

Company Name: Taboola (TBLA)

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

Good afternoon. I'm Laura Martin, Needham's senior research analyst for streaming and ad tech companies. Welcome to the first day of Needham's Measurement Virtual Conference. The format of this conference is that anyone can ask a question at any time. You can put up your hand in the Zoom and Wall Street webcasting. Folks will unmute you and you can ask your question directly in the Zoom to the speakers or you can type it into the Q&A or chat boxes. My goal today is to answer all of your questions. The most common reason investors give us for not owning any ad tech stock is that Google is promised to deprecate cookies for targeting in 2023, which adds risk to the ad tech ecosystem. Combating this exact issue we think Taboola has one of the most interesting business mixes in ad tech today. It has the ability to deliver end-to-end accountability between ads and purchases which makes it nearly unique in our coverage universe.

Let's start with it by introducing our two speakers today you know which one's which and who they are. Adam Singolda founded Taboola in 2007 in his parents' home in Israel. His vision was to build a recommendation engine that would help people discover things they may like and never knew existed. Today, Taboola is the leading recommendation company for the open web. Bill Glass joined Connexity then Shopzilla in 2004 and was a member of the senior executive team that sold Shopzilla to E. W. Scripps in 2005. In 2011, he led the successful divestiture of Connexity from Scripps, at which time he became the CEO. With Bill as CEO, Connexity transitioned from a comparison shopping company to a leading data driven retail performance marketing company.

Okay, so maybe, Adam, let's start with you. I think a good place to start is with some background about Taboola for those in our audience, who maybe are not as familiar with the company you founded and lead today and is a public company, so it's investible.

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

Hi, Laura. Thanks for having us today. Everyone feel free to ask us any question that comes to mind during this session. I brought my superpowers, Bill. So there's nothing we can't take together just to be clear. So, like you mentioned, we – I started Taboola back in 2007 with a vision to build a recommendation engine that we all actually use all the time, you use it on Amazon when you buy products, you use it on Netflix when you watch a show, you use it on Netflix or TikTok when you're looking for social engagement. But in the open web, which is all the websites, we love apps we have in our phone, apps we have in our connected TV. That's what we define as the open web, which is anything outside of the wall garden.

There is no such AI engine that helps consumers discover things they may love and never knew existed. It's a phenomenal opportunity for investors because it's a big market. It's a \$64 billion market. But there's no kind of Google or Facebook or Amazon for the open web. And we think

there will be one company that generates over \$10 billion in revenue that allow advertisers to easily buy the open web as easy as they buy search or social. And we think Taboola as an advantage in that market where we have a stable supply access to consumers. We work with publishers about 9,000 of them, CBC, ESPN, MSNBC today show BBC many amazing websites and media companies all around the world for three, four or five years. So that exclusive supply, we have a relationship with advertisers where we optimize using our technology, which we can talk about today. And we've been growing fast. We have a very strong financial profile. Especially during these interesting times, Taboola has been growing fast. We're generating free cash flow. We have strong balance sheets. So we're excited about the future,

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

Staying with you, Adam, so far each CEO this morning and I think you're my fourth has argued that proxy measures such as impression, product awareness brand recall favorable ranges will persist indefinitely. Let me call those proxy measures. I think your view is that closing the loop between advertising and e-Commerce is the best form of measurement because it's based on actual sales performance. Can you – and maybe this is Bill's question, maybe I misspoke, maybe it's Bill's, not Adam's, not sure. Can you talk about why you think performance advertising and closing the loop by tying ads to e-Commerce is the best form of measurement going forward?

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

I can start Bill on just performance advertising in general and maybe you can speak more about the e-Commerce fund. In general one I think it's always interesting to look at wall gardens as proxies for great strong businesses. And when you look at them, you're seeing that they've built direct to the advertiser relationship. So if you want to buy Facebook, you buy from Facebook. If you want to buy Search, you buy from Google. There's no one in between or most of the time there's no one in between. And Google and Facebook or Amazon, they use their own technology to optimize for the advertiser. They have pixel on the advertisers' page. They know what is the objective and goal. And they use machine learning and AI and deep learning to optimize towards that goal. There is no such term as Supply Path Optimization for Google. That doesn't exist. Google is a hundred percent optimized. There is no such thing as supply path optimization for Facebook, right. There is no one in between, they work directly with the advertiser and they optimize for specific goal.

Also most of the advertising market is driven by performance advertisers. So to build a company that is very successful in their technology to serve performance advertisers, to be able to measure what they are trying to achieve and to do that for the most part automatically for them is key from my perspective, to build a successful company in the advertising space. So for us as a company, at Taboola it was always very important to have all of our publishers direct and then most, or all of our – mostly 90% or so of our revenue comes from advertisers who work with us directly. So measurement attribution direct the advertiser AI is fundamental part of our belief of how Taboola should exist and I hope it'll never change.

And I think that's the only way we're going to continue to grow as we are. I also think when you add to what I just said, recession, cookie deprecation, all those things, which I'm sure we'll touch

on later today, it's clear to me that unless you have a very strong business and performance advertising, you are at also a big risk.

