Google

PBSx Discount Guidance

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This document contains confidential information

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Goals of the Review

1. Share findings from 2017 sell-side rate card review
2. Establish criteria for evaluating PBSx discount asks
3. Review changes to Finance PBSx deal model
4. Update on deal accountability process

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Context:

Joint effort b/n sales finance (Gabe, Andrey, Ezra), product (Bellack), sell side GSL team (Chris L, Pooja) and Pricing teams (Luis)

Goals for today:

Share findings from annual rate card review
Establish criteria for evaluating deals at PBSx
Review proposed changes to the Finance PBSx deal model
Agree on requirements for pre-PBSx prep materials

Problem statement

Majority of asks are approved at PBSx with minimal debate

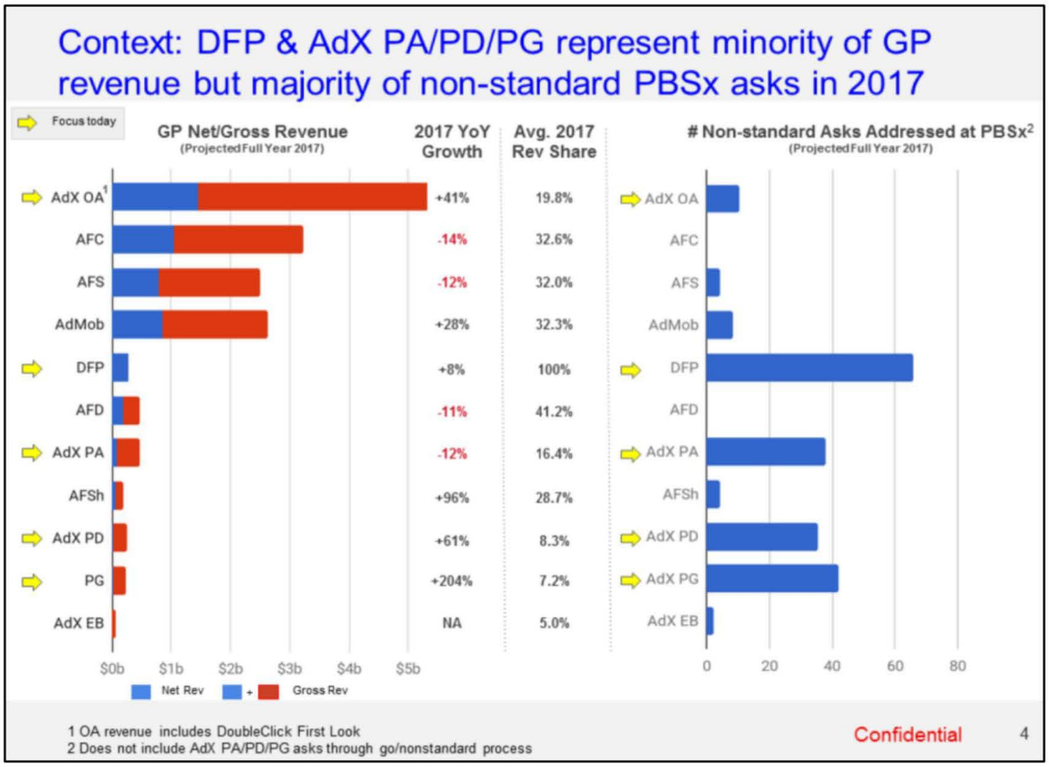
Some regions have more aggressive discounting practices than others

Lack of clear, specific PBSx discounting guidance: decisions made based on recent case practice

PA/PD discounts offered as a sweetener, ⅓ of PA/PD revenue discounted

Start with a sample list of the problem statements. This is not exhaustive list.

Minimal debate
Different regional practices
PBSx decisions made based on specific partner situation and recent case practice, but we have not had specific guidance for executives
PA/PD discounts offered as an add-on, with no clear positive revenue impact, and 33% of revenue is already discounted



Context slide with good data: left hand side 2017 revenue by product, right hand side # of non-standard asks

Pause

4 large products with $13bn revenue have in total around 20-25 exceptions. Discounts concentrated in DFP and Direct AdX deals (PA/PD/PG) --- about 60 discounts for DFP and about 100 in total for PA/PD/PG

Used data through end of June for # nonstandard asks to project forward

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AFS Y/Y growth includes AFSMA, growth #s are through 6/21/17

2016 CPMs: OA - $0.82 :: PA - $3.49 :: PD - $3.76 :: PG - $7.84

DFP accounted for 17% of Global DRX net revenue in 2016. Data on right is from go/xpaar maintained by compliance, DFP asks are aggregated (i.e. if for one pub ask for core DFP discount + DRM discount, just count it as one ask)

For AdX PA/PD/PG # of asks, it is likely that other deal features would have triggered the ask https://docs.google.com/spreadsheets/d/1dGn6KJ2__xyyGR_gz8CaVk7AkXsObBU4aloPfSo6vuY/edit#gid=0

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Findings from 2017 sell-side rate card review

No immediate changes to rate cards; Broader strategic reviews of PA/PD/PG ongoing

1

Rate card change needed if:	Data	Assessment
1 **Rate card not relevant** and most deals need discounts beyond guidance	(see data table below)	OA: No changes PA/PD/PG: No changes, broader strategic reviews ongoing
2 Unlocks **additional demand** that more than **compensates for margin hit**	*Past deal analysis: OA discounts* only justified for a few large pubs w/ low SOW and a clear path to increase SOW by offering lower pricing	Addressable via targeted tiered discounts, not rate card
3 Proactively addresses **future changes to product / ecosystem** that are certain to reduce product value	*Last x-functional review feedback* - no immediate need to change rate card (though may need to be more flexible in discounts)	Little pressure from x-funct stakeholders to make a change

Transaction type	# live pubs[1]	# of live LPS exceptions[2]	# deals lost on price	Avg rev share[3]
OA	3,815	13	Not available Anecdotal feedback: very few deals are lost on price alone	19.8%
PA	1,346	50		16.4%
PD	1,529	56		8.3%
PG	306	70		7.2%

1 Pubs with non-zero 2017 revenue counted at parent level
2 For PA/PD/PG, defining an exception as a parent with net revenue discounted by >50% at parent level in Q2, LPS only
3 Avg. rev share doesn't include buy-side fees, or impact of 9 guarantee deals listed in speaker notes (including 4 Partner Select Video g'tees)
Source: Active OA Tier Deals, PA/PD/PG data

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We did our annual review of the rate cards for display programmatic products:
Outcome is that we will not be making any changes, but there are some nuances:

- For OA there is no evidence that we need to change the rate cards due to limited amount of exceptions and limited amount of discounted revenue.
- For PA/PD no change to rate card, but broader strategic review ongoing (will explain later)
- For PG also no immediate change, but we will evaluate whether we should change rate card from 90 to 95 in 6 months (BCG study ongoing)

Current partner select deals: CBS ($1.4M rev YTD, -$2.3M loss YTD; -$4.6 expected loss in 2017), Discovery, NFL, Scripps
Other AdX guarantee deals: Indian Railway, Manzoni, Le Monde, Orange, BT Video

For PG, assumption made that OPG has 0 exceptions, so assumed 90% PG across the board for calculation of avg. rev-share (because there is an OPG PG data issue. Looking at recent months, very small portion of OPG PG is discounted)

https://docs.google.com/spreadsheets/d/173wbJSnv8GLX6EIKYU_OjCiUBIKthDUlYs5udUMwj0U/edit#gid=1470893284

Used at least $0.01 of revenue as cut-off for counting in # pubs column. Query here: https://plx.corp.google.com/script/#a=qo%7Ci=google%253A%253Ascript_96._0ed11

6_a0b5_49ae_bbbf_b0380828655d

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Criteria for evaluating PBSx discount asks

DFP: Focusing Facts

2

Current DFP footprint:

> Projected 2017 DFP rev: **$269M** (+11% YoY)

> Two approval processes:

- PBSx for core DFP discounts >20% (29 YTD asks)
- Director/VP approval for **waived DFP fees on AdX** imps (38% of LPS pubs benefitting YTD[1])
  - **Recommendation:** see appendix slide

> Rate card has built in **volume discounts** (higher volume → lower CPM)

> Two **live DFP discount programs** exist: Projects Viking and Tango (Dolphin discontinued)

> **Regional differences**: 7% of US+CA DFP pubs[3] have DFP discounts > 40% vs. 56% in EMEA

	Projected 2017 Revenue	% of Total Revenue
Core DFP	$225m	84%
Credit for AdX/AFC/AdMob monetized imps	-$28m	-10%
DFP Video	$27m	10%
DFP Audience	$20m	8%
DSM (Sales Manager)[2]	$10m	4%
DRM (Rich Media)	$5m	2%
Data Transfer	$3m	1%
Other	$7m	3%
Total	**$269m**	**100%**

Distribution of DFP discounts by Region

US+CA Pubs, n=76[3]	<20%	20-40%	40-60%	60-80%
% Pubs in Discount Range	64%	29%	4%	3%

EMEA Pubs, n=75[3]	<20%	20-40%	40-60%	60-100%
% Pubs in Discount Range	13%	31%	39%	17%

2017 Projected DFP asks:

Region	Projected 2017 PBSx Asks	% 2017 DFP Revenue
EMEA	36	21%
AMS	20	71%
APAC	8	8%
Total	**64**	

1 Only counting pubs with at least $1K in 2017 YTD credits, excludes 10 pubs with smaller credit amounts. 113 pubs of 298 on DFP
2 DSM being deprecated July 2019, and we stopped charging for product August 2017
3 Looking at top DFP pubs in impression volume for June 2017, discounts do not include waived DFP fees for AdX, EMEA figures inflated by FX changes

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DFP discounts >20% and waived fees for AdX imps, US+CA+EMEA
Viking deck; Dolphin deck, Tango deck

YTD Run rate of ~$18M in waived DFP fees for AdX impressions for LPS pubs. Roughly half of AdX/AFC/AdMob impressions for LPS pubs on DFP are being credited, so we could give out another ~$20M annually in waived fees if all the rest of LPS pubs on DFP got waived DFP fees on AdX overnight.

