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

Okay. Laura Martin, Senior Media and Internet Analyst. There's chairs if you guys want to sit, but anyway I'm – welcome – I'd like to welcome to my stage Adam Singolda, who's the Founder and CEO of Taboola. Adam founded Taboola in 2007 from his parents' house in Israel. His vision is to build a recommendation engine that would help people discover things they may like and never know existed.

Today, Taboola is the leading recommendation company on the open web. Prior to founding Taboola, Adam 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.

Welcome, Adam.

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

Hello.

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

So we're going to start with a personal question.

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

Okay.

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

And that is my New Year's resolution, I do want to hear is to get advice from people I respect. So I'm going to frame the question in this way. If you could give advice, if you had to give advice to your 18-year old self, what do you wish you'd known then that you now know having aged? Or what's the best professional advice you ever got, either one?

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

It's somewhat related, but I think if I could give myself an advice or anyone, I would probably say, choose people. I think every time, building Taboola every time I got excited by someone who had an amazing resume or worked at this great company or famous investor or whatever versus getting to know the person and following my guts and see if it's going to work between us. It – a lot of times it was a mistake.

So I feel like when you choose people for the right reasons, they tends to work. And when I look at the management at Taboola, many of us have been together for 10 years. I mean our head of revenue now \$1.5 billion in revenue. Before Taboola, I was a chef, right? Talk about not knowing what CPM was. Our COO and President before that was a rocket engineer, didn't know what CPC was.

And now I tell you, these guys could do – they could be the COO and CRO at Google if they wanted to, but they choose Taboola. And the point of the story is that everything change arounds us, but people stay and evolve together. So my advice would be to choose people.

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

Okay.

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

And do what you love, but choose people.

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

Okay. Choose people. What's the most unusual thing about your background that no one in this room knows that has helped you be successful today, the aids in your success today?

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

My dad is a very famous guitar player. And growing up, we – our house was probably half of this room, but I've seen him every day waking up at 6:00 AM, trying to get a job, playing the guitar, doing something he loves for no income. And I'm not sure if you know musicians, so it's not a great thing. It's not technology. So it's a bit about tricky space.

And I was fortunate to for 20 years witness him work really hard with a lot of passion to do something he loves for the right reason. That's probably gave me the most important thing, which is passion to do something you love forever.

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

If it makes money.

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

If it makes money, it's great. If it makes even more money, even better, but that's probably passion and doing something you love forever is probably and seeing my dad was doing it, probably my the best thing.

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

Yeah, and good role modeling. Okay. Let's move to the business into the company, Adam. Tell me what you are most excited about for Taboola in 2023 and what you're most worried about.

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

Yeah. So Yahoo, side. I'm sure or we're going to talk about Yahoo later. We can talk about Yahoo if you want. Yeah. So outside of signing Yahoo and Apollo.

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

You signed a big Yahoo deal, he's saying that's what he's excited about.

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

Yeah. Yeah.

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

We'll go into that in depth, but yes, you're excited about Yahoo.

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

So that was exciting. That's – and hopefully that matures, that gets closed in Q1 and that launches in that second half of the year. And that's a big revolution really for us, and hopefully the open web. But what I'm excited about the most is one, I think the trends in our industry, the whole privacy dynamics where we no longer can track consumers between websites.

We no longer can track consumers between apps, which forces advertisers to find a different way to be successful. And I think there's a whole new era of contextual future that's coming upon us, whereby advertisers will target the context I'm in versus who I am. And this is where I think its going and this is a wonderful source of there's a tsunami of goodness coming to companies who are very contextual we are, because we use what you read as the main source of targeting.

So I think that's something that excites me. I think it's getting a lot of traction. E-commerce excitement. I think new – the idea that we're all – we're working from home. If you had a baby recently, you were looking to buy a stroller, what do you buy? If you want to buy a coffee machine for the house, what do you buy? You go to Amazon if you know exactly what you want. But what if you're not sure?

