



**DoubleVerify**  
**First Quarter 2022 Earnings Call**  
**May 10, 2022**

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**Presenters**

**Tejal Engman - SVP of IR**

**Mark Zagorski - CEO**

**Nicola Allais - CFO**

**Q&A Participants**

**Raimo Lenschow - Barclays**

**Arjun Bhatia - William Blair**

**Justin Patterson - KeyBanc**

**Michael Graham - Canaccord**

**Youssef Squali - Truist Securities**

**Andrew Boone, JMP Securities**

**Dan Salmon, BMO Capital Markets**

**Mark Kelly, Stifel**

**Mark Murphy, JP Morgan**

**Operator**

Greetings. Welcome to DoubleVerify's First Quarter 2022 Earnings Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. If anyone today should require operator assistance during the conference, please press star zero on your telephone keypad. Please note that this conference is being recorded.

At this time, I will now turn the call over to Tejal Engman with Investor Relations. Tejal, you may now begin.

**Tejal Engman**

Good afternoon and welcome to DoubleVerify's First Quarter 2022 Earnings Conference Call. With us today are Mark Zagorski, CEO, and Nicola Allais, CFO. Today's press release and this call may contain forward-looking statements that are subject to inherent risks, uncertainties, and changes, and reflect our current expectations and information currently available to us, and our actual results could differ materially. For more information, please refer to the risk factors in our recent SEC filings, including our Form 10-Q and our Annual Report on Form 10-K.

In addition, our discussion today will include references to certain supplemental non-GAAP financial measures, and should be considered in addition to, and not as a substitute for, our GAAP results. Reconciliations to the most comparable GAAP measures are available in today's

Earnings Press Release, which is available on our Investor Relations website at [ir.doubleverify.com](http://ir.doubleverify.com). Also, during the call today, we'll be referring to the slide deck posted on our website. With that, I'll turn it over to Mark.

**Mark Zagorski**

Thanks, Tejal, and thank you all for joining us today. I'm excited to discuss our strong first quarter performance and optimistic outlook on the year ahead. But before I do so, let me reiterate our support for all those affected by the heartbreaking conflict in Ukraine. We continue to support humanitarian relief efforts in Ukraine and have voluntarily discontinued services with Russia-based clients. With information wars raging across the world wide web, we remain deeply committed to promoting truth and transparency and de-funding misinformation as we work toward making digital advertising stronger, safer, and more secure.

Now, turning to our results, we had a strong start to 2022 with an outstanding first quarter. Building on the solid organic growth we achieved in full-year 2021, we delivered nearly \$97 million of revenue in Q1 2022, representing 43% year-over-year growth and the biggest first quarter in the history of the company. What's even more exciting is that our revenue growth was broadly distributed, driven by strong product upsell and geographic expansion momentum from existing clients as well as product activations by new clients.

The resulting stronger-than-expected volume growth was the foundation for the outperformance relative to our revenue guidance. Activation revenue substantially outperformed our expectations, driven by the continued adoption of Authentic Brand Suitability, with large advertisers such as Mondelez growing their use of this industry-leading product in an expanding number of international markets. Other programmatic solutions outside of brand safety and suitability also delivered strong revenue growth due to new advertisers activating and ramping DV solutions on their programmatic media buys.

Profitability remained solid with nearly \$25 million of adjusted EBITDA generated in the first quarter. We delivered 26% adjusted EBITDA margins even as we continued to meaningfully invest in expanding our solutions, growing our workforce and operational footprint, and integrating two new businesses. In addition, DV continues to achieve positive net income and net income margins, a testament to the attractive economics of our high-growth and high-margin software solutions.

Our business has demonstrated strong and sustained revenue growth momentum year-to-date. March delivered the highest year-over-year growth rate within the first quarter and the second quarter is off to a good start. We have raised our internal expectations for second quarter performance, which gives us the confidence to raise full year revenue and adjusted EBITDA guidance beyond the first quarter beat. I'd like to highlight that DV continues to demonstrate sustained business performance in an environment of macroeconomic and geopolitical uncertainty. While our business isn't immune to the marketplace challenges that our clients operate in, there are numerous factors that set DV apart from our peers.

Our fixed-transaction-fee business model insulates our revenues from the CPM volatility that those in the media sales business face. Our products serve to protect brand equity and reduce media waste, making them essential to advertisers. Our Verify Everywhere product strategy diversifies our revenue across platforms, making DV largely agnostic to shifts in ad spend. And finally, we remain in the early stages of global market penetration and have a vast and untapped TAM to sustain our long-term growth, as exemplified by the fact that nearly 70% of our Q1 wins were greenfield.

Now I'd like to take a few minutes to discuss our revenue growth within the context of our three key differentiators: our rapidly growing, market-leading scale, our focus on innovation, and the deep level of trust that we have built with our customers as an unbiased, independent partner. Beginning with scale, we are leveraging our extensive DSP coverage and wide-ranging programmatic solutions to drive further scale in our Activation business. 75% of our first quarter advertiser revenue growth was driven by Activation, which had 56% higher revenue year-over-year. Activation revenue now represents 61% of our advertiser revenue.

