Project 17 (AdMeld and PubMatic)

OC Sponsor: Susan Wojcicki and Jeff Huber

Deal Sponsors: Neal Mohan and Joerg Heilig

Corporate Development: Dave Sobota

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Overview

- We are presenting two companies in the yield management space: AdMeld (AM) and PubMatic (PM)
- We would buy only one – our preferred candidate is AM
- We are seeking authority to bid for both
  - First for AM
  - Failing that, then PM, but only after a secondary approval from both Susan and Jeff

Deal Summary – Project 17

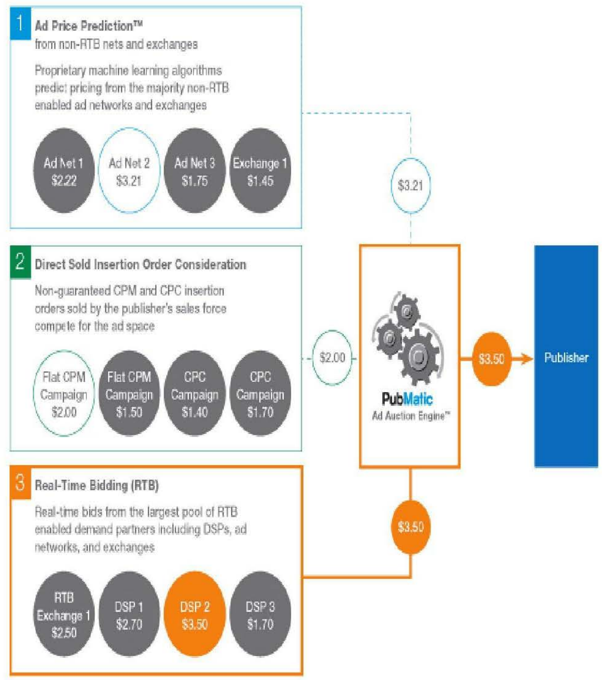
Google

<table>
<tr><td>Deal Type</td><td>Acquisition of either AdMeld (AM) or PubMatic (PM), yield management companies -- help publishers manage and optimize their indirectly-sold inventory</td></tr>
<tr><td>Company Summary</td><td>
<table>
<tr><th></th><th>AdMeld</th><th>PubMatic</th></tr>
<tr><td>Founded</td><td>2007</td><td>2006</td></tr>
<tr><td># employees/eng</td><td>95/32</td><td>130/56</td></tr>
<tr><td>Main Geo</td><td>NY, Toronto</td><td>Palo Alto, Pune</td></tr>
<tr><td>Publishers</td><td>110 in top 1000
16 in top 50</td><td>~30 in top 280
~17 in top 150</td></tr>
<tr><td>Last VC Round</td><td>July 2010
$15M at a $111M post</td><td>March 2010
$7.5M at a $30M post</td></tr>
<tr><td>Investors</td><td>Foundry Group, Norwest Venture Partners, Spark Capital, Time Warner Inv.</td><td>Draper Fisher Jurvetson, Nexus Venture Partners, and Helion Ventures</td></tr>
<tr><td>Total Amount Raised</td><td>$30M (minus $4.3M for buybacks)</td><td>$25M</td></tr>
<tr><td>Expected Price</td><td>$380M + retention</td><td>$300M + retention</td></tr>
</table>
</td></tr>
<tr><td>Strategic Rationale</td><td>• Satisfies a pressing need for publishers -- ad network management (+ other features)
• Acquire fast growing business with significant revenues
• Reduce risk of disintermediation - ensure fair access to publisher inventory
• Acquire talented eng, service, and sales team experienced in publisher platfoms</td></tr>
<tr><td>Who Will Manage Team?</td><td>• Neal Mohan and Joerg Heilig</td></tr>
<tr><td>Deal and Product Issues</td><td>• Challenge of maintaining/growing existing business and publisher relationships while integrating functionality into Google
• HSR reportable transaction - review will create delay between sign and close</td></tr>
<tr><td>What We Need</td><td>• Approval to buy AM for up to $380M + $40M in retention
• Failing that, approval to buy PM for up to $300M + $30M in retention, but only after a secondary approval from both Susan and Jeff
• Spending authority for 50 additional headcount if we buy either of these companies</td></tr>
</table>

