



Q3 2025 Prepared Remarks

Jessica Kourakos, Head of Investor Relations

Thank you, and good morning everyone. And welcome to Taboola's third quarter 2025 earnings conference call. I'm here with Adam Singolda, Taboolag's Founder and CEO, and Steve Walker, Taboola's CFO. The company issued earnings materials today before the market 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, Jessica. Good morning everyone and thank you all for joining us today.

We're pleased to report another strong quarter - our third consecutive quarter in 2025 exceeding the high end of our guidance.

Our new performance platform, Realize, is beginning to work for both advertisers and publishers. We're seeing an inflection point in our business, and have greater confidence than we did even 90 days ago that we will get back to double digit growth over time. This momentum gives us the confidence to once again raise our full-year outlook. We've bought back 14% of the company year to date, and are continuing to buy back shares aggressively.

As a reminder, Taboola is one of the largest performance advertising platforms outside of Search and Social. Our platform, Realize, helps businesses get leads and grow sales. It operates similar to Google Ads, or Meta Ads, offering a simple to use platform, powered by AI. The key difference is that while Google reaches users in search, and Meta in social, Realize engages 600 million people every day across the open web, on partners like Yahoo, NBC, ESPN, USA Today, Apple News, Samsung and Xiaomi, driving those people to action.

Our competitive advantage lies in our AI and first-party data, drawn from what people actually read about, versus what people idealize of themselves in social media, giving advertisers authentic insights into user intent and high-performing outcomes.

In 2025, we expect nearly \$2 billion in Gross Revenue, and more than \$700 million in ex-TAC Gross Profit, which is what we keep after we pay our publisher partners who show our ads to their users. We expect to generate over \$200 million in Adjusted EBITDA at a 30% margin, with strong free cash flow. As advertisers see diminishing returns on search and social, they look for scalable, performance driven alternatives like Realize. Taboola is uniquely positioned to take share in what we estimate is a \$55 billion opportunity.

Now let's turn to our Q3 results, which came in ahead of the high end of our guidance across the board. We delivered Revenues of \$497 million, ex-TAC Gross Profit of \$177 million, and



Adjusted EBITDA of \$48 million representing a strong EBITDA margin of over 27%. We also generated \$46 million in Free Cash Flow this quarter and \$117 million year to date, which amounts to a 96% conversion of our Adjusted EBITDA in Q3. This strong cash generation allowed us to repurchase approximately 10 million shares during the quarter for a total consideration of \$34.4 million dollars. Year-to-date we've bought back approximately \$184 million worth of shares, representing 14% of the company.

Driving ex-TAC Gross Profit growth is our North Star. It indicates that we're providing increased value to our customers and fuels our profitability and cash generation. In the third quarter, ex-TAC Gross Profit grew 6% year over year. The vast majority of our revenue is driven by scaled advertisers, those who spend \$100k or more annually. As such, we guide investors to track two main metrics that affect our ex-TAC Gross Profit growth - the first is growing the number of Scaled Advertisers. The second is increasing Average Revenue per Scaled Advertiser.

In the third quarter, we grew the number of Scaled Advertisers by 4% to 2,064. Our Average Revenue per Scaled Advertiser grew 11%, reflecting meaningful progress in driving advertiser success with Realize.

Realize's expanded capabilities and strong performance technology are driving these improved results. One example can be found with a major online travel company that was interested in growing their cruise business. While using Realize's advanced targeting and bidding technologies, they were able to achieve 67% lower CPCs versus Meta, while driving a 48% increase in traffic to their site. This performance was so strong, this travel company increased their initial investment 10x and has now become a Scaled Advertiser on our platform.

Last quarter, we shared more about how our supply is differentiated. Overall, our exposure to search traffic globally remains in the single digits, and even as search traffic across the web declines, our total company traffic in Q3 grew year over year. This growth was fueled by strong double-digit increases in app traffic - now accounting for roughly one-third of our



global supply - along with successful new publisher onboarding. We continue to monitor our traffic patterns but at this time it is a relatively small level of exposure.

In summary, we're very happy with how the year is progressing. We think Realize can make us the leading performance advertising platform outside of Google, Meta, and Amazon across mobile, desktop, OEMs, messaging apps, and more. It's a big ambition and the numbers make it clear that we're not there yet. That said, we see an inflection point in the business with Realize, and if you know this team as well as I do, you'd know we are motivated by big challenges. It's probably one of the reasons we were voted one of Fortune's Best Places to Work. We're taking on one of the toughest competitive landscapes in the world in an enormous addressable market, we're hard at work, and we've bought approximately \$184 million worth of shares as we see the opportunity ahead of us.

Before I hand it over to Steve, on a personal note, I want to say that over the past months, our teams and partners in Israel have shown incredible strength, resilience, and unity. Seeing things begin to calm and people returning home safely fills me with gratitude and hope.

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



Steve Walker, CFO

Thanks, Adam, and good morning, everyone. As Adam mentioned, we've had a strong year so far. In the third quarter, we continued that momentum delivering results that exceeded the high end of our guidance across all metrics.

In the third quarter, Revenues reached \$496.8 million, up 15% year-over-year. We believe this growth reflects an inflection point in Realize's traction in the market. I have spoken about the fact that we have a large amount of very high quality supply, so what we need to grow our business going forward is primarily to earn new advertiser budgets. We started to see traction in that area during Q3 as our new ad platform is helping advertisers succeed and helping us win additional budgets. This shows up in our Scaled Advertiser metrics, evidenced by a 4.4% increase in the number of Scaled Advertisers and a 10.9% increase in Average Revenue per Scaled Advertiser, both of which primarily benefited from Realize improving retention and growing ad spending levels with existing advertisers when compared to the same period last year. As I have said in prior quarters, we are particularly pleased to see the number of Scaled Advertisers growing, as they tend to be the fuel for future growth. I should note that the growth in Average Revenue per Scaled Advertiser also benefited from an easier comparison with Q3 2024, because during that period we were testing ad formats with Yahoo and revenue from that test was recognized as an offset to Traffic Acquisition Cost rather than as Revenue. Normalizing for that one-time test, growth in this metric was more in the mid-to-high single digits range, and taken together with our growth in Scaled Advertisers, positively contributed to our revenue and ex-TAC performance.