Advertiser revenue growth continues to be volume led, and our first quarter outperformance was driven by stronger-than-expected organic ad impression volumes generated across our diversified client base. We also drove incremental revenue growth through both the growth in premium product adoption and the implementation of enhanced pricing tiers across our programmatic integrations. These tiers allow us to bifurcate our pricing for display and video impressions on DSPs, ensuring that each tier is priced competitively.

The tiered structure has resulted in higher fixed fees for video impressions, whose pricing is now in line with that of our competitors. In the long term, we believe there may be further opportunity to raise prices on higher CPM media such as CTV. The enhanced pricing and more premium product mix in the quarter supported growth in our overall MTF, or media transaction fees, and in combination with stronger advertiser volumes, delivered an exceptional start to the year.

Success in Activation and Measurement go hand in hand, as our measurement data fuels a virtuous cycle in which post-campaign insights inform continuous optimization opportunities that can be acted upon in pre-bid applications. When we engage a client, we immediately introduce them to the performance opportunities embedded in this process, expanding our relationship with them across new geographies and new solutions that feed the cycle. Advertisers are enthusiastically embracing the power of this combination. So far this year, we signed new logos including Best Buy, Subway, KFC, Norwegian Cruise Lines, Travelers, and Oppo, further fueling an average RFP win rate of nearly 80% since the first quarter of 2021. We also expanded across multiple additional geographies with Meta and Mondelez, as we capitalize on the vast untapped TAM for our solutions around the world.

In addition, we continue to lean into our Verify Everywhere strategy by developing an exciting new growth opportunity within our retail client base, the emerging category of Retail Media Networks, for which we are building a unique competency and differentiated leadership position. Retail Media Networks leverage the footprint and relationships of some of the world's biggest retailers to create entirely new advertising opportunities for leading manufacturers and affiliates, and net new ad dollars for the industry. Bain estimates advertiser spend on retail media to grow to \$25 billion by 2023.

Just as our solutions drive a return on investment for the retailer on its own brand advertising spend, our platform capabilities drive a yield on retail media networks by pre-qualifying supply and ensuring a high-quality advertising environment that sustains optimal ad pricing. Today, DoubleVerify is the independent measurement partner for some of the largest Retail Media Networks in the world, including Amazon, Walmart, Target, Macy's, and Kroger. These partnerships are expected to grow impression volumes and revenues, as well as expand the use of DV's solutions for an entirely new sector of affiliate advertisers that includes small and mid-size businesses that we traditionally have not had access to. And today, we are announcing that DV has closed an enterprise deal with Best Buy, who will rely on DV's suite of measurement and performance solutions for its ad campaigns. In addition, DV will provide its services to Best Buy Ads, Best Buy's in-house media company.

Turning to our second key differentiator, DV's market leading innovation, our leading edge solutions continue to drive our growth momentum. Fully-On-Screen pre-bid targeting, our activation attention metric specific to CTV, continues to gain traction while our CTV measurement products have delivered 55% impression volume growth year-over-year. As highlighted last quarter, over 25% of our tag-based advertiser video impressions are now CTV, which over indexes DV relative to CTV's share of the market.

Although it's early days, we continue to see momentum for attention as an important metric in ad buying. A study released last week noted that over 50% of media buyers agree that their organizations will invest in media attention metrics within the next 12 months, while approximately 65% agree that attention will become a currency within three years. There is clearly a market appetite for alternative currencies that power performance on premium media and DV is well positioned to take advantage of this trend.

This summer, we will be leveraging our Pinnacle platform, which currently connects DV data to thousands of the world's top brands, to launch a free preview of Authentic Attention, delivering these unique, powerful analytics directly to DV's highly scaled customer base. Year-to-date, we have measured over \$225 billion Authentic Ads, all which have been benchmarked for Attention – enabling our clients to contextualize their performance against specific industries, buying channels, regions and markets, and to uncover performance drivers in the context of their specific industry vertical. We continue to believe that attention will be the next currency that advertisers rely on to drive outcomes and are excited to be the only leading verification company to have built and launched a comprehensive attention solution.

Moving on to innovation in social, DV continues to have the most comprehensive and accredited suite of social solutions in the industry. On Meta, we are the only provider of both pre-screen brand safety and suitability protection and measurement for Facebook In-Stream Reserve and are proud to be part of the suite of Meta badged brand safety vendors offering suitability protection and reporting for Facebook In-Stream, Instant Articles and Audience Network. Finally, we remain excited about the opportunity to innovate new products on high-growth social platforms like TikTok.

Let me wrap on innovation with Authentic Brand Suitability, one of the industry's most innovative media quality solutions, and an incredible growth driver for our business. ABS revenue grew 52% year-over-year, driven by impression volume growth with current clients, continued upsell momentum, and international adoption. Nearly 100 more clients used ABS in the first quarter of 2022 compared with the prior year period. ABS's performance superiority in reducing media waste, while safeguarding brand reputation in programmatic applications, is rapidly evolving ABS into not only an upsell opportunity for DV, but to a competitive conquering tool as well.

Our final differentiator is Trust, which underpins our relationships with advertiser and platform partners and is core to the value we deliver to the digital advertising ecosystem. We continue to be the only leading independent verification company that is not in the conflicted business of selling digital ads. We strongly believe that as a trusted, objective verification and measurement partner to advertisers, you can't be a part of the media transaction. We expect independence to remain a key differentiator across all channels, and particularly in CTV, where unconflicted, accredited metrics are becoming more valuable. We are well-positioned to capture the accelerating shift of linear TV ad budgets, especially with large new streaming companies such as Netflix potentially adopting ad driven models.

