

Welcome to the Sell-Side world!

 Global Partnerships, EMEA

 EMEA Business Finance
Strategic Insights & Analytics

 Google Confidential & Proprietary

Link to old presentation:

<https://docs.google.com/presentation/d/1EtFsWI3U1DXMckPjapcgnZu2BsmjRRXH0G7FmpSz2WE/edit#slide=id.p>

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Objectives of today's discussion

Purpose of today's meeting: To provide you with a greater understanding of the sellside business

1. Why does the Sellside matter?
2. What is the sellside?
3. What does our business look like?
4. What are we focused on 2019?
5. What does finance do?



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Why does the Sellside matter?



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Some figures...



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\$1.2B: total DVA profit
\$3.4B: profit generated by sellside

\$35B: direct display deals
\$158B: 2019 global search ad spend
\$182B: 2019 global TV spend

Sources:

https://docs.google.com/spreadsheets/d/1KdC98AuUdUaZQaDpGwImau_lqt2XhXz542Ir0t3dYXc/edit#gid=735422713
https://docs.google.com/presentation/d/1bjyH4jdG8LGPKUYg6bKeDeC-QQBG68zCIK_EfMal0U8/edit#slide=id.g5d71d7cb6c_0_125
https://docs.google.com/spreadsheets/d/1Lsv00ZAcRYfC-vADllc2QZlvdGWq3_vtyRAa99DnNh4/edit#gid=0
<https://data.corp.google.com/sites/eq1pqmy56444/trix/?usp=sharing>

What is the 'sellside'?



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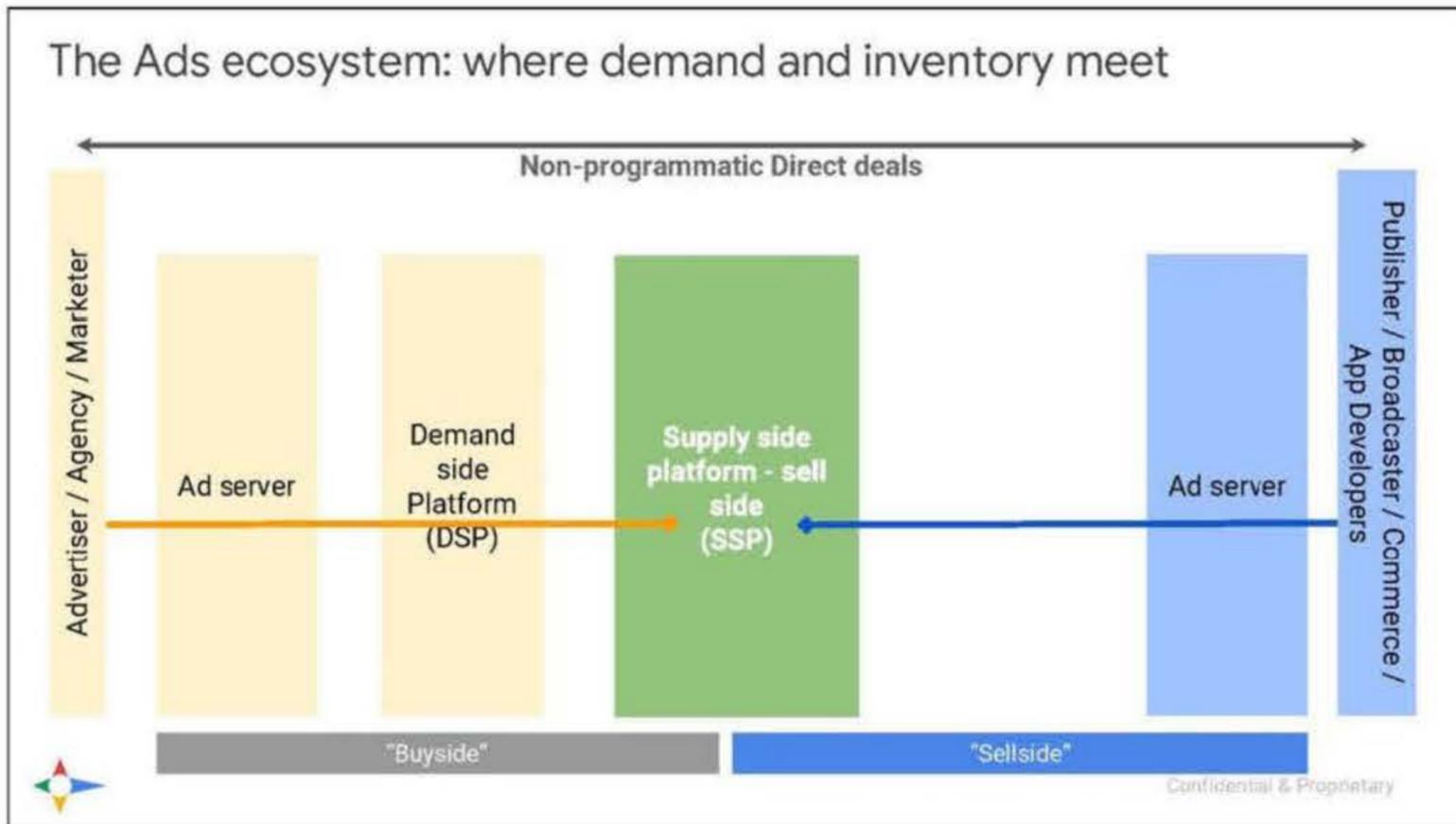


Sellside: related to publishers i.e. those who provide inventory spaces for ads (and receive compensation for doing so), as opposed to the advertisers who pay to put ads in those spaces

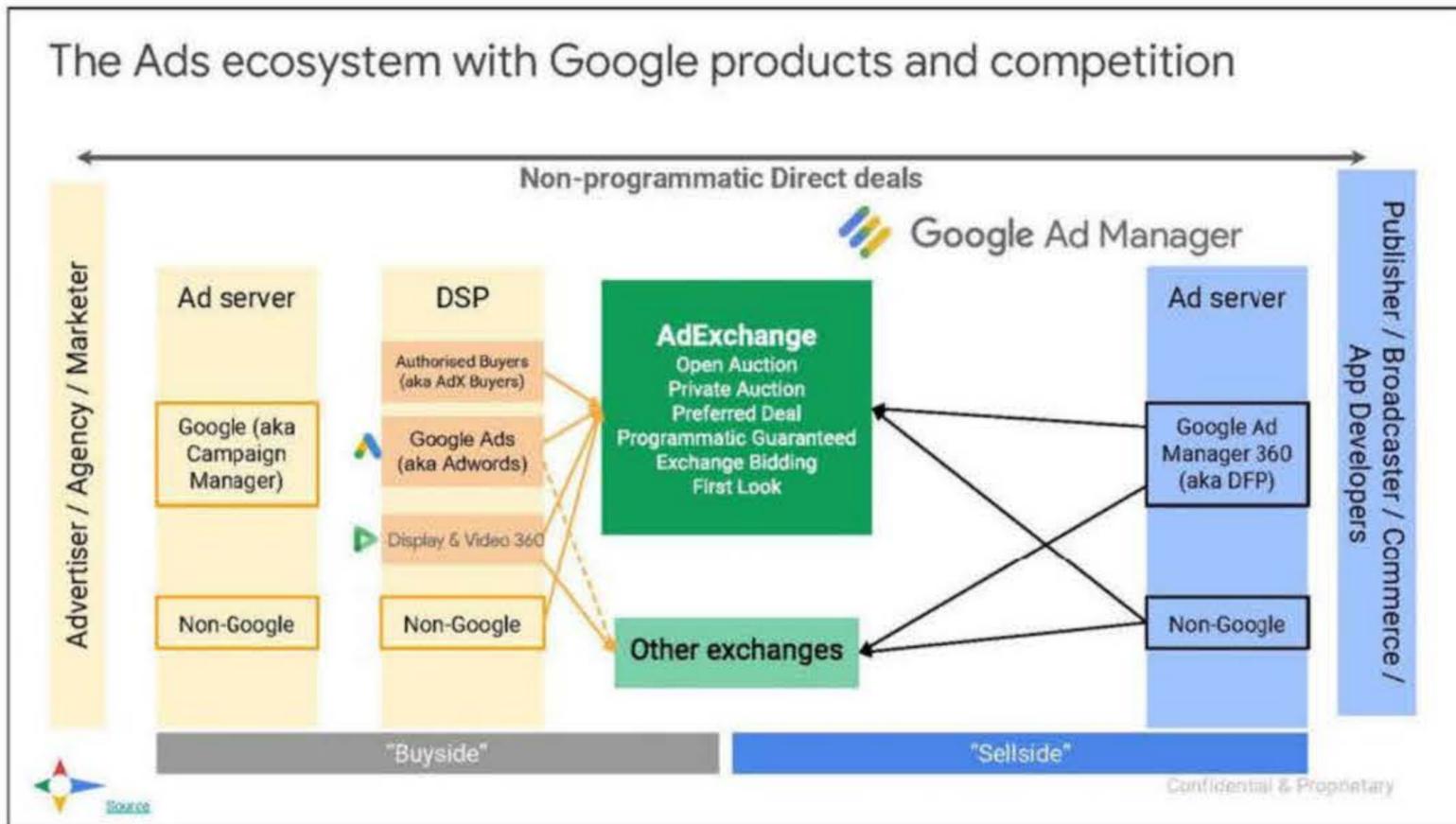
Inventory: advertising space

Google Search ads started, and were so successful that we started putting them elsewhere i.e. on 3rd party websites, and called this 'AdSense' (2003)