Recommendation: Director/VP approval requirement should be removed - ideally would just be manager approval instead but may not be possible from Compliance standpoint

For Europe where seems like there's a pricing problem. 1) would they be able to just use DFP SB? (Ezra guessing that doesn't have enough functionality) 2) If they're already using adx a lot, DFP bill should be low. Follow up meeting with Luis to discuss

Regional differences, DFP penetration in US is much higher than ROW, fewer new business opportunities

https://docs.google.com/spreadsheets/d/1zVqwLCT-bzHP15GprajbfAr49-

gEZicb_wosWWwGK2M/edit#gid=0
https://docs.google.com/spreadsheets/d/17YFOYBKkKfxRQx6KoF5uNiejlEwGTyoh0Ijjur7-AXM/edit#gid=0
https://docs.google.com/spreadsheets/d/1dGn6KJ2__xyyGR_gz8CaVk7AkXsObBU4aloPfSo6vuY/edit#gid=1291637042

Mention Viking and Tango - bulk discounting approval approach for emerging markets where ratecard pricing much higher than competition

Put box around DSM, footnote that it's being deprecated

Sensitivity in some countries: i.e. competition council approval needed

Try to understand reason why there are so many that are less than $1K - do some digging - is it bc don't spend much on AdX, or just really small?
Has pricing thought about things like Data transfer where costs have gone up more, and on core DFP costs have gone down. Data transfer they are looking into moving to cloud and costs will go down. There are 58 pubs with less than $1K of Credits YTD

Core DFP Discounts: Recommendation

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	Flip to DFP (new business)	**Existing pubs**
Qualification Criteria	1) Partner will **transition to DFP** from competing ad server 2) Key publisher in a priority vertical 3) Sizeable **AdX revenue opportunity** exists	1) Require **firm offer** from a **direct competitor** 2) Significant risk of losing partner
Discount Guidelines	1) Preferable to **offer 3-6 months free** (avoid offering reimbursement for migration costs). Min contract duration 2 years. 2) Discounts >20% to be considered on case-by-case basis if there is **sizable AdX opportunity** 3) Competition counsel approval needed in some cases	1) **Increases in DFP discounts for existing pubs will require PBSx in all cases:** • Discount < 20%: new process, PBSx approval required if discount increasing • Discount > 20%: current process, PBSx approval required in all cases • Note: for new business, process remains the same 2) **Liberalizing approval process** for waiving DFP fees on AdX/AFC/AdMob (no approval required if deal doesn't trigger PBSx) Change
Other Terms	1) DFP min set at 50% of projected volume gives a deal "teeth" 2) Volume commitments not recommended (not enforceable, lead to operational complexity)	

* Action item: EMEA team to review 2 sub-regions with largest discounts by November (Frites & EM)

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1) Only offer steeper discounts vs. current deal for top 10 AdX pub in region - region defined as AMS, EMEA, APAC

Don't forget about DFP - it still accounted for 17% of Global DRX net revenue in 2016

Supporting Data: ~40% of LPS and ~20% of OPG Partners have Free AdX Impressions on DFP Premium

Free AdX Credits
DFP Premium & SB
August'2017

Core AdServing Revenue & Credits	Core Serving Revenue ($M)	Free Ad Serving Credit ($M)	Credit as % of revenue
Premium	16.2	-1.9	-11.6%
Small Business	1.8	-0.6	-35.9%
Total	18.0	-2.5	-14.0%

Free AdX Credits
DFP Premium Only
By Channel
August'2017

							Per Month	Per Year
Sales Channel	Core Serving Revenue ($M)	Free Ad Serving Credit ($M)	Credit as % of revenue	# of DFP Partners	# of Partners with Free AdX	Share of partners with Free AdX (%)	Value of Paid AdX Impressions* ($M)	Value of Paid AdX Impressions* ($M)
LPS	11.6	1.4	11.9%	250	102	41%	**0.9**	**11.3**
OPG	4.6	0.5	10.9%	346	77	22%	**0.9**	**10.5**
Total DFP Premium	16.2	1.9	11.6%	596	179	30%	**1.8**	**21.8**

* Assuming 20% of DFP impressions are trascated via AdX (LPS)
* Assuming 30% of DFP impressions are trascated via AdX (OPG)

Note: The free adx impressions do not count towards the volume tiers for core DFP

Open Auction: Focusing Facts

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Current OA footprint:

> Projected 2017 OA gross rev: $5.5b (+37% YoY)

> Rate card OA rev share: 20.0%

> Average OA rev share: 19.8%

> 30 OA tiering requests, 17 unique partners (2013-2017)

> 13 **active** tier deals, only **6 hitting tiers**

> OA is our strategic stronghold with 86% of gross and 93% of net AdX revenue[1]

> We want to **keep discounts to a min**, given OA still growing at ~40% YoY

Scenarios: Rev share impact of activating OA tiers for additional pubs

	Current 6 deals hitting tiers	Current 6 + 3 others[2]	Plus eBay non-US
% of total OA rev	5.4%	8.0%	11.4%
Effective rev share	19.8%	19.7%	19.6%

Active OA Tier Deals	Threshold for 82.5% Rev Share**	April 2017 OA Revenue	April Rev Share
Weather Channel	$4.5M	$7.8m	85%
Hearst	$2M	$3.5m	85%
ESPN*	$500K	$2.4m	85%
Orange**	$167K	$1.0m	85%
Fox News	$2.5M	$3.1m	82.5%
CBS*	$2M	$3.5m	82%
Naspers	$4M	$3.8m	80%
Answers Corp	$4.5M	$1.0m	80%
Pandora	$2.5M	$2.45m	80%
eBay U.S.	$2M	$1.9m	80%
NBCUniversal	$1.5M	$1.49m	80%
Viacom	$2M	$244K	80%
Team Media**	$800K	$234K	80%
*News Corp****	*$4M*	*$4.9m*	*80%*
*Turner****	*$5M*	*$3.7m*	*80%*

*For CBS and ESPN, exceeding threshold unlocks 82% rev share, not 82.5%

**Orange and Team Media tiers are in EUR

***News Corp and Turner deals not yet signed

Note: We have assessed OA asks pipeline and expect up to 8 additional deals in next 12 months, with eBay non-US only major deal

1 Excluding DBM fees

2 Two tiered OA deals - News Corp + Turner - recently approved and contracts likely to be signed in coming months. eBay US live and very close to tier

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For each product we have 1 slide with facts and 1 with recommendation

Largest product (>$5N)
30 asks, 17 unique partners, 13 live deals, 6 hitting tiers --- 5% of 5N revenue is discounted, 19.8% is actual rev share vs. 20% rate card.
We expect 3 additional deals to hit tiers soon: eBay Us, Turner, Newscorp, which will bring the % of discounted to 8% and avr rev share to 19.7%.
We have assessed pipeline, expect up to 8 deals, but mostly small.

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Want to keep discounts to a min bc we're still seeing great growth. Potential AI: Add Y/Y Growth column to chart on right

YoY growth at top is data through May 2017

Note: For Hearst, all transaction types count towards OA tiers. For Weather Channel, Viacom and NBCU PA counts towards tiers. For Naspers deal, tiers apply to net revenue

https://docs.google.com/spreadsheets/d/168bwKKowzjpGVSvU9UC1FGHNhHYhIzcfLDo5C9H7Kmo/edit#gid=0

Link to News & Publishing Pipeline Assessment

Open Auction Tiered Deals: Recommendation

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	Proactive / growth deals (new inventory)	Already highly saturated pubs
Qualifying Criteria	1) AdX SoW <20% 2) $2M+/month in OA revenue (37 pubs)[1]	1) **Firm offer** from **direct** competitor 2) $2M+/month in OA revenue (37 pubs)[1]

Discount Guidelines

1) OA discounts are **last resort**, we are **holding firm** on this position.

2) Offer **more bespoke tiers** tailored to specific partner revenue size/potential
- > **New guidance**. Previous informal benchmark was 82.5% at ~$2M, 85% at ~$4M
  - ➔ We could offer e.g. 81% at $2M, 82% at $4M, without going to 85%
- > **Gross revenue growth potential** is main evaluation criteria
  - ➔ 50% for 82.5% rev share (+30% net rev)
  - ➔ 100% for 85% rev share (+50% net rev)

Change

Other Terms

1) **Temporary** (max 2 years)
2) **Raise level of tiers** between years 1 + 2 to account for normal growth
3) Partner willing to take part in **case study** to demonstrate AdX effectiveness

1 Based on June 2017 OA revenue (includes DFL)

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Qualifying critiria vary b/n new deals vs. exinging deals.

Discount guidelines: 80/20 pricing works well,

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Previously point 3 in discount guidelines was: 3) Define tiers on case-by-case basis to ensure stretch goals and meaningful increase in net rev (any discount should require YoY growth)

MEETING AI: Look at “standard” OA tiers and see if we need to validate that they “work”, and see if we need to develop high/medium/low thresholds

Firm offer - most we’ll get is an email, or it’s verbal and our team documents it.

AdX SoW is <20% (rationale: pub has potential to grow vol on Adx, with ε>2)

$1M/month in OA volume (rationale: $ growth potential is substantial)

1) $2M/month in OA volume (focus on top 20 partners, large enough to consider “bending rules”)

1) OA discounts are last resort (e.g., consider first non-pricing value-add, PA discounts)

3) Consider discounting non-Google demand only vs. tiering all spend (once product/billing can support)

PA & PD: Focusing Facts

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Findings

	Private Auction	Preferred Deals
Proj. 2017 Gross Rev	$462m	$255m
YoY Growth	-13% YoY	+60% YoY
Rate Card Rev Share	20%	10%
Exception Rev Share	10%	5%
Avg. 2017 Rev Share	16.4%	8.3%
% of 2017 Gross Rev	7%	4%
% of 2017 Net Rev[1]	5%	1%
# Live Exceptions	50	56
# Live Partners	1,346	1,529
# EMEA Live Exceptions	31	31
# Americas Live Exceptions	19	30
# APAC Live Exceptions	4	1

> **Limited evidence** that discounts lead to net revenue positive outcomes

> ~50% of pubs getting exceptions are generating less than $100K in monthly PA rev (see below)

Implications

> PA and PD discounts usually offered as **add-on**, not because they generate net revenue positive outcome

> PA/PD discounts benefit the overall relationship, because they allow for **flexibility in negotiations** while we hold firm on OA pricing

> We should **consider offering less steep discounts.** For PA and PD, in nearly all cases (with very few exceptions), we cut our rev share in half

> Roughly **a third** of both **PA/PD rev** is already discounted, raising broader questions about the product/pricing strategy

PA Monthly Rev April+May 2017	<$10K	$10K-$100K	$100K-$1M	>$1M
% Exception LPS Pubs in Range (n=50)	16%	32%	48%	4%
% Standard LPS Pubs in Range (n=235)	61%	28%	11%	1%

PD Monthly Rev April+May 2017	<$10K	$10K-$100K	$100K-$500K	>$500K
% Exception LPS Pubs in Range (n=56)	18%	43%	32%	7%
% Standard LPS Pubs in Range (n=230)	63%	29%	7%	1%

1 Excluding DBM fees

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Pricing PA below OA creates a risk; since pubs can theoretically “invite everyone” to PA, i.e. replicate OA in PA and circumvent OA pricing

We’ve used this as an add-on; now that this is growing faster than OA, we’ve created a problem; we’re focusing on fixing this in 2018 but are keeping status quo for now

PA is down 13% YoY (partly due to removal of GDN on PA) and PD is up 60% YoY - data through end of June
Look into PA YoY growth w/out GDN

Live Deals #s in regional differences section don’t exactly add up to exception #s in above section because some pubs have exceptions in multiple regions and are therefore double counted in the regional differences section

These are all 2017 #s

https://docs.google.com/spreadsheets/d/173wbJSnv8GLX6EIKYU_OjCiUBIKthDUlYs5udUMwj0U/edit#gid=1946368761

> Both are **secondary** products:

- PA is 7% of gross AdX rev and 5% of net[1]
- PD is 4% of gross and 1% of net[1]

> **Limited # of live exceptions, but**

- 50 PA and 56 PD out of 1,300+ partners
- Most exceptions outside of PBSx

> **Regional differences in # of live deals:**

- EMEA: 62 total (31 PD and 31 PA)
- Americas: 49 total (30 PD and 19 PA)
- APAC: 4 total (1 PD and 4 PA)

Context: Current approval process for PA/PD discounts

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- There are 2 approval paths:
  - Via PBSx with no explicit discount limit
  - Via go/nonstandard w/ binary option to decrease Google rev share to 10% for PA, 5% for PD/PG
    - Requires regional LPS lead email approval
    - PA/PD are subject to a quarterly limit of deals by region (see below, no limit for PG)
    - If deal team requests both PA + PD discounts for a partner, counts as 1 ask towards quarterly limit
    - Approvals valid for 12 months