To conclude, we've had a strong start to the year and expect this strength to carry through to the second quarter. Consequently, we've raised our full-year outlook and anticipate sustained business performance that outperforms digital advertising growth. Our business remains resilient, and as we lean into our three key differentiators: scale, innovation, and trust we are excited about the opportunities that lie ahead for DV. With that, let me turn the call over to Nicola.

**Nicola Allais**

Thanks Mark, and good afternoon, everyone. We are pleased to have delivered strong revenue growth and profitability in the first quarter. And while we continue to monitor and discuss with our clients this uncertain macroeconomic and geopolitical environment, our year-to-date business momentum and current visibility are enabling us to increase our full-year 2022 outlook.

Total revenue growth of 43% was primarily driven by Activation revenue growth of 56%. Activation revenue was led by our premium-priced Authentic Brand Suitability product, with revenue growth of 52%, and by a greater number of clients activating our other programmatic solutions. Our social activation solutions through OpenSlate performed in line with expectations. Finally, the programmatic display and video price bifurcation, which was implemented one quarter ahead of our initial plan, also contributed to first quarter Activation revenue growth.

Turning to measurement, revenue grew 23% primarily driven by the ramping of new enterprise customers that were signed and highlighted last year, including Diageo, Grupo Bimbo, and Philip Morris. CTV and Social measurement volumes grew 55% and 22% respectively. CTV volumes continue to grow due to the launch of our industry-leading products. With regard to social, DV's measurement volume growth was particularly strong in the first quarter of 2021, driven by two of the world's largest CPG advertisers activating and expanding their geographic usage of our social solutions. Our long-term growth opportunities in social remain significant with new avenues for product expansion and coverage on platforms such as TikTok, Meta, and others. International remained a solid contributor to revenue growth and grew 40% in the first quarter, now representing 27% of measurement revenue.

As Mark mentioned, advertiser revenue growth continues to be volume led. In Q1 2022, MTMs were up 27% year-over-year, MTFs grew 7% year-over-year, driven by improved premium product mix and by the impact of the programmatic display and video price bifurcation. Moreover, advertiser revenue continues to benefit from our industry diversification. In the first quarter, revenue from our top 100 clients grew across all sectors, with outsized growth from industries benefiting from a return to pre-pandemic levels including travel, restaurants, and media & entertainment.

Supply side revenue grew 61%, driven by the ramping of new platform clients that were signed last year such as Yahoo! Japan and Amazon, as well as new wins and expansion deals with publishers. Year-over-year growth also includes the impact of publisher and platform revenue from OpenSlate and from Meetrics. Overall, the acquisition of OpenSlate is performing in line with expectations of generating between \$15 to \$18 million in revenue this year, with the seasonality similar to our overall business.

Shifting to expenses, cost of revenue increased by \$6.7 million primarily due to an increase in costs from revenue sharing arrangements with programmatic partners, as Activation revenue grew as a percentage of total revenue. In addition, the first quarter of 2022 captures a full quarter of higher cloud services costs. The increase in product development, sales and marketing, and G&A expenses is primarily due to hired people related costs, as we added 160 employees year over year in the first quarter. G&A also includes a \$1 million dollar increase in bad debt reserves related to our advertising revenue exposure to Russia.

Adjusted EBITDA of \$24.7 million exceeded the top end of Q1 guidance. Q1 adjusted EBITDA margin of 26% was higher than anticipated due to higher revenues as well as a faster reduction in duplicative overhead expenses related to the OpenSlate acquisition. Net operating cash flow was negative \$2.2 million primarily driven by normal course of business timing factors related to cash collections, as strong revenue growth led to an increase in trade receivables of \$11 million, and cash related to employee payroll liabilities that was collected in Q4 '21 and paid in Q1 '22.

We continue to have zero debt outstanding. We ended the quarter with \$212 million in cash on hand, and have a \$150 million-dollar unused revolving credit facility. The strength of the balance sheet is an advantage for DV in a rising interest rate environment and provides the opportunity to accelerate long-term growth through strategic investments, including M&A, that will advance our product and technology roadmap, open up adjacencies such as gaming and audio, and continue to expand our global footprint.

Now, turning to guidance, we expect second quarter revenue in the range of \$101 to \$103 million, which implies year-over-year growth of 33% at the midpoint. We expect second quarter adjusted EBITDA in the range of \$27 to \$29 million, which implies a year-over-year increase of 32%, and an adjusted EBITDA margin of 27% at the midpoint.

For the second quarter, we expect stock based compensation to range between \$9 and \$10 million, and weighted average diluted shares outstanding to range between 170 and 172 million shares. For full year 2022 guidance, we expect revenue in the range of \$439 to \$445 million, which implies a year-over-year growth of 33% at the midpoint. We expect adjusted EBITDA in the range of \$131 to \$137 million, which implies a year-over-year increase of 22% and an adjusted EBITDA margin of 30% at the midpoint.

