

PubMatic Investment Report

PubMatic runs the auction house for the open internet's advertising: publishers bring their ad slots, buyers bid in milliseconds, PubMatic takes a cut. After three years of flat revenue and a bruising 2025, the second quarter of 2026 delivered double-digit growth, record margins, and the industry's boldest bet on AI agents buying ads. This report tests whether the inflection is real.

76

score out of 100

Verdict: Positive. The AI-native SSP at an inflection, priced like a turnaround.

Forty-one straight quarters of positive adjusted EBITDA, \$137.5M of cash, zero debt, \$211.4M of buybacks, and growth back in double digits. The price still assumes the turnaround stalls. The risk is concentration: one large DSP buyer has hurt this company twice.

Reference share price: \$19.18 (October 1, 2026 close). Market cap about \$874 million.

This is independent research, not investment advice. Every claim in this report is sourced. All data is dated. Anything after October 1, 2026 is not included.

How to read this report

\$19.18

Reference price: October 1, 2026 close. 52-week range: \$6.15 to \$19.19.

\$39.00

Base-case FY2029 price target. Scenario, not a forecast. See page 10.

\$289.2M

Trailing-twelve-month revenue through Q2 2026, roughly flat over three years until now.

\$137.5M

Cash, cash equivalents, and marketable securities at June 30, 2026. Debt: zero.

Five things that decide the outcome

QUESTION	WHAT TO WATCH
1. Is the growth inflection real?	Q2 2026 revenue grew 10.5% after three quarters of decline. Q3 guidance implies the streak continues.
2. Does the owned-infrastructure edge compound?	Cost per million impressions is down 20% on a trailing-twelve-month basis, again. Gross margin is 67%.
3. Is AgenticOS a product or a press release?	80+ autonomous campaigns and 4,000+ AI-powered deals since the January launch. All five agency holding companies are in.
4. Can the DSP concentration risk stay contained?	One large DSP buyer cut spend in mid-2025 and the stock fell 21% in a day. The mix is diversifying, but the risk is structural.
5. What is \$19.18 paying for?	About 3x trailing sales, 2.5x ex-cash. The price assumes the turnaround stalls.

Plain-language promise. Jargon is explained the first time it appears. Sentences stay short. Every number carries a source.

The business engine: the auction house

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When you open a news site or a streaming app, the ad slots on the page are auctioned in milliseconds. PubMatic runs the auction house for the **sell side**: the publishers who own the slots. Advertisers and their **demand-side platforms (DSPs)**, the software buyers use to bid, submit bids; the best bid wins; the publisher gets paid. PubMatic's cut is the revenue. This role is called a **supply-side platform (SSP)**.

The company was founded in 2006 by brothers **Rajeev Goel** (co-founder and CEO) and **Amar Goel** (now Founder, Chairman, and CIO), went public in December 2020, and is based in Redwood City, California. Around the core SSP sit four products that move the company up the value chain:

- **OpenWrap** is a header-bidding wrapper: software publishers install so many buyers can bid at once instead of one at a time. Built on the open Prebid standard, extended to connected TV (CTV), and now integrated with Unity LevelPlay, giving PubMatic direct access to the three largest mobile mediation platforms, over 90% of in-app SDK inventory.
- **Activate** lets advertisers and agencies buy directly through PubMatic's SSP, skipping the DSP middleman. Ad spend through Activate more than doubled year over year in Q2 2026. Launch partners include dentsu, GroupM, Havas, LG, Mars, and FuboTV.
- **Convert** is a self-serve platform for commerce media: retailers and transaction businesses (delivery, ride-share, travel) selling ads on their own sites and apps. Launch partners include IPG Mediabrands, Dentsu, Lyft Media, MiQ, and Wallapop.
- **Connect** layers data and identity onto the platform. The Walmart Connect Select integration pairs Walmart's shopper audiences with PubMatic's CTV inventory; the PayPal Ads ID integration brings deterministic identity built on 25 billion transactions across 400 million verified PayPal and Venmo accounts.

Sources: PubMatic Q1 and Q2 2026 releases (Business Wire, May 6 and August 6, 2026); company product descriptions via Jitta; VideoWeek on Convert (July 2023) and Activate (May 2023).

