



Sellside Monetization and Search Distribution QBR  
Q1 2018

**PTX0657**

**1:23-cv-00108**

## Agenda

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- 1** Sellside progress against plan
  - Revenue Summary
  - Q1 Forecast vs. Plan
  - Progress against 2018 OKRs

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- 2** Review of key sellside products

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- 3** Key deals

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- 4** Deep Dives
  - Search Distribution
  - Web Share of Wallet and addressable opportunity

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- 5** Appendix

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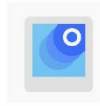
# 1. Q1 Sellside Performance Against Targets

## Key strategic issues we are grappling with and which would benefit from deeper Product/Buyside/Sellside alignment

Opportunity for increased clarity and alignment on how **network inventory fits into the overall buy-side video and display strategy**. Specific areas for consideration include:

- How **display anchor deals/inventory** (e.g., Fairfax) will fit into buy-side priorities given market trends (move away from domain-specific buys by advertisers and agencies toward audience buying)
- Ability to accelerate **Programmatic Guaranteed** (which is currently operating sub-scale) given buy-side priorities, and lack of clear line of sight to a scaled business, which generates margin based on sustained value creation for all parties (advertisers/agencies, publishers, and Google) -- **possible ACM discussion**
- Approach to **Instream Video** which is also currently operating sub-scale with no clear line of sight to a scaled business given competitive dynamics and product complexities in the OTT / Connected TV / STBs segments -- **Video strategy review underway**
- Articulation of **associated areas of sustainable competitive advantage** (e.g., Nera) to drive increased CPMs and margin
- Implications on how we manage the business to drive **revenue vs. margin**

## Recap: How we are approaching the display Sellside business



Web



Apps



Instream Video

"Gain Access"  
(Be the ad serving decision engine)

"See More"  
(Optimize so AdX buyers compete fairly)

"Win More"  
(Optimize to improve chances AdX buyers win)

Sellside monetization growing 15% led by Apps. Product mix shifting as AFS+AFD business contracts. Instream Video still small.

Jan 1 - Mar 14	Display									Search			Total Sell Side Revenue		
	Google Network Web			Google Network App			Google Network Video 3) Premium Instream)			AFS + AFD					
	Rev	Rev YoY	MQ YoY	Rev	Rev YoY	Imp YoY	Rev	Rev YoY	MQ YoY	Rev	Rev YoY	MQ YoY	Rev	Rev YoY	MQ/Imp YoY
LPS - Americas	\$287.8	14%	10%	\$58.5	-1%	-14%	\$27.9	42%	65%	\$399.0	-19%	-9%	\$773	-7%	10%
OPG - Americas	\$489.9	8%	-4%	\$138.9	42%	16%	\$19.8	26%	0%	\$19.4	-18%	-3%	\$668	13%	-4%
<b>Americas</b>	<b>\$777.6</b>	<b>10%</b>	<b>0%</b>	<b>\$197.4</b>	<b>26%</b>	<b>5%</b>	<b>\$47.7</b>	<b>35%</b>	<b>30%</b>	<b>\$418.4</b>	<b>-19%</b>	<b>-9%</b>	<b>\$1,441</b>	<b>2%</b>	<b>0%</b>
LPS - EMEA	\$186.9	21%	5%	\$18.6	32%	6%	\$14.5	66%	59%	\$174.8	23%	35%	\$395	24%	5%
OPG - EMEA	\$401.6	8%	-5%	\$216.2	53%	37%	\$13.5	27%	-28%	\$33.9	-3%	16%	\$665	19%	-5%
<b>EMEA</b>	<b>\$588.5</b>	<b>12%</b>	<b>-2%</b>	<b>\$234.8</b>	<b>51%</b>	<b>34%</b>	<b>\$28.0</b>	<b>44%</b>	<b>-7%</b>	<b>\$208.6</b>	<b>18%</b>	<b>31%</b>	<b>\$1,060</b>	<b>21%</b>	<b>-2%</b>
LPS - APAC	\$70.2	-2%	-13%	\$136.3	116%	64%	\$2.3	-15%	64%	\$23.3	20%	-9%	\$232	48%	-13%
OPG - APAC	\$263.5	4%	-14%	\$384.6	76%	52%	\$1.7	-32%	-10%	\$7.9	-15%	21%	\$658	36%	-14%
<b>APAC</b>	<b>\$333.7</b>	<b>2%</b>	<b>-14%</b>	<b>\$520.9</b>	<b>85%</b>	<b>56%</b>	<b>\$4.0</b>	<b>-23%</b>	<b>14%</b>	<b>\$31.2</b>	<b>9%</b>	<b>1%</b>	<b>\$890</b>	<b>39%</b>	<b>-14%</b>
<b>OPG</b>	<b>\$1,155.0</b>	<b>7%</b>	<b>-8%</b>	<b>\$739.7</b>	<b>62%</b>	<b>40%</b>	<b>\$35.0</b>	<b>22%</b>	<b>-15%</b>	<b>\$61.2</b>	<b>-10%</b>	<b>12%</b>	<b>\$1,991</b>	<b>22%</b>	<b>-8%</b>
<b>LPS</b>	<b>\$544.9</b>	<b>14%</b>	<b>2%</b>	<b>\$213.3</b>	<b>57%</b>	<b>30%</b>	<b>\$44.7</b>	<b>44%</b>	<b>63%</b>	<b>\$597.1</b>	<b>-9%</b>	<b>1%</b>	<b>\$1,400</b>	<b>7%</b>	<b>2%</b>
<b>Total</b>	<b>\$1,699.9</b>	<b>9%</b>	<b>-6%</b>	<b>\$953.0</b>	<b>61%</b>	<b>37%</b>	<b>\$79.7</b>	<b>33%</b>	<b>12%</b>	<b>\$658.3</b>	<b>-9%</b>	<b>2%</b>	<b>\$3,391</b>	<b>15%</b>	<b>-6%</b>

1 Web in transition from CT (+0%) to mobile (+25%)

2 Apps including outstream video, main growth driver. APAC fastest growing and > 50% of overall Apps revenue.

3 In stream video still small, but growing. Growth driven by DBM and Programmatic Direct

4 AFS is highly concentrated (top 6 partners ~60% of revenue). Single digit decline expected in Q1.

Total Video Rev = \$303M. 3 components: 1) \$15M in Network Web outstream, +108%/y, \$4.7 eCPM; 2) \$207M on Apps outstream, +346%/y, \$2.4 eCPM; 3) \$80M in stream, +33%/y, \$9.8 eCPM 6

Overall growth is 15%.

Web is around ~50% of the overall business, growing at 10% y/y. Web is in transition from CT (0% growth) to mobile (up 25%).

Apps is around a third, but the main growth driver with 60% up y/y. APAC is the fastest growing region and > 50% of the overall global apps revenue.

Instream-Video is still small (~3% of total) and growing at 33%.

Finally, search is ~20% of the business, declining at around 10% y/y. We have deep dive on Search later on.

Q1'18 Outlook is 6% ahead of plan (+\$235M).  
 mApps is biggest contributor to positive variance (+\$134M)



	EOQx (\$M)	% of Quota	SM vs Quota	Y/Y EOQ	▲ from Prev Qtr
<b>1</b> AdExchange	\$1,379M	101%		\$20M 18%	▼2
Americas	\$759M	101%		\$11M 19%	▼3
EMEA	\$449M	105%		\$21M 24%	▼1
APAC	\$171M	94%		-\$11M 1%	▲0
<b>2</b> MobApps	\$1,190M	113%		\$134M 59%	▲2
Americas	\$244M	92%		-\$23M 24%	▲2
EMEA	\$291M	111%		\$29M 49%	▲9
APAC	\$655M	124%		\$127M 83%	▼8
<b>3</b> AFC	\$838M	109%		\$72M -2%	▲3
Americas	\$279M	114%		\$35M -4%	▲4
EMEA	\$317M	107%		\$20M -1%	▲2
APAC	\$242M	107%		\$16M 0%	▲4
<b>4</b> AFS/D	\$803M	102%		\$15M -10%	▼5
Americas	\$509M	105%		\$25M -20%	▼5
EMEA	\$255M	99%		-\$3M 16%	▼16
APAC	\$38M	86%		-\$6M 8%	▲4
LPS	\$1,734M	101%		\$13M 7%	▼6
OPG	\$2,475M	110%		\$223M 21%	▲4
<b>Global</b>	<b>\$4,209M</b>	<b>106%</b>		<b>\$235M 15%</b>	<b>▼7</b>

**AdX:** 1% > target, up 18% y/y. EMEA/Americas on track vs. target and growing at 24% and 19% respectively. APAC remains small (12% of global), behind target (94%), and up only 1% y/y, as AdX inventory declines (down 4%) and usage shifts to apps.

**Apps:** accounts for ~57% of the overall GP performance > plan (\$134M of \$235M). Performance & growth driven by APAC. AMS behind due to slower than expected ramp up from major deals Unity/Twitter/Pinterest.

**AFC:** Continuing strong trajectory from Q4. All regions above target, but particular strength in Americas (114%). Driven by CTR.

**AFS:** Stronger than expected performance from top partner IAC (149%). Amazon at 71% YTD, due to traffic reduction tests since mid-Feb. EMEA underperformance driven by policy changes in AFD affecting Team Internet

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Note: MobApps definition here is equivalent to Google Network App on previous slide, AdExchange + AFS on this slide = Google Network Web + Instream Video, while AFS/D is the same.  
 Note: Different time period, this slide is EoQ1 outlook, previous slide is Jan 1st - thru Mar 14th.

OPG (All Regions) & LPS China performing well above target;  
LPS US, Brazil, AU/NZ, UK/IE behind.



Global Performance

Region	EOQx (\$M)	% of Quota	SM vs Quota	Y/Y EOQ	▲ from Prev Qtr
Brazil	\$16M	78%	-\$4M	14%	▼3
Canada	\$24M	104%	\$1M	27%	▲4
United States	\$909M	99%	-\$9M	-8%	▼5
<b>LPS - Americas</b>	<b>\$953M</b>	<b>99%</b>	<b>-\$14M</b>	<b>-7%</b>	<b>▼5</b>
DACH	\$160M	97%	-\$6M	11%	▼11
France	\$29M	109%	\$2M	31%	▲4
UK/IE	\$52M	92%	-\$5M	-2%	▼6
<b>LPS - EMEA</b>	<b>\$489M</b>	<b>99%</b>	<b>-\$5M</b>	<b>24%</b>	<b>▼9</b>
AU/NZ	\$17M	82%	-\$5M	-1%	▼7
Greater China	\$162M	142%	\$48M	129%	▼46
Japan	\$83M	95%	-\$5M	3%	▲4
<b>LPS - APAC</b>	<b>\$291M</b>	<b>114%</b>	<b>\$31M</b>	<b>46%</b>	<b>▼14</b>
<b>LPS</b>	<b>\$1,734M</b>	<b>101%</b>	<b>\$13M</b>	<b>7%</b>	<b>▼6</b>
OPG - Americas	\$838M	108%	\$61M	14%	▲1
OPG - EMEA	\$820M	109%	\$70M	19%	▲5
OPG - APAC	\$816M	113%	\$91M	35%	▲5
<b>OPG</b>	<b>\$2,475M</b>	<b>110%</b>	<b>\$223M</b>	<b>21%</b>	<b>▲4</b>
<b>Total</b>	<b>\$4,209M</b>	<b>106%</b>	<b>\$235M</b>	<b>15%</b>	<b>▼1</b>

1

2

3

4

1

**BR** - weakness driven by eCommerce (down 6% y/y) and ambitious target. Globo is now 2nd biggest partner (up 50% y/y).  
**US** - behind due to MobileApps deals (74%), excl Apps US is on track at 102%.