We have raised our full-year revenue and adjusted EBITDA guidance due to stronger-than-expected performance in the first quarter which continues in the second quarter to date. Quarterly share of full year revenue is expected to reflect normal seasonality with second and third quarter revenue representing approximately 23 and 24% of full year revenue respectively. We expect full year margins to remain unchanged at 30%, as we are accelerating investments in hiring engineering and sales talent, enhancing machine learning capabilities, and further building out the IT infrastructure to support our growth. On a sequential basis, we expect adjusted EBITDA margins to remain stable in the second and third quarters and to return to more normalized levels in the fourth quarter, which typically contributes the largest share of full year revenue.

As previously disclosed, we expect capital expenditures to range between \$25 to \$35 million in 2022, including investments in office space around the world as we return to office, with a significantly larger employee base, which grew from 500 employees two years ago to over 800 employees today. We are consolidating our footprint in New York into a single global headquarters, and are taking advantage of the opportunity to build a new approach to a



collaborative hybrid environment. Our investments in people will enable DV to attract and retain the best talent anywhere in the world. Based on the timing of spending on office renovations and relocations, we expect to incur most of our full year capital expenditures by the end of the third quarter.

To close, we delivered a strong first quarter, and are ahead of our initial full year 2022 plan. We continue to monitor the impact of the macroeconomic and geopolitical environment on our clients' ad budgets, and to engage them in regular dialogue as we successfully execute our plan for the rest of the year. And with that, we will open the line for questions. Operator, please go ahead.

**Operator**

Thank you. We'll now be conducting a question-and-answer session. If you'd like to ask a question today, please press star one from your telephone keypad, and the confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants who are using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions. And once again, star one. Thank you. Thank you. Our first question is from the line of Arjun Bhatia with William Blair. Please proceed with your question.

**Arjun Bhatia**

Perfect. Thank you so much, and congrats on a great Q1, guys. Certainly seems like the business is going well. The first thing I wanted to touch on was the pricing bifurcation, I thought that was a really interesting announcement. Mark, I'd be curious to hear if that's across all solutions both on the premium side and the standard solutions. And then, how do you think about rolling that out to other channels? I know you mentioned CTV. Right now it seems like it's Display and Video, but what about social? Is that another area where you could potentially introduce another pricing lever in the model here, given the ROI of the solution?

**Mark Zagorski**

Great, thanks for the question, Arjun. And you know, when you look at--just to be clear, when we look at the growth in our MGF or our overall fees that overdelivered in the quarter, the vast majority of that came from our product mix, right? We had a small uptake from the increase in prices, as you know as bifurcation of price. But we also have to note that we had a much stronger positive momentum around our premium product mix on the premium side. But specifically to the bifurcation, it currently is across two categories: Display and Video, and our across our entire solution set more or less on the Activation side. So it gives us the ability to align pricing on those two types of components across Activation in our key platform partners.

So, it's relatively broad-based, and again, gives us some flexibility when it comes to different types of categorization content of buyers. The question regarding further segmentation down the road, I think this does kind of exhibit opportunity for us when we think the scale is there



and the opportunity is there for us to create further kind of bifurcation, or it would be trifurcation at that point, of pricing into specific media types down the road.

So, you know, right now it's Display/Video. We could see a point in the future where we would want to go Display, Video and then potentially CTV. And then I think that we are treading lightly here because we know we want to continue on volume as our key revenue driver. But as we've always said, where we think there's opportunities to become more market parity or take opportunities where we think are pricing--you know, there's pricing flexibility, we're going to do so.

### **Arjun Bhatia**

Very helpful, thank you, Mark. And then, one more, just on the broader macro environment, I know there's a lot of uncertainties out there with inflation and Europe, etcetera. I was wondering if you could maybe put a finer point on the model and how that might play out if advertising spend does come under pressure. Is it a scenario where doing your transactional revenue model, where CPMs may go lower, which may drive transaction volume actually higher? How do you anticipate that this could play out for DoubleVerify?

### **Mark Zagorski**

Yeah, another good one. It's something we're monitoring very closely. When we look back to the pandemic and Q2 of 2020 as the best reference point for looking at supply/demand imbalances, in that case we saw CPMs collapse, yet we saw volumes remain steady or increase. And because of our model, that allowed us to continue to grow at a time in which most of the macro market in advertising was shrinking by 10 to 20%, and we were growing at 20%, and showing a pretty big delta there between a 20% decrease and our 20% growth during that period. So, you know, A, when we look at that, it's a good representation of volume-driven business versus a CPM or a take rate-driven business, which is what we are.

We also noted in the script, you know, beyond the actual nature of the model itself, there's a couple other key aspects that keep us from being as pummeled by those headwinds as a lot of other companies. So, you know, the essential nature of our product, particularly around protecting brand safety and suitability, when we see things like elections coming up, continued conflicts around the world. Those just make our solution that much more important to the folks who are leveraging it.

As well as the fact that, you know, even in the cases of individual advertiser volume being depressed or ad spend being depressed, you still have a significant amount of greenfield opportunities that we're chasing. And when you look at the deals that we closed, and even in the first quarter, you know, almost 70% of them were new customers.

So, you know, we're not relying on a basket of customers that we've already fully penetrated a market to drive spend, we've got lots of new customers to close too. So we look at the combination of all those things, you know, not making our business entirely immune to macro

challenges, but really having a strong position in the face of a lot of those issues that some other ad-based companies are facing.

**Arjun Bhatia**

Very helpful. Thank you, Mark.

**Mark Zagorski**

Absolutely.