	Standard Rev Share	Discounted Rev Share	Quarterly Allocation?
Open Auction	20%	NA	No
Private Auction (PA)	20%	10%	Yes
Preferred Deals (PD)	10%	5%	Yes
Programmatic Guaranteed (PG)	10%	5%	No

	Channel	Region	Quarterly Allocation
PA / PD	LPS	Americas	3
	LPS	EMEA	7
	LPS	APAC	4
	OPG	Global	5
	Total	**Total**	**19**

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Exception process for non-standard direct AdX deals

If do both PA and PD for one pub, still just counts as 1
For PG, ratecard will change, will force recontracting as part of unification process.
Will be opportunity for Sales to upsell if on 10% paper, but there will be time period where some on 10% and some on 5%.
EMEA - before the last couple quarters, they weren't really using them

https://docs.google.com/spreadsheets/d/1kJqu49kJSNi40qe7upgghEfM4l-kmGVAnxMfBaBIuxI/edit#gid=0

PA & PD: Recommendation

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Recommendation for Immediate Approval Process Change

1. **Maintain go/nonstandard process for now** with same upper limits: 10% for PA and 5% for PD

1. **Update regional approvers and # of quarterly allocations for AMS** to reflect new GP org reality:

Current Region	Current Quarterly PA/PD Allocations
AMS	3
EMEA	7
APAC	4
OPG	5

New Region	Quarterly PA/PD Allocations	Approver
AMS - News & Broadcast	2	Bonita Stewart
AMS - Search, Commerce & Apps	2	Dave Graham
Brazil	1	Sergio Maria
SpLATAM	1	Matias Attwell
Canada	1	Mladen Raickovic
EMEA	7	Noah Samuels
APAC	4	Mel Silva
OPG	5	Scott Sheffer

Note: LPS Deal Governance proposal

Kick off Broader Strategic Review

1. PM & GSL are kicking off broader review to review:
    a. Product strategy
    a. Pricing strategy
    a. Discounting process & guidance

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Open question whether 7 is enough for EMEA - 80% of PA revenue coming from exceptions (top heavy), PD it's 44%
Political challenges there, so deal teams are using whatever carrots they have

Best practice: If a region runs out of exceptions → they should have planned against their pipeline of renewals

Note from Inna - what is the competition and pricing for similar transaction types???

https://docs.google.com/spreadsheets/d/173wbJSnv8GLX6EIKYU_OjCiUBIKthDUlYs5udUMwj0U/edit#gid=663689877
https://docs.google.com/spreadsheets/d/1kJqu49kJSNi40qe7upgghEfM4l-kmGVAnxMfBaBIuxI/edit#gid=326313699

PG: Focusing Facts

2

Findings

	PG
Proj. 2017 Gross Rev	$207m
YoY Growth	+192% YoY
Rate Card Rev Share	10%
Exception Rev Share	5%
Avg. 2017 Rev Share	7.2%
% of 2017 Gross Rev	2%
% of 2017 Net Rev	1%
# Live Exceptions	70
# Live Partners	306
# EMEA Live Exceptions	34
# Americas Live Exceptions	33
# APAC Live Exceptions	7

> **70 live deals** with exceptions, only one > 95/5

> 56 of top 100 LPS PG pubs have exceptions (83% of rev)

> 4 deals with tiered PG rev share up to 97% have been approved; only TripAdvisor deal is live, CBS deal live soon

Implications

> **We will evaluate a rate card change** from 90/10 to 95/5 in next 6 months. Rate card was originally set at 90/10 due to recontracting implications.

- Expecting results from BCG study
- Need to review TripAdvisor/CBS performance

> Two ways to obtain PG discount:

- Via PBSx (including > 95/5)
- Via AdX exceptions process (up to 95/5, no quarterly limit for PG)

> PG discounts to 95/5 often offered as **add-on**, not because they generate net revenue positive outcome

> PG discounts often benefit the overall relationship because they allow for **flexibility in negotiations**, while we hold firm position on OA pricing

1 Excluding DBM fees

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TripAdvisor deal signed late July, tier deal started Aug 1. Automated PG tiering solution now ready

Through end of June PG is up 192% Y/Y

4 tiered PG deals have been approved: TripAdvisor, CBS (has taken a long time in Legal, expected to be signed by end of September) + Roku (business need for AdX has diminished, not expected to be signed in near future), Turner (only offered in exchange for DFP Video, Turner won't migrate so deal is off the table)

These are all Q2 2017 #s. Fairfax deal approved >95/5 but Sales team didn't use it PG we want to be careful about discounts - once we change rate card, reference for "discount" should be 95/5 not 90/10

https://docs.google.com/spreadsheets/d/173wbJSnv8GLX6EIKYU_OjCiUBIKthDUlYs5udUMwj0U/edit#gid=1470893284

> PG remains a **secondary** product:

- PG is 2% of gross AdX rev and 1% of net[1]

> **Limited # of live exceptions**

- 70 out of 306 partners
- Most exceptions outside of PBSx

> **Regional differences in # live exceptions:**

- EMEA: 34
- Americas: 33
- APAC: 7

PG: Recommendation

2

For Asks up to 95/5:

> Continue to use **go/nonstandard** workflow (or PBSx if part of a bigger deal)

- Quarterly caps do not apply

> **Regional approval still required**

Region	Approver
LPS AMS - News & Broadcast	Bonita Stewart
LPS AMS - Search, Commerce & Apps	Dave Graham
LPS Brazil	Sergio Maria
LPS SpLATAM	Matias Attwell
LPS Canada	Mladen Raickovic
LPS EMEA	Noah Samuels
LPS APAC	Mel Silva
OPG	Scott Sheffer

For Asks > 95/5:

Change

We think 95/5 pricing is right, but willing to reward limited # of partners that are early adopters, large spenders, and public endorsers

> **Proposal**: run limited time 6 months (Q4'17 & Q1'18) **pricing test**

> **Named partner list** of 20 partners eligible for tiered deals (to be created)

> **Expectation**: sign 3-5 deals and evaluate results

> **Tiers** should follow guidance below

> Contract Duration: **12 month max**

> Requires **approval** by Kurt Spoerer, Pooja Kapoor

> Requires partner **commitments** e.g. participation in case studies (critical)

Volume guidance for tiered PG deals > 95/5
(for reference during deal review; not a blanket approval or program)

Rev share tier	Min. PG gross revenue (monthly)
	Rest of 2017[1]
4.5%	$1M
4%	$2M
3.5%	$4M
3%	$8M

1 Currently only DBM is supported in GA, other top DSPs are alpha or beta; custom formats in beta for DBM and n/a for other DSPs
Note: Median estimate of DFP direct spend: top 20 pubs - $16M/month ----------- (link to direct media spend of top DFP customers)

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Limited test pricing for up to 5 reference partners (5 partners in next 6 months; its a selective promotion, looking for reference partners)
Why does X get tiered pricing? It was a promotion for early adopters
Top 20 named partner list + video threshold (set a min)

4 tiered PG deals have been approved: TripAdvisor, CBS, Roku, Turner (CBS recently re-approved and will be signed soon)

Based on June 2017 estimates, there are 13 pubs with at least $10M in monthly Direct sales revenue (same # of pubs with >$100M in estimated annual rev)

For TripAdvisor, we got exclusivity for PG deal types, we're getting a joint case study created

Removed: “> Regional approval still required in accordance with LPS Deal Governance proposal (see appendix)”

Removed: “> 2 options: 1: require RD approval & justification OR 2: remove RD approval and require no justification”

Note: May adjust recommended tiers based on regional differences

Luis and Pooja agreed that don’t need regional director approval since will be rate card anyway, no need to add additional points of friction. Pooja has been removed from Simba approvals. Still ask folks to submit through the form for tracking purposes

For now, anyone that has paper saying 90/10 would stay on 90/10, but this would be small # of pubs. We won't proactively message. When we recontract as part of unification project, that's when everyone who's not on 95/5 will move to 95/5, will be in 6-12 months
By the time we're ready to force recontracting, we'll have data from the BCG study and TripAdvisor to drive flat vs tiered go-forward rate card
Currently anyone can get 95/5, just need Simba amendment set up and approved
Also, as we report how much discount we're giving, we should caveat that 95/5 isn't truly a discount in same way as 95/5 for PD
"Criteria" for tiers:

- Total reservation opportunity based on size of Direct business
- Current PG adoption
- Strategic importance to Google

> Partner commits to move significant Direct spend to PG (comp counsel)

Target % of PG spend in total direct spend
- *top 20 pubs:* 10%-20%
- *top 20:* 20%-30%
- *top 20:* 30%-50%
- *top 20*: >50%

3

Changes to PBSx deal model

Launch new Deal Model with only deal specific incremental costs; Will be live in Q4

3

Example of new deal model P&L

Summary of Deal Profitability over 24 month contract

Total DRX (USD000s)	Proposed Deal	Existing Terms	Change in terms
Gross Revenue	**3,346**	**2,213**	1,133
TAC (standard revenue share)	(2,247)	(1,429)	(818)
TAC (above rate card)	(104)	-	(104)
Net Revenue	**995**	**784**	**211**
Other Cost of Sales *	(104)	(70)	(35)
Machine Costs	(248)	(163)	(84)
Additional Deal Specific Costs	(20)	-	(20)
Contribution margin	623	551	73
Contribution margin (%)	*19%*	*25%*	*-6%*
Contribution margin if no discount	*26%*	*28%*	*-2%*
Contribution margin dilution (%)	*-8%*	*-4%*	*-4%*
DFP Impressions (monthly)	*350*	*250*	100
AdX Impressions (monthly)	*120*	*75*	45
AdX % of DFP impressions	*34%*	*30%*	*4%*
AdX average TAC %	*84%*	*80%*	*4%*

*Other cost of sales includes agency incentive fees, credit card costs, spam credits

Context

- Current deal model uses fully-loaded P&L
- **Proposal**: adopt new model, which includes only deal-specific incremental costs (we piloted this approach with Fairfax).