So then when you added at the e-commerce front, which I believe is one of the biggest upsides for consumers in general, digitally, and especially in the open web, it's even bigger, but then we really want to touch on that a little bit.

<<Bill Glass, Chief Executive Officer, Connexity>>

Yes, sure. Our business, and we can give you a little overview of that too. But our business is essentially a hundred percent performance based. In other words, people are measuring exactly what happened after someone has clicked through and gone to in our case a retailer's website, right. So the way that we built this business was because we built both technology and relationships on both sides. So with the retail advertisers, so that we're integrated into their system, so we can see and get the feedback loops from them of exactly what happened. And then on the publisher side were integrated so that we can track that down to a very granular level and therefore optimize. And without the visibility and the capability from a technology perspective and a relationship perspective to see that we wouldn't be able to perform in the way that we do for our advertisers, which is essentially almost a guaranteed performance.

And that's why they work with us. That's why they have increased their spend significantly year-over-year consistently for many, many years in a row.

If helpful Laura I can step back and kind of give the overview, which I think – yeah. So our business is actually a lot like Taboola. Interestingly as Laura highlighted, the origin of it was comparison shopping websites that people would've known as Shopzilla and Bizrate where I joined when we were building that business and built it and then helped sell the business to Script as Laura had outlined. We've evolved the business over time to be much more like Taboola in the sense that our O&O website business is not the business it's now a multichannel business that has the two networks and is a two-sided marketplace and much like Taboola is power powered by proprietary technology.

So on the one hand, we have all these advertiser relationships, which are in our case strictly retail relationships and a large network of those. And then we have now, instead of our websites, we have publishers whether those are enterprise publishers or social influencers but a collection of channels that provide access to hundreds of millions of consumers.

And then in terms of our proposition for advertisers, our solution is a cost effective way to reach and convert new customers and drive sales at scale. And we'll drive on track to drive over \$5 billion in gross merchandise sales at our retailer partners this year.

We have, as Adam mentioned, we're focused on direct relationships. And we have those with many of the largest retail advertisers. So companies like Wayfair, and Walmart and eBay, doesn't matter whether they are purely online or offline online, doesn't matter whether they are the huge ones or Tier 2 or smaller ones we work with everybody. And those advertisers choose to work with us because of the scale we have, in terms of the sales that we drive and equally important as

I mentioned, the fact that we can drive those sales while virtually guaranteeing that will hit their performance goals.

So their return on ad spend or their cost of sale or whatever their ROI target is. And we do so in a way that doesn't require a lot of work for them. We call it an automated managed service in the sense that if you think of a customer like Wayfair, they come to us and they give us their budget for the month or the quarter. Sometimes it's untapped, which is the case with about 50% of our customers. They tell us what their ROI goals, they give us a product feed, and then we go do the work. We syndicate their product listings into all the possible places where there are consumers who may want to buy something in the context of the publisher world. And we do the work to make sure that we hit their campaign goals.

So they get all of that scale. They get all those sales, that \$5 billion in GMs, and they don't have to do any work, which is a huge advantage relative to the other places that they do the same thing, which would be like Google and Facebook, where they have to do the work themselves.

So that's the advertiser proposition. And on the publisher side, it's a monetization solution similar to Taboola. So we provide a turnkey way for publishers who are engaging their consumers in some sort of shopping experience. So either it's commerce-oriented editorial content, top 10 list articles that are reviews, or it could be a shopping marketplace that they've created. And in that case, we work again with the top publishers. It's really a who's who list of the U.S. companies like Hearst and Condé Nast and USA Today.

And then we also have a product where we're taking advantage of what's happening in social – the in-social influencer space on our Shop Your Likes platform, where we're aggregating thousands and thousands of social influencers who are really doing an excellent job now of influencing commerce. And that's a really exciting space. So we have both the long tail and the enterprise side, and both of those partners work with us because of our premium monetization, which means two things. We have access to budgets from all of the top retailers.

And then we have access to premium rates, whether that's premium cost per click rates or premium commission rates, we're able to get that on behalf of the network and on behalf of our partners. And then they work with us because of our technology platform that allows them to customize their publisher experience using commerce content and then our analytics system that give them the feedback to then be able to understand as I was describing in the intro part, what's working, which articles that they write, make sense, which ones are not, which ones should they write more of. So that's the basics. I'm happy to answer any questions on that, but that should give you the overview of what we're up to.

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

Okay. So let's go back to sort of the questions that I had prepared, which is when you think about Connexity, which is the e-commerce versus the tools closed-loop revenue strategy. Can you tell investors how your clients use Connexity and why it's better than alternatives?

<<Bill Glass, Chief Executive Officer, Connexity>>

I think it just covered that piece of it, but are we talking about getting at the connection between Connexity and Taboola?

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

No, that's not where we're getting at. So let me be clear for the audience because I'm not sure that was clear with all those words. So if there's a list of top 10 televisions, Bill's company will actually be – you'll be able to like buy now and then there'll be ads in that list of top 10 TVs and then they get better conversion rates. I mean, that's fair, right? That's really the execution, Bill, of what you're doing largely.

