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

Good morning, and welcome to the first day of the Needham Conference. I'm Laura Martin, the Senior Internet and Media Analyst. With me is Dan Medina, my colleague from Needham. And with us today, I'm introducing Adam Singolda, the CEO of Taboola.

Maybe let's start with a brief introduction. Adam founded Taboola 14 years ago, and today it is the leading recommendation company for the open web. We have a "buy" rating on Taboola and project that it will reach $667 million of revenue in 2022, representing 30% year-over-year growth and [indiscernible] (0:00:32) EBITDA margin. It's very profitable. And yet currently valued at 1.6 times next year's revenues and 5.5 times next year's EBITDA. So, we believe it to be inexpensive.

If you have a question during the session, please enter it into the Q&A box. And I will ask the question of Adam. So, Adam, I think the best place to start for you is, why don't you give us a brief background of the Taboola story, including its financial profile, and how it fits into the ad tech ecosystem?

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

Sure. Hi, good morning, Laura, Dan, and everyone, always fun to do this. Hopefully in-person so soon. But we're coming together. It's coming closer. So, Taboola, I started Taboola 14 years ago with a vision to help consumers discover things they love, but never knew existed with this long-term opportunity to really help consumers discover things and thinking there's a recommendation engine, that's going to be surrounding us, whether it's on a browser on a website, on an app, on a TV. We only have 24 hours a day that will never change. So, I'm a strong believer that, there's an opportunity to build like a search engine, but in reverse, instead of expecting people to search for things, things should be presented to us. And I think, our kids will make big decisions using recommendation engines.

And then as a business, if you think about the market, we'll learn after, you have this, the wall gardens on one side, Google, Snap, Amazon, Facebook. And on the other side, you have the open web. Open web is any website, an app that resides and lives outside of those that we all hear love and use all the time. It's about a $64 billion market. And funding enough, most of the monetization in that market is still being used by banners. Banners were invented 30 years ago, alongside Tamagotchi and DVD, only Tamagotchi and DVD are no longer here, but banners are still here. And none of you here remembers the last time you clicked on a banner. None of you.

So, I'm not against banners. I just think that the future of the open web will look a lot more like the homepage of Amazon. Feed of things that are relevant to me. Some of them organic. Some of them are paid by an advertiser. Amazon also became a $30 billion advertising business fairly quickly, proving that when you do a good job, creating a relevant, personalized recommendation business, sponsored by advertisers, it can be a big, so that's the market we're going after replacing one vendor at a time as part of this big market. We're – and about the business, we're very excited to be a big scale company.

We are in public markets, but when you look at Taboola, our fundamentals are very strong. We're winning great publishers. We work with already all over the world from CNBC and CBS and USA Today, BBC, and as of recent Penske and others. So, we have amazing publisher wins all around the world, and we have about 15,000 advertisers that rely on us, work with us directly. You mentioned our financials. They will say, even in those times, we're – we appreciate have been profitable growth. And as part of that we're excited to generate $150 million of adjusted EBITDA this year with high tens and millions of free cash flow. I think the world is getting adjusted to old school financial metrics. And I'm appreciating the fact that we have those and which allows us to continue to execute and dream big.

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

Okay. So one of the things that's unique about Taboola is, you have, you take over a 100% of the website for thousand clients, and you take over a 100% of the websites and then you rev share back, they get about 70%, you get about 30%, and then you have 1,000 captive advertisers, like a direct deal with BMW or direct, which means that [Technical Difficulty] (0:04:13) half the open internets take rate. So, when you think [Technical Difficulty] (0:04:23) advertising side that you're putting in new – hire new publishers and new maybe slots on the webpage, like you're getting higher value slots in the middle of the page or the top of the page. Can you – when you think about key drivers of revenue over the next 12 months, is it supply or is it outside the captive supply side? Are you going to get some take rate upside? Where do you see upside coming from over the next 12 months?

