



Liftoff Mobile - Q2 2026 Earnings Call Transcript

Operator:

Thank you for standing by and welcome to Liftoff's Second Quarter 2026 Earnings Conference Call. Currently, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] I would now like to hand the call over to Jenn Kettlich, Head of Investor Relations. Please go ahead.

Jenn Kettlich - Head of Investor Relations, Liftoff Mobile, Inc.:

Thank you, operator, and good afternoon, everyone. We're delighted to welcome you to Liftoff's first earnings call as a public company. Joining me today are Jeremy Bondy, Liftoff's Chief Executive Officer, and Tarek Kutrie, Liftoff's President and Chief Financial Officer.

Earlier this afternoon, we reported our financial results for the second quarter of 2026. Jeremy and Tarek will begin with prepared remarks covering our performance and business highlights before we open the call for your questions. To give as many participants as possible an opportunity to ask questions, we kindly ask that you limit yourself to one question and one follow-up.

Today's discussion, along with our earnings release and accompanying slide presentation, may include references to certain non-GAAP financial measures and key operating metrics, which are defined in the appendices to the earnings release and slide presentation.

Our earnings release and slide presentation are available on our Investor Relations website at investors.liftoff.ai. Reconciliations of our non-GAAP financial measures to the most directly comparable GAAP financial measures, as well as information regarding our key performance indicators is included in those documents.

Before we begin, I'd like to remind you that certain statements made during the call may include forward-looking statements related to our future financial and operating performance, business strategy, and growth plans. Any statements we make about the future are, by their nature, uncertain. These statements are based on currently available information and assumptions, and they are subject to a number of significant risks and uncertainties that could cause our actual results to differ from those projected in the forward-looking statements. We describe some of these uncertainties in the Risk Factors section of the prospectus included in our most recent registration statement on Form S-1, our most recent earnings release and slide presentation, and other filings we make with the SEC from time to time. Liftoff expressly disclaims any obligation to update forward-looking statements, except as required by law.

Now I'd like to turn the call over to Jeremy.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Thanks Jenn.

Good afternoon, everyone, and thank you for joining Liftoff's first earnings call as a public company.

For many of us, this call marks a milestone in a journey that began almost 15 years ago. That said, we believe we're still in the early innings of our long term growth story.

Q2 was a strong quarter. We achieved an eleventh consecutive quarter of revenue growth, and we expanded our Adjusted EBITDA margin.

These results show our strategy in action. We use machine learning across an integrated platform to serve the entire app economy. The platform learns from advertiser outcomes and supply signals, helping us value each ad opportunity more effectively. This quarter, market growth, Cortex self-learning, and model breakthroughs all contributed to performance.

Several of the app categories we serve converge around major cultural moments and global sporting events. For example, we saw increased demand during the World Cup in Q2, particularly across sports betting, live scoring apps, and prediction markets.

This activity contributed to our second quarter performance.

The global sports calendar is one source of high-attention moments across the broader app economy. As focus shifts from the World Cup to the NFL season, for example, our platform helps customers scale efficiently. We bring the same capability to cultural moments of all kinds, across every vertical we serve worldwide, enabling customers to drive profitable user acquisition over time.

Tarek will walk through the results and our outlook in more detail shortly. But since this is our first call together, I'll spend a few minutes on the market we operate in, what Liftoff does, and where we go from here.

Starting with the marketplace...The mobile app economy is massive and growing. More than five billion people around the world use smartphones, and they spend an average of about three hours a day inside apps.

Liftoff operates in the third party in-app advertising market, which is projected to grow at an 11% compound annual rate to \$136 billion by 2030. Within that market, non-gaming verticals are expanding even faster, at 14%.

And this is a marketplace that is structurally undermonetized, with third party in-app advertising spend estimated at roughly one-sixth of TV on a per user hour basis.

Perhaps put more simply: attention has already moved into apps. Ad dollars are still catching up.

In a large, growing, and fragmented app economy, our role is clear: help advertisers acquire customers and help app publishers monetize their audiences. The role is simple to describe but complex to execute at global scale.

We built a fully integrated advertising platform to serve both sides across every vertical, from gaming and shopping to finance and productivity tools.

On the demand side, we help businesses find new users for their apps with our demand side platform. Our DSP is designed to find the right users, at the right time and the right price to provide high ROI at scale.

On the supply side, our SSP, or supply side platform, helps apps monetize their user base with ads via our software development kit, or SDK, which is integrated into close to 170,000 apps globally.

A fully distributed SDK network takes years to build and is difficult to replicate, given that publishers integrate only a limited number of SDKs into their apps, which makes comparable reach difficult to achieve.

Our unified DSP and SSP provides direct user reach, data symmetry, and economics that are more effective than either would be alone.

At the center of the platform is Cortex, our proprietary AI powered prediction engine.

For each ad auction, Cortex estimates the probability of converting the user or device associated with that opportunity, and what the conversion would be worth in return on ad spend.

Cortex runs automatically, with over one billion predictions every second.

And Cortex is self-learning. To give you a sense of the pace of improvement: since Cortex launched in late 2023, the learning phase, which is the time it takes a new campaign to reach optimized performance, has gone from about two weeks to under one day.

