Operator
Greetings and welcome to the DoubleVerify Second Quarter 2021 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Tejal Engman. Thank you, the floor is yours.

Tejal Engman
Good afternoon, and thank you for joining us to discuss DoubleVerify’s Second Quarter 2021 Financial Results. With me today is Mark Zagorski, CEO, and Nicola Allais, CFO.
Before we begin, I'd like to remind everyone that statements made on this call contain forward-looking statements. These statements are subject to inherent risks, uncertainties, and changes, and reflect our current expectations and information currently available to us, and actual results could differ materially. For more information, please refer to the Risk Factors in our recent SEC filings, including our S1 Registration Statement.

In addition, our discussion today will include references to certain supplemental non-GAAP financial measures, and should be considered in addition to and not for a substitute for our GAAP results. Reconciliations to the most comparable GAAP measures are available in today's Earnings Press Release, which is available on our Investor Relations website at ir.doubleverify.com. With that, I'll turn it over to Mark.

Mark Zagorski
Thank you, Tejal, and thanks, everyone, for joining us this evening. We’re excited to have delivered another quarter of strong top and bottom-line growth, with second quarter revenue growing 44% year-over-year, exceeding our prior guidance, and adjusted EBITDA growth coming in at a solid 35% year-over-year. The Double Verify story continues to be one of strong revenue growth and profitability driven by successful product innovation and clear market leadership in a rapidly evolving digital advertising ecosystem.

Our accelerated revenue growth is driven by our product success in fast-growing sectors such as programmatic, social, and CTV, and a global expansion strategy that’s winning large enterprise clients in a growing number of international markets. Our innovative industry-leading software platform continued to scale rapidly across the global digital advertising ecosystem, driving more data, better analytics, and deeper insights, which combined to yield better results for our advertisers, and our growing roster of accreditations in privacy certifications continue to distinguish us in the marketplace.

We have raised our full year revenue guidance and are excited about DV's long-term growth trajectory as our platform expands from verifying the quality if media impressions to helping drive ad performance, with the objective of maximizing return on ad spend for our clients. Working to drive performance outcomes creates stickier relationships with advertiser partners and greater opportunities to generate revenue. Let's take a few minutes to dig into our key revenue growth drivers.

Starting with programmatic, revenue from Authentic Brand Safety, or ABS, our market-leading pre-bid solution, grew 112% year-over-year, driven by widescale adoption on Google's DV 360 platform where it was launched in the fourth quarter of 2020. ABS continued to roll out on additional programmatic buying platforms around the globe, creating greater opportunities for advertisers to upgrade to this premium solution. In the second quarter, we successfully launched ABS on Adform, which is Europe’s largest independent programmatic buying platform, as well as on Comcast and PulsePoint, with rollout expected on Tremor International in the third quarter.
As ABS is a premium price alternative to our basic programmatic brand safety offering, a portion of the increase in overall programmatic revenue stems from clients upgrading from standard brand safety to ABS as we successfully upsell this unique solution. We believe the success of ABS is a great example of how our platform and its integrations across the ecosystem are a flywheel for growth.

Our software platform leverages established technical integrations across the digital advertising ecosystem to capture and process data at scale, allowing us to successfully build and launch new products. Once these products are built, our in-place ecosystem relationships enable seamless upsell and distribution with compounding revenue streams. This virtuous data, innovation, distribution cycle helps build scale and intelligence that deliver better results and attract new clients, spinning the flywheel even faster.

Moving to social, our clear leadership position in this sector helps grow DoubleVerify's social volume by 100% year-over-year, making up approximately 35% of our direct revenue in the second quarter. DoubleVerify delivers a wide set of MRC accredited solutions available on the largest social network, Facebook, and we continue to expand and deepen social platform integrations with a growing roster of partners. We recently launched our TikTok viewability and fraud solutions in open beta in 14 markets, and are excited about the expansion of this relationship and its potential for future growth.

Turning to CTV, our products continue to gain traction in one of the fastest growing segments of the advertising market. Emarketer now forecasts 2021 CTV ad spend to grow by almost 50% year-over-year. DoubleVerify grew second quarter CTV volumes by 89% year-over-year, driven by DV Video Complete, which is currently the only solution that allows brands to effectively block brand suitability and fraud violations on CTV through video filtering.

Advertisers using DV video filtering saw 49% lower brand suitability violation rate than those who have not yet adopted the tool. DV video filtering for CTV recently received MRC accreditation. We also added fully on-screen, which is our measure CTV's usability, to our list of CTV metrics to receive the MRC stamp of approval. This coupled with our CTV fraud and invalid traffic accreditation firmly puts us in a leadership position for quality CTV metrics.

Additionally, we've recently launched the industry's only app-level CTV brand suitability solution, which offers advertisers wide brand suitability coverage across all CTV platforms, apps, and devices. We are the first verification provider to allow turnkey brand safety tiers and floor controls in alignment with standards advanced by the four A's Advertising Protection Bureau, and World Federation of Advertisers Global Alliance for Responsible Media. And we have recently rolled out these controls on YouTube as well.