<<Bill Glass, Chief Executive Officer, Connexity>>

Well, let me – so let me just go back and cover these in if there are questions. So on the advertising side again, and that's the example I just said with Wayfair, right. So we are getting budget from Wayfair. They're enabling us to go out with their product feed and syndicated to any place that we can find that we have a relationship with. So we're essentially almost operating like an agency, except that we have significantly more technology than a typical agency. And we have specific supply if you will, or relationships with publishers or social influencers that are specific to us. So we're going out into our network that we've built and syndicating those ads and showing Wayfair through our tracking and theirs, the sales that we're producing and that we're hitting their goals. That's the simple nature of the advertising relationship.

And again, the reason why they work with us is because there's a significant amount of scale, probably the largest aggregated view of e-commerce in the U.S., outside of the walled gardens and because it's not a lot of work for them because we're doing all the work as a managed service. In terms of where it manifests and then how a publisher would engage. Then you've got publisher on the other side, someone like a Hearst who is writing commerce content. And within that commerce content, they are putting links or exposing opportunities for products, as you said, which maybe this is where you were going with it, Laura. And then Connexity is fulfilling on connecting the dots between what Wayfair's products and what the publisher is writing about.

And then we're brokering those two in between and using technology on both sides to understand how much Wayfair would be willing to pay. And in the case of Hearst, whether it's better to show Wayfair or show something else.

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

Okay, great. So let's move to the question, the other question, which is like, being to Taboola, can you talk about ways in which your Connexity e-commerce businesses benefited from being directly connected to Taboola's tech stack and extensive network and global footprint? What synergies have surprised you?

<<Bill Glass, Chief Executive Officer, Connexity>>

Yeah. So I think just to set some context, as I explained we're similar businesses, so there's a lot of exciting overlap in the sense that we work with similar, if not the same advertisers, but when they're similar, then there's opportunities for cross-sell. And we have – also have publisher networks. I think just before I get into the details, I think it is interesting to call out that one of the most compelling things is the overlap in our culture and the way that we both go about making decisions and solving problems where everything is data driven.

So we both think that way. And then we use technology to solve problems at scale. And I know when Adam and I were first talking about putting the companies together that cultural fit was one of the most important and compelling things. And so not a surprise I suppose, but it's been really great to see that play out in a way that has led to really good collaboration between the teams and importantly very limited attrition, which is hard to do in these scenarios.

I think in terms of specific benefits, I'll call out a few. On the publisher side, we historically on the Connexity side have been in the U.S. and a little bit in Europe and started to tow dip into APAC. As some of you may know Taboola's global footprint is much, much larger than that. And that means two things, both the infrastructure to build out teams and put people on the ground. And then also the publisher relationships that we would want to go and get for supply in those markets.

And so having access to that, that global footprint has greatly accelerated our expansion. We're nine months in. We're in 14 new countries already. We've conducted tons and tons of pitches. We're connecting multiple pitches a week in each of those regions and have a handful of publishers that are already up and running on the Connexity publisher platform.

So that's certainly an exciting one on the advertising side same thing. Taboola has an established presence. It's more about the countries that we're in, where we're able to go and use their new business team to go and open many doors that we didn't have to new advertisers. And that's certainly encouraging so far and we're doing the same thing and selling Taboola's product on our side.

I think one of the most exciting things is the example of on the Connexity side, where we have many of our advertisers with 50% or about 50% of our advertisers with uncapped budgets meaning if we go find a new supply channel, we can go spend it. And really the Taboola network is just a supply channel for us. And so we're working with the team to figure out how to deploy that spend and syndicate those product listings into that network.

And I think in terms of surprises, maybe the thing that surprised me the most is the excitement of our advertisers and the willingness to immediately jump in and do deep integrations with Taboola to drive performance. So over 50% of our top 150 retailers now are opted into a custom implementation where they can which will enable them to access the Taboola network and create value. So a lot of exciting things happen that's just a few of them, it's early days, but it's clear there's going to be a lot of value created there.

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

Anything on your side Adam, like biggest surprises of buying Connexity that you didn't anticipate. I feel like the culture thing was pretty well signaled from day one, but any surprises?

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

Well, I didn't realize that I was using Connexity so much before the partnership between the companies, only now every time I go to so many websites in the U.S. to buy things for the kids and only now do I realize how much I've been using it as a consumer, because I have no idea what to buy. So in many ways I was paying, Bill's company way before, this partnership came about. But now, I mean I guess as a consumer, I'm surprised by how valuable that is. Especially now as we are more home and we know we're not going to be in store so much. And I think it's a great value and now that it's part of Taboola's, it's fun for me to use our own products in the wild.

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

And is there a reason Adam, you couldn't have built this yourself? Would it just taken too long?

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

I mean, look you could – we always ask yourself, as a technology company, can you build it? I think when we tried to kind of play with e-commerce space even before, and that's how, how we also got to know Connexity, right. And that's the best kind of journey is, those who start before the actual announcement. So I can say there are so many things here that would've taken us five to 10 years in on the relationships and trust for those advertisers. If you look at the average tenure of an advertiser working with Connexity, I think it's over 10 years.