2

**DACH** - weakness driven by policy changes in AFD affecting Team Internet  
**UK/IE** - underperformance driven by query drop (-3.2% y/y) and poor performance on eBay and DailyMail)

3

**AU/NZ** - decline is driven by Yahoo!7 and slow ramp up of Channel 7. Perf should improve as the Fairfax MG deal ramps up.  
**Greater China** - driven by apps. Top utility apps continue to grow despite lockscreen policy changes. Top-3 mobile apps publishers globally are from Greater China.  
**Japan** - returned to positive growth in Q1 on back of AFS. Under attainment due to slowing web business (e.g., ITP / Comp.).

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**OPG** driving ~95% or \$223M out of total \$235M performance above target, due to strength in all regions in Apps and AFC


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## Strong progress on Global Partnerships sellside OKRs; behind on Rewarded, Instream Video and AFS Native (1 of 2)

	2018 OKR	Q1 Target	Q1 Est.*	Status
<b>2018 Total Revenue</b>	\$17.6Bn	\$3,973M	\$4,209M	● On track. See further discussion in this deck
	15% growth (ex-AFS/AFD)	15%	23.4%	● On track
<b>Accelerate Apps</b>	\$5Bn Mobile App revenue	\$1,056B	\$1,190B	● On track
	\$651M Native revenue	\$128M	\$147M	● <b>Native:</b> Team assessing options for 'native + banner' solution in app. Sales activation will ramp when delivered in AdMob (Q2).
	\$338M Rewarded revenue	\$49M	\$42M	● <b>Rewarded:</b> accelerate Unity ramp; expand to whale pubs (EA, Disney, Mobile Legends); push into IAP-heavy pubs
<b>Accelerate Programmatic</b>	\$6.2B Programmatic (AdX Web & Video) revenue	\$1,359B	\$1,379B	● On track.
	\$450M Exchange Bidding revenue	\$77M	\$90M	● <b>EB:</b> Continue global rollout and activation, as fast follow to SSP participation in region. Launch network bidding solution for Apps with Q2 sales activation, pending success of deal with Company Top Partner
	\$280M Programmatic Guaranteed revenue	\$42M	\$52M	● <b>Programmatic Guaranteed:</b> Educate pubs/advs on quantifiable PG benefits; activate lighthouse campaigns; determine how LCS, MBS, LPS+OPG support shift adv budgets from tags to PG


 \* Estimate of Q1 achievement based on progress as of March 14, 2018. Ratings: >100% is green, 85-100% is orange and <85% is red.
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- PG has monthly targets that we would be comfortable tracking against
- PG - stretch goal is \$368 total delivered for year - add comment that suggest we are still behind and mention BFM metric
- 6.2b prog revenue - not clear on how the recontracting comment impacts revenue achievement

## Strong progress on Product OKRs; behind on Rewarded, Instream Video and AFS Native (2 of 2)

	2018 OKR	Q1 Target	Q1 Est.*	Status
Innovation in Core Products	\$1.4Bn in Video revenue	\$281B	\$370B	● Video UAC demand in Apps (+347%) and AwV Outstream demand on web (+108%) compensating for video on instream shortfall
	\$551M in In-stream revenue	\$123M	\$99M	● <b>In-stream video:</b> Accel. plans in all regions focused on DFP/DAI flips, optimizations, and buy-side activation; OTT sales activation planned for Q2 when signal collection available outside of SDK
	Launch 18 new Partners on AFS Native	n/a	n/a	● <b>AFS Native:</b> Onboarding kicking off a little late. Will start onboarding partners in Q2 when frontend product work is complete.
	Launch 16 new Partners on Sponsored Product Ads	n/a	5	● <b>SPA:</b> 8 agreements signed, 5 launched. 8 committed to test in EMEA. APAC pitching AU and JP in Q2
	2018 OKR	Q1 Progress (% pub adoption)		Status
Sustainable Ecosystem	100% LPS pubs on Ads.txt	80.6%		● <b>Ads txt:</b> Adoption to Greentea rOpps. X-channel activation plan to boost adoption ahead of DBM authorized inventory option launch
	95% OPG T1 pubs on Ads.txt	77.7%		●



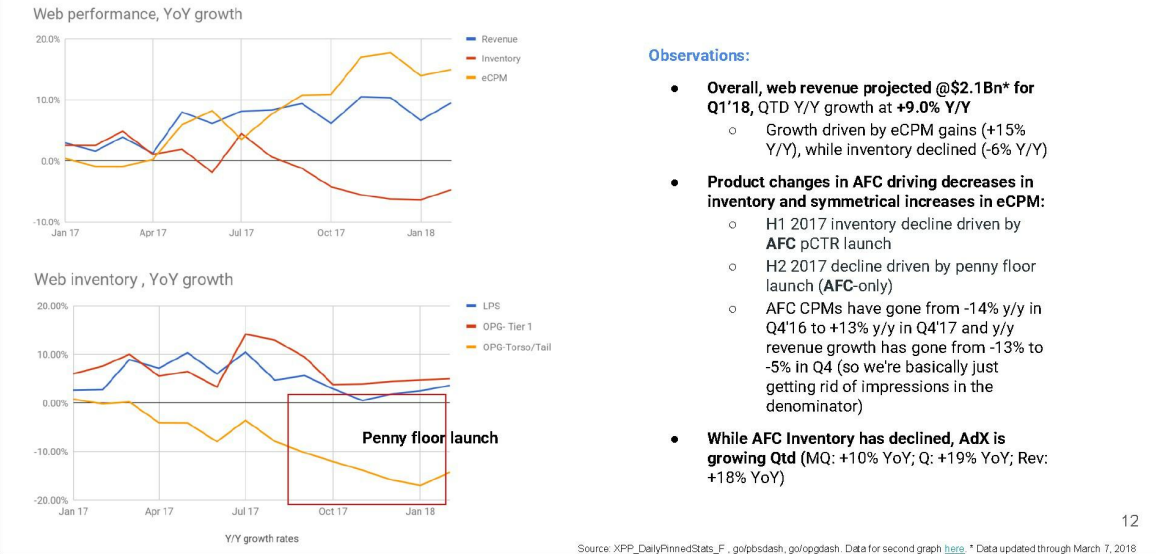
\* Estimate of Q1 achievement based on progress as of March 14, 2018. Ratings: >100% is green, 85-100% is orange and <85% is red.

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ads.txt: Add go-forward risk re: DBM buying auth only

## 2. Review of Sellside Products

## Web continues to grow 9% Y/Y in Q1 '18 replicating last quarter's trend. Product launches cut out low value inventory, with neutral-to-positive impact to revenue



### Observations:

- Overall, web revenue projected @\$2.1Bn\* for Q1'18, QTD Y/Y growth at +9.0% Y/Y
  - Growth driven by eCPM gains (+15% Y/Y), while inventory declined (-6% Y/Y)
- Product changes in AFC driving decreases in inventory and symmetrical increases in eCPM:
  - H1 2017 inventory decline driven by AFC pCTR launch
  - H2 2017 decline driven by penny floor launch (AFC-only)
  - AFC CPMs have gone from -14% y/y in Q4'16 to +13% y/y in Q4'17 and y/y revenue growth has gone from -13% to -5% in Q4 (so we're basically just getting rid of impressions in the denominator)
- While AFC Inventory has declined, AdX is growing Qtd (MQ: +10% YoY; Q: +19% YoY; Rev: +18% YoY)

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Simon

Overall web accelerated slightly to 9.2% YoY (from 8.8% in Q3).

Desktop revenue increased Y/Y (4.2% Y/Y) accelerating (+3.4 pts) from near flat Y/Y in Q3'17. Gains were driven by eCPM increase (19.8% Y/Y) which covered for inventory declines (-13.0% Y/Y)

Revenue looked strong in Q4 (up 15.4% Y/Y), mWeb Inventory overall has been declining (-8.8% q/q). CPMs driving the decline.

AFC CPMs have gone from -16% y/y in Q4'16 to +14% y/y in Q4'17

pCTR

Launched in July'16. This model predicts CTR of a candidate ad for a query based on Machine Learning. The model flags ad requests which are less likely to be clicked by users and does not match them. This impacts the inventory and match rate, but increases CTR and translated into positive revenue impact.

Link to Ariane: <https://ariane.googleplex.com/launch/192168>

Penny Floor

On 24th August'17 algorithm has been launched affecting pubs across all regions. Queries coming from GDN buyers bidding below USD\$0.01 are not matched anymore. The impact of the launch has negative effect on inventory especially in lower tiers (Torso/Tail) and Emerging Markets. The model has a positive impact on eCPM but it's revenue impact per se seems to neutral.

. Link to Ariane: <https://ariane.googleplex.com/launch/199185>

QTD

[https://dasnav.corp.google.com/dnsjnt07/#chart\\_type=bar\\_chart&dimensions=Channel:1|2,Product:30|35,label:0&dimensions=label:2&display\\_type=bar\\_display&end=2018-02-22T00:00:00&granularity=day&growth=true&page=atomics&shift=P3M&start=2018-01-01T00:00:00&view=default](https://dasnav.corp.google.com/dnsjnt07/#chart_type=bar_chart&dimensions=Channel:1|2,Product:30|35,label:0&dimensions=label:2&display_type=bar_display&end=2018-02-22T00:00:00&granularity=day&growth=true&page=atomics&shift=P3M&start=2018-01-01T00:00:00&view=default)

LQQT

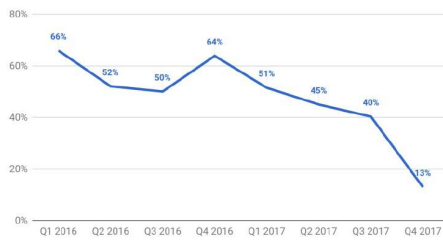
[https://dasnav.corp.google.com/dnsjnt07/#chart\\_type=bar\\_chart&dimensions=Channel:1|2,Product:30|35,label:0&dimensions=label:2&display\\_type=bar\\_display&end=2017-11-22T00:00:00&granularity=day&growth=true&page=atomics&shift=P1Y&start=2017-10-01T00:00:00&view=default](https://dasnav.corp.google.com/dnsjnt07/#chart_type=bar_chart&dimensions=Channel:1|2,Product:30|35,label:0&dimensions=label:2&display_type=bar_display&end=2017-11-22T00:00:00&granularity=day&growth=true&page=atomics&shift=P1Y&start=2017-10-01T00:00:00&view=default)

## mWeb revenue drove 97% of the net web Y/Y gain as product changes create shift in mix between inventory and CPM growth.