Shifting to international growth, we now generate revenue in 94 countries. We grew second quarter APAC revenues by 73% year-over-year, and EMEA revenues by 62% year-over-year as
we continue to execute our global expansion strategy. We see both extensive whitespace and competitive opportunities in global regions outside the Americas. We recently won the global business of new enterprise clients including Diageo, BMW, Phillip Morris International, Grupo Bimbo, and Bumble. International clients switch to DV based on three key differentiators.

The first is the strength of our software platform and its unique ability to seamless connect measurement to targeting with our pre- and post-bid capabilities, while surfacing insights through a consolidated user interface. Second is the depth and granularity of our product integrations across media buying platforms. And third is the scale at which we measure and analyze transaction data. Combined, these factors produce better analytics which maximize ROI for clients and help us win in head-to-head comparisons with other platforms. DV has won 86% of new or expansion business opportunities over the past five quarters.

Direct revenue outside of the Americas grew nearly 66% year-over-year in the second quarter, representing approximately 24% of direct revenue, and exemplifying the expanding opportunity for the application of our software in markets around the globe.

On top of our global, direct, and programmatic growth, we continue to renew and expand revenue generating partnerships with key supply side platforms and publishers, including ModHub (SP), a market-leading mobile sales side platform, and Yahoo Japan, one of the largest digital publishers in the APAC region. Building off our successful acquisition of Adjuster in 2019, DoubleVerify is now integrated with 85 of the world’s largest publishers, enabling us to leverage our dataset into accretive solutions across both the buy and sales side of the digital advertising ecosystem.

Let me conclude with an update on our performance solutions and investment in privacy leadership. Our recently launched privacy-friendly performance solutions continue to gain traction, taking advantage of the growing vacuum created by the ongoing deprecation of third-party cookies. Google's announcement to delay cookie deprecation on Chrome gave the industry a brief breather. However, the momentum-shifting digital targeting away from cookie-based identifiers is unstoppable, and cookie-less venues such as iOS devices and CTV gain increasing advertising attention.

DV Custom Contextual is a cookie-free and privacy safe programmatic performance solution that leverages the same best-in-class ontology and semantics science that powers Authentic Brand Safety to maximize the relevance between ads and content.

Recently, Vodafone UK partnered with us to test DV Custom Contextual, and the results were exceptional. We delivered over twice as many acquisitions per dollar than Vodafone UK’s benchmark, and over three times as many as a competitor's contextual strategy that was running in parallel. Custom Contextual was recently made available on leading DSPs including the TradeDesk, MediaMac, Adform, Amazon, Verizon Media, and Xander. Advertisers regularly
using our solutions have more than doubled in the second quarter compared to the first quarter of this year.

As global market leaders in a rapidly evolving digital ad ecosystem, privacy is at the core of our business. DV's measurement solutions are cookie-free, and we're proud to announce that we are the first in the industry to be awarded privacy certification seals from TrustArc, demonstrating that DV's data protection mechanisms are aligned with core international data protection principles and standards.

In summary, Q2 was another strong quarter for DV. We continued to deliver robust growth based on our channel strength in programmatic, social, and CTV, as well as our successes on the global new business development front, where winning share and filling in whitespace around the world. Our market-leading partnerships and platform innovations position us to take advantage of industry tailwinds. We've made tremendous progress to date, and we see a strong long-term growth trajectory ahead. With that, let me turn the call over to Nicola.

Nicola Allais
Thank you, Mark. We are pleased to have delivered $76.5 million of revenue in the second quarter of 2021, as compared to $53 million in the second quarter of 2020. Our 44% year-over-year growth rate in this quarter is even more impressive considering that despite the pandemic, we grew by a robust 22% in the second quarter of 2020. Overall, revenue growth was driven by growth in the volume of media transactions measured. Gross revenue retention remaining above 95% for the quarter, while our new enterprise client wins continuing to increase our market share.

Second quarter 2021 adjusted EBITDA was $21.2 million representing a 28% EBITDA margin, as compared to $15.6 million or 30% margin in the second quarter of 2020, as we invest in global operation, including product and engineering to continue to drive long-term growth. Our net loss of $12.6 million this quarter was entirely due to $18.9 million of one-time IPO-related transaction costs.

Cost of revenue increased by $4.6 million year-over-year in the second quarter, primarily due to higher costs from revenue sharing arrangements with our programmatic partners, as programmatic revenue grew as a percentage of total revenue, but also due to increased investments in cloud-based hosting solutions to provide the scale and flexibility necessary to support our volume growth. Our second quarter product development costs increased by $4.2 million year-over-year as we extended our first quarter investments in scaling our operations globally and accelerating our product roadmap into new verticals.

We are focused on executing our long-term growth strategy, and to that end have ramped our investments in hiring talent, with a particular focus on sales, engineering, and product. Sales, marketing, and customer support expenses increased by $6.8 million in the second quarter of 2021, as we expanded our market presence in international markets, including building our newly formed Global Client and Agency Partnership Team, which is focused on driving growth
with DV's largest enterprise customers globally. Approximately half of our new hires in the second quarter were outside of the Americas, and we expect these investments to yield strong returns over the mid to long term.

In terms of balance sheet and cash flow, we generated $23 million in cash from operating activities in the second quarter of 2021, compared to five million dollars in the second quarter of 2020. We had $330 million of cash at quarter end. We repaid $22 million of outstanding debt in the second quarter, and currently have zero debt on the balance sheet. The strength of our balance sheet provides us an advantage when it comes to expanding our global footprint, investing in our technology roadmap, as well as capitalizing on strategic acquisition opportunities with the potential to further accelerate our long-term growth.