**Operator**

Our next question comes from the line of Youssef Squali with Truist Securities. Please proceed with your questions.

**Youssef Squali**

Great, thank you very much. Two questions from me. One, just stepping back to where we were 90 days ago when you guys gave guidance for Q1. Can you maybe just double click on that one or two--and I think you covered a little bit of this in your prepared remarks, but maybe just flesh out the one or two areas or products specifically contributed to the biggest upside, the biggest surprise to you? And then on timing for the Meta relationship, with regards to the news feed, I was wondering if there was any update there. And then, lastly, last quarter you had talked about maybe rolling out onto Twitter and Reddit platforms, maybe you can just provide an update on that as well. Thanks.

**Mark Zagorski**

Yep, sure. Thanks, Youssef. So, Q1, I think we mentioned that there's a couple key drivers. The first is, you know, we've been really impressed with our sales team, and I'll give them a ton of credit, on their ability to cross-sell and upsell our solutions, even more quickly and better than we expected. We talked a bit I think in our--when we did our Investor Day about the reorganization that we put together over the last several quarters of our sales team, and how that would focus on bringing together people who are selling Measurement and people who are selling our Activation or programmatic solution into one unit. We did that late last year rolling into early this year, and we saw the benefits of it almost immediately.

So, in Q1, if you saw, a lot of our growth came from Activation that overdelivered, that was the product of really strong cross-selling and the ability to sell Measurement and Activation to new clients. And as we noted, we had almost 100 new clients on ABS in Q1 of 2022 versus Q1 of 2021. So, big jump there, our ability to upsell new solutions. And then the other part of it is, the new solutions that we're upselling were premium, right? So, our product mix increased, which gave us a stronger MTF profile than we'd originally planned for.

So, you know, I want to give credit where credit is due, is our commercial team's ability to actually lean into the cross-sell/upsell opportunities and then push more premium price products. So, although, you know, we certainly benefited from increased volume, a lot of that

volume came from, you know, new users of our solutions this quarter, and I think that's--it wasn't a passive growth, it was an active growth. So, I would look at those as being real drivers. Second and third questions on timing for Meta. No real update there.

I mean, they made their public announcement a few months ago. They are working on the alpha with the badged partners of which, we mentioned, we are two of Meta's official badged partners in the space. The work to be done with us, you know, sometime later this year, I think is the framework they've given. They have not changed that position. And then finally, on Twitter/Reddit, Twitter is ready to roll out this summer. I think, you know, we'll be able to announce that sometime soon, and Reddit is still a work in progress.

**Youssef Squali**

Okay, that's awesome. Thanks, Mark, and congrats.

**Mark Zagorski**

Alright. Thanks, Youssef.

**Operator**

Our next question's coming from the line of Andrew Boone with JMP Securities. Please proceed with your question.

**Andrew Boone**

Good afternoon and thanks for taking my questions. Two, please. The first is, Mark, you've now mentioned this a couple times in your responses, is just the really strong new clients adds that you guys experienced in the quarter. Can you just double click on that in terms of sales execution, or is that just more resonance in the product, just given kind of the overall environment? Help us understand what's driving the news. And then secondly, can you talk about the expectations that you have kind of following the rollout of Authentic Attention, as we think beyond these initial tests, right? Lay out kind of what you think this could be in terms of an addition to the overall suite for DV. Thanks so much.

**Mark Zagorski**

For sure, for sure. So, on the new client adds, we've been really impressed, again, on how the team has focused on this virtuous cycle, or this synergistic relationship between our post-campaign measurement solutions and our pre-campaign activation solutions. And I think the power of those is exhibited in ABS. ABS is unlike any other solution out there. It's unique in how it leverages our measurement data to create a higher performance and optimized it by side programmatic application. And I think it's just clicking. There's no other way to put it other than, advertisers are buying into that combination of understanding what happens after an impression is purchased, using that data to fuel their targeting and filtering solutions on the programmatic side and looking at the return and the yield on those tools together and buying them together.

So, you know, as we've talked about in the past, we are a software implementation that in many cases, in most cases is done with an RFP, a head-to-head competition. And the power of our programmatic solutions is winning those competitions. We noted in the script, you know, since Q1 of last year or so, I think we've had a 80% plus RFP win ratio, that continues to move ahead, and that's based on the power of the products. So, you know, I would love to say there's some magic out there; it's great sales people and really, really good products that are beating the competition when they go head-to-head in an RFP. That's where we're seeing the pickup, we're beating folks, and--you know, out in the market place.

And the nice part is, we're beating them with not just measurement but the measurement and activation tools working together. So, that's where we see the client growth coming from. On expectations around Authentic Attention, you know, we've always said we're still early days there, but we like a couple things that are going on around Attention. The first is, continued client uptake and continued client volume around the solutions themselves, around measurement. We've got some folks who are becoming big fans of this, and that we know that with advertisers there's very much a herd mentality. Once one sector, one category gets it, they're going to continue to push it and others will follow. So, A, we like the uptake. B, we like the market sentiment around it, and this is probably the most important.

If you look at what's going on with alternative currencies, you know, Horizon Media I think did a press release a couple weeks ago that said they were going to do over 20% of their upfront buys on television using alternative currencies. Those currencies, you know, can be everything from ROI metrics through things like Attention. So, we think that the marketplace is starting to really, you know, move into this, accept this concept of alternative currencies besides--beyond reach and frequencies. So that's the second thing.