Google Confidential and Proprietary

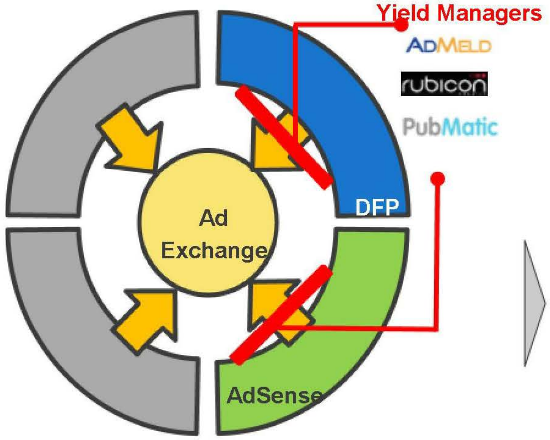
What do AM and PM do?

- Manage and optimize publishers' indirect inventory
  - Manage ad network relationships
  - Optimize yield for publishers by putting inventory up for bid in a real-time auction (RTB)
- Other services
  - Channel conflict management
  - Ad blocking/Brand protection
  - Advisory services
  - Audience data integration/protection
  - Private Exchange (AM)



Yield Managers and Google

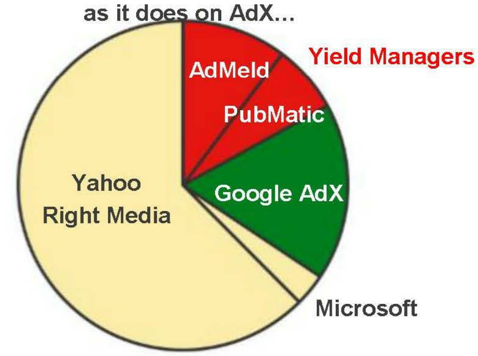
60% of DFP customers *also* use a Yield Manager



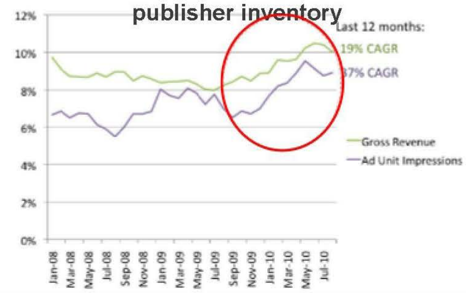
- DFP & AdX provide pubs with **dynamic auction-driven backfill** to networks

- Yield Managers fill a gap for pubs - also **handle negotiated, fixed-price managed network relationships** to provide complete inventory solution

Invite spends as much on top yield managers as it does on AdX…



…and they represent a growing share of AFC & AdX publisher inventory



Strategic Rationale

- **A pressing need for publishers**
  - Publishers looking for ad network management for non-RTB deals
  - Large publishers seeking private deals with agency trading desks
  - Yield Managers making inroads with torso / tail (AdSense) publishers
- **Deliver a complete Yield Manager to the market quickly**
  - Closes product and service gaps in today's AdX+DFP offerings
  - Improves time-to-market for key functionality
- **Acquire fast-growing business with significant revenues**
  - Complements existing AdX growth
  - Deepens our relationship with top US publishers
  - New opportunities from scaling globally and into torso publishers
- **Reduce risk of disintermediation**
  - Ensure fair access to publisher inventory
- **Acquire talented engineering, service, and sales team**
  - Strong industry presence – marketing, reputation, though leadership
  - Experienced in publisher platforms – AOL, Time Inc, etc.

Integration Plan

	Short-term	Long-term
Product:	Operate independently & support continued growth • Lightweight integration to create best of breed offering • AdX on AM platform via RTB integration • Dynamic allocation with XFP	Rebuild functionality on Google stack and migrate customers • Take best-of-breed from both solutions • Identify areas for special, new functionality • Combined offer, pricing, etc.
Team:	Operate independently under MM&P & support continued growth • Define clear ownership • Maintain independent business authority • Pre-approve headcount growth (sales/service/eng) • Move to Google offices • Functionally integrate marketing and product	Merge into monetization & platforms (MM&P) structure • Sales, services go to functional leads • Finance, legal, etc fully integrated

Overall Comparison

Google

Reasons to Buy AM

- Stronger product offering – e.g., better private exchange than Google and audience data integration, both of which are big benefit for publishers
- Better publisher base
- Management stronger
- Engineers in better location (NY / Toronto vs. Pune for PM)
- Revenue consulting team
- Better historic financial performance