mWeb performance, YoY growth



Global mWeb Estimated Page View Growth, YoY



Source: XFP\_DailyFinnedStats\_F, go!pbdash, go!opgdash,  
\*Data updated through March 7, 2018

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### Observations:

- **Virtually all Display web growth driven by mWeb** growing at 25% Y/Y (+2 ppts vs. last quarter)
- **Desktop/Tablet on track to deliver 2nd positive Y/Y quarter in a row after 5+ quarters of decline** as eCPMs improvements make up for inventory losses
- **Declining organic traffic growth on mWeb** will likely lead to slower HED growth
  - 58% YoY Page View growth for all of 2016
  - 27% YoY Page View growth for 2H 2017
  - Seeking to address with AMP & PWA

### Q2 Focus:

- Access - DFP re-contracting (retaining access share) and Exchange Bidding (grow access share)
- Improved Experience - Native ads
- Ecosystem initiatives - News Initiative, GDPR
- Quality - AFC is seeing a surge in high CTR bucket revenue (>7% CTR), representing approx. 3% of AFC revenue (*currently being investigated as potential spam*)

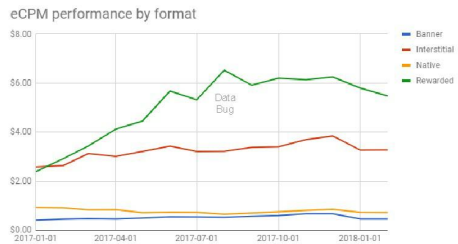
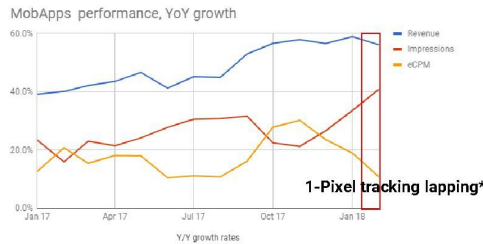
Overall web accelerated slightly to 9.2% YoY (from 8.8% in Q3).

Desktop revenue increased Y/Y (4.2% Y/Y) accelerating (+3.4 ppts) from near flat Y/Y in Q3'17. Gains were driven by eCPM increase (19.8% Y/Y) which covered for inventory declines (-13.0% Y/Y)

Revenue looked strong in Q4 (up 15.4% Y/Y), mWeb Inventory overall has been declining (-8.8% q/q). CPMs driving the decline.

AFC CPMs have gone from -16% y/y in Q4'16 to +14% y/y in Q4'17

**Apps is up 59% y/y, contributing the majority (79%) of the YTD total Sellside absolute revenue growth. APAC is 55% of Apps revenue and up 85% y/y.**



Source: goFpsDasnav, goMobileAppDaily. \*1-Pixel change began in Jan '17, and denotes only counting an impression if 1 pixel was viewed by the user. This impacted Imp by -14.5% and eCPM by +16%.

**Observations:**

- **Apps delivering 79% of sellside growth**, continuing strong momentum from Q4. OPG pubs fully compliant with lockscreen policy, LPS pubs waiting on enforcement. \$10M ARR hit YTD; expect additional \$75-100M headwind through rest of year.
- **Rewarded** growth in number of pubs stalling. Focus shifting towards acquiring head pubs, increasing SOV, and monetizing Unity partnership.
- **Native** market position is stable. Expect growth to slow down to low-mid teens driven by new account acquisition in the low head + high torso. Unable to access gaming inventory due to low eCPMs vs. banner.

**Q2 focus:**

- Increasing access to high-value inventory (iOS/premium formats)
- Winning platform deals against competitors who are offering very aggressive deal terms (IronSource, MoPub, Fyber, etc) (more [here](#))
- Advancing efforts to convert IAP partners to use hybrid ads + IAP model

QTD	Revenue (\$M)	Native (\$M)	% net growth	Rewarded (\$M)	% net growth	Interstitial (\$M)	% net growth	Banner (\$M)	% net growth
AMS	\$244	\$16	7%	\$7	21%	\$109	99%	\$113	-28%
EMEA	\$291	\$13	6%	\$17	17%	\$147	52%	\$114	24%
APAC	\$655	\$119	15%	\$19	7%	\$313	52%	\$203	26%
Global	\$1,190	\$148	13%	\$43	10%	\$569	56%	\$430	21%

\*\* Note: EOQ Projection, since they come from non-financial data sources (goMobileAppDaily)

**ZACH**

Apps = 32% of display

APAC 52% of mobapps

[https://dasnav.corp.google.com/dnsjnt07/#chart\\_type=bar\\_chart&dimensions=Channel:1|2,Product:33,label:0&display\\_type=bar\\_display&end=2018-01-01T00:00:00&granularity=quarter&growth=true&growth\\_percent=false&page=atomics&shift=P1Y&start=2017-10-01T00:00:00&view=default](https://dasnav.corp.google.com/dnsjnt07/#chart_type=bar_chart&dimensions=Channel:1|2,Product:33,label:0&display_type=bar_display&end=2018-01-01T00:00:00&granularity=quarter&growth=true&growth_percent=false&page=atomics&shift=P1Y&start=2017-10-01T00:00:00&view=default)

<https://docs.google.com/spreadsheets/d/1MzUnlK0vj15ivYiJEKWLrxStUE30-ScF4yEXjm-l5Tw/edit#gid=2145216984>

**APAC:**

Was the main driver of growth, the region finished at 128% of target;

Diverse growth across formats, but growth is likely to decline because of lock screen ads;

Majority of the global Apps inventory growth came from Native in APAC;

**AMS:**

Underperformed in OPG (88%) and LPS (69%) due to a deceleration in interstitial inventory and low native eCPMs;

Rewarded still a small portion of the business, less than 2% of all revenue;

Zynga signed a guaranteed deal with MoPub in response to our 3 call policy change.

Slither.io organic drop.

Scopely had a combination of multiple call / price floor adjustments as well as SDK crash issues that led to turning off

AdMob for periods of time in Q4. They saw crashes with iOS 11 as a result of not having the latest GMA iOS SDK

v7.24.1.

IMO has an in-house set up with their AdMob + FAN mediation. The partner A/B tests frequently and adjusts the waterfall

accordingly to the eCPM performance. The low eCPMs on AdMob native contributes directly to our position in the

partner's waterfall setup per placement.

The scale business also failed to see large whales surface such as Slither.IO surface compare to 2016.

**EMEA:**

Closed at 107% of target, interstitials and video are the largest contributors to growth;

Rewarded continues to ramp across a number of partners;

Native Y/Y impression growth is strong, but growth since start of year has been minimal;

**Top 10 developers driving APAC's Native strong performance:**

iHandy Network Limited \$18,326,523.55 Y/Y

APEX TECH HOLDING LIMITED \$15,639,846.31 Y/Y

Noahmob \$4,384,943.33 Y/Y

Bytedance Inc. \$3,984,249.85 Y/Y

Emoji Keyboard - Emoticons(KK) \$3,173,565.66 Y/Y

HAWK TCL \$3,050,856.41 Y/Y

LIONMOBI HOLDING LIMITED \$2,697,104.47 Y/Y

TouchPal HK Co., Limited \$2,629,099.47 Y/Y

NEWBORN TOWN INTERNATIONAL ENTERPRISE \$2,407,646.19 Y/Y  
Kingsoft \$2,200,125.12 Y/Y

Key themes

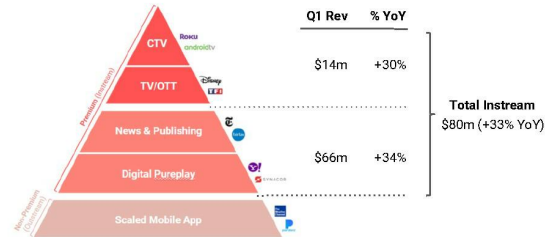
APAC driving X% of total growth

Native and Rewarded still small (X and Y% of overall rev)

APAC Native Revenue at risk due to lock-screen

## In-Stream Video is still small but growing +33% y/y; nascent business in CTV/OTT poised for growth in 2019/20 with product roadmap dependencies

In-Stream Video Growth Y/Y



### Observations:

- **Instream Video revenue \$80M (+33% y/y), impression growth (+20% y/y) and CPMs (+11% y/y)**
- **Growth mainly coming from News & Publishing inventory** driving +\$17m YTD vs CTV/TV/OTT driving +\$3m YTD
- **CTV delivery platform remains nascent** (\$+822K y/y and \$931K YTD with the bulk of revenue through Roku devices (\$285K YTD), product roadmap should fuel growth in this segment in 2019/20.
- **On demand side: DBM** accounts for ~62% of demand. While sellside has inventory from premium content sources, buyers are more focused on audience buying signals. Core signals (measurement, identifiers, viewability) are hard to gather in CTV/OTT environments thus limiting growth.
- **Programmatic Direct** share has increased to 29% of total In-Stream Video in Q1'18, up from 18% in Q1'2017

### Q2 Focus:

- Developing **CTV/OTT video deal strategy** due to unique challenges with that Video inventory
- Teams to continue working with media and platforms teams to **drive Programmatic Direct growth**.

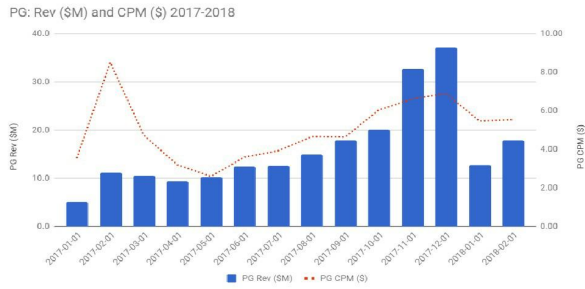
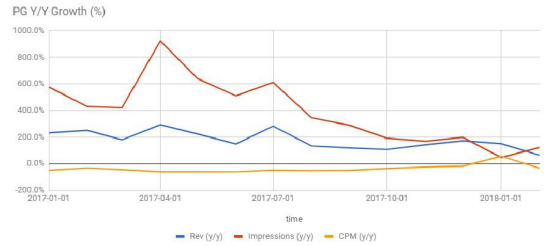
15

What is the product roadmap? Prioritized and wish list?  
Explain observations

N&P/NPL business is well diversified with top 5 parents making up 18% of total spend vs CTV/TV/OTT business being head heavy with top 5 parents making up 69% of total spend