Change

Deal model information points

1. Existing terms presented for renewals to show impact of increased discounts, as well as expected revenue uplift
2. Additional TAC vs. rate card clearly shows impact of discount
3. Only variable costs that are incremental to deal are included - no allocation for sales costs, product or overhead
4. Showing the contribution margin if no discounts or higher revenue shares are provided gives an indication of margin impact
5. % of DFP impressions gives indication of 'Share of Wallet'

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Uplift vs Status Quo places more emphasis on the incremental revenue and margin that the deal is bringing

Include New Discounts Summary Table that allows comparison vs. current terms on Net Revenue Basis

3

Example of Discount and Terms summary

2

	Propsed Deal (over life of contract)			Existing Terms (over life of contract)			Delta		
	Discount / Rev Share Offered	Net Revenue (USD000s)	Value of discount (USD000s)	Discount / Rev Share Offered	Net Revenue (USD000s)	Value of discount (USD000s)	Discount / Rev Share Offered	Net Revenue (USD000s)	Value of discount (USD000s)
Platforms									
DFP - Core AdServing	54%	201	236	35%	202	110	-19%	-1	125
DFP Audience - 1st Party	20%	25	6	0%	31	0	-20%	-6	6
Media									
Open Auction	82.5% TAC	694	59	80.0% TAC	452	0	2.5%	242	59
Private Auction	90.0% TAC	76	45	80.0% TAC	99	0	10.0%	-24	45

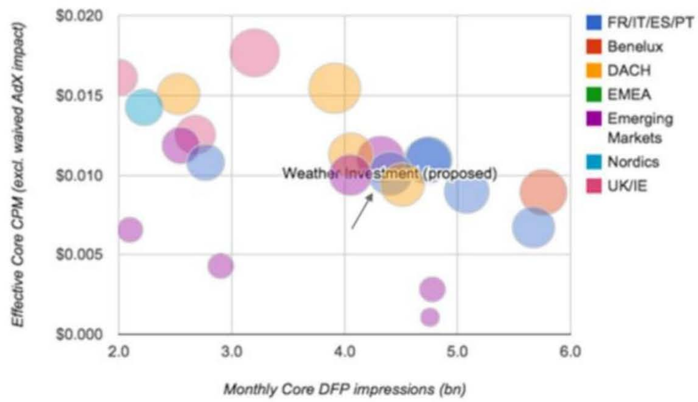
1. Value of discount is the $ value vs. the rate card, providing clarity on the magnitude of the ask and highlighting products where the ask is largest

2. Delta shows the changes relative to existing terms (for renewals only) - this is useful for assessing the incremental gives to the partner, along with expected change in revenue

Continue to include comparison of DFP pricing with similar regional deals

3

Comparison of DFP Pricing vs. Deal Size



- The chart plots deal size (in impressions) vs. deal pricing for deals within the region
- The aim is to highlight deals that have terms that wouldn't be justified by size alone

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4

Deal Accountability

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Deal Accountability

4

3 initiatives in progress to increase deal accountability

Post deal approval form	- Live already (link)
	- Each deal team will submit the form to provide data on
	  - Contract terms
	  - Effective date
	  - Deal submission and Simba IDs

Regular updates from BC/FMG deals	- All BC/FMG deal teams will be required to provide email updates
	  - Performance update every 6 months
	  - Live PBSx discussions only if needed

Quarterly PBSx Discounts Review	- Sales Finance will launch a quarterly discounts report:
	  - Quarterly (1st edition in Oct 2017)
	  - 30 mins review with Don, Pooja, Gabe

APPENDIX

Process change proposal: waiving DFP fees on AdX

2

Appendix

Current Process (link)

1. Approval requirement varies by country and channel:
    a. Director for LPS emerging/mature markets
    b. VP approval for LPS advanced market
    c. Simon Bolger for OPG

1. Effective discount of waiving DFP fees on AdX **doesn't count** towards 20% DFP discount threshold for PBSx

1. Competition council approval required for deal exceeding two years in length or additional partner commitment of >20% share of impressions in exchange for concession

1. Note: $ value of waiving DFP fees on AdX is often smaller than one would guess, because waived impressions **do not count** towards DFP volume tiers

Note: go/platformsratecards has mature, emerging, and advanced country categorization
Note: should update legal team.

Proposed Process

1. NEW: For LPS, more liberal process:
    a. For PBSx deals, waiving DFP fees should be listed as non-standard item, and will be approved along with other PBSx asks
    b. For deals not requiring PBSx, no approval necessary (more liberal)

1. **No Change**: OPG exceptions will continue to require Simon Bolger's approval

1. **No Change:** Effective discount of waiving DFP fees on AdX doesn't count towards 20% DFP discount threshold for PBSx

1. **No Change:** Competition council approval required for deal exceeding two years in length or additional partner commitment of >20% share of impressions in exchange for concession

1. NEW: Sales Finance will monitor the # of exceptions (need to establish tracking)

25

Run rate of ~$18M in waived DFP fees for AdX impressions. Roughly half of AdX/AFC impressions for LPS pubs on DFP are being credited, so we could give out another ~$20M annually in waived fees if all the rest of LPS pubs on DFP got waived DFP fees on AdX overnight.

https://docs.google.com/spreadsheets/d/1zVqwLCT-bzHP15GprajbfAr49-gEZicb_wosWWwGK2M/edit#gid=371301977

PBSx has approved four tiered PG deals to date

Publisher	Date Approved	Status
TripAdvisor	6/13/2017	Live August 1 with automated billing solution
CBS	10/17/2016	Held up in legal, expected to be signed by end of October
Roku	8/15/2016	Business need for AdX has diminished, not expected to be signed in near future
Turner	3/13/2017	Tiered PG only offered in exchange for DFP Video, Turner won't migrate so deal is off the table

4 tiered PG deals have been approved: TripAdvisor, CBS (has taken a long time in Legal, expected to be signed by end of September) + Roku (business need for AdX has diminished, not expected to be signed in near future), Turner (only offered in exchange for DFP Video, Turner won't migrate so deal is off the table)

Proprietary + Confidential

LPS Deal Governance Recommendation Summary

Region/Org	Sub-Regional Approvals	Regional Approvals		Global Approvals (PBSX)
		Simba & go/nonstandard	Pre-PBSX	
APAC & EMEA	No change: LPS manager or director[1]	GTM Director[2]	LCS Country Manager + Regional Committee[4]	No change Quorum: Don Harrison, Andrey Donov, Liz Daly, appropriate PMs, gTech
LATAM/CANADA		LPS SpLATAM, Brazil, Canada manager[3]	LCS + LPS SpLATAM, Brazil, Canada managers[5]	
US		No change: Bonita Stewart		
Global Partnerships		No change: Dave Graham		

1. LPS managers / director delegated approval in Simba for term sheets and deal folders that do not require regional approval
2. GTM Directors: (Noah Samuels for EMEA, Melanie Silva for APAC). Back-up: Sell-side GTM Directors (Thomas Schreiber (EMEA), TBH (APAC; Banks Baker interim). These approvers serve for governance purposes in Simba representing regional sales VP approval authority.
3. Matias Atwell, Sergio Maria, and Mladen Raickovic, respectively
4. Decision authority on regional committee rests with GTM Director, informed by LCS Country Manager and LPS deal teams
5. Aforementioned PBS managers (3) plus LCS country managers reporting to Adriana Norena (SpLATAM), Fabio Coelho (Brazil), or Sam Sebastian (Canada)

Note: no change is recommended for OPG deal governance. Escalation and approval rules unchanged

Google

Proposal

Competition Counsel Review Requirements

Competition counsel approval required for:

1. Any DFP deal in EMEA
2. Any partner commitment for >35% of impressions monetized through Google
3. Exclusivity or de facto exclusivity (competition counsel recommends that
   Redacted - Privilege
4. Any deal where DFP component alone is loss-making (reference net profit excluding unattributed indirect costs)
5. Waived DFP fees on AdX impressions if: (a) deal term > two years or (b) additional partner commitment of >20% share of impressions required in exchange for concession
6. Any deal involving a cross-product commitment

DFP Video: Focusing Facts

2

Current DFP Video footprint:

> Projected 2017 DFP Video rev: **$27M** (+26% YoY)

> Directors can approve discounts up to 40% off rate card

> We had a formal DFP Video pricing program in place called Project Dolphin (originally launched in 2015), which allowed for up to 70% discounts on DFP video vs. rate card in place at time, + funding for migration costs

> In H1 2016, our video rate card was cut by 40% to match the flexibility that Dolphin had given

41% of pubs[1] are paying over rate card for DFP Video, and 86% have discount <40%

Global, n=242	<0%	0-40%	40-60%	60-100%
% Pubs in Discount Range	41%	45%	9%	4%

1 Only counting pubs with >$1K in DFP Video rev YTD

29

https://docs.google.com/spreadsheets/d/1DYVBOcGN6ljrxW7q1ZkeQqp0Z398CaYAqt5nnsKkLYU/edit#gid=0

PA & PD: Recommendation

Need to review, latest proposal is to stick with current exceptions process (as of July 19th)

3

Recommendation for Approval Process Change

1. **Maintain go/nonstandard process** with same upper limits: 10% for PA and 5% for PD
1. Move to a **points based quarterly limit** by region (i.e. each discounted percentage point equals 1 point)

Region	Suggested Quarterly Point Allocation
Americas*	80
EMEA	100
APAC	30
OPG	30

1. Quotas for Americas and EMEA designed to catalyze behavior change and force Sales to make trade-offs
1. Update regional approvers to reflect new GP org
   a. EMEA: replace Ben Faes with Noah
   b. APAC: replace J. Butteriss with Mel
   c. Americas: create separate quotas for Dave and Bonita
1. We will begin counting PBSx approvals towards quarterly points limit
1. Develop process for tracking points

Discount Guidance

1. Main criterion for evaluating PA/PD rev share exceptions is whether offering this discount is necessary for the **overall DRX relationship**
1. **More scrutiny** going forward (i.e. require teams to provide **clear rationale** and start tracking performance)
1. Allow **discount flexibility**: regions would be able to approve any discount up to the max discount. See table below for example. (note: no tiering allowed)

Illustrative	Rate Card	*New* Low Discount	*New* Med Discount	*New* High Discount	Max Discount
Private Auction	80/20	83/17	85/15	87/13	90/10
Points required	*0*	*3*	*5*	*7*	*10*
Preferred Deals	90/10	92/8	93/7	94/6	95/5
Points required	*0*	*2*	*3*	*4*	*5*

* Americas quota still needs to be divided between Dave and Bonita orgs

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If we keep current exception process, we should have separate quotas for PA/PD. Could ask Pooja to still ask them if need to go all the way to max threshold. PBSx should count as well.

Translate past extensions into points in an appendix slide, so teams have a sense for how it compares. We should note that quarterly point allocations require AMS and EMEA to be flat, and actually reduce a bit, force teams to trade-off. If goes to PBSx and it's a two year deal, we will count it towards next year's allocation

- Best practice: If a region runs out of points → they should have planned against their pipeline of renewals

Open question - who approves these PA/PD discounts in future state from Sales Finance side?

Note from Inna - what is the competition and pricing for similar transaction types???

https://docs.google.com/spreadsheets/d/173wbJSnv8GLX6EIKYU_OjCiUBIKthDUlYs5udUMwj0U/edit#gid=663689877
https://docs.google.com/spreadsheets/d/1kJqu49kJSNi40qe7upgghEfM4l-kmGVAnxMfBaBIuxI/edit#gid=326313699

Example of traffic light evaluation

Need to review with Mike/Bipin

4

News Corp	Commentary
Alignment with PBSx Discount Guidance	Deal implements tiered OA rev-share at non-stretch levels, and steeper DFP discounts vs. current rates despite being defensive deal
Finance Recommendation	Supportive
Pros	PBSx has approved deals with similar pricing in past; deal increases likelihood that News Corp stays on DFP
Cons	Foregoing ~$5.5M in DRX net revenue w/ proposed deal vs. current terms

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https://docs.google.com/spreadsheets/d/1kJqu49kJSNi40qe7upgghEfM4l-kmGVAnxMfBaBIuxl/edit#gid=1877733534

Data: Approved PA/PD deals

To be moved to appendix

3

- The regions have been utilizing the two PA/PD approval paths with varying frequency

# Exceptions	Q3 2016			Q4 2016			Q1 2017			Q2 2017			Last 12 months		
	go/nonstandard	PBSx	Total	go/nonstd	PBSx	Total	go/nonstd	PBSx	Total	go/nonstd	PBSx	Total	go/nonstd	PBSx	Total
LPS Americas	2	5	7	5	3	8	2	6	8	3	5	8	12	19	31
LPS EMEA	6	2	8	11	11	22	7	9	16	3	8	11	27	30	57
LPS APAC	0	0	0	2	0	2	2	0	2	0	2	2	4	2	6
OPG	2	0	2	2	0	2	1	0	1	2	0	2	7	0	7

# Asks	Q1 2017			Q2 2017			H1 2017		
	go/nonstd	PBSx	Total	go/nonstd	PBSx	Total	go/nonstd	PBSx	Total
Dave	0	0	0	1	1	2	1	1	2
Bonita	0	4	4	1	2	3	1	6	7
Canada	0	0	0	0	0	0	0	0	0
Brazil	1	0	1	0	0	0	1	0	1
SPLatam	0	1	1	0	0	0	0	1	1