The owned-infrastructure cost advantage

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Most ad-tech companies rent their computing from Amazon or Google. PubMatic owns its data centers: servers it bought, racked, and tuned itself, running on 100% renewable energy. That choice is the quiet engine of the whole investment case.

Because the company controls the metal, every software optimization drops straight to the cost line. The proof is a number management has now printed for several quarters running: **cost of revenue per million impressions processed fell 20% on a trailing-twelve-month basis** in Q2 2026, the same 20% improvement it reported in Q1 2025 and Q2 2025. Meanwhile the machine processed nearly **92 trillion impressions in Q2 2026, up 18% year over year** (up 28% in Q2 2025, up 29% in Q1 2025). More volume, lower unit cost, every quarter: that is operating leverage in its purest form.

What is working. Gross margin hit 67.1% in Q2 2026, up from 62.6% a year earlier, on the same owned infrastructure. Capital spending stays tiny, about \$3M a quarter, because the data centers already exist. The multi-year NVIDIA collaboration adds a second gear: 5x faster bid responses, 85% fewer auction timeouts, 3x more ad requests per server, and five data-center racks consolidated into one.

What to watch. The advantage is real but not exclusive. Magnite, the other independent SSP, is making the same efficiency claims. The edge shows up in the margin, and the margin has to keep expanding to justify the story.

Sources: PubMatic Q2 2026, Q1 2025, and Q2 2025 releases; NVIDIA collaboration announcement, October 2025 (Business Wire via StockTitan).

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AI: headwind or tailwind? The AgenticOS bet

In January 2026 PubMatic launched **AgenticOS**, an operating system for AI agents to buy and sell ads autonomously. Advertisers set objectives and guardrails in plain language; more than 20 agents handle audience discovery, inventory curation, media activation, deal management, fee transparency, and reporting. It connects to buyers through open protocols: the **Ad Context Protocol (AdCP)**, which PubMatic co-founded with Yahoo and Scope3, and the **Model Context Protocol (MCP)**. Transactions run through Activate, PubMatic's direct-buy layer.

The traction is early but measurable: **80+ fully autonomous campaigns** (up from 30+ in Q1), **4,000+ AI-powered deals** (up from 1,000+), all five global agency holding companies participating, and every Q1 advertiser returning for more. Proof points: Level Agency got 2x reach per dollar versus its incumbent DSP; Havas and Telefonica ran Spain's first fully agentic CTV campaign at 18% below target CPM. **Decision Fabric** lets buyers like MiQ and Chalice AI run their own models inside PubMatic's infrastructure.

The tailwind case. Agentic buying needs neutral, low-latency rails on the open web, and PubMatic owns them. Open protocols beat walled gardens for independent agencies, and PubMatic is first with a working product. AI spend is margin-accretive here: the unit cost of an impression keeps falling.

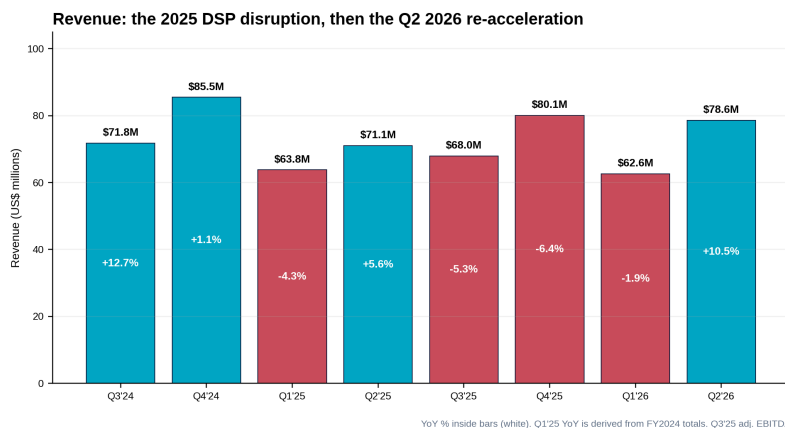
The headwind case. Google (DV360 and AdX) and The Trade Desk (its Koa AI agents) could keep agentic budgets inside their own walls. If agents mostly buy inside walled gardens, open-web SSPs get bypassed. And AI commoditizes optimization: fast auctions stop being a differentiator when everyone has them.

The call. Net tailwind, near term, with one structural risk to monitor. The evidence favors PubMatic: it is shipping product while competitors announce frameworks, and the margin data says AI is making each impression cheaper, not more expensive. But the walled-garden capture scenario is the thesis-breaker to watch, because it would shrink the open web itself.

