



Display Business Overview

November 2020 | Sissie Hsiao

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Display Business Overview

“Display” includes several product and businesses supporting the transacting of ads between publishers and advertisers on non-Google O&O surfaces. But it’s complicated as our products “blend” the buying and selling of O&O and non, for strategic reasons.



Advertisers

Spend **\$18.3B** per year on non-O&O inventory

Extends Google’s reach by ~10-30+% volume.



Publishers

We pay **\$14B / year** to 700k web pubs and 170k app pubs

Monetize content, while ensuring **fair access to clean inventory**



Users

Privacy balanced with access to **free content**



Google

Overall, “Display” generates **\$1B** in non-O&O op profit

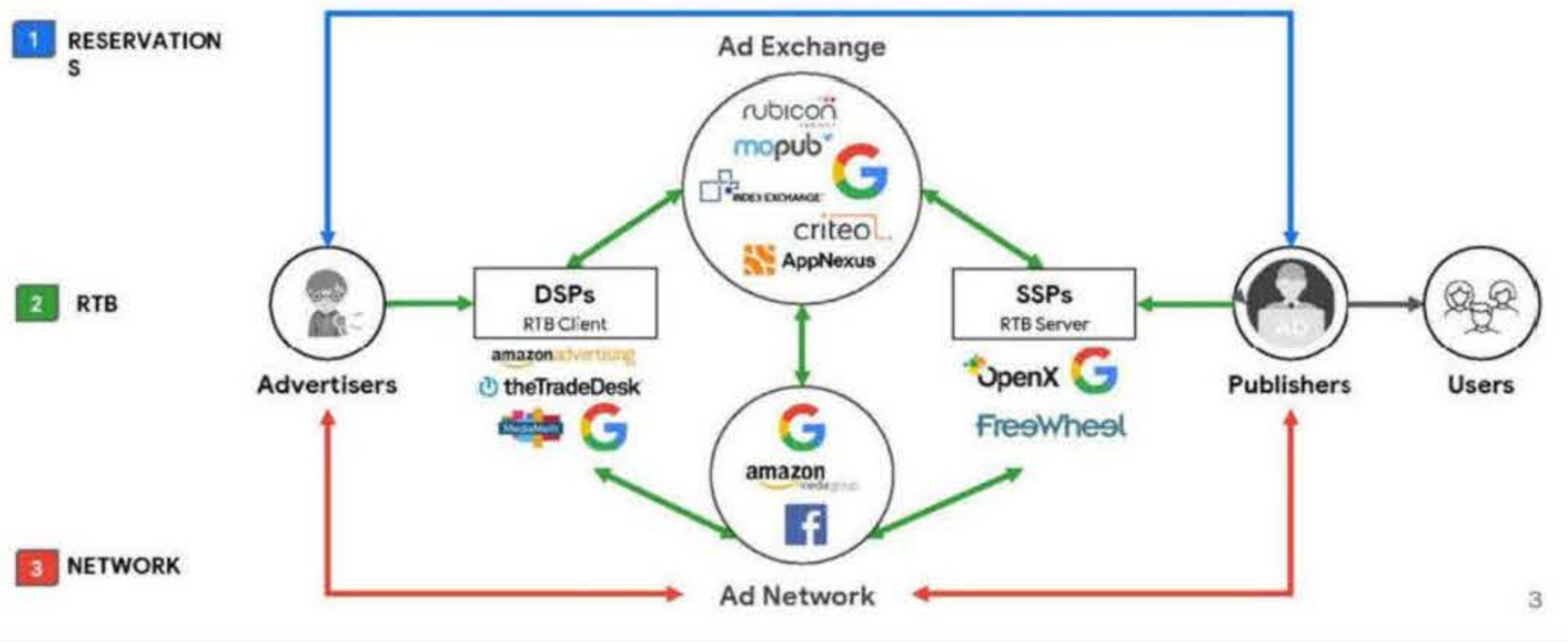


Increasingly, a 5th constituent: KOFs and Regulators (privacy and competition)

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The Display “Ad Tech” ecosystem

Conceptually, there are 3 ways Display transacts between ads and pubs: Reservations, RTB, and Network



11/13 Notes

Can play in some and not in others / and can succeed in some and not in others

Alternative to deep dive slides - publisher slides (Admanager and network products) and discuss purpose, dependence on data