So you go to the New York Times and you go to WireCutter to read a review and you trust the New York Times, so you make the purchase, but New York Times is one. But I believe that the open web carries a lot of trust that is unique to the open web, CNBC in finance, ESPN in sports, Condé Nast in magazine and lifestyle and so forth.

So I think there's going to be a huge growth in – and diversity in retail going from Amazon and maybe the top 10 to open web. We will review products and make decisions on publishers we trust. So I think that's getting traction as well.

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

Okay. So Yahoo one, commerce three, and the second one is industry trends. Okay. So let's stick with each of those. Let's do e-commerce first. So e-commerce, let's talk about Connexity. What are you learning so far? You've had Connexity like 18 months now, right?

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

Yeah.

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

Am I right? Am I remembering that right? Okay. So tell us what you learned in Q4 specifically, but also sort of what surprised you the most upside and downside about Connexity?

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

I mean so just to levels set we acquired Connexity before Taboola, ran a similar company to Taboola just in e-commerce. So if you...

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

You need to explain to them what that means.

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

Yeah. So if you went to the WireCutter and you read an article about top five strollers and you click to buy it from buybuy BABY, that's click would've been monetized by Connexity and buybuy BABY would've been a Connexity client. So they basically had the two side of the marketplace.

On the one side retailers, e-commerce companies were looking to sell products. And they went to Connexity and on the other side of its Connexity work with publishers such as WireCutter and Reviewed.com of USA Today. And many websites that write content reviews and they had connected between them and generated revenue share when those transactions happen.

It's about now 15% of our revenue. So it's a sizable and – it's a sizable portion of our revenue and its very premium, great clients and where it's growing, so the trends we're seeing, which is awesome. So one I mentioned, I think the way the industry is going is that every enterprise publisher will have a WireCutter of their own. They will review product, financial services.

If you want to get a mortgage in America, which mortgage would you get? Most people don't know and they need advice. So they should go to CNBC, should CNBC write something about it? Should the Journal write something about it? Maybe it's a local newspaper I trust. So there's a world of services and products that publishers can get into reviewing and given trusted advice. And I think that's going to be a third of the open web revenue.

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

Okay.

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

And our kind of investment here on top of what Connexity did before Taboola is to help publishers know which content they should write, perhaps write the content for them, drive traffic to it, and then monetize it with retailers. So that's one thing with e-commerce with Connexity, and I think we spoke about in the last quarter last earning, was that we're seeing a lot of synergies or one of the best synergies, which is Connexity's retailers are now buying on the Taboola network.

So if you happen to be on BBC and you read about Samsung versus Apple, BBC is Taboola publisher. We might show you a Connexity retailer to buy an iPhone or to buy a Samsung or something like that. So that's been – it's one of the synergies we're excited about because diversifies their revenue, it increase yield, good things happen when that happens.

So that's Connexity and I'm very excited specifically now in with the macroeconomic situation in the world. I think you want to be in a business that's very close to attribution and where purchase is being made. You want to be performance advertising oriented, and you want to make sure that you have measurable revenue and Connexity is the best because it's e-commerce and it's very much at search.

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

So one of the things that was really you couldn't escape at CES last week was retail media networks. Do you think of Connexity as your version of your retail media network?

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

On my version? Yeah. So I think retail media is exciting right? Like Best Buy or Target launching their own advertising vehicle on their own website. I'm excited for them. I'm not sure if it should be exciting to us on the B2B ethic side of the world.

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

Okay.

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

Because I'm not sure there are many of them. There're – if you take Amazon, Walmart, eBay out, the next 10 are probably 90% of the market.

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

Okay.

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

It's kind of like a carrier space. I don't like markets that have 10, 15 clients.

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

Okay.

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

I like thousands, so I think it's exciting to them. I'm not sure it's super exciting to people serving them.

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

Okay.

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

Necessarily, I think Connexity is our version of retail media in the sense that the open web will diversify Amazon because people will buy from websites they trust. So and that's what I just mentioned. And I think this will be a third of our business, a third of the – our publishers' business. So that's an e-commerce.