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

Okay. I got the question awkward. I have some issues with Laura [Technical Difficulty] (0:05:05). All right. So Laura's reconnecting in the meantime, I'm going to start; Laura asked me to start answer the question. So in terms of the growth of the business, we have our, the core recommendation business that traditionally was, seen at the bottom of the article, and that's editorial recommendation to go to CNBC. You'll see more from CNBC, it's this beautiful feed of recommendations that has nothing to do with that. It's more about consumer value and then side by side to that every few posts could be paid.

And then I think Laura, to your question about how is it growing in the future? One of the biggest drivers that are happening, one, we're getting more premium real estate and publisher sites as they look to diversify and replace traditional ads. So, if you look at mid articles, if you go to NBC Sports, read an article, look at the middle of the page, you'll see that there's a beautiful terrestrial recommendations. Some of it is editorial, some of it is stage.

Yeah. Okay. And those, and where Taboola is in article of NBC Sports. It used to be a banner. Same goes for E-Online Globes Israel and other sites it is. So that's one growth engine that happens, which is replacing banners also because Taboola has a very exciting homepage product called Homepage For You. Publishers are integrating with us on their homepage, which creates new inventory for us. And that's where brands and agencies really like it, because they get inventory that's unique to us. By the way Laura when we get that inventory, it's also exclusive to us. So, we're always on the main article, always on the homepage. What's coming up next, by the way, is that we're also going to integrate into the header bidding. So display inventory that is still there. We do want to get into that as well, and basically provide value to our publishers in all shifts and forms.

And then lastly, I want to say Connexity, which is a company we've acquired end of last year is another growth opportunity for our existing publishers. Because publishers are looking to create high intent content, generate commerce revenue. And I think it's going to be a third of the revenue of the next four or five years. And again, I had, and personally I can speak about my personal experience and many of you, I'm sure I've done that. You want to buy something online? You don't know, I just want trampoline for my kids. I live in New Jersey. What do I know about trampolines? I read about it on review.com and I bought it.

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

I can hear you great, Adam?

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

Okay. I finished my answer.

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

So, let's go on to Connexity specifically.

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

Okay.

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

And why don't you talk more about Connexity?

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

Okay. So Connexity is basically – it's like Taboola, but an e-commerce. They have on the one side web pages that speak about products, 10 trampolines, you should consider to buy for the summer and things of that nature. And on the other side, they have direct merchants they work with mostly, and that gives them CPC business. They also have an affiliate business. So there this marketplace of high intent supply, and high intent demand. And then we, our goal is to essentially up sell any one of our publishers to use Connexity and to use our global team to sell to commerce advertisers. And I think many of those advertisers are looking to diversify outside of Amazon. So this is a great opportunity. Specifically, we’re seeing good synergies over the last few months. Laura, should I continue? Yeah.

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

I’m here. Go ahead with Connexity.

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

Yeah. So, good synergies we just spoke about on my letter and on earnings, but essentially we’re taking Connexity global, APAC and EMEA we’re pitching in 14 countries. Now our sales team is the way behold retail, vertical sales team here in the U.S. that sells to advertisers. They only had two sales people before. So, now that’s a huge opportunity. And one of the biggest synergies that we think is hopefully going to be seeing more value soon is working on that is basically taking their Connexity advertisers and putting on Taboola’s existing supply and drive yield growth. So all those things are taking place on a very bullish on e-commerce and something publishers want and something that’s going to materialize in the form of revenue for any publisher on the internet.

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

Let’s move on to Microsoft, which is 15% of your total revenue. You recently signed a new deal with them. Can you talk about what’s changed and why you think it’ll be an upside driver and not a risk to revenue?

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

Yeah, I mean, I definitely think it’s from here. It’s like I quoted on my on the earnings. I’m not sure if everyone has ever done that, but it is a quoted that the American rapper Fat Joe it’s all the way up from here. And my point on that is, it’s now life, the bidder basically allows us to fight for any impression in Microsoft ecosystem. Microsoft, which is a great partner, has not been growing over the last few years. And as we now switch to the bidder, it gives us full exposure to every possible user engagement and use our competitive advantage, which is 15,000 advertisers direct a lot of data that we have. So, we can bid and win a lot of great inventory on Microsoft. I’m happy to report it’s live on 100%. The team has a great roadmap to continue to improve this. I’m very proud of the team.

