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CORPORATE PARTICIPANTS

Chris Vanderhook *Viant Technology Inc. - Co-Founder, COO, Secretary & Director*
Lawrence J. Madden *Viant Technology Inc. - CFO*
Maili Bergman *The Blueshirt Group, LLC - MD*
Tim Vanderhook *Viant Technology Inc. - Co-Founder, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Aaron Michael Kessler *Raymond James & Associates, Inc., Research Division - Senior Internet Analyst*
Eric James Sheridan *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*
Laura Anne Martin *Needham & Company, LLC, Research Division - Senior Research Analyst*
Nathaniel Holmes Schindler *BofA Securities, Research Division - Director*
Ronald Victor Josey *JMP Securities LLC, Research Division - MD & Equity Research Analyst*
Maria Ripps *Cannacord Genuity*

PRESENTATION

Operator

Hello, everyone, and welcome to Viant's Fourth Quarter Full Year 2020 Earnings Call. My name is Kiara, and I will be your operator today. Before I hand the call over to the Viant team, I'd like to go over a few housekeeping notes. As a reminder, the webinar is being recorded. (Operator Instructions)

Thank you for your attendance today. I will now turn the call over to Maili Bergman with The Blueshirt Group.

Maili Bergman ***The Blueshirt Group, LLC - MD***

Thank you, Kiara. Good afternoon, everyone, and welcome. We will make forward-looking statements on our call today that are based on assumptions and subject to future events, risks and uncertainties that could cause actual results to differ materially from those projected. We undertake no obligation to update these statements, except as required by law.

For more information about factors that may cause actual results to differ materially from forward-looking statements and our entire safe harbor statement, please refer to the press release we issued on March 22, as well as the risks and uncertainties described in our registration statement on Form S-1 related to our initial public offering and other filings with the SEC.

During today's call, we will also present GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including a reconciliation of GAAP to non-GAAP measures are included in the press release we issued today and our filings with the SEC. I would now like to turn the call over to Tim Vanderhook, Chief Executive Officer of Viant. Tim?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Good afternoon, everyone. I'm joined today by our Chief Operating Officer, Chris Vanderhook; and our Chief Financial Officer, Larry Madden. We are pleased to welcome you to our first earnings call as a public company.

Before we begin, I would like to thank all of our employees, partners, customers and new investors for being a part of our journey in helping us complete an exciting IPO process. You have all been instrumental in our success, and we are excited to be here today. Given this is our first call as a public company, I'll spend a few minutes giving you an overview of our business in addition to discussing the highlights from our fourth quarter.

Before I get into the numbers, I think it would be helpful to offer some background on what we do at Viant and how we fit into the broader digital advertising industry. Buying ads across channels like digital billboards and Times Square, a streaming TV ad, adds on laptops and smartphones is inherently very complex, and our software solves that problem by making it simple. We are early pioneers of people-based advertising, an approach of using real individuals and households rather than cookies to target and measure digital advertising. Our self-service software Adelphic utilizes a combination of people-based identity resolution, omnichannel advertising integrations and advanced reporting capabilities that empower our customers with a whole new level of audience segmentation and return on ad spend measurability.

We believe that over time, the entire advertising industry in the U.S. will be transacted through software like ours, and this presents a tremendous long-term opportunity for Viant. But there were a lot of drivers of change in disruption in 2020. However, one of a few silver linings to emerge from the pandemic has been the widespread consumer adoption of connected television. And marketers adjusting their focus on gaining a better understanding of their advertising return on investment.

We believe with our people-based advertising software Adelphic, we are uniquely positioned to help advertisers understand the ROI of their marketing dollars. Turning now to the numbers. We are pleased with our fourth quarter results, ending the year on a strong note after navigating various challenges amid an unstable macro environment. In Q4, we delivered revenue of $56.5 million, an increase of 9% year-over-year and 40% sequentially compared to the third quarter.

Revenue ex-TAC grew 19% year-over-year to $39.1 million, and adjusted EBITDA grew 66% to $15.6 million, representing a 40% margin as a percentage of revenue ex-TAC. While some of the challenges we faced over the course of the year persisted in the fourth quarter, specifically lighter ad spending in certain verticals. We are seeing a number of promising trends materializing into sustainable tailwinds for Viant.

From a vertical standpoint in the fourth quarter, we saw strong demand in entertainment, consumer packaged goods and health care categories. We continue to see softness in retail, automotive and travel verticals. These industries historically have been very important categories for us, and there has been a universal pullback in ad spending by these advertisers amid the pandemic. This impacted us throughout 2020, including in the fourth quarter. On the flip side, we have continued to see accelerating growth in Connected TV-related advertising. CTV now represents our fastest growing channel. With growth in platform spend of 70% in 2020.

