right. Because you trust the New York Times. And if they say this is a good product, it's probably a good product, right? Same goes for USA TODAY with best reviews. So if you go to USA TODAY, you trust USA TODAY, it's your site, it's your paper. So you'll buy products from them. So these are great businesses, but then most publishers don't have Wirecutter.

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

Right. That's true because it's owned by the New York Times. So they need their own version.

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

They need their own version. So we said, what if we hire trusted reporters from all these organizations and help publishers write the content for them and with them.

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

Okay.

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

Launch a website for them under the domain, drive traffic to it and monetize it. So it's just e-commerce in a box.

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

Well, so I have a question. Why don't you just start a centralized thing that just like why do it white label for all these 7,000 publishers you have? Why not do one and then syndicate it out and put the same content with in there and then register with them for giving you the space?

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

So they all want original content and original voice.

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

Okay.

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

So, they'll – each one of them will probably have a different focus. Like some will be more high expensive products, some will be more financial services, some will be more travel.

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

I see.

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

So they'll want to have an authentic view about what makes sense for their audience. So if your time.com is an example, which is a 100 years lifetime – organization, it's been run for a long time. They want to own financial services and e-commerce and maybe other categories.

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

Okay.

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

So I think you see different publishers doing different things.

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

Okay.

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

Magazines, you want beauty products and if you're Condé Nast, you're selling products as part of what people see on Condé Nast. So they all want to make it something that feels home and authentic.

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

Okay. It's too bad you can't syndicate it or you can do this kind of content. And then just every time somebody wants makeup, you give them that. And as somebody else wants, like tech labels, you give them that, but you don't white label it for each specific, it just scale.

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

The ROI on that business, I mean, you don't need a million articles, right. So, the ROI per article, if you think about the revenue it generates over the lifetime of that article because it's evergreen by definition, a lot of times, it's really high. So we, again, it's a new business for us. We just got into that. But our model shows that we can generate more revenue from that than we generate from Taboola core. We think it's very – we'll see. But what it worked for the New York Times. It worked for some magazines, Red Ventures. It worked for Red Ventures, for Forbes.

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

Okay.

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

So I think some great companies have done good work and but we're going to do it for everyone, or at least the top sites.

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

Okay. Fair enough. Okay, so we did e-commerce. Okay, let's go back to Taboola News, which is one of my favorite products. You said it hit 50 million in revenue last year. And you a while ago, like I'd say two years ago you announced Xiaomi and where's the other place Taboola News is?

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

We have a bunch, we have Samsung in some countries.

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

Okay.

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

We have Xiaomi, we have Oppo, we have Vivo. It's very different in different regions. We have some partnerships whereby we're actually working with the carrier. So...

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

Okay. So that's sort of my first question was, are you getting more new business from that and how's the growth going now?

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

It's growing fast.

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

Okay.

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

And it's great. It's great. We're seeing growth in yields., we're seeing growth – it's like – it's one of those businesses that have a lot of vertical growth.

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

Okay.

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

So one OEM can be over time, because they can put you in more markets. They can launch new placements. One can be on the lock screen, one can be in the minus one, it can be in the browser. They can do notifications, they can have an app. Usually we start with one.

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

Right.

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

There's so much growth per OEM. Once you're ready, once you're in, it goes in different directions. So and then you have MVNOs you can work with and different, it just – so we're still early, but it's a great organic business we built within Taboola, similar margins to our core business.

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

Okay.

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

Kind of like in the 35%, 40% margins. So it has a – and the most exciting thing is that the more this business grows, the more traffic we send to publishers.

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

Right.

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

Because you click on a piece of content we send you to the site. So we're now seeing regions that publishers who don't work with us call us and say, can we be on Taboola News? And we tell them, well of course we can, but we can only work with you on Taboola News if you work with you altogether, because that's how we index your content and monetize it.

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

Right.

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

So it becomes a driver for new business too. And that's a very differentiated value proposition. You can't pay if you're a competitor for Taboola. And Taboola generates 5% of traffic to the publisher. How can you compete with that? This is Taboola slowly become this dragon with many, many, many heads.

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

Okay.

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

That to fight with Taboola, you have to fight many different heads. You probably just don't have. Going back to your question about why does Taboola get so much new business – with publishers?

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

Yeah.

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

It's just yet another reason.

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

Well, especially, big publishers, they want more of these services and you have them all.

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

They demand us and my guess by the way is that the trend in the market in all industries, but definitely media, there's going to be less companies doing like – there's going to be consolidation, publishers will demand less vendors, more partners. There will be one consolidation offering, same team doing more things. So I suspect will see more of that, more of that trend.

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

And so in a lot of these things like news and e-commerce, you're actually creating the content. So you are behaving like their partner more than they're just their vendor, meaning you're just raising revenue?

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

Yeah, we're creating their content for e-commerce. We're putting all of their content on Xiaomi. We put homepage for you on the homepage. So it's all personalized. We help them diversify with subscription. So we can tell them which user might sign up to a newsletter. We do A/B testing and soon we'll have Yahoo, which will be a whole new level of innovation. So and it's great. I mean, the level I joined many of those big conversations with publishers. I love it. And you should see who joins the meeting. I mean, when I started Taboola it was us and the BD person and over time it was maybe the GM and now 20 people joined the meeting. Like it's like half a day. I have a big meeting next week. I think 15 people come to the meeting. It's like everyone wants to come in.

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

Because they think they can help them and...

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

Well, they all want something. The e-commerce person wants to know about the e-commerce. That chief editor person says, well, what can I do for my editors and writers?