Now, turning to guidance. We expect third quarter revenue in the range of $81 to $83 million, which has a midpoint implied growth of 34% year-over-year. We expect third quarter adjusted EBITDA in the range of $22 to $24 million, which has a midpoint implied increase of 59% year-over-year, and an adjusted EBITDA margin of 28%. Finally, we expect our third quarter weighted average diluted shares outstanding to range between 166 and 169 million shares. For the full year 2021 guidance, we expect revenue in the range of $325 to $330 million, a year-over-year increase of 34% as a midpoint, and higher than the prior guidance range of $322 to $326 million. Our second half 2021 guidance reflects sequential revenue growth rates that returned to the seasonal patterns that we achieved in 2019.

As we continue to prioritize investing in the business to drive long-term growth, we expect adjusted EBITDA in the range of $103 to $105 million, a year-over-year increase of 42%, and an adjusted EBITDA margin of 32% at the midpoint.

In summary, our strong first half 2021 results of 38% revenue growth and 30% EBITDA margins delivered against the rule of 60, and we are executing well against our full year plan. And with that, we will open the line for questions. Operator, please go ahead.

Operator
Thank you. Ladies and gentlemen, we will now be having our question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may also press the star two to remove your question from the queue. One moment please while we now poll for questions. Our first question comes from Mark Murphy with JP Morgan. Please proceed with your question.

Mark Murphy
Yes, thank you very much, and congrats on the strength of results. I wanted to ask about your 2021 Global Insights Report, which showed overall fraud is down 30%, but it seemed to show some different activity in mobile app and connected TV. So, two questions on that. First of all,
to what do you attribute that overall decline in fraud? And second, how is the nature of fraud changing in the connected TV arena?

Mark Zagorski
Hey, it's a good question, Mark, thanks. And thanks for reading the report. We love when our analysts dig in on our research. It's awesome. So, we'll dig in on yours, too. So, the first thing I want to talk about, on the fraud side, it's an important thing to note that as we saw fraud rates decrease on a significant basis, overall, there's still a significant amount of fraud volume in the marketplace. However, what we've seen is that there's a direct correlation between what we call pre-bid fraud avoidance and pre-bid filtering with post-bid declines in fraud measurement. What that means is, as clients us and employ our pre-bid filtering solutions like ABS, we see that actually having a direct impact on the amount of fraud that we see in post-bid measurement.

So, in some aspects, it shows what we're doing is working, right, by filtering out impressions before they even make it to a buyer's preview. It allows us to actually drive down the overall rate of fraud that we see across the board. The other thing to think about--so, the other half of your question regarding CTV. as we've noted in the past, as the demand for CYV inventory continues to grow, and as the CPMs around that inventory accelerate, there's obviously a huge amount of opportunity for people to try to perpetrate fraud in that space.

the whole idea of, why do people rob banks? That's where the money is. Well, why is there fraud heading toward CTV? Because that's where the money is. There are a couple main ways that we've seen fraud start to proliferate there. The first is really around what we call device spoofing, right? And this is where a mobile device or another type of device, desktop device, actually changes its domain name, or changes its device identifier to actually look like a CTV. that's the first main way.

The second thing we're starting to see on that same vein is not just the device-type spoofing, but actually a domain spoofing, which is someone pretending to be a legitimate brand or application by coming up with a domain name that looks very similar or is a take-off of that legitimate device. So, those are two common ways.

The third that we look at is a little bit more insidious, I would think, is--are basically fraudulent apps. These are applications that may look totally innocuous and may even have some level of legitimate content on them. But in the case of CTV, these apps, for example, even if you shut them off or are no longer viewing them, will be running advertising in the background. So, they never really shut off. And the interesting thing about this fraud approach is that we saw this earlier in mobile, right? It's another derivation of what we saw on mobile devices in which apps did the same thing.

So, a very long answer to an increasing complex. question, whereas, in some ways, every new device spurs a new type of fraud. We do have aggressive investment around our fraud lab, to
continue to stamp these out. And the good news is we are seeing progress with regard to our pre-bid filtering solutions actually having impact on post-bid fraud rates.

**Mark Murphy**
Excellent, Mark. Thank you very much for the very clear answer, and it is great to see that correlation with what you’re trying to do pre-bid and what’s happening post-bid.

**Mark Zagorski**
Great. Thanks, Mark.

**Operator**
Thank you. Our next question comes from Arjun Bhatia with William Blair. Please proceed with your question.

**Arjun Bhatia**
Wonderful. Thank you and congrats on the strong quarter. I heard in the prepared remarks that you established a new client and agency and partnership team. I would just love to hear a little bit more about that, how they’re going to be working with your largest accounts, and maybe how that might change the revenue growth that’s coming from your existing customers versus, perhaps new accounts that are coming onboard?

**Mark Zagorski**
Yeah. Hey, Arjun, it's a great question. Thanks for picking up on that, that note, because it is a really interesting and important endeavor for us. Just to kind of maybe get a quick background of why the team was put together, as we’ve seen ongoing consolidation with the way that advertisers are approaching verification solutions, i.e., they’re collapsing point solutions into a single platform solution. And we’ve been the beneficiary of that, right, because our solutions see across viewability and across brand safety and suitability, and across geographic alignment, and across fraud. The enterprises have looked to consolidate that, and the enterprises have looked to consolidate their businesses globally as well. So, that meant the way we dealt with clients either on a regional basis or on a solution basis, really didn't line up with where they were going and where the industry was going.