<<Bill Glass, Chief Executive Officer, Connexity>>

Over 10 years, yeah. I mean I think my reaction to that is of course you could have, but some of this is I mean this is technology relationships, institutional knowledge that's been built over the course of 10 years, I mean, it just is. And so there's a lot of nuance to what's happening there, but I think the most powerful thing is it's – we're one of the few companies on the planet outside of Google and Facebook and maybe you would say Bing that have built the credibility to get paid on a cost per click basis. And that happened because we had websites that had 30 million unique visitors going to them and we built it off of that and then we transformed it to be the aggregation of the entirety of the open web, and that to go and build that at this point I think is pretty impossible.

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

Yeah. So just – I think it would have taken us north of five years and I'm not sure we would've been successful, but be it would have – to give it a shot, take us that amount of time. I also think there is – there's an offense-defense moment in time now, because you have to take a bet or not that e-commerce is going to be a huge deal in the open web, right. So we do – I do think that e-commerce for consumers will be a big deal in general. I think we're seeing that in social

networks. I mean, Instagram is essentially becoming an Amazon with a feed and we're seeing that with TikTok about [indiscernible] (0:21:14) videos.

So again, if you subscribe to e-commerce becoming a bigger portion of what drives digital advertising growth in the future, and as that translates into the open web, then this is a critical moment for Taboola to partner with Connexity and do that together. And the difference move was that like build it an amazing job building one, if not the largest companies in the space. And there was the one after Bill was very small. So for me, it was – do it full throttle and the most important thing was that the company's culture were an amazing met, so we can make mistakes together, fight it off, go back to the sketching room and build a better company together.

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

So one of the questions that I'd love your help with Adam that I get a lot from investors is, how big a TAM is this? And what they're asking is, e-commerce by definition means you're selling product. So you have the open internet, which feels like it's got a bigger global TAM, because you can serve as any kind of advertiser, right. But e-commerce feels like it's a subset or a segment of that, because you're sort of condemning yourself to people who actually sell goods. Can you talk about the TAM difference and whether you actually made an acquisition that more limits your TAM rather than opening up your TAM? Can you give us a point of view on that?

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

Yeah. We – so the way I think about it is, like I said, if you look at the open web is a \$64 billion out of that about \$40 billion is already coming from e-commerce. We think that together with Connexity and the ability to tap into social and search and other forms of supply, as well as retail websites, which right now we don't work with at all. We think that gets Taboola from \$60 billion TAM to about \$100 billion TAM. So and the reason it expands our TAM is because think of performance advertising as really as segments, right? You want to specialize in different segments as a company. You want to be great for advertisers who are looking to get subscription. You want to be great for advertisers. You want to get maybe hyperlocal type of value and then e-commerce or advertisers who are looking to sell a product using feeds.

So you should think about it. The open web as a bunch of segments, it's not one solution fits all. It's – are you great for e-commerce? Are you great for app downloads? Are you great for games? So that's how I think about it. And now Taboola is great for e-commerce. So it really expands our ability to be specialized in a new segment called e-commerce for advertisers. Beforehand, Taboola built basically roughly \$1.5 billion business by focusing the advertisers who are kind of niche funnel. So I'll give you an example, the same advertiser Wayfair worked with Taboola before Connexity to get consumers to sign up to a newsletter. So you would use – Wayfair would use content and getting consumers at the right moment to be interested in signing up to a furniture email so they can get relevant personalized news from Wayfair.

That was how Wayfair worked with Taboola before Connexity. With Connexity, now they can also sell products directly from the Wayfair inventory. So now basically, it's just two different touch points that the same advertiser can do with Taboola. They're all kind of mid funnel, bottom



funnel, it's still performance advertising. Just expand our 10 in that way. And then to me, the biggest thing that's happening is actually even beyond the advertisers and the publishers of the open web is us as consumers.

We've changed. And I think that change is never going back. From 2020, the pandemic and Bill can speak, if we have time later about how we're seeing the data of consumers becoming better shoppers, we basically need and appreciate a trusted source of information to be able to buy stuff. So I just bought a trampoline for my kids. I used Reviewed.com of USA Today. I promise you Laura, I know a lot about advertising and publishers in open web. I know nothing about trampolines and it was great for me to know that 40 people reviewed 10 trampolines. I trust them a lot more than Amazon, truth.

<<Bill Glass, Chief Executive Officer, Connexity>>

Now you know a lot about trampolines.

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

Now I know a lot. And I'm empowered by Connexity, the power of Connexity. So it was a great user experience. I'm happy to pay and by the younger generations, they actually prefer even more to buy directly from the consumer. So the whole D2C relationship for younger generations is even more important than at least to us. We happy to click on Amazon and buy, but younger folks love to get to know who is the retailer behind the screen and who is the founder and all those things. So I think it's the right time. But also I think user behavior changed and that'll never go back. So it's expanding our TAM. It's the right timing to do that. And I think it's only going to get stronger.

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

Bill do you want to take a stab at this question or no?

<<Bill Glass, Chief Executive Officer, Connexity>>

I think Adam covered it.

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

Okay. Great. I think Adam, what it pushes on though, is that you have constantly said you've always quantified the open internet TAM is like, let's just use your \$60 billion number, really that was shenanigans because what you just told me is your TAM wasn't \$60 billion. You had silos that you addressed. You've now added to your TAM because now e-commerce is part of your silo. But by implication, there's a bunch of silos you don't address in the \$60 billion, so your \$60 billion isn't actually your TAM.

