
From: David Drummond <ddrummond@google.com> on behalf of David Drummond
Sent: Friday, March 23, 2007 9:56 PM
To: google_bod@google.com
Cc: Jason Harinstein; Matt Sucherman; Salman Ullah; Donald Harrison
Subject: Project Liberty- CONFIDENTIAL

Dear Board Members:

I wanted to give you a heads-up about EMG's decision to enter the process to acquire DoubleClick, a leading online ad serving company owned by the private equity firms of Hellman & Friedman and JMI Equity (the transaction is codenamed Project Liberty). As some of you know, we have been interested in this company for some time, but have been pursuing a "build-it-ourselves" strategy. Our interest became more acute after learning that Microsoft has already made a serious offer. The team believes that this is an important transaction for us, for both offensive and defensive reasons.

I have attached the deal review presentation for Project Liberty discussed at EMG. I have also provided a quick summary below of the background to the deal as well as our and Microsoft's potential rationale for acquiring DoubleClick.

We have heard from reliable sources that that Microsoft has made a bid in the \$1.8B to \$2.0B range. This weekend we plan to make a competitive bid by means of a non-binding term sheet/indication of interest. Of course, we will come back to you for formal approval as the process unfolds.

Background:

- EMG has given approval to pursue the acquisition of DoubleClick, the leading online ad serving company.
- Hellman Friedman and JMI Equity began shopping DoubleClick early last week after receiving an indication of interest from Microsoft.
- Google product, engineering and corporate development teams met last week with Double Click management for preliminary due diligence.
- Acquisition price is expected to be at least \$2B, based on Microsoft's current bid of near \$2B (a Microsoft executive told a friend of the company they they were buying Liberty for \$2B). We expect that the seller will prefer cash.
- The process is moving quickly.

Google's Rationale for Acquiring DoubleClick:

- Own DoubleClick's customer footprint to accelerate time to market for our own advertiser and publisher ad serving products

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- Acquisition of DoubleClick by Microsoft would make it very challenging for us to win customers for our own advertiser ad server, which would impair our opportunities in the brand ad market
- A Microsoft-owned DoubleClick represents a major competitive threat to our AdSense for Content business (see Microsoft Rationale below)

Microsoft's Potential Rationale for Acquiring DoubleClick:

- Access remnant inventory from Doubleclick's publisher ad server customer base to quickly scale its ad network.
- Use DoubleClick's advertiser ad server position to harm Yahoo!'s business, driving down its valuation ahead of a potential acquisition (as relayed by Microsoft executive to friend of Google).

Feel free to call me with any feedback, questions or concerns.

Thanks,
David

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Project Liberty Revisited

EMG Deal Review

Dated: 5/19/2007



- Liberty's investors (Hellman Friedman) was preparing to IPO the company when they (supposedly) received a verbal offer (we hear MSFT)
- Now shopping the company to Google, maybe others
- We met with Liberty management in NYC on Thurs
- Current verbal offer is at least \$2B, according to their bankers
- Our bankers think IPO value is \$1.6-1.9B; lower once the market is aware of GFA/GFP
- Hellman Friedman wants offers by end of this week
- **Summary points:**
 - **GFA has little chance to succeed if MS buys Liberty, impairing our chance to build a display ad business (unless we accept 3P ad tags)**
 - **Liberty's publisher ad server would enable MSFT to quickly scale its ad network, intensifying competition for AFC**



Fullstack 2017

DART for Publishers

- Footprint: 9 of Top 10 US & 8 of Top 10 European sites (~60% share)
- 7B impressions/day; 75% US/25% Int'l
- Dart Adapt: inventory optimization package. Increases eCPM for publisher 40% on average.
- Sales Manager: RFP & I/O workflow tools
- Motif: Rich media solution for publishers
- AOL: runs ad sales & operations on customized DFP platform

DART Enterprise

- Enterprise software version of DFP for large web publishers
- 7B daily impressions

Ad Exchange

- Ad Exchange is a dynamic marketplace that matches publisher inventory to the highest paying buyer (similar to Right Media)

4Q 2016 & 2017

DART for Advertisers

- Footprint: contracts with 9 of Top 10 global agencies (~50% share)
- Impressions: 3B impressions/day; 75% US/25% Int'l
- Rich Media: #2 rich media vendor (Motif+Klipmart+TangoZebra)
- MediaVisor: integrated media planning tool
- Vision: same as CHIO Dashboard

DART Search

- Cross-network bid optimization, campaign and keyword management

Performics

- Service platform -- largest US SEO
- Paid placement, natural search optimization and data feed optimization services



Case Study: DoubleClick

- 1,200 employees in 17 countries (tripled since mid '05)
 - 375 eng (275 in NYC and Chicago + 100 contractors in India)
 - 200 sales
 - 350 customer service/support
 - 275 G&A
- Divested non-core assets
 - Email (\$90mn)
 - Abacus separated and then sold (\$435mn)
 - Marketing automation (price n/a)
- Made three acquisitions
 - Falk: #2 publisher ad server in Europe
 - Klipmart: top 2 video ad server
 - TangoZebra: top European rich media ad server
- Investment in core platform and key adjacencies
 - Became the second largest player for rich media and video (Mobif, Klipmart and Tangozebra)
 - Launched DART Search, combined with Performics (\$1 billion under management)
 - Building an ad exchange seamlessly integrated with DART (similar to Right Media)
 - Built and launched DART Sales Manager



Scenario: MSFT Acquires Liberty

The MSFT/Y! Perspective

- Need access to DFP's "available" inventory to build ad network
- Assume they'll make the ad server free to access remnant inventory
- 2-4B daily ad slots could become available to MSN (vs. 7B AFC ad slots today)
- **KEY QUESTION: Why is inventory available? Why hasn't Liberty attempted to monetize?**
- **RISK: MSN will become more competitive with AFC by scaling their network**

Implications for Google

- Acquisition by MSFT will make it challenging for GFA and GFP to get traction
 - DFA/DFP will likely be made free and improved (similar to our strategy)
 - Reduces incentive for current customers to switch to GFP/GAM
- Lowers incentive for agencies to push MSN/Y! to accept GFA ad tags
- **RISK: GFP/GAM market traction significantly impaired**



DFA: Agency Ad Server ("Buyside")

- Improves brand ad business: **support 3P ad tags** and create **more visibility for AFC** publishers/inventory via planning tools
 - DFA has ~50% share of 3PA serving (slightly higher than Atlas)
- Buying a large footprint **reduces execution risks** for organic efforts (GFA)
 - Reduces barriers to adoption for advertiser/agencies
 - Lowers risk that Y! and/or MSN don't accept our tags

DFP: Publisher Ad Server ("Sellside")

- Access to potential **2B incremental AFC impressions** per day
- Buying a large footprint **reduces execution risks** for organic efforts (GFP)
 - DFP has 60% share of publisher ad serving market
 - Reduces barriers to adoption for publishers
- **Deepen relationship with AOL**; DFP deeply integrated with properties and sales org



- **\$2B+ competitive offer**
 - Expect MSFT to bid aggressively
 - We value financial benefits at **\$1.5-2.2B NPV**
 - **\$900M-1.4B NPV**: Improvements to brand ad business via DFA
 - **\$1.5-2.2B NPV**: Access to incremental AFC inventory via DFP
 - **Negative \$900M-1.4B NPV**: Supporting Liberty operations
 - Free ad serving after two years
 - Reduce headcount to 800 from 1200
 - Strategic value of eliminating a key risk to AFC
- **RECOMMENDATION**: Aggressively pursue acquisition. How high are we willing to go?



Organizational Structure

- Liberty separate operating & legal entity. No Googlification.
- David R & other senior managers run existing business to rev and margin goals
- Down size Liberty as GFA/GFP take over footprint→move to Google product in 2 years
- Single sales team

Ownership

	GFA	GFP	Dart Search	Existing Liberty Business
Google Lead	Alex	Gokul	Richard	David R (reports to Tim)
Objective	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate customer base to GFA over 2 yrs	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate customer base to GFP over 2 yrs	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate product to Google product	<ul style="list-style-type: none">• Keep existing eng resources that don't get hired by GFA/P teams• Maintain customer satisfaction

Case Study: Sony Entertainment

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- Management and incentives
- DFA/P vs GFA/P product development and migration plans
- Employee layoffs
- Product pricing
- Liberty vs Google Branding
- Sell Performics. Owning them creates conflicts (SEO, x-network campaign management)



APPENDIX

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- Is DFA sticky enough to maintain share if we swap in per-advertiser cookies?
- How significant are the costs of distracting management and product/eng leaders with integration and ongoing platform migration?

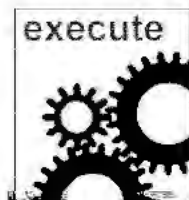


Why Liberty vs. Madison?

	DoubleClick <small>Click</small>	atlas
Footprint:	<ul style="list-style-type: none"> - 40-50% share on advertiser side; currently maintaining ground <ul style="list-style-type: none"> - Strong presence with larger agencies - International = ~25% of revenues - 80% share in Europe - 40% share for publisher ad server, incl. AOL <ul style="list-style-type: none"> - Accelerates GAM deployment - Potential 10B incremental AFC impressions/mo - Falk acquisition strengthened EU positionh 	<ul style="list-style-type: none"> - 40-45% share on advertiser side; currently gaining ground <ul style="list-style-type: none"> - International = ~25% of revenues; concentrated in UK (40-45% share) - Lock-in with Avenue A (#1 interactive agency)
Product:	<ul style="list-style-type: none"> - Both publisher and advertiser-facing - Strong rich media offering - Video capabilities via Klipmart acquisition 	<ul style="list-style-type: none"> - Advertiser-facing only - Better reputation for product upgrades, R&D - Atlas Rich Media has limited traction
Team:	<ul style="list-style-type: none"> - Weak eng team - Resource drag from AOL support? - Strong CEO willing to run the business unit 	<ul style="list-style-type: none"> - Eng not Google caliber (but better than DCLK) - Better cultural fit / more innovative - Weaker GM / business leadership
Deal:	<ul style="list-style-type: none"> - Estimated cost of \$2B+ 	<ul style="list-style-type: none"> - Estimated cost of \$1.5B+ for Atlas - AQNT willing to carve out Atlas (as of Dec)



For a lower cost, DCLK offers: 1) Larger footprint with large agencies; 2) Stronger int'l presence; 3) More widely used rich media; 4) Publisher ad server; and 5) AOL relationship



Google

DoubleClick^{Click}

Strategic Opportunities

March 15, 2007



- Corporate Overview
 - Core Businesses
 - Summary Financials
- Product Overview
 - Customer Value Chain
 - Sell Side Product Suite
 - Buy Side Product Suite
 - DoubleClick Marketplace (Ad Exchange)
- Strategic Opportunities Discussion



Corporate Overview

- **Divested non-core assets**
 - Marketing automation sold
 - Email sold
 - Abacus separated and then sold
- **Focus in 2006...**
 - Significantly enhanced the core operating system
 - Rebuilt the UI, workflow and underlying architecture for DFP, DFA and DE
 - Built and launched DART Sales Manager
 - Acquired Falk
 - Substantially increased market share among agency holding companies
- **Identification of, and aggressive investment in, key adjacencies**
 - Rich Media and Video
 - Became the second largest player in the industry for rich media and video, starting from scratch; launched the Motif In-stream (video) business; acquired Klipmart; extended international reach through Tangozebra acquisition; and grew from 30 people to over 200
 - Paid Search: will Y! pull API, making Search less valuable, reducing integrated search/display, making DFA less valuable; so Atlas gains share – ask Thacker
 - Launched DART Search, and combined it with Performics Full Service offering
 - Roughly \$1 billion under management
 - Launched optimization business
 - Building an ad exchange seamlessly integrated with DART



- **Our Mission**

- DoubleClick provides the industry-standard and mission-critical suite of solutions that empowers the majority of agencies, publishers, and marketers around the world to optimize their revenue from all aspects of their digital advertising transactions.

3,000+ total clients

- 9 of Top 10 global agencies and brands
- 9 of Top 10 US, 8 of Top 10 European sites
- 35 of Top 50 web publishers

Nearly 18 billion ad impressions served daily (DART and DART Enterprise)

- 17 data centers around the world
- 300+ engineers developing ad management solutions
- 30+ product launches or major upgrades in 2006 (more than last 4 years combined)

1200 Employees in 17 countries

- Nearly tripled headcount since mid 2005
- Falk, Klipmart and Tangozebra acquisitions added technology / service expertise and increased global footprint

DoubleClick

Sell-Side

DART for Publishers

DART Enterprise

DART Motif for Publishers

DART Adapt

Buy-Side

DART for Advertisers

DART Search

DART Motif for Advertisers

Performics Search

Performics Affiliate



- Leading affiliate and search engine marketing company
- Largest US SEM
 - Offers paid placement, natural search optimization and data feed optimization services
 - Deep vertical expertise in retail, automotive and financial services
 - Significant breadth of service and strategy personnel
 - Proprietary industry research including the “Performics 50”
 - Converging Performics Full Service SEM business with DART Search to create a comprehensive set of search marketing solutions for clients
- One of the “Big Three” Affiliate Marketing Companies
 - Focused on large retailers and cataloguers
 - Competitive differentiators include: full-service account management, network quality, integrated search and affiliate platform and service offering



Pro Forma Revenue Projections – by Product

	2005	2006	2007
Buy Side	\$ 73.8	\$ 108.7	\$ 148.9
Y-O-Y Change		47%	37%
DFA	\$ 59.6	\$ 68.9	\$ 78.8
Y-O-Y Change		16%	14%
Motif	\$ 12.4	\$ 32.2	\$ 55.2
Y-O-Y Change		160%	71%
DART Search	\$ 1.8	\$ 7.6	\$ 14.9
Y-O-Y Change		310%	97%
Sell Side	\$ 86.3	\$ 105.8	\$ 125.5
Y-O-Y Change		23%	19%
DFF	\$ 77.2	\$ 94.2	\$ 108.3
Y-O-Y Change		22%	15%
DART Enterprise (DE)	\$ 9.0	\$ 11.4	\$ 13.9
Y-O-Y Change		26%	22%
Optimization	\$ -	\$ -	\$ 2.4
Y-O-Y Change			
Ad Exchange	\$ -	\$ -	\$ 0.8
Y-O-Y Change			
Ad Management	\$ 160.0	\$ 214.3	\$ 274.4
Y-O-Y Change		34%	28%
Performics	\$ 28.1	\$ 36.2	\$ 49.2
Y-O-Y Change		29%	36%
TOTAL	\$ 188.2	\$ 250.5	\$ 323.6
Y-O-Y Change		33%	29%

not for internal

2006 Budget	Var \$	Var %
\$ 91.3	\$ 17.4	19%
\$ 92.9	\$ 12.8	14%
\$ 184.3	\$ 30.0	16%
\$ 37.7	\$ (1.6)	-4%
\$ 222.0	\$ 28.5	13%

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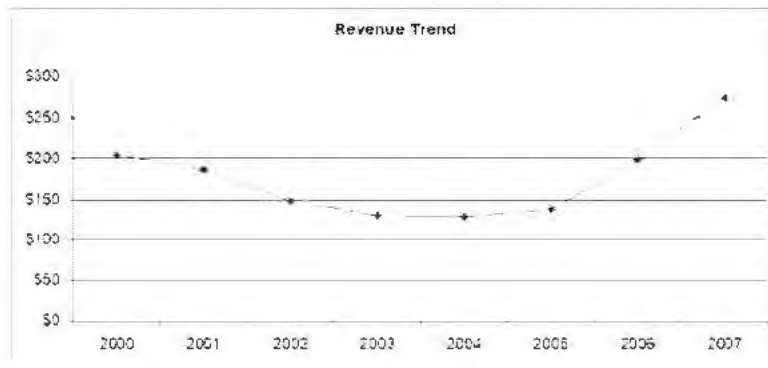