Sources: PubMatic Q2 2026 release; AgenticOS global adoption release (Business Wire, April 27, 2026); AgenticOS research memo (GitHub, feed-mob).

Financials: eight quarters of the dip and the turn

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Quarterly revenue with year-over-year growth inside the bars. Three quarters of decline (Q3 2025 to Q1 2026), then Q2 2026 re-accelerates to double digits. Sources: PubMatic releases, Aug 2024 to Aug 2026.

QUARTER	REVENUE	YOY	ADJ. EBITDA (MARGIN)	NET INCOME	OP. CASH FLOW	FREE CASH FLOW
Q3'24	\$71.8M	+12.7%	\$18.5M (26%)	-\$0.9M	\$19.1M	\$7.4M
Q4'24	\$85.5M	+1.1%	\$37.6M (44%)	+\$13.9M	\$18.0M	\$13.7M
Q1'25	\$63.8M	-4.3%*	\$8.5M (13%)	-\$9.5M	\$15.6M	\$14.2M
Q2'25	\$71.1M	+5.6%	\$14.2M (20%)	-\$5.2M	\$14.9M	\$13.6M
Q3'25	\$68.0M	-5.3%	\$11.1M* (16%)	-\$6.5M	\$32.4M	\$27.7M
Q4'25	\$80.1M	-6.4%	\$27.8M (35%)	+\$6.7M	\$18.2M	\$11.3M
Q1'26	\$62.6M	-1.9%	\$2.6M (4%)	-\$12.5M	\$17.3M	\$17.3M
Q2'26	\$78.6M	+10.5%	\$19.6M (25%)	-\$1.2M	\$20.2M	\$13.7M

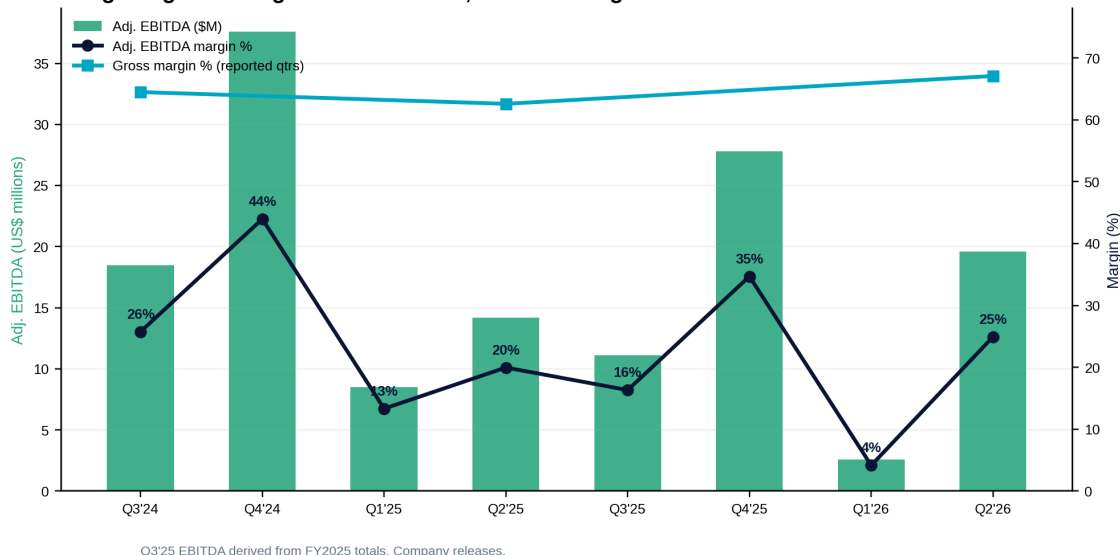
* Q1'25 YoY and Q3'25 EBITDA are derived from reported annual totals (marked with *). All other figures are company-reported. TTM revenue through Q2 2026 is \$289.2M. Free cash flow is operating cash flow minus purchases of property and equipment and capitalized software, per the company's definition.

The shape of the table is the story: a seasonal business (Q4 is always the peak) interrupted by the DSP disruption in the second half of 2025, then a sharp snap-back. Note what never broke: operating cash flow stayed positive in all eight quarters, and free cash flow never went negative.