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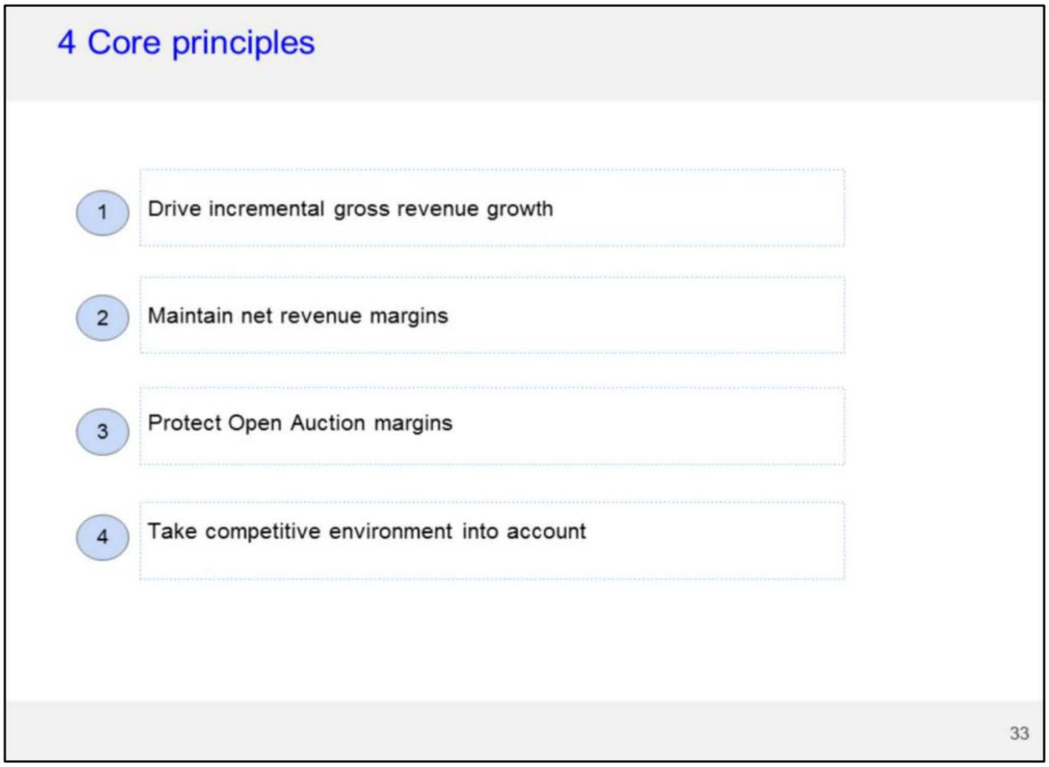
Recommended allocations (effective beginning Q4): 1 each for CA, BR, SPLA, and 2 each for Dave/Bonita

The table that was cropped out aggregates PA and PD approvals by region, and assigns points based on the 10 percentage point movement on PA from standard 80/20 to 90/10 and 5pp movement on PD from standard 90/10 to 95/5

For group asks, like for Viking and Tango - only counted as one pub in above table

Luis - points structure could potentially create incentive to give discounts to bigger guys, but this may be OK. Should there be a threshold beyond which we should force teams to go to PBSx? Maybe an FYI email should be required. Might make sense for PA but not for PD

https://docs.google.com/spreadsheets/d/1kJqu49kJSNi40qe7upgghEfM4l-kmGVAnxMfBaBIuxI/edit#gid=1871736620



Could be interesting to try to put some # targets there

Overview of AdX Transaction Types

> **Open Auction (OA):** Standard AdX bidders running on a publisher with no restrictions

> **Doubleclick First Look (DFL):** (considered part of OA by eng and for purposes of this review)

> **Private Auction (PA):** Separate auction that runs before OA - limited to set of buyers as determined by publisher, only bids that exceed pub price floor are considered

> **Preferred Deals (PD):** Fixed price deals - single publisher and single advertiser, no volume commitment; these run before OA/PA

> **Programmatic Guaranteed (PG):** Fixed price/volume deals - single publisher and single advertiser

> **Exchange Bidding in Dynamic Allocation (EB/EBDA):**

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PA: one pub to many advertisers - limited set of buyers decided on by pub with price floor
PD: one pub to one advertiser - set price but no volume commitments
PG: one to one - set volume and price

Non-Standard AdX Rev Share Process

Non-Standard AdX Revenue Share Requests - Exception Process

If you are seeking a rate card pricing exception for the following AdX deal types:

- **Private Auction**: less than 80/20 to 90/10 revenue share
- **Preferred Deals**: less than 90/10 to 95/5 revenue share
- **Programmatic Guaranteed**: less than 90/10 to 95/5 revenue share
- Requests that exceed these thresholds (PA 90/10, PD 95/5, PG 95/5) must be submitted to PBSX for approval.

You may submit a non-standard rev share request via PBSX **or** the pricing exception process. The exception process requires an amendment to the partner's current AdX agreement. If your deal exceeds your region's quarterly allocation, your regional exception request is rejected, or require a change outside of the above parameters, PBSX approval is required. You may submit your deal for PBSX approval at go/getapproval.

Each region is allowed a specific number of pricing exceptions per quarter for Private Auction and Preferred Deal discounts. Caps no longer apply to Programmatic Guaranteed requests. Bonita Stewart/David Graham (Americas), Ben Faes (EMEA), Jeremy Butteriss (APAC), or Scott Sheffer (OPG) can approve the below rate card exceptions outside of PBSX, up to each region's quarterly exception cap:

Americas: 3 per quarter   EMEA: 7 per quarter   APAC: 4 per quarter
OPG: 5 per quarter

Review Exceptions Process for Non-Standard PA/PD/PG Deals

3

Current Process:

> Details: go/nonstandard

> 19 quarterly exceptions available for PA/PD
- EMEA 7
- Americas 3
- APAC 4
- OPG 5

> No quarterly exceptions limit for PG deals

> Approval requirements:
- Email approval from regional VP
- Form submission
- Approval from Pooja Kapoor and Kurt Spoerer
- Simba approval

Proposal for new Process:

> Retain process to provide relief to PBSx deal flow

> Pooja/Mike/Andrey to follow up

> Sales Finance regional delegation and/or GTM teams

> Standard quarterly process to review performance of approved deals

> Create clear discounting guidance

Approve deals on case by case basis, remove regional quotas, but maintain global target of max exceptions per quarter (????)

OA Pipeline Assessment for Potential Tiered Deals

Region	Potential asks for OA tiered deals
EMEA	Bonnier, eBay (non-US)
APAC	Fairfax (PBSx 6/19)
Americas	Time, Forbes, WebMD, Vox, Vice

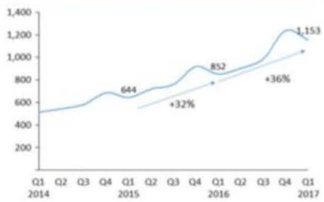
Notes:

- Based on informal feedback from regional VPs
- Link to News & Publishing pipeline

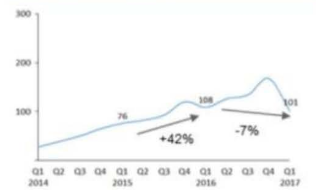
Evolution of sell-side net revenues by transaction type

Quarterly gross revenue by transaction type
M USD

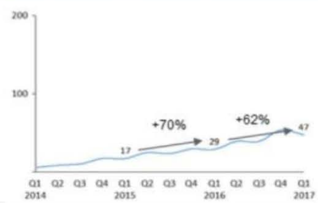
Open auction
(86% gross rev, 90% net rev)



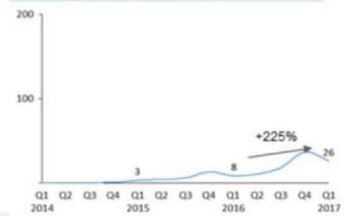
Private auction
(8% gross rev, 7% net rev)



Preferred deals
(4% gross rev, 2% net rev)



Programmatic Guaranteed
(2% gross rev, 1% net rev)



Top partners by transaction type

Gross revenue. 2016

Rank	Partner	OA spend ($M)
1	Ebay	$187.1
2	IBM	$77.0
3	Yahoo	$75.8
4	IAC	$63.1
5	Time Warner	$53.6
...		
10	Gannett	$32.7
...		
20	Naver Corp	$22.37

Rank	Partner	PA spend ($M)
1	Ebay	$31.6
2	IBM	$29.8
3	21 Century Fox	$18.7
4	IAC	$15.2
5	CBS	$12.4
...		
10	Answers.com	$8.0
...		
20	Walt Disney	$5.0

Top partners by transaction type

Gross revenue. 2016

Rank	Partner	PD spend ($M)
1	Walt Disney	$6.6
2	Axel Springer	$5.5
3	Time	$5.2
4	LAN UK	$4.5
5	eBay	$3.9
...		
10	New York Times	$3.1
...		
20	Purch Group	$1.8

Rank	Partner	PG spend ($M)
1	Tripadvisor	$3.4
2	New York Times	$3.3
3	APAX	$3.3
4	Advance Pub	$3.2
5	Vox Media	$2.9
...		
10	Garnett	$2.2
...		
20	Washington P.	$1.6

In 2016, the number of AdX OA 85/15 asks increased to 12 vs only 3 in 2015

Year	Partners with PBSx asks for OA > 80/20	# of Partners	# of Asks*
2013	eBay, Gumtree, Fox News, Hearst, Demand Media, Weather	6	6
2014	Answers, Demand Media, Viacom, CBS, Avito	5	5
2015	Weather, Pandora, Turner	3	3
2016	Answers, Fairfax AU, Fox News, Orange, Naspers, CBS, Reddit, Hearst, eBay US	9	12
2017 (as of May)	Hearst, Time Warner, Turner, News Corp	4	4

Notes:
- Before 2013, there were no asks for OA rev shares > 80/20
- Source: goto/xpaar
- * - # of asks > # of partners, due to multiple reviews of same partner
- Not all deals had tiers up to 85/15, but majority of asks had. Full list of asks is here: Link

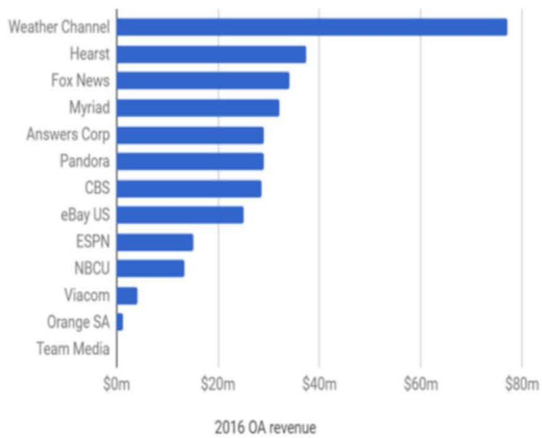
Google

AdX OA funnel narrative:

- we have approved 30 asks for 22 unique partners (i.e. some partners came to review multiple times) since 2013
- There are 13 live deals with approved non-standard OA pricing
- Of these 13 deals, **only 5 partners are getting 85% and only 2 partners getting 82.5%,** the remaining 6 are at 80%