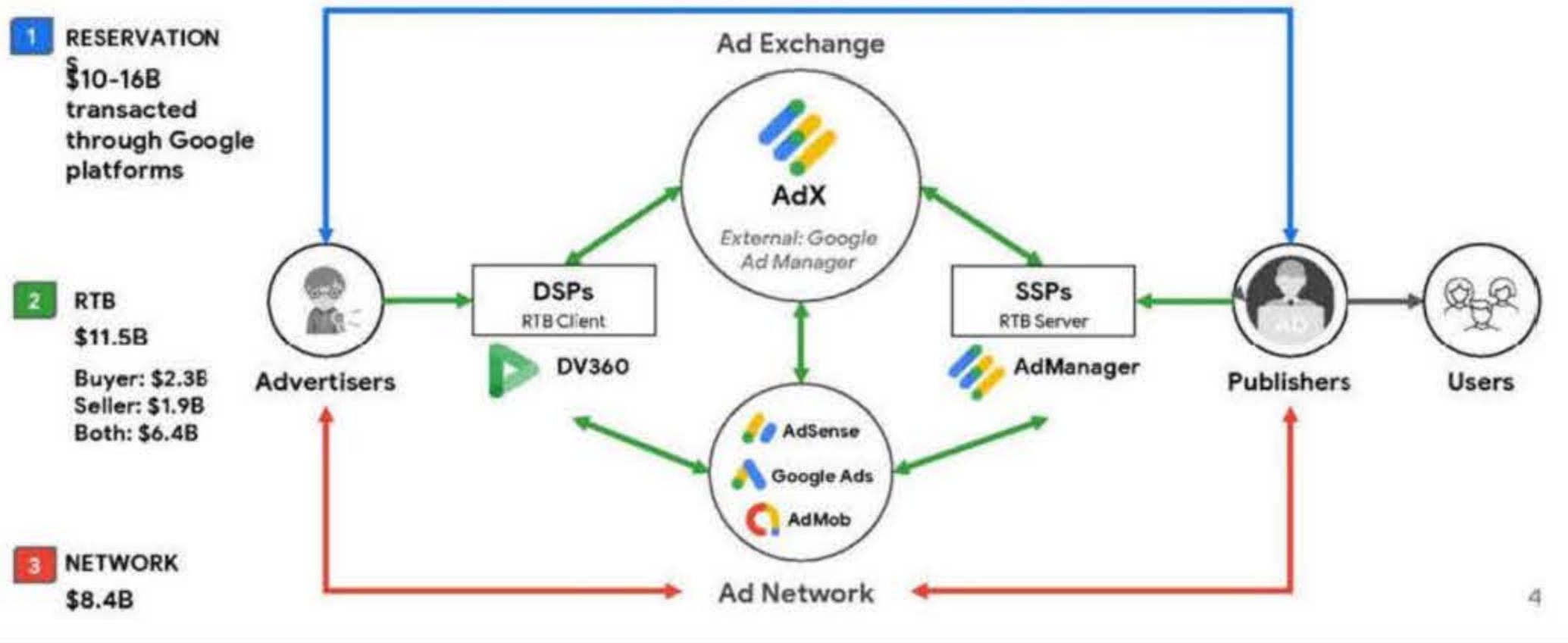
Buckets: DV360, DFP, ADX, Networks

Here is how they benefit us, the google ecosystem, and the data tension

1/3 frame 2/3 on data and making products viable

Google's Display Ad Business, Products

Google has multiple products that support this ecosystem, spanning transaction types



Reservations = DFP Direct Reservations only

RTB = OA, PD, PG on AdX and 3PE (from Authorized Buyers, DV3 and AdWords) and DCM, DBM fees

Note: RTB Buyer/Seller/Both breakout does not sum to \$11.5B because there is \$0.9B in DCM + DBM fees

Served Gross Revenue = v10 2019 Fcst (Source)



Ad Manager

Ad Manager is business critical to many of the world's largest publishers, with 85% of "display web" addressable inventory flowing through.



\$24B RUM = \$8B AdX Media (v11 2019 Fcst \$8.9B, AdX Backfill 92.5% from go/lumina) + \$10-\$16B DFP Direct Reservations from previous slide

https://docs.google.com/presentation/d/1IXsJzsTpnxDv7zypBv7n70kRQpIDUeFOJrfmNkLziUA/edit#slide=id.g604379dfbf_1_315

We can also pull a slide from the sellside QBRs on breadth, depth, addressability. Something like this slide, but with the addressable bar brought down to a more reasonable range (eg exclude O&O, walled gardens, and other policy violating inventory).

https://docs.google.com/presentation/d/1UVAhKizbeZPBeGJ7Pn7P7ckpZEpxMh3Sg5SzJyGZyMY/edit#slide=id.g38ffbb1edc_12_645



AdX

Auction that enables multiple buyers to bid on publisher's remnant inventory. Google buys 78%, 3ps buy 22%

\$9.6B

2019 Gross Revenue

Highly dependent on data and multiple buyers

More buyers with more data means more revenue for publishers

Unclear evolution if cookies go away.

Tension on pricing and policies

Misalignment of Google and publisher, Authorized buyer incentives.