## Programmatic Guaranteed business growing at 162%, but still only represents ~1% of \$16B DFP tag-based direct spend



### Observations:

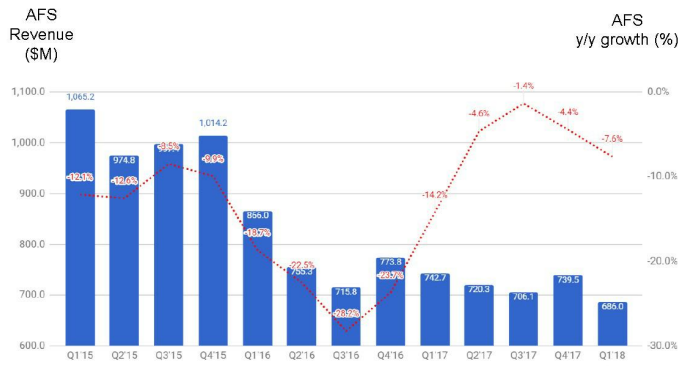
- **Programmatic Guaranteed (PG) revenue reached \$194M in 2017 (up 162% y/y)**
- To generate positive margin, PG business needs to scale significantly
- \$194M represents small fraction (~1%) of the \$16Bn traditional tag-based spend that flows through DFP
- BCG/Nielsen research demonstrates **two benefits** from migration to PG\*: 57% increase in efficiency, 11% reduction in waste. However, these benefits are not sufficient to compensate pubs & advertisers for ~11% current Google fees (4% buy-side & 7% sellside). Need to find a way to expand direct budgets and create value for all parties.
- How can Google (LCS/MBS) influence large, flagship agencies and advertisers to shift major portion of direct spend to PG – **Deep dive w/GBO, PM, Eng leads scheduled. ACM review discussion possible pending outcome.**

\* Source: BCG & Nielsen studies

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## AFS continues to be a drag on sellside growth, including challenges with Amazon test at 50% of traffic levels. Vinden strong growth but policy exposed

### Observations:



- **Traditional AFS business** (e.g. portals, downloadable applications) is mature and in a decline, driven by lower desktop queries and Google policy
  - Yahoo -57% YoY
  - IAC stable at \$200m/quarter
  - Vinden strong growth with \$82M Q1 revenue +60% YoY, but is vulnerable to policy change
- **Opportunity from commerce partners** who are looking for vertical-specific formats (e.g. AFSh) and ad solutions that complement their core business (e.g. PPAs)
  - Amazon testing user satisfaction with 50% traffic drop in Q1, performance at 71% and down 41% y/y, likely to drop further

### Q2 focus:

- Commerce partners: **Sponsored Product Ads & AFSh native**
- Key renewals: **eBay and Amazon**
- Last remaining prospects: **McAfee and DuckDuckGo** (2019/2020 oppty, low likelihood)\*

Commerce accounts for ~25% of current AFS revenues (down 20% y/y)

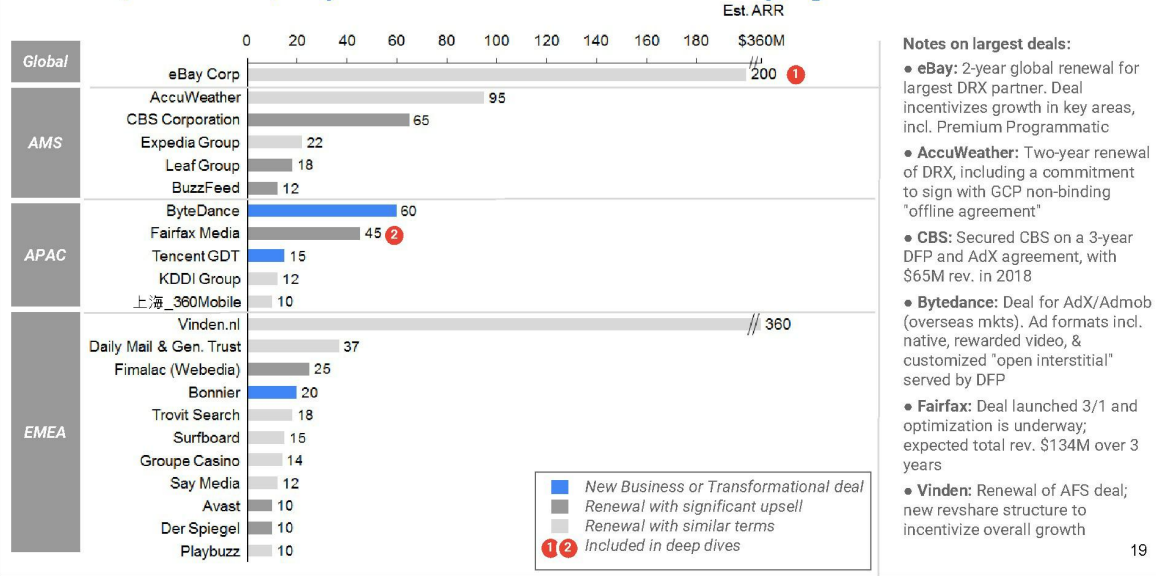
Deep dive on top 6 AFS partners: [here](#)

Note: slide includes AFS, AFSh, and AFsMA

\* See detailed follow-up on request from last BFM discussion: [here](#)

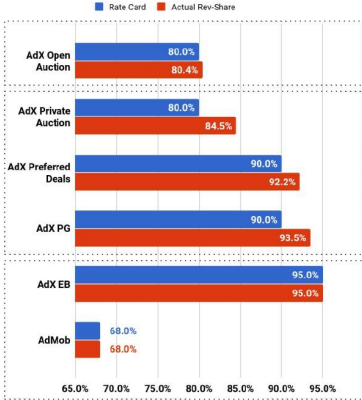
### 3. Key Deals

**Key deals (>\$10M) closed in Q4 and Q1: Significant new inventory from ByteDance, Tencent, & Bonnier, major renewals from Vinden & eBay, upsells to Fairfax & CBS**



Overall strong adherence to rate card: incremental TAC of \$16M in Q4 on gross revenue of \$2.7Bn (AdX + AdMob)

Q4 Deviation from Rate Card

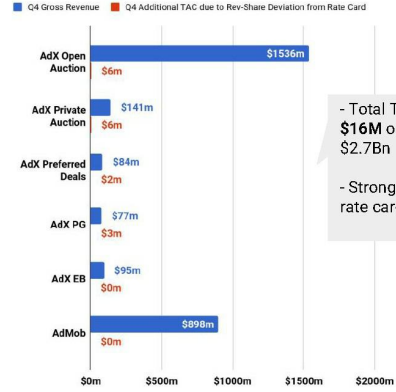


- OA discounting is tightly controlled → minimal deviation from rate card

- PA/PD/PG discounting used as a negotiation lever → relatively high deviation from rate card

- AdX EB / AdMob, no deviation from rate card in Q4

Q4 Additional TAC \$ due to Deviation vs. Gross Rev



- Total TAC deviation of \$16M on a base of \$2.7Bn

- Strong adherence to rate card at macro level

Note: Q1 data will be available in April

[https://docs.google.com/spreadsheets/d/1DjiBwuazeBO85AXege2JK0zMMGHAumC\\_stflShvfWak/edit#gid=1026752762](https://docs.google.com/spreadsheets/d/1DjiBwuazeBO85AXege2JK0zMMGHAumC_stflShvfWak/edit#gid=1026752762)

**Eight minimum guarantee deals live in Q4, with total payments of \$4.1M.  
Performance below expectations (155% rev share). Fairfax launched in March '18.**

Partner	Inventory Type	Q4 MG Paid	Q4 Gross Revenue	Effective Rev-Share	Incremental TAC Due to MGs*	End Date
CBS	Video (Partner Select)	\$1.4M	\$149K	908%	\$1.2M	Dec 2017**
Le Monde	AdX OA + First Look	\$580K	\$717K	81%	\$6K	Aug 2018
BT	Video	\$665K	\$887K	75%	-\$66K	Dec 2017***
Manzoni	AdX (incl. Video)	\$399K	\$442K	90%	\$45K	March 2019
NFL	Video (Partner Select)	\$549K	\$339K	162%	\$278K	June 2018
Lagardere	AdX	\$476K	\$14K	3320%	\$465K	Aug 2018
Orange	AdX First Look	\$68K	\$84K	85%	\$0	Dec 2018
Ynet	Video	\$403K	\$271K	149%	\$165K	July 2018
<b>Total</b>		<b>\$4.1m</b>	<b>\$2.6m</b>	<b>155%</b>	<b>\$2.0M</b>	

**Q1 Guarantee Update:**

- Fairfax launched in March 2018
- Weather deal ongoing discussions
- Both deals are significantly larger than existing deals

**Actions taken:**

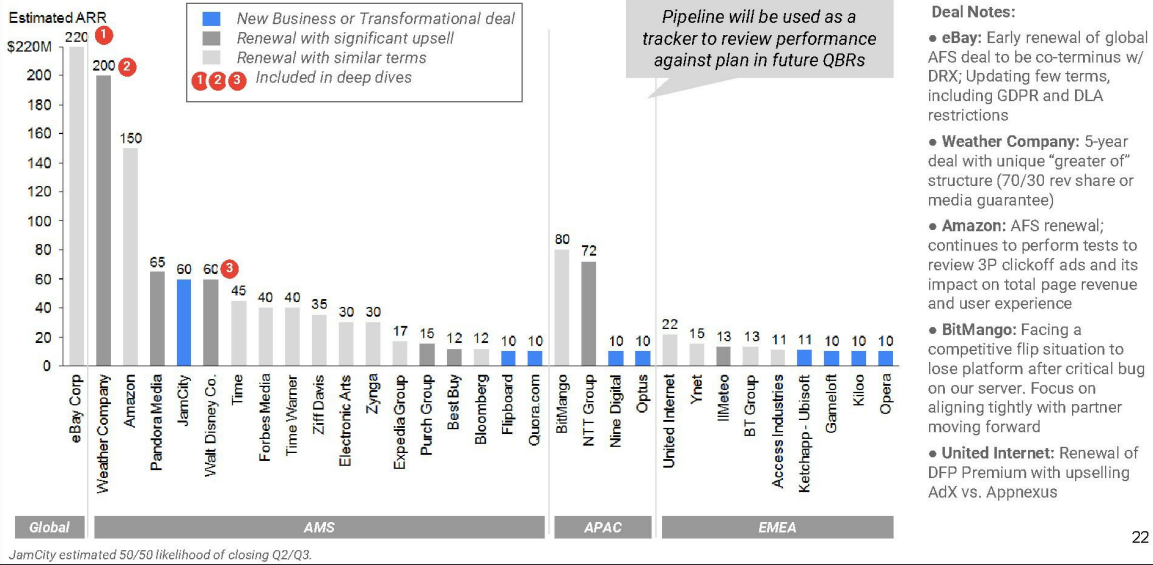
- Better alignment with the buy-side
- Introducing max stop loss contract clauses
- Unwinding unprofitable deals (i.e., most Partner Select)

\* Note: Incremental TAC due to MGs calculation compares MG paid to standard 80% rev-share \*\* CBS chose not to accept our revised proposal (CBS didn't want fully branded inventory and wanted to include sticky player inventory) \*\*\* BT chose not to accept our offer to renew the deal. Fairfax not included, went live March 1st 2018.