We had a certain expectation of what it’s going to generate at launch. It’s a bit behind, but close. And from here, I see a lot of opportunity to make this again, a growth driver for us. And what’s nice about this technology is that not only do I think it’s going to make our Microsoft Taboola partnership bigger and growing again. I also – like I mentioned, I intend to take this same technology and put it on every display inventory on the internet. So that, of publishers who work with us. So publishers already have a big show of work with Taboola. If you’re making $10 million, $20 million, $30 million from Taboola already, you already want to do more with us. You want to use our technologies. You want to find ways to do more with Taboola, because we are a very important partner to publishers.

Now, we can also take the bidder and participate on their display inventory, which will create more up option for the publisher, which is a good thing for everyone. So the bidder as a technology will not only make Microsoft grow and be exciting, and I believe there’s a lot of inventory we never had. It’s also going to be used outside of Microsoft, on social networks, on display and other places. So, we all know, good companies like the Trade Desk and others and this is for us right now fairly small. But this could be big. So, this is something I’m excited about.

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

Okay. Let’s talk about header bidding, which I know you’re going to grab demand and try to put it onto your captive supply. How does your header bidding product compete with all the DSPs already in the market like Trade Desk, Avaya and for AcuityAds? Why will yours be better when you’re sort of a late entrant to there’s a lot of public companies that are DSP doing header bidding already?

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

Yeah, that’s a good question. By the way. I don’t really, I never think that being first mover is important. I think being the best is important. And by the way, I wasn’t first at Taboola, there are many companies before Taboola that did stuff that looked like Taboola. But we became the biggest and with the highest margin and growing the fastest and all those things. And the reason is, because I think we do better. And by the way, Amazon wasn’t first, Google wasn’t first, Facebook wasn’t first. Being first is good, but it’s not the most important thing. Execution is the most important thing. So on that front, as I think about who will win the header bidding fight? Who’s going get one of those three slots one of those five slots in header bidding? I think it’s going to be company that has three things.

One very unique demand, by that I mean, you’re the biggest in search. You’re the biggest in brands and advertising. You’re the biggest in native CPC advertising. You have something, a unique, direct correlation to advertisers, not programmatic. I know the advertiser, they’re my advertisers. And I’m looking to bid. The second thing is data. What gives you the fuel, as if you remember how I spoke about it on our Investors Day, what gives you the fuel to fire rockets, the space? And that is important on our – in our case, because we reach consumers also editorially people click on Taboola of 30 billion times. We know so much more about this curiosity graph that someone reads about an article. What do we think is going to work in that context?

And the third one is technology. I do think by the way, we’re late entrance to on the technology front, but we have a huge advantage on the advertiser and data and we’re catching up on the technology. So, I do think that most publishers will have at least one search bidder, one brands and agency bidder, and one CPC native mid funnel bidder. And I think we’re given our advantage in the market. We can be that third one. And I do think by the way, that’s going to be a three, four, five companies that’s going to get most of the share.

And I'm excited about our position, also because we're a publisher company. We're very good at up selling to our publisher stuff; publishers want to hear from us, what else can we do together? So, I think we had a good chance. If you look at our Homepage For You video business as an example, or we were late to show video on websites. We've done this only for a few years now, and it's 15% of our business now, right? So, if I'm imagining header bidding, seen in explosive growth for as we also to publishers, this could be big. Again, we're always trying to be conservative. It's not in our guidance, by any mean, but we also, the bidder growth is not in the guidance to Microsoft. So, we wanted to make sure we're very conservative, but all those things are upside creation for our investor community.

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

So one of the things that's a big controversy is, what happens in a post-cookie world? You guys have always done bidding on contextual basis. Somebody's reading an article and then you'll target based on what the article is about. So let's call that contextual targeting. So, when you think about the open internet, do you think that UID 2.0, is the winner, is it going to be contextual? Is it commerce? You've made a big commerce play, because that closes the loop between advertising and commerce. How do you think the open internet plays out in a post-cookies world?