So, we built this team to address the larger needs--the global needs of enterprise clients, so folks like Unilever and Mondelez that we work with around the world, as well as approaching new clients that are looking for a multifunctional global relationship. And I think that's the key, is that enterprise clients are looking for an enterprise partner to service their needs in any place around the world. What that also means is that when we’re approaching new clients, we can do so from a position of power, not only from how our solution is built but from how our team is organized.

And we find more often than not, we are no longer looking at deals in one country to the next, but we're looking at deals that encompass multiple countries. we have--in some of our brands,
for example, they work with us in over 75 markets around the world. So, our approach to both servicing them and actually acquiring that business has to be global. So, that's the point behind this team, is as we continue to take advantage of the consolidation that these clients are looking to do with their platform business, we have a team that aligns with those goals.

And when we think about that, what that means from our revenue perspective, a good portion of our revenue growth comes, as we've talked about in the past, from organic growth. So, same-store sales. That can come from both the consolidation of assets, where we may not hold 100% of the business, but also by driving global volume and expansion.

So, this team's role is also to do that, is with current clients, grow additional usage to upsell products. SO, we certainly didn't put this team together to just maintain revenue. We-- the goal behind this is to continue to accelerate our revenue. It's still a new team; they've only been around for a couple months. But we do feel that, as they begin to align with our clients' goals, and as we move into 2022, the ability to kind of continue to accelerate and grow revenue is going to be real.

Arjun Bhatia
Perfect, sounds very interesting. That's very helpful. And one more, if I could, for Nicola. Obviously, you're seeing strength in your business. It seems that programmatic growth has certainly exceeded expectations this quarter. Could you maybe just talk about your guidance, and how you're looking at the back half of the year? Because it seems like we're keeping second half growth rates relatively constant with the revised full year guidance.

Nicola Allais
Yeah, Arjun, good question. So, first I would just want to spend a moment on second quarter, which was strong at 44% growth. And how we got there was, as you said, programmatic was very strong, ABS continued to drive that part of the growth. But we also saw a return of spend for some of the customers that had paused last year during the pandemic. As our revenue is not tied to CPMs. And so, even last year in the second quarter, we grew 22% in the second quarter of 2020. This year's 44% growth in the second quarter is all that more impressive, right, because it's just driven by volume.

For the second half, we are still seeing an uncertain operating environment related to COVID. And so, our view is to remain prudent. We're not hearing this from advertisers, necessarily, that they're looking to pull back. But the general environment feels that we ought to be prudent when we look at the second half of the year, and that's sort of how we put the guidance out there. It is still a 34% growth rate for the year, with margins over 30, which gives you still a rule of 60, which is what we're committed to.

Arjun Bhatia
Perfect. Thank you very much, and congrats on the quarter.
Nicola Allais
Thanks, Arjun.

Operator
Thank you. Our next question comes from Youssef Squali with Truist Securities. Please proceed with your question.

Youssef Squali
Thank you, and congrats on a solid quarter your second in a row, plus IPO. So, maybe the first question to Nicola, just to follow up to the prior question about guidance. So, you're obviously up against some tougher comps in Q3, because the growth rate went from 22% to up to 36%--I'm sorry, to 32% last year. I was wondering just if maybe you can peel that onion a little bit and maybe speak to what you're baking in in terms of advertiser direct versus programmatic for the second half.

And then, on the TikTok open beta, that's--congrats, that's really great news. How long does the beta last? Is the US one of the 14 countries where you are? Maybe, Mark, if you can just provide some additional color and commentary there. Just trying to understand kind of the--the timing of TikTok potentially becoming a paying client, and then, how do we go about maybe getting our arms around the possibility for contribution to revenues over time, I guess, in 2022, which you're not guiding to right now. But just kind of qualitatively, if you may.

Nicola Allais
Yeah, Youssef, I'll take the guidance question around Q3. So, we are anticipating--we've had great success with programmatic. That's really eating the charge, especially with the adoption of ABS. So, what we are anticipating is that the shift towards programmatic versus direct will continue in Q3, so you should see programmatic as a percent of revenue continue to expand in Q3. But we're not seeing any sort of degradation on the direct side. We have some large enterprise wins that have come in the first half of the year that will also contribute to the growth. But what you've seen in the patterns in the first and second quarter, you should expect to continue in the third quarter for sure.

Mark Zagorski
And on the TikTok opportunity, we're obviously very excited about that, because our advertisers are leaning into that. we kicked off our first Client Advisory Council earlier this year, and one of the main areas that they focus on is, hey, we love TikTok as a potential advertising venue. We would love to see you guys extend your solution set there so we could feel confident with our advertising spend on TikTok as we do everywhere else. So, we are excited to be part of the beta.

And right now, of those 14 markets we're in, US is part of that group. And those were advertiser-driven markets as well as TikTok-driven markets. And we're looking for a likely Q4 implementation. It will be a slow roll, as with all uptake. But this is--the great thing about that
opportunity is it will be as robust as the spend that heads into that space is. as we have a model
in which advertisers, once they click on that seatbelt for protection, they use us in every venue
they possibly can.

