

Magnite Inc. (MGNI)

We are dropping coverage on MGNI due to its fair valuation and significant coverage. Since our July 5, 2019 initiation, MGNI's price has appreciated 378%. We will now redirect our resources to more undervalued and less covered growth companies.

August 5, 2021

Price (as of close on Aug 5, 2021)

\$30.70

Rating
DROP

Price Target
N/A

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52-Week Range	\$4.09 – \$15.07	Total Debt	\$0.0 mil
Shares Outstanding	110.2 million	Debt/Equity	0.0%
Insider/Institutional	11.0% / 66.9%	ROE (LTM)	1.4%
Public Float	106.4 million	Book Value/Share	\$3.0
Market Capitalization	\$1.6 billion	Daily Volume (3 mo. Avg.)	2.8 mil

FYE DEC	FY 2019A	FY 2020E		FY 2021E	
EPS (\$)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 Mar	\$(0.14)A	\$(0.06)A	\$(0.06)A	\$(0.03)E	\$0.011E
Q2 Jun	\$(0.06)A	\$(0.10)A	\$(0.10)A	\$(0.04)E	\$(0.05)E
Q3 Sep	\$(0.02)A	\$0.06A	\$(0.05)E	\$0.07E	\$0.03E
Q4 Dec	\$0.17A	\$0.12E	\$0.06E	\$0.16E	\$0.11E
Year*	\$(0.05)A	\$0.02A	\$(0.16)E	\$0.16E	\$0.09E
P/E Ratio	NM	890.5x		93.9x	
Change	-94.6%	246.8%		848.1%	

FYE DEC	FY 2019A	FY 2020E		FY 2021E	
Revenue (\$ mil.)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 Mar	\$32.4A	\$36.3A	\$36.3A	\$56.2E	\$50.8E
Q2 Jun	\$37.8A	\$42.3A	\$42.3A	\$57.1E	\$49.9E
Q3 Sep	\$37.6A	\$60.9A	\$52.7E	\$67.0E	\$62.1E
Q4 Dec	\$48.4A	\$74.6E	\$63.0E	\$83.6E	\$75.6E
Year*	\$156.4A	\$214.3E	\$194.3E	\$264.1E	\$238.6E
Change	25.4%	37.0%		23.3%	

* Numbers may not add up due to rounding.

* All numbers are non-GAAP.

Q3:20 Highlights

- Q3:20 revenues were \$61.0 million, up 12% on a pro-forma basis from Q3:19 and above management's stated guidance range.
- Mobile revenues increased 14% YOY to ~\$29.0 million, representing ~48% of overall sales. Desktop revenues were down by 3% YOY to \$20.9 million. CTV revenues delivered growth of 51% YOY to \$11.0 million.
- Adjusted EBITDA was \$13.7 million in Q3:20 vs. \$6.1 million in Q3:19, driven by higher revenues and lower operating expenses (as a % of sales).
- Adjusted net income at \$7.3 million in Q3:20 versus a loss of \$1.0 million in Q3:19. Adjusted EPS in Q3:20 was \$0.06 compared to \$(0.02) reported for the same period in 2019.
- Magnite noted that revenue has been steadily improving. Since the start of Q4:20, the recovery has been strong. Management expects Q4 revenue to be between \$72-\$75 million.
- We update our growth estimates factoring in management's latest commentary. We update our rating to BUY Long Term and increase our target price to \$17.00 per share.

PRIMARY RISKS

- Increased competition from large and well capitalized players such as Google and Facebook could cause more take rate pressure than expected, thereby impacting revenue growth
- A significant portion of the companies' sales are concentrated with header bidding. Failure to successfully push its header bidding solutions among publishers could adversely affect revenues and cash flows

Company Description

MGNI is the world's largest independent sell-side advertising platform. The firm provides a technology solution to automate the purchase and sale of digital advertising inventory. Publishers use MGNI's technology to monetize their content across all screens and formats, including desktop, mobile, audio, and CTV.

Please refer to the end of this report to obtain important disclosure information.

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Rating Definitions

BUY, 30% or greater increase in the next 12 months.

BUY- Long-Term, near term EPS horizon is challenging, attractive long-term appreciation potential.

HOLD, perform in line with the market.

SELL, 30% or more declines in the next 12 months.

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