Self-learning sits at the heart of our business. The process starts with the outcome an advertiser values, whether that is a purchase or another measurable action.

For each ad opportunity, Cortex evaluates the data signals available to Liftoff from both sides of the platform and estimates whether to bid and at what price. We compare those estimates with the outcomes we observe, retrain the models, and apply what we learn to future decisions. Faster learning can improve performance. When performance improves, advertisers often increase spend with us, giving Cortex more outcomes to learn from. This feedback cycle is self-learning in practice.

We believe this same cycle is a resilient source of growth, even in a competitive marketplace.

Growth comes primarily from existing customers increasing their business with us. We believe that Liftoff is mission-critical to how our customers scale, and as a result, as performance improves, our customers are more likely to reinvest and grow with us.

On competition: our market is elastic rather than a fixed pie. Better performance drives advertisers to reinvest their returns, which expands the addressable market itself, rather than redistributing share among existing players. In fact, 87% of advertisers say they will scale spend with a partner that is hitting their KPIs. Liftoff competes for incremental ad budget in the broader third party in-app ecosystem; this is not a zero sum game.

So what differentiates us in the mobile app ecosystem?

First, the machine learning at the core of the platform. Cortex's prediction models allow us to price and target effectively across billions of auctions. Our models are continually improving, which we believe enables us to deliver better performance for our customers, expanding our market opportunity and strengthening our role in the app economy.

Second, a unified architecture. Our fully integrated DSP and SSP, with ubiquitous SDK distribution to reach users at scale, serves as a technology moat. Each side of the platform makes the other smarter, and that unified view of supply and demand is very hard to replicate.

Third, and where I think we're most distinct, vertical diversification. Liftoff was built from inception to serve the entire app economy, which increases our addressable market well beyond the gaming industry. On the demand side, over half of our demand comes from advertisers outside of gaming, and the supply side is over one-third non-gaming.

The three capabilities reinforce one another. Together, they support durable growth over time.

Which brings me to how we grow from here. Market growth, ongoing self-learning, and discrete model breakthroughs are the primary drivers behind our performance, and we're still early on all three.

The overall mobile app market keeps growing, and we've grown with it.

This includes the high growth verticals outside of gaming. When new app categories emerge, our vertical-agnostic platform is built to capture them.

Cortex continues to self-learn. The model is still very early in its growth trajectory, and it's designed to keep improving: more tests, more data, more continuous improvement.

Model breakthroughs are discrete improvements in how well the model predicts and optimizes ad performance, resulting in lasting performance gains. They sit on top of self-learning. We saw examples in

the past two quarters. We can't predict exactly when the next one lands or how large it will be, but we do expect breakthroughs to keep contributing to growth over time.

Before Tarek takes you through the financial model, results, and outlook, I want to thank our customers, our team, and our investors.

To our customers: thank you for trusting us with your businesses. We do not take that responsibility lightly, and your success will continue to guide how we operate.

To our team: this company got here because of you. Our culture is what built Liftoff, and it is what will carry us forward.

And to our investors:

We intend to earn credibility each quarter by being direct about our priorities, clear about what drove performance, and consistent in how we explain this business over time.

Thank you again for joining us today. With that, let me hand it over to Tarek to take you through the financial model, results and outlook.

Tarek Kutrieh - President and Chief Financial Officer, Liftoff Mobile, Inc.:

Thank you, Jeremy, and good afternoon everyone.

Before discussing our results and outlook, I want to briefly explain how Liftoff's scalable business model drives strong financial performance.

The financial model is straightforward. As Jeremy shared, Liftoff generates revenue by helping advertisers acquire ROI-positive users, and by helping publishers monetize their user base. We grow as we improve outcomes for our customers.

Revenue is presented net of amounts payable to publishers and supply partners.

One metric we currently look at is Core Advertising Revenue. We define this as revenue from our current advertising platforms, which are predominantly powered by Cortex-backed solutions. Core Advertising Revenue now comprises close to 100% of the total reported revenue on our income statement.

The small amount of revenue outside Core Advertising comes from legacy platforms and other non-advertising offerings.

Market expansion and Cortex's self-learning capabilities drive our baseline growth. Model breakthroughs can create upside beyond that baseline.

For context, historically that baseline growth has averaged around 4% sequential growth on a Daily Average Revenue basis. In addition, there has been periodic upside on top of that from specific Cortex model breakthroughs. However, growth rates will vary quarter to quarter. We therefore encourage you to focus on the trend over time rather than any single quarter.

The other fundamental and structural feature of our financial model is operating leverage. Our incremental margin, as defined by Adjusted EBITDA flow-through on revenue growth is very high, as the top-line scales faster than our cost base.

These dynamics were on full display in the second quarter.

We are pleased with our financial results in Q2 in regards to both revenue growth and Adjusted EBITDA margin expansion.

Revenue grew 7% quarter-over-quarter and 35% year-over-year, to \$220 million. As Jeremy noted, this marked our eleventh consecutive quarter of revenue growth.

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Core Advertising revenue was \$219 million.

Core Advertising Daily Average Revenue grew 6% sequentially, driven by growth from the market, Cortex self learning, model breakthroughs, and contribution from the World Cup as Jeremy noted earlier.