And as we see--social has been a really strong growth area for us. It grew 100% year-over-year
in Q2. And there's no-- there's no slowing down of social spend. So, we think that TikTok can be
a nice addition to our roster of partners that we currently work with on the social side,
including YouTube, and Twitter, and Facebook, and Snap, and-- and Pinterest, and Instagram.
So, having them as part of that region, I think will definitely have a nice impact on 2022. It's too
early to say how big that will be, but it really is driven by advertiser interest, because we are--
one we're there, we're there, and they will use us on the impressions that they spend on
TikTok.

Youssef Squali
And just to clarify, Mark, do you know if any of your competitions are also kind of working on
similar support of the TikTok platform, or is this--or are you guys the first, at least in the U.S.?

Mark Zagorski
Yeah, I mean, there are other participants in the beta, but we obviously have a unique position
with our client base. And that's the nice thing to remember about where we sit is our current
enterprise relationships with the largest brands mean that once we have a new venue to
measure against, any dollars that they're spending there, for the most part, immediately get
turned on with us.

Youssef Squali
Yeah, makes sense. Thank you, both. And congrats, again.

Mark Zagorski
You got it. Thanks, Youssef.

Operator
Thank you. Our next question comes from Michael Graham with Canaccord. please proceed
with your question.

Michael Graham
Thank you. Hey, Mark, you mentioned in your prepared remarks this, move from measuring
quality to measuring performance, which I know you've talked about before. But I wondered if
you could just spend a second, kind of talking about two things. One, does that move you into a
different set of competitors in the business?

And then the second thing is, could you just talk about, what sort of scale of development it
takes to kind of move you firmly, into that performance measurement area, I mean, more
firmly than you already are? And then, as a quick follow-up to the guidance, Nicola, could you
just remind us on revenue visibility, just, is that evolving and sort of, like, are there things that could happen that could, surprise you to the upside, I guess, as we get through the rest of the year.

Mark Zagorski
Great. I'll take the first part, Nicola you jump in on the second. So, on the move, or what we like to say, kind of the transformation and evolution from protection to performance. The interesting thing about that is that the gap between protection and performance is actually much narrower than you think. Because, core verification, so, eliminating fraud, eliminating impressions that can't be seen, eliminating impressions that aren't in the right geo, or are not brand safe. That is the first step in performance, right? So, once we take the big meat cleaver to inventory and say, these things are off the table, we've already improved performance.

So, when we think about, evolution into this space, it's really an extension of what we're currently doing, right? It's an extension of moving from taking a big slice of inventory off the page to now using a scalpel, right, and finding within what's left what's really good, what will really drive the highest level of performance. And the best part about that--so, the question about, what does it take from a development perspective? It all uses the same core data set, and that's like the magic of our business.

We talk about this flywheel, which is all of the data that we're capturing on context, and behavior, and geography. All of that gets reused into performance solutions. And whether it's contextual targeting or authentic attention, or whatever's next for us in those solutions, it's leveraging the same data asset and repurposing it into an entirely new application. That's what gets us so excited about, like, a core flywheel here, because we get more data, as we drive our verification business. That verification business then fuels new solutions, and those new solutions allow us to reach out to even more advertisers, which give us more data, and that spins that wheel even faster.

So, when we look at development expense, the core is already there, and these are extensions of the application. So, we always lean, very, aggressively into product and engineering development. But the nice part is, that is not a--there is not a single, overall investment. They're all tied back to the core. And then the final part of your question, what does it do to our competitive set? I think it's--it doesn't change it--it doesn't advance it as much as it's starts to move into circles in which there are companies that have, at some point, touched into verification as well. Like I said, we're all in the performance driving business.

So, I think we're coming from it from a very different perspective of how some other companies would come to it, and that is from a position of power around data at scale. Most performance-based applications are really limited to trying to drive performance at a campaign level, right? So, what do I do to help this campaign, and what can I do to optimize this campaign? The best way to optimize at the campaign level is to have data on a global level.
What that means is, we look at every interaction across a transaction, not just a specific campaign, which means the coverage that we have to optimize that performance is much broader than any company that came to the performance space just looking at a campaign level activation. So, net-net, it does add a different level of competitors to our space. But for the most part, those competitors tend to be point solutions that have focused on campaign optimization, don't have the data scale that we have, and it allows us to come with a position of power with regard to, the scale and scope of the data that we use to drive performance.

Nicola Allais
And Michael, on the surprising to the upside, I would focus mainly on Q4. I think we've been consistent with our view that, we're being prudent, especially in the fourth quarter, which is generally our strongest quarter in a normalized year. I think the surprises would come from a complete return to a normal operating environment. that is not necessarily entirely baked, as we've always said, with being prudent in that fourth quarter.

So, it would be volume, it would be, measured transactions driven rather than price for sure. And it would be for existing customers if the activity levels increased beyond where we see them at this point. There are other-- there are other potential positives related to unlocking volumes with our partners on social, on CTV. Those, not as certain. I think the biggest positive upside would be just volume on a normalized basis for my existing customers, which is something that, we're being prudent about.

Michael Graham
Okay. Thank you so much, guys. Really appreciate it.