Ex-TAC Gross Profit for the third quarter came in at \$176.8 million, up 6.3% year-over-year, including a 55 basis point tailwind from foreign exchange rates. Ex-TAC Gross Profit growth was primarily driven by strong growth in advertising spend, thanks to the success we are seeing with Realize, and includes strong performance from Taboola News and bidded supply. Ex-TAC Gross Profit margins were down year-over-year primarily due to the one-time testing we were doing with Yahoo last year. Notwithstanding, overall ex-TAC Gross Profit dollars grew year-over-year, and as I have said previously, I focus more on growth of ex-TAC Gross Profit dollars rather than the margin percentage.



Gross profit for the quarter was \$139.0 million, primarily benefiting from strong ex-TAC Gross Profit growth. As mentioned in prior quarters, Gross Profit also benefited from reductions in our Other Cost of Revenues driven by lower server and network infrastructure costs, some of which came from a reduction in depreciation expenses related to our servers due to a reassessment of their useful lives.

Our Net income was \$5.2 million, with Non-GAAP Net Income coming in at \$34.3 million. Adjusted EBITDA for the quarter was \$48.2 million, reflecting an Adjusted EBITDA margin of 27.3%. We continue to focus on cost discipline across the business, while strategically investing in areas that support growth. This quarter, we had a \$2 million headwind for foreign exchange rates versus Q3 2024 - \$3 million higher operating expenses, partially offset by approximately \$1 million in ex-TAC tailwinds. The impact on operating expenses was primarily from the Israeli Shekel, where we have a large employee and expense base. Without this headwind, our Adjusted EBITDA margin would have been roughly the same as Q3 2024. We also had higher-than-planned hosting costs related to certain growth initiatives and we decided this quarter to further increase our marketing spend for Realize based on the traction we are seeing.

In terms of cash generation, we had \$53.2 million in operating cash flow in the third quarter and Free Cash Flow of \$46.3 million, representing 96% conversion from Adjusted EBITDA in the quarter. Our Free Cash Flow benefited significantly from a couple of factors, primarily high Adjusted EBITDA margins and strong management of our working capital. Our Free Cash Flow conversion from Adjusted EBITDA continues to be over 70% over the last 4 and the last 8 quarters. Given our experience over the last couple of years, we think it is safe for investors to assume that we will convert free cash flow at a 60 to 70% rate over the longer term, which is above our prior 50-60% target conversion of Free Cash Flow from Adjusted EBITDA. For the full year 2025, I expect to do even better than the high end of that range.

Turning to the balance sheet, we remain in a strong financial position. We ended the third quarter with a net cash balance of \$41.5 million. Cash and cash equivalents totaled \$115.5 million, which more than offset our long-term debt of \$74 million. As a reminder, earlier this



year we secured a new \$270 million revolving credit facility, allowing us to fully repay our prior long-term loan while maintaining approximately \$196 million in available capacity as of September 30. This facility also allowed us to reduce our interest expense by \$1.6 million in the third quarter. With this facility, we can operate with a lower cash balance while preserving access to significant liquidity.

We continue to believe share repurchases are one of the most compelling uses of capital. In the third quarter we repurchased approximately 10 million shares at an average price of \$3.43, for a total consideration of \$34.4 million. Year to date, we have bought back nearly 14% of our outstanding shares, reducing our total share count from approximately 337 million at the end of 2024 to about 291 million at the end of Q3 2025.

As an update to our share repurchases from Yahoo, we are no longer required to purchase shares from Yahoo for the remainder of 2025, due to meeting certain Israeli regulatory conditions. This means we have the ability to buy more shares in the open market.

Moving to guidance, for the fourth quarter 2025, we expect Revenues to be between \$532 and \$542 million, Gross Profit to be between \$166 and \$171 million, ex-TAC Gross Profit to be \$204 to \$210 million, Adjusted EBITDA to range from \$83 to \$85 million and Non-GAAP Net Income to be \$52 to \$56 million.

For the full year, we are raising our guidance across the board. We now expect Revenues to be between \$1.91 and \$1.93 billion, Gross Profit to be between \$550 and \$564 million, ex-TAC Gross Profit to be \$700 to \$710 million, Adjusted EBITDA to be \$209 to \$214 million, and Non-GAAP Net Income to be \$139 to \$144 million.

This guidance reflects continued momentum across our business. I would note that in Q4, the Adjusted EBITDA guidance reflects a forecasted headwind from foreign exchange rates of over \$5 million on operating expenses partially offset by ex-TAC tailwinds, which reduces our Adjusted EBITDA by approximately \$1.5 million and reduces the Adjusted EBITDA margin by over 140 basis points. Also, as a reminder, when you are comparing each of the quarters this year to the same quarter last year, you must keep in mind the onboarding of Yahoo, which



impacts quarterly comparisons this year. As a result, we believe the full year projected growth rate of 6% at the midpoint of our new range normalizes for these dynamics, and is the best representation of the true growth of our core business in 2025.

In summary, we're very pleased with our Q3 performance and the strong momentum we've built so far this year. We're seeing an inflection point with Realize and remain focused on delivering against the goals we set at the beginning of the year. There's still work ahead, but we believe we're on the right path toward achieving double-digit growth over time.

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