Reasons to Buy PM

- Easier to integrate because PM has less RTB
- Cheaper ($300m+ vs. $380m+)

Financials - Company Projections

Google

MEDIA SPEND $M	2009	2010	2011E
AdMeld - Managed Networks	$33.1	$58.0	$38.9
AdMeld - Buyside / RTB Based (Note 2)	$1.4	$39.2	$194.5
AdMeld - APEX (Private Exchange)	$0.0	$0.0	$33.8
	$34.5	$97.2	$267.2
Pubmatic - Managed Networks	$11.5	$43.7	$126.5
Pubmatic - Buyside / RTB Based	$1.4	$15.6	$98.8
	$12.9	$59.3	$225.3
NET REVENUE $M (Note 1)	2009	2010	2011E
AdMeld - Managed Networks	$2.9	$9.1	$22.1
AdMeld - Buyside / RTB Based	$0.2	$5.9	$23.2
AdMeld - APEX (Private Exchange)	$0.0	$0.0	$3.4
	$3.1	$15.0	$48.6
Pubmatic - Managed Networks	$0.6	$3.5	$15.4
Pubmatic - Buyside / RTB Based	$0.4	$4.0	$31.5
	$1.0	$7.4	$47.0
EBITDA	2009	2010	2011E
AdMeld	($4.9)	($1.8)	$16.5
Pubmatic	($4.3)	($4.3)	$26.3

Pubmatic has more bullish (unrealistic?) growth projections

Note 1: AdMeld reports net revenue on the buy side after deducting the publishers' share. Pubmatic reports buy side gross. To compare apples to apples, under Net Revenues, we provided the Gross Margin figures for PM in this section.
Note 2: AdMeld splits its RTB fee (10% publisher, 10% buyer). Same net effect as AdX 20%

AdX Gross Revenue (Sell-side)

As a comparison, AdX's sell-side revenue (spend on AdX publishers) is comparable and similar growth is expected

	2009	2010	2011E
AdX - Managed Networks	$0.0	$0.0	$20.0
AdX - Buyside (RTB)	$2.0	$70.0	$140.0
AdX - APEX (private)	$0.0	$0.0	$20.0
	$2.0	$70.0	$200.0

YoY expected growth: 2.85x

Price and Valuation

- Expected Price
  - AM: $380M + retention
  - PM: $300M + retention
- Google Estimated Value (see appendix)
  - AM: $182M - $355M
  - PM: $136M - $325M
- Valuation based on 2011E rev and EBITDA multiples
  - Digital Media comps trade at 1x - 2.5x 2011 rev (gross) and 6x - 10x EBITDA
  - SaaS comps trade at 3x - 5x 2011 rev (net) and 15x - 20x EBITDA
- Both companies have received financing offers for ~$300M
- **Why pay more than Google calculated value?**
  - Higher valuations justified if there is ~100% growth for 2012, which appears reasonable based on AdX growth trajectory
  - See "Strategic Rationale"

Build Alternative

Pursuing build strategy (go/ym-mission)

- Roadmap implies earliest possible parity with already existing offerings is 1H'12
  - Development is primarily NY and London, possibly plus Moscow
  - Based on AdX and XFP platforms
  - But AM/PM will have developed more functionality by then, so we will still have a less robust offering for publishers
- Requires development in some new areas
  - Private exchange support – nascent (only $30k of transactions today)
  - Core infrastructure changes – advertiser visibility, ad unit multi listings
  - Managed networks – integration with 200+ networks
  - Revenue consulting – promising but still in hiring mode
  - Marketing – getting our voice heard back in the marketplace
- Some small (10-15ppl) acquisitions (LiftDNA, Metamarkets) could help

Integration strategy requires a rebuild anyway (see slide 7)

Competitors

Rubicon Project

- Another large yield manager
- Google considered and determined product and traction was inferior to AM and PM