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For now, we continue to get the CBS video inventory via AdX

## Q2 Pipeline: Significant new deal potential across all regions, with strategic Disney and Weather Company deals in progress in AMS



## Deep dives on selected deals



- [Disney](#)



- [Unity](#)



- [Fairfax](#)



- [Twitter](#)



- [Pinterest](#)



- [The Weather Company](#)



- [eBay](#)



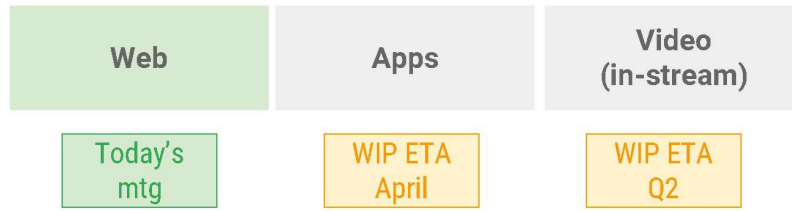
- [LinkedIn](#)



## 4. Deep Dives - Search Distribution ([link to doc](#); restricted)

## 5. Deep Dives - SoW and Addressable Market

**Sellside Share of Wallet:** As a follow-up to BFM, we have completed the web SOW analysis, giving us actionable insights on domain & partner level.

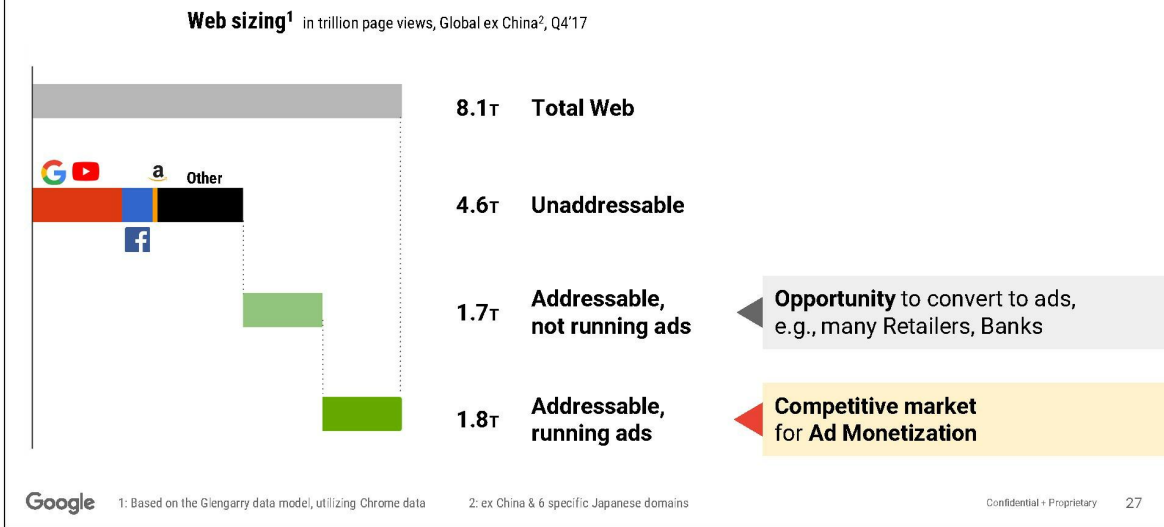


Google

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Data source: go/thebeaconpublisher; Instream Video defined as AdX for Video for simplicity (95%+ match)  
Data source: Glengarry-based Q4 2017 Sellside Web SoW data  
Apps - we should have a top X developers view for next BFM.  
Video -

Sellside Display business focuses on 22% of page views that are addressable and run ads. Additional opportunity in 21% that is addressable, but not running ads



Amazon: -28% Y/Y

"Other" unaddressable incl. Blacklisted sites (e.g. adult, gambling), other Competitors

Data source: Glengarry-based Q4 2017 Sellside Web SoW data

We'll talk about PVs and impressions.

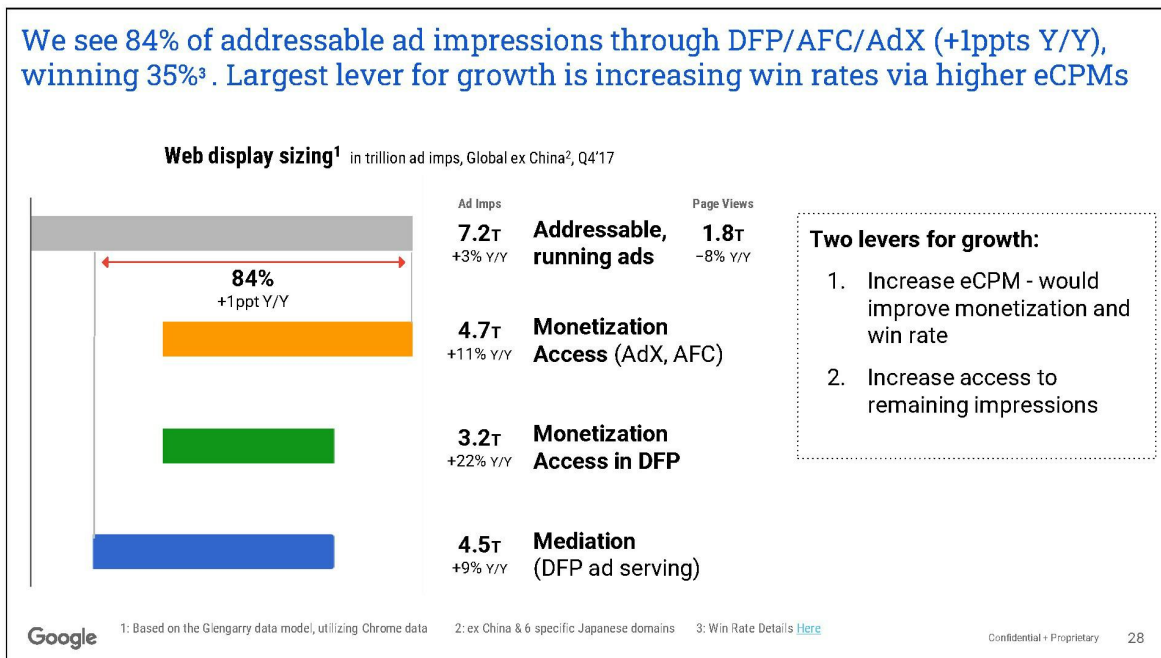
This is web PVs. Total web PVs per quarter.

Adult, Goog, YT, FB, Amzn, are not addressable. Other is: Adult, Policy non-compliant, Government,

Addressable, not running ads is commerce (65%).

The bottom piece is addressing and running. 22% of all market, and 51% of addressable.

We see 84% of addressable ad impressions through DFP/AFC/AdX (+1ppts Y/Y), winning 35%<sup>3</sup>. Largest lever for growth is increasing win rates via higher eCPMs



Data source: Glengarry-based Q4 2017 Sellside Web SoW data

Now we've converted to impressions. We converted the 1.8T PVs to 7.2T impressions. The PVs are growing -8% YoY. The impressions are growing at 3%. This is because ad loads are increasing with native and infinite scroll.

Orange is impressions we compete on through AFC or AdX (including hardcoded).

Green is impressions we have access to in DFP.

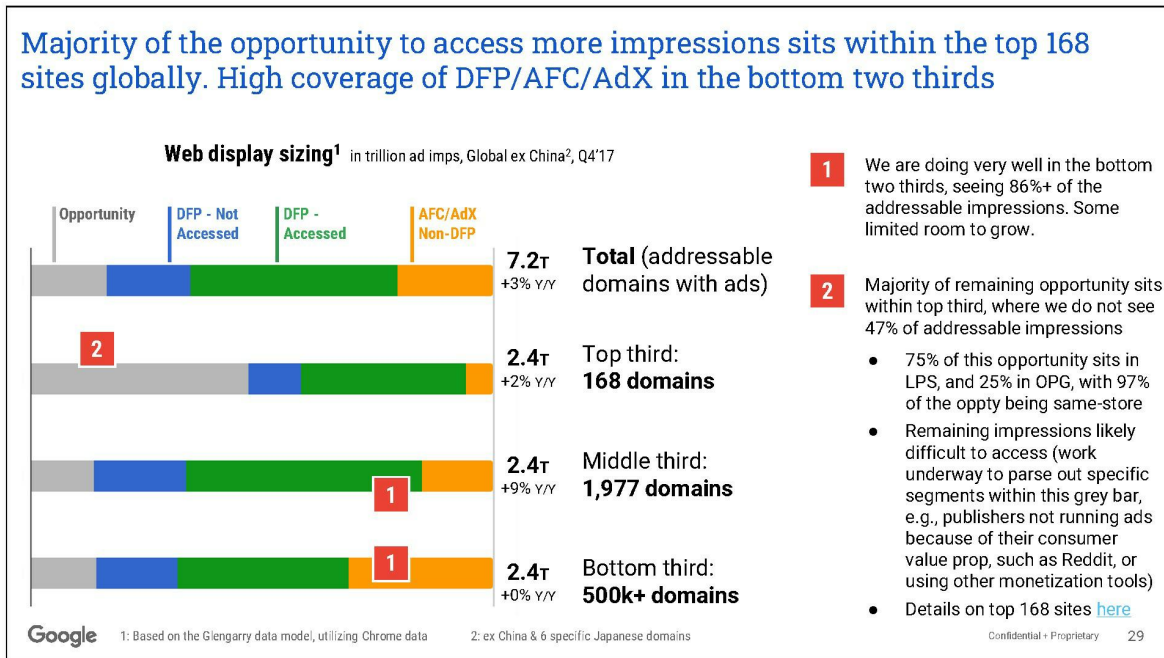
Blue is impressions served in DFP, including those we don't compete on.

Of all those running ads, we are touching 83.5% on our platform or AFC hardcoded.

This is just what we compete on. We need to add what we win. The main upside is to win more. Can we put a dollar amount on not won.

Win Rate calc: We win 2.47T MQ of the 5.503T Q on web (44.8% of what we compete for). For the 4.7T Impressions that we compete for in this analysis, that means we win 2.115T. Of the 6T that we see in this analysis, we win 2.115T, for a Win Rate of Total for everything of 35%.

## Majority of the opportunity to access more impressions sits within the top 168 sites globally. High coverage of DFP/AFC/AdX in the bottom two thirds



Grey: Inventory that we do not see through DFP/AFC/AdX. Most of this is on sites we have some coverage of.

Blue: Inventory on DFP, but no monetization access

Green: Inventory on DFP, and we have monetization access (can bid on inventory / see the queries w AdX)

Yellow: Inventory not on DFP, but we see it (mostly AFC, esp. In long-tail also on sites w/o any ad server)

Data source: Glengarry-based Q4 2017 Sellside Web SoW data

Light grey: Reddit - 70% of site has no Google tags.

Dark grey: No Goog tags at all.

We'll focus on top 2 groups for BFM and platform penetration.

