



Display Ads Finance

APF Homesite Dec'21

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Who are we
What do we do

Google

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Display (AViD + BP) Finance

x-Display

Apps + GDA

Sellside

Buying Platforms



Jessica



Katie



Jackie



Ron



Rony



Ben



Chris

TBH x 3



James



Yun



Thomas



Ximena



Ashley



Lancy



JunQi



Lilly



Timon



Margaux



George



Jim



Lisa



Vaishnav



Aarushi



Peter



Romil

TBH

Google

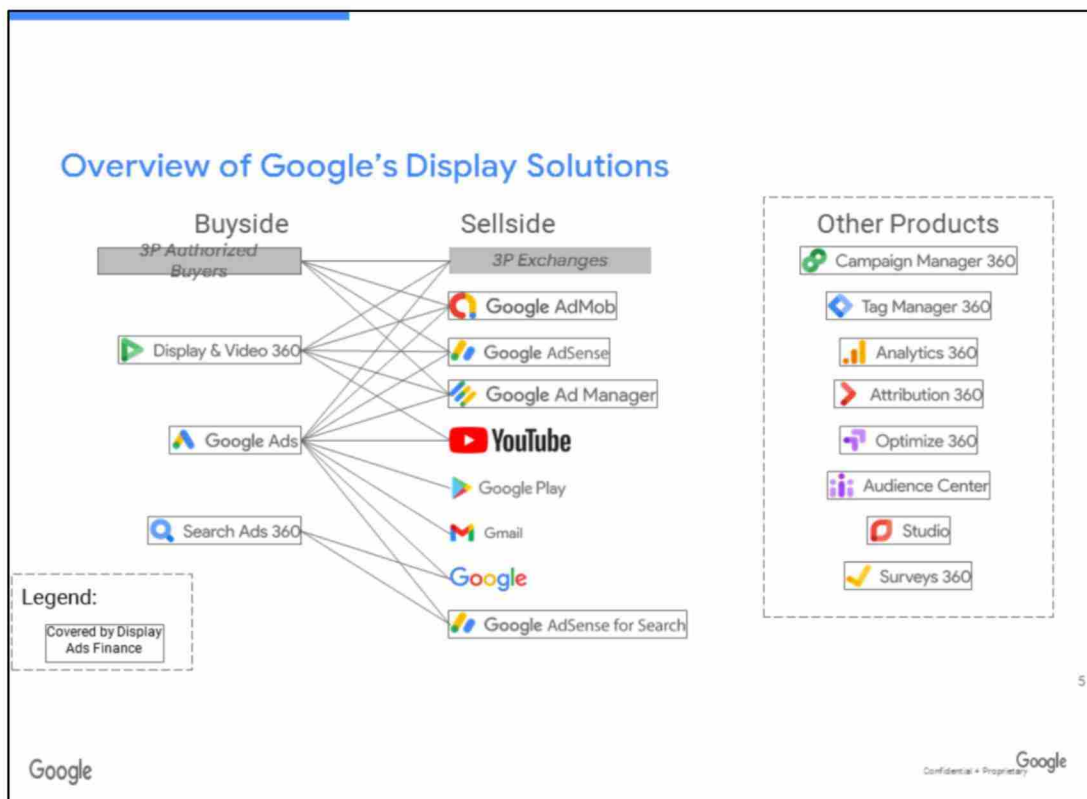
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What does our team do?



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I will describe each of these products later in the presentation and how they fit in the greater ad tech ecosystem.

In case questions come up here:

Products for advertisers include:

Google Ads - this is simply a buying interface for advertisers through which they can access both Google O&O and 3P publisher ad inventory.

Google Marketing Platform - this is a unified advertising and analytics platform - buyers can choose to use some, or all (or none), of these products.

Campaign Manager - a web-based ad management system for advertisers and agencies to manage their digital campaigns across websites and mobile. It includes features for ad serving, targeting, verification and performance reporting

Display & Video 360 - this offers a single tool for buying ad space across ad exchanges, organising and applying audience data and measuring and optimising campaigns

Search Ads 360 - this is a search management platform that helps agencies and marketers manage search campaigns across multiple engines and media channels;

Google Analytics 360 Suite - this a set of integrated data-and-marketing analysis products which allow customers to analyse consumer behaviour, develop relevant insights and provide a more engaging brand experience.