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

Yeah, I mean, and it's a great question. I think also in many ways, we're already in that cookie less world, because Safari has been taking third party cookies from 2017, right? So, and now with the IDFA last year, basically Apple ecosystem is already without any third-party tracking of any kind. So in many ways we already see some of it today, and Taboola has been doing really well. In fact, our yield has been growing faster on Apple environments than others. So, I feel very good about it. I think that the future of the open web will be mainly driven by context. One, because I think, we're seeing what happens with social networks. It's hard to imagine a future where we're going to track consumers, the way we used to do. Not we. Social networks used to do it.

I just think that's not going to be – it's hard to imagine they used to do it. I don't think it's going to happen. So, I think contextual is going to be key. Two, I think that I supporting route for any identification and login mechanism, because that's going to be great for our publishers and us, because we could rely on it, enjoy it. If there's better data, we'll enjoy it. I'm not sure, there's about three billion people browsing the web. I'm not sure I can imagine a billion people logging into every page or enough of it. So, I mainly see it as an upside if it happens, but I want to imagine if it fails, you want to make sure you have a very good business. And to me that's contextual and e-commerce it's another contextual venue. It's you're reading about something, you're reading about it's the most contextual. I'm reading about products, and then I can connect to direct.

So, I take a heavy handed contextual future approach. I would say it's the era of the open web. It's the decade of the open web, because what the open web has to offer to advertisers that no one else does is context. See now social network have, will always have better direct-to-consumer relationship given their nature, but what they never have is a safe private context. What am I reading about as a proxy for who I am, not who am I, because I told you, who I am, and I think this is the future of the advertising, definitely the open web, and I'm very excited, optimistic about it. So, I would say any login mechanism that happens is an upside, but I would mainly make sure that and I think context is going to be the foundation.

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

And is it your – what's your point of view on UID 2.0, the Trade Desk or the industry-wide initiative? What's your point of view?

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

I like it. I mean, I root for them. I root for the Trade Desk in general. I like it if it happens. I just want to make sure that my business has zero dependency on any one login. Like if it happens amazing, if it doesn't happen, we are strong and we will continue to be strong, because we don't use it today. And we build in over a $1 billion revenue business without it. So again, I imagine, I close my eyes, and I imagine there is a fully private contextual future. In that future who wins? Who has over $10 billion in revenue out there in the open web? And I think we have a chance of being that company and, if it gets any better and people start connecting to CNN and others, amazing, like we'll, we'll enjoy it, but I think it's critical to not imagine. It happens because it might not.

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

So 60% of your business I think is in Europe. And I'm wondering what's going on with business in Europe and because of the war? And then I'm really interested in data privacy because the EU is leading the world on data privacy. So, could you talk about those two things from your European perspective what's going on right now? You lower numbers, operating lower numbers, everybody with a big EU presence lower numbers. So if you're talking about what's happening in Europe with ad demand and what do you think as they lead privacy, assuming the U.S. follows, what does that mean for open enter?

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

Yeah, so I'll say first of all, we have 30% exposure in Europe revenue, not 60%, but so I would say the following, the privacy thing that, GDPR has been around for what is it two or three years now? And they've been very innovative and a lot of times we're seeing privacy innovation coming out of India. So that's kind of already, in a place where it's settled. I think so, I don't think there's what you've seen recently from our perspective was mainly driven by the war. But in also currency exchange softness that happens for companies who have EMEA business, international business coming to the U.S., you can lose 1.5% a year on that just because of currency headwinds, but specifically the war, what happened starting, end of March marching, March into Q2 is that it was, it created sort of a pandemic experience in Europe for advertisers, those award that started and basically advertisers.

The first reaction is, let's stop and see what's going on. How is that affecting our countries, our people? Similar to what happened on March 15th in a global, if you remember back in the pandemic, it was one day yield went down, but globally that's the world pandemic. This is more of a EMEA pandemic. And it affected people because they're human beings and they wanted to see what's happening and there's a sort of reaction to it. I do think that, from moving forward, so that's in the past, we've seen those yields getting the softness as we look into the future, we don't anticipate something significant more that will happen. And we're seeing even areas that are getting even better.