Direct sales: In the beginning, advertisers would call publishers, request space at a fixed price, publisher sends invoice, marketer pays. With lots of advertisers and publishers, this is very time consuming! Was there a way for technology to simplify this?



- Direct sales: marketer (advertiser) reaching out to buy inventory from publisher directly. This is very time consuming.
- Ad Networks: remnant inventory sent to Ad Networks (allowed marketers to buy lots of different inventories in a single place algorithmically, allowing purchasing, placement, and optimization to happen via a bidding system). Premium inventory was still sold via direct sales
- Ad Servers: new scalable way to sell remnant inventory was created. It lets advertisers and publishers manage direct sales & programmatic buying (networks/exchanges/dsp/ssp's) in a single place.
- DSP: allows advertisers to buy across multiple networks in a single place (including tracking measurement and performance metrics)
- SSP: allows publishers to manage inventory in a single place and optimize price received
- Ad Exchanges: allow DSP to access multiple networks or SSP's in a single place and RTB (real time bidding). Exchanges allow advertisers to bid for specific users (i.e.often employing cookies to provide additional user data). Advertisers can cherry pick the most valuable users and publishers can earn more for more valuable inventory
- Seamlessly access all buyers and sellers through an exchange
- Maximise value to advertiser by buying/targeting specific users
- Maximise value to publisher by selling different tranches of inventory at different prices based on value to advertiser



DVAA product suite is a result of acquisitions to play across the entire marketer-to-publisher chain

In 2007 Google acquired DoubleClick for \$3bn

DoubleClick provided display ads on Web sites like MySpace or The Wall Street Journal as well as software to help those sites maximize ad revenue. The company also helped ad buyers (advertisers and agencies) manage and measure the effectiveness of their rich media, search and other online ads

DoubleClick generated ~\$300m revenue per year when Google acquired them

AdExchange: is an online, auction-driven marketplace where ad impressions are bought and sold in real time. It connects buyers with publishers looking to sell their ad inventory, much like a traditional stock exchange connects buyers and sellers of stock. Google monetizes AdX by keeping the remaining media spend after revenue share (TAC) is paid to publishers i.e. of \$1 spend by the advertiser, we keep 20% and give 80% (TAC) to the publisher

Impression: is the smallest unit of advertising representing one person being exposed to the advertisement once

Impressions' worth: CPM, total money spent by marketer divided by number impressions in thousands

DoubleClick rebranded to 'Google Ad Manager'

3 types of buyers: AdWords/GDN (Advertisers use AdWords to buy display ads), DV360 (Advertisers use DV360 as DSP to manage campaigns across multiple exchanges) and Authorized/AdX buyers (Advertisers use other DSPs to access Google-managed inventory)

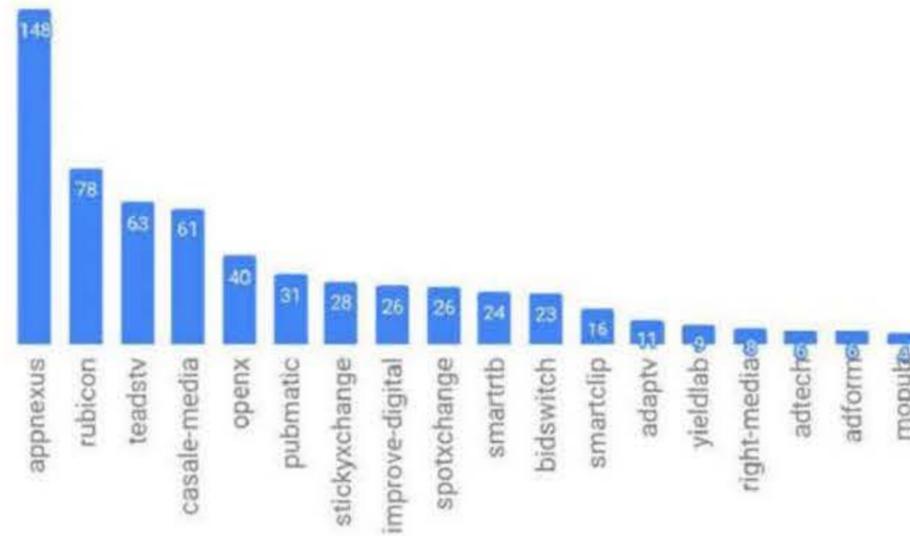
Campaign Manager: is a web-based ad management system for advertisers and agencies to manage their digital display campaigns across websites and devices. Google monetizes DCM by charging a monthly fee based on a usage-based rate card.

Transaction/Deal Types: there are different deals possible on the Ad Exchange: Open Auction etc. and we offer different revenue shares for each one. Typically, OA have higher revshare for us (we keep 20%) because we offer a full ecosystem to both the advertiser and the publisher compared to the 1-1 relationship he can have by chatting only with a publisher. On the other hand, Preferred deal (allows Ad Exchange sellers to offer inventory to buyers at a negotiated fixed price, before the inventory is made available to other buyers in the Open Auction) has a 90/10 rev share

Who are Google's competitors?

Based on 2018 EMEA spend (\$m)

DV360 spend on 3rd Party Exchanges



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2018: This compares to \$1.1bn spend on AdX (48% of EMEA DV360 spend) and \$0.6bn spend on YouTube (24% of EMEA DV360 spend); together 73% of EMEA DV360 spend

Market growth stats:

2019 EMEA Display and Video market is expected to be \$35.6b / +19% Y/Y

2019 EMEA D&V sellside is expected to be \$5.7b / +19% Y/Y

The sell-side business

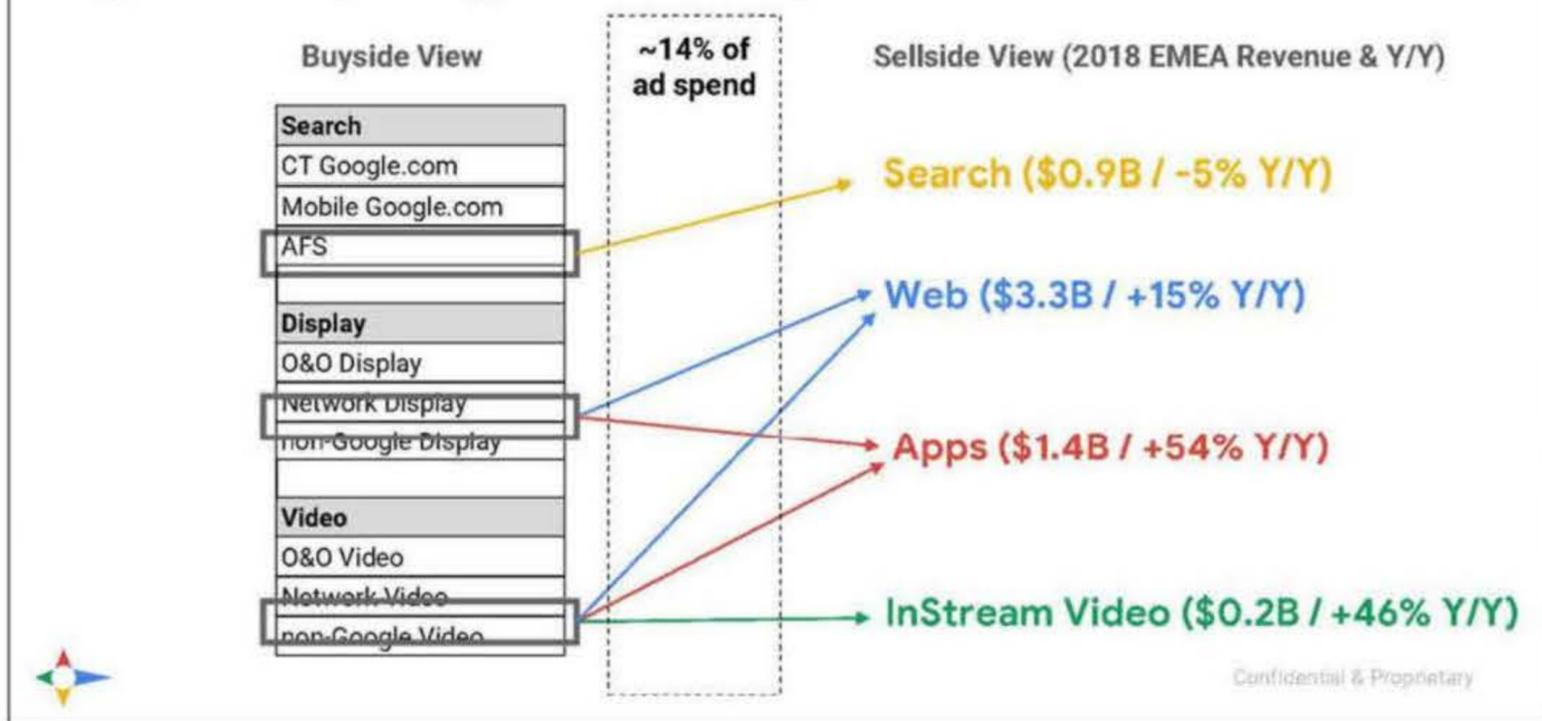


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Sellside is a 'different view' of Buyside network spend; revenue is segmented by the type of inventory



The Global Partnerships finance team looks after Google's \$18.6bn (2018 revenue) network advertising business (of which \$5.8bn is EMEA), securing inventory behind AFS, Network Display and Network Video
 14% of buyside \$ ends up on publishers managed by our sellside business (vs 7% for YouTube)
 The way we look at the business is by analysing trends per inventory type: Web, Apps, InStream Video and Search (new 2019 product cut)

Search Example - 2018 Revenue of \$0.9bn / -5% Y/Y

The image displays three screenshots of search results pages from different search engines, illustrating the placement of AdSense for Search (AFS) and Partner Results. The first screenshot (left) shows a search results page from Ask.com with a blue box labeled 'AFS' pointing to an advertisement at the top and another blue box labeled 'Web Search' pointing to the search results. The second screenshot (middle) shows a search results page from Ask.com with a blue box labeled 'Partner Results' pointing to a list of partner results and a blue box labeled 'AFS' pointing to an advertisement at the bottom. The third screenshot (right) shows a search results page from eBay.com with a blue box labeled 'Partner Results' pointing to a list of partner results and a blue box labeled 'AFS' pointing to an advertisement at the bottom. A small logo is visible in the bottom left corner of the image, and the text 'Confidential & Proprietary' is visible in the bottom right corner.

Search = AFS + AFD

AdSense for Search: AFS is a program whereby Google places ads on the results pages of search engines (including but not limited to Google search results)

AdSense for Domains: AFD allows publishers with undeveloped domains to help users by providing relevant information including ads, links and search results. With AdSense for domains, users can find relevant information rather than see empty pages or "page not found" errors. To ensure positive user experience and the quality of our network, these sites are monitored for policy compliance and prohibited from using text and images designed to confuse users

Declining mostly because many partners (e.g. classic search portals) are in long-term traffic decline. Notable partners in this program are Vinden.nl, Ask and Ebay

Web Example - 2018 Revenue of \$3.3bn / +15% Y/Y

The screenshot shows the homepage of The Guardian website. At the top, there is a large video player with a Volkswagen logo in the top left and 'The Guardian Labs' in the top right. The video content is partially obscured but includes text: 'How much can we say with our hands? Find out how technology makes the future real'. Below the video player is a navigation bar with links for 'Subscribe to The Guardian', 'Contribute', 'Search jobs', 'Dating', 'Sign in', and 'Search'. The main navigation menu includes 'News', 'Opinion', 'Sport', 'Culture', 'Lifestyle', and 'More'. The Guardian logo is prominently displayed on the right. Below the navigation, there are category links: 'UK World Business Football UK politics Environment Education Society Science Tech Global development Cities Obituaries'. The main content area features a 'Headlines' section with a weather widget for London (9°C) and a list of news items. The first headline is 'Budget / IFS says Hammond is gambling with public finances' with a sub-headline 'Extra NHS funding ignores risk of finances deteriorating badly after Brexit, thinktank says'. The second headline is 'Suzy Lampugh murder / Police dig up garden at suspect's former home' with a photo of Suzy Lampugh. A small compass icon is visible in the bottom left corner, and the text 'Confidential & Proprietary' is in the bottom right corner.

AdX: Programmatic sell-side platform for Display & Video; AdX is the exchange platform of Google which connects advertisers with Google's partners. Full stack integration with DFP, Google's Supply Side Platform (SSP) to enable partners to manage their inventory. Google monetizes AdX by keeping the remaining media spend after revenue share (TAC) is paid to publishers
AFC: Display & text ads based on analyzing website content, mostly used by small publishers. AFC is Google's traditional display publisher product, placing ads on content (non-search) web pages. It is known to advertisers as GDN (Google Display Network). The system dynamically analyzes the contents of the web page and selects relevant ads from Google's ads database

Apps Example - 2018 Revenue of \$1.4bn / +54% Y/Y



In-Article
Between text



In-Feed
In a list of items



Interstitial
Video ads between content
experiences in mApp



Rewarded

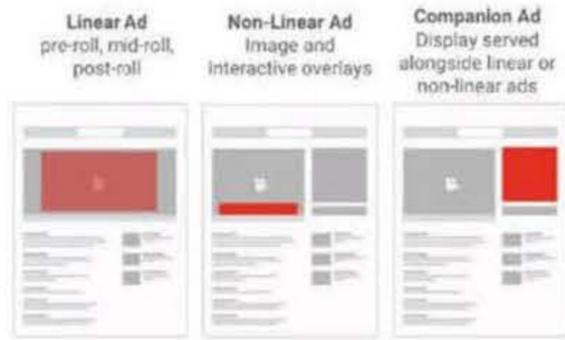


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Products used to monetize Mobile Apps with ads

InStream Video Example - 2018 Revenue of \$0.2bn / +46% Y/Y

In Stream Ad Types



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InStream Video: Video ad on video content
Outstream video: video ad on display content

Overlap between buy-side and sell-side is only 58% in EMEA



58% of EMEA sell side revenue comes from EMEA advertisers, 32% from American advertisers and 10% from APAC advertisers. This explains why we see difference between buy-side and sell-side growth: only 58% of the business is overlapping.