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

I mean, absolutely. So to be clear, \$6 billion to \$4 billion, all the advertisers dollar that are flowing to the open web today. But if you look under the hood, by the way, of course, they're not all going to Taboola unfortunately we're just \$1.5 billion out of those \$64 billion. But if you look at how are those \$64 billion look like those include game advertisers, which we don't support, those include app download advertisers, which we don't support. Those include local hyper advertisers, pizzerias that are looking for people who are walking by their street to come in. We don't support that yet.

There's a whole lot of technology. If you go back to our strategy, we spoke about recommending anything and anywhere. So when I say recommend anything by that I mean how you can become specialized in a certain segment of the \$64 billion. So we can do a good job for performance advertisers.

On my last letter and earning, I also spoke about our huge investment in performance advertising. I said, I want to 4x the engineering team that is working on performance advertising in large, over the next two years because I'm obsessed about advertisers, specifically performance advertisers. Because if we can – if the bullet can unlock more segments like Connexity now with this partnership, but imagine more that we already have reach. Taboola reach is 0.5 billion people a day.

If you're an American, unless you were recently born, you see us every day. So the truth is that we have great reach. We reach more people than Snap and Twitter combined, but we have yet to build the technology that can unlock all the different types of advertisers. So \$64 billion is the open web TAM, which we're going after one segment at a time.

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

Okay. That's fair. That's fair, right? Total addressable market is the total money at risk, but you have to create product too that I think that's fair actually. Okay. So I guess my question then Adam is when you think about the future, how much of the total – how much of the total open internet is going to be brand versus performance? Is your – everything moves to performance?

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

Look, first of all, in general, again, I look at Google, Facebook, Amazon, it's mostly performance advertising, right? So I don't know if what are the latest numbers, but it's the best majority of that, if not the majority of that is performance advertising. And the reason is, when you're thinking about millions of advertisers, local businesses, national businesses, product companies, those are the folks who know exactly what's the objective they have and how to attach a conversion to that and scale, right? So we know travel industries and other industries can scale to billions of dollars of spent if it works.

So that's why search and social and now Taboola are a great chance for performance advertisers. So first of all, I do believe that it's already mostly performance advertisers and it's going to be like that for Taboola. There's always going to be an opportunity to add 15%, 20%, 30% of your business as kind of premium, whether that's via TV advertising or video advertising. And that is

an opportunity for brand advertisers who are looking to kind of spark that brand awareness. But, I don't think it's going to be ever most of the revenue. I think performance will always be the most. And because of that, we invest more heavily in performance advertising, mainly because I think that can, if we just do that well. So, if we just did performance advertising really well, Connexity obviously with all the synergies and then add more segments Taboola can become over \$10 billion revenue company just by doing that. And that's of course not all we want to do.

So because that means our yield will extend and extend and extend. We'll have buying power. It means it's going to be harder and harder to complete with us on the publisher side. So there's a flywheel here that happens the more you unlock advertiser success. And I think also when you look at social companies, when you look at companies like Facebook, Google, Amazon, they did it. When you look at Twitter, not so much, not there yet, and that's why it's harder to monetize that feed, because performance advertiser are not yet working at scale and Twitter. So, I just think this is key.

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

Let's go do a question from the audience, which we have here, which is Adam. With the stock down almost 75%. Why is there no insider buying from members of the board yourself, et cetera, every other crush micro cap that the real business has significant insider buying, showing confidence in the company. What's your answer to that?

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

Yeah, first of all, let me say it sucks. The stock is down. I mean, obviously we're not that happy most of my net worth, the best majority of it, all of it is in Taboola, and I'm not selling. So, obviously this is not fun, saying that, we're not alone and obviously the market is going through some challenges. I do think that investors that talk to us and spend a lot of time with us are encouraged by the fact that Taboola is not only growing fast and is a scaled company, but also one of very few that is generating high tens of millions of free cash flow.

Now, we're already, we're talking with the board all the time, we're having a healthy conversation about, should we do it? And what are the consideration we haven't made, obviously any decision that is public and I can speak about, but we're talking about it. And at the same time, we want to make sure that we're prepared for whatever is the future unfolds, as the world is changing around us. So, we want to be responsible, but we also we're talking about it all the time.

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

Okay. So, I'm going to recap your answer there, your answer about yourself, which is what he asked about, is that all your money's already tied up in the stock. So, you don't have money that you can put to work by buying more shares. That's what do you say?

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

I still have a mortgage, Laura, so yeah, there's still a mortgage over there, but my point is...

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

You need to cut down on your Lego purchases and you need to buy more shares. That's what this investor thinks. No more Lego purchases for you.

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

Fair, fair. But yeah, I mean, I'm all in. I mean, I'm all in, we're having a good time. I'm disappointed by the stock price, but I'm very encouraged by the business. And I think that the market is perfect. So for me – I can tell you when I go to sleep at night, I dream of clients and I dream of talent, and amazing culture that does get in my dream. I can affect the stock price now, but I do think I can affect the midterm definitely long term. So, I'm convinced I can, that's why I'm here. So, I'm encouraged by the business fundamentals. I look at the synergies with Connexity, Taboola news, which is our distribution of content to Samsung and Xiaomi, if you saw our Investors Day, you see you OEMs like Samsung on stage, speaking about putting Taboola on every device in the world. That's pretty awesome.