And the third is the continued traction that we're getting by launching new tools, new Attention tools like Fully On-Screen in the CTV space, and the revenue and volume that we're getting across those. So, if we look at current clients using this, marketplace adoption, and tool innovations, I think, you know, we feel good about Attention. As we've said before, that we think our performance suite around Attention and Contextual could at some point rival the size of our basic programmatic solutions, and I think that's still the case. We've got a runway to get there, so it's not, you know, a quarter or two, it's multiple quarters. But at the end of the day, we are very bullish on Attention. We believe that it will be an alternative currency in the future. And the more types of tools that we launch across CTV, I think the more opportunities we'll have there.

**Andrew Boone**

Great. Thank you.

**Operator**

The next question is coming from the line of Justin Patterson with KeyBanc. Please proceed with your question.

**Justin Patterson**

Great, thank you very much. Two, if I can. Mark, could you talk about the steps to succeed in retail media? How does this compare to entering other channels, and really what investments do you need to make to get this up and running? And then secondly, perhaps for Nicola, could you talk about just how we should think about the political environment impacting the second half? There's clearly some big dollars being thrown around this year, and it looks like a contentious election. Is this something that could be an opportunity for you in the second half with your product suite? Thank you.

**Mark Zagorski**

Thanks, Justin. So, you know, we spent a little time talking about retail media in the prepared remarks, and it is a sector where we're really excited about the opportunity there. You know, you're hearing more and more about it. I think multiple studies saying anywhere from 25 billion to upwards of 50 billion over the next several years in these retail media networks. You know, I'd love to say that we had the foresight two or three years ago to predict the power of these things, but, you know, the reality of it is, we built a very strong competency in the retail media measurement sector, so just retailers, supporting their brands. And that strength in our support of those retail companies, so folks like Macy's, and folks like Walmart and Target, really start to translate into them also approaching us to support their networks with tools.

Now, we didn't have to do a ton of new development to support those retail media networks because of two reasons. The first is, we had a platform business in which we've supported sale-side platforms for a while, i.e., that's 9% of our business or so that supports sellers of media, both publishers and SSPs, etcetera. So, the types of tools that we work there have fared well. As well as the implementations we've done on the programmatic side, which allow us to filter out impressions or manage impressions for buyers across different types of networks. So the tools we had were more or less repurposed for retail media networks and retail media buyers across those networks, which is I think a testament to the application of our data in so many different types of environments.

You know, that core brand safety suitability, fraud protection, viewability data can be applied in lots of different ways for lots of different advertisers. And the last thing I'll say about retail media, the other thing that we love about this is it opens up an entirely new sector of advertisers to us, right? We would never go out and try to sell Measurement to a small mom-and-pop retailer, or direct seller of some type. They just don't have the scale to do so.

But these retail media networks provide a channel for us to do so in the same way that programmatic platforms, like the Trade Desk, or DD360, give us a channel to distribute those same types of metrics to small to mid-sized programmatic buyers. So, it does--it has opened up a new market for us. We like it, it's growing very quickly, but the best part is, it doesn't need to leverage any additional investment on our side for new tools, new types of development, etcetera, and shows the kind of flexibility of our data sets.

**Nicola Allais**

Yeah, and Justin, I'll take the second question on the political environment. So, I mean, just to be clear, in prior cycles we haven't worked directly with political campaigns. But, obviously, you know, to the extent that political campaigns use our Activation services, you know, we will benefit from that. And more broadly, thinking about your question around the opportunity for our product suite, that is where the opportunity is, right? So, you know, through any election cycle, if there is a creation of some sort of incendiary content-type environment, that will lead advertisers to use our services more, the advertisers and the brands. So, it's obviously an opportunity for our product to shine. We have not--since we haven't had a history of benefitting from those campaigns, it is not factored in our forecasts for the second half of the year.

**Justin Patterson**

Perfect. Thank you.

**Operator**

Our next question comes from the line of Raimo Lenschow with Barclays. Please proceed with your questions.

**Frank**

Hey, this is Frank on for Raimo. Congrats on the quarter. I wanted to ask one on the Meta announcement, I know there's obviously still a lot to spread out here, but has this served to further validate the need for independent brand safety so far? I mean, have you seen any increased urgency or awareness from customers around adopting, or going deeper with those offerings since the announcement?

**Mark Zagorski**

It's a great question. I think, you know, the interesting part is, the customers have always wanted this. So, if anything, it's validated their demand for a while. Where it has kind of pushed others is the rest of the ecosystem, who either were somewhat reluctant of the closed market--walled garden ecosystem, who are somewhat reluctant to work with us or have said, hey, you know, if Facebook isn't going to need to do it, or if Meta's not going to need you, I'm not going to. As I mentioned earlier, so folks like Twitter have leaned into it, where we'll be launching brand suitability and safety solutions with them in feed over the next--in the next few months. We've mentioned our TikTok relationship and how that continues to grow. So, I think who it's really kind of driven is everybody else in the space who have been somewhat sitting on the fence saying, you know, do I really need third-party validation? And they're embracing of it kind of just said, yep, the whole market's going to do it. And you know, from an advertiser perspective, they're all in.

**Frank**

Great, thank you very much.