Smaller Players

- Eg, LiftDNA - 15 employes; 7 customers; just took their first round of funding

"All-in" cost estimate

Google

"All-In" Cost Estimates ($M)							
	AdMeld (AM)			PubMatic (PM)			
		Amount	%		Amount	%	Source
Purchase Consideration	**$**	**380**	***100%***	**$**	**300**	***100%***	Corp Dev estimate
Contingent Consideration:							
Retention/Stay Bonuses		40	*11%*		30	*10%*	HR estimate
Total Purchase Price		**420**	*111%*		**330**	*110%*	
General integration costs (year one)		8	*2%*		8	*3%*	Finance estimate
Deal Costs (one-time upfront):							
3rd-Party Transaction Costs (est.):						-	
Legal (Google)		20.0	*5%*		20.0	*7%*	Legal estimate
HR Due Diligence		0.1	*0.0%*		0.1	*0.0%*	HR estimate
Financial Due Diligence		0.5	*0.1%*		0.5	*0.2%*	Finance estimate
Financial Integration		0.2	*0.0%*		0.2	*0.1%*	Finance estimate
Valuation		0.1	*0.0%*		0.1	*0.0%*	Finance estimate
Total Deal Costs		**28.5**	*7%*		**28.5**	*9%*	
TOTAL	**$**	**448.5**	***118%***	**$**	**358.5**	***119%***	

Incremental headcount requirements (50 heads)

50 engineers - additional cost per year after closing	$	13	$	13

In addition to the cost of the transaction, Google will require an **additional 50 employees** post close to supplement AdMeld/PubMatic's existing headcount

Indicative impact on Google's net income - AdMeld

Google

Dilution/accretion - AdMeld		2011	2012	2013	2014	2015
Revenue		[ ]	[ ]	[ ]	[ ]	[ ]
COS		[ ]	[ ]	[ ]	[ ]	[ ]
Headcount (salary, bonus and fringe, excl. GSUs)		[ ]	[ ]	[ ]	[ ]	[ ]
Other opex		[ ]	[ ]	[ ]	[ ]	[ ]
Contribution margin	**(a)**	-	-	-	-	-
Deal costs	(b)	(28)	-	-	-	-
Unvested equity	(c)	(3)	(18)	(8)	-	-
Stay bonuses	(d)	(3)	(22)	(10)	-	-
Incremental headcount - 50 empl.	(e)	-	(13)	(13)	(13)	(13)
Amort. intangible assets	(f)	(4)	(22)	(22)	(22)	(18)
Forgone interest	(g)	(3)	(21)	(22)	(22)	(22)
Taxes	(h)	9	21	16	12	12
Change in net income - Pro forma		**(32)**	**(74)**	**(58)**	**(44)**	**(41)**
Change in EPS (dilution)/accretion		**$ (0.10)**	**$ (0.23)**	**$ (0.17)**	**$ (0.13)**	**$ (0.12)**

An independent set of projections AdMeld has not been prepared

This is analysis EXCLUDES any impact of AdMeld's core business

Legend:
Calculations above assume a close of the transaction on 10/31/2010
(a) No independent projections were prepared
(b) Primarily related to legal costs for HSR review and year one integration costs
(c) Approximately 1M shares (9%) of AdMeld will be unvested at close. This amount will be retained by Google and paid post close to continuing employees as they vest over a 3 year period.
(d) An additional 10% of the purchase price ($40 million) is allocated to stay bonuses and will be paid over a 3 year period.
(e) Google estimates an incremental 50 employees will have to be hired post close to support the growth of AdMeld. This assumes fully loaded average cost per employee of $250,000 per year.
(f) Google estimates 25% of the purchase price will be allocated to intangible assets and will be amortized over 4 years.
(g) Foregone interest is calculated on the purchase price of $380 million and assumes rate of return on cash of 5% per Treasury.
(f) Assumes Google's company wide effective tax rate of 22%. Actual tax rate may increase significantly depending on actual geographic composition of earnings and IP tax structuring.