So, I mean, I look at all those things. I love my job, such that we decided to go public straight into the craziness. But the truth is that I dream of the business and the people. And I know that if you continue to execute and stay a free cash flow business to support ourselves on the other side of it, it's like Roger Rabbit, you go from black and white, into many, many great colors on the other side of the tunnel. So that's how I feel about it.

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

Okay, good. I think that answers this question. So Bill, let's go back to you. Let's talk about what's next? Where do you see the Connexity going from here inside of Taboola? We hear that consumers are going back to shopping in the physical world. Is that bad for you? Or do you think the pendulum swings back towards e-commerce over time?

<<Bill Glass, Chief Executive Officer, Connexity>>

Yeah, well, I think clearly the pandemic, which isn't great, but it was good for e-commerce. So there's no doubt about that. And it led to accelerated growth for sure. And the way I think about it is, over kind of the second half of 2020, and the first half of 2021, we maybe grew twice as fast as we would have otherwise. And so I think as stores have reopened and consumers have had the opportunity to go back, we've given some of that back. And that's what we're seeing in the first half or saw in the first half of this year in terms of tougher comparisons. But I think that's a small correction and we shouldn't confuse that with the overall trajectory of where eCommerce is going. And we grew super fast for a year and then, but that underlying growth rate is still expected to be even in these more mature markets, if you will, of like the U.S. and Europe 15% or more and faster in other markets.

So I think the baseline growth of what's happening in eCommerce is still there. It's still super high. In our case, we expect to outperform that in part because of synergies and in part because of other things that are driving growth in particular sectors that we're focused on. So for example, there are – there's the underlying consumer behavior. I think Adam touched on the fact that some of those things just aren't going back, they're better shoppers, now they're smarter, there's behaviors that aren't changing.

And there are certain sectors like commerce content where publishers are really changing the way people shop. And we're just at the beginning of that. There are sectors like social shopping, where influencers are really changing the way people shop and those things are going to drive growth and continue to increase the share of shopping that happens online. And those are things that are happening and clearly happening. And we're in there, participating and helping drive that. I think there are other untapped ones, ones you've been talking about in this conference channel ones like CTV, there are format ones like shoppable ads. There's a lot of innovation going on. That's going to continue to drive growth and continue to drive, share of digital commerce as a total.

So I'm super bullish that the underlying growth rates are there. I'm super bullish that the innovation that's happening is going to continue to propel that. And I'm really bullish on our position against those and expect us to outpace those underlying growth rates.

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

Do you – so there's a – the market thinks we're going into recession, right? Our world, the macro environment says, the Wall Street thinks we're going into recession. Does that, is that good for you or bad for you? How does it affect eCommerce if we go under a recession?

<<Bill Glass, Chief Executive Officer, Connexity>>

Yeah, I mean, so we've been doing this for 20 years, so we've been through some cycles. And our experience is for many of the reasons that Adam was saying is performance marketing budgets and in this case, its retail, shopping budgets, they are much more resilient. And the reason is because they're so extraordinarily measurable. And so I wouldn't say that it's good for us, but I would say relative to other companies that have budgets that are brand budgets, the ones that stay through and stand the test of time through that period are the performance marketing budgets.

And you can see maybe some optimization of someone decides that their return on ad spend needs to be a little bit higher. So they're taking a shorter-term view on the return, but they don't pull the budgets. And we haven't seen any pullback so far, even though there's a lot of conversation about that. And I think in some cases there's even, you know there are to your point about, could this be positive? There are consumers who do more research they're shopping more online because they want to make sure that they're knowing what they're getting the best price and those kinds of things, that actually does benefit us.

And there are merchants who aren't seeing as much organic traffic and the result of that is that they actually lean into performance marketing. So there are some sort of countervailing trends that are positive for us in it, I think the net effect is recession isn't good for anybody, but we are in a position where we've seen in the past that we're better positioned than most to weather that storm and continue to grow through it.

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

Okay, staying with you Bill. What's the playbook to get more publishers to add eCommerce?

<<Bill Glass, Chief Executive Officer, Connexity>>

Yeah. So this is our thing. We've been doing this for quite some time. And seen a lot of success helping publishers go from, just thinking that they might participate in eCommerce to now having meaningful eight figure businesses in it and so there's essentially three things that you need to do.

The first one is around content creation and obviously for publishers, that's right in their wheelhouse and they create content, they know how to do that. I think the trick there is that commerce content is something different and therefore it's harder to know in their case what to create and whether it's working. And so where, there's sort of the cycle of where do I can start and what do I write about, how do I measure whether that's working and how do I optimize? And that's the solution that we provide from an insights and analytics perspective, because we can see the entire network of all of the publishers. And now it's even better with what we have with Taboola.

We have an incredibly valuable visibility into what's really happening out there. What are people buying? What are the products that are hot? And so we can seed that and have them write about the right things and then our systems give them this real-time close loop feedback to optimize. So that's the first one is which content to write and then how do you optimize and getting that content engine going.