Revenue composition by Vertical and Channel

Based on 2018 EMEA revenue (\$bn)

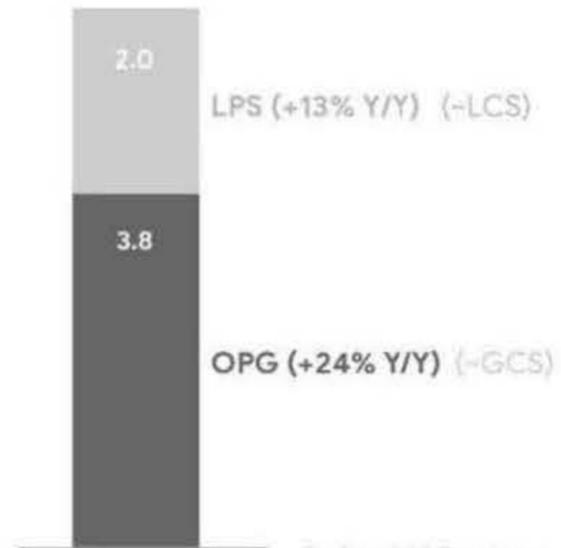
Vertical View

\$5.8bn / +20% y/y



Channel View

\$5.8bn / +20% y/y



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LPS = Large Partner Solutions

OPG = Online Partnerships Group

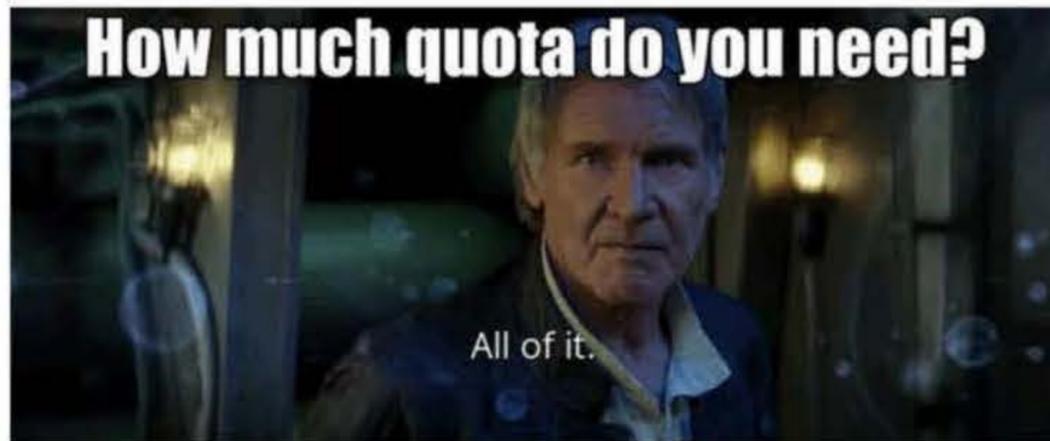
Long Tail Web includes Unclassified and OPG Torso/Tail

Interesting because a lot of the focus is on the larger publishers with strategic/political considerations, but a big part of the inventory (and the revenue as you can see on the right) sits with the smaller publishers

2019 Priorities

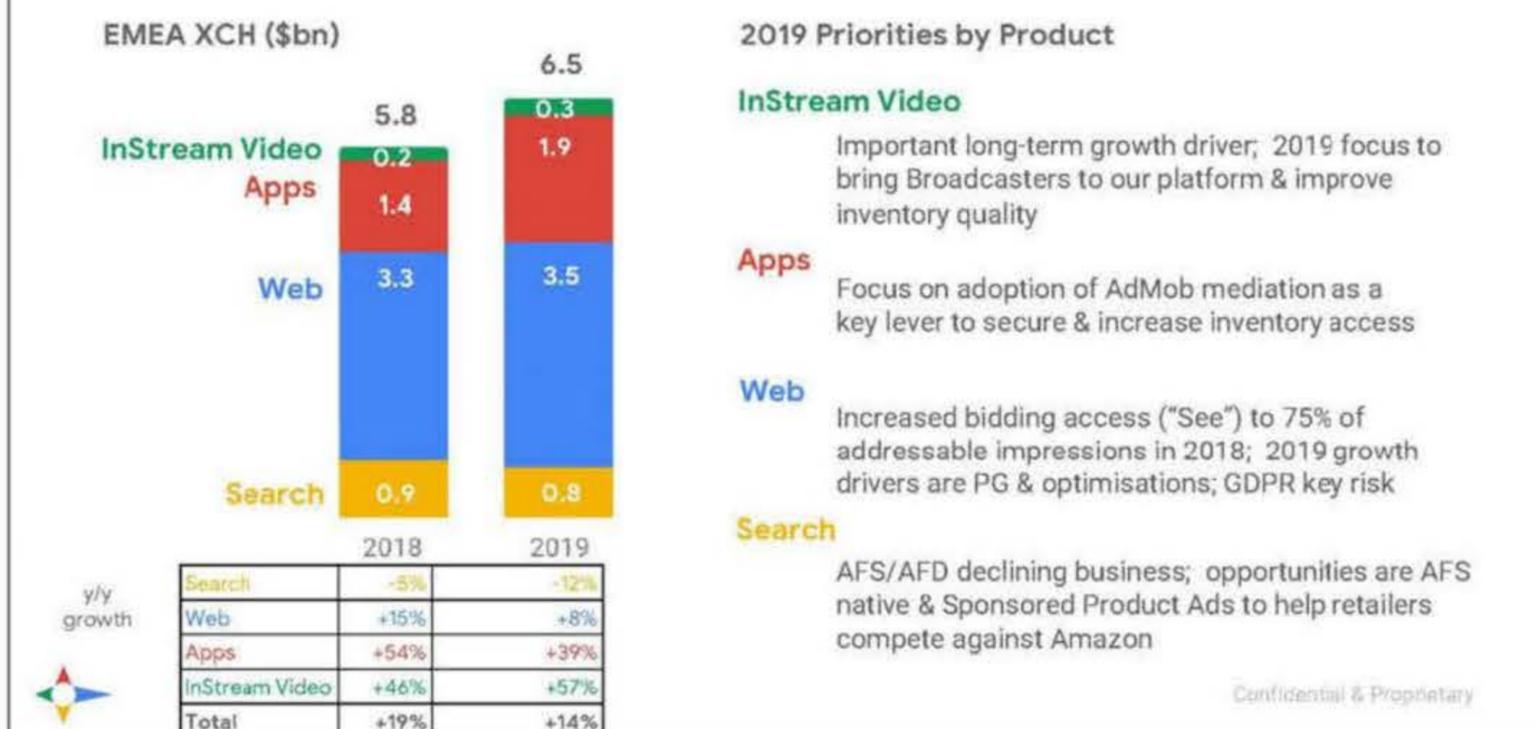


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Sellside EMEA plans to grow by \$778M / +14% Y/Y to \$6.5b



Last trading note (22nd March):

Sellside XCH 101% / +\$17m / 15% Y/Y (LPS: 105% / +\$23m / 5% Y/Y; OPG: 99% / -\$6m / 21% Y/Y)

Outperformance driven by LPS (particularly on Web) offsetting a slow start for the InStream Video business.

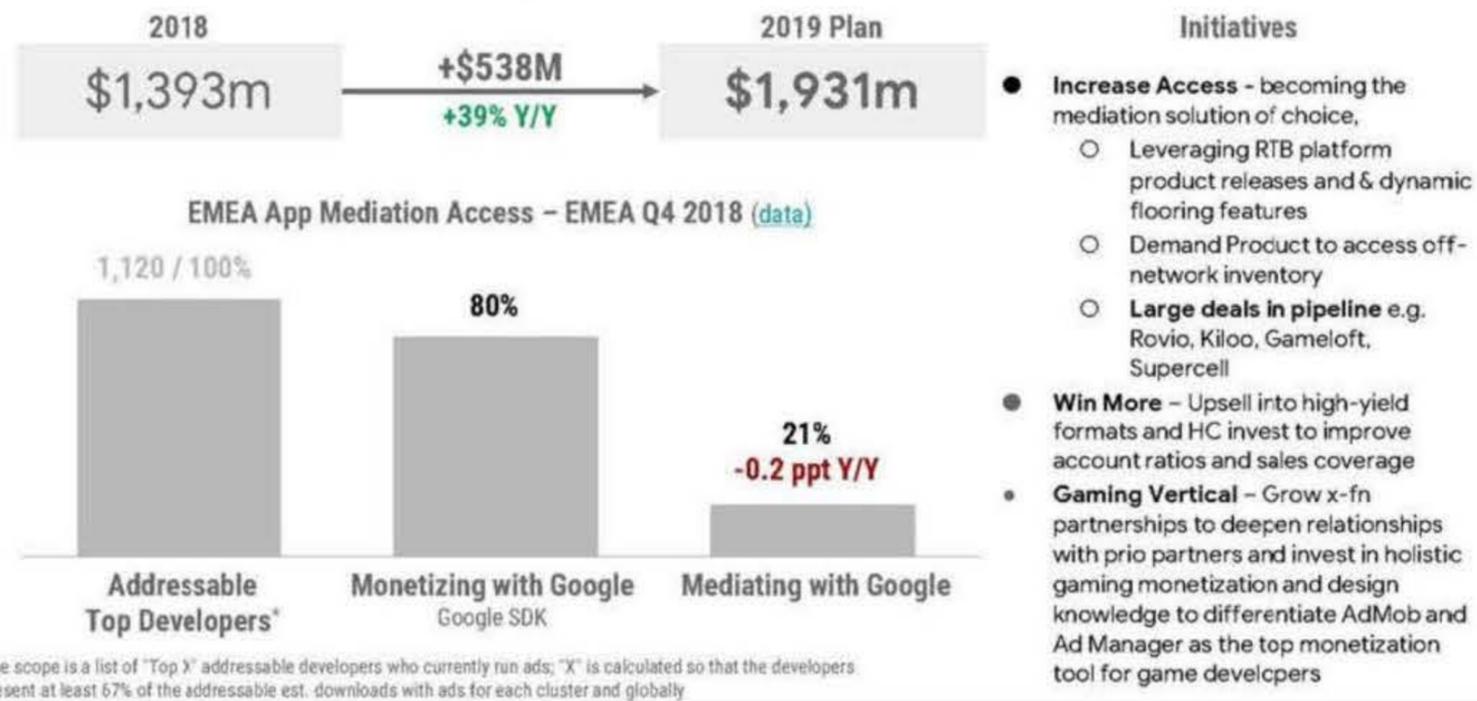
Apps (98% / -\$8m / 40% Y/Y) has decelerated -18ppts into the new quarter, as we start to lap a strong 2018, but remains close to target with outstream video formats driving ¾ of overall growth due to product improvements combined with developer adoption of rewarded video.