Headcount Analysis

Google

Headcount plan					
Role	AdMeld	PubMatic	Incremental / Budget	Business owners	Sign off
Engineering/PM	32	56	Incremental	Jeff Huber	✔
Sales	[ ]	[ ]	Incremental	Nikesh Arora	✘
G&A	[ ]	[ ]	Incremental	TBD	✘
Total	**95**	**130**			

Additional headcount	**50**	**50**	**Incremental**

In addition to the cost of the transaction, Google will require an **additional 50 employees** post close to supplement AdMeld/PubMatic's existing headcount

Legend:

✔ Business owners approved

✘ Sign off pending

Appendix

Feature Comparison: AM has rich feature offering

Google

		AdX / YM today	AdX / YM end of 2011	AM	PM	Notes
General	Auction Type	2nd price	2nd price	?	1st price	
	Integrated data management	n/a	'+	'+ +	'+ +	AM better at 3rd party data integration; PM has tool for detecting pixels in 3rd-party creative
	Number of sellers	'+	'+	'+ +	'+	
	Quality of sellers	'+ +	'+ +	'+ + +	'+ +	
	Creative Review	'+	'+ + +	'+ + +	'+ + +	AM and PM have manual creative review
	Dynamic allocation / API	DA wtih DFP	DA wtih DFP & API	API in development		
Real-time Bidding	Real-time Bidding Availability	'+ +	'+ +	'+ +	'+	
	Scalability of callouts	'+ +	'+ +	'+ +	'+	
	Robustness of callouts	'+ +	'+ +	'+	'+	
	Pricing by data segment	n/a	maybe	'+ +	'+	
	Pricing by advertiser	n/a	maybe	'+	'+	
	Match-coding	-	-	'+ +	'+ +	AM / PM callout from their system, we need to be called.
	Number of RTB buyers	'+ + +	'+ + +	'+ +	'+	
Yield Management	Private ad exchange support	-	'+	'+ + +	'+ +	AM investing heavily & winning competitive deals
	Fixed price network buys	n/a	'+	'+ +	'+ +	
	Automatic capture of non-RTB network eCPM	n/a	'+	'+ + +	'+ + +	
	Number of direct network buyers	n/a	-	'+ + +	'+ + +	
	Optimization across RTB and non-RTB	'+	'+ +	'+ +	'+ + +	PM has algorithm based price prediction for non-RTB networks
Direct Sales Support	Audience based selling for direct sales team	n/a	'+	'+ +	'+	
Business	Revenue consulting services	'+	'+ +	'+ + +	?	AM has a team
	Operations services	n/a	'+	'+ +	'+ +	
	Marketing	virtually n/a	'+	'+ +	'+ + +	
	Sales	'+ +	'+ + +	'+ +	'+	

Rev Share

REV SHARE	2009	2010	2011E
AdMeld - Managed Networks	8.4%	9.3%	9.5%
AdMeld - Buyside	14.9%	15.2%	11.9%
AdMeld - APEX	N/A	N/A	10.0%
Pubmatic - Managed Neworks	4.4%	5.8%	6.9%
Pubmatic - Buyside	29.6%	25.4%	31.9%
Pubmatic - APEX	N/A	N/A	N/A

Impressions and CPM

Google

IMPRESSIONS	2009	2010	2011E
AdMeld - Managed Networks	78	160	152
AdMeld - Buyside	1	44	253
AdMeld - APEX	0	0	34
AdMeld - Total	80	205	438
Pubmatic - Managed Neworks	36	128	390
Pubmatic - Buyside	3	18	102
Pubmatic - Total	39	146	493
CPM	2009	2010	2011E
AdMeld - Managed Networks	0.42	0.36	0.26
AdMeld - Buyside	1.01	0.89	0.77
AdMeld - APEX	N/A	N/A	1.00
Pubmatic - Managed Neworks	0.32	0.34	0.32
Pubmatic - Buyside	0.49	0.88	0.96
Pubmatic - APEX	N/A	N/A	N/A

AM Cap Table

	$, gross	$ per share paid	shares	% fully diluted
Series B Preferred Stock (July 2010)				
Total Series B Preferred Stock	14,999,998.75	$ 9.23490	1,624,273.00	13.5475%
Series A-2 Preferred Stock (Summer 2009)				
Total Series A-2 Preferred Stock	8,000,008.00	$ 2.40440	3,327,236.00	27.7514%
Series A-1 Preferred Stock (Summer 2008)				
Total Series A-1 Preferred Stock	6,000,069.61	$ 2.40440	2,495,454.00	20.8137%
Series A-1 Reserved For Warrant (1)				
Total Series A-1 Warrants			10,397.60	0.0867%
Series A Preferred Stock (Fall 2007)				
Total Series A Preferred Stock	1,000,000.00	$ 1.0000	1,000,000.00	8.3407%
Common Stock (4)				
Total Common Stock	(4,267,828.35)		2,119,701.00	17.6797%
Common Stock Reserved for Stock Incentive Plan (2), (3)				
Total Stock Incentive Plan			1,412,391.00	11.7803%
Grand Total	**25,732,248.01**		**11,989,452.60**	**100.0000%**