Our expertise in intellectual property in Connected TV is a big differentiator from our competitors. And is making us a go-to software platform for Connected TV advertising. We believe the accelerating growth of CTV will continue into 2021, and I feel strongly that this is an area where we are uniquely positioned to excel at in the long term. More on that exact point later. Well, first, I want to talk a bit about what makes Viant fundamentally unique in the marketplace, and that is our people-based approach to advertising.

During our road show, we talked at length about the fact that cookies and other third-party device trackers, which are controlled by big tech, are going away. This change is something we anticipated and have invested in for over 6 years, and it is one reason why we have been evangelizing our people-based framework as an answer to the death of the cookie. Now that support for cookies is coming to an end, the people-based era has finally begun. Our strong intellectual property and patents around our household ID give us the ability to be a natural partner to marketers and their agencies, who want to continue to reach their consumers and measure what they get for their advertising investment.

Most other platforms did not anticipate or simply prepare for the death of the cookie. So our Adelphic platform is well positioned to take advantage of this large and growing opportunity in the market. The recent Google announcement about disallowing all individual tracking via their browser and ad buying tools like DB360, simply follows Apple and others that have already made these changes. We understood this years ago that the cookie was a short term solution, and the future would be in charting our own course around people-based and the importance of the household.

In 2013, we filed our original patent around Internet-connected household identification and have expanded the scope with additional filings since. We have strong intellectual property protection around our technology and processes that will allow for Viant to be a market leader in reaching audiences in cookie-less environments. Some of our competitors recognize our position and our intellectual property protection around our ability to identify an Internet-connected household.

Over the years, they have touted that their 1:1 tracking capabilities were superior to our focus on the household. We have always reminded our clients that most vertical categories of advertising are, in fact, household purchase decisions, whether they be consumer packaged goods, automotive, retail, entertainment or travel, to name a few. That is why a household approach is more practical than a 1:1 cookie-based approach. In addition to these categories being household level purchase decisions, some of the most exciting new channels of advertising like Connected TV involve a shared device in the home and require a household approach because cookies do not exist on Connected TVs.

Most other DSPs are built on cookie-based technology, making our people-based technology a key differentiator for us in the large and growing channels that are cookie-less environment like CTV. Perhaps the biggest advantage of people-based approach is the superior measurement capabilities for marketers.

Marketers today have a strong interest in measuring the effectiveness of their advertising investments. Our people-based DSP Adelphic enables marketers to measure both e-commerce and in-store sales, which gives them the 360-degree view of their return on ad spend across all of the channels in which they advertise. This holistic view is what modern marketers are requiring to validate their advertising investments. As we look forward, it is clear through the recent Google announcements and pending changes to their ad buying platforms, that they are no longer going to allow marketers to use audience-based ad targeting across the open web.

Marketers will be looking for new DSP partners that can help them connect with their audiences across the open web. We believe our Adelphic software is uniquely positioned to capitalize on this opportunity. We see both, the migration away from cookies and the rapid growth in connected television as tailwinds for our business in 2021 and beyond. Our view is that the timeline of the migration to a world without cookies happens in 2022. We are now at the inflection point of marketers adopting people-based software as their primary DSP to electronically buy and measure their advertising.

Other efforts in our industry to replace the ubiquitous cookie by forcing consumers to log into every website on the Internet with their e-mail address has many, many challenges. The greatest of those challenges is scale universally. We believe that the potential over time for this approach is up to 20% of all available ad impressions on the Internet, which is a far cry from the ubiquitous and universal nature of the cookie. There will certainly be some publishers who will be able to get users to log into their sites and apps in order to view their content.

But the vastness of the open Internet will require a different approach. Contrast the approach of the logged in web with our household approach. In the fourth quarter, our household ID was available on more than 75% of all available ad impressions received by our software. The ubiquity of our household identification is the basis for why marketers are turning to the Adelphic software to enable them to reach consumers in cookie-less environment.

I hope that overview highlights the opportunities ahead for Viant. With that, I'll hand over the call to Larry Madden, our CFO, to provide more detail on our financial performance.

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Thanks, Tim, and thanks to everyone for joining us today. Before I get into our fourth quarter results, I'd like to spend a few minutes briefly reminding investors of some of the key operating metrics that management focuses on and that we will be discussing today. I will also be discussing certain non-GAAP financial measures. Our GAAP financial results, along with a reconciliation between GAAP and non-GAAP results can be found in our earnings release. As many of you know, we offer 3 different pricing options for our customers, fixed price, percentage of spend and subscription. As a result of transacting in multiple ways with our customers, we have different revenue accounting treatment, depending on which pricing option our customers choose.