Dark Grey: Domains where we have no tag presence with DFP nor AdX nor AFC

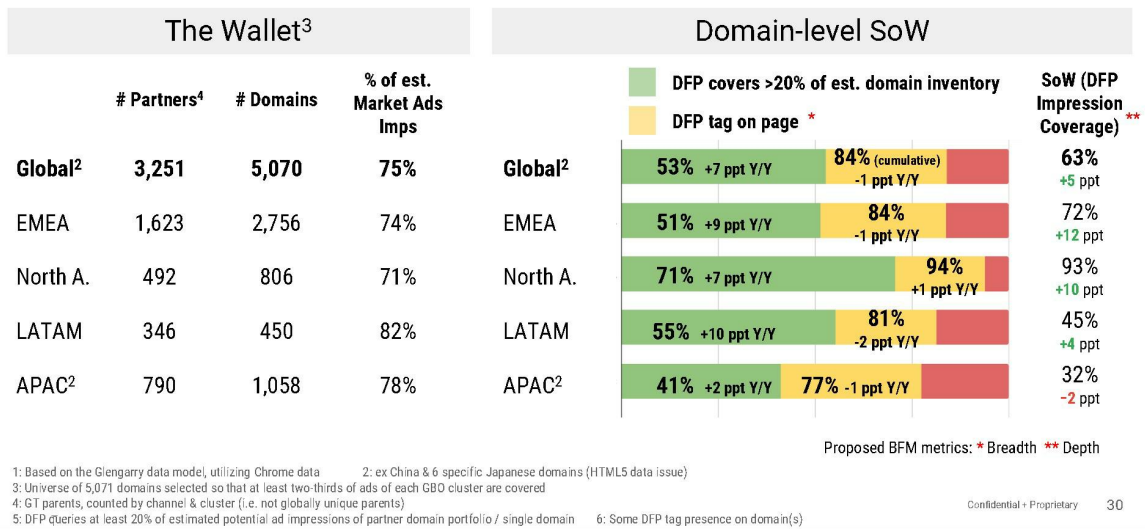
Light Grey: We have tag presence on the domain, but the inventory we estimate to be there does not fully flow through our pipes. Reasons include:

Hardcoded competitor ads such as Taboola or Outbrain

Other ad server and we don't have access (e.g. AppNexus adserver, and we're just seeing a part of inventory with AdX or AFC)

Overestimating the ad inventory – as not all domains will run with the full ad load we use as foundation for the estimates

We have good coverage of the top 5k domains -- the DFP tag is on 84% of them, while we serve 63% of their est. inventory via DFP



Data source: Glengarry-based Q4 2017 Sellside Web SoW data

We made sure we had 67% of impressions for all the clusters. This turns out to be some more domains - about 5000. Bar charts are at domain level.

Green and Yellow - percent of domains with at least one DFP impression.

Green is only domains where DFP covers at least 20% of estimated avails. Yellow is between 1 impression and 20%. We could have AFC or AdX hardcoded or on another ad server in the Red. Or could be 'dark grey'.

## Actions and next steps based on SOW analysis

- ❑ **Complete the picture:** Finalize Apps and In-stream video SOW analysis and establish updating cadence
- ❑ **Drive actionable insights for Sellside teams:** Convert web SOW insights to leads for OPG T1 & LPS teams (e.g., top underserved domains by partner & team)
- ❑ **Put in place ongoing benchmarking:** Embed web SOW data in BFM, QBRs as well as in-country and regional planning and review cadence
- ❑ **Inform longer term strategy:** Focus on winning more inventory among largest sites, by driving eCPMs and win rates up (e.g., formats, Nera, PG, exchange bidding, DFL)



## 5. Next QBR

## Q2 Sellside monetization QBR

- ❑ Feedback on approach/format?
- ❑ Potential deep dive topics:
  - In-stream Video strategy
  - Programmatic Guaranteed acceleration strategy
  - Apps and Video Share of Wallet
  - TAC
  - Margin & profitability
  - GP People OKRs

Quick draft to check content [Lutz]

Create BFM metric based on Web SoW

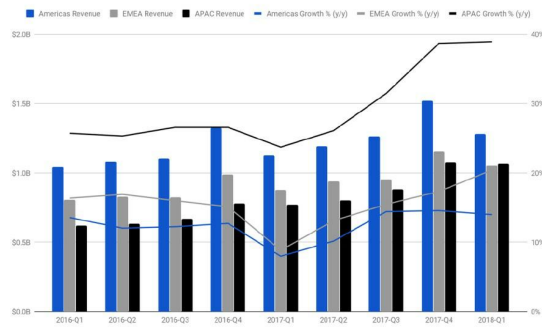
Distribute results with Sellside leadership globally

Actionable insights: Distribute domain- & partner-level data to Sellside teams to potentially create signals for underserved domains & partners

Continue workstream for Apps & Instream Video to produce similar SoW metrics & insights

# Appendix

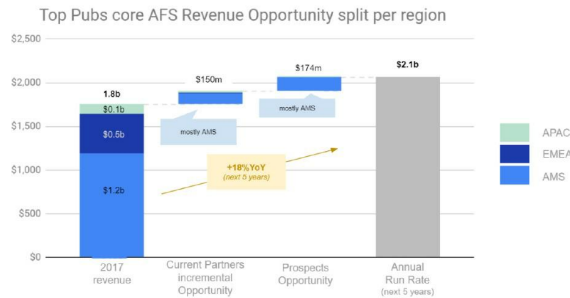
Overall display revenue up 22% y/y in Q1'2018, highest growth in past 2 years. APAC is biggest growth driver (up 39% y/y).



- **Global Display: 22% y/y** display growth expected in Q1'2018 (4th consecutive quarter with growth acceleration and highest growth over past 2 years) APAC and EMEA approaching Americas in terms of overall revenue
- **APAC: 39% y/y** growth in Q1'2018. Fastest growing region over past 2 years. Share of global increased from 25% in Q1'16 to 32% in Q1'18. Growth driven by entirely by mApps
- **EMEA: 19% y/y** growth, driven by AdExchange (26% y/y) and MobApps (51% y/y). On AdExchange, 1/3 of growth driven by PD/PG as well as Exchange Bidding. MobApps continues to see ramp in video, largely driven by App Promo spenders
- **Americas: 13% y/y** growth. Maintaining stable growth trajectory in line with past 2 years

Note: Display revenue includes web, app and video. AFS/D not included on this slide.

## Deep dive: Remaining opportunities in traditional AFS business



**Opportunities from current partners:** AMS \$115m (Yahoo), APAC \$19m (NTT, KDDI) and EMEA \$14m (Naspers, Media.net)

**Opportunities from prospects:** AMS \$155m (McAfee, Duckduckgo), APAC \$19m (360 Technology Inc, LINE, Nifty)

**Context:** During discussion of AFS at inaugural sellside BFM, Philipp asked if there were any remaining large opportunities to flip new partners to our network or revenue-tune existing partners

### Summary findings of 'core' (excluding commerce) AFS oppty

- Identified 23 'top' AFS partners that represent \$2.1b annually
- GP currently working with 18 companies that account for \$1.9b (92%) of the opportunity and are capturing \$1.8b (85%)
- Of the uncaptured ~\$320m, ~\$175m is from 5 partners:
  - **McAfee** (\$100m opportunity): In discussions. Blocked by exclusive contract with Yahoo until 2020
  - **Duckduckgo** (\$55m opportunity): In discussions. Currently blocked by policy issues
  - **360 Technology Inc** (\$10m): In discussions
  - **Line** (\$4.5m) and **Nifty** (\$4m): New AFS deals currently under discussion with these prospects. Activation not before 2019

### Broader opportunities evaluated or under evaluation

- **Mobile Rev Shares:** Analysis suggests there's gross revenue opportunity, but a 0 to negative net revenue impact
- **Chat Apps:** New biz oppty inside large social apps, especially in emerging markets:
- **Creative approaches to 'unaddressable' portals:** MS, AOL, Yelp, Yandex, Naver, Baidu (e.g. follow Y!J approach)
- **AFS inside a unified AdX auction:** +100bn queries/year that have some sort of signal/parameter in the URL for search intent signal (analysis in progress)

## Details on loss making minimum guarantee deals

Partner	Inventory Type	Q4 MG Paid	Q4 Gross Revenue	Effective Rev-Share	Incremental TAC Due to MGs	End Date
CBS	Video (Partner Select)	\$1.4M	\$151K	898%	\$1.2M	Dec 2017
NFL	Video (Partner Select)	\$503K	\$339K	149%	\$232K	June 2018
Lagardere	AdX	\$476K	\$14K	3320%	\$465K	Aug 2018
Ynet	Video	\$403K	\$271K	149%	\$165K	July 2018

### Details on Partner Select Deals: CBS/NFL

- **CBS** (MG running since Aug 2014) continues to miss the MG due to TrueView throttling on content pages (since Spring 2017), advertiser pullback on News Video inventory, and difficulties monetizing inventory in nascent CTV ecosystem
- **NFL** (MG running since Aug 2016) improved profitability due to implementation of TrueView and fully transparent URL in year 2, but revenue still below MG as expected due to low fill rate, which is driven by DBM demand softness and lack of LCS packaging

### Details on EMEA deals: Lagardere/Ynet

- **Ynet** missed MG due to demand & technical issues - not able to secure large advertiser budgets mid-year, and video drop-off rate higher than expected. Ynet revenue growth on products outside of the guarantee partly offsetting incremental TAC
- **Lagardere** revenue continues to decline, driven by falling number of ad requests as MG only covers backfill inventory which partner has less & less of - illustrates importance of having guarantee on CPMs

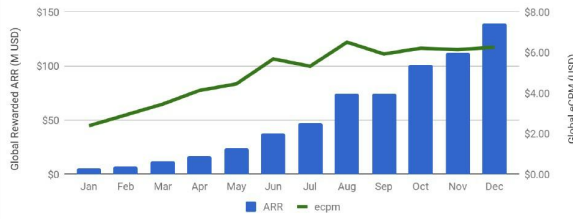
37

Both CBS and NFL deals were not expected to be profitable, although the CBS deal has been further away from profitability than expected

## Rewarded - Successful scaled acquisition and persistence with head grew revenue from \$5M to \$140M ARR despite RPM challenges



2017 Rewarded - Monthly ARR



Rewarded SOW across partner sizes

Rewarded Wallet Size (ARR)	Q117 Avg SOW	# Apps With Rewarded Oppty	Q417 Avg SOW	# Apps With Rewarded Oppty
<\$100K	45%	55	54%	213
\$100k - \$1M	11%	60	17%	156
\$1M - \$5M	6%	15	5%	44
\$5M+	2%	11	5%	23

### Sales Performance:

By end of 2017:

- Google rewarded is trending at \$140M ARR. **Torso and Tail** drove growth through 1H of the year. In 2H **stronger eCPMs and sales wins in the Head** increased the number of accounts with \$1M+ ARR from 3 to 20. Significant SOW upside available in Head.
- ~2300 accounts are live with Google Rewarded ads (>1000 daily impressions)

### Highlights:

- Product: by end of 2017, inbound adaptors were fully launched for major 3rd rewarded mediation in global market (Heyzap, Ironsource, Mopub)
- Sales Operations: rewarded leads were identified & surfaced across top and low tier accounts globally by Dec 2016.

### Lowlight:

- Among top rewarded accounts, Google Rewarded eCPM value is still not competitive enough versus competitors' in key markets (US, CA, UK, AU, JP, DE). Needed to unlock higher SOW in existing head accounts and enable acquisitions.