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

Okay. So you sort of have a retail media network solution. You just don't call it that. You call it sort of e-commerce or Connexity.

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

Right.

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

But you have this. Okay. Fair enough. That's great. I want to go to the – so that was the e-commerce. I want to talk about Yahoo next, but first I need to talk – you need to tell us what you're worried about.

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

I'm worried. I'm quite an optimistic person. It's hard for me to be connected to towards. I mean honestly, the biggest thing that concerns me is ourselves. We're 2,000 people...

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

Compare to yourselves.

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

We're 2,000 people. We are trying to do a lot. We're the biggest. It's – we need to continue to be innovative and execute and working hard. I remind myself that being first is irrelevant, and being the best is the only thing that matters. So otherwise we'll be disrupted, right? So I spend a lot of time on culture and making sure the right people want to join us to stay with us because execution is eventually what makes the true innovation of the company is execution.

And those who think that they were their first and they had a great idea, eventually are just emotional people, but they don't make great returns to investors. So Google wasn't first. Amazon wasn't first. So I'm trying to remind myself and the team and the company that we have to be the best all the time.

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

Just to decode this Outbrain was first.

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

What are you talking about, Laura?

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

It has eclipsed them and so.

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

I did not. You said that.

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

I would say that's a self-serving point of view, but it's okay. It can be, you're the CEO. Okay. So what you're worried about is, so how do you managing 2,000 people, Adam? It does – how many did Connexity bring you? How many people?

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

Like 200.

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

Only 200. I thought it was bigger. Okay. But I mean that's got to be hard to maintain culture, and especially you're global, right? You have offices like all over the world, right?

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

Yeah, 22 countries.

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

Yeah. So isn't that really hard as a CEO to think that the culture's going to permeate 22 countries and 2,000 employees?

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

It takes a lot of work. You have to really care about it. I – and so we spend a lot of time on it. What is it – what – how do we interview people who should join us? Who should consider join us? What do we prioritize experience versus talent, passion versus not, empathy like it's just things that stand forever, not necessarily in the next two years or three years. So it's – there's a lot of effort that goes into making those decisions, which is in many ways the job of the management to decide what does it feel to be.

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

Do you meet every new employee you hire before you hire them?

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

Not now. I used to...

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

I was going to say full time job.

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

I used to, I mean, obviously senior people, right? And my interview style is we – it's more of a casual talk because I really look to see what you love to do and then see that passion through what you do. Because I'm pretty sure that you can catch up on advertising if you're smart person.

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

If you love LEGOs, you can do advertising.

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

If you love LEGOs, you can build anything you want. But good smart people can catch up on what experienced people may not be able to do afterwards. So I optimize for those type of trades.

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

Okay. All right. Fair enough. I think that's interesting. Are you going to – but staying on the 2,000 people, there's a lot of layoffs that are now been announced from Meta and Alphabet and Amazon. Are you going to pick up some more talent you think on the tech side from those layoffs? What's your point of view?

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

And we're always looking for good people. I mean, I think this is a very – it's a good time to lay low, like I said, do the work, focused on free cash flow, focused on old school metrics that drive good companies in the right up and right.

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

Yeah.

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

So we'll always look for good talent, especially around engineering and sales and talent in general. But again, we're not looking to get crazy. We're – there's a lot of people already at Taboola.

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

Okay. All right. Fair enough. Let's do Yahoo. Why don't you tell them A, what the Yahoo deal was that you announced and why you're so excited. It was the number one thing you were excited about. So let's talk about that.

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

Yeah, I mean, I love it. I – it's – Yahoo is big. It's an iconic brand. Nine – almost 900 million people trust and go to read the mail, read the news, sports, other stuff.

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

Is that a day or monthly?

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

I think it's monthly.

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

They may use.