The second one is the monetization piece, which we talked about, and we obviously have those relationships, the preferred rates, and it's really tricky to do that for thousands of retailers or even hundreds to build up all the commercial relationships to figure out how to optimize and get premium rates, and then to run the whole clearing house around all of that, which for our solution for publishers in order to do that, they have one contract with us and they put one single line of code on their website, and they are often running with full monetization against thousands of retailers with all that real time feedback. So second one is monetization.

And then the third one is generating audience and readership, which again is something publishers do. They can interlink between all of their various properties. Hopefully they can get indexed. I think one of the most exciting things on the roadmap for Connexity and Taboola is to be able to provide that service to our Connexity publishers, given that Taboola's, the core product is a recommendation engine for articles. And so we're working to pull that together so that we have a solution that can augment what publishers can do on their own. But those are the

three pieces, content, the right content, make sure which one's working a way to get paid, which typically you would use an intermediary like us. And then the third one is getting readership and maximizing the amount of sales you're ultimately generating through those clicks.

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

And it sounds like there's a – that's on the product roadmap. That C piece is on the product roadmap.

<<Bill Glass, Chief Executive Officer, Connexity>>

Correct.

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

Okay, correct. So Adam and Bill together going forward, what can Taboola plus Connexity do together that each company separately could not do?

<<Bill Glass, Chief Executive Officer, Connexity>>

I can, I guess just offer a first thought, Adam, and then you can jump in. So I think that the thing that makes us really special at this point is that we just have unmatched scale together on the open web. And that's sort of true across all the critical components of what I believe will create a differentiated solution and make us the winner together in what we were both pursuing, which is trying to aggregate everything outside of the wall gardens and make it the open web available to advertisers in a way that is easy to use and works. And the keys to that are the scale of the total reachable audience, which together I think is unmatched the size of the advertising network, same thing unmatched, and now in e-commerce, Taboola is a true leader in that.

And then importantly, as I mentioned, the size and the quality of the data that we have access to across the enterprise to use for optimization. And then the last one that I think about that is so important because we can have the best plans and we can have a business that's in a perfect position, but the world is dynamic. And it's one of the reasons why we all do this. And the way that you are successful against that is because you have proven teams who know what they're doing and know how to operate in that environment. And we have that at an insane scale across technology people, analytical people and industry experts who will understand how to respond together against this.

So I think so much stronger together, certainly from the Connexity point of view, because we had 220 people, now we're close to 2,000 people. So I see that powerful combination of assets is something that provides ultimately is going to provide a scaled alternative to the wall gardens that no one else is going to be able to provide, which means a lot of value to advertisers and publishers for decades to come.

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

Yeah. I'll just add one more note that as I think about kind of future advertising, canvases beyond websites. So I spoke about Taboola News, which is our – Taboola has to feed on Android devices, much like Apple or if I think about connected TV, automobile, I think a lot of those moments consumers spend will be monetized with e-commerce. I mean, such a great e-commerce opportunity with video, shoppable video when on your device that have an intimate relationship with. So I think also e-commerce will be a big part of all those. It's much harder to click on a banner on your Samsung. It's not going to happen or on your fridge, in your Tesla or Netflix, right.

I said in 2019 that I think eventually every company will be in the advertising space. Netflix is going in Uber. If you have Uber now show you ads, right? So eventually I think every car company will show you recommendations. Any company that reaches consumers, fridges, audio, all of them will be surrounded by machines that and interact with that offer us information. In that context, I think e-commerce is going to be even more valuable than needed, because I'm not sure you're going to click on a banner in your car.

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

Totally an interesting macro point of view coming out of your mouth.

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

Also Laura, I know – I know you're thinking CTV from time-to-time because I've listened to things you said before. So I know that you care about the space. So I wanted to make sure, you know, we love this space and as we think about in the future getting into that space, e-commerce might be there too. That's really their main I wanted to emphasize.

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

I like this idea that we're going to be surrounded by machines that give us information and talk to us probably, and that that raises new opportunities for e-commerce. They'll all have ads and it raises e-commerce opportunities that makes a lot of sense for me and news and content, I mean it creates more available screen time, essentially. So that has monetization opportunity one of which is e-commerce. So cookies is a single biggest reason that I have for my investors, my clients won't touch AdTech. They're just so scared about cookie deprecation and what it means for the open internet. First is walled gardens, can you talk about Taboola's strategic position if cookies actually deprecate in 2023 and I'm actually very interested in whether you think Google will push this football down the field, again like they already have once and actually not deprecate cookies in 2023?

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

Yeah. The truth is that, I think, Taboola is in a good position. We built a business that is hard coded, integrated on the page. So we are first party cookie. We are first party to 0.5 billion people a day. So when you go to BBC and you check global news and you come back the next day, we know you're you on that website. And if you look at our investor deck and you go to



Safari yield, our performance in Safari specifically since 2017, obviously Apple was the first one to deprecate cookies. You can see that Taboola is growing faster once cookies go away. And the reason is while companies in the advertising space in general AdTech, SSPs, DSPs, DMPs generally don't have the type of long-term relationships with publishers we have, don't have first party cookies, they don't have direct the advertiser relationship like we have.