The majority of growth in the second quarter versus the prior year was driven by expanded spend from existing customers.

This reflects increased customer spend as the market grew and performance improved through ongoing product enhancements, driving higher revenue.

We've also seen consistent growth in the number of customers contributing more than \$100,000 in Core Advertising revenue on a trailing 12 months basis: 391 customers for Q2 2026, up from 341 for Q2 2025.

Moving to profitability. Adjusted EBITDA for the second quarter was \$132 million, representing an Adjusted EBITDA margin of 60%.

That represents margin expansion of approximately two percentage points sequentially and eight percentage points year-over-year.

This margin expansion is primarily driven by increased revenue, highlighting how scalable our business is. Our cost structure grew meaningfully slower than revenue, even while we continued to invest in R&D, because our top line growth was enabled by technology and performance uplifts. This operating leverage combined with modest favorable changes in expense timing, delivered 82% incremental Adjusted EBITDA margin on a year-over-year basis.

Moving down the P&L, our Net Loss of \$4 million for the quarter is inclusive of \$45 million of non-cash expenses associated with the company's IPO and other capital markets activities. This amount is comprised primarily of three items:

- \$20 million of IPO related stock-based compensation expense,
- \$18 million of contingent consideration revaluation, and a
- \$7 million loss on debt extinguishment.

Our business is designed to convert growth into significant free cash flow.

We generated \$50 million of free cash flow in the second quarter, compared to \$15 million in the prior year.

Trailing 12-month free cash flow was \$184 million, up from \$76 million in the corresponding period of the prior year.

Our capital expenditures are largely limited to capitalized internal-use software, historically running in the mid- to high-single-digit percent of revenue range. There is no heavy plant, no inventory, and no physical infrastructure buildout behind this business.

Simply put: this is a capital-light architecture built to convert growth into cash.

Our balance sheet is strong. We ended the quarter with \$305 million of cash, after paying down \$418 million of debt year to date.

Net leverage at quarter-end was 2.4 times Net Debt to Adjusted EBITDA on a last 12 months basis.

We generally aim to operate below 3x net leverage.

The Company ended Q2 with approximately 169 million shares outstanding, and diluted weighted average shares outstanding for the quarter were approximately 137 million.

Our capital allocation priorities are simple and clear.

First, reinvesting in the business. Our model is capital light, and we intend to continue to invest appropriately in R&D, new vertical expansion, and other strategic priorities to drive growth.

Second, maintaining a reasonable leverage position. As I mentioned, keeping net leverage below 3 times remains a near-term priority.

Third, return of capital. As leverage normalizes, we expect returning of capital to shareholders could become an increasingly attractive option. We have nothing new to announce on that front today, but are excited at the potential over time to deliver tangible value back to our shareholders.

And finally, we may look to M&A or other corporate development opportunities: This remains a tool, but we do not currently intend this to be a primary use of capital. We are disciplined, and we do not believe we need to be acquisitive to execute on our current growth plans and strategy. However we also believe we have the flexibility to be strategic and opportunistic.

Turning to our outlook: revenue, Adjusted EBITDA and Adjusted EBITDA margin are the metrics we are guiding to at this time.

For the third quarter of 2026, we expect revenue of \$217 to \$222 million, representing growth of approximately 21 to 24% year-over-year.

The guide reflects the fact that recent model breakthroughs drove incremental monetization sooner than expected during the year.

We expect Adjusted EBITDA of \$124 to \$128 million in Q3, representing a margin of approximately 57 to 58%. As I mentioned previously, timing of certain expenses benefitted Q2 and we expect there will be a corresponding adverse impact in Q3. We continue to expect significant margin expansion for the full year.

For the full year 2026, we expect revenue of \$870 to \$880 million, representing approximately 27 to 28% growth versus 2025.

And we expect Adjusted EBITDA of \$510 to \$518 million, representing an Adjusted EBITDA margin of approximately 59% which is a roughly 4 percentage point expansion versus 2025.

Before we open the line for questions, I want to close with our view of sustainable, profitable growth. Our thesis is centered around long-term durability.

We believe the combination of strong top-line growth and our largely fixed cost base creates room for further margin expansion. At the same time, we have the flexibility to continue to invest in R&D, new verticals and other strategic priorities.

We see a clear, credible opportunity for ongoing profitable growth as the business continues to scale. We look forward to bringing you along on this journey.

With that, thank you again for joining us today and we would be happy to take your questions.

Operator:

[Operator Instructions] You will be limited to one question and one follow-up to allow everyone the opportunity to participate. Please stand by while we compile the Q&A roster. Our first question comes from the line of Eric Sheridan of Goldman Sachs. Your line is open, Eric.

Eric J. Sheridan – Analyst, Goldman Sachs & Co.:

Thanks so much for taking the question, and congrats on the inaugural earnings report. Looking across the broader app economy, can you talk about any differences you saw by verticals and either advertiser adoption or advertiser budget trends on your platform? And given that array of vertical exposure for the medium term, which verticals are you most excited about in terms of driving incremental growth when you look out over the medium term? Thanks so much.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Thanks for the question, Eric. Let me unpack some of the pieces of the market that we looked at in Q2. As we discussed, the growth that we saw comes from the market pretty consistently. However, we did have some specific categories that contributed, the World Cup being a very notable moment in the quarter. It was our 11th consecutive quarter of growth overall, and so the pattern does clearly predate the tournament and the prediction markets and sports betting and live score app categories. However, that was a really good example and a microcosm of the overall app economy working to our benefit through the quarter.

