Q3 2026 Prepared Remarks

Aadam Anwar, Head of Investor Relations

Thank you, and good morning everyone. Welcome to Taboola's third quarter 2026 earnings conference call. I'm here with Adam Singolda, Taboola's Founder and CEO, and Steve Walker, Taboola's CFO. The company issued earnings materials today before market open and they are available in the Investors section of Taboola's website.

Now, I'll quickly cover the safe harbor. Certain statements today, including our expectations for future periods are forward-looking statements. They are not facts and are subject to material risks and uncertainties described in our SEC filings. These statements are based on currently available information and we undertake no duty to update them, except as required by law. Today's discussion is also subject to the forward-looking statement limitations in the earnings press release. Future events could differ materially and adversely from those anticipated.

During this call, we will use terms defined in the earnings release and refer to non-GAAP financial measures. For definitions and reconciliations to GAAP, please refer to the non-GAAP tables in the earnings release posted on our website.

With that, I'll turn the call over to Adam.

Adam Singolda, Founder & CEO

Thanks, Aadam. Good morning, everyone, and thank you for joining us today.

In the third quarter, we delivered $189 million in ex-TAC, growing 7% year over year, and $56 million in Adjusted EBITDA, growing 16%.

The environment in which we operate is changing. We're seeing shifts in how consumers discover and engage with content across the open web, including the growing influence of AI-summaries and LLMs. While page views across our publisher base remain relatively steady, we are seeing advertising impressions decline as consumer behavior changes.

We believe our publishers have meaningful opportunities to use our products to improve engagement and grow revenue, and I'll discuss those opportunities in more detail later. In the near term, however, we're incorporating these trends into our outlook and lowering our full-year ex-TAC guidance to $758 million, representing 6% growth.

To address these dynamics, we're doing three things as a part of our Realize strategy which is centered around helping advertisers find outcomes at scale beyond search and social.

First, we're focused on winning new publisher partnerships. This is evidenced by our recent signing of FOX News, FOX Local, FOX Sports and FOX Weather, which are premium properties that advertisers love. We have a strong pipeline of additional publishers around the world that we hope to bring onto our platform, creating more opportunities to drive engagement for publishers, revenue for our partners and performance for advertisers.

Second, we're focused on growing the revenue we generate with each publisher. Historically, we've monetized mainly through native placements, however, with products like full page monetization - where we monetize the entire ad inventory of a publisher, including display, vertical formats, native and more. We believe we can increase that monetization 2 to 3 times per publisher so this is something we are leaning into with our teams and our top publishers.

As an update on Full Page Monetization, last quarter, we announced NBCUniversal as our first full-page monetization partner. We're now live across 100% of the advertising inventory on

NBC News and TODAY.com and the performance we see is on par with what NBC and us expected, which is encouraging.

For publishers, this creates an opportunity to grow revenue while working with fewer partners, reducing operational complexity and improving efficiency. For Taboola, it means growing our share of wallet with existing publishers while giving advertisers access to more premium inventory.

Another way we're growing revenue for existing publishers is through DeeperDive, our AI Answer Engine, which is now being used by nearly 14 million people across publishers and OEMs, which gives publishers valuable insight into what their audiences care about. As consumers increasingly turn to AI to discover information, DeeperDive positions Taboola to help publishers adapt while creating another way to grow revenue from our existing relationships.

We are also expanding our publishers' relationships and the revenue we can generate with them through our proposed acquisition of Dianomi. This is an opportunity to broaden our publisher base and further strengthen our position in business, finance and lifestyle verticals - areas where we already have a strong presence and where advertisers value access to high-intent audiences. Dianomi brings a highly specialized network of hundreds of premium publishers, including Reuters, CNN Business and The Wall Street Journal, alongside blue-chip financial advertisers. By combining our companies, we believe there is a monetization growth opportunity across Dianomi premium publishers driven by Realize AI and advertisers, as well as Taboola given Dianomi expertise in high intent verticals and premium advertisers. We expect to complete the acquisition before the end of 2026 and we will continue to provide updates.

These are all examples of ways we're doing more with our existing publishers to grow revenue.

Thirdly, we're investing in diversified areas of our business that are growing and not impacted by AI such as Taboola News, apps and social commerce. These markets give us access to

new audiences - while allowing us to leverage the assets we have built over a decade, including our technology, unique first party data, publisher relationships, and global distribution.

Our goal is to build multiple growth engines that complement our core business and increase Taboola's competitive advantage across the broader digital ecosystem.

In times of change, I'm convinced that publishers and advertisers more than ever before would want to innovate, move faster, and look for revenue generating opportunities. Much like in social and search, the open web has an opportunity to have one company that can be the monetization infrastructure for everything and I believe it can be Taboola.