Web (104% / +\$31m / 16% Y/Y) decelerated slightly -9ppts into the new quarter, after a significant acceleration in Q4 driven by open auction (from +13% Y/Y in Q3 to +31% Y/Y in Q4), on the back of bid strategy changes launched on DV360 in Sept-18 (Poirot). Programmatic guaranteed grows at 77% y/y.

InStream Video (78% / -\$12m / 21% Y/Y) had a weak start to the quarter decelerating from 27% y/y in Q4, however video has significant negative seasonality at the start of the year which may be distorting the picture. Instream growth is now recovering (+29% y/y for LPS over the last week and +15% y/y for XCH).

GDPR causing small negative drag, with ~8% of ad impressions non personalized at an average CPM drop of 50%. We expect an increase in the percentage of non personalized ads later in the quarter, as we begin proactive enforcement with publishers.

Apps: Focus on adoption of AdMob mediation as a key lever to secure & increase inventory access



Note on the 0.2ppt drop - on an absolute basis we have more partners mediating; but the mix of "top 67%" of market has changed; we've increased the addressable; (+11 more mediating; +65 more addressable)

Re: "Win Rate" on AdMob: Lower than Web 14% (chart) & dropping; though I don't know why yet... will see if I can find out before Monday

Re: Mediation: Hard to say that we are making ground against competitors yet source & chart; I think we'll need more time see how this works out

Re: What would it look like in terms of downloads:

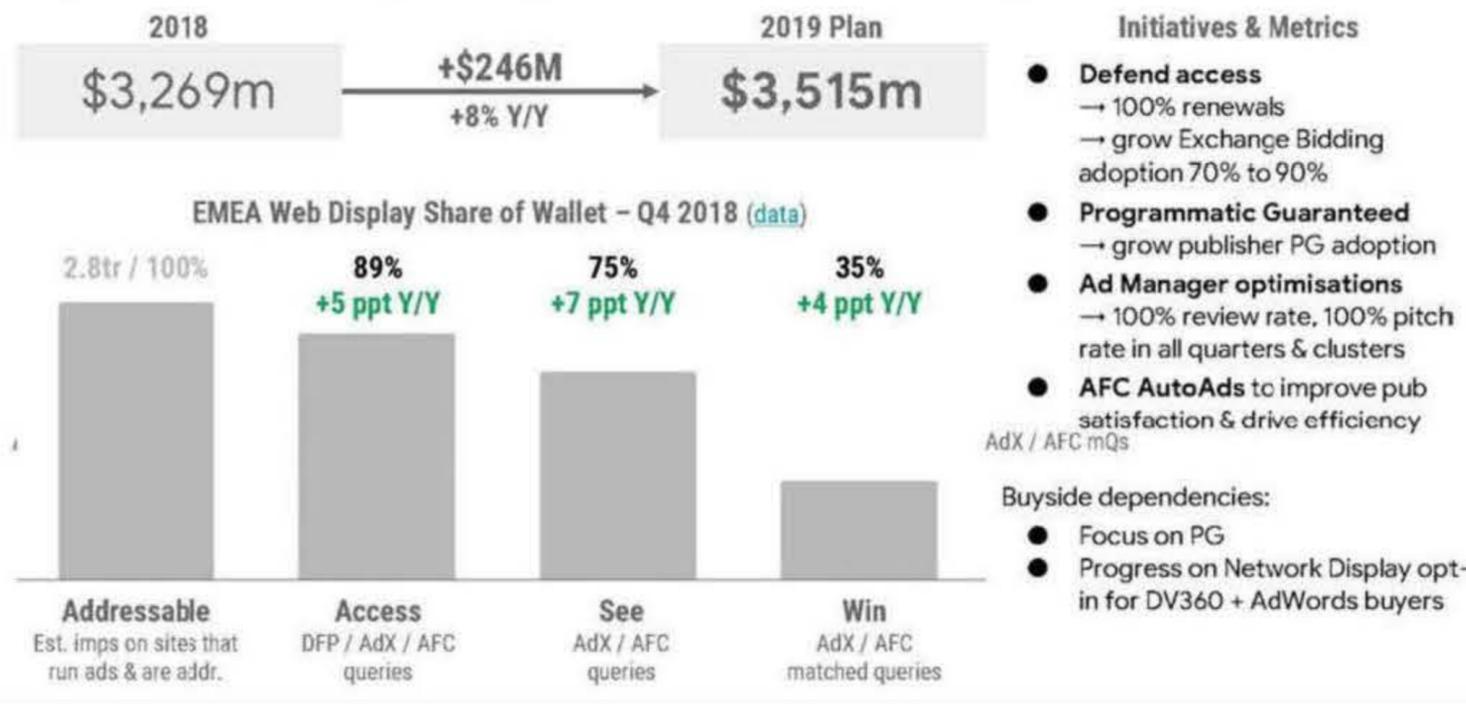
It actually looks good (better than above in fact!) but what it doesn't show is that for an "active" partner we may still only have a very small share of these downloads; therefore I don't think its a good addition here.

With the exception of Kiloo, all the top 10 in EMEA are considered "Active Partners" (earning more than \$1k with Google in the last 28 days)