13 Live AdX Deals with OA pricing > 80/20 (Updated May 2017)

2016 OA Revenue for Pubs w/ Tiered OA rev share



OA Tier Details and April Tier Attainment

Tiered OA Rev-Share	80%	82.5%	85%	April 2017 OA Revenue	April Rev-Share
Weather Channel	<$4.5M	$4.5M-$6.5M	$6.5M+	$7.8m	85%
Hearst	<$2M	$2M-$4M	$4M+	$3.5m	85%
Fox News	<$2.5M	$2.5M-$4M	$4M+	$3.1m	82.5%
Myriad*	<$4M	$4M-$6M	$6M+	$3.8m	80%
Answers Corp	<$4.5M	$4.5M-$7M	$7M+	$1.0m	80%
Pandora	<$2.5M	$2.5M-$4M	$4M+	$2.5m	80%
CBS**	<$2M	$2M-$4M	$4M+	$3.5m	82%
eBay U.S.	<$2M	$2M-$4M	$4M+	$1.9m	80%
ESPN***	<$500K	$500K-$1M	$1M+	$2.4m	85%
NBCUniversal	<$1.5M	$1.5M-$3M	$3M+	$1.49m	80%
Viacom	<$2M	$2M-$4M	$4M+	$244K	80%
Orange*****	<$167K	$167K-$333K	$333K+	$1.0m	85%
Team Media*****	<$800K	$800K-$1.3M	$1.3M+	$234K	80%

*For Myriad deal, tiers apply to net revenue

**For CBS deal, $2M-$4M achieves an 82% rev-share, rather than 82.5%

***For ESPN deal, $500K-$800K achieves an 82% rev-share, and $800K-$1M achieves an 84% rev-share

****Tiers are in EUR

****Note: For Hearst, all transaction types count towards OA tiers.
For Weather Channel, Viacom and NBCU PA counts towards tiers

Google

Chart on left only considers Account IDs that are used for the purposed of tier achievement
Team Media has $460K of YTD OA revenue in 2017

AdX discounting by transaction type (Finance analysis)

2016 data

	Gross Rev	Net Rev	Discount	Net Rev Discount %	% of Gross Rev from Pubs w/ Discounts
AdX OA	$3817m	$1024m	$10m	1%	6%
AdX PA	$310m	$51m	$11m	17%	33%
AdX PD/PG	$234m	$20m	$3m	14%	30%
Admob	$2075m	$669m	$3m	0%	4%
Total	**$6435m**	**$1764m**	**$27m**	**2%**	**7%**

Source: Deal activity review

Preferred deals Status Quo: We paid out $2.6M in excess TAC to LPS pubs in 2016 due to non-standard PD rev share exceptions, and the number of exceptions has grown steadily last two years

Region	# 2015 Exceptions*	# 2016 Exceptions*	# 2017 Exceptions*	% of 2017 Total
Americas	3	24	30	48%
EMEA	4	16	31	50%
APAC	0	1	1	2%
Total	**7**	**41**	**62**	

Preferred Deal	2016 Excess TAC	% of Total Excess TAC
Americas	$1.6m	64%
EMEA	$0.9m	36%
APAC	$0.0m	0%
Total	**$2.6m**	

Region	Jan-April 2017 Revenue	% of Total
Americas	$26.7m	55%
EMEA	$18.0m	37%
APAC	$3.5m	7%
Total	**$48.1m**	

** Exception defined as PD rev share > 92.5% at Parent/Region level for month of April*

Setting the stage - 2016 PD revenue was $160M, 70% from LPS pubs, 70% growth Y/Y. 2017 YTD 61% Y/Y growth.

https://docs.google.com/spreadsheets/d/17p7nxoAOBdAPzVwnItOWiSC3MePs8_NRMr287xVjX28/edit#gid=1341127303

https://docs.google.com/spreadsheets/d/1CwZgbgE2DgG7m2ZFN3x8eFjDReUikYHNm10xtlD3l4s/edit#gid=0

Recommended Preferred Deal pricing guidelines

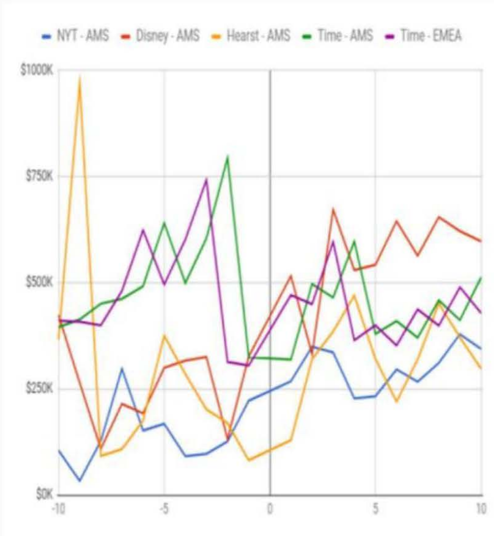
- Decouple PD pricing from PG
  - New DRX template allows for separate pricing
- Analysis has found there is very little correlation between discounts we have granted in the past and an uptick in PD revenue
- New exceptions granted via PBSx and process at go/nonstandard limited to publishers with:
  - a) $1M+ in PD revenue over the past 12 months (or clear path to get there)
    - 52 publishers currently fit this criteria
      - 19 of these already have a PD rev share exception*
  - b) Net revenue positive
    - Offer flexibility to discount to 92.5/7.5
- For existing exceptions, Finance will review performance, and only maintain discount for publishers that saw significant uplift when exception was implemented
- Maintain exception process subject to above criteria with two changes
  - Replace regional Sales approvers with Finance
  - Remove quarterly approval quotas by region

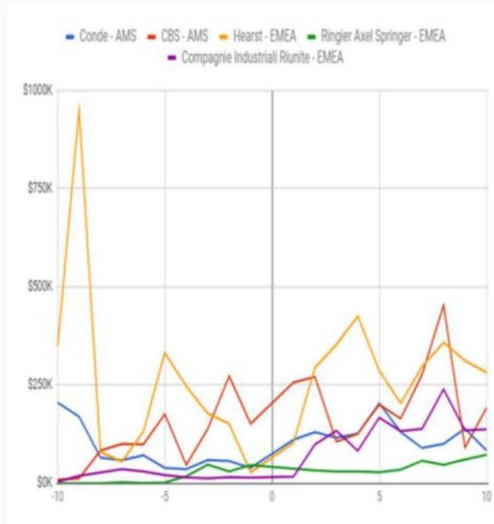
** Exception defined as PD rev share > 92.5% at Parent/Region level for April 2017, 10 of pubs are in OPG so not investigated*

https://docs.google.com/spreadsheets/d/1SNk5nY0lU2EXRLmk0J0S8_Lg9lw6GUriTdgJWt3PGzI/edit#gid=412898990

Maybe option for 92.5 / 7.5 too. Maybe add something about deals contingent on achieving certain growth threshold, and revert to standard after 1 year if not achieved

Disney and Compagnie Industriali Riunite are the only two of the largest PD pubs that saw a significant uptick in revenue post-rev share change





We paid out $11M in excess TAC to LPS pubs in 2016 due to non-standard PA rev share exceptions, with EMEA PA TAC % > 86%

Region	# 2015 Exceptions*	# 2016 Exceptions*	# 2017 Exceptions*	% of 2017 Total
Americas	9	13	19	35%
EMEA	12	17	31	57%
APAC	1	3	4	7%
Total	**22**	**33**	**54**	

Region	2016 Excess TAC	Excess TAC as % of Gross Rev**
Americas	$6.9m	3.8%
EMEA	$4.4m	6.4%
APAC	$0.2m	1.7%
Total	**$11.4m**	**4.4%**

Region	Jan-April 2017 Revenue**	% of Total
Americas	$90.4m	68%
EMEA	$39.1m	29%
APAC	$4.0m	3%
Total	$133.5m	

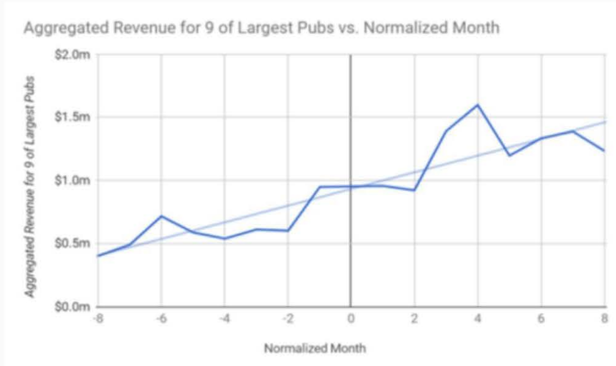
** Exception defined as PA rev share (excluding AdWords demand) > 85% at Parent/Region level for month of April*
***Excluding AdWords Demand*

Setting the stage - 2016 PA revenue was $536M, 75% from LPS, 45% growth Y/Y. 2017 YTD 13% Y/Y decline (bc removal of GDN)

https://docs.google.com/spreadsheets/d/17p7nxoAOBdAPzVwnItOWiSC3MePs8_NRMr287xVjX28/edit#gid=1341127303

https://docs.google.com/spreadsheets/d/1CwZgbgE2DgG7m2ZFN3x8eFjDReUikYHNm10xtlD3l4s/edit#gid=0

Looking at 9 of the largest PA pubs, gross revenue increased by 104% in the months following the rev share move from 80-90%



10 of the top 15 LPS publishers in terms of 2016 PA revenue are on 90/10

Recommended Private Auction pricing guidelines

- New exceptions granted via PBSx and process at go/nonstandard limited to publishers with:
  - a) $1M+ in AdWords-Buyer PA revenue over the past 12 months (or clear path to get there)
    - 59 LPS publishers currently fit this criteria
      - 16 of these already have a PA rev share exception*
  - b) Net revenue positive
    - Offer flexibility to discount to 87.5/12.5
    - Consideration for situations where PA flexibility must be used to appease publishers pushing for more beneficial OA rev shares
- For existing exceptions, Finance will review performance, and only maintain discount for publishers that saw significant uplift when exception was implemented
- Maintain exception process subject to above criteria with two changes
  - Replace regional Sales approvers with Finance
  - Remove quarterly approval quotas by region

** Exception defined as PA rev share > 85% at Parent/Region level for April 2017*

https://docs.google.com/spreadsheets/d/1SNk5nY0lU2EXRLmk0J0S8_Lg9lw6GUriTdgJWt3PGzI/edit#gid=412898990

Maybe option for 92.5 / 7.5 too. Maybe add something about deals contingent on achieving certain growth threshold, and revert to standard after 1 year if not achieved

GP Discounts for Adx/Admob ~27M in 2016, with largest concentration of discounts in AMS and AdX Deals

2016 Annual Figures (M)	AdX OA Gross Rev	AdX OA Discount/Net Rev/ Δ	% of AdX OA Gross Rev from Discount	AdX PA Gross Rev	AdX PA Discount/Net Rev/ Δ	% of AdX PA Gross Rev from Discount	AdX PD/PG Gross Rev	AdX PD/PG Discount/Net Rev/ Δ	% of AdX PD/PG Gross Rev from Discount	Admob Gross Rev	Admob Discount/Net Rev/ Δ	% of Admob Gross Rev from Discount	AdX/ Admob Discount/Net Rev/Δ	% of AdX/Admob Gross Rev from Discount
AMS	$983	$10/$250 (4%)	23%	$174	$7/$28 (20%)	37%	$114	$2/$9 (21%)	42%	$98	$3/$28 (10%)	77%	**$23/$315 (7%)**	**31%**
APAC	$319	$0/$91 (0%)	n/a	$11	$0.2/$2 (10%)	6%	$18	$0.1/$2 (4%)	14%	$164	$0/$58 (0%)	n/a	**$0.3/$153 (0%)**	**1%**
EMEA	$558	$0/$153 (0%)	n/a	$58	$3/$8 (29%)	55%	$46	$1/$4 (15%)	29%	$28	$0/$9 (0%)	n/a	**$4/$164 (2%)**	**7%**
OPG	$1957	$0/$530 (0%)	n/a	$67	$0.1/$13 (1%)	2%	$56	$0.3/$6 (5%)	12%	$1785	$0/$574 (0%)	n/a	**$0.4/$1122 (0%)**	**0%**
Total	**$3817**	**$10/$1024 (1%)**	**6%**	**$310**	**$11/$51 (17%)**	**33%**	**$234**	**$3/$20 (14%)**	**30%**	**$2075**	**$3/$669 (0%)**	**4%**	**$27/$1764 (2%)**	**7%**

* PA figures exclude Adwords since PA discounts apply to DBM/AdX Buyers only; Adwords in PA was deprecated in Q1 2017.
* Net revenue excludes additional payments for guarantee deals (Partner Select, Etermax).
* MobApps rev splits by region (Admob vs. AdX-App): LPS AMS (34%), LPS EMEA (27%), LPS APAC (77%), OPG (93%), Global (18%).