### Key 2017 Wins:

- APAC: Bitmango (+\$7.5M ARR), Zenjoy (\$4M ARR)
- Americas: JamCity (\$20m, Deal), Scopely (\$3.8M ARR)
- EMEA: Voodoo (\$800K ARR), Gram Games (\$2.5M ARR), Outfit7 (\$7M ARR)

Zach

Sources:

[https://docs.google.com/presentation/d/1BZcLoEx15yF4\\_wtQLMZROKrJtTlj6R1q8g\\_PugF83b0/edit?ts=5a26e7b5#slide=id.g27371aa176\\_0\\_0](https://docs.google.com/presentation/d/1BZcLoEx15yF4_wtQLMZROKrJtTlj6R1q8g_PugF83b0/edit?ts=5a26e7b5#slide=id.g27371aa176_0_0)

[https://docs.google.com/presentation/d/1dNYIIVWHuI9ihHsjleTXITouLB0CuKdQCm\\_Yaj7HoCs/edit](https://docs.google.com/presentation/d/1dNYIIVWHuI9ihHsjleTXITouLB0CuKdQCm_Yaj7HoCs/edit)

[https://docs.google.com/presentation/d/1XavnXiV203FC92dPS2u8auqAT\\_Hxn\\_B2ZktAPnZXPE/edit#slide=id.g1e7b5ee1be\\_0\\_470](https://docs.google.com/presentation/d/1XavnXiV203FC92dPS2u8auqAT_Hxn_B2ZktAPnZXPE/edit#slide=id.g1e7b5ee1be_0_470)

[https://docs.google.com/presentation/d/1RLxlgSld4ZQRGLuKBvyGrNOif1g3VFUMFiOanmBZdVQ/edit#slide=id.g15a6530a6d\\_0\\_2506](https://docs.google.com/presentation/d/1RLxlgSld4ZQRGLuKBvyGrNOif1g3VFUMFiOanmBZdVQ/edit#slide=id.g15a6530a6d_0_2506)

## AFS business highly concentrated, Y! And Amazon explain bulk of the decline.

	Q1'2018e (\$M)	vs. target	Y/Y	Commentary
IAC	\$215.8	149%	5.7%	<ul style="list-style-type: none"> <li>16 new Referral traffic sites approved YTD; Referral traffic is performing above target</li> <li>DLA business above target in Q1, but will be negatively impacted by AFS policy and Chrome Webstore enforcement. Negative impact just starting to manifest; performance expected to continue declining slightly to move closer to our targets, which were set with policy &amp; enforcement impact in mind.</li> </ul>
Vinden	\$84.2	104%	69.5%	<ul style="list-style-type: none"> <li>Growth forecast for 2018 was 20%; however, we expect stronger growth following the AFS renewal closed in Feb. 2018 (effective per March '18): the new deal institutes a new desktop rev.share structure that aims at incentivizing the overall growth of Vinden's business.</li> </ul>
eBay	\$66.7	91%	4.5%	<ul style="list-style-type: none"> <li>eBay is divided in two separate companies, displaying two distinct YoY scenarios:                             <ul style="list-style-type: none"> <li>eBay Classifieds Group ('eCG'): YTD Feb 2018 was \$14M, +36% YoY, driven by introduction of AFSh, primarily on EMEA sites (AFSh is \$4M of the \$14M)</li> <li>eBay Marketplaces: YTD Feb 2018 was \$20M, flat (0%) YoY, with slower growth due to tough y/y comps following launch of mobile app in '16. Native to launch in Q2.</li> </ul> </li> </ul>
Amazon	\$42.5	71%	-41.2%	<ul style="list-style-type: none"> <li>Amazon is currently conducting an experiment to review the impact of AFS on its total page revenue and user experience; tests (~50% query reduction) are expected to last until mid-March</li> <li>Ads quality issue in Q417 accelerated Amazon's internal discussions re. link-off ad programs and Amazon's broader strategy w.r.t. customer experience and control. Entire AFS implementation at risk</li> </ul>
Yahoo	\$33.7	111%	-55.9%	<ul style="list-style-type: none"> <li>-56% YoY decline due to Google winning back Mozilla from Yahoo in Nov'17</li> <li>Currently negotiating the search deal as part of a broader x-Google deal. Search deal could double if an agreement is reached.</li> </ul>
<b>Total AFS</b>	<b>\$688.0M</b>	<b>103%</b>	<b>-7.2%</b>	All #s updated as of March 14th





## RFP process underway for first-of-its-kind deal that would increase Video inventory access significantly

Google deal team: Shane Peros, Julie Sterling, Josh Li, Ron Zember, Kawana King

Context	Deal Description	Current status / issues
<p><b>Overview:</b> In BD discussions for past 2 years, centered around Google supporting Disney's media technology requirements as TV industry converges, and Disney shifts focus to direct-to-consumer offerings.</p> <ul style="list-style-type: none"> <li>Securing Disney on DFP Video is <b>critically important for our video strategy</b></li> <li>Would allow our LCS &amp; YT teams to negotiate shared/first sales rights in the future, resulting in a <b>significant flip from Comcast/FreeWheel that would increase our video share from ~24% to ~40%</b></li> <li>Pending purchase of Fox assets, Disney will be an industry-leading media company and partnership could accelerate other relationships</li> </ul>	<p><b>Financial:</b> DRX - \$240M gross over 3 years ( \$153M current)* Model <a href="#">here</a>.</p> <ul style="list-style-type: none"> <li><b>Would include seven first-of-their-kind solutions</b> for personalization (ACM approval needed)</li> <li>Equal access to impressions for monetization, better ad standards, Exchange Bidding commitment and PR</li> </ul> <p><small>*not including upside from Fox acquisition</small></p>	<p><b>Status:</b> In formal RFP process: Includes Google &amp; Comcast (FW). Disney likely to make decision by end of April but new DTC org changes have slowed the process down.</p> <p><b>Issues / Next Steps:</b></p> <ul style="list-style-type: none"> <li>Comcast is strong incumbent, and is leveraging distribution, data offers, and carriage agreement negotiations (worth ~\$3.3B annually)</li> <li>DRX team partnered with GCP &amp; Android to extend proposal</li> <li>Google-Disney exec. Iger, Mayer, Sundar, Susan, Robert, and Don met on 3/6. Productive meeting and Disney expressed desire for stronger partnership with Google &amp; help powering their DTC platforms</li> </ul> <p style="text-align: right;">40</p>



## Technical integration is complete, moving forward with ambitious publisher ramp-up timeline

Google deal team: Marc Theermann, Yash Ahluwalia

Context	Deal Description	Current status / issues
<p><b>Overview:</b> Unity operates platform for creating 2D and 3D visual content and applications including games, simulations, and visualizations. Also offers services to engage, retain and monetize audiences.</p> <ul style="list-style-type: none"><li>• 34% of all games, 40% of mobile games, and 50% of new mobile games submitted in H1'17 are made with Ironman</li><li>• Reaches 2.4B unique mobile devices</li><li>• 5B downloads of 'Made with Unity' games each quarter</li><li>• Reaches 890M gamers and 6M+ developers globally</li></ul>	<p><b>Term:</b> 24 months from the effective date of the agreement</p> <p><b>Revenue Share:</b> Standard 68% revenue share to Unity</p> <p><b>Deal Size:</b> \$50-\$150M incremental (video CTD + rewarded) - Depending on how many existing Admob publishers we blacklist</p> <p><b>Construct:</b> Admob to monetize Unity's affiliate impressions in a white label, sub-syndication model. Unity to commit first-look for 3rd Party monetization to Google for any and all price floors in all regions (except China and policy-restricted territories)</p>	<p><b>Technical integration complete</b> We completed the technical integration work in December, and are currently testing 10 publishers. The integration timeline has us ramping to 1000 publishers by the end of the quarter, and expand to 24,000 publishers throughout Q2. Sample size too small to indicate how this traffic will perform.</p> <p><b>Publisher Blacklist:</b> Google will have the right to approve each submitted Unity Affiliate Application and withdraw its approval for a previously approved Unity Affiliate Application at any time.</p> <p>We are coordinating with OPG on this global blacklist of existing pubs. We are excluding strategic pubs, and pubs that we are currently pitching.</p>



## Deep sales partnership with major traditional News publisher will deliver global learnings and advance Google's reputation in N&P industry

Google deal team: Jason Pellegrino, Dan Peters, Kate Beddoe

Context	Deal Description	Current status / issues
<p><b>Overview:</b> Fairfax is the oldest news publisher in Australia, founded 185 years ago reaching 13M Australians. In July 2017 their board approached us to discuss a deep sales partnership for their digital inventory, underpinned by a minimum guarantee.</p> <p>In addition to the potential revenue for both the sellside (AdX revenue and platform fees) and LCS (premium inventory sales) we had three motivators:</p> <ul style="list-style-type: none"> <li>• Testing our capabilities and delivering global learnings on how to sell premium inventory</li> <li>• Shaping the future of the Australian marketplace</li> <li>• Reputation uplift from visibly partnering with a major traditional News Publisher.</li> </ul>	<p>Google is representing 1.32Bn ad impressions in return for a minimum CPM guarantee of \$US2.11 (\$AU2.69). The expected total revenue is \$134M over 3-years with a gross margin of \$8M and a contribution margin of \$0.9M or 0.7%.</p> <p><b>Deal Components:</b></p> <ul style="list-style-type: none"> <li>• <b>First of its kind minimum guarantee, with a rev share on upside.</b> In addition to the minimum CPM beyond the \$32.6M annual threshold, the deal shifts to a 75%/25% revenue share.</li> <li>• <b>First of it's kind sales relationship between Google and Fairfax,</b> both sales teams will be in market representing this inventory requiring close collaboration to manage sales channel conflict.</li> </ul>	<p><b>Status:</b> Launched and on schedule:</p> <ul style="list-style-type: none"> <li>• On the sellside, platform migration complete and optimization underway (no meaningful data yet).</li> <li>• On the buy-side, the Premium Media Sales team within LCS in place, market outreach to agencies and advertisers underway.</li> </ul> <p><b>Key dates:</b> March 1: Deal launch, focus on optimizing OA for increased STR and eCPMs April 1: Quota is added to AU LCS</p> <p>On an earnings call with investors on Feb 22, CEO Greg Hywood said <i>"I can't sing the praises of our relationship with Google any higher and we see a lot of upside in our partnership"</i></p>

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Deal launched on March 1 and optimization is underway



## Negotiations to access walled-garden inventory are ongoing, as Twitter's DAUs and user ad engagement increase

Google deal team: Bethanie Baynes, Yash Ahluwalia

Context	Deal Description	Current status / issues
<p><b>Overview:</b> Twitter beat all expectations on the top and bottom line and reported its first profitable quarter in Q4'17. Revenue at \$732M (2% YoY) and net profit of \$91M.</p> <p>While monthly active users remained stagnant (4% YoY), it appears that user ad engagement continues to increase (75%) as daily active users grew at 12% YoY.</p> <p><b>Twitter's Objectives:</b></p> <ul style="list-style-type: none"> <li>Expand internal ad auction to include external demand sources (Google, FAN) to maximize Twitter O&amp;O monetization.</li> </ul> <p><b>Google's Objectives:</b></p> <ul style="list-style-type: none"> <li>Access Twitter inventory as it remains one of the few last social walled gardens that AdWords cannot access through Google.</li> </ul>	<p><b>Financials:</b> \$127M (annual)*</p> <p><b>Term:</b> 2 years (likely)</p> <p><b>Inventory:</b> Twitter O&amp;O In-App Feed</p> <p><b>Demand Type:</b> AdWords Native App-Install Only</p> <p><b>Sellside Product:</b> "Demand Product" that will directly bid into Twitter's internal auction post Google margins (<i>we pay what we bid</i>).</p> <p><b>Expected Live:</b> Late Q2 / Q3 2018</p>	<p><b>Current Status:</b> Term sheet negotiations</p> <p><b>Open issues:</b> Ongoing discussions to include /fold MoU for other monetization products (AFS, AFSh) as part of current deal terms.</p>

\*Assuming AdWords CPM performance at par with top of the market rate.