	2005	2006	2007
North America	\$ 137.1	\$ 184.7	\$ 242.4
<i>Y-O-Y Change</i>		35%	31%
International	\$ 51.1	\$ 65.7	\$ 81.2
<i>Y-O-Y Change</i>		29%	24%
TOTAL	\$ 188.2	\$ 250.5	\$ 323.6
<i>Y-O-Y Change</i>		33%	29%

Note:

Values in millions





Note:

Data is not pro forma

Total Company P&L – Pro Forma View

	2005	2006	2007
Revenue	\$ 188.2	\$ 250.5	\$ 323.6
COR	\$ 9.8	\$ 13.1	\$ 18.0
Gross Profit	\$ 178.6	\$ 237.3	\$ 307.7
<i>Gross Margin</i>	95%	95%	95%
Operating Expense	\$ 107.4	\$ 141.1	\$ 181.1
Sales & Marketing	\$ 30.4	\$ 53.6	\$ 70.9
Services	\$ 25.5	\$ 37.3	\$ 52.8
Engineering	\$ 37.9	\$ 41.4	\$ 56.8
Product Management	\$ 13.6	\$ 8.9	\$ 10.7
EBITDA - pre G&A	\$ 71.2	\$ 96.2	\$ 116.5
<i>EBITDA Margin</i>	38%	38%	36%
G&A	\$ 28.1	\$ 34.3	\$ 32.9
EBITDA - post G&A	\$ 43.1	\$ 61.9	\$ 83.7
<i>EBITDA Margin</i>	23%	25%	26%
<i>Note:</i>			
EBITDA - ex-Ad Exchange			\$ 89.7
Deprec & Amort	\$ 22.4	\$ 35.8	\$ 37.1

Notes: Excludes D&A

2007 includes the estimated full year impact of the acquisition of Tangozebra

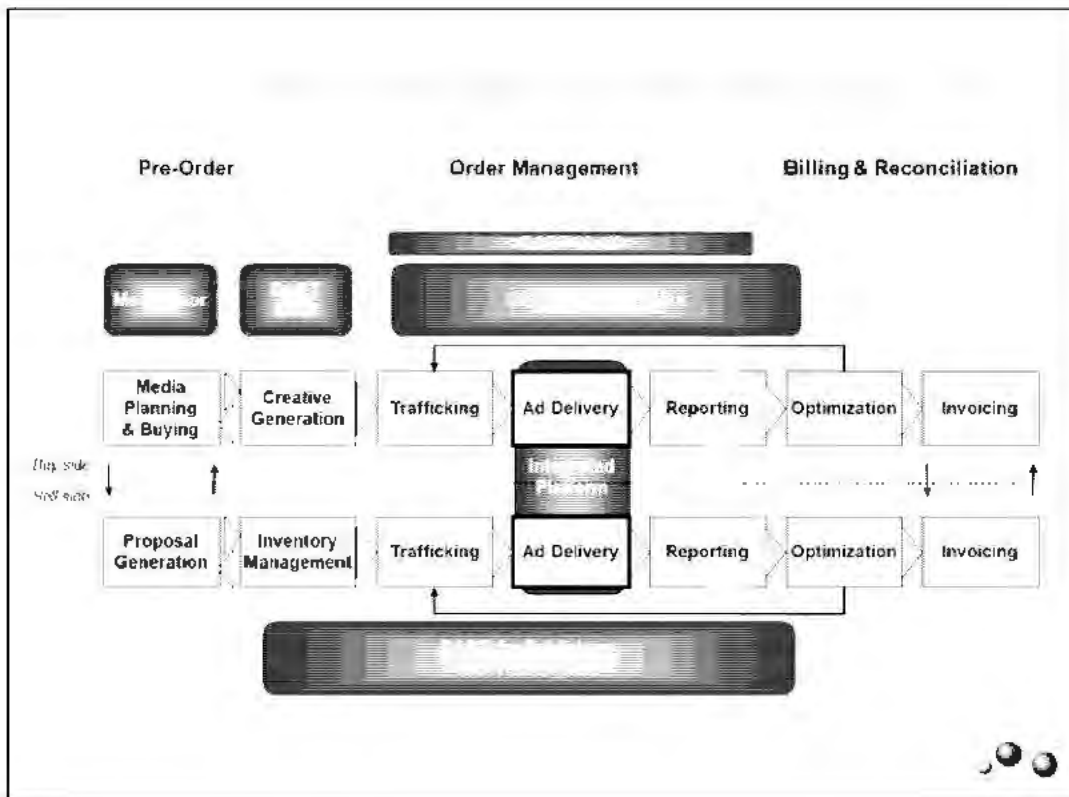
Values in millions

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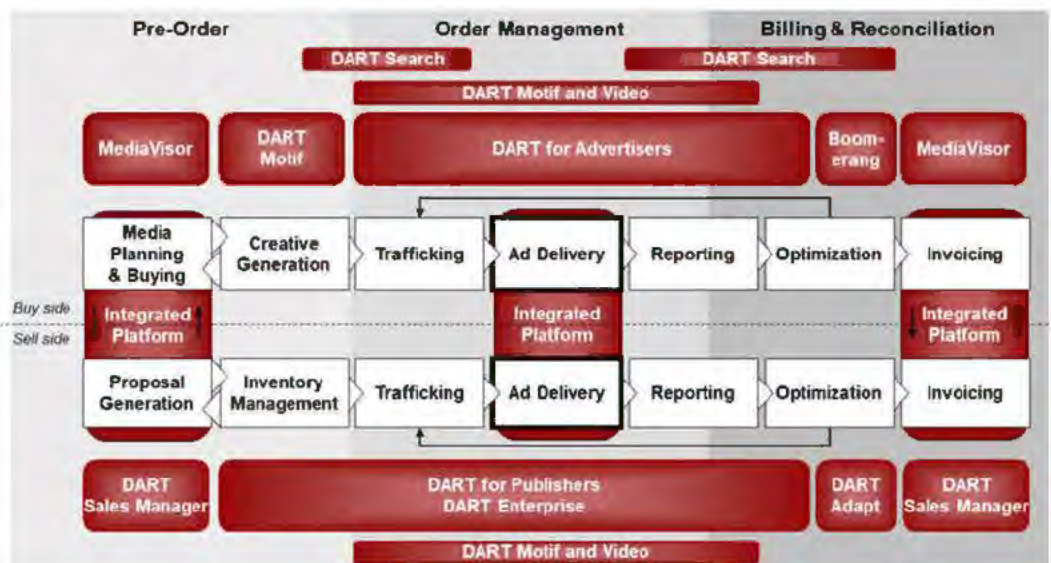
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Product Overview



How DoubleClick Serves the Value Chain - 06



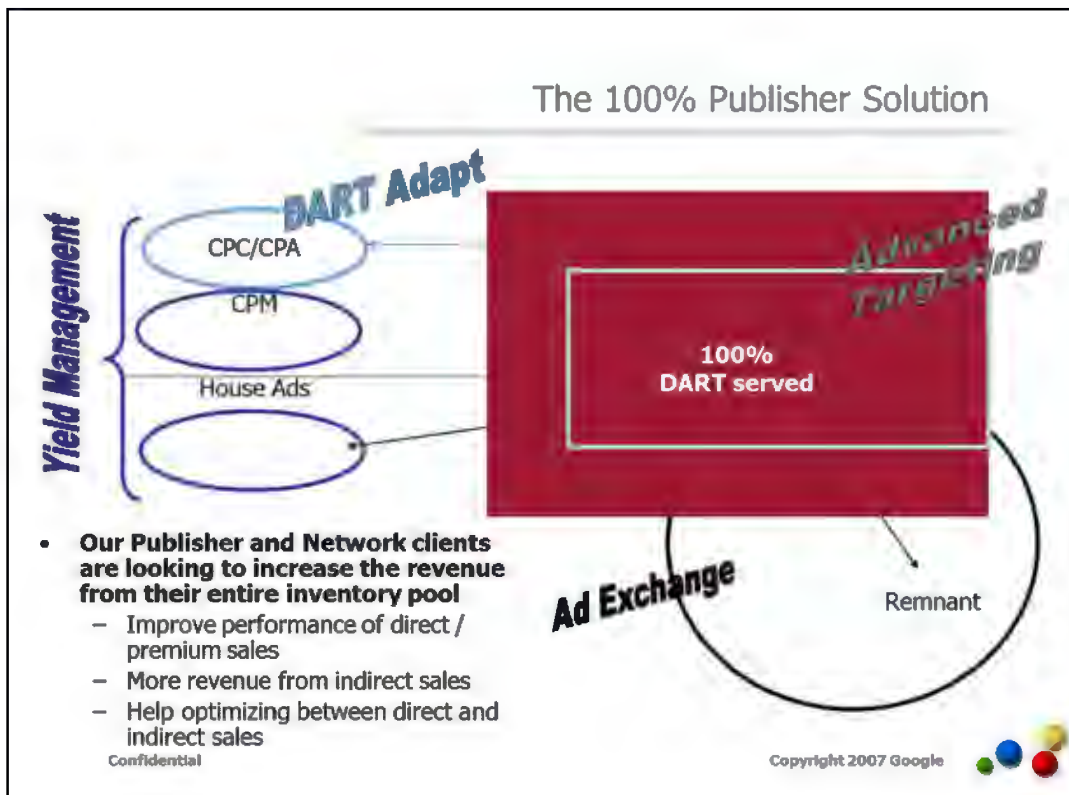
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Sell Side Product Suite



Note that one of the Remnant players could be Performics

- **DART for Publishers (DFP) – The Sell Side Operating System**
 - The ad delivery, inventory management, targeting and reporting tool for leading publishers.
- **DART Enterprise (DE) – Software version of DFP**
 - The enterprise software version of DFP serving the needs of some of the largest web publishers
- **DART Sales Manager (DSM) – Ad Sales & Operations Tool**
 - A web-based application built specifically for the online publisher market and designed to streamline the entire ad sales and operations process.
- **DART Adapt – Universal Optimization for Publishers**
 - A sophisticated optimization tool seamlessly integrated into DFP and is focused on delivering significant performance and yield (revenue) lift for publishers.
- **DART Motif – Publisher Rich Media & Video Solution**
 - Suite of publisher rich media and video tools, seamlessly integrated into DFP



- **DART for Publishers (DFP) – The Sell-side Operating System**

- DFP is the ad delivery, inventory management, targeting and reporting tool for leading publishers
- Due to its position as the operating system for ad sales, switching costs are very high
- For publishers it has grown from an ad operations workflow tool into a modularized tool focused on revenue generation – Sales Manager Module, Ad Ops Module and Network Manager Module. The 3 areas of focus for DFP are now:
 - Comprehensive revenue generation tool: Roadblocks, Flash-in-Flash, In-banner and In-stream Video integrated into DFP, DC Ad Exchange, etc.
 - Revenue based decision support: Availability Forecast (including major enhancements in 2007), Inventory Manager module, DART Adapt (Performance and Revenue Modules), Strategic Services
 - Process: core DFP, DART Sales Manager, Flexible Report Central Query Tool, etc.
- **Some sample initiatives in 2007 include:**
 - Completely revamped UI including streamlined and flexible workflow (customizable DFP Dashboard is the starting point)
 - DART for Networks: adding workflow, affiliate management, revenue sharing and specific optimization capabilities for very large networks with varying business models (arbitrage, rev share, differing inventory mixes, etc.)
- DART Enterprise is the enterprise software version of DFP serving the needs of some of the largest web publishers



- **DART Sales Manager (DSM)**

- A web-based application built specifically for the online publisher market and designed to streamline the entire ad sales and ad operations processes. By increasing efficiency, transparency and accuracy through superior sales process management, Sales Manager helps publishers sell more effectively.

- DSM dramatically increases switching costs for DFP customers.

- **Some sample initiatives in 2007 include:**

- Integration of DART Sales Manager and MediaVisor (a tool through which a vast portion of online media dollars flow) creates the DoubleClick Universal Order Exchange – a central platform for buying and selling premium / guaranteed / directly-sold inventory. This creates yet another integration point between the buy-side and sell-side, in addition to those that exist already such as single in-red (zero counting discrepancies).
- Further third-party integration (Salesforce.com and various other applications that publishers are requesting)
- One of the fastest growing products in DC history and a key component of the large synergy opportunities between DC and Google



- **DART Adapt – Universal Optimization for Publishers**

- DART Adapt is a sophisticated optimization tool integrated into DFP and is focused on delivering significant performance and yield (revenue) lift for publishers. It has two primary modules and consists of customized algorithms for every publisher client (created via a turn-key process);
 - Performance Module: maximizes clicks, conversions and activities for a publisher's advertiser clients by finding pockets of highest performance and biasing ad delivery to those criteria
 - Revenue Module: maximizes revenue via eCPM competition
- Launched in April 2006, 1000+ advertisers served, weighted average lift of greater than 40% - often more than 100%
- In head to head test with Atlas' P+ solution, DART Adapt outperformed by 125%
- Numerous initiatives planned in 2007 to grow this business and build on initial product success

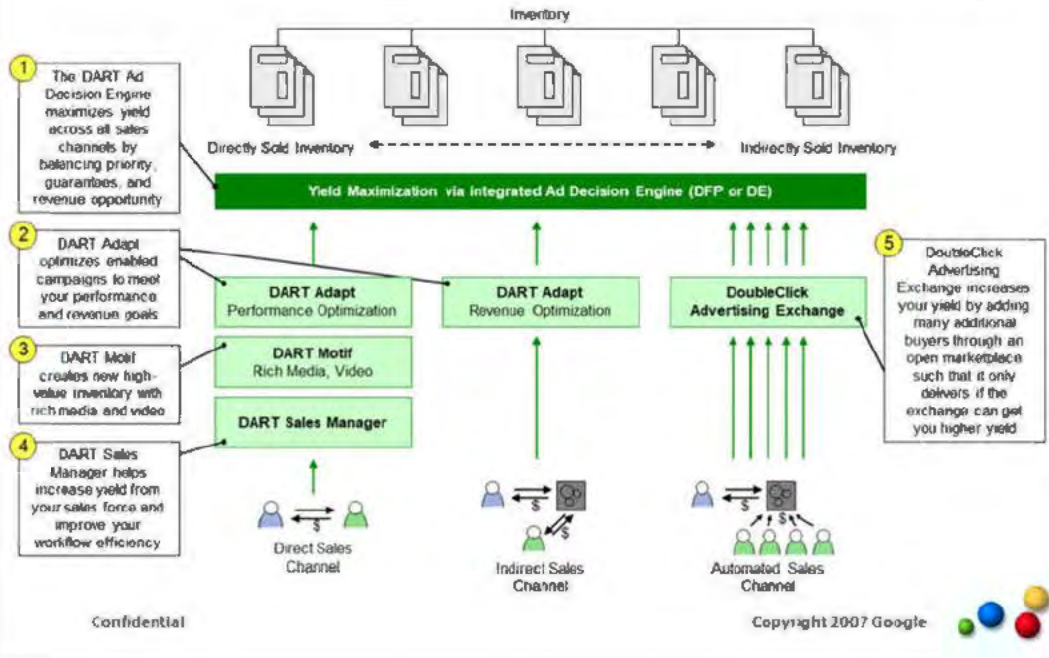


- **DART Motif – Publisher Rich Media and Video**

- The Motif suite of products are integrated into DFP. With regard to rich media & video, publishers care primarily about two things: support for the largest pool of creative formats (including new ones being developed every day) and tight integration with their core inventory management tool (DFP)
- Solutions include:
 - core DART Motif (comprehensive solution for rich media banner and in-banner video ads)
 - Motif in-stream (integrated streaming video advertising solution launched in late 2006). Signed 20 new clients in 2 months.
 - Flash-in-Flash (advertising solution that creates entirely new pools of super-premium inventory and is often sold in conjunction with the streaming video product to support innovative ad formats)
 - Comprehensive service offering including 20-person innovation lab that helps publishers generate significant streams of new revenue via creative services, new ad formats, etc.
- **Some sample 2007 initiatives include:**
 - True third-party service of video ads (due to unique position of owning the buy side and sell side ad serving platforms – DFA and DFP, both of which are integrated with Motif Video)
 - Live streaming ads