Products for publishers include:

Admob - a tool targeted at app owners. It serves as both an ad network and a platform for app publishers. As an ad network, AdMob providers buyers for app publishers that want to monetise their apps. As a platform, it provides mediation services for publishers that want to find buyers for their inventory.

AdSense - a network through which Google connects website owners and advertisers by matching text and display ads to a website based on the site's content, visitors and search queries.

Google Ad Manager - a platform that enables publisher to monetise their content and manage their ad inventory. As I will discuss later, it includes an ad server and an ad exchange. Publishers can choose to use either the ad serving, or ad exchange parts of the platform, or both together (or neither).

What is “Display”?

Display 101
w/ “Professor” Zember

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Definitions: Display, Buyside, and Sellside?

- **Display***- the ecosystem supporting ads on the free & open web + Apps.
- **Buyside**- Ultimate customer is the marketer/advertiser, whose job is to reach their target audience in the most efficient way possible, given their constraints (budget, targeting, etc).
- **Sellside**- Ultimate customer is the publisher, whose job is to sell the most impressions for as much as possible (maximizing revenue)

**Display is an umbrella team name; includes Search Network (AFS), Video, Network and O&O*

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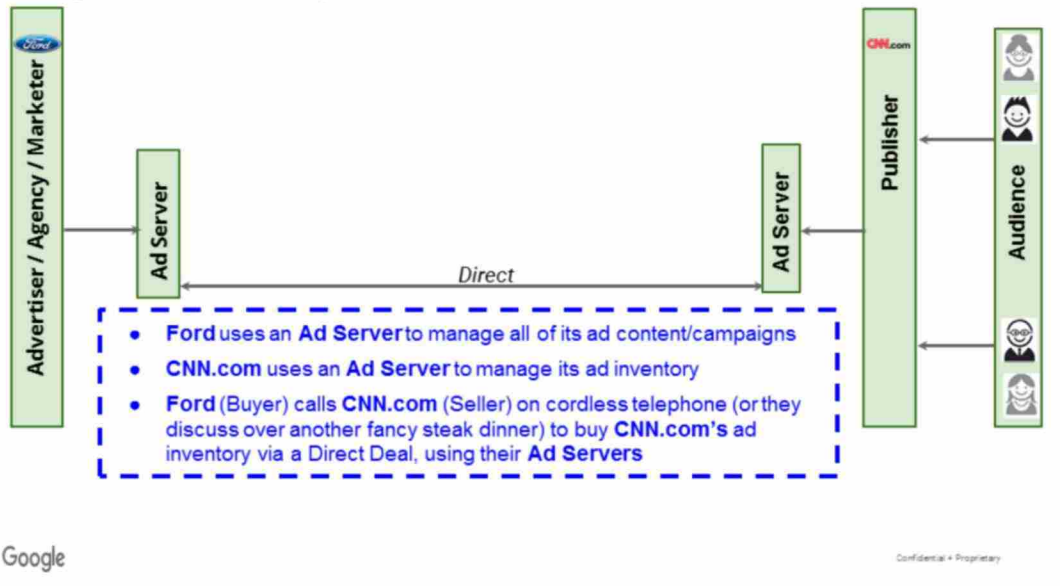
Programmatic ecosystem: From Ford to CNN.com