Publishers use multiple SSPs and want to plug in as many buyers as possible, while bypassing our auction fees through header bidding

Authorized buyers and publishers want more lax policy.

30%

2019 Net Margin (blended)

\$200M

2019 Op Profit



AdX 9.6B not the same as RTB 11.5B because RTB number includes 3PE OA/PA/PD, but excludes PG

AdX is bought by: Authorized Buyers (22%), DV3 (37%), AdWords (41%)

Net Revenue margin: AB - AdX 17.5%, DV3 - AdX 24.5%, AW - AdX 31%



Display & Video 360

Single front door to O&O and Third Party inventory for agencies and large buyers

\$6.9B (\$9.3B incl O&O)

2019 Gross Revenue

27%

2019 Net Margin*

(\$85)M

2019 Op Profit*

*excl O&O



Enterprise product for consolidating agency & big advertiser buys

Agencies still control a large % of media buying

This tool allows agencies to add value and charge % of media

Anchors YouTube & Google Display inventory buying

15% of YouTube Ads Revenue

33% of Display Inventory Revenue

3P inventory buying is highly dependent on remarketing & cookies

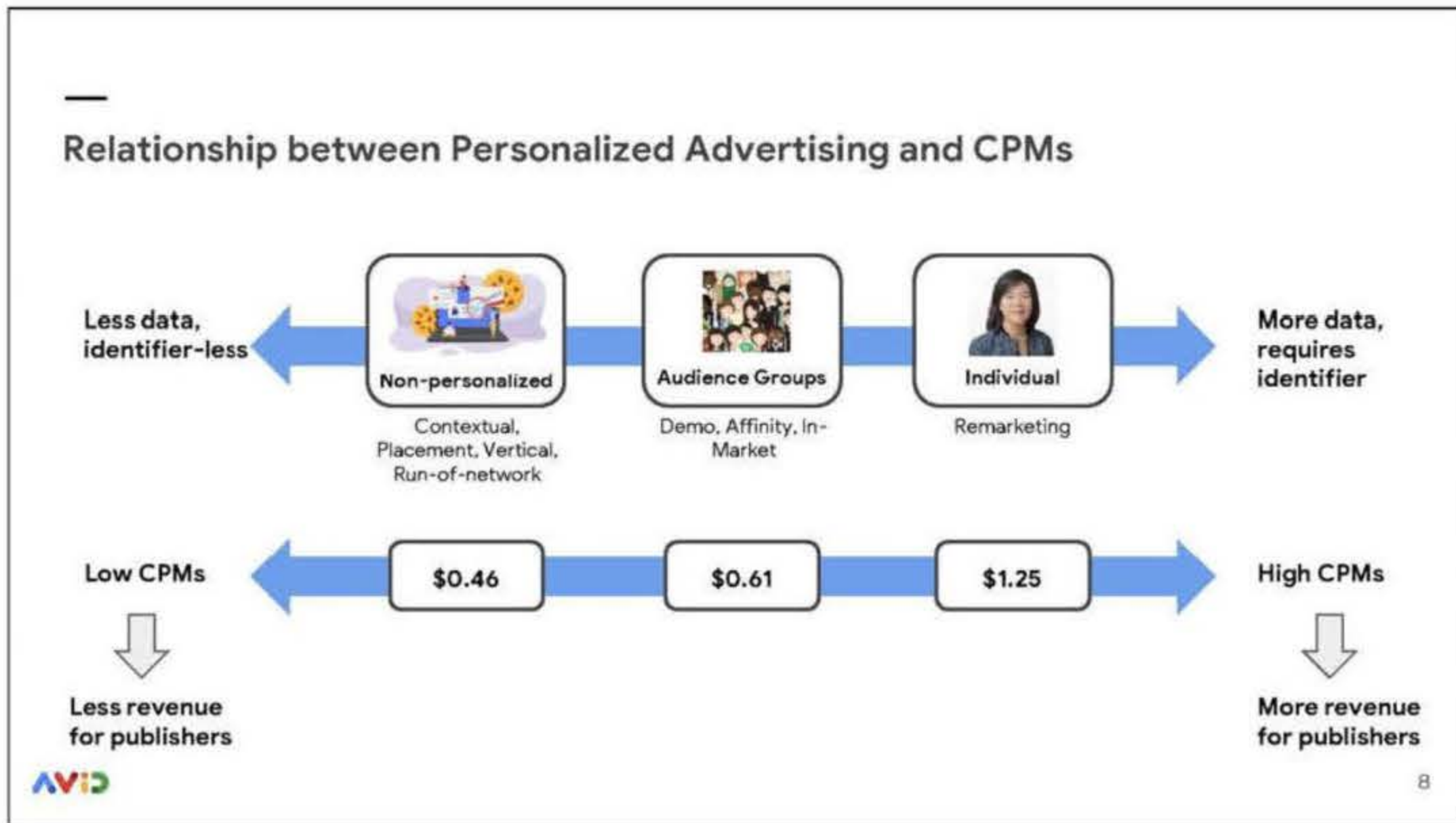
28% DV360 display buying that is remarketing / interest based targeting