Margins recover, cash compounds, shares shrink

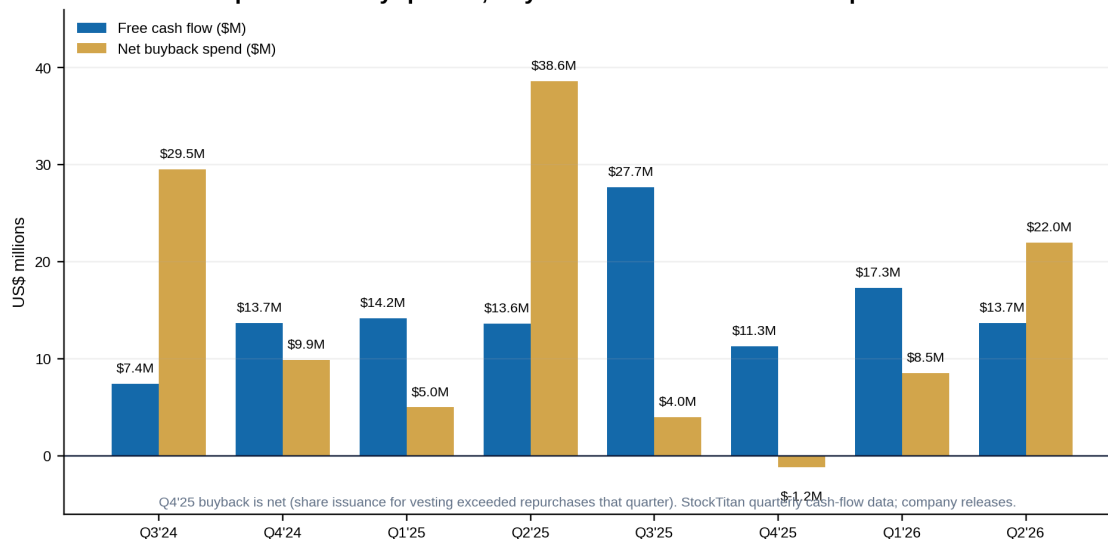
07

Margins: gross margin holds mid-60s; EBITDA margin rebounds with revenue



Adjusted EBITDA dollars and margin rebound with revenue; gross margin holds in the mid-60s. Q3 2025 EBITDA derived from FY2025 totals. Company releases.

Free cash flow positive every quarter; buybacks exceed FCF in most quarters



Free cash flow positive in all eight quarters; buyback spend exceeded FCF in most quarters, funded by the cash pile. Q4 2025 buyback is net of vesting issuance. StockTitan quarterly data; company releases.

Stock-based compensation, the quiet tax on shareholders, is trending the right way: \$8.3M in Q2 2026, down 15% year over year, after \$9.8M in Q2 2025 and \$9.7M in Q1 2025. The GAAP net loss is mostly this line plus depreciation: the business itself throws off cash every quarter.

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The DSP episode, and a management team that guides conservatively

In August 2025 PubMatic reported a decent Q2 (\$71.1M, +6%) and then guided Q3 revenue to \$61-66M, down 11% at the midpoint, citing **reduced spend from one of its top DSP buyers** (unnamed; analysts pointed at Google or The Trade Desk). The stock fell 21% to \$8.34 in a day. A law firm announced a securities investigation. Jefferies downgraded. It was the second DSP scare in a year: a similar buyer had revised its auction approach in mid-2024, costing about \$2M in Q2 2024.

What happened next is the reason this report is positive. The company diversified the demand mix: ad spend from mid-market DSPs grew over 25% in Q2 2026, and the underlying business excluding the legacy DSP grew 13% in Q1 2026. Then it beat its own guidance, quarter after quarter:

QUARTER	REVENUE GUIDE	DELIVERED	EBITDA GUIDE	DELIVERED
Q3'24	\$65-67M	\$71.8M	\$15-17M	\$18.5M
Q4'24	\$86-90M	\$85.5M	n/a	\$37.6M
Q1'25	~\$62M / ~\$6M	\$63.8M	~\$6M	\$8.5M
Q2'25	\$66-70M	\$71.1M	\$9-12M	\$14.2M
Q3'25	\$61-66M	\$68.0M	\$7-10M	~\$11.1M
Q4'25	\$73-77M	\$80.1M	\$19-21M	\$27.8M
Q1'26	\$58-60M	\$62.6M	-\$0.5 to \$1.0M	\$2.6M
Q2'26	\$68-70M	\$78.6M	n/a	\$19.6M

Seven revenue beats in eight quarters; Q4 2024 landed inside its range but below the midpoint. Q2 2026 beat consensus revenue by 13.7% and consensus EBITDA by 116%.