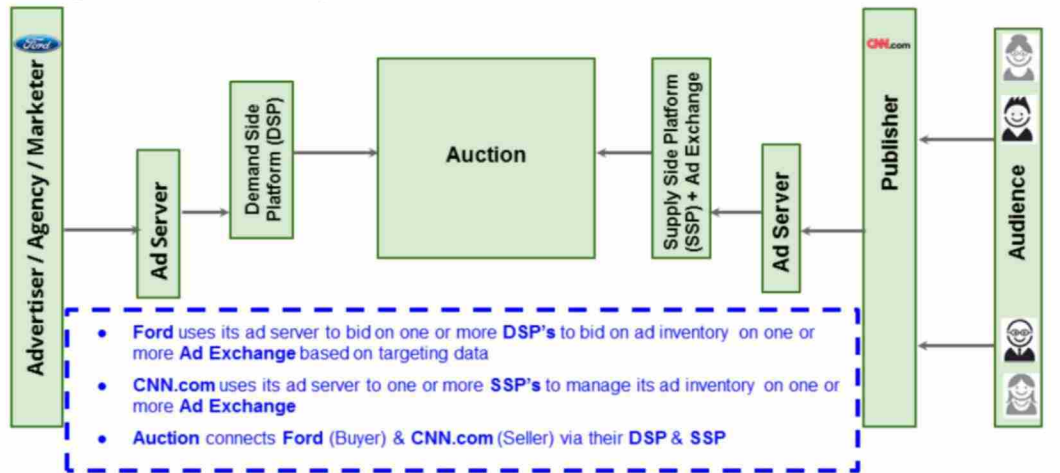
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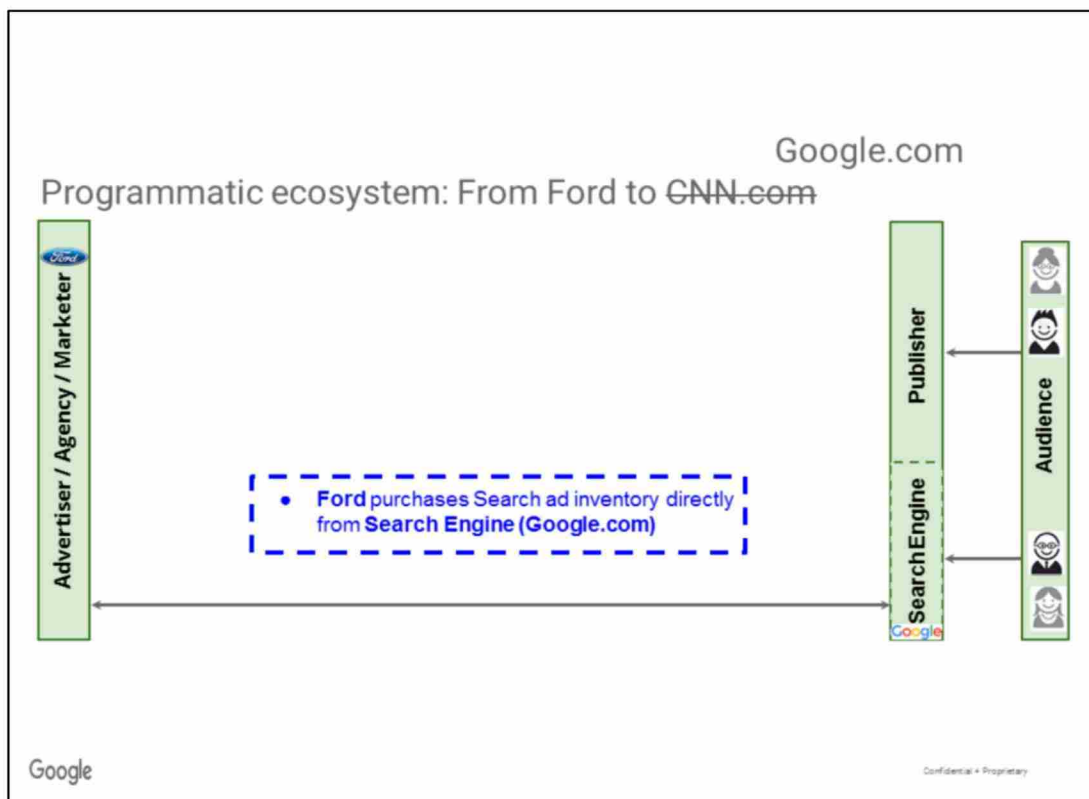