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% of Display Revenue = (Core DVA from DV3) / (Core DVA from all buying doors). v10 2019 Fcst

% YT Ads Revenue = (YT from DV3) / (YT Served Revenue from go/adspnl). V10 2019 Fcst

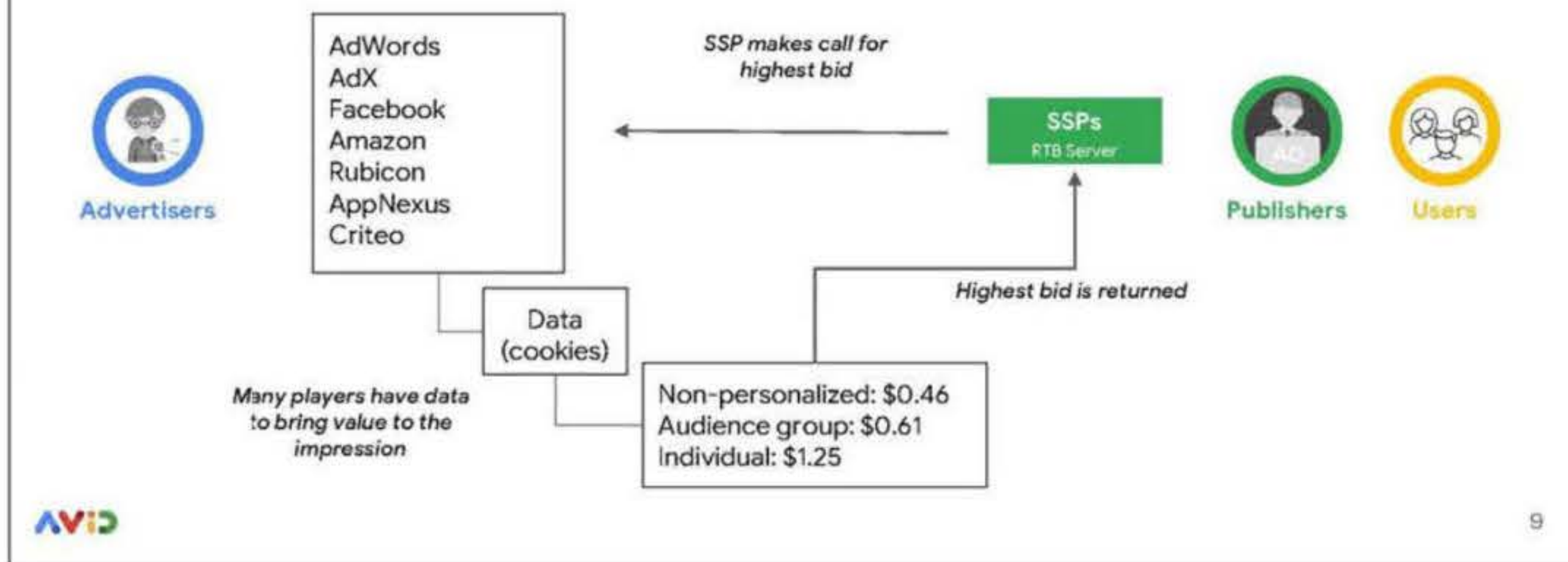
DV3 % from Targeting = https://data.corp.google.com/sites/bdr/dv360_nav/?label_id=l293h&view=default



Personalization is needed to make ads more relevant (“Non-personalized” ads CPMs are 1/3 the value of personalized ads)
 Scale of personalization - goes from anon / innocent versus shoes following you around internet. As you get more specialized, value goes up for adv but data tension. Where is the right spectrum for us to land but also taking into account competition.
 2 dimensions: Type of audience data (personalization) and Data source (who owns it). Walking ecosystem back to less specific is hard and long but we are working on doing so - we need to evolve this together.
 Swap “dirty” for clean money
 Make it hard to make “dirty” money

Competitive Auctions: Google is not the only player

Multiple competitors bring demand to auctions; the player who can bring the highest CPM wins the auction; the highest CPM is determined by data.



Best data wins in a competitive market

CPM Source: https://docs.google.com/spreadsheets/d/1auGqD_dDt6Gp6j3x4nprdE1zSApumn0cQu5B05b-Dts/edit#gid=220273218

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Tension from both Privacy & Competition

Privacy



Competition

GDPR

CCPA, CPRA

Other jurisdictions

Platform Openness / Fair Access

Questions on margins and costs

Market and competition



Duality of situation we are currently in
Example regulatory questions related to competition cat. in appendix

Appendix