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

Yeah. I think it's monthly. And if you talk to advertisers who buy Yahoo, they absolutely love it. They want to get as much as they can of Yahoo. These are real people, loyal people. They come back again, they buy, they interact. So Yahoo is amazing. With this new partnership, one, it's a 30-year partnership, so it's very predictable, which again it's good for investors because when you work with to pull out the inventory we have today is the inventory we'll have tomorrow.

We rarely churn publishers, so that gives us even more supply, more access to consumers. We'll build together contextual segments. So you can imagine our scale and Yahoo scale, so we can create segments for advertisers to target against and be successful. And thirdly, Yahoo partnership will come with advertisers.

So we will not – it's not just a publisher deal, it's also an advertiser deal. So almost \$1 billion of revenue that currently is being spent on Yahoo. Those native advertisers will transfer to Taboola. So that's more advertisers, great revenue. It's very accretive to our revenue per share, EBITDA per share and free cash flow going up almost 5 times.

And I think especially during these times, having good free cash flow just creates more opportunity. We just recently paid some of our debt down. It's – it just gives us another tool to use it in times where things are in flux, so.

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

So it's a big deal. So how much do you have to invest in getting ready to bring them on Board and monetize them?

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

We're going to take our time. I mean, we're – we – what we said publicly is that the second half of the year, as soon as it closes, hopefully the Q1 will start rolling that second half of 2023 into 2024. So we want to make sure that advertisers coming over are happy. I want to make sure that consumers get a good experience. And once it's live, then the real juju begins because...

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

So when is that?

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

So it's going to start hopefully second half of H2.

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

Really?

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

Second half of the year.

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

So it can actually be live second half of...

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

It's going to gradually grow.

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

Okay.

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

So it's not going to be one time because we're going to gradually scale it and see that it works well. But then we're going to start, I spoke about it a little bit, but Yahoo is already connected its biggest e-commerce partner.

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

Okay.

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

Right. So that alone could be a synergy on itself. Coming up with contextual segments and making advertisers successful can be amazing. Yahoo has a big display business. We have a header bidding technology we launched with Microsoft last – in last April. That's getting traction. This could be a big opportunity for us as well.

So between header bidding, performance advertising, e-commerce, there's so much growth to be done in the new management in Yahoo. I can tell you between Jim Lanzone and Matt and Elizabeth and Apollo, Reed, these are like – these are NBA players running this company now, and they have a lot of ambitions. So it was fun to do the deal with them. And I'm even more excited to get going.

So – and maybe most important is that it’s going to make Taboola even more competitive, right? So if you’re a publisher and you’re debating who to work with. On the other side of this, we have Yahoo’s advertisers, our own advertisers, we’ll be able to generate even more revenue to our own publishers now. And if you don’t work with us, you get the funnel of what am I missing out? I’m not making the money. I mean just...

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

Strategy.

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

I’m just a little bit of damage. I wish I was with Taboola. When can I make that happen? I mean it’s irresponsible to really not make the right decision but...

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

That’s your new marketing message, irresponsible not to work with Taboola.

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

Yeah. Said it need an event. So on the other side of it, we said it, if Yahoo and Taboola, that partnership happened last year. We would’ve been at \$2.5 billion revenue. And again what’s missing in this industry is an open web company that is big enough, so advertisers gives it, right? Like if you want to buy a search, it’s easy. You go to Google. If you want to buy a social, it’s easy. You go to Facebook. Try to buy the open web, 50,000, look at LUMAscape, like its a 1,000 companies, so much going on.

It’s complicated. You need one company that’s \$5 billion in revenue, \$10 billion in revenue, and that can become a must buy and that’s the company we’re building. So we’re \$2.5 billion with Yahoo. So we’re inch into the \$3 billion and so forth. I spoke last year about 2025 generating \$1 billion in xStack. We didn’t give guidance, but we said we’re aiming for that \$1 billion in xStack in 2025, which would imply \$300 million in EBITDA and about \$150 million of free cash flow, obviously, yeah, that was before Yahoo. But I’m excited about those numbers because I think it just gets it closer to advertisers saying, what’s our Taboola strategy?

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

Okay. As opposed to what’s our open web strategy? What’s our Taboola strategy?