As a result and in order to normalize the different revenue accounting treatment across the 3 pricing options, we focus on the key non-GAAP metrics that we call revenue ex-TAC. Revenue ex-TAC reflects all revenue net of direct pass-through costs or traffic acquisition costs. Simple terms, revenue ex-TAC represents what we keep. Another important metric that we have been discussing is growth in platform spend. This metric is a measure of customer engagement on our platform, representing the growth in aggregate gross spend on our platform across the 3 different pricing options.

We believe growth in platform spend is a helpful metric engaging the overall momentum of our business as platform spend ultimately drives our revenue performance. With that, I'll now turn to the financials. As Tim discussed, we saw great momentum in the fourth quarter with results that demonstrated significant growth in platform spend as well as revenue ex-TAC. We were pleased to close out the year on a high note, with growth rates accelerating compared to Q3. Total platform spend in the fourth quarter grew 36% year-over-year.

An acceleration from the 22% increase we saw in the third quarter. This growth was primarily driven by continued momentum in Connected TV spend, which was up 71% in Q4 and represented approximately 1/3 of total spending on the platform in the quarter. Video-related spending on the platform, which includes CTV, represented over 61% of total spend on the platform in Q4. That being said, our overall performance continued to be negatively impacted by macroeconomic conditions related to the COVID pandemic during Q4. The customer vertical is most impacted by COVID namely retail, automotive and travel continue to be weak in Q4, with total spend across these verticals declining 1% on a year-over-year basis.

These 3 important customer verticals represented over 43% of our total platform spend in 2019 pre-COVID. During 2020, as customers adjusted to the pandemic, there was a significant pull pack across these 3 customer verticals that extended through the end of the year. As a result for the full year 2020, platform spend across these 3 COVID-impacted verticals declined over 20%.

Across all other customer verticals, including CPG, health care and entertainment, total spend on the platform increased 60% in Q4, which demonstrates the strength and momentum across the platform. Similarly, total spend across these other verticals increased over 45% for the full year 2020. While we expect our retail, automotive and travel customer verticals to remain weak in the near term, we do expect the normalization across these verticals as we move through 2020, further driving the momentum across the platform. Now moving to our revenue performance. GAAP revenue for the fourth quarter was $56.5 million, an increase of 9% compared to Q4 of 2019.

Revenue ex-TAC, the key metric we focus on in evaluating revenue performance, was $39.1 million for the fourth quarter, an increase of 19% year-over-year. I would point out that given our different pricing options with different revenue accounting treatment, the relationship between platform spend and revenue varies depending on pricing option. Revenue from our fixed pricing option more closely mirrors platform spend as GAAP revenue is recorded gross before deducting pass through costs.

With our percentage of spend and subscription pricing options, GAAP revenue is recorded net of these costs. Therefore, as platform spend across percentage of spend and subscription customers accelerates relative to fixed price customers as it did in Q4 and full year 2020, the growth rates in GAAP revenue and revenue ex-TAC will trend lower than the growth rates in platform spend as a result of this change in mix.

In Q4, our growth in both GAAP revenue and revenue ex-TAC was largely driven by a significant increase in CTV-related spend as well as the continued momentum across the customer verticals I mentioned, that were less impacted by COVID during the quarter. One thing of note is that during Q4, less than 1% of our total spend on the platform was related to political advertising. Lastly, during the quarter, we had a significant increase in spend with our percentage of spend customers. This is a positive within the business as percentage of spend customers have very high retention rates and typically increase their spend over time as they consolidate budgets on the platform.

Another set of metrics that we focus on are the number of active customers and the average revenue ex-TAC per active customer. Customer additions and increased revenue ex-TAC within our existing customer base are key metrics that we track to assess the momentum in the business. We define an active customer as any customer generating a minimum of $5,000 of revenue ex-TAC over the prior 12-month period. As of the end of Q4, we had 264 active customers compared to 277 at the end of '19.

This modest decline was primarily due to a pullback in spending throughout the year across our retail, automotive and travel customers, which temporarily lowered the active customer count. We also saw a pullback in platform testing during the spring and summer months directly related to COVID. Conversely, in 2020, we saw increased spend across our existing customer base as average revenue ex-TAC per active customer increased 11% to $419,000. Our focus moving forward is to increase the number of active customers using our software while continuing to increase the revenue ex-TAC generated per active customer.

As I mentioned earlier, typically, once a customer starts using our software, they increase spend over time as they become more comfortable with the benefits of the platform. Given the fact that we have onboarded many new customers in the last 2 years, we expect revenue ex-TAC for active customer to continue to grow as these newer customers mature on the platform. We also believe that we have a significant opportunity for growth in terms of the potential number of active customers we can attract and convert.

During 2021, we intend to increase our investment in sales and marketing to capitalize on these opportunities and significantly scale our customer base in the coming years. Turning now to operating expense. Total operating expenses in Q4 were $43.3 million, representing a year-over-year decline of $2.9 million or 6%. Traffic acquisition costs associated with our fixed pricing option, which are included in platform operations expense, declined $1.8 million in Q4 compared to 2019.