To wrap up, our focus is our partners and clients, working with them closely on using our wide array of product offering to grow revenue, especially during times of change in our industry, we were never more aligned than we are now.

With that, I'll hand it over to Steve.

Steve Walker, CFO

Thanks Adam, and good morning, everyone. Q3 results were in line with our guidance. As Adam mentioned, the environment in which we operate continues to change and the way consumers interact with our partners' web properties is being affected by the influence of AI and LLMs. While page views remain relatively steady, what we have seen has been a reduction in the number of impressions available for our advertisers and a headwind on revenue. As a result, we are adjusting our Q4 guidance, which I will share in more detail shortly. But first, let me talk about our Q3 results.

In the third quarter, Revenues were $462.3 million. Our revenue was primarily impacted by the impression volume headwinds and by a slower than expected rollout of Next Engage, which is the product we introduced to replace Explore More.

When looking at these numbers on a year-over-year basis, Revenue was down 7%. Last quarter, we discussed our efforts to optimize the quality of our supply and the deprecation of the Explore More product. These factors, along with some headwinds from the decline in impressions due to consumer behavior changes, drove this decline. In Q3, the number of Scaled Advertisers declined 4% year over year and Average Revenue per Scaled Advertiser declined 5%. Scaled Advertisers represent approximately 85% of Revenues, so when we see declining revenue as we did this quarter, we would expect to see a decline in these metrics.

Ex-TAC Gross Profit increased 7% year over year to $188.8 million and Gross Profit for the quarter was $152.3 million, up 10% year-over-year. Ex-TAC Gross Profit benefitted from a couple of factors. First, as the volume of our supply declines, we see higher ad rates on our network because a similar amount of demand is spread over less supply. Higher ad rates drive higher ex-TAC margins. Second, we saw strong growth in Taboola News, which contributed to the growth in ex-TAC.

Net Income for the quarter was $18.4 million, with Non-GAAP Net Income coming in at $39.9 million. Adjusted EBITDA for the quarter was $56 million, which represented a margin of 29.7%.

This reflects our ongoing discipline in expense management as operating cash expenses remained broadly stable excluding foreign exchange impacts.

Foreign exchange continues to be a headwind in 2026 on a year-over-year basis. On a constant currency basis, FX represented a $3.8 million headwind to third quarter Adjusted EBITDA. Excluding this impact, Adjusted EBITDA would have been approximately $59.8 million, which would have represented an Adjusted EBITDA margin of 31.6%. We expect FX to remain a headwind in Q4.

In terms of cash generation, we had $35.6 million in operating cash flow in the third quarter and Free Cash Flow of $20.4 million. We expect our free cash flow to convert from Adjusted EBITDA at a 60-70% rate this year.

Turning to the balance sheet, we remain in a strong financial position. We ended the third quarter with a net cash balance of $50.2 million. Cash and cash equivalents totaled $128.7 million, which more than offset our long-term debt of $78.5 million. As of September 30, we had approximately $191 million of available liquidity under our $270 million revolving credit facility.

In the third quarter, we repurchased approximately 7 million shares at an average price of $4.37, for total consideration of $30.3 million. We have approximately $90 million remaining under our existing authorization.

We also received an additional $200 million in authorization for share repurchases. This provides us with flexibility to return capital to shareholders when we believe it is appropriate. As you've seen this quarter, we continuously evaluate capital allocation opportunities, including share repurchases, investments in our business and strategic acquisitions such as Dianomi, with the goal of allocating capital where we believe it can generate the greatest long-term value.

Moving to guidance, for the fourth quarter, we expect Revenues to be between $477 and $493 million, Gross Profit to be between $174 and $183 million, ex-TAC Gross Profit to be $204.5 to

$213.5 million, Adjusted EBITDA to range from $73.5 to $82.5 million and Non-GAAP Net Income to be $53 to $62 million.

For the full year, we are updating our guidance. We now expect Revenues to be between $1.88 and $1.9 billion, Gross Profit to be between $595 and $604 million, ex-TAC Gross Profit to be $754 to $763 million, Adjusted EBITDA to range from $212 to $221 million and Non-GAAP Net Income to be $151 to $160 million.

In summary, we're seeing changes in consumer behavior but are working to offset these changes by bringing on new publishers organically, such as with Fox News, and via acquisition, such as through the proposed acquisition of Dianomi, and by doing more with our existing publisher through full page monetization. While we're still in the early stages of many of these initiatives, we're focused on executing, building on our competitive advantages and delivering long-term growth and value for our shareholders.

With that, let's move to Q&A. Operator, can you please open the line for questions.