As we look at the broader categories of applications that we've seen pick up momentum throughout the quarter, there are adjacent verticals to the ones that I mentioned, such as finance apps with embedded markets that participated in the World Cup and should certainly play a role in the coming quarters as well. Now, events like this bring high-intent users into the ecosystem. And our platform is built to capture those moments for our customers and continue to engage those users. And so, we do benefit twice from those moments, in that customers acquire high-intent users and we continue to work with those customers as they roll into the next moment.

Now, as we think about what's to come, Eric, I think that we all know that the NFL plays a big role, and the NFL season is upon us shortly. That's just one example of a moment that I think you'll see a lot of corresponding verticals engage with as we look into Q3. But you certainly have back-to-school. You have holiday commerce. And so, we benefit from our breadth across the app economy, not being exposed to any single event, but by participating in each and every one as we go through the calendar.

Eric J. Sheridan – Analyst, Goldman Sachs & Co.:

Thank You.

Operator:

Thank you. Our next question comes from the line of James Heaney of Jefferies. Your line is open, James.

James Heaney – Analyst, Jefferies LLC:

Yeah. Terrific. Thank you guys so much. Could you just help us better understand what's factored into the Q3 revenue guide? I mean, I think it implies about flat sequential growth, which is quite a bit below your last couple of Q3s. Just trying to understand and parse out what's driving that slightly slower Q3. How much is conservatism versus just some of the one-time factors that you called out? Thank you.

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Thanks, James. Happy to take that one. So let me start with our guidance philosophy. And what I'd say is we take a realistic and prudent approach to setting expectations. So our philosophy is to guide to what we have strong visibility into. Our goal is to establish a track record of consistent execution against what we are messaging.

And so, for context, historically, our core average revenue, the DAR, baseline growth has averaged around 4% sequential with periodic upside on top of that from specific Cortex model breakthroughs. However, growth rates may vary quarter-to-quarter, and we'd encourage you to focus on the trend over time rather than any single quarter.

The other thing I'd say is, we had some breakthroughs from Q3 that manifested in Q2. And so, that helped us have the strong performance in Q2. Those are durable, but that's also influencing the trend.

Operator:

Thank you. Our next question comes from the line of Matthew Cost of Morgan Stanley. Your line is open, Matthew.

Matthew Cost – Analyst, Morgan Stanley and Co. LLC:

Hi, everybody. Thanks for taking the question. Maybe I can follow up on Eric's question kind of just about different verticals and the response you gave there, Jeremy. I guess, how focused should we be on events like the World Cup? You called it out in the prepared remarks as something that translates into revenue. Obviously, it's important for sports books and prediction markets. But are those things that are material catalysts? Was that a material driver of sequential growth in the quarter? And should we be tracking these sort of things on an ongoing basis?

And then, Tarek, one for you just on OpEx. If you could just help us think through the step-up in sales and marketing and R&D in the quarter. Are there one-time costs baked in there, or is there a step-up now that you're a public company that we should assume going forward as well? Thank you.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Yeah. Thanks for the questions, Matt. I'll take that first one, and then I'll let Tarek take the second one. Certainly a worthy topic as we think about the verticals that we engage with across the app economy. I'll start with the fact that the business really looks like an index, in that really any activity that's happening across the app economy where an advertiser has an opportunity to acquire a user, whether it's a liquidity pocket available, if you will, we will be there to experience that moment and help that vertical acquire users. So we really don't end up looking like a business that has seasonality that drives the calendar, but rather the market growth in the corresponding verticals that are experiencing their moment, if you will, throughout the period, whether it be a quarter or a year, we'll be there for.

Q2, a great example and a really prominent one with the World Cup, where I think you see the benefits of our business on display, in that it's not simply the prediction market's apps, but the OSBs as well as finance apps, as well as travel apps and e-commerce apps that are benefiting from fanfare throughout the moment. We see that same activity or that same type of clustering in Q1 with the Super Bowl and in Q3 with the NFL season, but that's just really the sports collection of verticals, if you will. We see that same type of behavior across back-to-school, and then that trickles into the holiday season with e-commerce. And so, if you think about how our business participates in each one of those moments, those are really microcosms of our overall participation in the market as an index.

Now, what I would think about as we look forward through the year, we talked about some of those big moments. I think that this business – you should expect this business to play a real role in helping each one of those verticals acquire users throughout those seasons. And we look at the market data overall with in-app advertising projected to grow at a double-digit CAGR asymmetrically outside of gaming, where some of the innovation will accrue, we expect to really mirror that overall pattern.

And I'll pass it over to Tarek to talk about some of the financials.

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Yeah. Thanks, Jeremy. So the Q2 had a number of non-cash expenses related to the IPO, particularly around stock-based comp, that are reflected in the financials. And so, there's some noise that you're going to see if you look at the GAAP P&L. What I'd say is that there was no step-up in OpEx on an operating basis. It's much more around these IPO-related expenses. And I would also say that you should expect to see the stock-based comp move around quite a bit over the coming quarters along with the capital events.