Net other savings of $1.1 million in the quarter were achieved despite a 30% increase in head count as of the end of 2020 versus 2019. COVID-related savings in areas such as travel and entertainment, coupled with cloud-related efficiencies driven by our Mediator product, have enabled us to grow the top line in Q4 without a commensurate increase in total OpEx. Our Mediator product enabled us to achieve a 3x efficiency in terms of our queries per second or QPS costs in Q4, meaning we can process 3x the QPS for the same cost compared to a year ago.

We expect this efficiency to further scale in the coming periods. Adjusted EBITDA in the quarter was $15.6 million compared to $9.4 million in Q4 2019, representing a year-over-year increase of 66%. Our adjusted EBITDA margins as a percentage of revenue ex-TAC were 40% in the quarter compared to 29% in the same period. Our growth in adjusted EBITDA is a reflection of our focus on both top line growth and bottom line profitability. While we intend to make investment in 2021, we believe from a mid- to long-term perspective, we can achieve adjusted EBITDA margins as a percentage of revenue ex-TAC of 35%.

From a cash flow perspective, we generated $18.9 million of net cash from operating activities for the full year 2020 compared to $13 million in 2019. Total CapEx for the year was $7.8 million, essentially unchanged from 2019. Our ability to generate cash flow, coupled with the $232 million in net proceeds from our recently completed IPO, positions us extremely well to further invest in technology and sales and marketing to take advantage of the rapidly growing market opportunity.

In terms of headcount, we ended the year at 289 employees, which, as I previously mentioned, represents growth of 30% from the prior year-end. This growth demonstrates the continued investments we are making in headcount as we continue to scale our business. We expect total headcount to increase approximately 30% to 35% in 2021, with a particular focus in sales and marketing as we continue to invest in the growth opportunity in front of us. And finally, turning now to guidance.

As Tim discussed, we feel great about our positioning in the market, and we're in the very early stages of capitalizing on the market opportunity for programmatic advertising in a cookie-less world. As we think about guidance, we recognize that we are still early in the year, and there's a fair amount of uncertainty around advertising demand in some of our key end markets, including our travel, retail and automotive customer segments. Travel, in particular, is typically a very strong performer in the first half of each year for us, and we did not see a recovery in Q1, 2021 with our travel customers.

While we do expect a full recovery over time in these key areas, we also believe we will be -- continue to be impacted in the first half of 2021 in these key customer verticals. Our guidance reflects our best judgment as of today relative to how our business will continue to normalize in a post-COVID world. With that background, for the first quarter of 2021, we expect GAAP revenue in the range of $38 million to $38.5 million, which represents a year-over-year change of 0% to 1%, revenue ex-TAC in the range of $26 million to $26.5 million, which represents year-over-year growth of approximately 11% to 14%, and adjusted EBITDA in the range of $2.5 million to $3.5 million or a margin as a percentage of revenue ex-TAC of 10% to 13%.

And for the full year 2021, we expect GAAP revenue in the range of $194 million to $200 million, which represents year-over-year growth of approximately 17% to 21%, revenue ex-TAC in the range of $131 million to $136 million, which represents year-over-year growth of approximately 19% to 23%. And adjusted EBITDA in the range of $22 million to $25 million or a margin as a percentage of revenue ex-TAC of 17% to 18%.

Before turning the call back to Tim for closing remarks, I would like to briefly touch on a few housekeeping items relative to 2021. First, as indicated in our S-1, we have converted our pre-IPO employee equity incentive plan into a new long-term incentive plan. Specifically, we converted the pre-IPO employee incentive units into RSUs at the time of the IPO. As a result, our 2021 results will include approximately $83 million of stock-based compensation associated with these RSUs, of which, approximately $14 million will be capitalized as software development costs.

We will also incur payroll taxes, employer payroll taxes and increased depreciation and amortization expense in connection with these brands. The second item I want to point out is that as a result of the sizable stock-based compensation expense of 2021, we now expect to generate a tax benefit at the public entity in 2021. The size of which will be determined in part based on the value of the RSUs as they vest. If you recall, we used an Up-C structure as part of our IPO, such that the public entity will be allocated approximately 20% of taxable income or loss based on the current share count.

So taxes apply to 20% of taxable income, with 80% of taxable income being passed through to the members of the LLC. Our 2020 results will also be impacted by increased overhead associated with being a public company. Connection with this, we expect to incur an incremental $5 million to $6 million of cost in 2021 with D&O insurance representing the most significant component of such incremental expense.