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

Maybe.

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

Okay.

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

Maybe.

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

So I'm forgetting what I want to ask you. Okay. We're going to go on to the third thing. So the third thing was industry trends. So one of the questions I have about industry trends is that, one of the things we're arguing is that the open web is taking share from the walled gardens. And I've gotten pushback from that over the last two days talking to CEOs, so I'm interested in your point of view that really our walled gardens are being substituted that, yes, traditional walled gardens like Amazon, Google, and Facebook are losing power. But they're not losing it really to the open web. They're really losing it to like different walled gardens like Disney and Netflix when it has ads, stuff like that. Do you – can you speak to that open web as you and I think of it versus walled gardens just moving it over to the new walled gardens and CTV?

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

Yeah. I think – so if I think of performance budgets that mainly – that's Google and Facebook are mainly performance advertising companies. So my guess, CTV, I don't think attracts performance advertisers at scale. So I don't think TV is a great click to buy experience. I mean, we all – we've all seen the Super Bowl barcode that can happen, but it's not meant for that. So my guess those performance budgets now are a little bit smaller because of the macroeconomic. So I'm not sure it went anywhere, just maybe just changed a little bit and became smaller. I think Amazon became fairly good at this. I think TikTok is a real thing. And these guys are – I mean, the average American spends an hour and a half a day on TikTok, right?

Like, I mean, what – where are those people? Who are those people? So – and 50 minutes on Facebook, right? So I mean, this is a lot of time, it's a lot of clicks and it's a lot of performance advertising. So my guess is that between Amazon, Apple News is getting traction. We saw Apple's Graph with advertising, I think those guys are getting, I hope Elon Musk and Twitter will get some traction. I root for some advertising there. But nevertheless, I don't know if it's TV, but I do think it changes between those at least.

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

Okay. But not CTV, you just think CTV is a different animal. It's top funnel. It comes from linear, it's not as measured, it's not performance based.

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

80-20. Like, again, I don't like to say nothing, but I think most of it is big. It's a big screen.

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

And it started as a walled garden and still a walled garden comes from a differently in the space. Okay, that's fair.

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

Yeah. But I do think the open web gets a lot of traction, because of privacy. I think also, in terms of trends, if you have an iPhone in this audience, Apple installs Apple News in the device by default, right? So Apple, which is a fairly good company thinks that news on every Apple device is a good thing. It's good for consumer, it's good for advertising, it's good for Apple. That is a very good proxy for, I think, we're going. There's no way this ends with Apple, right?

So I think we should expect news as an engaging layer. First of all, on every Android device, there's about 1 billion Android devices sold every year. They don't have Apple News. So that's a big open web driver. Then I think if you have a Tesla, you have Spotify pre-install in your car for music. Why don't I have – why don't – why can't I click and watch, listen to Squawk Box, listen to a podcast, listen to the open web in my car. I think anything that is connected to the internet, we'll have news as part of it over the next 10 years. So that will be a source of strength, I think, to open web and Taboola being part of it.

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

Okay. And you have – let's talk about Taboola News, which is something I'm really excited about. Because it's your – you get new screens, new web units. So let's – why don't you tell them what Taboola News is, whereas installed and how you see growth rolling out in 2023.

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

Taboola News is our version of Apple News. It's an aggregation of all of our publishers combined. This is where scale matters too. We have 9,000 publishers and they give us the license to take their content and distribute that to other canvases. So we work with companies like Samsung and Xiaomi or if you fly back home tonight, [indiscernible] (0:23:12) you'll see there's an iPad where you can buy a burger just before the flight. If you look deeply, you'll see there's a button called News, click on it, it's Taboola News. So we're just trying to give us some entertainment while you're waiting for your flight. But eventually we want to be anywhere. We want to be on everything that sits outside of a browser, bring in ESPN and CNBC and the Today Show and all of our great publisher partners, Yahoo soon, and bring them to Samsung, Xiaomi, automobile at some point.