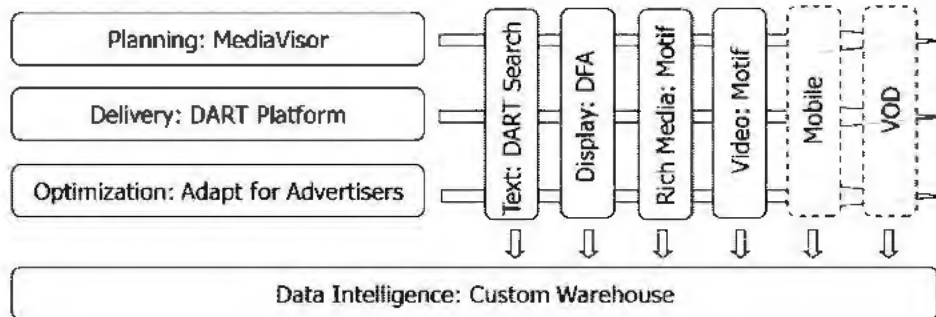
Increase Revenue through Multiple Channels





Buy Side Product Suite

- **The Unified Advertiser Suite:** A combined set of products built on a common platform, that agencies and marketers can utilize to holistically address all their digital marketing needs, across all channels and through every part of the workflow chain



- **DART for Advertisers (DFA) – The Buy Side Operating System**
 - The centralized planning, third-party ad serving, reporting and creative optimization solution for all major agency holding companies and the internet's leading advertisers (in the US as well as internationally)
- **MediaVisor – Online Media Planning Tool**
 - Online media planning tool that is integrated with DFA
- **DART Search – Paid Search Advertising Tool**
 - Paid search advertising tool that consists of three critical modules: bid optimization, comprehensive campaign and keyword management (via tight integration with primary engines), and de-duplicated reporting with DFA
- **DART Motif – Advertiser Rich Media**
 - Emerged as second largest rich media provider in 2006 after launching in early 2005
- **Advertiser Optimization**
 - Similar to the publisher side, DC has various advertiser optimization solutions including Boomerang and real-time, constraint-based creative optimization



- **DART for Advertisers (DFA) – The Buy-side Operating System**

- DFA is the centralized planning, third-party ad serving, reporting and creative optimization solution for all major agency holding companies and the internet's leading advertisers (in the US as well as internationally)

- **Some sample 2007 initiatives include:**

- Completely revamped UI including streamlined and flexible workflow
- Overhauled architecture for increased application flexibility and rapid customization (many DFA instances at clients are highly customized creating increased value for advertisers and making DC a very "sticky" solution)
- Data Warehousing and Analytics Solution
 - DC is building data warehousing and analytics solutions, in response to increased demand for custom data solutions (often at the holding company level). Such solutions will allow marketers to measure and act on data across all channels: search, display, rich media, video, site analytics, offline, etc.



- **MediaVisor**

- Online media planning tool that is integrated with DFA
 - Represents a very large portion of all online media dollars, since the majority of large agencies and advertisers use it as their primary workflow application and tool of record (which is why DFA is such a sticky solution at the holding company level)
 - Large built in site directory, which is customizable by the client
 - Used as a tool to help advertisers make better decisions about which sites to buy on. For example, integration with DART Adapt informs which publishers are using that optimization tool and therefore which sites an advertisers should buy media on to get better performance for their campaigns
- Integrated with DART Sales Manager. Due to very high demand by advertisers, focused on making that integration even tighter in 2007



- **DART Search**

- Paid search advertising tool that consists of three critical modules: bid optimization, comprehensive campaign and keyword management (via tight integration with primary engines), and de-duplicated reporting with DFA
- Built off of core DART platform to deeply integrate with DFA. Performics SEM drives innovation as a leading buyer of search media (roughly \$1 billion of paid search flows through the system)

- **Some sample 2007 initiatives include:**

- Even tighter integration with DFA including concepts like exposure / influencer reporting: how much did display campaigns influence search conversions and vice-versa
- Comprehensive Natural Search Optimization offerings
- Take advantage of other DC tools to help buyers make even better allocation decisions among the major search portals (beyond simple bid optimization which is the industry standard today)
- Integrated DART Search offering and the Performics Full Service offering to create DART Search strategic consulting packages that help clients manage their search dollars and make the best buying decisions



- **DART Motif – Advertiser Rich Media**

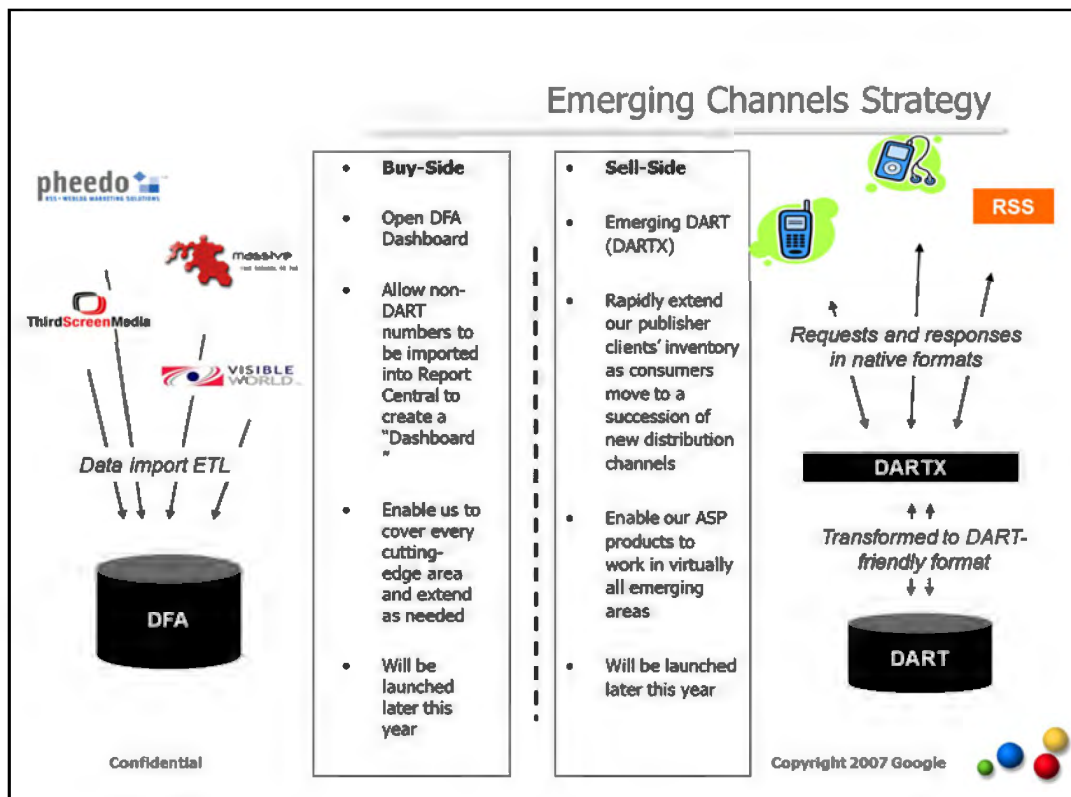
- Emerged as second largest rich media provider in 2006. Two acquisitions: US – Klipmart, EMEA – Tangozebra
- Similar to all other buy-side products, completely integrated into DFA
- Support for rich media banners, in-banner video (particular strength in Autos and Entertainment where the vast majority of rich media dollars will be spent), and streaming video advertising
- Large innovation lab focused on developing the most innovative creative concepts and ad campaigns for clients (eg, live streaming ads for major movie launches in NY Times, video ad cube, etc.)
- **Some sample 2007 initiatives include:**
 - Flashlight: Similar to DC's Spotlight conversion tracking tool. Extends conversion attribution from just impressions and clicks to all rich media interactions. DC uniquely positioned to offer this due to ownership of the core advertising platform DFA. No point player will be able to offer this capability.



- **Advertiser Optimization**

- Similar to the publisher side, DC has various advertiser optimization solutions including Boomerang and real-time, constraint-based creative optimization
- Boomerang is a behavioral retargeting tool used to find and advertise to categories of users with a high potential to convert, such as people that dropped shopping carts, in-market car buyers (for auto advertisers), etc.
- Some sample 2007 initiatives:
 - Building on creative optimization to deliver more sophisticated offer optimization to clients (including landing page, etc.)
 - Media Optimization: Within MediaVisor, provide recommendations on which media property an advertisers should bias spending to based on a flexible set of criteria (market coverage, performance, etc.)
 - The end vision is true Portfolio Optimization (how much spending on search vs. display vs. mobile vs. video) and after that decision -- to which properties should that spending be allocated. This is based on the unified pool of data that exists because all of these advertising tools (DFA, DART Search, Motif, etc.) are built on the core DART platform.





How does it tie to the revenue generation theme

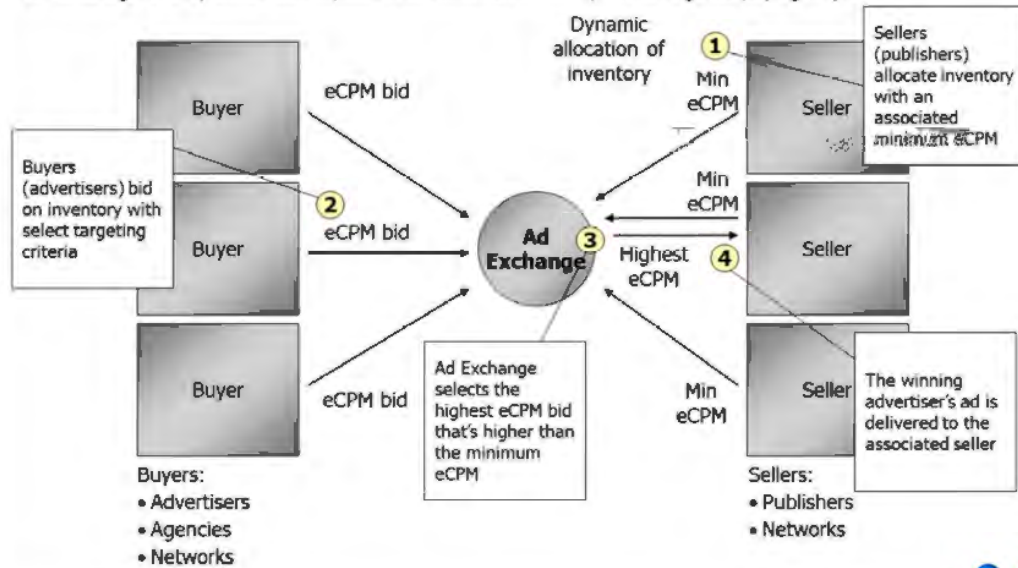
The logo consists of a central green horizontal band with the text "DoubleClick Marketplace (Ad Exchange)" in white. This band is flanked by two larger blue horizontal bands, all enclosed within a thin black rectangular border.

DoubleClick Marketplace

(Ad Exchange)

DoubleClick Marketplace – Ad Exchange

Ad Exchange is a dynamic marketplace that matches inventory to the highest paying buyer



Any questions?

DoubleClick Competitive Advantages

- DoubleClick owns the primary ad management platform - enables dynamic allocation across direct and indirect channels and advanced targeting
- DoubleClick has a significant installed base of customers for which Ad Exchange is an attractive value proposition
- DoubleClick's reputation and history provides comfort to customers looking for a solution

Customer Segment	DoubleClick Offering	Unique Value Proposition
Sellers	<ul style="list-style-type: none"> Publicly or privately offer inventory to advertisers for auction (with a minimum CPM) from a single, integrated tool 	<ul style="list-style-type: none"> Dynamic allocation to marketplace vs. direct sales Integration with DFP Integration with DE Participating media spend (I.e., buying community)
Buyers	<ul style="list-style-type: none"> Publicly or privately bid on multiple publishers' / networks' inventory with a single tool according to advertiser's own targeting parameters 	<ul style="list-style-type: none"> Ability to "cherry-pick" inventory without implications of pass-back More targeting granularity by which to segment bid value (e.g., boomerang) Integration with DFA Participating inventory ROI based bid management (Phase II)

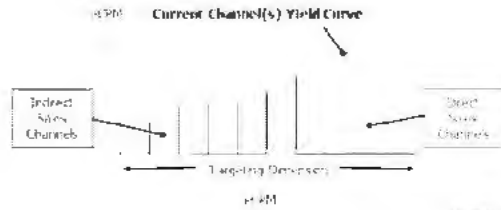
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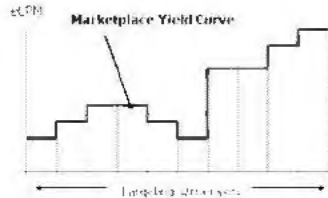


Example 1: Targeted Yield

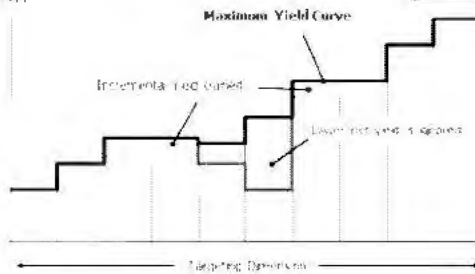
- Through differential pricing, yield management and bundling strategies, the best price for each piece of inventory is imputed with advertisers by the direct sales team.
- This results in a direct sales team yield curve for each targeting dimension.



- Then, on the marketplace, each piece of inventory is auctioned on all dimensions, allowing advertisers to place a value for every targeting dimension.
- This results in a marketplace yield curve for each targeting dimension.



- After using the marketplace combination with DSP or DFP, the publisher's demand is dynamic, and the marketplace may offer the publisher price is higher than that achieved by the direct sales team's DSP or DFP.
- The result is that the yield curve achieved is the maximum of the two previous yield curves.