The honest read. Conservative guidance plus consistent beats is a credibility asset. But the DSP episode is also the core risk: a single large buyer has now dented this company twice. The mitigation, diversifying the DSP mix and building direct-buy Activate, is working, but concentration is structural to the SSP model.

Valuation: priced for the stall, not the inflection

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At \$19.18, PubMatic carries a market cap of about \$874M. Subtract the \$137.5M of cash and marketable securities, add zero debt, and the **enterprise value is about \$736M**. Against trailing-twelve-month revenue of \$289.2M, that is **2.5x EV/Sales**, or 3.0x on price-to-sales. The business generated \$46.2M of free cash flow in 2025 and \$61.6M of adjusted EBITDA, so the EV is about 16x trailing FCF and 12x trailing EBITDA.

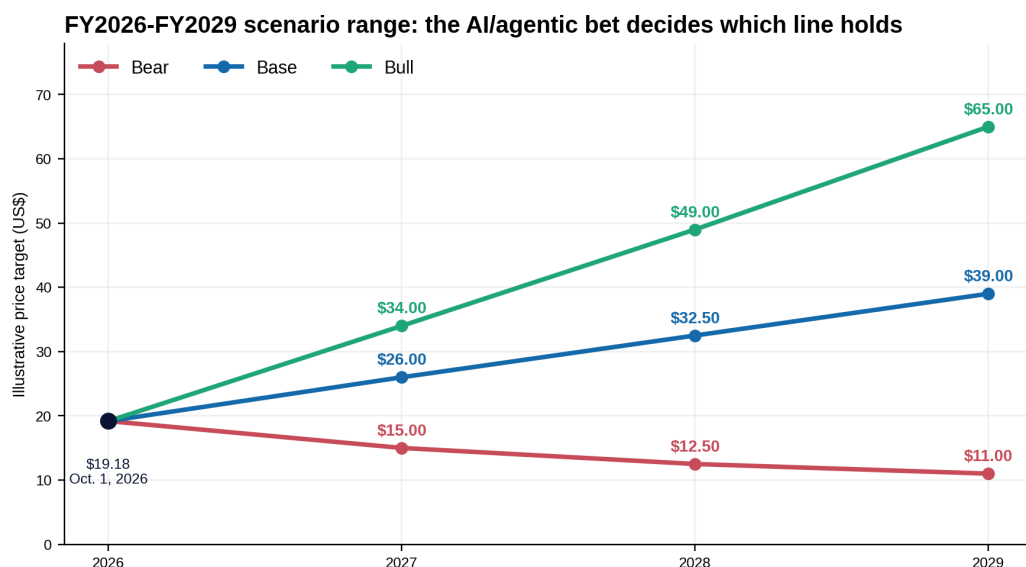
Is that cheap? The market is pricing PubMatic as a no-growth ad-tech utility: a company whose revenue was roughly flat from 2023 (\$267M) through 2025 (\$283M) and whose GAAP line still shows a loss. But Q2 2026 suggests the utility framing is stale: 10.5% growth, 25% EBITDA margins, 67% gross margins, and an AI product line with real traction. Wall Street's consensus sits at \$19.73 (13 analysts, Moderate Buy, per MarketBeat), essentially the current price: the street sees the inflection but will not pay for it in advance.

Our FY2026 estimate: first-half revenue was \$141.2M, Q3 is guided to \$75-77M, and Q4 is seasonally the strongest (Q4 2025 did \$80.1M). That puts full-year 2026 near **\$299M** (DalalBytes estimate), which would be the first year of real growth since 2022. The scenario page that follows prices what happens if the double digits stick, or if they do not.

The honest math. At 2.5x EV/Sales ex-cash, the downside is cushioned by the balance sheet: \$137.5M of cash is nearly 16% of the market cap, and the buyback (\$63.6M still authorized) puts a bid under the stock. The upside needs the growth story to survive contact with the next DSP wobble.