And I think that's going to be over time a bigger portion of our business. Right now, we reported it's about 50, last year it was \$50 million plus in revenue, similar margin. We built it organically. So no dilution to shareholders. This is a startup within a startup, which is great. And another reason I like it beyond the fact, I think it can become hundreds of millions of dollars for us from the \$50 million that it is now, is that every time you click on it, we send you to the publisher website. So we help them now get more traffic, which makes it – it's very synergetic to our publisher business, because if you're a publisher and you're asking yourself, should I work with

Taboola? Should I work with someone else? Who should I choose for the next five years? So I think Taboola generates more revenue than anyone else, but now you get traffic from Taboola News.

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

Which is an extra dollar of advertising they wouldn't have gotten without you.

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

It's extra users, it's extra attention, and they care about it so much. So just another leg, it's another thing that makes it just more than revenue to those publishers. And then we get long-term relationships with those publishers.

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

Okay. I love that news product. I love content. I love the news screens. Ultimately, I do think content is king, not tech. Sorry. Okay, we did this. So your shares all of adtech is down a lot in 2022. What would you like – what do you think Wall Street is missing? What would you like them to know or refocus them on?

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

Yeah, it's a question we talked to everyone during the last two days here the event. I think – one, I think it's complicated. Advertising is complicated and you're doing such a good job trying to just simplify and simplify and oversimplify and oversimplify, because it's complicated and investors have a lot going on. So I can't judge investors for not easily understanding what everyone is doing. And Taboola is unique. We're trying to reinvent banner advertising, this advertising with recommendations, which is what Instagram is doing and Facebook is doing and all of those. So we have a newer story and we're trying to educate the market in the name of God we did a SPAC, back then for school. When we did it, it was really great. It wasn't so great year after.

But – so that was – we answered some questions on that. So I know we're new. We need to do the work and meet investors and just demonstrate that we meet and beat. I always tell my team, Taboola is like a townhouse in the 90s in the West Village, it's like you walk around, it's a townhouse, it's fairly affordable, and if only a new 20 years after. It's going to be a palace in the West Village. So that's how I think, and I love the West Village, Sex and the City, all of that stuff. So that's how I think of that, and we're lucky we have some really awesome investors who joined us post going public and Wellington and others who spend real time with us and try to get our product team and asking us tough questions, which is fun. So that's the fun part of the job, you get to meet good people.

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

Yes, ma'am.

Q&A

<Q>: I get it, it's your company, your baby. I get like, how many of you are there in the company? Because the sensing really high ambitions sounds great, but do you have the right team to execute it? And this vision that you laid out, like how many viewers are we talking about before Some of these things really scale, right? Could be the news product, could be Yahoo investment. It takes two part question there, right? It sort of give us an idea of the investment horizon for somebody who wants to be in this with you and talk about the team a little bit. Are there any gaps that you need to hire for?

<A – Adam Singolda>: Yeah, starting with the team. I think the team is what I'm probably proud the most of...

<Q – Laura Martin>: 2,000 employees, you said it earlier.

<A – Adam Singolda>: Yeah. But just at the management, the top management at least, and even one below, but rather the company, we've been many of us together around 10 years. So we've been with Taboola, and Taboola was almost pre-revenue. So we've seen so much together. We fell together, we succeeded together. We know each other. We trust each other, we make mistakes together. And that's especially now, it allows us – gives us a license to execute when times are weird for the world. For us, it's an opportunity to lean in and we have a company event coming up and the theme is make it personal and zero distance to each other and the clients. And it's because we know what it looks like when there's so much going on in the world and we're just going together.

So the team is what I'm proud the most of in its ability to work together and execute, which I believe is the most important thing. In terms of gaps, they're always – I think there's some things we can probably think of, but nothing, I'm not, look, there's no open search for anything material right now. I will tell you just as an example our CFO, who I think is incredible, just so authentic, humble and smart. And we – all of us...

<Q – Laura Martin>: It's COVID by the way. That's why he's not here.