But I would point to our strong performance around operating leverage and our EBITDA margins, and you can see we have a history of driving incremental EBITDA margins over time. And even for this year, if you look at our guide, we're assuming 4 points of full-year expansion on the EBITDA margin. So that's reflective of the operating leverage.

Matthew Cost – Analyst, Morgan Stanley and Co. LLC:

Great. Thank You.

Operator:

Thank you. Our next question comes from the line of Ross Sandler of Barclays. Your line is open, Ross.

Ross Sandler – Analyst, Barclays Capital, Inc.:

Hey, guys. Just a high-level question, and then maybe a more kind of targeted one. So high level, we're about three years into the Cortex modernization into deep learning, and clearly you've had lots of success with kind of model updates and iteration. I guess, just looking out over the next three years, can you just talk a little bit about your confidence around the duration of these model updates and sustaining above industry growth over the next three?

And then, the more targeted one, so AppsFlyer just did this round and now is going to remain an independent measurement player in the space. Just curious to hear your take on whether that helps folks like you guys who rely on third-party measurement vendors like AppsFlyer, just curious your take on that trend in the industry. Thanks a lot.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Yeah. Appreciate the questions, Ross. And I'll take both of these in order. Let's start with Cortex. I think the headline is that there is really good empirical evidence out there that would suggest that we're really early in the journey. We're certainly harvesting the benefits already, and I'll talk a little bit more about how we benefited in Q2. But it's very clear to us that there is a runway that is quite profound out there, and that can facilitate this business getting quite large just purely by executing against what's in front of us organically.

So just taking a look a little bit at Cortex, the step function change that I know you're familiar with, but I'll talk about for a moment, is best embodied by the speed of learning. It used to take us two weeks to get a campaign to a statistical significant dataset, where we could really confidently grow user acquisition for an advertiser. Now, we can get to that significance within a day. We're also predicting impressions across the entire ecosystem at a rate of about 1 billion a second at this point. And so, you think about how profound that is for a business like ours that came from linear regression. It gives us a much more effective prediction engine than we had before.

Now, in terms of executing against the road map, in Q2, we had what was an innovation that I think is representative of the type of breakthrough that we could see throughout the year. I think the pace of innovation would suggest that we'll see more. What it looked like for us in this past quarter was the feature set that helped us underwrite the value of a particular impression was enriched. So if you think about the variables that we're able to look at to make a decision, that expanded. So we get to see more of a full story of the user's journey. And that certainly acts like a force multiplier in terms of our predictive power. We're able to roll it out across all of our user acquisition models in Q2. And so, those gains are now embedded in the system.

While the release is episodic in nature, the gains are durable, and that is a window into the benefits of Cortex. I think we're very excited about what the next few years hold. And there are some very well-known peers and businesses that are chronicling their journey through neural nets or what we call Cortex, and it's very exciting for us.

Now, the second question about AppsFlyer specifically and mobile measurement, as you mentioned, I'm happy to address that one directly. AppsFlyer has been a really clear partner to us for well over a decade as a mobile measurement partner, and the discussions that they've had about their investments have been well-known to us. As you mentioned, they just entered into a minority non-exclusive investment with a cohort of investors across the space. Our access and our relationship with AppsFlyer has not changed. We're very supportive of them, and we continue to work closely together.

Just a little bit more of a window into our logic on our decision. Our balance sheet and our cash generation, as Tarek has articulated, they give us flexibility, and we keep a very high bar. So what we're looking at is strategic fit, expected returns valuation and alternative uses of cash, whether we act. And for us, as we just talked through with Cortex, our first priority is funding organic growth while maintaining that strong balance sheet. We've de-levered meaningfully this year. And when we look at a capability, we certainly have to map it against the capabilities that we're building against organically. And so, M&A is not in our model, not required for our growth, but we maintain a deep connectedness to AppsFlyer and the broader ecosystem as it relates to strategic items.

Operator:

Thank you. Our next question comes from the line of Matt Swanson of RBC. Your line is open, Matt.

Matthew Swanson – Analyst, RBC Capital Markets LLC:

Great. Thank you so much for taking my question. Tarek, it's kind of unique that you guys give annual guidance based on your peer set. Could you just talk about the difference in philosophies between quarterly and annual guidance given the timing of model improvements and how that can be variable?

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Yeah. So I think at a high level, we would say that it's the same philosophy for both. It's the realistic and prudent approach to setting expectations. That being said, I think as you think about our visibility into model breakthroughs, the closer in those are, the more we can specifically identify those. And so, the model, as we've guided to, right now does not include any model breakthroughs. But if we saw one of those coming in the near term, we would include that in our guidance. But that's really the main difference is that sort of timeframe and visibility into the breakthroughs. The underlying philosophy is the same.

Operator:

Thank you. Our next question comes from the line of Stephen Ju of UBS. Your line is open, Stephen.