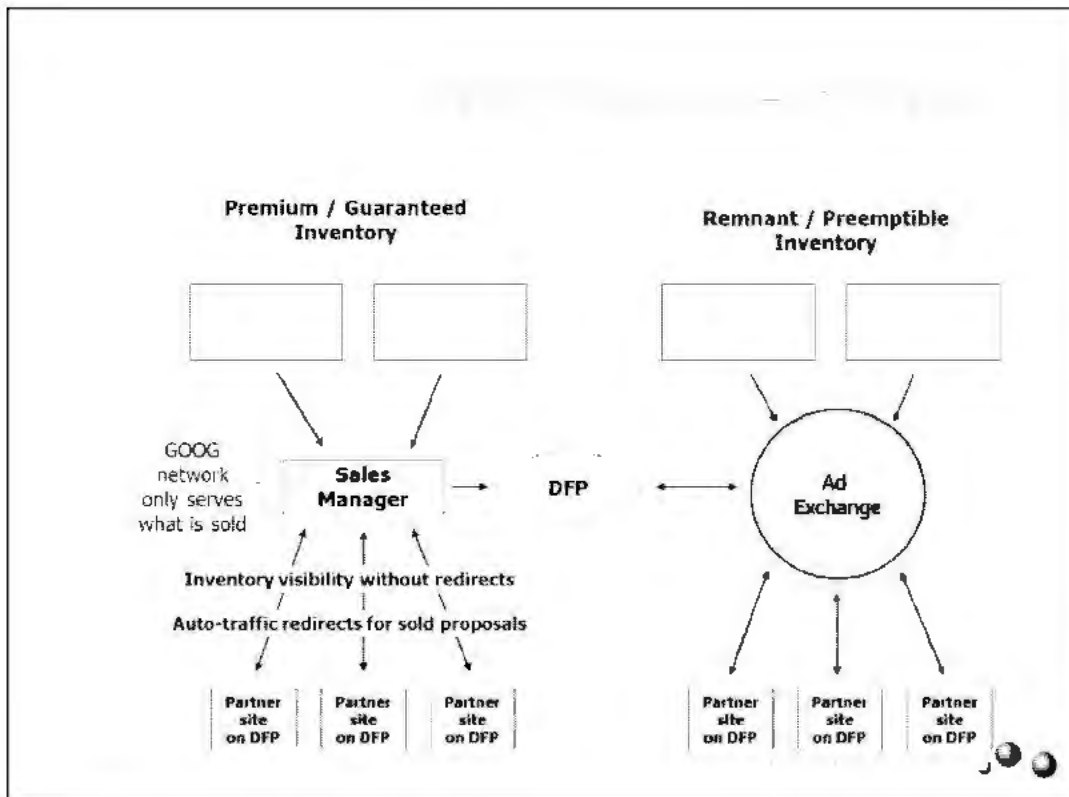
Strategic Opportunities

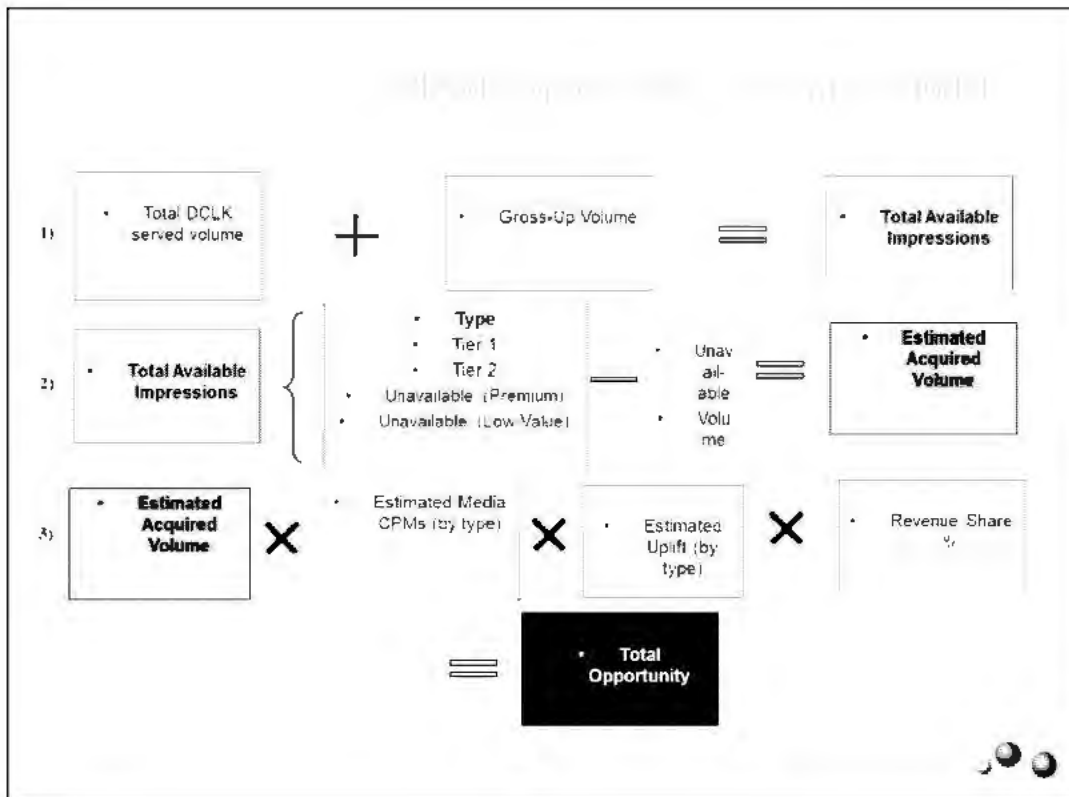
Summary of Value Proposition

1. Sell Side
 - ❖ Value created by applying publisher network assets to DoubleClick controlled inventory
 - Most strategic and time-sensitive opportunity
2. Buy Side
 - ❖ Value created by owning the primary ad planning and delivery tool:
 - From increasing the value of publisher network inventory by selling retargeting lists to DFA advertisers
3. Other Opportunities to a Publisher Network
 - ❖ DART Adapt lift applied to all publisher network impressions
 - DART Adapt produced average lift of 40% against control group
 - Used with 45 billion impressions and 1000+ advertisers
 - ❖ Paid search media spend shift from competitive properties due to yield-based competition of text ads in DC marketplace
 - ❖ Potential for display media spending shift from other properties through DFA relationships and technology integration
 - ❖ There are numerous other potential areas for synergies through technology integration, sales bundling, etc.
 - ❖ Integration with various Google capabilities like Google Analytics to further fill out the product suite

Winning the Battle of the Big Four

- To grow at the rate of the market or faster the Big Four must sell off-network inventory
- In the end, the winner will be the company with the largest pool of liquidity
 - Network effects (how many eBays are there?)
 - The power of data and targeting
 - Amortizing a national sales force, customer relationships, etc.
- How does one build the largest pool of liquid inventory
 - Become the primary ad server to get a "first look"
 - Allow for open flow of inventory and data
 - Must have a solution for all types of inventory (guaranteed, remnant, etc.)
- The race to the finish line is already well under way...
 - Google and DFP + AdSense
 - Yahoo and YFP + Newspaper Consortium + RightMedia
 - AOL + Ad.com + DFP / DC Ad Exchange
 - MSN and MS AdCenter (combination MFP and MFA)





DoubleClick – Google Synergy Model

	DPP	DE	Affiliate	TOTAL
Daily Imps - DCLH Served	7.0	7.0	0.0	14.0
Gross up Rate	42%	0%	0%	
Gross up Imps	3.0	0.0	2.0	5.0
Total Estimated Imps	10.0	7.0	2.0	19.0
Estimate of Unavailable				
Tier 1 - Premium	(3.0)	-		(3.0)
Tier 2 - Low Value	(2.0)	(1.0)		(3.0)
MySpace	-	(3.0)		(3.0)
Total Unavailable	-5.0	-4.0	0.0	-9.0
Total Available	5.0	3.0	2.0	10.0
Tier 1	33%	32%	0%	
Tier 2	65%	23%	100%	
Tier 3 (MySpace)	0%	0%	0%	
Total Available	100%	100%	100%	
Tier 1	1.8	0.4	-	2.1
Tier 2	3.3	0.7	2.0	5.9
Tier 3 (MySpace)	-	2.0	-	2.0
Total Available	5.0	3.0	2.0	10.0
Media CPMs				
Tier 1	\$ 6.00	\$ 6.00	\$ 6.00	
Tier 2	\$ 0.10	\$ 0.10	\$ 0.60	
Tier 3 (MySpace)	\$ -	\$ 0.10	\$ -	
Publisher Network Lift				
Tier 1	1.5	1.5	1.5	
Tier 2	3	3	3	
Tier 3 (MySpace)	-	3	-	3
Total Value				
Daily Value - Tier 1	\$ 16,750,000	\$ 3,340,000	\$ -	\$ 18,090,000
Daily Value - Tier 2	\$ 4,875,000	\$ 1,035,000	\$ 3,000,000	\$ 8,910,000
Tier 3 (MySpace)	\$ -	\$ 585,000	\$ -	\$ 585,000
TOTAL Daily Value	\$ 20,625,000	\$ 4,960,000	\$ 3,000,000	\$ 28,585,000
Pub Rev Share %	25%	25%	25%	
Daily Revenue (millions)	\$ 5.2	\$ 1.2	\$ 0.8	\$ 7.1
Annual Revenue (millions)	\$ 1,892	\$ 453	\$ 274	\$ 2,619

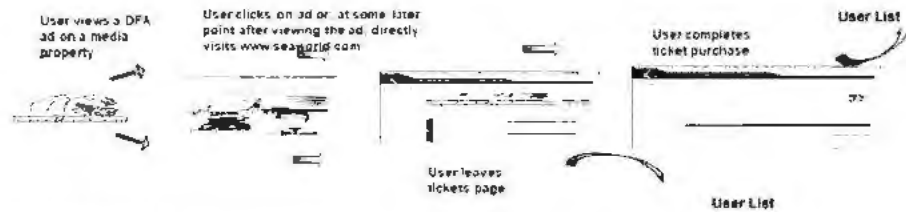
Total Estimated
Annual Revenue
Opportunity (post
TAC) = \$2.6B

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DFA and Boomerang work together to create a list of desirable consumers



In today's world...

As a result of using DFA and Boomerang, many big media buyers will have large lists of desirable users but no single publisher can provide enough reach to reliably target everyone on these lists

Because behavioral retargeting drives conversions, advertisers would be willing to pay significantly higher CPMs if they could effectively retarget the people on these lists

A few large publisher networks have extensive reach in the industry but no integration with DFA.

Without the integration they cannot sell the ability to retarget these desirable users to many large advertisers that use DFA

The publisher networks are forced to sell Run of Network inventory at potentially much lower CPMs than would be possible with DFA integration



Revenue Opportunity – Buy Side

In a world where DoubleClick and Publisher Network came together...

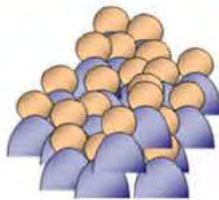
The technology barrier between DFA and the publisher network would disappear...



... and therefore Publisher Network could then offer the ability to retarget desirable users to all DFA advertisers

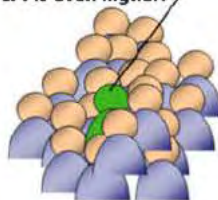
Resulting in a significant increase in the value of the publisher inventory...

RON inventory has low value without the ability to sell access to desirable users for retargeting purposes



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Advertisers will pay significantly more for the ability to retarget a desirable user. Since DFA has many advertisers in the same industry, they would compete for the same user thus driving up CPMs even higher.



Since DFA has many advertisers across multiple industries, their lists of desired users are all different. Therefore millions of users could be retargeted across the publisher network resulting in higher CPMs across the entire pool of otherwise low value inventory.



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Project Liberty Revisited

EMG Deal Review

Dated: 5/19/2007



Situation Overview

- Liberty's investors (Hellman Friedman) was preparing to IPO the company when they (supposedly) received a verbal offer (we hear MSFT)
- Now shopping the company to Google, maybe others
- We met with Liberty management in NYC on Thurs
- Current verbal offer is at least \$2B, according to their bankers
- Our bankers think IPO value is \$1.6-1.9B; lower once the market is aware of GFA/GFP
- Hellman Friedman wants offers by end of this week
- **Summary points:**
 - **GFA has little chance to succeed if MS buys Liberty, impairing our chance to build a display ad business (unless we accept 3P ad tags)**
 - **Liberty's publisher ad server would enable MSFT to quickly scale its ad network, intensifying competition for AFC**



Publisher Side

DART for Publishers

- Footprint: 9 of Top 10 US & 8 of Top 10 European sites (60% share)
- 7B impressions/day; 75% US/25% Int'l
- Dart Adapt inventory optimization package. Increases eCPM for publisher 40% on average.
- Sales Manager: RFP & I/O workflow tools
- Motif: Rich media solution for publishers
- AOL: runs ad sales & operations on customized DFP platform

DART Enterprise

- Enterprise software version of DFP for large web publishers
- 7B daily impressions

Ad Exchange

- Ad Exchange is a dynamic marketplace that matches publisher inventory to the highest paying buyer (similar to Right Media)

Advertiser Side

DART for Advertisers

- Footprint: contracts with 9 of Top 10 global agencies (~50% share)
- Impressions: 3B impressions/day; 75% US/25% Int'l
- Rich Media: #2 rich media vendor (Motif+Klipmart+TangoZebra)
- MediaVisor: integrated media planning tool
- Vision: same as CMO Dashboard

DART Search

- Cross-network bid optimization, campaign and keyword management

Performics

- Service platform -- Largest US SEO
- Paid placement, natural search optimization and data feed optimization services



Changes at Liberty since buyout

- 1,200 employees in 17 countries (tripled since mid '05)
 - 375 eng (275 in NYC and Chicago + 100 contractors in India)
 - 200 sales
 - 350 customer service/support
 - 275 G&A
- Divested non-core assets
 - Email (\$90mn)
 - Abacus separated and then sold (\$435mn)
 - Marketing automation (price n/a)
- Made three acquisitions
 - Falk: #2 publisher ad server in Europe
 - Klipmart: top 2 video ad server
 - TangoZebra: top European rich media ad server
- Investment in core platform and key adjacencies
 - Became the second largest player for rich media and video (Motif, Klipmart and Tangozebra)
 - Launched DART Search, combined with Performics (\$1 billion under management)
 - Building an ad exchange seamlessly integrated with DART (similar to Right Media)
 - Built and launched DART Sales Manager



What if MSFT acquires Liberty?

The MSFT/Y! Perspective

- Need access to DFP's "available" inventory to build ad network
- Assume they'll make the ad server free to access remnant inventory
- 2-4B daily ad slots could become available to MSN (vs. 7B AFC ad slots today)
- **KEY QUESTION: Why is inventory available? Why hasn't Liberty attempted to monetize?**
- **RISK: MSN will become more competitive with AFC by scaling their network**

Implications for Google

- Acquisition by MSFT will make it challenging for GFA and GFP to get traction
 - DFA/DFP will likely be made free and improved (similar to our strategy)
 - Reduces incentive for current customers to switch to GFP/GAM
- Lowers incentive for agencies to push MSN/Y! to accept GFA ad tags
- **RISK: GFP/GAM market traction significantly impaired**



Strategic Rationale

DFA: Agency Ad Server ("Buyside")

- Improves brand ad business: **support 3P ad tags** and create **more visibility for AFC** publishers/inventory via planning tools
 - DFA has ~50% share of 3PA serving (slightly higher than Atlas)
- Buying a large footprint **reduces execution risks** for organic efforts (GFA)
 - Reduces barriers to adoption for advertiser/agencies
 - Lowers risk that Y! and/or MSN don't accept our tags

DFP: Publisher Ad Server ("Sellside")

- Access to potential **2B incremental AFC impressions** per day
- Buying a large footprint **reduces execution risks** for organic efforts (GFP)
 - DFP has 60% share of publisher ad serving market
 - Reduces barriers to adoption for publishers
- **Deepen relationship with AOL**; DFP deeply integrated with properties and sales org



- **\$2B+ competitive offer**
- Expect MSFT to bid aggressively
- We value financial benefits at **\$1.5-2.2B NPV**
 - **\$900M-1.4B NPV:** Improvements to brand ad business via DFA
 - **\$1.5-2.2B NPV:** Access to incremental AFC inventory via DFP
 - **Negative \$900M-1.4B NPV:** Supporting Liberty operations
 - Free ad serving after two years
 - Reduce headcount to 800 from 1200
- Strategic value of eliminating a key risk to AFC

- **RECOMMENDATION:** Aggressively pursue acquisition. How high are we willing to go?



Liberty Operational Model

Organizational Structure

- Liberty separate operating & legal entity. No Googlification.
- David R & other senior managers run existing business to rev and margin goals
- Down size Liberty as GFA/GFP take over footprint→move to Google product in 2 years
- Single sales team

Ownership

	GFA	GFP	Dart Search	Existing Liberty Business
Google Lead	Alex	Gokul	Richard	David R (reports to Tim)
Objective	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate customer base to GFA over 2 yrs	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate customer base to GFP over 2 yrs	<ul style="list-style-type: none">• Take best Liberty engineers and make Google employees• Migrate product to Google product	<ul style="list-style-type: none">• Keep existing eng resources that don't get hired by GFA/P teams• Maintain customer satisfaction



Open Operating/Integration Issues

- Management and incentives
- DFA/P vs GFA/P product development and migration plans
- Employee layoffs
- Product pricing
- Liberty vs Google Branding
- Sell Performics. Owning them creates conflicts (SEO, x-network campaign management)



APPENDIX



Key Risks

- Is DFA sticky enough to maintain share if we swap in per-advertiser cookies?
- How significant are the costs of distracting management and product/eng leaders with integration and ongoing platform migration?