So, I would say, that's what happened. It was softness in yields driven by advertisers or lower budget or lower price for at least an immediate timeframe to see what happens in Europe. So that's on that one. And I hope it ends and our people can be safe and all those things. But from a business perspective, we feel, we've included in our guidance, at least what had happened in Europe that we've seen towards end of March early April.

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

Well, just, you leads America on the privacy stuff. So, how does it affect your business if everything EU is doing rolls into America and your American business?

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

I like it. I mean, I think I hope that every page in the internet in the world is safe for consumers and by CCPA in California is a similar, basically similar in some and different in others, but initiative to GDPR that happened also in similar time. So, we have some U.S. that, right. We're seeing some U.S. presence on that, but in general, I support everything that makes consumers safe so that they're not feeling freaked out by companies who are showing ads. They don't think they should be seen. That is freaky and weird. And I think a contextual experience, that is relevant to me, much like search. When I search something on Google or Amazon and ads appear based on what I just search. It's perfectly fine. It's great.

That's why contextual, which is an intent business driven by my environment. Not to me as a person is, I think a big part of the future. So, I support any privacy growth, whether that's coming from regulation, whether it's coming from, the big tech companies. But I do think it's coming. The only question is, when and how fast, right? So, I think every company in the world in the advertising space better be prepared for some contextual future. And that's also why we took such a huge bet on e-commerce, because I think this is one of the biggest upside drivers for the open web being a contextual environment.

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

So that brings up this issue. One of the reasons sort of sanguine about future privacy is because you have a, what I would call end-to-end system. You have captive buyers, you have captive sellers, you have all the consumer data on the, from the publisher side, the maelstrom of privacy, that's going on in the open internet. I guess my question is, do you, the internet will end up, the open internet will end up all end-to-end. So Trade Desk find Magnite, meaning that everything has to end up end-to-end without independent buyers and sellers as a solution to privacy. Because you're not worried – because you have end-to-end captive buyers and sellers as a solution.

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

Yeah. So first of all, as I think about advertising businesses at big scale, like $50 billion market caps or a $100 billion market caps and above the only way I think those companies are ever created is end-to-end solutions. You have to have 80%, 90% of your business with advertisers direct, you need your own data and you need all of your supply to be something that you have 80%, 90% of the direct. The reason is otherwise you cannot create enough value to your clients and partners. You're limited by how much value you can create.

So if you think about a good proxy again is Google, Amazon, Facebook, Snap. Only four companies to my knowledge has ever created a technology that's used by hundreds of thousands and millions of advertisers. It has literally never happened again. Twitter has tens of thousands. We have 15,000 and Snap as I think, 250,000, and Google, Facebook, Amazon, I think it's in the millions, only four have done it. It's really hard job, but if you do it, the reward is very big, because now advertisers can rely on you. You become predictable channel and it's not hope for the best. Today, you see it because there's an IO, tomorrow you don't see it because there is no IO, right? You can create great technology stack for all those advertisers, small and big, unless they work with your direct. Same for the data, you need the very special data to be able to offer an advertiser, something that works for them.

And lastly, if you are not direct on supply, then you have to keep bidding for the next impression, you can't, you have vulnerability on the user experience, the frequency of consumers, Facebook has 15 minutes a day with consumers. I think Google has a minute and a half a day on search when they have repeating users coming back. And again, they can build great products for them and build great technologies to monetize that time. So that's why we spoke at investors. They also about time, it's something you want to grow over time, right? Because they only get time with people direct. We can become more important to those people as well as create technologies.

So first of all, I will say at a large scale, I'm convinced only companies that have both ends mostly direct could be 80%. Even Google has an extension business, Amazon has an extension business, but it's mostly direct. So, I think it's critical. And mainly because as a technology company, the only way you can invest in making your clients and partners successful is if they're yours clients and partners. Otherwise, if there's someone in the middle, I don't even know what you – what are you optimizing for? How can I affect it? And I can give you many examples, but I mean holistically, I think it's critical, mission critical to build a company that is mostly direct from both sides, which Taboola is...