With that, I'll now turn the call back over to Tim.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Thank you, Larry. I just want to comment on closing. Our focus moving forward is to increase the number of active customers using our software, while continuing to increase revenue ex-TAC generated per active customer. We intend to increase our investment in sales and marketing in 2021 to drive our growth. As you've seen from our guidance, we expect to accelerate growth in 2021 over 2020 levels, while continuing to generate solid adjusted EBITDA.

While our company is well established, we believe that we have significant opportunity for continued growth. We have significant technology, architectural and intellectual property advantages that create a strong competitive moat and the very significant trends towards a people-based approach and the continued rise of connected television present material growth opportunities for Viant. We intend to be very active with regard to investor and analyst interaction and look forward to keeping you updated on our progress.

In closing, we are very pleased with our results in the fourth quarter and look forward to building on this momentum in our first year as a public company. I'll now turn the call back over to the moderator to begin Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from the line of Maria Ripps at Cannacord.

Maria Ripps ***Cannacord Genuity***

Congrats on strong results. So first, your revenue guidance implies really help the acceleration through the year, which is great to see. And obviously, some of that is easier comps. To what extent do you expect sales force expansion sort of to contribute to revenue strength in the first half versus the second half of the year? And can you maybe update us on your progress in terms of the sales force expansion so far? And then I have a quick follow-up.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Great. Larry, do you want to handle that?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Yes. We certainly do -- we are looking to increase the total sales team by approximately 50% in 2021, which is a pretty sizable investment. To date, we've probably achieved about 40% of that. So we've been very active in recruiting and have had success so far. I think generally speaking, it takes a new seller, approximately 6 months to truly be a ramp in terms of them being able to truly drive revenue. So I think we definitely will see some benefit really beginning in Q3 and then perhaps more accelerating a bit more in Q4. But we will not see the full benefit, obviously, of the full sales force addition in 2021. But we will -- we will begin to see it in the second half, for sure.

Maria Ripps ***Cannacord Genuity***

Great. And just as a quick follow-up. I just wanted to ask about your supply chain. And you talked about expanding into Amazon Connected TV marketplace. Can you maybe talk about where you are in that process? How lengthy is it? And what are some key milestones as you're working through it?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

For us, as a DSP who works on behalf of the marketer, we want to integrate wherever the marketer wants to spend their advertising so we can electronically buy and measure it. And Amazon Fire TV is obviously a large and growing platform out there. We do not have a direct integration with Amazon Fire TV today, but we do integrate with content owners who are distributing their content over Fire TV or over Roku, both. So a lot of times, there's different entry points for that inventory. So today, we would be interested, but we are not integrated in the Amazon Fire TV today.

Operator

And your next question comes from Eric Sheridan at UBS.

Eric James Sheridan ***UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst***

Maybe 2, if I can. Moving on from just the sales force, but I do want to wrap that into the broader question, what do you see as sort of the critical investments you need to make in '21 and '22 against the broader goals you're trying to sort of solve for the platform over the medium to long term, just to maybe reframe that for investors so they have a bit better understanding of what you're sort of scaling after and how it's going to show up on the investment side?

And then more granular with Q4, can you give us any sense of the new advertiser or new client growth in the quarter? And how we should think about the industry breakdown or maybe the product breakdown or some of that growth you saw in the most recent period.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Got it. Thanks, Eric. I'll take the first part of that question. Our sales and marketing investment really is just about putting more feet on the street. We believe sales in the contact sport, we're in front of more and more clients, educating them around our solution around people based. We know that our close rates are increasing. So we want to continue to have more and more of those conversations. This year is definitely continuing to educate. So putting more investment in the sales and marketing side across the country is going to help us educate more clients.

And like I said, our close rates have been increasing. So we're excited to do that. I would say our sales and marketing investment largely is aimed at adding that really in the first half of the year, which we're well on our way to do that.

Lawrence J. Madden ***Viant Technology Inc. - CFO***

I would address the part of the -- second part of your question in terms of client growth. We did see a nice uptick in Q4. As we said, we ended the year with 264 active customers. That was up from Q4 where -- from Q3, I think we were at 258. And what we've seen of late is 2 things. One, we're seeing increased level of testing, which we did have a bit of a lull during spring and summer with.

And we're also seeing the conversion from the fixed price customers into the percentage of spend customers, and we saw quite a bit of that in Q4.

Operator

Your next question comes from Laura Martin at Needham.

Laura Anne Martin ***Needham & Company, LLC, Research Division - Senior Research Analyst***

Can you hear me okay?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Laura, Yes. Yes.