Esha Vaish – Analyst, UBS Securities LLC:

Hi, this is Esha Vaish sitting in for Stephen Ju. Thanks so much for taking our question. We wanted to ask, I mean, of course, it's difficult to predict where the next lift for models will be coming from. But can you talk to us a little bit about Cortex in its current form and work that you're doing to drive continuous improvement? Thank you.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Yeah. That's a great question. That's something that we think about all the time. That's the day-to-day innovations within Cortex. I think just taking a look at Q3 and beyond, we have a very active model development pipeline. And as we just discussed with Ross, the runway that we have available to us, as we look to propagate and reinforce our data advantage in this market, is very exciting. So when we look at the future, I think the empirical evidence is probably the best indicator of where this business can go, 11 consecutive quarters of growth with Cortex and our sales, and we've been accelerating the pace of innovation.

As Tarek mentioned, the breakthroughs don't arrive on a schedule. And so, when you look at the model updates, creative changes or any sort of improvements that we have to the business, they don't follow that specific reporting calendar. And so, those are above and beyond what we expect from the business on a quarter-to-quarter basis. And so, when we look at where the breakthroughs can come from, examples could be innovation in terms of the windows of training, you hear the topic of progressive training a lot in the market, this is just one example, training on more recent data in a more intelligent way with more features available to you. But there are so many different pockets that are exciting to us.

And so, we will guarantee that we'll discuss specific advances once they're deployed and measurable, but the outlook really reflects the capabilities that we have right now and the customer demand that's visible today, although the pattern of breakthroughs has been quite reliable.

Esha Vaish – Analyst, UBS Securities LLC:

That's good. Thank you.

Operator:

Thank you. Our next question comes from the line of Alec Brondolo of Wells Fargo. Your line is open, Alec.

Alec Brondolo – Analyst, Wells Fargo Securities, LLC:

Yeah, hey. Thanks so much. Appreciate the question. Could you maybe help us understand how you guys are thinking about the health of the mobile gaming market? Obviously, the leading network had a challenging second quarter, and I think some of the game publishers, I would say 1Q and 2Q bookings were a little bit light. So just any update on kind of how your conversations and your client conversations are progressing there would be helpful. Thank you.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Sure, Alec. We track this market really closely, and so I can speak to gaming and other verticals directly. And we see a really healthy market. Our gaming business grew alongside all other verticals year-over-year in Q2. And gaming definitely deserves its due here. When you look at the market longitudinally, gaming has been a great innovator of the app economy. Free to play, in-app advertising, hybrid monetization, live operations, like those models were really pioneered in gaming and are now the foundation of the business across the sector where a lot of verticals are leveraging those best practices to get their app businesses started. And so, gaming continues to be foundational to our platform. We benefit twice from it, in that when you look at how we work with games as demand, where gaming advertisers scale with performance and as supply, where gaming publishers monetize engagement and benefited from episodic moments such as the World Cup, for instance, as publishers.

Now, I think when you referenced the third-party data trackers, there's a mix of data that's available. And so, the hybrid monetization or off-store purchases are not necessarily available, and so the headline data understates the market's health. There's really no single gaming trend that I would say is moving in one direction, just like if you look at the sort of macro of the app economy, each and every sub-vertical has their pattern. That's, in part, informed by some of the innovation of the businesses themselves, and gaming has that same property.

But as a business, our opportunity is driven by the overall market. And when you look at the growth of the app economy, the data that we subscribe to shows that the CAGR of the market is about 11% overall with 14% ascribed to verticals outside gaming. And I think when you look at our playbook, it will go to where innovation is asymmetrically concentrating. And so, I think gaming will remain a key vertical. But it's great for us to have both, and that's a benefit of our business model as we look forward to the back half of the year.

Alec Brondolo – Analyst, Wells Fargo Securities, LLC:

Perfect. Thank you.

Operator:

Thank you. Our next question comes from the line of Ralph Schackart of William Blair. Your line is open, Ralph.

Ralph Schackart – Analyst, William Blair and Co. LLC:

All right. Good afternoon. Thanks for taking the question. Jeremy, maybe can you just give us a sense of the order of magnitude of the model breakthrough that you saw in the quarter and perhaps how that would compare to other quarters or maybe comparable periods? And then, I know you talked about existing customers driving most of the growth. But just any sense just on new customer additions in the quarter as well? Thank you.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Sure, Ralph. I'll take that first one, and then I'll pass it to Tarek to take the second question on the customer KPIs. As it relates to the model breakthrough, the benefit that we are accruing from our most recent breakthroughs actually sees the entire user acquisition side of our business. And so, I think just to give a little bit more color, the feature set that we use to help us underwrite the quality of a given type of impression or type of ad request was brought in. And so, for us, like, if you think about just the amount of variables that we're using to underwrite with precision, that expanded, and you see that act as a force multiplier through the business moving forward, that's a sustained advantage for us.

I think that the variables that we consider when we look at impact are the scope that release hits across the business and the time that it affects the print, right, as we think about our quarterly guide, et cetera, or our end-of-year. And for us, this benefit is going to accrue and benefit our business through the year and beyond, and so you can see that in the raise to the model. I hope that provides some color on the benefits of the release.

Tarek, you want to take the question on the KPIs?