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

[Technical Difficulty] (0:27:05) content and you do all the ad serving, selling and then rev share back. So your managed service, on the 15,000 advertiser side, do you think of yourself as self-service?

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

So about a third of our advertisers, work came through our self-service portal. So anyone in the world can go to Taboola.com, open a campaign and get distribution on some of the most amazing publishers in the world and be recommended to half a billion people a day if you reach. So we – that's about a third of the business. The other two thirds are managed by our account managers, account directors, growth teams and so forth. And that number, might grow over time. The portion of business that is self-service. But essentially whether you're self-service or direct managed, our smart bid technology then takes over and does what it, the magic, of making sure that you're successful advertisers on Taboola.

So that's roughly, how I think about it. It's 90% of our business of our revenue overall is using smart bid, which is our AI. This is our autonomous car experience. You come in, you upload your creative, you define your goals and smart bid actually changes the price for you, chooses the right sites for you and shows your analytics and insights. And so you can be successful on Taboola. And like I said, a third of it is, came from the website and two-thirds are through sales team channels.

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

So, let's talk about one of the unique things about Taboola is you're a 100% performance advertising. You only get paid if somebody clicks right on the ad, do you think that the future of the internet is performance based compared to CPM-based?

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

Yeah. About 15% of our business is CPM, because about video. So our brands and agencies, which is about 15%, that is mostly CPM. But to your question, again I always look at history and its tendency to repeat itself. If I look at Google, Facebook, Amazon, Snap, it's probably 80% CPC, or performance for sure whether they buy at CPM, they optimize for performance. Even if the actual buy is driven by CPM. I think there's some strong performance. And the reason is especially by the way in today's world, there's so much value in relying, steady reliant channel that you can keep as an always on.

And some of the biggest industries, travel, automobile, they will always have billions of dollars reliance on performance, performance technically never goes away. You lower your performance budgets, you affect your short term sales, right? So that's why usually performance advertising is the last thing to go. You might cut your brand advertising, you might cut your outdoor advertising, but you will cut, your that's your bloodline, your lifeline, it's your performance advertising. So, I do think by the way out of the overall advertising business, it's mostly performance, saying that I do think there's a huge opportunity in brands and agencies, as a way to drive awareness. And I think our 15% brands and agencies business will continue to grow. But

I do think mostly it'll always be performance. And again, if anything, because I look at our world garden friends frenemies, and I look at how they operate and it's mostly performance.

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

I'm thinking of Trade Desk, or a 100% of their revenue comes from brands and agencies, and they're all CPM-based and that they do, they're by far the largest, they'll do $2 billion of advertising revenue this year. So I guess my question is when you think about importance to the open internet, if I add up all the performance advertisers Taboola included, it isn't as big brand and agencies that are flowing through the revenue line of Trade Desk, which was $6 billion of CPM or CPC is sort of, I'm curious.

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

Sorry, I lost your bit. You're saying, do I think what about CPM/CPC?

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

Open Internet's upside drive is CPM-based, not CPC.

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

I mean, I think by the way, if you look at the open web, who is spending dollars in the open web, so think about edX, which is a big player in the open web on publisher websites. I mean, that's probably mostly CPC budgets from search think of Amazon buying ads on the open web. They're probably mostly CPC or performance. So, I think, I would say my guess is that most of the $64 billion are definitely performance. I think some of those performance budgets are being executed via CPM. So. even on the Trade Desk, my guess some of their business is actually performance, not just friends, not just branding. So, I think whether you buy CPM or CPC I definitely think that most of the budgets are performance based.