Why Liberty vs. Madison?

DoubleClick

atlas

Footprint:

- **40-50% share** on advertiser side; currently **maintaining ground**
 - Strong presence with **larger agencies**
 - International = ~25% of revenues
 - 80% share in Europe
- **40% share for publisher** ad server, incl. **AOL**
 - Accelerates GAM deployment
 - Potential 10B incremental AFC impressions/mo
 - Falk acquisition strengthened EU positionh

- **40-45% share** on advertiser side; currently **gaining ground**
 - International = ~25% of revenues; concentrated in UK (40-45% share)
- **Lock-in with Avenue A** (#1 interactive agency)

Product:

- Both **publisher and advertiser-facing**
- **Strong rich media** offering
- **Video capabilities** via Klipmart acquisition

- **Advertiser-facing only**
- Better reputation for **product upgrades, R&D**
- Atlas **Rich Media** has limited traction

Team:

- **Weak eng team**
- Resource **drag from AOL** support?
- **Strong CEO** willing to run the business unit

- **Eng not Google caliber** (but better than DCLK)
- **Better cultural fit** / more innovative
- **Weaker GM** / business leadership

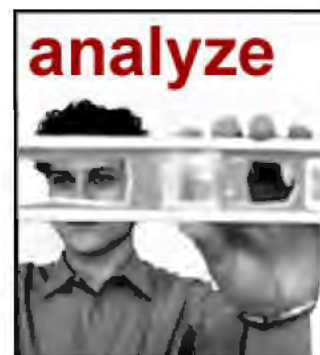
Deal:

- Estimated cost of **\$2B+**

- Estimated cost of **\$1.5B+** for Atlas
- AQNT willing to **carve out Atlas** (as of Dec)



For a lower cost, DCLK offers: 1) Larger footprint with large agencies; 2) Stronger int'l presence; 3) More widely used rich media; 4) Publisher ad server; and 5) AOL relationship



Google™

DoubleClick

Strategic Opportunities

March 15, 2007



DoubleClick Overview Agenda

- Corporate Overview
 - Core Businesses
 - Summary Financials
- Product Overview
 - Customer Value Chain
 - Sell Side Product Suite
 - Buy Side Product Suite
 - DoubleClick Marketplace (Ad Exchange)
- Strategic Opportunities Discussion



Corporate Overview

What Has Changed Since the Buyout?

- **Divested non-core assets**
 - Marketing automation sold
 - Email sold
 - Abacus separated and then sold
- **Focus in 2006...**
 - Significantly enhanced the core operating system
 - Rebuilt the UI, workflow and underlying architecture for DFP, DFA and DE
 - Built and launched DART Sales Manager
 - Acquired Falk
 - Substantially increased market share among agency holding companies
- **Identification of, and aggressive investment in, key adjacencies**
 - Rich Media and Video
 - Became the second largest player in the industry for rich media and video, starting from scratch; launched the Motif In-stream (video) business; acquired Klipmart; extended international reach through Tangozebra acquisition; and grew from 30 people to over 200
 - Paid Search: will Y! pull API, making Search less valuable, reducing integrated search/display, making DFA less valuable; so Atlas gains share – ask Thacker
 - Launched DART Search, and combined it with Performics Full Service offering
 - Roughly \$1 billion under management
 - Launched optimization business
 - Building an ad exchange seamlessly integrated with DART



DoubleClick – A Quick Profile

- **Our Mission**

- DoubleClick provides the industry-standard and mission-critical suite of solutions that empowers the majority of agencies, publishers, and marketers around the world to optimize their revenue from all aspects of their digital advertising transactions.

3,000+ total clients

- 9 of Top 10 global agencies and brands
- 9 of Top 10 US, 8 of Top 10 European sites
- 35 of Top 50 web publishers

Nearly 18 billion ad impressions served daily (DART and DART Enterprise)

- 17 data centers around the world
- 300+ engineers developing ad management solutions
- 30+ product launches or major upgrades in 2006 (more than last 4 years combined)

1200 Employees in 17 countries

- Nearly tripled headcount since mid 2005
- Falk, Klipmart and Tangozebra acquisitions added technology / service expertise and increased global footprint



Sell-Side

DART for Publishers

DART Enterprise

DART Motif for Publishers

DART Adapt

Buy-Side

DART for Advertisers

DART Search

DART Motif for Advertisers

Performics Search

Performics Affiliate



Performics – A Division of DoubleClick

- Leading affiliate and search engine marketing company
- Largest US SEM
 - Offers paid placement, natural search optimization and data feed optimization services
 - Deep vertical expertise in retail, automotive and financial services
 - Significant breadth of service and strategy personnel
 - Proprietary industry research including the “Performics 50”
 - Converging Performics Full Service SEM business with DART Search to create a comprehensive set of search marketing solutions for clients
- One of the “Big Three” Affiliate Marketing Companies
 - Focused on large retailers and cataloguers
 - Competitive differentiators include: full-service account management, network quality, integrated search and affiliate platform and service offering



Pro Forma Revenue Projections – by Product

	2005	2006	2007
Buy Side	\$ 73.8	\$ 108.7	\$ 148.9
Y-O-Y Change		47%	37%
DFA	\$ 59.6	\$ 68.9	\$ 78.8
Y-O-Y Change		16%	14%
Motif	\$ 12.4	\$ 32.2	\$ 55.2
Y-O-Y Change		160%	71%
DART Search	\$ 1.8	\$ 7.6	\$ 14.9
Y-O-Y Change		315%	97%
Sell Side	\$ 86.3	\$ 105.6	\$ 125.5
Y-O-Y Change		22%	19%
DFP	\$ 77.2	\$ 94.2	\$ 108.3
Y-O-Y Change		22%	15%
DART Enterprise (DE)	\$ 9.0	\$ 11.4	\$ 13.9
Y-O-Y Change		26%	22%
Optimization	\$ -	\$ -	\$ 2.4
Y-O-Y Change			
Ad Exchange	\$ -	\$ -	\$ 0.8
Y-O-Y Change			
Ad Management	\$ 160.0	\$ 214.3	\$ 274.4
Y-O-Y Change		34%	28%
Performics	\$ 28.1	\$ 36.2	\$ 49.2
Y-O-Y Change		29%	36%
TOTAL	\$ 188.2	\$ 250.5	\$ 323.6
Y-O-Y Change		33%	29%

2006 Budget	Var \$	Var %
\$ 91.3	\$ 17.4	19%
\$ 92.9	\$ 12.6	14%
\$ 184.3	\$ 30.0	16%
\$ 37.7	\$ (1.6)	-4%
\$ 222.0	\$ 28.5	13%



Pro Forma Revenue Projections – by Region

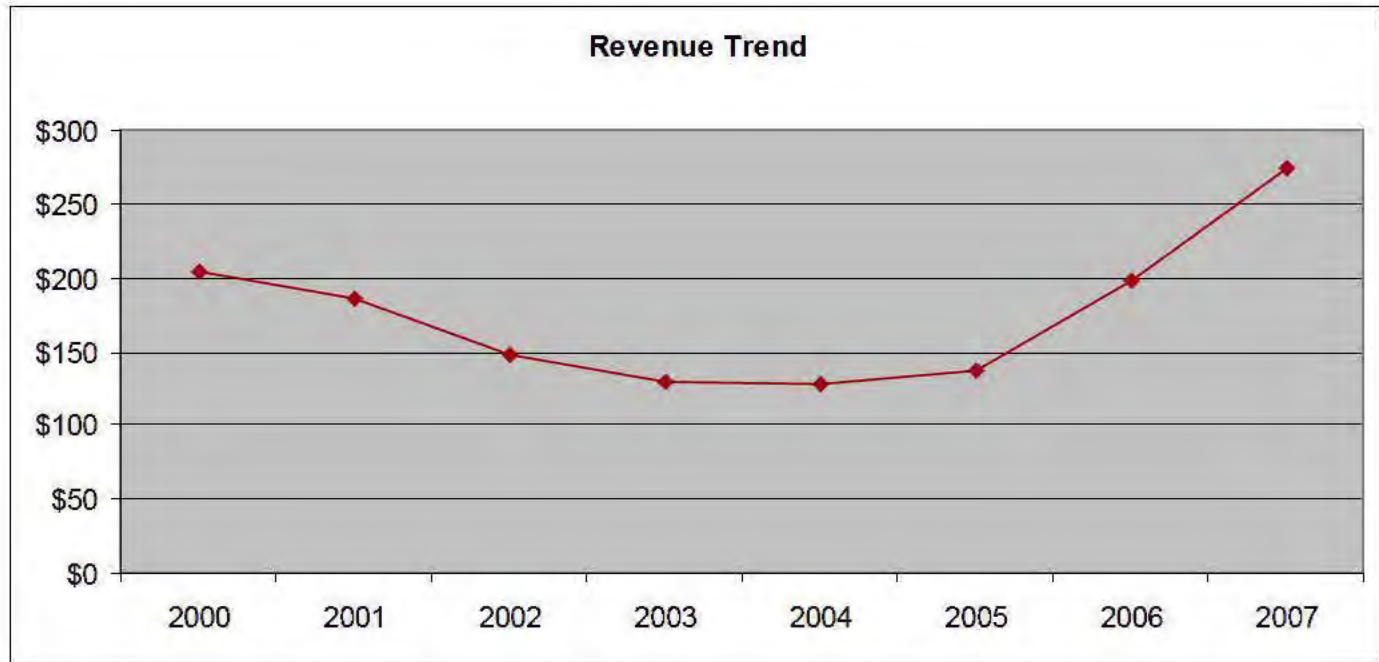
	2005	2006	2007
North America	\$ 137.1	\$ 184.7	\$ 242.4
<i>Y-O-Y Change</i>		35%	31%
International	\$ 51.1	\$ 65.7	\$ 81.2
<i>Y-O-Y Change</i>		29%	24%
TOTAL	\$ 188.2	\$ 250.5	\$ 323.6
<i>Y-O-Y Change</i>		33%	29%

Note:

Values in millions



Ad Management Revenue Trend



Note:

Data is not pro forma

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Total Company P&L – Pro Forma View

	2005	2006	2007
Revenue	\$ 188.2	\$ 250.5	\$ 323.6
COR	\$ 9.6	\$ 13.1	\$ 16.0
Gross Profit	\$ 178.6	\$ 237.3	\$ 307.7
<i>Gross Margin</i>	95%	95%	95%
Operating Expense	\$ 107.4	\$ 141.1	\$ 191.1
Sales & Marketing	\$ 38.4	\$ 53.6	\$ 70.9
Services	\$ 25.5	\$ 37.3	\$ 52.8
Engineering	\$ 37.9	\$ 41.4	\$ 56.8
Product Management	\$ 5.6	\$ 8.9	\$ 10.7
EBITDA - pre G&A	\$ 71.2	\$ 96.2	\$ 116.5
<i>EBITDA Margin</i>	38%	38%	36%
G&A	\$ 28.1	\$ 34.3	\$ 32.9
EBITDA - post G&A	\$ 43.1	\$ 61.9	\$ 83.7
<i>EBITDA Margin</i>	23%	25%	26%
<i>Note:</i>			
EBITDA - ex-Ad Exchange			\$ 89.7
Depr & Amort	\$ 22.4	\$ 35.8	\$ 37.1

Notes: Excludes D&A

2007 includes the estimated full year impact of the acquisition of Tangozebra.