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

Right. My headline, my image.

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

My subscription person says, how can you make me get subscription? There's an audience development person says, talk to me about traffic, traffic. So everybody wants something. So the meeting used to be an hour now and then it's half a day and then dinner and great wine. So but not too expensive. I mean we're – we care about free cash flow. But it's fantastic because the level of conversation is just great.

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

Right. And no one else can do a lot of this stuff.

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

Well, they can hire 10 companies.

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

Right. Okay. Okay. And they're all point solutions.

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

Right.

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

Right. And that's harder because if something goes wrong, everybody's pointing everybody else it's his fault or it's that fault.

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

And then you lose the synergies between them too because they're different. They optimize for their own self, right? So I think there's huge value in connecting the dots between all those services.

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

And one of the things you said in your last answer is that Yahoo accelerates your product development or your innovation. I didn't understand that link, why is that?

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

Because Yahoo, give an example. They're thinking about their display business and how will they like we talked about the bidding and header bidding. So I'm sure they're going to make us better at bidding.

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

Okay.

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

Because they're spending time about that topic and we're a big partner for Yahoo. So they're going to spend a lot of time with us think about how can Taboola be a great partner on the display side.

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

Okay.

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

And bid into display and be a good partner. That's going to make us better. Yahoo is already Taboola's biggest partner for e-commerce. So they're going to make us better. I think, back in the day Yahoo used to send traffic to publishers. Many publishers ask us, can you help us syndicate content to Yahoo all of these conversations. So it's just going to think open. Our chakra to kind of what services can publishers offer Yahoo and Yahoo can offer publishers with us, without us. So that's what I mean. Once Yahoo is launched, it's going to be, I suspect it's going to make us a better company.

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

Okay. What's going to make you bigger? That's for sure.

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

Like bigger.

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

Yeah. You like bigger, you like faster bigger, bigger faster. Okay. When you look at your product mode wrap, what are you going to tackle next? Or can you not even think past Yahoo? It just is going to be so much efforts.

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

I love – we need Taboola now. We have everything we need.

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

Okay.

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

We don't need more people. We don't need more M&A. We don't need strategies. We don't need offsites. We don't need...

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

I know you're going to keep doing offsites. I know...

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

Offsites with clients all the time, but I mean...

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

Yeah, exactly.

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

We don't need management offsite strategies, what we need to do is execute.

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

Okay.

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

We have four priorities, e-commerce, Yahoo, bidding, performance advertising. We're 1,700 million, 1,800 million people, 1,800 people strong. We know what we need to do. We have a huge – I mean, we talk about \$200 million of EBITDA, a \$100 million of free cash flow around the corner. And we said at least. So you can imagine that those numbers will be great if we do those or more. So from our perspective all I want to do is execute.

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

Okay. Okay. Yeah. A year from now, I guarantee what you're not going to be doing is sitting here saying, oh, we just need to execute. There'll be some new thing that like see, a year ago, it was any company that doesn't have any e-commerce strategies, like not having a mobile strategy 10 years ago, that was that...

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

Year and a half ago. Year and a half ago.

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

Well, but I think it was 10 years ago. If you get that mobile was new back then. And then, now it's Yahoo, which is a 30-year deal and doubling your size, there's no way – you're not going to have some new big thing.

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

If I get a call from Elon and he says, let's do something with Twitter, will I do Twitter and Tesla? I might.

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

Yeah.

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

But I mean, but...

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

You would get a call from...

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

I mean, yes. I mean I'm always open-minded to transformational opportunities. But my point is unless I get a call from Elon, for the most part we're fairly focused.

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

On execution, okay. All right. Fair enough, on the same-store growth. Okay. Generative AI, it's going to be for sure, you're already you're putting it in headlines. You're doing dynamic content for the postage stamp versions. And because you get paid on performance only your AI improves faster because you actually get paid on having the AI be best-in-class generative AI. So when you think about what else generative AI is going to help you may do, is it going to help your clients or is it going to help you?

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

I think it's going to help them too because my – I suspect that while they'll – they would never outsource content creation altogether.

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

Of course.

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

They will.

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

They can look at 10 and pick one.

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

They can use it to maybe create parts of it or come up with creatives. So I think they're going to use it.

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

Okay.

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

I think, it's going to make everyone more productive and think of ways to be just do more with less time. But I think the whole creative side of things will be completely transformed. So from the titles and thumbnails and all the way to the landing pages...

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

Okay.

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

...I think, we'll see a whole new.

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

And you think of that as personalization, as better targeting of the ad, the – be a little bit of the ad to breakthrough because these make it a more personalized title, a more personalized thumbnail, a more personalized landing page. So it's more effective you think?

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

Yes. Plus tactical things. I'll give you an example. We – advertisers need to integrate pixels on their pages.

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

Okay.

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

They have to put different pixels to measure what do people do on the site once. So you're an advertiser on Facebook, Google, Taboola, each company asks you to put a pixel on their page.

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

Okay.

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

So that's when someone comes from Facebook or Google or Taboola, we know the person came in, we can see if it was a good experience with that. So all these integrations even of pixels and things that can also be automated...

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

Okay.

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

...with generative AI. And I think that will be better.

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

Okay.

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

So I would say it's personalization, it's creative and it's also tactical things that can just be...

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

Made simpler...

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

Yeah.

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

...and lower cost. Okay. Any questions for Adam before we let him go? Okay, I'm going to call it there. We're right on time.

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

Thank you.

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

Thank you very much Adam.