Like we talked about at the beginning of this session their targeting capability gets weaker and then it's an opportunity for advertisers to try Taboola. Now, again first of all, I root for the industry and I root for privacy. I think that it's important for consumers to not be freaked out that people are tracking them like we saw with social networks. So I actually think IDFA, which was helping consumers to not be tracked on their iPhone was a great thing for consumers and that's the center of this.

I don't think privacy is going away. I don't think, well I'm not sure what Google will do. It's not my point of view to stick about that. But eventually everybody's going to be super private. All containers, Chrome will be supported by privacy policies, obviously Microsoft, everything, everybody. Our kids will be shocked like 15 years from now, 10 years from now that there used to be such a thing as third-party cookie that people you could track or SDK integration between apps that people used to track you between things without asking your permission, right.

So I think that's going to go away for sure. How fast? I don't know. Who else will do it? I don't know. But for Taboola we're in a good place because we don't rely on third-party cookies now as much and we built a very strong business on Safari, as you can all see. So in many ways, Taboola is already in the future and specifically it also relates to Bill. I think context is the new west village. I mean, its context is going to be a big part of the future as a proxy for my identity.

Advertisers over the next decade will not buy my age, name and hobbies. They will buy my curiosity graph. What am I reading about? What am I – what is my behavior as a proxy for who I am, not what I told Facebook about myself. So I think that's the next decade context. And that's also where obviously e-commerce shines because I'm reading about stuff, obviously I care about it. So I think caring and curiosity graph will replace or will be a strong part of the future advertising like we've seen before with social, so that's context, I think is big.

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

So one of the advantages you have is that you have, as you say a relationship with the DS – you have a DSP, so you have a relationship direct with advertisers and you have an SSP, you have direct relationships with suppliers. So you're sort of already supply path optimized. Right, because you have direct relationships result. I guess my question is one of the key competitive advantage that gives you today over Trade Desk or Magnite is they are really what I would think of as the open web, which is their independent. How – does it hurt you if they get together? Let's just for the purpose of this hypothetical Trade Desk and Magnite merge. Now they have an end-to-end platform just like you do, is that bad for you?

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

I don't think there's any comparable really to a company that has the vast majority; nearly a 100% of our publisher relationship is a 100% exclusive global. I'm not sure of any other company that is like us. So that's one, I don't think, there is any easy comparable of our size, a \$1.5 in revenue of exclusive long-term multiyear relationship, right? So the next time, our publishers, we just announced Gray today, which is a huge partner of ours, great partners of ours.

The next time is going to be renewed these in many, many years. So that is actually a very unique. That's why also investors appreciate Taboola because there's some predictability to our supply. It's very stable because it's long-term global and exclusive. I think the exclusivity part and long-term is unique to Taboola as far as I know.

Two, I root for the Trade Desk and Magnite. They are partners of ours. I want them to be successful. We work with them on the advertiser side. So they buy from Taboola. So from our perspective, anyone that's doing anything good in the open web is my friend. And from their perspective, I think we don't compete for the same real estate. Taboola's recommendation engine, the Trade Desk and Magnite are more of a banner IB, relationships. So I don't think we necessarily compete for the same things. And I root for them and I root for anyone that's doing good things for publishers, journalism and open web.

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

Okay. That's fantastic. So we're out of time. But I would love to hand it over to Bill and Adam for closing comments. Like what are the three key takeaways, you want the 30 people, the 30 investors on this call to take away?

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

Yeah. Why don't you go?

<<Bill Glass, Chief Executive Officer, Connexity>>

There you go.

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

Okay. Well, what I'm just say, thanks for being here today, we're excited to interacting with many of you. These are crazy times out there. We look forward to talking to folks about the space, the market, and build long-term relationships. I'm excited about where we are. The business fundamentals are strong. We spoke a lot today about measurement, performance. A lot of things that I believe are key to build sort of like the Google of the open web, measurement and performance in ecommerce.

So I think we talked today about the right stuff. I stood up to my earning letter as well, if I could choose one thing, I would do the thing we talked about with Laura today, which is measurement, attribution, performance. Those are, I think the key recipe for building a company that can be billions of dollars in revenue or real scale for advertisers. And I do think if I close my eyes and I

wake up in a few years; there will be a company in the open web that offers a Google like, Facebook like, Snap like scale but in the open web. So I think it's going to happen. And we hope to be that company.

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

Bill?

<<Bill Glass, Chief Executive Officer, Connexity>>

Yeah, I guess I would just reiterate that. We're really excited about our partnership. We're early here with Taboola. There's so much opportunity feels like, we're really well positioned to continue to build the business we had and also really provide a lot of value to Taboola's network of publishers and early stages, but so far so good and excited to see our success. And, as it relates to kind of the market reaction here, we are like, we're going to keep our heads down and we're going to go win and the market will take care of itself. That's my view on it so, thanks everybody for listening too and...

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

Great. Thank you very much you guys really great to be with you, really a joy to see you interact with each other for the first time. That's really lovely. Anyway, thanks guys. Thanks audience for being here today. Have a great day. Thank you. Bye.