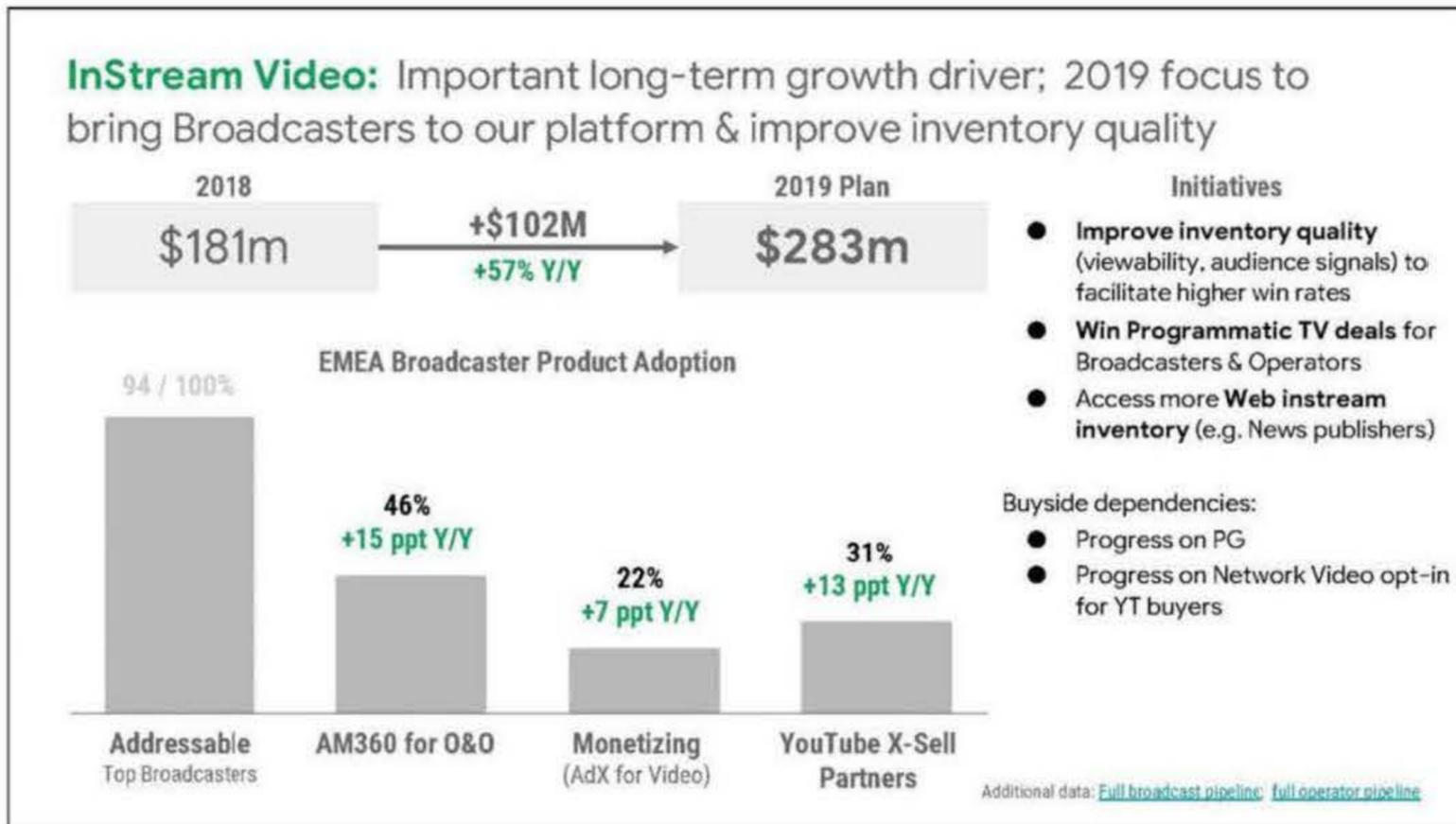
And ones like Voodoo are marked as mediating (definition of mediating = at least one app of the developer showing more than one impression through mediation)

Comment from Alexis: "Platform targets for OPG Apps is 34% EOY (versus 29% now). The 21% mentioned in this slide is the T1 figure now, who need to be brought up to 29% EOY. SMBP is a big contributor when it comes to PF (details of PF targets here : <https://docs.google.com/spreadsheets/d/1c-n-xycnrXn6mGnK7s9neO3c52c-ySLe1XDzFy5Uot0/edit?ts=5c1440f0#gid=239168187>)"

Web: Increased bidding access (“See”) to 75% of addressable impressions in 2018; 2019 growth drivers are PG & optimisations



grow publisher PG adoption from 36% to 80% in LPS



2018 Notable Wins: RAI Italy (3 year full stack deal); Mediaset Italy (X Sell); Choueiri (full stack renewal); Multichoice/DStv (no.1 in Sth Africa), Discovery Norway (full stack); RTL2 (full stack); Red Bull DE (full stack), Tamedia CH (full stack), Formula 1 UK (full stack - DAI to launch this year)

** we also signed landmark deals with operators including Bouygues and Digiturk

2019 Notable Wins (Jan-Feb): Canal + (X Sell); Fox Turkey (full stack)

2019 Key Targets (and ARR): ProSieben (ARR \$15m); DAZN (ARR \$10m+); TF1 (ARR \$40m in 2020); Admeira DACH (ARR n/a); RTE IE, STV UK (ARR n/a)

** for operators key targets include Free FR, Vodafone Spain, Vodafone Germany, Polsat, Proximus and ComHem

Ahead of your EMEA sellside review on Monday I wanted to share additional insights / talking points on the optimization levers that can influence the instream inventory quality.

Based on the Instream optimization workstream Bilal and Pauline are leading this quarter, here are the 3 top optimization strategies:

Increase instream eligibility: this could be done by pushing Instream PG or by increasing OA auction access.

Increase win rate:

CIVA optimization: Buy-side optimizes bidding strategy using CIVA (Completion, in-view, and audible). By helping publisher become more "CIVA" ready, we can increase publisher attractiveness and buy-side bid CPM. This involves increasing viewability, completion rate, and audibility.

Improve content rating: Content rating is a big factor that drives publisher attractiveness for buyers. Helping publishers improve their content rating at the domain level is an important lever to increase Instream win rate.

TrueView eligibility: TrueView formats are premium and have better render rate than average. By driving higher TrueView eligibility, we could increase the auction pressure and buy-side demand.

Fix instream ad serving errors:

Instream ad render rate is impacted by a number of technical errors (i.e. VAST). We are working on identifying the most impactful errors and work with gTech to reduce their occurrence and impact.

FYI - note that to execute on 2.1, the ongoing buy-sell collaboration will be critical. To ensure our publishers have an optimal set-up it is important to understand how the buy-side is optimizing for bidding strategies.

Search: AFS/AFD declining business; opportunities are AFS native & Sponsored Product Ads to help retailers compete against Amazon



AFS Native Additional Info

Search is a collection of products, AFS/AFD and new offering SPA. AFS is the majority of the revenue today (~75%); and in decline (chart) due to shift to mobile & tightened policy.

Furthermore thin margins pushing pubs to focus on conversions, 1P ads; emerging competitor solutions for advertisers seeking to retarget users within retailers' properties

In this context the approach is to continued focus on AFS optimizations & migrations to AFS Native to minimize decline and improve mobile coverage;

Tracking ~3200 web properties to migrate to AFS

Making steady progress reaching 14% to date (supported by TVC team ~1% migrated per month)

Tackling the top revenue accounts first; covering 49% of total AFS(h) revenues

Charts

Look to SPA for growth; Signing a whale on SPA is crucial; develop SPA network through availability of Direct Sold Shopping Ads, buy-side alignment on pipeline, and omni-channel product roadmap

Maxime: My understanding is that there is a deep-dive analysis on AFS to be done by GTM (Sarah Whitney). Early calculations show that mqCTR for AFS across EU countries has dropped significantly since June 2018 (does not seem to affect non-EU countries)

<https://docs.google.com/document/d/1NxRbyeG6xw3U1B92fpMOgrUeb9hsreIX2iMeXdWJGv0/edit#>

Types of headache

MIGRAINE



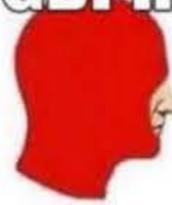
HYPERTENSION



STRESS



GDPR



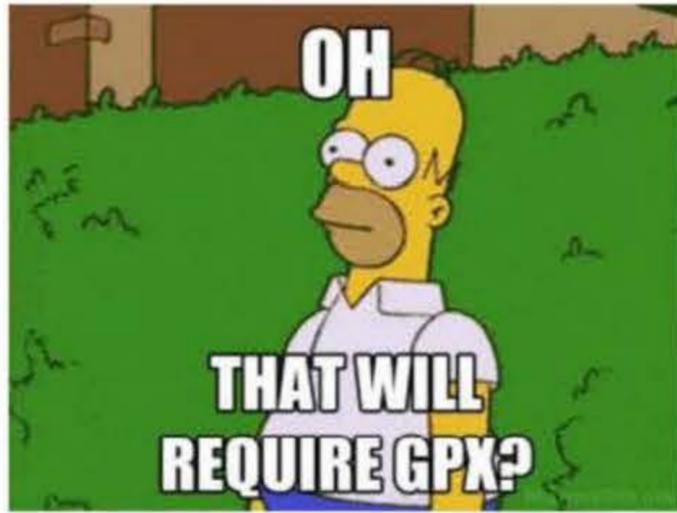
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GDPR causing small negative drag, with ~8% of ad impressions non personalized at an average CPM drop of 50%. We expect an increase in the percentage of non personalized ads later in the year, as we begin proactive enforcement with publishers.

What we do as EBF sell-side team: insights & deals



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GPX: global deal review forum for sell side deals

Since July-18, global forums approved 25 EMEA deals*

- **What is a deal?**
 - Non-standard terms on Google Ad Manager (and AdSense)
 - Normally two dimensions: 1) Media revenue share and 2) Tech Platform fee
 - Can be complex (eg. min guarantee etc.)
- **How is business finance involved?**
 - Financial Model
 - Finance POV in global forum docs
 - Aligning finance stakeholders (i.e. accounting, billing)



*Majority of Partnerships deals are either standard or can be approved without global forums

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How many global forums are there for sellside?