Laura Anne Martin ***Needham & Company, LLC, Research Division - Senior Research Analyst***

So my first one, I'm curious as to what you would say to investors that say, look, the competitive advantage is having a faster replacement to cookies, but the pushback would be, look, if you're moving towards CTV at the speed of light because you're doing 70% growth in CTV versus 9% reported growth, does that matter since actually, CTV is a cookie-less environment. So aren't you moving away from your competitive advantage as CTV becomes a bigger part of your total revenue? How do you see that?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Well, I would say what marketers are invested in or focused on in CTV is they still want to do targeting and measurement of CTV. So -- and not just TV across all of their investments. They're really -- we're bringing them a more holistic offering. So it's a longer sales cycle to help them understand every channel they can buy-in. Every channel they can target in and how the measurement works across both. So I guess, certainly, CTV growth is happening. It's there. It's why we're a natural choice because of our intellectual property there. And we will -- we've been growing above market rates in CTV for quite some time. But I think there is backwards compatibility. They still want to understand website visitors.

They still want to understand how do I retarget and do targeting across mobile and desktop on apple devices that are cookie less today. So a lot of education in the market going on on how our solution works in each channel. And I think that's the slow education process. Even just within mobile, it's a different ID in the in-app ecosystem versus Safari. And so getting marketers to understand all of that. But it's the same story over and over. Our household ID has huge penetration.

In Q4, it worked on 75% of all ad requests, whether it was CTV, in-app, Safari or Chrome, where the cookie exists today. It's a consistent scale solution. And that's what I think we're trying to educate the marketers. We don't want to be a one channel DSP. We want to actually serve the marketer's entire ad spend, be their dashboard for them to target and measure what they're getting for their money.

And I'll just add one little piece on that, Laura. As cookie-less environments grow, that's a tailwind for us. So CTV is a natural place that was cookie less competitive platforms really are a cookie -- they use cookie-based approaches. So they're looking for an ID that many times is not there. There are no cookies in that space. So the cookie-less environment is really where we're able to show the massive differentiation that we have, both in platform and overall from a people-based framework perspective. So as these cookie-less environments continue to grow, that's right in our wheelhouse.

Laura Anne Martin ***Needham & Company, LLC, Research Division - Senior Research Analyst***

Super helpful. My second 1 would be about the margins were quite a bit better. Your tack was quite a bit lower than we thought. You had really robust margins. My question is, did that come because like what Larry was just saying about the transferred faster into percent of spend, which does have higher margins than because it doesn't have TAC, it's reported net. Or is that because you're getting more of these that third revenue stream, that subscription revenue like when you have the activision direct revenue stream, are we seeing sort of outsized growth of that one? Or did all of the extra upside come from percent of spend customer mix?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Sure. I can take that one, Laura. I apologize. Hopefully, you can hear me, I lost my video. But in any case, yes, the margin is almost entirely driven by the significant growth on the percentage of spend side. That's really what contributed to that healthy EBITDA margin.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

I would also just want to add one thing is on our Mediator product, which is helping us lower our QPS costs or the servers to handle all of this. Our engineering team has had huge breakthroughs, and we've seen 3x efficiency that we've talked about compared from the year-over-year period, and we expect that to further scale.

QPS is the significant cost for all programmatic players and we've had substantial breakthroughs that are actually lowering our costs while our QPS is rising. And so we see that continuing to play out this year.

Operator

Our next question comes from Ron Josey at JMP.

Ronald Victor Josey ***JMP Securities LLC, Research Division - MD & Equity Research Analyst***

Great to see the results here. I wanted to ask a little bit more, Tim, on the verticals. You just mentioned continued headwinds in autos, retail travel, but you're seeing some benefits, I think, are some of that coming back in the first quarter. So can you just talk a little bit more about when you might expect to see this rebound here, how you're thinking about that? Just on the newer verticals? And then sort of following up on a question earlier, Larry, you mentioned just the ramp in percentage of spend in the quarter. And the benefits to be a high retention rate.

So now you've got 264 clients on the platform. Maybe talk about just the length of those clients on the platform. Just because I think from a just a lifetime of usage on buying, right, the longer you're on, maybe you go more percentage of spend and how that might impact your thoughts and guidance going forward.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Ron, I'll take the first part of that question. So as far as the verticals and timing of them coming back, we're really seeing, I would say, travel, we are in discussion with our travel customers. I would say that it's not heavy buying signals. And really, I think it's largely dependent. Everyone's kind of singing the -- really the same song there, which is dependent on the vaccine rollout. Just to be clear, travel typically does a lot of their spending in the first half of the year, Q1 and Q2, they're trying to capture that summer travel. I do expect that, really, we're looking really that -- I think that there will be more normalizing on spend levels in the back half of the year, but we do expect them to start to spend some in the first half.