And I think that's the safest portion of revenue, because it technically, like I said, it's the one that will not easily go away whereby for brand dollars, you have to keep, buying expensive wines and dinners to get the next budget. So, but for CPC, you just have to be good, like for performance, you just have to be great technology company. So, I think performance is probably always in my opinion, be the most. And I'm, I don't enough about the Trade Desk mix, but my guess there is a good amount of performance, but some performance advertisers buy on CPM and that's okay. That's okay to but nevertheless, I still think that it's mostly performance and the value in CPCs are just easier to measure for even smaller advertisers, we don't know where to begin.

They pay per click, it's feels safer, but Google has done a great job moving even to CPA by you only pay for an acquisition. That is the – that's the crème de la crème. Then you get every advertisement in the world to work with you because they have no risk. CPM carries the highest risk, CPC less risk, and then CPA, which Google did such a good job getting app developers to say, give me your app, how much you willing to pay for a download? I got you covered. That's a – that's anyone on this call would start a business and give it to Google just to get the CPA buy.

So that's how I think about the business models, I warned the CPC and CPM, not yet CPA, but over time, I think we'll do CPA too. And that's why I think about those dynamics.

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

Let's talk about recommend anywhere and recommend any everything strategy. Can you talk about those two and how you think they drive growth?

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

Yeah, so the way I think about, so we have the core business publishers advertisers, but when we grow our business, we grow in two ways. One from, to grow yield, yield is how much revenue we generate per thousand impressions, which is one of the thing that affects our business the most it's important. So, to grow that we, the question is what type of advertiser segments can we bring in so they can compete and fight and drive yield growth.

Commerce was a recent bet commerce advertisers, beforehand we had video advertisers, and then over time, we're going to get to audio advertisers, gaming advertisers, app download advertisers, different segments of advertisers. So that's the only thing anywhere as well as can we interact with consumers beyond a publisher website. So, I mentioned on my earning calls that we're seeing explosive growth, three digit growth on Taboola News, which is where you see Taboola, Taboola is the Apple news of great OEM like Samsung and Xiaomi and others in some markets, more in some markets everything, but that's great.

We're already integrated on a 100 million devices. And over time, I want to be on every device. If you look at Apple's strategy to build under Eddie Cue, to build a successful services business, right? I suspect the services layer will be a big growth driver for us across all devices. So every mobile device will need Taboola News as a service, every TV will need Taboola recommendation and news as a service. Over time every automobile will have a, you click a button and you'll see news. If you go to a nor or JFK, any anytime soon, and you buy your burger, you'll see there's an iPad where you buy your food. There's a news button, click on it. It's, Taboola News. Every airport should have Taboola News. So over time we're, we want to be wherever Taboola, wherever users spend your time

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

In the audience. We have about five minutes. If you want to add a question, I will read your question out to Adam. Capital allocation, how are you thinking about your capital allocation priorities this year?

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

Yeah, so obviously, we want to be minded, to how we're spending and so forth. Given the macroeconomics dynamics saying that we're we intend to continue to invest in the business. This is probably the best time for companies like us, high free cash flow businesses to invest where the world around us is a bit more soft. So, I think this is a great opportunity for us to actually lean in. I spoke about one area that I'm very excited about, my intention to double, and then four times our engineering team that is working on performance advertisers and smart bid. I'm really excited about it, about being the fifth company in the world after Amazon, Google, Snap and – Amazon, Google, Facebook, Snap that have done this big innovation on performance advertisers and the first in open web.

So, I'm doubling down there. And so that's one thing that, we've mentioned, and again, all this investment strategy is included in our guidance, which is still scale game, $150 million with adjusted EBITDA Steve, our CFO mentioned it's a high significant tens and millions of dollars free cash flow business, which we think is very important. And again, I think there's going to be many opportunities in the market when it comes to talent acquisition and things of that nature for companies. If you go back to previous crisis's it was when companies like Google really shined, because they were profitable and growing like us. So, I do think that, this is a good time to do the work and focus and be even more aggressive.

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

Okay. We don't have any questions from the audience, and we're right against time. So let me thank Adam very much. Sorry about the audio issues and look forward to seeing you again soon, Adam.

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

Thanks guys.

<<Dan Medina, Analyst, Needham & Company>>

Thank you.