List of All Asks for Q1'2017 for PA/PD/PG

	Private Auction	Preferred Deals	Programmatic Guaranteed
Perform Media Group	90/10		95/5
Telegraph Media Group	90/10		
Canadian Broadcast Corporation			95/5
Mena Marketplace		95/5	95/5
Cars.com, LLC			95/5
Grupo Globo		95:5	95:5
BBC			95/5
BBC		95/5	
Kakao	90/10	95/5	95/5
Bonnier	90/10	95/5	95/5
The Guardian	90		
Vox Media	90/10		
Trinity Mirror		95/5	95/5

Source:

Out/Old

2

DFP discounts ~3x greater than AdX/Admob in absolute value, with 63% of impressions at >20% discount

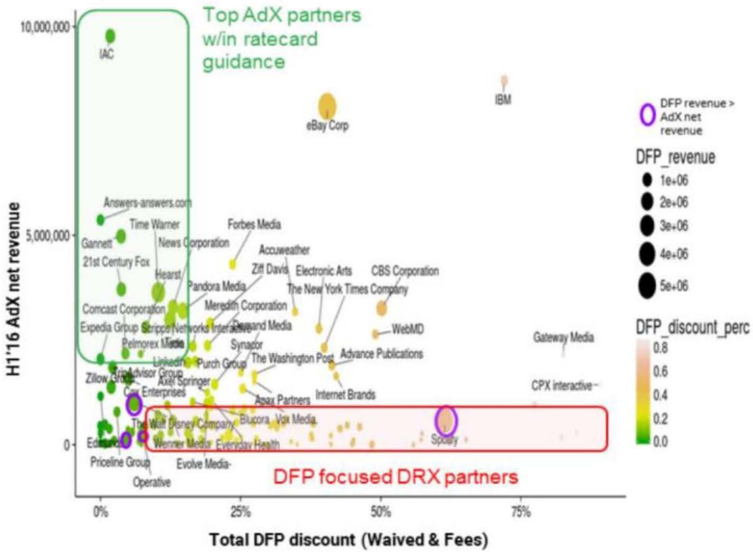
	Total DFP Gross/Net Rev	Discounts vs. Rate Card	Waived Impression Value	Total Discount	DFP Gross/Net Rev Before Discounts	% DFP Gross/Net Revenue Reduced
Total	$221m	$68m	$16m	$83m	$304m	27%

% Imps in Discount Range	<20%	>20% - <40%	>40% - <60%	>60%
Total	37%	27%	26%	10%

*Excludes minimum fees and data transfer fees; discount ranges include waived impressions
*Regional breakout of discounts in appendix

- DFP generated **$221m** globally in 2016, up 4% y/y (impression growth was 21% Y/Y); this represented 1.7% of GP gross revenue and 5.5% of net revenue
- We have 2 main ways of giving discounts to our partners on DFP
  a. **Discounting rate card fees:** Estimated global value: -**$68M** (~21%) This represents any discount given vs. current rate card (base rate/video/other) and is the bulk of the overall DFP discount; 63% of impressions globally have a discount higher than the 20% ratecard flexibility allows.
  a. **Waiving AdX fees**: Global value -**$16M** (~6%). This is generally seen as a great way to incentivize partners and remove barriers for Google monetization as the waived fee is on average only 5% of the net revenue AdX brings in via monetization of those impressions.
- We advise to only allow DFP discounts >20% where we have a clear path to AdX monetization that surpasses the net value discounted. Potentially work with billing/accounting/legal to allow for discount thresholds based on AdX monetized revenue

DFP fees show little relationship between discounts and net rev; trendline slightly positive but far below recommended



- Discounting strategy varies by region/product competitiveness (e.g., Project Viking, Project Dolphin)
- Deals w/ similar AdX net rev but significantly different DFP discounts (e.g., Expedia vs. Gateway Media)
- Trade off between DFP discount and AdX net rev incorporated into deal model for better visibility

Google

Status of PBSx Discounts by Product

AdX Deal Type	Q1'2017 Rev ($M)	# of LPS Partners	Rate Card Rev Share %	Quarterly Pricing Exception (QPE) Process*	QPE Upward Limit (%)	# of QPE Exceptions (2013-17)	# of PBSx Exceptions (2013-17)	# of Live deals with exception	% of revenue from discounted pubs	Effective Rev Share %
Open Auction	$1,153M		20.0%	No	N/A	N/A	18	6	6%	19.7%
Private Auction	$101M	287	20.0%	Yes	10.0%				33%	16.5%
Preferred Deals	$47M	291	10.0%	Yes	5.0%					9.0%
Programmatic Guaranteed	$26M		10.0%	Yes	5.0%		4			7.6%

*go/nonstandard: Exception process with quarterly regional quotas
Open Auction includes DFL revenue, which was $51M in Q1'17
Exchange Bidding not included ($9M revenue in Q1'17)

Learnings from previous Programmatic Guaranteed Deals

2

Work in Progress

PG Deals

Findings	Implications
Despite high YOY growth, PG is still nascent	> xx

PG gross revenue by quarter
$M

PG as % of DFP direct: 1-2%

Share of Wallet (top 20 AdX Pubs)

Summary of recommendations

Rate card

1. Do not change rate card for Open Auction, Private Auction and Private Deals
   a. Limited # of exceptions; strong growth in OA (90% total rev) + most rev undiscounted
   b. No evidence that current rate card is not appropriate for vast majority of partners; exceptions are

1. P

of PG

REDO AFTER FINANCE ANALYSIS

Discounts

1. U ed in P d, then w

1. C tiering

1. Quarterly discounting reviews presented by Finance

Top pubs current PG spend

Top PG pubs (Q1 2017)

Pub	PG spend monthly spend (Q1 avg.)	% direct imp on PG[1]
Tripadvisor	$0.6M	37%
CBS	$0.5M	1%
Telsta	$0.5M	2%
Apax	$0.4M	20%
Yahoo	$0.3M	17%

Top DFP direct pubs (March 2017)

Pub	Total imp	Media (estimate)
Pandora	8.1t	$64.9M
ESPN	5.0t	$49.8M
Turner	4.6t	$45.5M
Time	4.6t	$43.5M
UOL	8.2t	$40.6M

1 Assumes DFP direct impressions have the same CPM as PG impressions
2 Assumes $5 CPM for direct impressions

Top DFP reservation pubs (pubs with highest PG spend potential)

Top DFP direct pubs (March 2017)

PG spend if it becomes...

	DPF direct spend (median, Mar 2017)	% direct imp on PG (today)	10% of direct spend[1,2]	20% of direct spend	30% of direct spend	50% of direct spend
Top 1-10	$34.3M	<1%	$3.4M	$6.9M	$10.3M	$17.1M
Top 1-20	$16.4M	<1%	$1.6M	$3.3M	$4.9M	$8.2M
Top 21-50	$9.2M	<1%	$0.9M	$1.8M	$2.7M	$4.6M

Price tier	Target pubs	Min PG gross spend (monthly)
4.5%	> top 20 pubs w/ 10-20% direct volume on PG > top 21-50 with 20-30% on PG	$1.5M
4%	> top 20 with 20-30% on PG > top 21-50 with 30-50% on PG	$3M
3.5%	> top 20 with 30-50% on PG > top 21-50 with >50%	$4.5M
3%	> top 20 pubs move >50% direct volume	$8M

1 Media CPM by publisher estimate based on WebCosts (external provider) and PG data. Average: $8 CPM
Source:

PG discount guidance expected to have positive impact on net revenue

PG gross revenue (scenarios)	PG net rate	PG net rev (k)	Loss of DFP revenues[1]	Net impact on net revenue
$1M	5%	$50k	($4k)	$46k
$2M	4.5%	$90k	($8k)	$82k
$4M	4%	$160k	($15k)	$145k
$6M	3.5%	$210k	($23k)	$187k
$9M	3%	$270k	($34k)	$236k

> As long as discounts drive incremental spend on PG (instead of rewarding existing behavior), proposed tiers are expected to generate higher net revenues

> Impact of loss of DFP fees is relatively small vs PG upside, especially for high-cost media (e.g., for $8 media CPM, PG fees are 40c CPM vs 3c for DFP)

1 Assumptions: Media CPM - $8; DFP revenues: 3c CPM

Exceptions on OA rev share should only be considered on large pubs with small SoW in AdX, via tiered deals

When does it make sense to lower rev share on OA?

Pub is expected to grow volume significantly if Google lowers its rev share (high elasticity)

Conditions to consider exceptions

1. **AdX SoW < 20%**
(rationale: pub has potential to grow vol on Adx, with $\varepsilon>2$)
2. **LPS pub*, >$1M/month in OA volume**
(rationale: $ growth potential is substantial and worth the exception)

Deal design

> Tiered rev shares (rationale: ensures that higher rev share if growth in OA materializes)

> Non-standard rev share are temporary (e.g., 1 year deals)

Exceptions on existing clients with high SoW: only consider when there is high level of certainty that client will defect (e.g., firm offer from a competitor)

* Or OPG pub with similar size as LPS pubs

For pubs with <20% volume on AdX, evidence so far suggests a rev share decrease is value creating (ε=2-3)

Publishers @ discounted rates	% vol on AdX (before negotiation)		Price change		Impact, calculated[2]		Impact, estimated by sales[3]	
	of total[1]	of program-matic[4]	Negotiated rate based on gross rev, $/mo	Change in blended rate	Gross rev % change	Elasticity	Gross rev % change	Elasticity
ESPN	1%	~40%	<$0.5M: 20% $0.5-0.8M: 18% $0.8-1M: 16% > $1M: 15%	-8%	+68%	9	+137%	18
The Weather Channel	11%	~70%	<$2M: 20% $2-4M: 17.5% > $4M: 15%	-25%	+46%	2	+100%	4
Gumtree	17%	~70%	15%	-25%	+30%	1	+43%	2
CBS	17%	~80%	<$0.5M: 20% $0.5-0.75M: 17.5% > $0.75M: 15%	-21%	+105%	5	+14%	1
			Total blended	**-24%**	**+51%**	$\boxed{2}$	**+80%**	$\boxed{3}$

1 For a given publisher, total inventory volume is assumed to be indicated by impression volume on DFP for that publisher
2 Refers to calculated avg monthly gross revenue increase relative to overall growth rates from undiscounted LPS pubs
3 Refers to sales team estimate of avg monthly gross revenue increase relative to expected revenue without discounts
4 Sales team estimate