Values in millions



Product Overview

How DoubleClick Serves the Value Chain - 05

Pre-Order

MediaVisor

DART
Motif

Media
Planning
& Buying

Creative
Generation

Trafficking

Ad Delivery

Reporting

Optimization

Invoicing

Buy side
Sell side

Proposal
Generation

Inventory
Management

Trafficking

Ad Delivery

Reporting

Optimization

Invoicing

DART for Publishers
DART Enterprise

Order Management

DART Motif

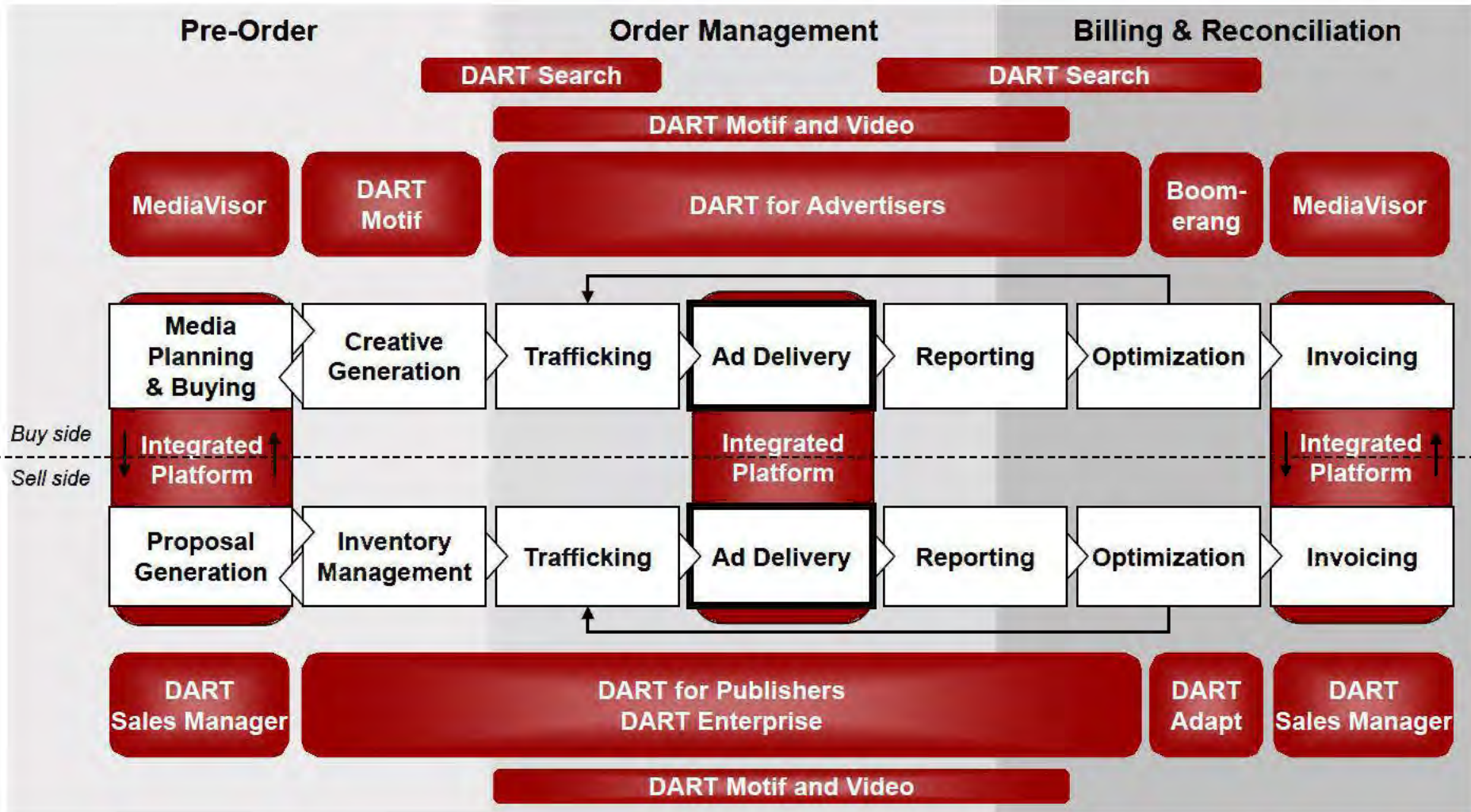
DART for Advertisers

Integrated
Platform

Billing & Reconciliation

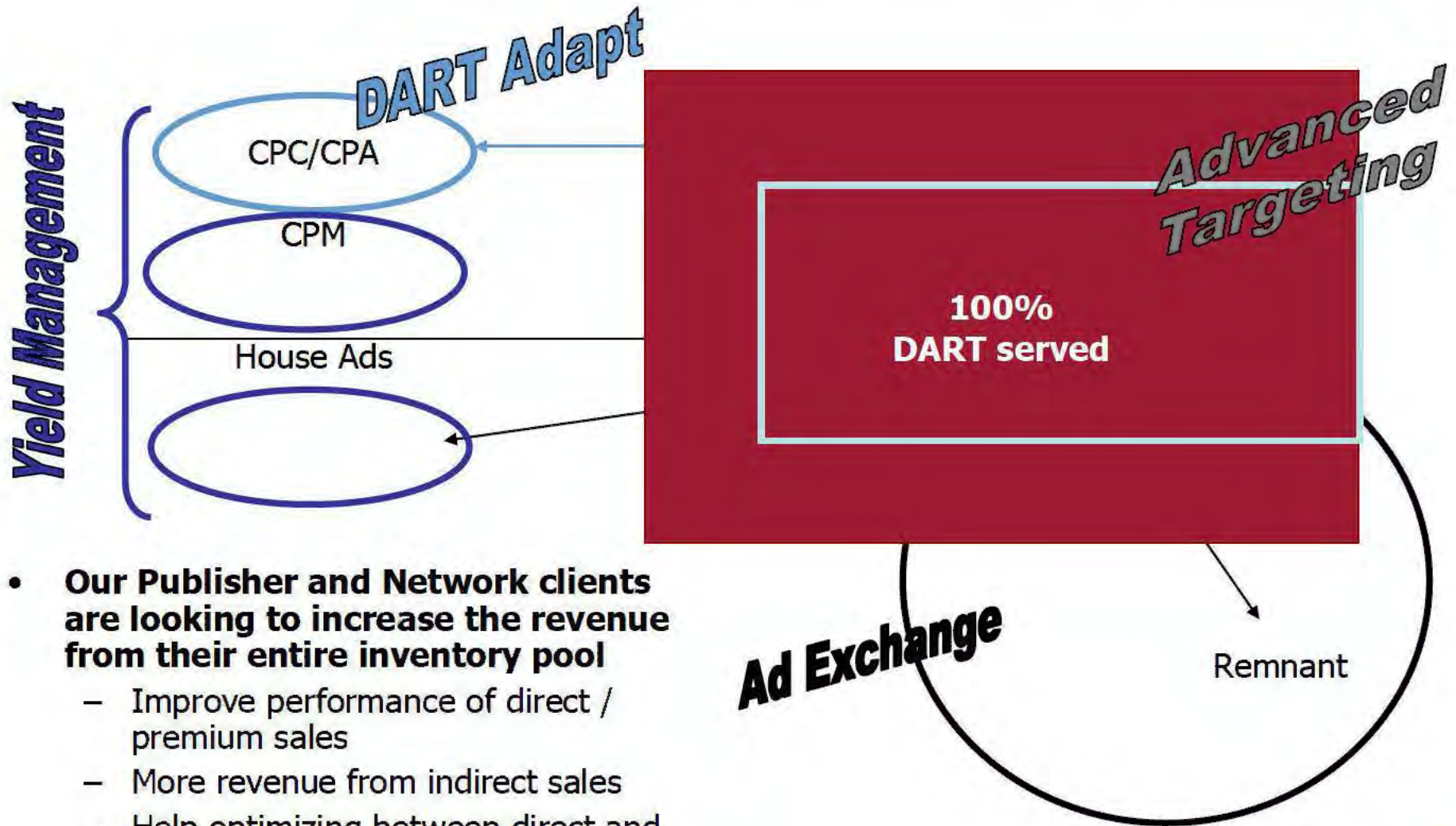


How DoubleClick Serves the Value Chain - 06



Sell Side Product Suite

The 100% Publisher Solution



- **Our Publisher and Network clients are looking to increase the revenue from their entire inventory pool**
 - Improve performance of direct / premium sales
 - More revenue from indirect sales
 - Help optimizing between direct and indirect sales



Sell Side Products

- **DART for Publishers (DFP) – The Sell Side Operating System**
 - The ad delivery, inventory management, targeting and reporting tool for leading publishers.
- **DART Enterprise (DE) – Software version of DFP**
 - The enterprise software version of DFP serving the needs of some of the largest web publishers
- **DART Sales Manager (DSM) – Ad Sales & Operations Tool**
 - A web-based application built specifically for the online publisher market and designed to streamline the entire ad sales and operations process.
- **DART Adapt – Universal Optimization for Publishers**
 - A sophisticated optimization tool seamlessly integrated into DFP and is focused on delivering significant performance and yield (revenue) lift for publishers.
- **DART Motif – Publisher Rich Media & Video Solution**
 - Suite of publisher rich media and video tools, seamlessly integrated into DFP



Overview & Sample 2007 Initiatives

- **DART for Publishers (DFP) – The Sell-side Operating System**

- DFP is the ad delivery, inventory management, targeting and reporting tool for leading publishers
- Due to its position as the operating system for ad sales, switching costs are very high
- For publishers it has grown from an ad operations workflow tool into a modularized tool focused on revenue generation – Sales Manager Module, Ad Ops Module and Network Manager Module. The 3 areas of focus for DFP are now:
 - Comprehensive revenue generation tool: Roadblocks, Flash-in-Flash, In-banner and In-stream Video integrated into DFP, DC Ad Exchange, etc.
 - Revenue based decision support: Availability Forecast (including major enhancements in 2007), Inventory Manager module, DART Adapt (Performance and Revenue Modules), Strategic Services
 - Process: core DFP, DART Sales Manager, Flexible Report Central Query Tool, etc.
- **Some sample initiatives in 2007 include:**
 - Completely revamped UI including streamlined and flexible workflow (customizable DFP Dashboard is the starting point)
 - DART for Networks: adding workflow, affiliate management, revenue sharing and specific optimization capabilities for very large networks with varying business models (arbitrage, rev share, differing inventory mixes, etc.)
- DART Enterprise is the enterprise software version of DFP serving the needs of some of the largest web publishers



Overview & Sample 2007 Initiatives

- **DART Sales Manager (DSM)**

- A web-based application built specifically for the online publisher market and designed to streamline the entire ad sales and ad operations processes. By increasing efficiency, transparency and accuracy through superior sales process management, Sales Manager helps publishers sell more effectively.
- DSM dramatically increases switching costs for DFP customers.
- **Some sample initiatives in 2007 include:**
 - Integration of DART Sales Manager and MediaVisor (a tool through which a vast portion of online media dollars flow) creates the DoubleClick Universal Order Exchange – a central platform for buying and selling premium / guaranteed / directly-sold inventory. This creates yet another integration point between the buy-side and sell-side, in addition to those that exist already such as single in-red (zero counting discrepancies).
 - Further third-party integration (Salesforce.com and various other applications that publishers are requesting)
 - One of the fastest growing products in DC history and a key component of the large synergy opportunities between DC and Google



DART Adapt –

Overview & Sample 2007 Initiatives

- **DART Adapt – Universal Optimization for Publishers**
- DART Adapt is a sophisticated optimization tool integrated into DFP and is focused on delivering significant performance and yield (revenue) lift for publishers. It has two primary modules and consists of customized algorithms for every publisher client (created via a turn-key process):
 - Performance Module: maximizes clicks, conversions and activities for a publisher's advertiser clients by finding pockets of highest performance and biasing ad delivery to those criteria
 - Revenue Module: maximizes revenue via eCPM competition
- Launched in April 2006, 1000+ advertisers served, weighted average lift of greater than 40% - often more than 100%
- In head to head test with Atlas' P+ solution, DART Adapt outperformed by 125%
- Numerous initiatives planned in 2007 to grow this business and build on initial product success



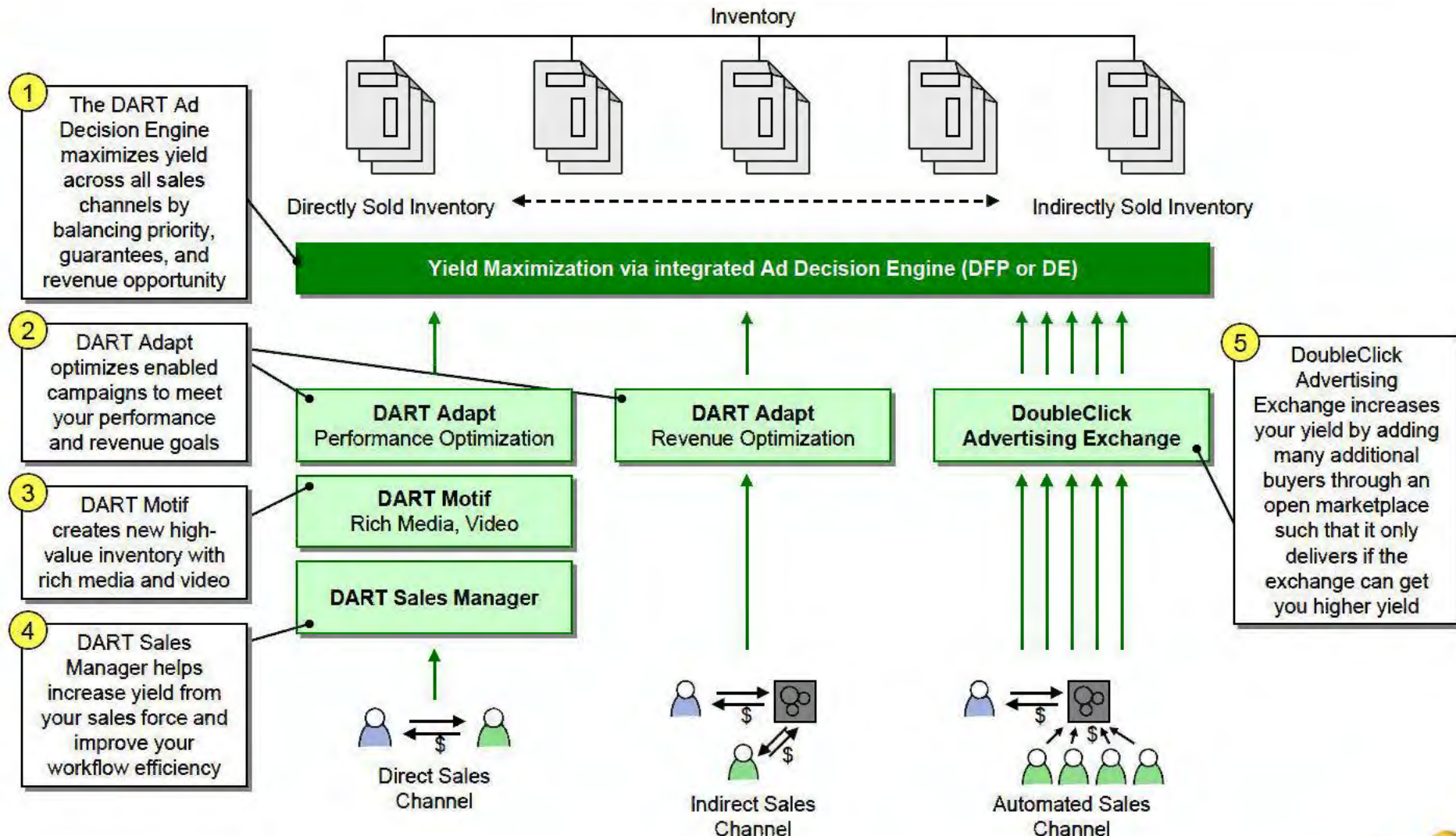
Overview & Sample 2007 Initiatives

- **DART Motif – Publisher Rich Media and Video**

- The Motif suite of products are integrated into DFP. With regard to rich media & video, publishers care primarily about two things: support for the largest pool of creative formats (including new ones being developed every day) and tight integration with their core inventory management tool (DFP)
- Solutions include:
 - core DART Motif (comprehensive solution for rich media banner and in-banner video ads)
 - Motif in-stream (integrated streaming video advertising solution launched in late 2006). Signed 20 new clients in 2 months.
 - Flash-in-Flash (advertising solution that creates entirely new pools of super-premium inventory and is often sold in conjunction with the streaming video product to support innovative ad formats)
 - Comprehensive service offering including 20-person innovation lab that helps publishers generate significant streams of new revenue via creative services, new ad formats, etc.
- **Some sample 2007 initiatives include:**
 - True third-party service of video ads (due to unique position of owning the buy side and sell side ad serving platforms – DFA and DFP, both of which are integrated with Motif Video)
 - Live streaming ads



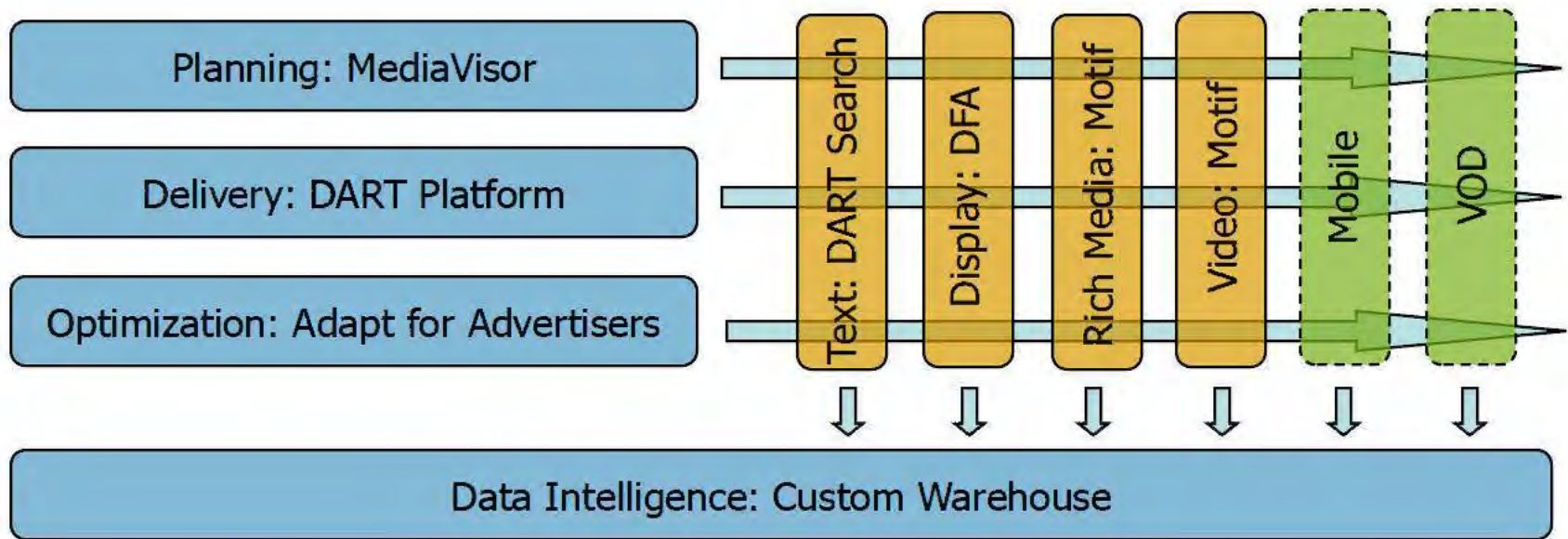
Increase Revenue through Multiple Channels



Buy Side Product Suite

DoubleClick's Advertiser Solution

- **The Unified Advertiser Suite:** A combined set of products built on a common platform, that agencies and marketers can utilize to holistically address all their digital marketing needs, across all channels and through every part of the workflow chain



Buy Side Products

- **DART for Advertisers (DFA) – The Buy Side Operating System**
- The centralized planning, third-party ad serving, reporting and creative optimization solution for all major agency holding companies and the internet's leading advertisers (in the US as well as internationally)
- **MediaVisor – Online Media Planning Tool**
- Online media planning tool that is integrated with DFA
- **DART Search – Paid Search Advertising Tool**
- Paid search advertising tool that consists of three critical modules: bid optimization, comprehensive campaign and keyword management (via tight integration with primary engines), and de-duplicated reporting with DFA
- **DART Motif – Advertiser Rich Media**
- Emerged as second largest rich media provider in 2006 after launching in early 2005
- **Advertiser Optimization**
- Similar to the publisher side, DC has various advertiser optimization solutions including Boomerang and real-time, constraint-based creative optimization



DFA / MediaVisor –

Overview & Sample 2007 Initiatives

- **DART for Advertisers (DFA) – The Buy-side Operating System**
- DFA is the centralized planning, third-party ad serving, reporting and creative optimization solution for all major agency holding companies and the internet's leading advertisers (in the US as well as internationally)
- **Some sample 2007 initiatives include:**
 - Completely revamped UI including streamlined and flexible workflow
 - Overhauled architecture for increased application flexibility and rapid customization (many DFA instances at clients are highly customized creating increased value for advertisers and making DC a very "sticky" solution)
- Data Warehousing and Analytics Solution
 - DC is building data warehousing and analytics solutions, in response to increased demand for custom data solutions (often at the holding company level). Such solutions will allow marketers to measure and act on data across all channels: search, display, rich media, video, site analytics, offline, etc.