<A – Adam Singolda>: Yeah, that's why he's not here. It's his first time being a CFO. It's his first time being a CFO in a public company. I'm telling you, he's the best. I've met many, many, many CFOs. He's so good. And they're just – it's part of the Taboola way. And humbly I think I'm biased, but I think he's very good. So that's about the team.

<Q – Laura Martin>: She ask for gaps in the employee base, not strategically, right.

<Q>: Key talent.

<A – Adam Singolda>: Key talent. Yeah. So I was answering like just at the top to see if there's anything material. Around that, I think we're fairly staffed well, so I don't think we need anything material. I think with the Yahoo rollout, we might want to step up on some sales and

account managers. We are attracting significant amount of advertisers. Those are clients we want to serve well. So I think it is going to be some hiring but not significant. It's also why it's so accretive to our EBITDA per share and free cash flow, because it's not linear to our cost. So that was about that in terms of how much and...

<Q>: Timeframe.

<A – Adam Singolda>: Yeah. So some of these things are happening now and they're in process. Some of them are longer term. So as an example, I imagine Taboola in a click of a button, helping publishers create the content they need for e-commerce, get the traffic and connect to retailers that will take few years. That is big. So some things will take more time, but we always have kind of short term speedboats and longer term. So we don't have to just do what's short term.

<Q>: [Question Inaudible]

<Q – Laura Martin>: Great. Go. Yeah, go.

<Q>: And so for a publisher, how much revenue do they really get from you? What – like, what's the percentage of revenue versus other places they can get revenue through internet advertising? How much revenue are they getting from you? How much percentage of the revenue is it? How important is it to them? Because it seems to me like a lot of it's just – I'm going to put that at the bottom of the page and it's not could be relevant, but it's not. It's going to – it's just there to pick up the pieces of the long tail for revenue.

<A – Adam Singolda>: Yeah. So first of all, publishers care about it beyond just the revenue, that is unique to Taboola because we give them editorial tools, we put them on Taboola News, we help them re-circulate traffic on the side that has nothing to do with CPM and revenue. So they do choose us, if you see the investor there last year, Kristin from McClatchy, she was at the time that she said – she spoke about twice she chose Taboola. She has nothing to do with revenue at the time. Now she does more, but there's – as an example of why we have about 2,000 writers and editors using our editorial platform, which we don't charge for. So which they love. So there are many reasons why they want Taboola, but on the revenue, I think, it's significant to them. It's still a smaller portion from...

<Q>: What percentage is it?

<A – Adam Singolda>: It depends. If it's – so some publishers are more native in their orientation. And you can see if you go to the website, you see more feeds and they – it looks like they've more – they've progressed more towards like a feed structure. In those instances, Taboola will be a larger portion of revenue.

<Q>: 1%, 2%.

<A – Adam Singolda>: No, never so small. So from a digital perspective, it could be tens of percent. Some of them were more than 50%, but those are fewer. Those who – if it looks, if you

open it on your mobile device and it looks like Instagram, then for those we can be even bigger than just a few tens of percent. And I think they all care about it. It's directed the bottom line, it's significant.

<Q – Laura Martin>: And I will just give you, you didn't ask, but I will give you his rev shares. He reports a 35% rev share and he gives 65% to the publisher, his competitor, which he's later than his competitor. We already discussed that they only get 25%. So he is taking an extra 1,000 basis points and he's still winning business.

<Q>: Thank you.

<Q – Laura Martin>: What else? Yes sir.

<Q>: We saw Outbrain they have big publishers as customers, you have big publishers as customers, how many more are out there? What's – how do you do the addressable market in terms of winning new customers.

<A – Adam Singolda>: Yeah. So one thing to just understand about Taboola, we fight different types of companies. So in the video space, which is a lot of, we call it, high impact placements, which is about 15% of our business. We fight companies like Teads, Kinetics, some SSPs. If you go to NBC Sports, you'll see in the middle of the page Taboola carousel, we replaced an SSP company. So we fight SSPs, Teads, Kinetics, and that is 15% of the revenue growing up.