## Custom Demand Product and x-Google integrations present opportunities and challenges

Google deal team: Chris Maxcy, Alok Verma, Karen Aviram, Jeff Birnbaum, Vince Abney, Marc Theermann, Sissie Hsiao (PM) + Cloud Team

Context	Deal Description	Current status / issues
<p><b>Overview:</b> Pinterest is a visual discovery engine focused on helping people discover ideas. Their mission is: "To help people discover and do what they love"</p> <p>Rumors are that Pinterest is aiming to IPO soon (late 2018 or 2019); however, their estimated earnings of \$490M in 2017 was down versus their previously stated goal of \$500-600M.</p> <p>Pinterest has 200 million monthly active users, with roughly 40% in the U.S. They are therefore starting to ramp-up user acquisition ad campaigns - dipping into markets and communities that might not discover the service on their own or through typical channels.</p>	<p><b>AdMob:</b> Deal signed in Fall of 2017; however, various technical and contractual limitations prevented our ability to scale revenue - particularly in the U.S.</p> <p><b>AMP:</b> Adopted for both consumption (linking out to publishers' AMPs), as well as production (building their own content in the AMP format). They are the single largest producer of AMP pages, having now launched 50B AMP pages across all their global domains.</p>	<p>Executive CEO summit in MTV 2/13 resulted in 4 workstreams:</p> <p><b>Monetization:</b> Custom Demand Product (Yavin) integration to bid into Pinterest inventory</p> <p><b>DCM:</b> Integration options, including server-to-server option, for Google to measure Pinterest inventory including conversions and custom metrics (pins, close-ups, saves)</p> <p><b>Shopping/Assistant:</b> Teams will continue to discuss how Google and Pinterest can partner to drive commerce and enhance user experience (e.g. Shoppable Images)</p> <p><b>Cloud:</b> Early discussions around TensorFlow, next-gen ML and computer vision have started and are promising</p>

## Scoping terms and mitigating risk for one-of-a-kind, highly complex inventory takeover deal

Google deal team: Shane Peros, Brian Jankovsky, Alli Martucci, Ron Zember

Context	Deal Description	Current status / issues
<p><b>Overview:</b> IBM acquired Weather Co's digital assets for data to enhance IBM Cloud platform Watson. <b>IBM has little interest in operating Weather's media sales business. IBM wants to outsource media sales business (\$247M per yr)</b></p> <ul style="list-style-type: none"> <li>• <b>Brand Safe</b> Resonates w/ Advertisers</li> <li>• <b>Premium Mobile App with Scale:</b> Top 5 mApp globally. Contributes 14% of the total US market of \$5+ CPMs.</li> <li>• <b>\$100M annual gross</b> stream w/Google</li> <li>• <b>Important iOS audience for GDN; 71% iOS, make up 5% of our unique iOS reach</b> in the US, <b>1 out of every 7 users</b> we see on GDN are on Weather App. 38% of unique iOS users seen on Weather ONLY avail. via Weather</li> <li>• <b>Attractive Candidate for Inventory Takeover:</b> inventory 90% sold via programmatic today</li> </ul>	<p>Deal Terms <b>making their way through GPX and BC approval in mid March. Terms to include:</b></p> <ul style="list-style-type: none"> <li>• <b>Term:</b> 5 years (offer from AOL/Oath is 10 years)</li> <li>• <b>Unique "greater of" deal structure:</b> Weather gets paid greater of 70/30 rev share OR media g'tee. CPM g'tee by platform (mApp, Video, web) represent 95% of expected 2018 performance via AdX Open Auction. G'tee not dependant on LCS or direct sales commitment; direct sales provides upside on CPM g'tee</li> <li>• <b>Max loss:</b> If at any point in 5 year term cumulative losses &gt; \$25M, triggers immediate removal of g'tee and reversion to standard 80/20 rev share. Bring both parties back to</li> </ul>	<p><b>Status:</b> In close communication w/ Weather CEO; we have ~2 weeks to respond.</p> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>• <b>Direct sales risk-</b> Struggle to capture premium CPMs on banners. Would bring on Weather's top 5 sellers to sit in GDN Sales Specialist team &amp; run direct business which is highly concentrated (91% of revenue comes from top 10 advertisers).</li> <li>• <b>Non-AdX Indirect risk -</b> \$62M in revenue is 2017. PM &amp; Eng cautious about flooding AdX pipes w/Weather supply; may have consequences on Auction Dynamics leading to poor performance. Bridge plan to allows us to manage programmatic business, throttle inventory into Adx. Would not pay a guarantee on inventory running outside our pipes (5-10% mgmt fee)</li> </ul>



## Retaining access to eBay inventory through new Demand Product

Google deal team: Alok Verma, Oliver Zee, Tobias Maurer, Brian Jackson

Context	Deal Description	Current status / issues
<p><b>Overview:</b> eBay Corp is the largest sellside display partner and had &gt;\$500M sellside revenue across all products in 2017, including \$220M with ADX (renewed through 2019).</p> <p>Stated ambition to disintermediate Doubleclick stack by end of 2018 for a portion of their business in favor of their in-house ad server technology, code named 'Sandwich'.</p> <p><b>eBay Rationale:</b> Become masters of their own destiny, solve for cannibalisation, latency and yield (1st party proprietary demand and 3rd party demand)</p>	<p><b>Deal components:</b> Terms include bespoke integration of our new Demand Product (Yavin) to provide server-to-server integration with Google Demand (DBM, AdWords, 3P DSPs potentially) with a 'clean pipe' and preferred pathway to eBay inventory.</p> <p><b>Deal status:</b> Under negotiation. Main outstanding terms include equal access to inventory and fair auction.</p>	<p><b>Status:</b> Sandwich technology live, rollout widespread across eBay inventory globally (EMEA properties most severely affected) AdX volumes down 30% Y/Y as a function</p> <p><b>Open Issues:</b> Significant net revenue loss to competing SSPs in the near term; AppNexus, Rubicon etc. already integrated and buying into Sandwich</p> <p><b>Note:</b> Only eBay's Marketplaces division will move to Yavin (and only open auction). eBay Classified Group (ECG), half of eBay's AdX revenue, will remain on DRX.</p>



## Closed first-ever Demand Product deal, retaining access to LinkedIn inventory; custom integration is underway

Google deal team: Alok Verma, Oliver Zee, Tobias Maurer, David Stoller

Context	Deal Description	Current status / issues
<p><b>Overview:</b> LinkedIn is a professional networking site that allows its members to create business connections, search for jobs, and find potential clients. Microsoft acquired LinkedIn for \$26B in June 2016. The site has 546M users (18% use it daily, 51% use it monthly).</p> <p><b>LinkedIn Objectives:</b> Access new demand sources through direct publisher relationships while using proprietary Ad tech.</p> <p><b>Google Objectives:</b> Ensure that our platform is still the best option for pubs and apps by providing consistent demand across all inventory (GDN, DBM, AdXbuyers, Exchanges).</p>	<p><b>Deal components:</b> Terms include bespoke integration of our new demand product (Yavin) to provide server-to-server integration with Google Demand (DBM, AdWords, 3P DSPs potentially) with a 'clean pipe' and preferred pathway to LinkedIn inventory.</p> <p><b>Deal status:</b> Deal closed and is first of its kind. Key terms include equal access to inventory, direct publisher relationship (billing) and fair auction process.</p>	<p><b>Status:</b> Deal Closed January 2018. Integration in progress.</p>

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LinkedIn is our first Yavin deal. LinkedIn moved off of AdX (\$30M ARR at the time, opportunity is ~50% larger now once at scale) in early 2017 because we could not accommodate their ask to bring Google demand to its S2S auction. This Yavin partnership restores buy-side access to LinkedIn inventory. Bigger opportunity over time, as they open up O&O mobile native inventory to RTB. This contract can also be used to monetize Microsoft or O&O inventory from their other affiliates and is an enormous boost to our overall partnership efforts.



## Top 168 addressable domains that serve ads ([more details here](#))

rank	site	DFP Impressions / Total Estimated Impression
1	<a href="https://www.reddit.com">reddit.com</a>	21.74%
2	<a href="https://ok.ru">ok.ru</a>	1.83%
3	<a href="https://pixiv.net">pixiv.net</a>	0.06%
4	<a href="https://globo.com">globo.com</a>	43.55%
5	<a href="https://svosefu.com">svosefu.com</a>	0.00%
6	<a href="https://ebay.com">ebay.com</a>	38.40%
7	<a href="https://mercadolivre.com.br">mercadolivre.com.br</a>	5.84%
8	<a href="https://imgur.com">imgur.com</a>	17.12%
9	<a href="https://espn.com">espn.com</a>	115.84%
10	<a href="https://cricbuzz.com">cricbuzz.com</a>	47.10%

Google

Cluster	% of Total Estimated Impressions
AU/NZ	0.88%
Brazil	5.55%
Canada	0.55%
CEE	3.49%
DACH	3.95%
EM	9.01%
France	2.09%
Greater China	2.50%
India	5.89%
Italy	1.04%
Japan	18.64%
Korea	2.92%
Northern Europe	0.81%
SEA	4.42%
Spain/Portugal	1.68%
SPLA	4.59%
UK/IE	7.01%
US	24.97%
Grand Total	100.00%

Vertical	% of Total Estimated Impressions
NULL	5.64%
Arts & Entertainment	17.87%
Autos & Vehicles	4.03%
Beauty & Fitness	0.20%
Books & Literature	4.87%
Computers & Electronics	0.78%
Finance	0.39%
Food & Drink	2.25%
Games	3.16%
Home & Garden	0.49%
Internet & Telecom	4.60%
Jobs & Education	0.64%
News	9.69%
Online Communities	16.09%
Real Estate	0.45%
Reference	0.49%
Science	0.21%
Shopping	16.35%
Sports	9.90%
Travel	1.87%
Grand Total	100.00%

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## Q4 2017 Win Share, on DFP and off DFP, Addressable, Running Ads

On-DFP	
DFP Impressions	4,541,588,199,948
DFP MQ	1,043,077,747,294
Non-DFP Win Share	22.97%
Off-DFP	
Non-DFP Queries	1,478,104,367,581
Non-DFP MQ	1,084,805,498,377
Non-DFP Win Rate	73.39%
Total (On and Off DFP)	
TOTAL Queries/Impressions	6,019,692,567,529
TOTAL MQ	2,127,883,245,671
TOTAL Win Rate	35.35%

[Data Source here](#)

Google

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Data source:

<https://docs.google.com/spreadsheets/d/1qVU8hHyueP44ANgHNAYkfMgsceB8vYwCQnY1bRo1QUM/edit#gid=495267705>