Overview and Sample 2007 Initiatives

- **MediaVisor**

- Online media planning tool that is integrated with DFA
 - Represents a very large portion of all online media dollars, since the majority of large agencies and advertisers use it as their primary workflow application and tool of record (which is why DFA is such a sticky solution at the holding company level)
 - Large built in site directory, which is customizable by the client
 - Used as a tool to help advertisers make better decisions about which sites to buy on. For example, integration with DART Adapt informs which publishers are using that optimization tool and therefore which sites an advertisers should buy media on to get better performance for their campaigns
- Integrated with DART Sales Manager. Due to very high demand by advertisers, focused on making that integration even tighter in 2007



DART Search –

Overview & Sample 2007 Initiatives

- **DART Search**
- Paid search advertising tool that consists of three critical modules: bid optimization, comprehensive campaign and keyword management (via tight integration with primary engines), and de-duplicated reporting with DFA
- Built off of core DART platform to deeply integrate with DFA. Performics SEM drives innovation as a leading buyer of search media (roughly \$1 billion of paid search flows through the system)
- **Some sample 2007 initiatives include:**
 - Even tighter integration with DFA including concepts like exposure / influencer reporting: how much did display campaigns influence search conversions and vice-versa
 - Comprehensive Natural Search Optimization offerings
 - Take advantage of other DC tools to help buyers make even better allocation decisions among the major search portals (beyond simple bid optimization which is the industry standard today)
 - Integrated DART Search offering and the Performics Full Service offering to create DART Search strategic consulting packages that help clients manage their search dollars and make the best buying decisions



Overview & Sample 2007 Initiatives

- **DART Motif – Advertiser Rich Media**

- Emerged as second largest rich media provider in 2006. Two acquisitions: US – Klipmart, EMEA – Tangozebra
- Similar to all other buy-side products, completely integrated into DFA
- Support for rich media banners, in-banner video (particular strength in Autos and Entertainment where the vast majority of rich media dollars will be spent), and streaming video advertising
- Large innovation lab focused on developing the most innovative creative concepts and ad campaigns for clients (eg, live streaming ads for major movie launches in NY Times, video ad cube, etc.)
- **Some sample 2007 initiatives include:**
 - Flashlight: Similar to DC's Spotlight conversion tracking tool. Extends conversion attribution from just impressions and clicks to all rich media interactions. DC uniquely positioned to offer this due to ownership of the core advertising platform DFA. No point player will be able to offer this capability.



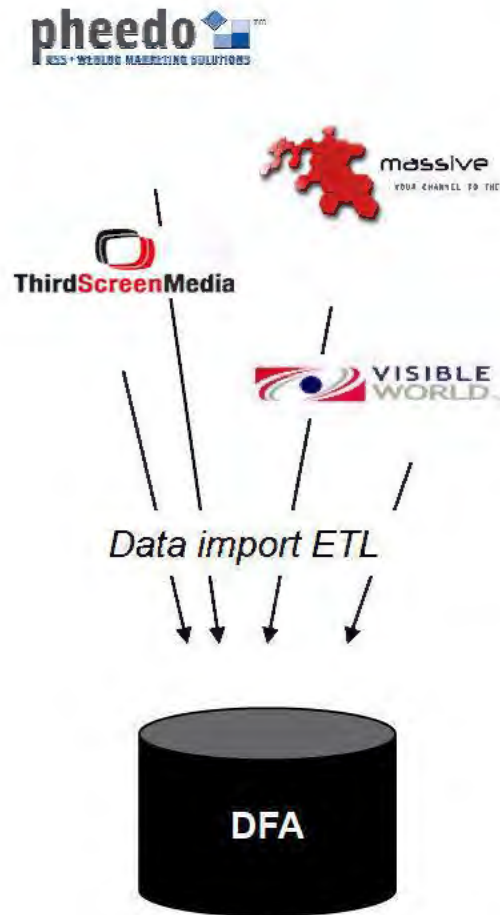
Advertiser Optimization – Overview & Sample 2007 Initiatives

- **Advertiser Optimization**

- Similar to the publisher side, DC has various advertiser optimization solutions including Boomerang and real-time, constraint-based creative optimization
- Boomerang is a behavioral retargeting tool used to find and advertise to categories of users with a high potential to convert, such as people that dropped shopping carts, in-market car buyers (for auto advertisers), etc.
- Some sample 2007 initiatives:
 - Building on creative optimization to deliver more sophisticated offer optimization to clients (including landing page, etc.)
 - Media Optimization: Within MediaVisor, provide recommendations on which media property an advertisers should bias spending to based on a flexible set of criteria (market coverage, performance, etc.)
 - The end vision is true Portfolio Optimization (how much spending on search vs. display vs. mobile vs. video) and after that decision -- to which properties should that spending be allocated. This is based on the unified pool of data that exists because all of these advertising tools (DFA, DART Search, Motif, etc.) are built on the core DART platform.



Emerging Channels Strategy



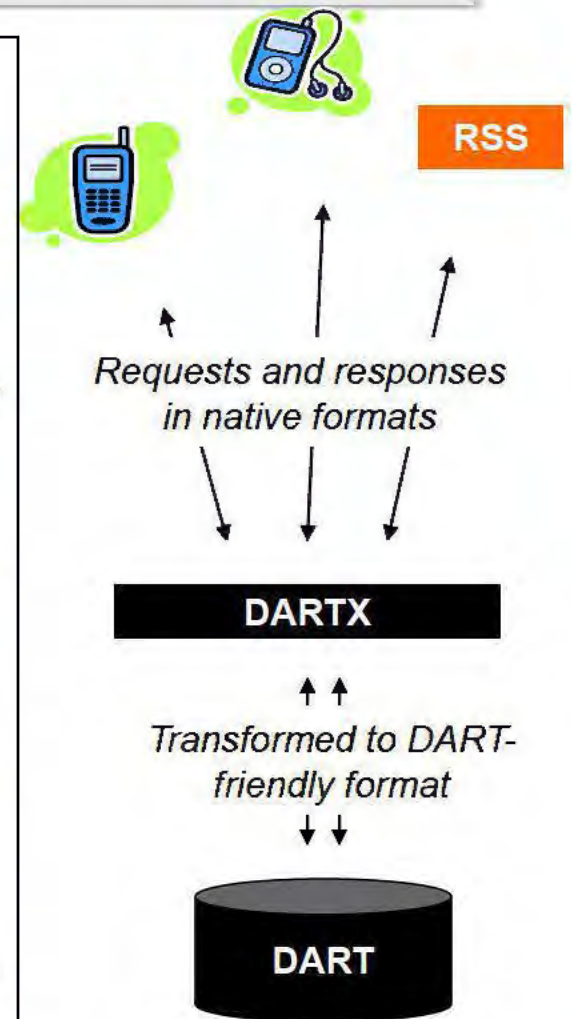
Confidential

Buy-Side

- Open DFA Dashboard
- Allow non-DART numbers to be imported into Report Central to create a "Dashboard"
- Enable us to cover every cutting-edge area and extend as needed
- Will be launched later this year

Sell-Side

- Emerging DART (DARTX)
- Rapidly extend our publisher clients' inventory as consumers move to a succession of new distribution channels
- Enable our ASP products to work in virtually all emerging areas
- Will be launched later this year

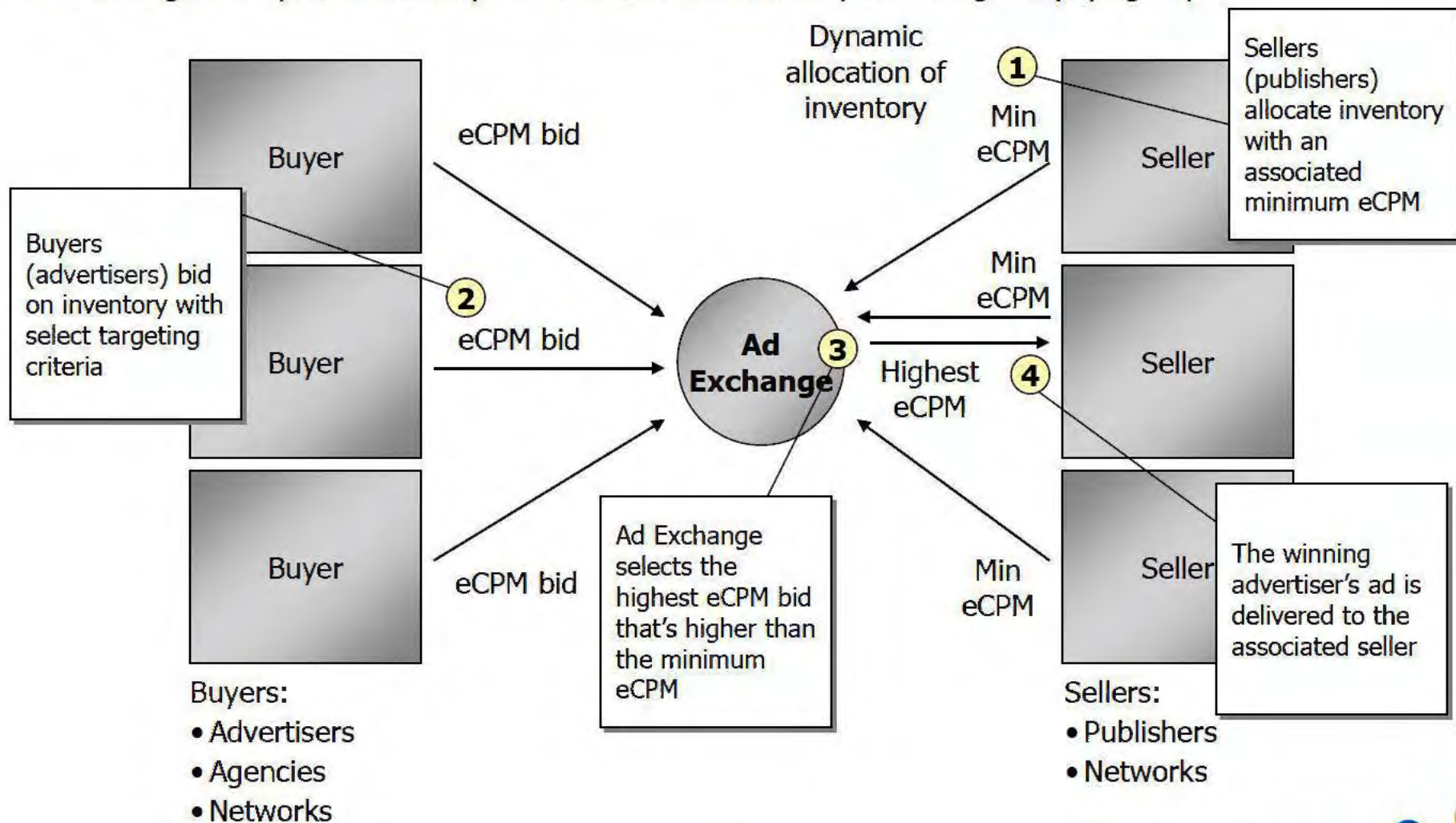


DoubleClick Marketplace

(Ad Exchange)

DoubleClick Marketplace – Ad Exchange

Ad Exchange is a dynamic marketplace that matches inventory to the highest paying buyer



DoubleClick Competitive Advantages

- DoubleClick owns the primary ad management platform - enables dynamic allocation across direct and indirect channels and advanced targeting
- DoubleClick has a significant installed base of customers for which Ad Exchange is an attractive value proposition
- DoubleClick's reputation and history provides comfort to customers looking for a solution

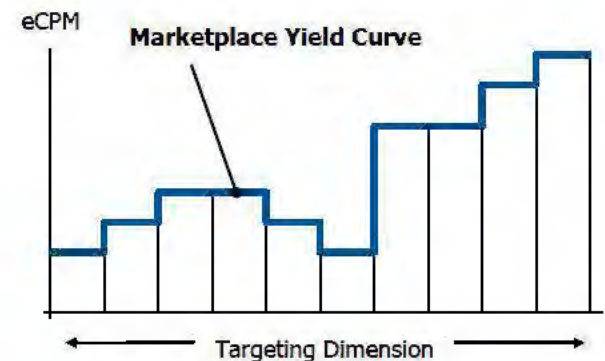
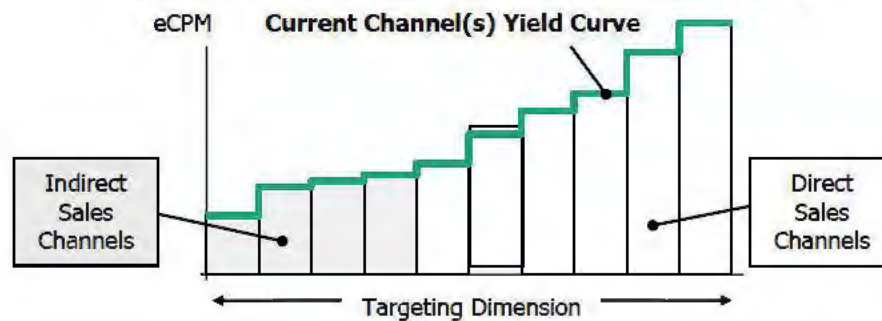
Customer Segment	DoubleClick Offering	Unique Value Proposition
Sellers	<ul style="list-style-type: none"> • Publicly or privately offer inventory to advertisers for auction (with a minimum CPM) from a single, integrated tool 	<ul style="list-style-type: none"> • Dynamic allocation to marketplace vs. direct sales • Integration with DFP • Integration with DE • Participating media spend (I.e., buying community)
Buyers	<ul style="list-style-type: none"> • Publicly or privately bid on multiple publishers' / networks' inventory with a single tool according to advertiser's own targeting parameters 	<ul style="list-style-type: none"> • Ability to "cherry-pick" inventory without implications of pass-back • More targeting granularity by which to segment bid value (e.g., boomerang) • Integration with DFA • Participating inventory • ROI based bid management (Phase II)



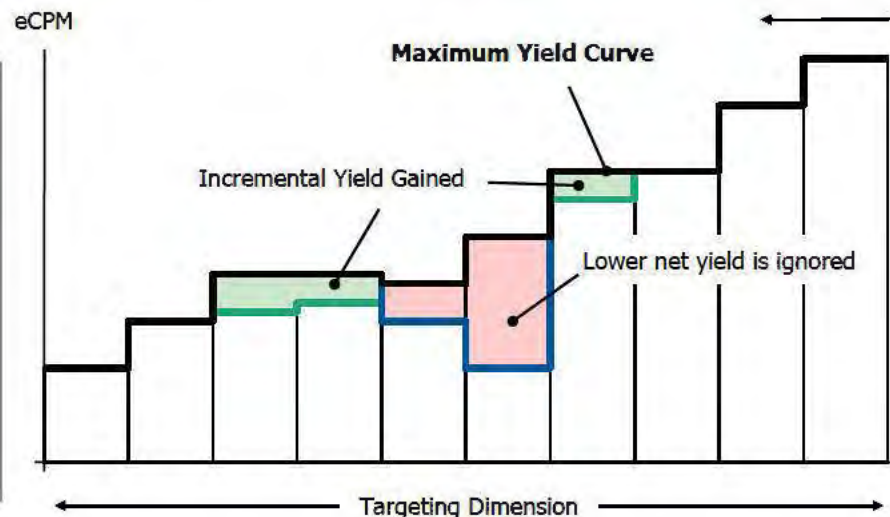
Maximizing Inventory Yield

- Through differential pricing, yield management, and bundling techniques, the best price for each piece of inventory is negotiated with advertisers by the direct sales team
- This results in a direct sales team yield curve for each targeting dimension

- Through the marketplace, each piece of inventory is auctioned on all dimensions, allowing advertisers to place a value for any targeting dimension
- This results in a marketplace yield curve for each targeting dimension



- When using the marketplace in combination with DFP or DE, the combined system will dynamically select the marketplace only when the associated yield is greater than that achieved by the direct sales team in DFP or DE.
- The result is that the yield curve achieved is the maximum of the two previous yield curves.