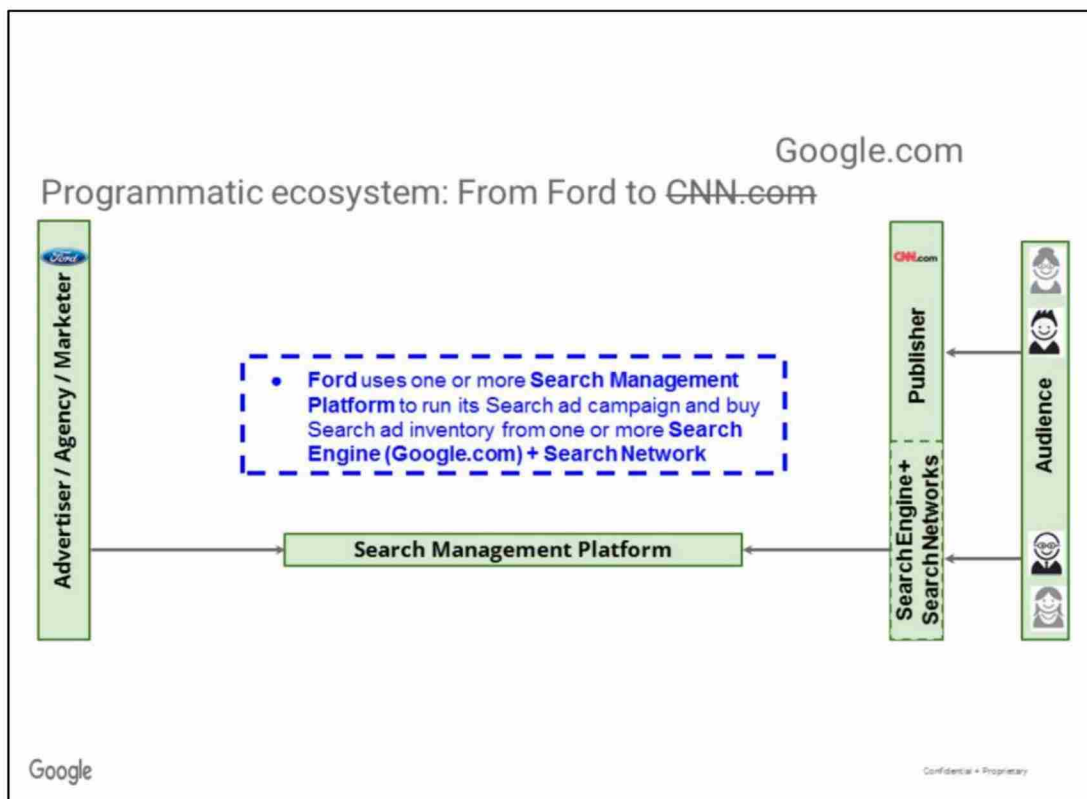
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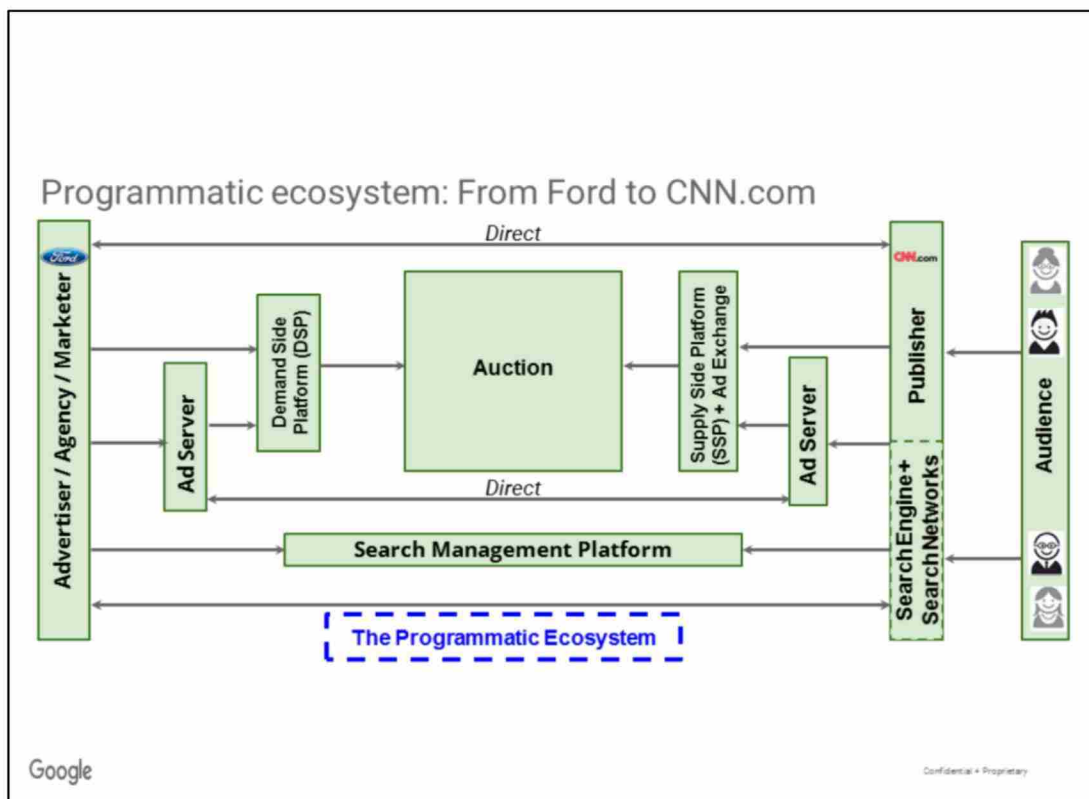