**Mark Zagorski**

Sure.

**Operator**

Our next question is from the line of Michael Graham with Canaccord. Please proceed with your questions.

**Michael Graham**

Yeah, thanks a lot, and awesome quarter guys. Just two if I could, one on--you talked a lot about the pricing bifurcation. I was just wondering, can you give us an update on international pricing? You know, I know that's sort of structurally lower than US pricing, but just wanted to kind of get an update on where we were in terms of the evolution there. And then, you know, I just wanted to also ask about how you're thinking about the model and sort of the balance between growth and profitability? You had this nice rule of 60 profile--it was more like rule of 70 this quarter, which is great. Just wondering how you're thinking about, if regular growth stayed high, you know, do you have enough projects and initiatives to invest? And on the converse of that, if you do start to decelerate, how are you feeling about being able to modulate the business on the other side of that, too? Thanks.

**Nicola Allais**

Yeah, Michael, I'll tackle the first one. So, pricing for international and the MTF on the Measurement side in particular, the patterns remain the same, which is, there is a discount which is implied, just because PPMs are lower outside of the US versus the US. That driving factor has not changed, and we haven't seen it change. If anything, as we sign larger enterprise deals that also include Activation with Measurement, you know, we're able to kind of come up with a broader solution across all of our services.

But you know, the assumption that there is a bit of a discount for the international expansion is still the same. In terms of growth versus profitability, I'll start, and I'm sure Mark will chime in. I would say, you know, what we announced today is that, as you can see, we are reinvesting into the business as we see the opportunity, especially with the strong first quarter results that we've shown. So, when you mentioned, do we have enough projects? Yes, I would say it's still early days from our perspective and the revenue growth is still there for us to continue to invest against it.

**Mark Zagorski**

Yeah, no, and just to reiterate that, you know, we're doing great on revenue topline. We're doing great on growth. And I think this is the perfect time for us to lean into investments because we've got room to do so, right? And what we want is, we know there's macro-economic factors out there that are hitting the industry a little bit. We've been not--you know, we've been largely into the means of those, but what better time for us to start investing is when the market comes roaring back to becoming roaring back that much harder, because



we've got new solutions, because we've got great people in great places, because we've got salesforce expansion in global markets. Like, I think this is the time when smart companies invest, and that's what we're doing.

**Michael Graham**

Alright. Thanks a lot, guys. And congrats again.

**Mark Zagorski**

You got it.

**Operator**

Our next question is from the line of Dan Salmon with BMO Capital Markets. Please proceed with your questions.

**Dan Salmon**

Hey, great. Good evening, everyone. I've got a couple questions, maybe a little bit more technical, and admittedly it does not seem like these are showing up in your numbers. But the first issue, it seems like there's a little bit more noise in the ecosystem lately about how media quality companies create their products, such as for example a contextual targeting product, and how you may be using publisher data for that, you know, whether you have the right to use that intellectual property.

You know, Mark, I'd love to hear your thoughts on that issue, if there's a few circular elements to it, and any sort of legal elements to it that you think are important to highlight for your company, and how you built your products. And then the second one, again, a little under the hood, but it's increasingly clear that most platforms are removing IP address from their ecosystems, largely in the push towards more privacy, and we know we don't tend to measure the who but rather the what and the how. But could you remind us, you know, how you use IP address in your methodology through your product, and how removal of it from the ecosystem may or may not impact you? Thanks.

**Mark Zagorski**

For sure, for sure. So, good, deep questions, Dan, shows your understanding of this space, which is great. So, on the publisher side, so, a couple things to note. You know, I think we have a good relationship with the sale side in the publisher business because of the fact that we actually provide them with tools that help to, you know, drive and optimize performance of their ads. So, we've had a relationship with publishers for years, and we've seen really zero conflict with them or, you know, based on the relationship that we have.

With regard to how we build our products, we build them based on all publicly available data that we get both from the open internet and from walled gardens, right, who allow us and actually work with us to pull data together. So, you know, our solutions are a combination of things that are, you know, available via the relationships that we have via directly with social

networks, CTV networks, etcetera, as well as what's available publicly on the internet. So, we don't see a conflict there. As a matter of fact, we believe that everything that we do around context, whether it's protecting advertisers' interests or helping direct them to premium sectors or premium contextual sites actually help legitimate publishers, period. So, you know, there is a synergistic positive relationship with publishers that we lean into.

On the IP address side, you know, we always talk about, we don't look at the who, we look at the where, the how, the what. We have really only leveraged IP for our fraud and invalid traffic solutions, right? And when we look at IPs being blocked, a lot of that's going to be done on iOS devices and issues around iOS devices, which have a relatively low penetration. Those are kind of around the edges. The big part of this though to really dive into is, we've built solutions that IP address is just one factor of many, many criteria that we look at in deciding something is invalid traffic, and deciding the geography of where, you know, a user comes from, and whether or not it's a bot. So, IP is one part of a very, very rich and complex recipe that we put together to build our fraud solutions, and one which we can certainly, if we had to, live without.

**Dan Salmon**

Okay, that's great. Thank you, Mark.

**Mark Zagorski**

You got it.

**Operator**

Thank you. Our next question is from the line of Mark Kelly with Stifel. Please proceed with your questions.