PM Cap Table

Holder	Class	Type	Approximate number of shares	% Vested
Venture and Angel Investors	Preferred	Stock	22,963,721	N/A
Founders (Amar Goel, Rajeev Goel, Mukul Kumar, Anand Das)	Common	Stock & Options	10,554,023	~93%
Management Team Excluding Founders	Common	Options	1,677,814	~25%
Employee Option Holders	Common	Options	1,138,325	~47%
Advisors & Consultants	Common	Stock	340,000	100%
Purchased Stock	Common	Stock	33,104	100%
Total			**36,706,987**	

AM Senior Managers

Michael Barrett, Chief Executive Officer

Mr. Barrett joined Admeld from Fox Interactive Media, where he was Executive Vice President, Chief Revenue Officer and oversaw worldwide revenue for all properties, including MySpace, IGN, FoxSports.com, Fox.com, AmericanIdol.com and Scout.com. Before Fox, Mr. Barrett held senior sales positions at interactive leaders AOL Media Networks, GeoCities/Yahoo! and Disney Online. Prior to joining Disney, he held senior positions with Meredith Publishing, Newsweek Magazine and Family PC Magazine.

Brian Adams, Co-Founder and CTO

Prior to founding Admeld, Mr. Adams was Vice President of Engineering at JumpTV. Prior to JumpTV, Mr. Adams had been with AOL where he led the development of the AOL Video advertising infrastructure. Prior to AOL, Mr. Adams was a founder of MyBookmarks.com which was sold to Backflip Inc. in 2000 and was a senior engineer at Angelfire.com.

PM Senior Managers

Google

Amar Goel, Founder and Chairman

Founded PubMatic in October 2006. He previously led a sales and service team at Microsoft/MSN for the financial services and retail verticals. Amar previously founded and ran Chipshot.com, a leading online golf-etailer. He has also worked at McKinsey & Co. and Netscape Communications. Amar is a graduate of Harvard University, with a Master's Degree in Computer Science, and a Bachelor's Degree in Economics. He loves to play golf and once fell in a creek while playing.

Rajeev Goel, Co-Founder and CEO

Responsible for PubMatic's business strategy and execution, leading product management, marketing, and operations. Rajeev has over 10 years of experience in building and scaling products as well as in creating and executing business strategies. Rajeev was Co-Founder and VP of Technology of Chipshot.com, a leading online retailer of custom built golf equipment, where he led product management and development for the $30M e-retailer. Rajeev was also a Principal at Diamond Management and Technology Consultants, an IT strategy consulting firm for Fortune 2000 clients. There, he led consulting teams on IT strategy engagements. Most Recently, Rajeev was Sr. Director of Product Marketing at SAP, where he was responsible for global go-to-market strategy for key new products. Rajeev holds a Bachelor's Degree from The Johns Hopkins University in Economics, Political Science, and Spanish and a Master's Degree from the University of Pennsylvania in Computer Science.

Valuation Details

- Modeled a low and high 2011 scenario
- Applied following multiples:
  - Digital Media comps trade at 1x - 2.5x 2011 rev (gross) and 6x - 10x EBITDA
  - SaaS comps trade at 3x - 5x 2011 rev (net) and 15x - 20x EBITDA

PubMatic

Digital Media	Low Scenario	High Scenario
Rev Mult:		
- Lo	$142	$229
- Hi	$356	$572
EBITDA Mult:		
- Lo	$49	$166
- Hi	$82	$277
SaaS		
Rev Mult:		
- Lo	$64	$145
- Hi	$106	$242
EBITDA Mult:		
- Lo	$123	$415
- Hi	$165	$554
MEAN	$136	$325

AdMeld

Digital Media	Low Scenario	High Scenario
Rev Mult:		
- Lo	$254	$364
- Hi	$635	$911
EBITDA Mult:		
- Lo	$30	$131
- Hi	$49	$219
SaaS		
Rev Mult:		
- Lo	$117	$168
- Hi	$196	$280
EBITDA Mult:		
- Lo	$74	$329
- Hi	$99	$438
MEAN	$182	$355

etary