Reducing AdX rev share likely value destroying except in <30% of current volume

% AdX gross rev****

Type of pub	% AdX gross rev****	Expected elasticity*	Rationale	
LPS pubs with < 20% vol on AdX	27	2 - 3	> Based on experience with pubs currently at discounted rates**	**Value creating**, promotes a step increase in SoW of programmatic
LPS pubs with 20-40% vol on AdX	14	~1	> Limited potential increase in vol given higher share already on AdX***	**Value neutral**, likely promoting only an incremental increase in SoW of programmatic
LPS pubs with > 40% vol on AdX	16	< 1	> Unlikely to have enough programmatic inventory in addition to the one already on AdX to compensate for the price decrease***	**Value destroying**, current SoW of programmatic already very high
OPG pubs	43	~0	> Unlikely to have any programmatic inventory in addition to the one already on AdX	
Total blended		**<1**		

* For a 25% reduction in price vs today (from current 20% to 15% rev share)
** Detailed next
*** Programmatic on avg <50% of total inventory of the publisher
**** Excluding 8 pubs with discounted rates

Tiered rev share should be offered to LPS pubs on a case by case basis

		Potential impact		
Tiered rev share* scenario	**Segments included**	**Vol** % gross rev change**	**Price** % revshare change	**Rev** % net rev change
All pubs	> LPS pubs with <20% vol on AdX	11 - 16%	(-3) - (-4)%	7 - 11%
	> LPS pubs with 20-40% vol on AdX	10%	-7%	3%
	> LPS pubs with >40% vol on AdX	-	-7%	-7%
	> OPG pubs	-	-2%	-2%
		4 - 6%	**-4%**	**1 - 2%**
LPS pubs	> LPS pubs with <20% vol on AdX	11 - 16%	(-3) - (-4)%	7 - 11%
	> LPS pubs with 20-40% vol on AdX	10%	-7%	3%
	> LPS pubs with >40% vol on AdX	-	-7%	-7%
		4 - 6%	**-3%**	**1 - 2%**
High elasticity LPS pubs	> LPS pubs with <20% vol on AdX	11 - 16%	(-3) - (-4)%	7 - 11%
		3 - 4%	**-1%**	**2 - 3%**

Risk of negative revenue change if impact of value creating/ neutral segments less than value destroying segments

Always revenue positive

> Tiered rev share should be offered to selective pubs
  - ensures overall net positive impact
> Pubs to be selected based on % vol on AdX
  - pubs with <20% vol on AdX likely more elastic

* Rev share, based on publisher's monthly vol: <$1M: 20%, $1-2M: 17.5%, >$2M: 15%
** Given 12.5-25% price difference, and assuming pubs with vol >= 50% of threshold have E = 2-3 (LPS pubs <20% vol on AdX), E = 1 (LPS pubs 20-40% vol on AdX), E=0 (all other pubs)

Recommend to keep OA, PA and PD rate card; PA and PD exceptions should be more scrutinized

	Context	Recommendations
Open Auction (OA)	> ~0.5% deals were discounted; few lost on price > Lower rev share to all pubs would have generated significantly less net rev to Google[3]	**> Keep OA rate card** > Continue to approve exceptions at PBSx[1]
Private Auction (PA)	> Despite being easy to discount PA, 2/3 of rev is undiscounted and # exceptions still manageable (5-10 deals/ quarter) > Pricing PA below OA creates a risk - pubs can "invite everyone" to PA, circumventing OA pricing	**> Keep PA and PD rate card** > Use PA discounts strategically (e.g., in lieu of OA discounts) > PD: Negotiate PD and PG prices separately and be stricter on discounts > Sales Finance to provide quarterly updates to PBSx on discounts
Preferred deals (PD)	> # PD exceptions @ 5% increasing, because many deals negotiated single PD/PG rate[2] > PD is more valuable that PG	

1 Reviewing exceptions one-by-one ensures that growth targets are appropriate and ambitious for all deals
2 For historical reasons, since until recently contractually AdX had a single price for PD and PG
3 Based on the deals where we offer discounts, we estimate the overall elasticity for the portfolio would be low and lowering rate card margin negative

Strategic goals: Continue to grow OA at healthy margins; move direct spend to programmatic

Overall goals

> Grow at least in line with the market

> Optimize for net, not gross revenues (without losing share-of-wallet)

> Promote move to programmatic

> *others?*

By transaction type

Transaction types	Q1 2017 Gross rev.[1] (YoY growth)	Strategic objective
Open auction[2]	$1.2b (+36%)	> Continue to grow > Maintain margin
Private auction	$101M (-7%)	*For discussion*
Preferred deals	$47M (+62%)	*For discussion*
Exchange bidding (beta)	$10M	> Reduce use of header bidding > Move to % media
Programmatic guaranteed	$26M (+225%)	> Accelerate transition from Tags to PG > Move to % media (~5-10x monetization)
Tags (traditional ad serving)	$55M net rev.	

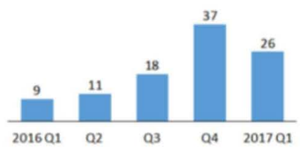
1 Gross revenue minus pub's rev share
2 Including DFL - DoubleClick First Look

Set Programmatic Guarantee rate card at 5%; exceptions to be reviewed in PBSx

go/gpubs-book

Despite high YOY growth, PG is still nascent

PG gross revenue by quarter
$M



PG as % of DFP direct: 1-2%

No evidence, so far, that rate card at 5% harms adoption for most pubs

> No major pushback on pricing (only 1 PG exception below 5% in 2017)

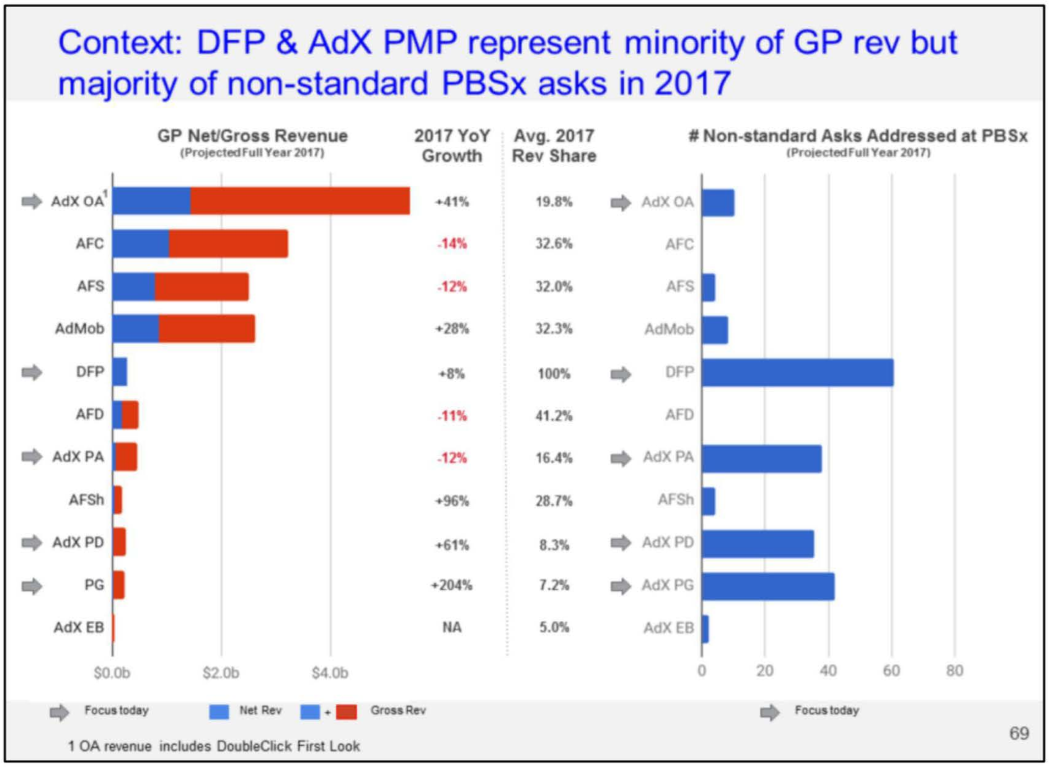
> Adoption hurdles:
- *Product:* limited support of DSPs and creatives
- *Buy-side availability*: Limited # of buyers using PG
- *Value Quantification:* Pubs unable to quantify value; limited # case studies

> Tiered pricing/ discounting only expected to be needed for top pubs

Recommendation:

> Now: 1) Set PG rate card at 5% + 2) Provide **discounting guidance** for large PG deals

> Q1 2018: Review pricing with additional market feedback and PG cost saving estimates (project to be done by external consultancy in 2017 H2)



AF Y/Y growth includes AFSMA, growth #s are through 6/21/17

Have CPMs handy in speaker notes. Change label on PG to just call PG because not part of AdX
Put dotted line boxes around OA and PG, and strategic areas in future or something in legend

Definition of AdX transaction types in Appendix

DFP accounted for 17% of Global DRX net revenue in 2016. Data on right is from go/xpaar maintained by compliance, DFP asks are aggregated (i.e. if for one pub ask for core DFP discount + DRM discount, just count it as one ask)

For AdX PA/PD/PG # of asks, it is likely that other deal features would have triggered the ask

https://docs.google.com/spreadsheets/d/1dGn6KJ2__xyyGR_gz8CaVk7AkXsObBU4aloPfSo6vuY/edit#gid=0

Recommended Changes to PA & PD: Exception Process

3

Current Process

> **Context**: Process introduced in 2014 to alleviate PBSx approval burden

> **Details**: go/nonstandard

> **Quotas**: 19 quarterly exceptions available
- EMEA 7
- Americas 3
- APAC 4
- OPG 5

> **Approval requirements:**
- Email approval from regional VP
- Form submission
- Approval from Pooja Kapoor and Kurt Spoerer
- Simba approval

> **Duration**
- Discounts for max 1 year
- Contracts should not auto-renew

Proposed Process

> **Context**: Lack of regional LPS leads post re-org poses a challenge

> **Recommended changes**:
- For EMEA and APAC:

Conversations ongoing

Have regional Sales Finance person to either be a POC in addition to regional director or the POC

No evidence that the rate card for auction and deals needs to change

1

Change rate card?

Change needed if:

1 **Rate card not relevant** - most deals need discounts beyond guidance

2 Unlocks **additional demand** that more than **compensates margin hit**

3 Proactively addresses **future changes to product/ ecosystem** that are certain to reduce product value

Evidence/ data

1

Transaction type	# deals[1]	# exceptions	# deals lost on price	Avg rev share
Open auction	2,432 (2017[2]: 361)	13 (2017[2]: 3)	Not available anecdotal feedback: very few deals are lost on price alone	19.7%
Private auction	2,432 (2017[2]: 361)	63 (2017: 11)		16.5%
Preferred deals	2,432 (2017[2]: 361)	52 (2017: 12)		9.0%
Programmatic guaranteed	2,432 (2017[2]: 361)	Below 5%: 4 (2017: 1)		7.6%

2 *Past deal analysis:* Only justified for a few large pubs w/ low SOW and a clear path to increase SOW if offered lower pricing

3 *Last x-functional review feedback* - no immediate need to change rate card (though may need to be more flexible in discounts)

Assessment

Few OA exceptions

✗ **PA/PD excep. increasing, but most deals and rev undiscounted**

✗ **Addressable via targeted tiered discounts, not rate card**

✗

1 Some legacy contracts do not separate PD and PG deals
2 From 1/1/2017 to 4/20/2017
Source: OA exceptions PA/PD/PG exception; avg rev share

This is a copy of slide 5 - previous version