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Yeah. So if you look at the growth in our business between existing and new customers, the majority of our growth was driven by existing customers in Q2. That reflects increased customer spend as performance improves through ongoing product enhancements, driving higher revenue on the core advertising platform. New customer acquisition is also important, but, generally, the minority of growth. Recent cohorts also scale faster than old ones as Cortex improves. You'll see in the 10-Q that comes out tomorrow, that's one of the KPIs we'll release, 58% of our growth came from expansion with existing customers versus 42% from new customers acquired over the last 12 months.

Ralph Schackart – Analyst, William Blair and Co. LLC:

All right. Thanks, Jeremy. Thanks, Tarek.

Operator:

Thank you. Our next question comes from the line of Deepak Mathivanan of Cantor Fitzgerald. Your line is open, Deepak.

Deepak Mathivanan – Analyst, Cantor Fitzgerald and Co.:

Hey guys. Congrats on the strong quarter, and thanks for taking the question. Jeremy, maybe one more on Cortex. Just curious, you noted self-learning as the driver of outperformance in 2Q. Recursive self-learning is an area where AI labs are making good progress and continue to see model gains delivered by the models themselves. How are you thinking about setting up recursive self-learning abilities at Cortex, and is that something that you have kind of tapped into?

And then, second one. Liftoff, obviously, has been a well-known company for a while now, but the IPO brings certainly new level of visibility and competitive advantages. Can you talk about some of the benefits you're seeing maybe in the hiring side or go-to-market, perhaps business development now as a public company? Thanks so much.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Sure, Deepak. I'll take that first one, and then I'll let Tarek take the second question. As we look at the contribution of Cortex to our business, and you dug into one of the two ways in which Cortex will evolve. So one is self-learning and a very prominent term, as you mentioned, is recursive learning. I think for simplicity, self-learning helps ascribe the value of a model that is updating with the most recent data on its own. And the second is breakthroughs, which could be modifications to the architecture or the feature set that is more conducive to a release, work that our team is doing.

Now, as you mentioned, there's the steady baseline of self-learning that accrues in this business, and it's a quite powerful economic application of AI, in that our recommendation engine gets smarter through its pores into the market, if you will. And with each and every update, the model is using fresher information that is benefiting from more recent trends.

Now, when you think about how we could benefit from reinforcement learning or from progressive training from self-learning, these are all different shades of the model's architecture working to our benefit, and it comes part and parcel with the business model today. The improvements that we roll out sit above and beyond that self-learning. Now, I think that as advances are available to our business as it relates to the enhancements of the self-learning engine itself, you certainly will hear about that. But I would consider that as a breakthrough that sits on top of the self-learning that we're modeling against today.

Tarek, do you want to take the second question on the move to going public and how that's working out for our messaging and our work?

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Yeah, absolutely. So being a public company has a number of benefits that we anticipate will come over time. Two that I can tell you have already started to manifest. One is hiring. It is actually a much easier value proposition when you're in the hiring process. You're talking to a recruit to be able to communicate the value of public company stock, it's an easier thing to quantify, and it's something we're already seeing some benefits from on the recruiting side.

The other is, I'd say, on the business development side. We're an instrumental part of the customers that we work with, and we're working with companies that want to make sure they have a credible counterparty that they're engaging with. Being a public company definitely adds a level of credibility that helps make those sales engagements even easier. And those are just two simple examples in the near term. I think there will be more as time progresses.

Operator:

Thank you. Our next question comes from the line of Benjamin Black of Deutsche Bank. Please go ahead, Benjamin.

Benjamin Black – Analyst, Deutsche Bank Securities, Inc.:

Great. Thank you for taking my question. So roughly half of your revenue is still within gaming. So, I guess, the question is how do you think that mix will evolve over the next two to three years. And it'd also be good to hear which emerging sort of ad categories you think are most attractive within a time span.

And then, secondly, your incremental margin stepped up into, I think, the low-80% range. So could you perhaps speak to the philosophy around reinvestments into the business, and how should we think about the revenue flow-through to profitability over the medium term? Thank you very much.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Yeah. Thanks for the question about the market. I think it gives me an opportunity to talk a little bit about how the mix is evolving. I think that it's quite fascinating how our mix evolves intra-quarter and across quarters truly as a reflection of the overall consumption patterns in the market. And we don't target a specific mix, but we really benefit from and appreciate having this diversified portfolio of advertisers and publishers across all these different verticals, inclusive of gaming, as you mentioned. Now overall, in the market, non-gaming sector as a whole, as a collection of verticals, has been growing more quickly than gaming. And we've certainly benefited from that innovation.

Now, I think it's also interesting to dig a layer deeper. At Liftoff, we benefit twice from the innovation that's happening in this market. At the first layer, and we talked about this with Deepak a moment ago, we are benefiting from the advancements in AI as they manifest in our business, the application through Cortex, the enhancements to our prediction quality, our ability to find more valuable consumers for our advertisers. But we also benefit in that our advertisers are applying the newest technology in AI to enhance their funnels, to enhance the quality of their applications. And we saw that on display in Q2 with a lot of the apps that were playing a role in the World Cup across verticals were built in the last few years and built with the newest technology and conversion funnels that leverage the latest in AI.