Strategic Opportunities

Primary Revenue Opportunities

1. Sell Side

- ❖ Value created by applying publisher network assets to DoubleClick controlled inventory
 - Most strategic and time-sensitive opportunity

2. Buy Side

- ❖ Value created by owning the primary ad planning and delivery tool:
 - From increasing the value of publisher network inventory by selling retargeting lists to DFA advertisers

3. Other Opportunities to a Publisher Network

- ❖ DART Adapt lift applied to all publisher network impressions
 - DART Adapt produced average lift of 40% against control group
 - Used with 45 billion impressions and 1000+ advertisers
- ❖ Paid search media spend shift from competitive properties due to yield-based competition of text ads in DC marketplace
- ❖ Potential for display media spending shift from other properties through DFA relationships and technology integration
- ❖ There are numerous other potential areas for synergies through technology integration, sales bundling, etc.
- ❖ Integration with various Google capabilities like Google Analytics to further fill out the product suite

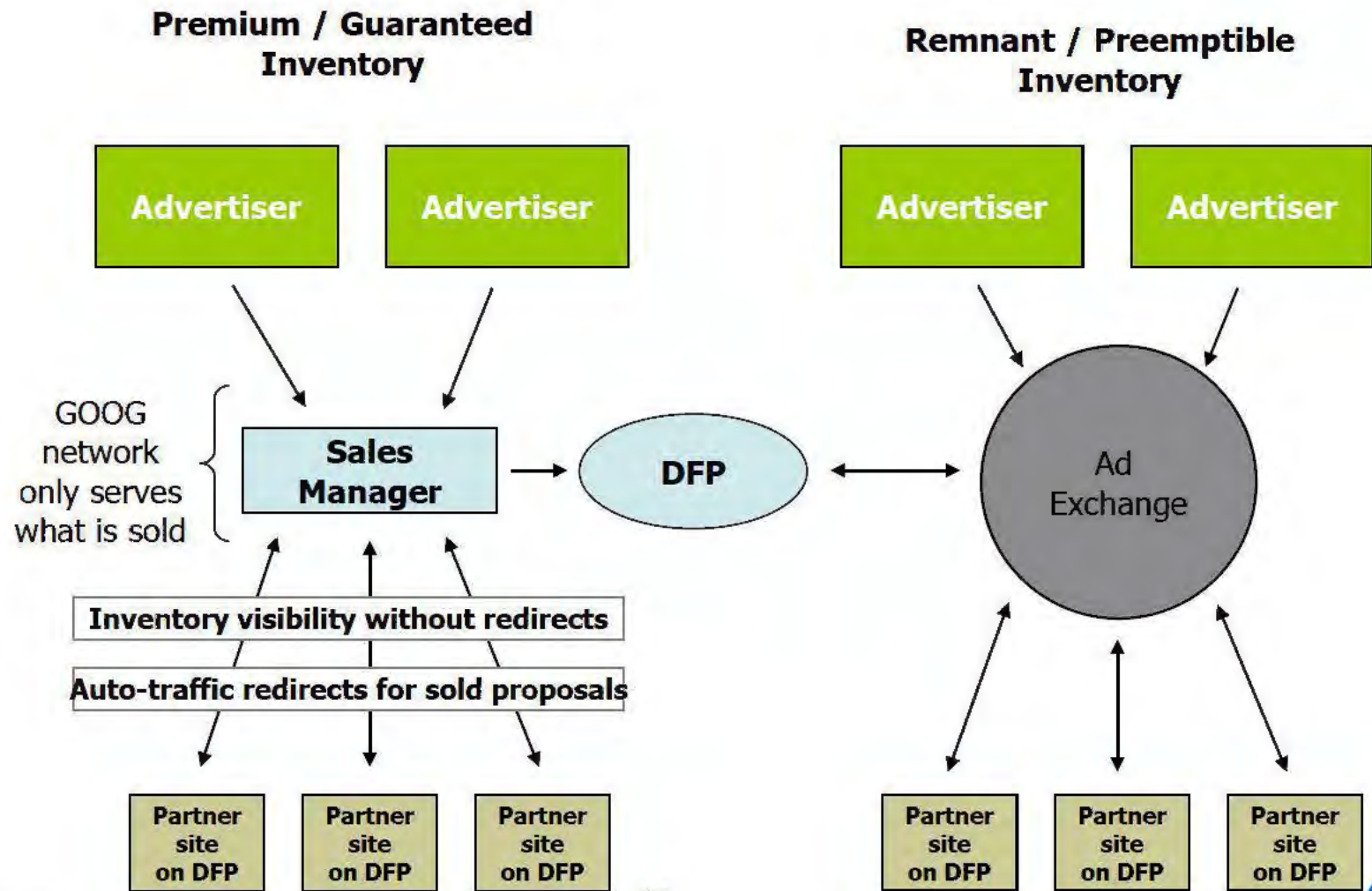


Revenue Opportunity – Sell Side

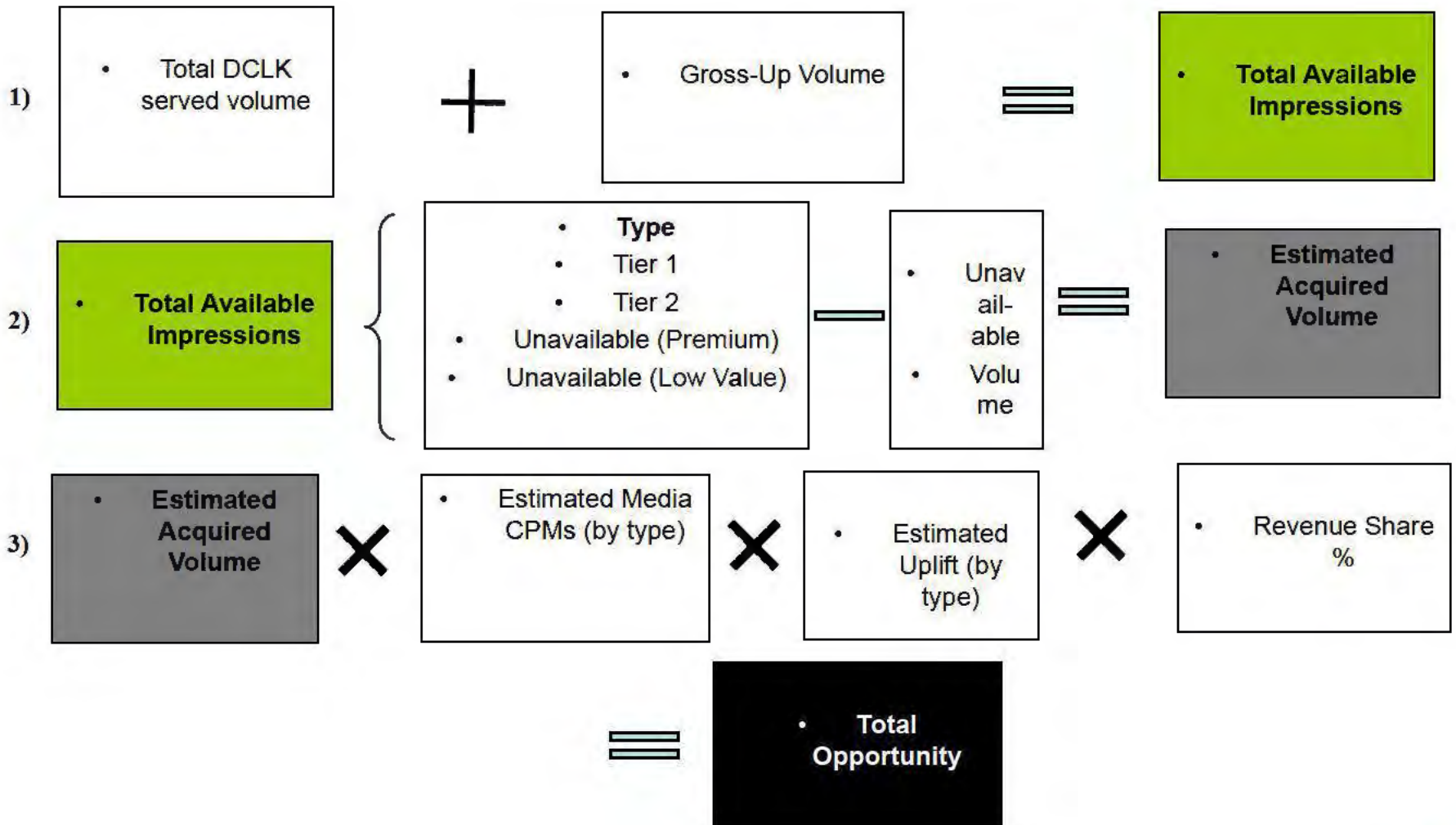
- To grow at the rate of the market or faster the Big Four must sell off-network inventory
- In the end, the winner will be the company with the largest pool of liquidity
 - Network effects (how many eBays are there?)
 - The power of data and targeting
 - Amortizing a national sales force, customer relationships, etc.
- How does one build the largest pool of liquid inventory
 - Become the primary ad server to get a “first look”
 - Allow for open flow of inventory and data
 - Must have a solution for all types of inventory (guaranteed, remnant, etc.)
- The race to the finish line is already well under way...
 - Google and GFP + AdSense
 - Yahoo and YFP + Newspaper Consortium + RightMedia
 - AOL + Ad.com + DFP / DC Ad Exchange
 - MSN and MS AdCenter (combination MFP and MFA)



Sell Side Opportunity – The Solution



Sell Side Opportunity – A Simple Model



DoubleClick – Google Synergy Model

	DFP	DE	Affiliate	TOTAL
Daily Imps - DCLK Served	7.0	7.0	0.0	14.0
Gross up Rate	42%	0%	n/a	
Gross up Imps	3.0	0.0	2.0	5.0
Total Estimated Imps	10.0	7.0	2.0	19.0
Estimate of Unavailable				
Tier 1 - Premium	(3.0)	-		(3.0)
Tier 2 - Low Value	(2.0)	(1.0)		(3.0)
MySpace	-	(3.0)		(3.0)
Total Unavailable	-5.0	-4.0	0.0	-9.0
Total Available	5.0	3.0	2.0	10.0
Tier 1	35%	12%	0%	
Tier 2	65%	23%	100%	
Tier 3 (MySpace)	0%	65%	0%	
	100%	100%	100%	
Tier 1	1.8	0.4	-	2.1
Tier 2	3.3	0.7	2.0	5.9
Tier 3 (MySpace)	-	2.0	-	
Total Available	5.0	3.0	2.0	8.1
Media CPMs				
Tier 1	\$ 6.00	\$ 6.00	\$ 6.00	
Tier 2	\$ 0.50	\$ 0.50	\$ 0.50	
Tier 3 (MySpace)	\$ -	\$ 0.10	\$ -	
Publisher Network Lift				
Tier 1	1.5	1.5	1.5	
Tier 2	3	3	3	
Tier 3 (MySpace)		3		
Total Value				
Daily Value - Tier 1	\$ 15,750,000	\$ 3,240,000	\$ -	\$ 18,990,000
Daily Value - Tier 2	\$ 4,875,000	\$ 1,035,000	\$ 3,000,000	\$ 8,910,000
Tier 3 (MySpace)	\$ -	\$ 585,000	\$ -	\$ 585,000
TOTAL Daily Value	\$ 20,625,000	\$ 4,860,000	\$ 3,000,000	\$ 28,485,000
Pub Rev Share %	25%	25%	25%	
Daily Revenue (millions)	\$ 5.2	\$ 1.2	\$ 0.8	\$ 7.1
Annual Revenue (millions)	\$ 1,882	\$ 443	\$ 274	\$ 2,599

Total Estimated
Annual Revenue
Opportunity (post
TAC) = \$2.6B



Revenue Opportunity – Buy Side

DFA and Boomerang work together to create a list of desirable consumers



In today's world...

As a result of using DFA and Boomerang, many big media buyers will have large lists of desirable users but no single publisher can provide enough reach to reliably target everyone on these lists

Because behavioral retargeting drives conversions, advertisers would be willing to pay significantly higher CPMs if they could effectively retarget the people on these lists

A few large publisher networks have extensive reach in the industry but no integration with DFA.

Without the integration they cannot sell the ability to retarget these desirable users to many large advertisers that use DFA

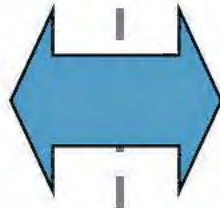
The publisher networks are forced to sell Run of Network inventory at potentially much lower CPMs than would be possible with DFA integration



Revenue Opportunity – Buy Side

In a world where DoubleClick and Publisher Network came together...

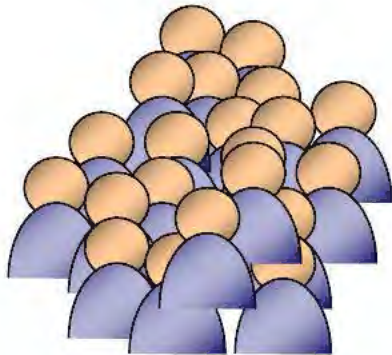
The technology barrier between DFA and the publisher network would disappear...



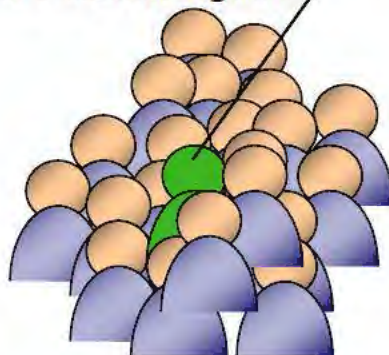
... and therefore Publisher Network could then offer the ability to retarget desirable users to all DFA advertisers

Resulting in a significant increase in the value of the publisher inventory...

RON inventory has low value without the ability to sell access to desirable users for retargeting purposes



Advertisers will pay significantly more for the ability to retarget a desirable user. Since DFA has many advertisers in the same industry, they would compete for the same user thus driving up CPMs even higher.



Since DFA has many advertisers across multiple industries, their lists of desired users are all different. Therefore millions of users could be retargeted across the publisher network resulting in higher CPMs across the entire pool of otherwise low value inventory.