GPx (22 deals)

FMG (Keshet, Naspers)

BC (ProSieben)

Infrastructure tools



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EMEA Sellside Tools

[Sell-side key tools](#)

Area	Tool	Link
Business Reviews	QTD performance, updated on weekly basis	go/emeagptrading
	EMEA LPS Dasnav, for detailed analysis and deep dives	go/emeagpdasnav
Annual Planning	Trix for 2019 annual planning, communicated to Sales team	go/emeagp2019
2018 Performance	Trix for 2018 performance, communicated to Sales team	go/emeagp2018perf
BFM	Sellside BFM metrics (GTM owned)	go/ssbfm



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Understanding the sell-side: FAQ

- **What is the sell-side?**
 - It is the inventory view of the buy-side
- **What is a publisher?**
 - Those who provide inventory spaces for ads (and receive compensation for doing so), as opposed to the advertisers who pay to put ads in those spaces
- **Where is sell-side revenue coming from?**
 - Advertisers buying the inventory. We then need to pay a revenue share to our publishers (TAC)
- **Where in the buy-side can I see sell-side revenue?**
 - Display & Video & Network
 - You cannot add sell-side to buy-side revenues given that you would be double counting
 - Network revenue in your region (buy-side) does not equal sell-side revenue in your region given import/exports
- **How do we look at the business?**
 - We look at trends per inventory type: Web, Apps, InStream Video and Search (new 2019 product cut)



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Impressions

An Impression is the smallest unit of advertising representing one person being exposed to the advertisement once. With online advertising individual impressions can be counted exactly, while in traditional advertising the number of impressions received by a campaign must be estimated.

Impressions are used in calculating the CPM which is found by dividing the total money spent by the number impressions in thousands.

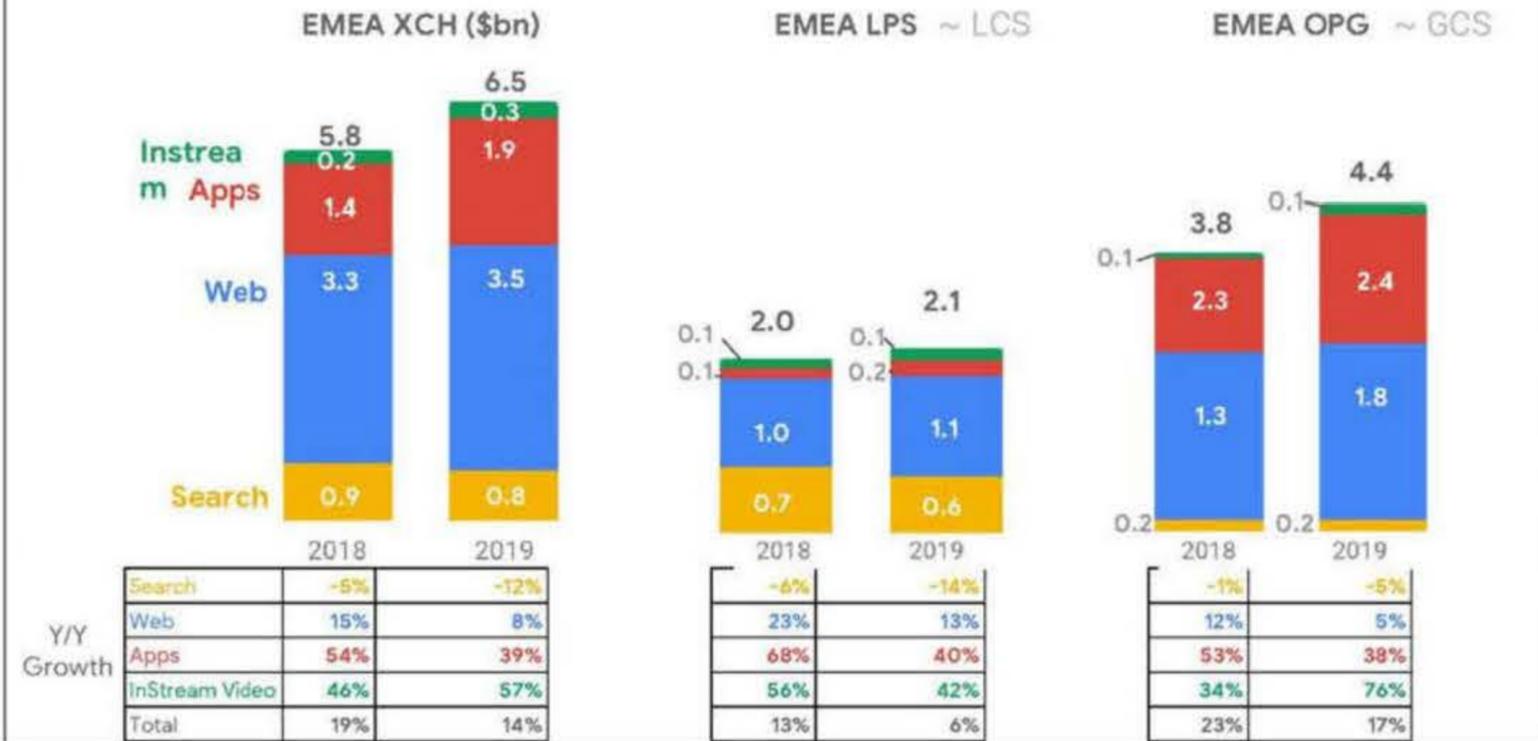
Additionally the precise definition varies with the medium of advertising and platform being used. A display ad may count as an impression as soon as it is returned from the ad-server. While a online video ad would require that the video be rendered and start playing to the user, because video ads are more complex than display ads, simply serving the ad is not considered sufficient for an impression. A traditional radio ad would estimate the total viewership for the station when the ad played and assume the ad revived that many impressions.