Scenario targets: FY2026 to FY2029

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Illustrative scenario price paths from the \$19.18 reference price. Scenarios, not forecasts. Formula: (FY29 revenue x EV/Sales + net cash) / diluted shares.

	BEAR	BASE	BULL
FY29 revenue	\$250M	\$430M	\$520M
EV/Sales multiple	1.8x	4.0x	5.5x
Enterprise value	\$250M x 1.8 = \$450M	\$430M x 4.0 = \$1,720M	\$520M x 5.5 = \$2,860M
Plus: net cash	+ \$100M	+ \$150M	+ \$180M
Equity value	\$550M	\$1,870M	\$3,040M
Diluted shares	50M	48M	47M
FY29 price target	\$11.00	\$39.00	\$65.00
Return from \$19.18	-43%	+103%	+239%

Base case. Double-digit growth sustains at ~13% CAGR from ~\$299M in FY2026, driven by CTV, mobile app, and AI/agentive revenues; EBITDA margins return toward 30%; the market re-rates an independent, profitable SSP to 4x sales. Check: \$1,870M / 48M = \$38.96. **Bear case.** DSP concentration bites again, AI optimization commoditizes, revenue slides back toward \$250M, and the market pays a utility 1.8x. **Bull case.** AgentiveOS becomes the open web's buying standard, CTV booms, 20% CAGR, 5.5x sales.

Technical analysis: a strong uptrend near the highs

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Price data through September 29, 2026 (latest Finnhub daily candle). Reference price: \$19.18, the October 1, 2026 close. All indicators below use this single dated series.



Price holds above the 20, 50, and 200-day averages. RSI is elevated at 69.9, near overbought. MACD is positive. Data: Finnhub daily candles, Sept 2025 to Sept 29, 2026.

Reading the chart, and the risks

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INDICATOR	READING	MEANING
Price vs. 20-day average	\$18.80 vs. \$17.24	Short-term momentum is positive; buyers are active.
Price vs. 50-day average	\$18.80 vs. \$16.03	Well above medium-term trend: the uptrend is intact.
Price vs. 200-day average	\$18.80 vs. \$11.07	Holds about 70% above the long-term average: a strong trend, not a base.
52-week range	\$6.15 to \$19.19	Trading at essentially the 52-week high after a 132% one-year run.
5-day / 21-day returns	+5.8% / +11.8%	Momentum is accelerating into the highs.
63-day / 252-day returns	+43.3% / +124.1%	The last year was a re-rating, from \$6 to \$19.
RSI (14)	69.9	Near overbought. Strong trends can stay here, but entries need care.
MACD	Positive, histogram positive	Trend momentum confirms the price action.

Support and resistance. The 20-day average near \$17.24 is first support, then \$16. Resistance is the \$19.19 high, then the round \$20 level. The technical grade is B+ because the trend is powerful but the entry is chasing: RSI near 70 at the highs is not where patience gets rewarded.

RISK	SEVERITY	DETAIL
DSP buyer concentration	High	One large DSP buyer has dented revenue twice (mid-2024, mid-2025). The mix is diversifying, but the structure is not.
Walled-garden AI capture	Medium-high	If agentic budgets stay inside Google and The Trade Desk, the open web (and PubMatic) gets bypassed.
Ad-market cyclicalty	Medium	Advertising is cyclical. A macro downturn hits programmatic spend before anything else.
Run-up and expectations	Medium	Up 132% in a year. The Q3 print on November 10 must confirm the inflection, or the air comes out fast.
SBC offsetting buybacks	Medium	\$211.4M of buybacks retired 15.5M shares, but equity awards keep refilling the count. SBC is falling, which helps.

Leadership and what moves the needle

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Rajeev Goel co-founded PubMatic in 2006 with his brother Amar (the first CEO, now Founder, Chairman, and CIO) and has been CEO since 2008. He is a serial entrepreneur: before PubMatic he co-founded Chipshot.com, an online golf retailer he grew to about \$30M in sales, and worked in product marketing at SAP and strategy consulting at Diamond. He sits on the board of the Interactive Advertising Bureau and was named EY Entrepreneur of the Year for the Bay Area in 2022.