Mark Zagorski
Thanks, Michael.

Operator
Thank you. Our next question comes from Matt Hedberg with RBC Capital Markets. Please proceed with your question.

Matt Hedberg
Hi, guys. Thanks for taking my question. Hey, Mark, obviously, really strong this growth this year off of the COVID year--or the COVID quarter last year. I'm curious, when you look at some of these customers that obviously faced a lot of stress last year, have you noticed any difference in how they're leveraging your platform today, maybe than versus pre-COVID? In other words, are they leaning into digital advertising more or different? Just wondering, because I would imagine there could be some interesting trends coming out of some of those customers.

Mark Zagorski
It's a really good question, Matt. I think, the way that we would look at it is, are they leading into specific sectors more than we've seen in the past? And the two that we always like to call
out are CTV and social. And I think those are both advertiser-based changes, but also consumer engagement changes, right? So, we saw a lot of different behavior emerge based on COVID, things like drive time went away, right? At home time became the drive time. With that also became additional screen usage. And I think two of the areas that we've seen dollars flow into more have been CTV and social. Social is interesting because, at this time last year, it was going through a pretty, heavy upheaval regarding a lot of the social movements that were out there, and concerns about dollars being put into there.

What that did for us, it wasn't that advertisers didn't want to be in social, they wanted to make sure that they were in social the right way. And that helped us, quite a bit in--as seen in, 100% year-over-year revenue growth in social. So, I don't know if that's a behavioral change from advertisers, but it was certainly something that has evolved over the last year.

And on the CTV front, I mean, that is a behavioral change that I think has--will never go back. I mean, the idea of watching over the top the incredible increases in content and even ad-supported content over the top, is truly, a massive shift. And the comfort through which advertisers now have in buying that inventory, in CTV inventory, I think is, has considerably grown, and it's growing our business.

And that's why, we've leaned so heavily into not only new solutions around CTV and extending our core solutions in CTV, but ensuring that those solutions are accredited, and ensuring that we build more confidence there. So, if there's been a behavioral shift, I think we see, those two sectors being the benefit at least for us and where our advertisers are spending their money.

Matt Hedberg
No, that makes a ton of sense. And just--it feels like with all the structural changes I think we're all expecting you guys to benefit from, it feels like, what you suggested should certainly pay long-term.

Mark Zagorski
Yep. For sure.

Operator
Thank you. Our next question comes from Andrew Boom with J&P Securities. Please proceed with your question.

Andrew Boom
Hi, guys. Thanks for taking the questions. I've got two, please. So, the doubling of adoption of advertisers for Custom Contextual this quarter was impressive. Can you talk about how you moved advertisers from kind of testing the product to being always on-tool and returns that they're seeing? Additionally, can you talk about the impact of pricing that the move to performance has, and how we think about that moving through the model? And then I've got a follow-up.
Mark Zagorski

Sure. So, on the Custom Contextual, we’re happy with the uptake for sure. I think it's a great, again, example of using our core asset to move further down the performance route, and also at a premium rate, you know. So, these two questions work really well together. When we think about how we move clients into Custom Contextual, the great part is through Pinnacle, which is our software platform, we have a wonderful, in-bed solution that allows them to take the same data that they're using for measurement and hosting measurement, and flow that into their Custom Contextual targeting solutions.

So, for us, a lot of this, upsell into Contextual is working with our core clients that is already in place. And literally just working with the data and the assets that they've been using to measure post-bid, and through their integrations with the DSPs on the pre-bid side, leveraging that distribution. And that is, again, the magic of our model, which is the distribution's in place, the core data is there. It's about moving that data into those distribution cycles via new products. And Custom Contextual is one of those.

So, it's been a great example of how we see product introductions down the road. We think there's a lot of great core opportunity around Contextual. And that product in itself, I think it is all about timing. And with what's going on around the deprecation of cookies, and other performance solutions that were based on either audience data or some level of what's now considered PII, or third-party cookies, all of those things had to be challenged. So, in the old--everything old is new again. Context is truly, starting to become at the forefront of a lot of the advertisers' minds when it comes to optimizing performance.

The second half of your question on pricing these performance solutions. Again, it's a nice place to be because performance-- there's always-- what do you pay for a car and what do you pay for a seatbelt for a car, right? a seatbelt you have to have, and it's critically important, and you use it every time. But that engine, that really drives it and drives performance is what you pay a premium for.

And that's the great thing about our performance solutions, is that they are sold at a premium. And as they continue to grow, it gives us an opportunity to drive, our average fee structure. That takes time, and they're really new. So, we're not building that into our individual forecasts over the next year, so--but as they build up steam and as they become a larger portion of our overall revenue, there is the potential for them to increase our overall rate.

Andrew Boom

That makes a lot of sense. And then on CTV, I think viewability and video filtering are relatively new features. I guess just taking a step back, can you talk about your position competitively, and where you think DV is differentiated today? And is this really kind of a spear in terms of new account wins at all, or, how is CTV going into your go-to-market and sales pitch?
Mark Zagorski
Yeah. So, CTV continues to grow for us as a percentage of our overall video revenue. I think it makes up now over 30% of our direct business, of our direct revenue--of our video business on the direct side of the company. So, CTV continues to be an important factor. From a competitive perspective, I would challenge the fact that there's anyone who has a toolset that is as robust as ours across all the different vectors, across brand safety, across viewability, across impression counting and fraud.