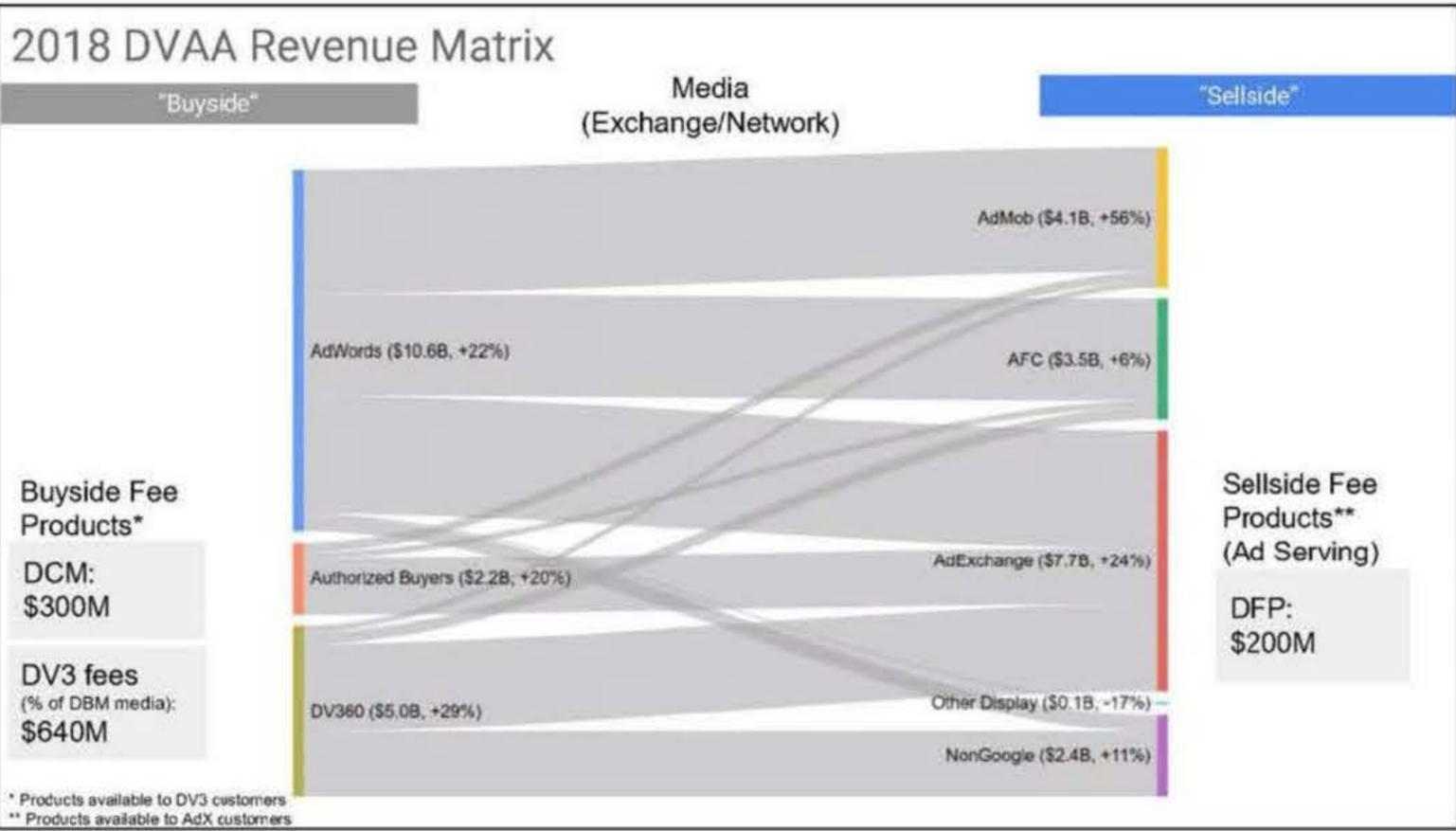
Appendix



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Sellside EMEA plans to grow by \$778M / +14% Y/Y to \$6.5b





Google "owns" majority of these transactions on both sides -- AdX and nonGoogle relatively small parts of DVAA business

New Sell-side Product Cut for 2019

Old Hierarchy

Pub Product	Old Quota Product
AFC	AFC
AdExchange	AdExchange
AdExchange - Games	
AdExchange - Video	
AdMob	MobApps
AdExchange - Apps	
AFS	AFS
AFSh	
AFSMA	
AFD	AFD
Demand Product	Demand Product
AFG	Non-Quota Bearing
AFV	

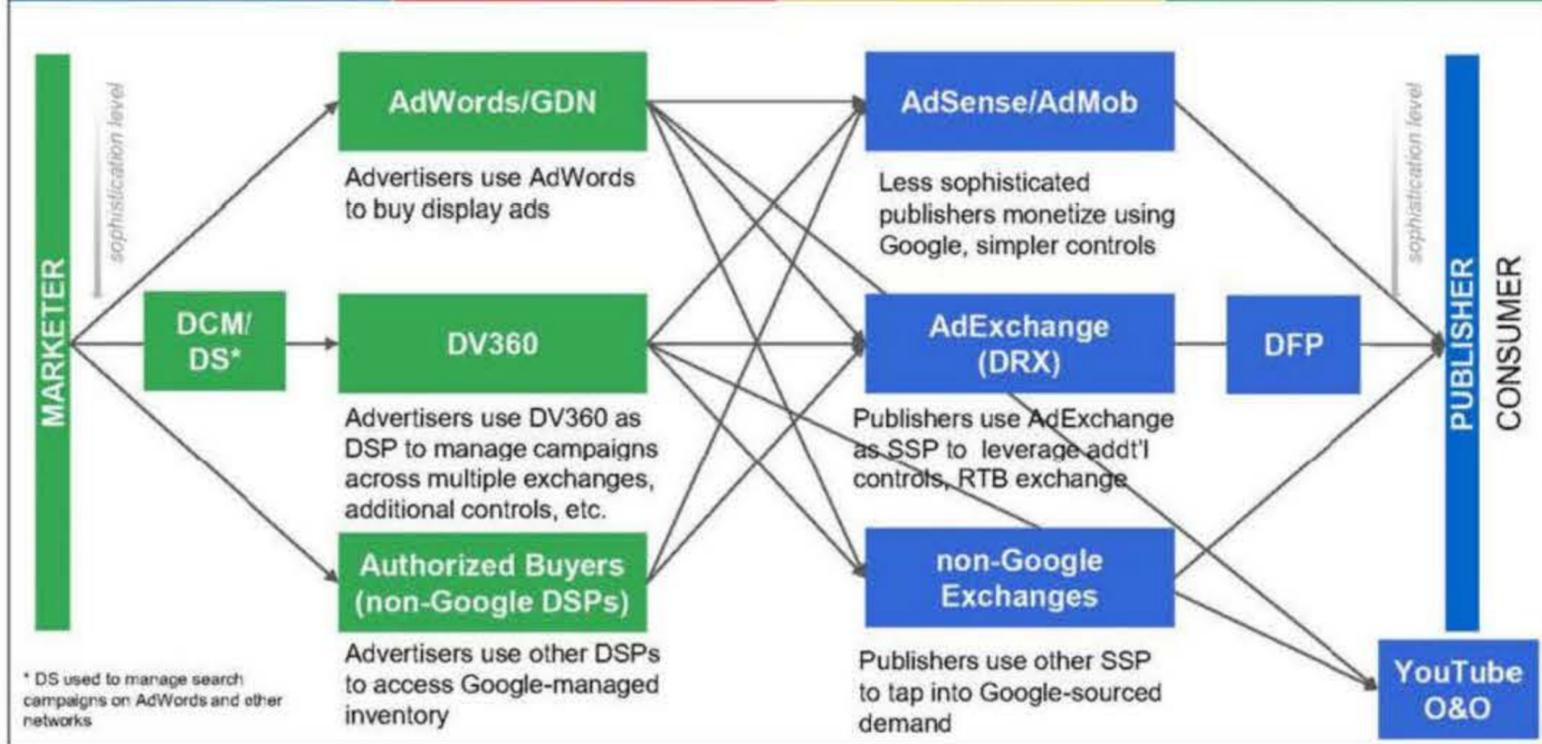
New Hierarchy

Pub Product	New Quota Product
AFC	Web
AdExchange	
AdExchange - Games	
AFG	
AFV	Apps
AdMob	
AdExchange - Apps	
AdExchange - Video	Instream Video
AFS	Search
AFSh	
AFSMA	
AFD	
Demand Product	Demand Product



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DVAA addresses spectrum of marketer/publisher use cases (simple to sophisticated) and optimizes for access



https://docs.google.com/presentation/d/1v8ypZcQB88iOrX_GB7MDWA_iMGmxBReC8o_C-Uq2SQ/edit#slide=id.g322f2a7f97_0_50

Graveyard

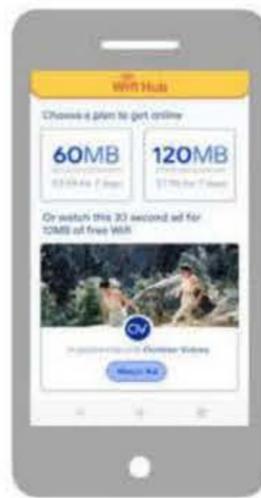


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MobApp Example: Non-gaming rewarded



Music



Utility

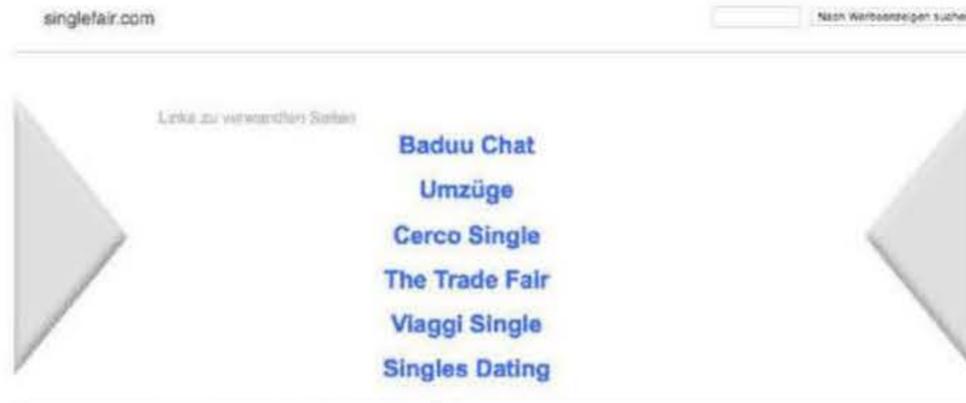


News



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AdSense for Domain (AFD) Example



Desktop AFD traditionally looks like this:~

1. Page is a click on related searches
2. The term will be used to create an AFD ad request and to show ads.



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