The did-what-they-said record is unusually clean for ad tech. Goel promised an infrastructure-led model: the company owns its data centers and the cost per impression has fallen 20% on a trailing-twelve-month basis for years. He promised capital returns: \$211.4M of buybacks since February 2023, retiring 15.5M shares, with \$63.6M still authorized. He promised AI leadership: the NVIDIA collaboration, then AgenticOS, both shipped on schedule. And the finance function delivered 41 consecutive quarters of positive adjusted EBITDA. The planned CFO retirement is the one transition to watch, but a 15-year CFO staying on as adviser through July 2027 is about as orderly as these get.

CATALYST	TIMING	WHAT GOOD LOOKS LIKE
Q3 2026 earnings	November 10, 2026	Revenue \$75-77M and EBITDA \$17-19M, or better. The inflection must repeat.
AgenticOS adoption	Ongoing	Campaign and deal counts keep doubling; emerging revenue (now ~15%) keeps scaling.
Walmart Connect / PayPal ramp	Ongoing	Commerce-media partnerships convert to measurable revenue in 2027.
CTV momentum	Ongoing	CTV (now ~20% of revenue) and mobile app (~25%) keep growing 25-40%.
Buyback continuation	Ongoing	The remaining \$63.6M authorization gets used; share count keeps shrinking.
DSP mix	Ongoing	Mid-market DSP spend keeps growing 25%+; no single buyer dominates again.

Verdict

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B+

Fundamental grade: inflecting growth, mid-60s gross margins, real AI products, but DSP concentration caps it.

A-

Balance sheet: \$137.5M cash, zero debt, FCF-positive every quarter. Small-cap, so not a full A.

B+

Technical grade: powerful uptrend above all averages, but RSI near 70 at the highs demands patience on entries.

B

Valuation grade: 2.5x EV/Sales ex-cash prices in the stall, not the inflection. Not a bargain on earnings yet.

The one-paragraph case

PubMatic is the independent auction house for the open internet, and after three flat years it is growing again: Q2 2026 revenue up 10.5%, adjusted EBITDA margin 25%, gross margin 67%, all on infrastructure it owns, with a cost per impression that has fallen 20% year after year. The balance sheet is a fortress for its size (\$137.5M cash, no debt), the buyback has retired 15.5M shares, and AgenticOS gives it the most credible AI-agent story in ad tech. At \$19.18, about 3x trailing sales, the market still prices it as the turnaround that might stall. The bear case to \$11 is the DSP concentration striking a third time; the base case to \$39 is double-digit growth compounding at 4x sales. This is a positive thesis with a clear kill criterion: if the DSP mix re-concentrates or agentic budgets bypass the open web, the growth story breaks.

Action. The November 10 earnings print is the next checkpoint: Q3 must confirm Q2 was an inflection, not a spike. This is research, not investment advice.

Sources and methodology

Method. This report uses only information available through October 1, 2026. Financial figures come from PubMatic press releases (Business Wire) and SEC filings. Market data comes from Finnhub daily candles through September 29, 2026, with the October 1, 2026 close (\$19.18) as the reference price. Scenario targets are illustrative models, not forecasts.

CLAIM	SOURCE
Q2 2026: \$78.6M revenue (+11%), adj. EBITDA \$19.6M (25%), FCF \$13.7M (+47%), OCF \$20.2M, cash \$137.5M no debt, 2.1M shares repurchased; buybacks \$211.4M / 15.5M shares / \$63.6M remaining; Q3 guide \$75-77M rev, \$17-19M EBITDA	PubMatic Q2 2026 release, Business Wire, Aug 6, 2026 (via StockTitan)
80+ agentic campaigns, 4,000+ AI deals, all five holdcos; CTV/mobile/emerging ~60%; CTV Americas +25%, global +13% (~20%); mobile app +40% (~25%); emerging ~100% (~15%); Activate spend >2x; SPO >55%; 92T impressions (+18%); cost/impression -20% TTM	PubMatic Q2 2026 release, Aug 6, 2026
CFO Steve Pantelick retirement; stays CFO into Q1 2027, adviser through Jul 1, 2027	PubMatic release, Aug 6, 2026
Q1 2026: \$62.6M rev, adj. EBITDA \$2.6M (4%), net loss \$12.5M, OCF \$17.3M, cash \$144.9M; buybacks \$189.9M / 13.5M shares; 40th straight positive EBITDA quarter; underlying ex-DSP +13%	PubMatic Q1 2026 release, Business Wire, May 6, 2026