We were the first to market with CTV solutions. We are the only ones in market now with brand suitability tiers across CTV. So, there's a significant number of advantages. And as CTV becomes, as you said, the tip of the spear for a lot of advertisers, I think our ability to have a solution, to have the only app-level brand safety that's out there currently, to have the kinds of relationships that we have with folks like Roku and Hulu and Amazon.

Those are clear talking points, and discussion points when we go into clients because they're asking about those things, right? And having leadership on the accreditation side, having leadership on the functionality side, and having leadership on the partnership side are real differentiators. So, I think, we were lucky enough, or prescient enough to see CTV on the horizon a few years ago. We started down that path a while ago, and now I think we've built a nice leadership position there as well.

Andrew Boom
Thank you, Mark.

Mark Zagorski
Sure.

Operator
Thank you. Our next question comes from Yun Kim with Loop Capital Markets. Please proceed with your question.

Yun Kim
Alright, thank you. Congrats on a solid quarter. Just on the international growth, which again was very strong, very impressive. Are you seeing the same growth dynamics that you are seeing in the US for the international market? Is that driven just like the US, social, connected TV channels, and also adoption of ABS?

Mark Zagorski
Yeah, it's a great question, thanks for it. So, there are definitely different dynamics outside of the US. CTV, for example, is not a factor--and that's--it's not a media factor the way it is in the US in most global markets. It's very different. But what is interesting is the amount of social that we see outside of the US. So, social is a real driver outside the US. And for a lot of reasons because in many markets, it is not only the dominant engagement mechanism, but it's one of
the safest. So, particularly if you look at in the APAC region, it's a mobile first market, right? It's a mobile first market, and social and mobile go hand-in-hand together. So, you see growth there being driven by social much more than you may see in other parts of the world.

But overall, our growth outside the US, APAC at 73%, EMEA at 62%, overall, over 60% growth rate outside of the Americas. It's representative not only of organic growth in those markets, but the considerable amount of whitespace that we have to fill in there. And I think that's why we talk about our people investments for the year. I think of the--in Q2, 52% of our people investments were outside of the US.

And it's because not only do we see, great enterprise growth with our current clients outside the US, but there's still a lot of whitespace to fill in. And I think that's really exciting for us. And again, those markets are a bit different. So, they're social first markets, they're mobile first markets, in many cases, like in APAC. But the nice part of where we sit is, we're agnostic to that.

The whole driver behind our business is verify everywhere. And that means no matter what platform, no matter what market, no matter how someone's buying or trading, inventory, whatever type of media they're on, whether it's social or CTV, or just regular display ads. our solutions can meet those needs. So, that's the key part of being a platform, right? It's the idea that whatever market demands there are, and how they vary from place to place, that we have a solution that can meet that. And it's a great question. As you asked, every market is different, and the drivers in those markets are different. But for us, having a solution that can meet any of those demands is critical, and we're taking advantage of that.

**Yun Kim**
Okay, great. That's very helpful. I have a question for Nicola. So, with the company, obviously, you guys again scale, customers are spending more on your platform. Are you beginning to see some of your larger customers looking to do maybe annual contracts, where they can commit to a certain volume up front for a discount?

**Nicola Allais**
So, it's a good question, Yun. We are testing more volume tiering in terms of pricing. That is sort of the route that we're taking with our customers. our plan--and you know our strategy is really volume-based expansion, to benefit from being able to verify new verticals and new geographies. So, our strategy, which has been successful, and which our customers are liking, is volume tiering above and beyond certain impression levels. That's the route that we've taken so far.

**Yun Kim**
Okay, great. Thank you so much.

**Nicola Allais**
Thank you.
Operator
Thank you. Our next question comes from Justin Patterson with KeyBank Please proceed with your question.

Justin Patterson
Great, thank you. Mark, could you talk about which inning you are in with respect to getting more inventory, more volumes, running for social and CTV? Is it more of a case of the platforms just need to grant you more access to that inventory, or are there some additional investments you need to make there? And then, for Nicola, a follow-up on commentary you made around volumes. It is a very strong digital advertising year, but it's also one being led more by price than impression volume. How are you thinking about those dynamics into the second half, since it'll likely be the case that price inflation may even get worse, and available impressions remain fairly light? Thanks.

Mark Zagorski
Really good questions, Justin. Thanks for those. So, you mentioned social and CTV, and the interesting thing about those two venues is the expansion of business there are on two opposite fronts. On the CTV side, we have really good broad coverage, but I think the opportunity there is getting deeper, right? There's-- on the brand safety fronts, and on the-- a lot of the other things that are becoming increasingly important to advertisers. Getting show level, or you know program level data, I think is the next step for us to continue to create more transparency within CTV.

So, I think from a broad perspective, we cover a great deal of CTV through some of the partnerships that we have, and we're really happy with those. The next step of growth there, I think from a verification perspective and a performance perspective, is getting deeper, and I think that will eventually come.

On the social side, that is a great case of, getting broader, and broader within certain channels. And I think, there was some public--there was an article recently that was published in the advertising trades around, Facebook and other platforms opening up to third-party measurement and third-party verification solutions, and when that would happen and how that would happen. I think, you know--I think the industry is ready for that.