On retail, I'd say that's a similar thing. As economies open back up, stay-at-home orders are released, we think that, that retail comes back specifically around, I would say, food, retail and restaurants and things like that. And the last one around automotive, really, we're really seeing some of it around the production side right now. A lot of the plants really aren't able to get certain components I believe that most recently, the microchips and the shortage thereof for them. When they don't have production, they can't put those on the lots, therefore, the ad spending typically will lag. So -- but I expect that -- we're hopeful that, that returns to normal levels in the back half as well. Larry, do you want to take the second question?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Sure. In terms of the percentage of spend customers, yes, we are seeing that increasing even in Q4 in terms of the number of customers using the percentage of spend platform. As we talked about before, I mean, typically, what happens in the first year, they're spending modest budgets, getting used to the platform, getting used to its capabilities and reporting and then as they move forward into year two, that budget typically increases pretty significantly, decreases further in the third year so many of our customers really have been on the platform since 2019.

We definitely have added a bunch in 2020 on the percentage of spend side. So we definitely look forward to an uplift in terms of over time uplift in terms of the average revenue ex-TAC per active customer, and that definitely will come from these percentage of spend clients, which are definitely stickier in terms of once they're on the platform and they get comfortable with it, they continue to consolidate budgets as they move forward. So we expect that trend to continue.

Operator

Our next question comes from Nat Schindler at BofA.

Nathaniel Holmes Schindler ***BofA Securities, Research Division - Director***

So going back to the discussion that you had about Google, it sounds like Google made a very clear they're justas for and their belief that regulators will not allow in the future individualized targeting. They will allow personalization, but -- and obviously, for Google is pushing it their own concept with Floc but they won't allow individualization. And that was clearly a dig at Unified ID 2.0 and digital fingerprinting and other concepts that are out there that you are not doing but are related to how you get to the single person this ad is for that person.

How do you think longer term, they will look at household data and household analysis? And more regulators themselves, is there a way they could affect what you're doing? And could Google go against what you're doing as well?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Yes. Thanks for the question, Nat. I'll take the first part. I think Google, for the most part, highlighted around the kind of the alternate IDs around getting e-mail or logged in. I think the first thing that they most notably said that this -- they believe will lack scale.

So I think that's -- for us, that's probably the largest challenge that our view is as well. I would say that, look, marketers aren't looking to track individual consumers. They just want to measure what they're getting for their advertising investment. I think that e-mail inherently has a lot of challenges in terms of measurement as well. But specifically around regulation, look, our view is that does regulation continue? I think that we saw it with CCPA in California. There's a new one on the ballot this year. It was a CPRA. This is something that all platforms will have to contend with. I believe that more disclosure, we believe more disclosure is better to the consumer.

A more informed consumer is going to be better for everyone. So we're not really worried about it from a deregulation standpoint because more disclosure to the consumer is the trend that we've been seeing. So we expect that to continue. As far as our approach around the household, we think it's better. We think it's better for consumers. We're not doing individual tracking of consumers.

If you think about it, it's somewhat in line with what Google is talking about around these cohorts. They're not doing individuals, but they're backing it up a level. That's the same exact similar concept with our household. I would say the difference is, is that we are still enabling marketers to use their own first-party data. We're still enabling really the targeting of certain households that are in market or match to it a data segment that they're interested in. But ultimately, we're allowing them to measure the effectiveness of their advertising on our platform. That's what marketers want and that's what they care about.

People-based platform like ours really enables them to do that. It's not black box and it's not walled off. But just to add to that, too, I do expect data regulation to continue around this side where you're seeing individual states come up with their own approach. And so I do think in the long term, there will be some unified national approach to this. But more and more, if you look at Apple as the leader in this space, what is Apple saying? They said that any consumer who will allow you or opt into personalized advertising, you can do whatever you want as long as the consumer says as allow.

So it's more disclosure, and then you have the consumer saying allow. And that's where the in-app ecosystem across Apple. So I would say that that's probably the farthest, most aggressive approach, which is an opt-in from a consumer on their platform. So more and more, I think these are good for consumers. They get made more aware of what data is available, how it actually works. But as Chris mentioned, we think our household approach is similar to Google's Floc approach where it's a cohort of users, while we're not tying it to keywords or interest categories, we're making it around households themselves more like direct mail is used.

Nathaniel Holmes Schindler ***BofA Securities, Research Division - Director***

And one more follow-up on this. Just do you think this announcement they have made about their estates for certain other formats that are coming out and being used? Does that make them more or less likely to ever opened up their wall garden of YouTube properties and the like? And how do you think those will be addressed on a longer-term basis, both by Google and by regulators?

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO, Secretary & Director***

Yes. Yes, I'll take the first part of that. We don't expect that the YouTube has been walled off for quite some time, Google search, very similar. We don't expect that to reverse course really by any means. So I don't -- I think that's going to remain unchanged.

Operator

Your last question comes from Aaron Kessler at Raymond James. Aaron, you're on the line.