And so, we end up being a beneficiary not just on a proprietary basis, but through the categories usage of the technology as well. And I think that that's a good lead into what verticals could emerge in the coming quarters. The fact is we will be there for any given vertical given that we have such a panoramic view of the consumer from working across all these verticals. The next vertical that emerges will be some sort of derivative or hybrid of a few that we know, that consumer experience. And we will be in an advantaged position to work with that new vertical.

What type of consumer experience will it be? It's fascinating to watch as various native AI apps are built, as we see different kinds of consumer applications and environments emerge, but I can tell you with confidence that we intend to play a very big role in whatever new vertical does emerge and whatever that zeitgeist may be.

I'll pass it over to Tarek to take the second body of questions.

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Yeah. And I think the questions about our incremental margins and how we plan to deploy those, I think you're exactly right that there's a high degree of flow-through on our incremental revenue. And the low-80% range is exactly right, and it's reflective of our strong operating leverage of the business that we're able to pass through such a high flow-through.

And in terms of like how we would invest that money, we talked about the capital allocation priorities on the prepared remarks. I think our first priority is always going to be reinvesting in the business. We are a capital-light model, so we don't need a ton of CapEx here, but we do want to invest appropriately in R&D, new vertical expansion and other strategic priorities. Our second priority would be maintaining a reasonable leverage position. We target to be below 3 times on a net leverage basis. We've achieved that level already, but we want to maintain that level of leverage. And then, I think third would be the return of capital. As leverage normalizes, we expect a return of capital to shareholders would be something that would be an increasingly attractive option. We don't have anything new to announce on that front today, but that's something that will certainly be top of mind for us.

And then, as Jeremy mentioned, opportunistic M&A is something that's always out there that we could look at. So lots of interesting things we can do, but that gives you a sense of where we deploy the incremental margin.

Benjamin Black – Analyst, Deutsche Bank Securities, Inc.:

Very helpful. Thanks so much.

Operator:

Thank you. Our next question comes from the line of Bernie McTernan of Needham & Company. Please go ahead, Bernie.

Bernie McTernan – Analyst, Needham and Co. LLC:

Great. Thanks for taking the questions. Two for me, if I could. First, Tarek, the 68%-42%¹ split that you mentioned earlier in terms of existing customers versus new customers, that's actually higher than I would have thought for new customers. So was there any impact from the World Cup on that number? Or is that the typical kind of like roughly 70%-30% we should be anticipating?

And then, secondly, you guys just benefited from this large event with the World Cup? Any network effect or flywheel that's coming from that that's driving growth in future periods?

Tarek Kutrieh – President and Chief Financial Officer, Liftoff Mobile, Inc.:

Happy to take the first part of that. So, yeah, it was the 58% from existing customers, 42% from new customers. You're correct, that is a little bit more from new customers than we've seen in the previous quarter, and that was affected by the World Cup. We did see the World Cup and the prediction markets influence that.

I think what I'd say is we would expect the majority to be from existing customers on a go-forward basis, but there could be some fluctuations as you see changes in the app economy and different parts of that evolving. It's actually really an exciting part of our business, is that we're able to service a new vertical like prediction markets and hit some of those customers and participate in that.

I'll let Jeremy answer the second part.

Jeremy Bondy – Chief Executive Officer, Liftoff Mobile, Inc.:

Yeah. Thanks, Tarek. And great question, Bernie. I know you're an expert on this topic. We did see demand particularly across prediction markets. However, it was really fascinating to observe the adjacent verticals engage in that moment. And as you mentioned and I'll get into, what is to come or what transpired after that's flowing into Q3. So we saw the OSBs engage. We also saw live score apps engage. On both the advertiser side, but also, if you think about the publisher side, we are in a market that has so much space on the publisher side already. But we can still see that there are users that are engaging with these live scoring apps, for example, that are creating more liquidity pockets for advertisers to access. So it's really a two-sided benefit.

Now, what happens next? Well, now we need to engage those high-intent users. So those apps need to engage those high-intent users and effectively expand their DAU base in the moments to follow that flow into the NFL season. And so, for our business, our job is to provide valuable users. And so, as we look into Q3, you certainly are working off an adjusted base of users. That raises the floor for our overall business. And that increase in engagement and advertiser activity, that enriches the signals that are flowing through to the platform.

And so, if you think about how does Cortex benefit, well, that supports the broader Cortex self-learning flywheel. There's a lot of data that comes through in a moment like the World Cup just as an example, we get to benefit from all of that information across the entire business. As a consumer, you may be interested in prediction markets apps, but you're also going to be booking a hotel room or hailing a ride or engaging in your banking app or playing a game. And so, this is an example of the

¹ Liftoff's Core Advertising Revenue growth was driven 58% by expansion from existing customers and 42% by new customers acquired over the past twelve months. Please see the first paragraph of pg.34 of Liftoff's Q2'26 10-Q for further details. [Link](#).

window into the consumer in a moment of engagement benefits that flywheel in the quarters to come, I think, explicitly across the sports category. But certainly, those same users might be engaging in back-to-school activity through e-commerce, et cetera. And we're excited about what that can mean for our business moving forward.

Bernie McTernan – Analyst, Needham and Co. LLC:

That's great. Thank you both.

Operator:

Gentlemen, as we are out of time, this does conclude today's conference call. Thank you for participating. You may now disconnect.