In the bottom of article recommendation, traditionally, we fight good companies like Outbrain, RevContent, Dianomi, maybe others. And in that space, what we report is that about of – our growth about 40% comes from new publishers. So last year Fox Sports had no one, they chose Taboola and then about 60% is existing publishers growing. I would say, depends on the market, U.S. is probably more concentrated. Other markets, if you think top of the market, mid-market, long tail, we have not started long tail at all. Mid-Market were the beginning and top of the market is depends on the geo. So some markets, there's no one, some markets there are more. And that's in the recommendation space in the e-commerce space, tiny, like we have the world to capture. So depends just with which market.

<Q – Laura Martin>: What else. What other questions do we have? [Indiscernible] (0:34:02) for 2023, what's your most controversial projection for 2023? It doesn't have to do anything to do Taboola if you don't want to.

<A – Adam Singolda>: I think controversial. Does it have to be controversial?

<Q – Laura Martin>: Yes, it has be bold and controversial.

<A – Adam Singolda>: Well, Taboola will, I'm just talking and I think the biggest thing that we talked about with regards to privacy will be a big deal this year to everyone.

<Q – Laura Martin>: In the UK. I mean in the EU.

<A – Adam Singolda>: No. Privacy and how it affects advertising companies will be the biggest thing as it relates to Google joining what Apple did than others. So I think that will be interesting. And I think the macroeconomics is interesting too. Companies that don't have free cash flow and healthy free cash flow will be in flux because money is expensive.

<Q – Laura Martin>: And do you feel that that drives consolidation in ad tech? Do you think there needs to be more consolidation in the ad tech space?

<A – Adam Singolda>: I definitely think there's too much of – there's too much. It's very complicated. So I think, it's very hard to justify a company that, it's funny because when I started a \$100 million in revenue was a big deal, now \$1 billion is tiny. So it's hard to justify being around if you're not billions in dollars in revenue at least then and at least \$100 million of free cash flow and just some. So I think that's where it's going. And especially now we in the macroeconomics and all of those things, we're kind of back to the basics? So I do think there will be a lot of change and the privacy will affect it and the macroeconomics will affect it. And it's on our mind.

<Q – Laura Martin>: Okay. Any other questions? Yes, sir.

<Q>: The \$100 million of R&D, what are the big investments you're making in the business?

<A – Adam Singolda>: So on the publisher front, we invest in everything beyond revenue, Like the editorial technology I mentioned, so to have editors and writers. We have homepage personalization. It's called homepage for you. Some more and more publishers now, they give us the entire homepage on most of it. And we just use AI to make it look like TikTok, but with news not TikTok post. So that's a huge investment.

<Q – Laura Martin>: It's not video. Is it?

<A – Adam Singolda>: It's also video. It's whatever they want. It's slideshows, videos and articles. It's actually has a video reel. It's kind of cool. We were able to take a 10 minute video, but only show 30 seconds or 10 seconds of it, like a glance into it. So that's huge investment. We help publishers get subscription, so they can diversify the revenue, recirculation.

<Q>: How do you do that?

<A – Adam Singolda>: We look at which articles get to convert. So what happens is there's a sequence of articles that get you to say, need to be part of this. So we're using AI and our first party cookies to see what make people decide to sign up to newsletters and subscription. And we flow that to the editorial team. So all of those things cost money and then we have Taboola News, which is a startup. We have e-commerce. We have header bidding. So we did, we invest a lot in, like I said, short-term like 15% is e-commerce, 50% is video, 3%, 4% is Taboola News, right? So we're over like 35%, touching 40% has nothing to do with how I started Taboola. And that's great, because it's all different pockets of revenue and different pockets of clients. So the downside it costs money, but the upside is, it's more and more from a competitive advantage perspective. It makes sense to choose Taboola for 30 years. But that's a lot of our investment.

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

Okay. I'm going to call out there. We're right on time. Thank you very much everybody for listening.

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

Thank you.