Aaron Michael Kessler ***Raymond James & Associates, Inc., Research Division - Senior Internet Analyst***

A couple of questions. Maybe just first, any sense for the advertiser reaction since kind of Google has made their announcement that they're not going to be supporting kind of alternative IDs? Are you seeing kind of increased interest from advertisers or around kind of your people-based approach.

Then be good to get your thoughts on kind of maybe CTV growth outlook for 2021, thoughts on maybe inventory levels expanding. I think historically, we've been a little supply constrained. But then we also may have some headwinds from less stay at home throughout 2021. Just overall, get your thoughts on CTV growth rates, how we think you should be thinking about that for 2021?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Sorry, Aaron, I was writing too much. What was your first question, again, I'll take that. What was it, again?

Aaron Michael Kessler ***Raymond James & Associates, Inc., Research Division - Senior Internet Analyst***

Yes. The first question is just kind of are you seeing increased conversations since kind of Google repeat cookie (inaudible) they're not supporting alternative IDs?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

Well, I'll definitely say it's been a huge positive for us. So we've been out evangelizing people base for years and the fact that the cookie is going away this was probably, for us, this is one of the biggest announcements, I would say, in our history in this space. I believe it is opening up a tremendous amount of opportunity for us. I will also just -- so from that aspect, we definitely got a lot of clients that we've been speaking to and new outreach that are -- that validated our talk track around people based, our focus on the household, that building a foundation on cookies really wasn't going to be a recipe for the future.

However, what I'll also say is that a lot of people trying to code what Google said, what Google didn't say. We haven't been really that caught up in that because we've been -- I don't want to say predicting. We've been talking about the fact that cookies coming to an end means a certain -- that means certain things. So for instance, if you're doing cookie-based use cases, if you're a marketer, retargeting an individual consumers laptop or phone. That will go away.

That significant dollars in the marketplace, both on DV 360 and competitive platforms. We believe those dollars end up needing to go somewhere else. So we think that this increases competition. We think it's a good thing. We think we're going to be a beneficiary of those dollars. So I would say it's been quite a bit of a positive. The last piece is marketers, really, our clients, they need the education level for exactly what this means, what activities will they not be able to do going forward? And what solutions are going to be right for them on a go-forward basis.

It's something we talk to our team about every day. We believe that our clients need to hear from us, and they need that perspective. So -- but we expect this to be a big tailwind for us this year. Larry, do you want to take the CTB growth for 2021, question?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Yes. I mean, we're not giving specifics around it, but certainly going into Q1, we're now most of the way through the growth rates that we had in Q4 and 2020 continued. It's still a big, big driver, and we expect that to continue throughout the year. It -- I think that will be a big part of our growth in 2021.

Aaron Michael Kessler ***Raymond James & Associates, Inc., Research Division - Senior Internet Analyst***

Maybe just quickly your thoughts on the industry growth for CTV as well. I guess that's kind of more of the question. Your thoughts on CTV growth in 2020 for the industry.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

For the industry, I mean, I think -- I don't remember the exact industry estimates. But I think it's going to continue to grow at industry rates. I think we're gaining market share in connected television because our competitors have blind spots to the cookie-less environment. And I think the big use case is, I show an add-on connected television, someone pulls out their smartphone or laptop and visits the marketer's website. It's our ability to measure that interaction. That's really key for our growth being above the market.

But I think the markets, no doubt, advertisers are excited about connected television. Consumers are excited about connected television. So now that all the content is kind of on these direct-to-consumer streaming platforms, I would expect more of the same. But I think that market feels just as someone who's in it and has been a founder of the Xumo business on the other side, this market feels like it's unbound and exploding kind of on every angle, the content, the consumers and the marketers, all really coming to this new Internet-connected device.

It feels very similar to the mobile smartphone revolution when Apple first introduced a smartphone and Android came, really where it felt limitless in the explosion of that. The connected TV, I would expect to be more of the same, similar to the smartphone.

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO, Secretary & Director***

I would just want to add one point on there to add color that I think is unique in the back half of '20 and moving into 2021, which is around content.

As Tim was mentioning, when we first started Xumo, the big limiter for us was getting content typically really out of the studios. If you think of the windows, that large studios monetize content, ad-supported or streaming was either not in their thought process or at the very tail end of those windows. Now you're seeing companies like Disney going direct to streaming, you're saying Warner Media, going direct to streaming. You're seeing that with NBC Comcast as well.

So the fact that they are taking the straight out of the studio and they're putting them into the streaming platforms. I think is huge for consumers, and it's really going to continue to increase streaming. And really, the dollars are really going to follow there.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, CEO & Director***

All right. I believe that was our last question. I just -- at this time, I want to thank our employees again for all of their dedication and hard work. We're here today because of their efforts and contribution. So thank you to all of our team members of Viant. And in new investors and analysts, we look forward to interacting with you more in the future. Thank you very much. Have a great day.