I think we are all certainly interested in helping to drive greater transparency and help drive more confidence and more ad dollars to social. And to do so, it's really about opening up more inventory there. So, I think that is, very different than, the CTV opportunity, where we're going for depth. It's a little bit of breadth. I think that there are still, longer tail social networks that continue to ebb and flow with their interests from an advertiser perspective. But the interesting real opportunity here is as more social networks start to open up more of their direct newsfeed or their direct core feed opportunities to third parties, I think that's where we see some real light. And our advertisers would be really excited to see it as well.
Nicola Allais  
Yeah, and Justin, on your question around price inflation. I think, I'll go back to, first, our second quarter results, the 44% growth which was, volume-driven, right? We were not subject to the swings in CPMs. That would have driven our revenue maybe higher, but we have a very steady, repeatable business model that's based on volume. We are not-- we are going to remain committed to that as our strategy at this point which is, volume-based expansion is what is going to drive our business for now.

We do continue to evaluate whether, we should adjust MTF based on the quality of the type of the media. We don't see that as an immediate exposure. I think for the second half of the year, which was your more direct question, the volumes are returning to a more normalized pattern. We're being prudent, but they are returning to a normalized pattern. So, we don't see that as a real risk for the second half of the year of seeing bonds coming down.

Justin Patterson  
Perfect. Thank you.

Operator  
Thank you. Our next question goes to Ramo Lensha with Barclays. Please proceed with your question.

Ramo Lensha  
Hey, thanks for squeezing me in, and congrats as well, from my side. Two questions, one for Mark. We talked a little bit about the international performance, and you had some comments in the slide. Just talk a little bit about the organizational build-out there, like how comfortable are you with kind of where you are? The growth rates are clearly impressive, but like, obviously, you're starting from a lower base. Like, talk a little bit about more, where you are as an organization?

And then, second question is for Nicola, like, you beat revenue, but obviously on EBITDA we are more in line, which suggests kind of more reinvestment in the business. Can you just talk a little bit about how you kind of run that kind of revenue performance versus reinvestment into growth? Thank you.

Mark Zagorski  
Thanks, Ramo. And nice-- it was nice interconnectivity between those questions, so, Nicola and I will definitely tag team that. On the international side, I think, to be transparent, we're playing a little bit of catch-up with regard to people investment there, right? We didn't open, operations for the most part--field operations for the most part outside of the Americas until 2018. So, we've scaled up. we've been really lenient to scaling up those teams and resources over the last several quarters.
As I mentioned earlier, 56% of our headcount growth for the second quarter came outside the Americas, because we've seen lots of whitespace and opportunity there. Look, the nice part of what we've been able to build is, we've leveraged this temple model, right, of which we go in with a global or an enterprise client into a specific market, and then use that client as a basis for which to build the team, but then leverage resources—or leverage those same resources to go out and sell localized clients. We did this in Japan with Yahoo Japan. We're—since then we've closed clients like Sony and Fujifilm and many others. We've done this, with Mondalez in India, where we've closed, a large number of local clients there.

So, we've got—the nice part is, we've got the model down. We've got the muscle built. Now, we're just fueling that muscle with additional resources. So, we're catching up rapidly. I think we're in a good place right now. We may have—we probably have—I wouldn't say—I think at this point, we've done a good job on investing there. We probably will not have to lean in as hard over the next few quarters as we have this quarter, as far as percentage of resources in those markets because we're getting up to par there.

But based on our growth and where we see whitespace, I think it's been a really great investment. And as we noted earlier in the Q&A, this is not just for, going out and getting clients in Germany, or getting clients in, you know—in southeast Asia. It's also about supporting enterprise clients, who are increasingly looking for a single partner to support all of their business worldwide. And when you look at the kind of names that we closed this quarter, so, Diageo and BMW and others like that. Those are global enterprise clients, and they want support around the world. So, we're going to give it to them, and we're in a great place to continue to do that.

Nicola Allais
And Ramo, I think Mark almost answered already the question. What I would say in terms of, reinvestment versus growth, I think Q2 is a good example of that. We were able to close large enterprise clients that are not in the US. We achieved a 44% revenue growth. Rest of the world is growing 66%. That's a good trigger for us to say we can accelerate the investments.

And their overall margin's still at 28%. That's a number that we can dial up or down, as Mark said. We accelerate a little bit in Q2; we don't have to do that in every next quarter. But the math is pretty simple, if you are running 66% outside of the US and you see an opportunity to accelerate some of the investments in those markets, we will definitely be committed to do that.

Ramo Lensha

Mark Zagorski
Thank you.
Operator
Thank you. There are no further questions at this time. I would like to turn the floor back over to Mark Zagorski for closing remarks.

Mark Zagorski
Hey, I want to thank everyone for their questions. In closing, we continue to deliver strong revenue growth and profitability, driven by successful product innovation in fast-growing sectors such as programmatic, social, and CTV, as well as a global expansion strategy that's winning large enterprise clients in a growing number of international markets. In addition, we continue to cement our leadership in a global market that's benefitting from a secular shift to digital advertising. We appreciate your time and attention today. We look forward to updating you on success in future calls.

Operator
Ladies and gentlemen, this concludes today's webcast. You may now disconnect your lines at this time. Thank you for your participation and have a great day.