**Mark Kelly**

Hey, great. Thanks very much for taking my questions. Two quick ones. First one's on the Meta feed announcement. I guess given that it's a private competitor that's the initial partner, do you anticipate any incremental changes that you need to make to your solution as a result of that? That's the first question. And then the second one is, you know, on TikTok, I know you guys have a nice relationship there, and they've had a lot of recent announcements like Pulse, you know, their contextual product that they're rolling out. Just curious if the broadening of their platform, even if they do have some homegrown solutions, does that mean that, you know, your opportunities also expand along with the broadening of their platform as well? Thank you.

**Mark Zagorski**

Sure. So, first off, on the Meta feed question, you know, the value is, we know that we have-- we've built an incredible relationships over the years with an extensive suite of solutions, and we've been plugged into that company for several years, looking at data across numerous parts of Meta. And because of that, and because of the extensive nature of our platform and our solution set, you know, there always will be incremental work to do, but I don't think it will be incremental work based on the fact that a competitor has something that we don't.

If anything, you know, the partner that they chose to start off with was much more limited in their purview of both social networks and the broader internet as a whole, right? So I think--not to say that--anyone who will work with Meta on the feed is going to have to do some work, but we're in a good position to leverage what we've already built out there, and I don't see any, you know, distinct advantage of the partner that they chose to work with having anything special that we didn't have.

So I think from there, I think we're in good shape. With regard to TikTok, I mean, we continue to be really impressed with how quickly they are not only expanding their business and kind of meeting the needs of what advertisers are looking for, but how open they've been to third parties being part of that, right? I mean, they have certainly learned the lessons of, you know, how to appeal to advertisers, how to address concerns that they have, and how to ensure that they can build a long-term, productive relationship with advertisers. And a big part of that is ensuring advertisers can bring in, you know, their trusted third party solutions into that ecosystem. So we feel like as they continue to expand, as they continue to grow their business globally, it just provides more and more opportunities for us to take part in that as well.

**Mark Kelly**

Perfect. Thank you very much, Mark.

**Mark Zagorski**

You got it.

**Operator**

The next question is from the line of Mark Murphy with JP Morgan. Please proceed with your questions.

**Mark Murphy**

Yes, thank you very much. I'll add my congrats on a very solid topline in Q1. So Mark, I had noticed that several of your enterprise wins are in pandemic-impacted industries, you had Best Buy and Norwegian Cruise Lines and Subway and KFC. Should we interpret that as kind of a return to health for those industries, or is it more of a sign--I'm not sure how many were competitive displacements, but is it more of a sign that they're seeing your independence as a differentiator and may be causing some of them to switch over to DoubleVerify?

**Mark Zagorski**

It's a great question, Mark. And you know, it's funny, the way you categorized them as pandemic kind of comebacks, I never really thought about it that way, but it's a good observation. I think, you know, one thing we keep leaning in on the fact that we're pretty diversified when you look at our client base, right? We don't have a high reliance on automotive, we don't have a high reliance on a lot of supply chain-constricted companies out there. So, there's certainly--these guys have made a comeback.

A chunk of them were competitive takeaways. I think that was a key factor in them moving to us, and our independence is always part of that. I have to say though, it's the power of the solutions that always wins. And independence is like the icing on the cake. You know, if we've got a good recipe, they like the solutions, they're driving better returns based on filtering out more impressions, they're creating a more comfortable situation from a brand suitability and safety perspective. When you layer that--when you put on top of that the idea that we're independent, we're unconflicted, and there's a significant amount of trust because of the accreditations that we have, I think that is the thing that in some cases kicks over the wall, right? And I think we feel good about that, we're going to continue to lean into that as a part of our differentiated set of attributes, but it really comes down to the power of the tool sets.

**Mark Murphy**

Okay, got it. And I appreciate that, Mark. And then, Nicola, a quick one for you. Can you help us--I guess regarding the bridge between 43% revenue growth, I think it's 14% EBITDA growth. And so when we look at that--and as you've said, it's a good time to invest, the margins are down I think something like 500 to 600 business points year-over-year. Can you split it between what is a structural kind of margin pressure such as the programmatic revenue share, or you mentioned the higher cloud services cost, versus maybe how much is temporary, you know, timing of hires, or some of the M&A dilution and that type of effect?

**Nicola Allais**

Yeah, Mark, I would--I'll go straight to the answer which is, this is temporary, and you can see that from the fact that we are guiding back to a 30% margin for the full year. And the temporary items are, as you mentioned, M&A. The acquisition of OpenSlate is a smaller operation that was not operating at margin levels similar to ours. We're actually ahead of where we thought we would be in terms of identifying and reducing the duplicative costs in G&A for that transaction, which is why actually in our Q1 margins we were ahead of where we thought we would be, in terms of guidance for the first quarter. So, the integration is going very well, and it is temporary. And you know, by the end of the year, we will be back to more normalized margins. But that's really what's driving the--what you mentioned on the margins.

**Mark Murphy**

Thank you.

**Operator**

Thank you. At this time, we've reached the end of our question-and-answer session. I'll now turn the call over to Mark Zagorski for closing remarks.

**Mark Zagorski**

Thank you all for joining. We appreciate your time and attention today. I look forward to updating you on our successes in the quarters ahead.

**Operator**

Thank you. This will conclude today's conference. You may disconnect your lines at this time.  
Thank you for your participation.