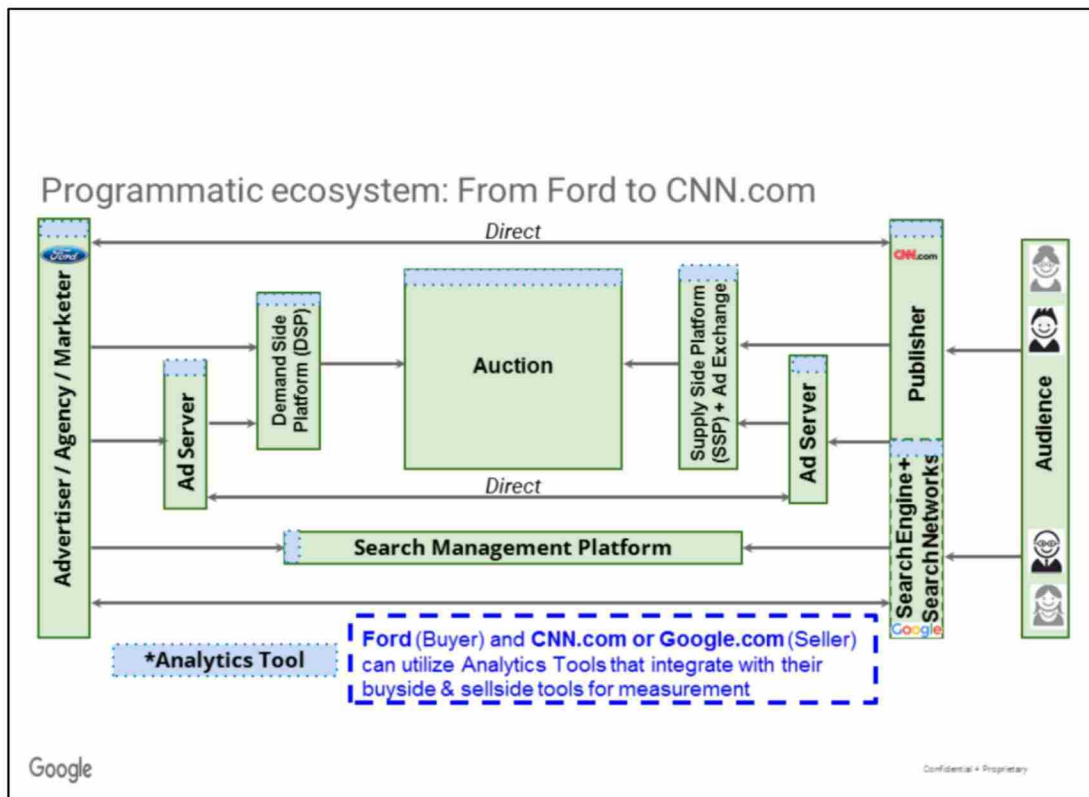
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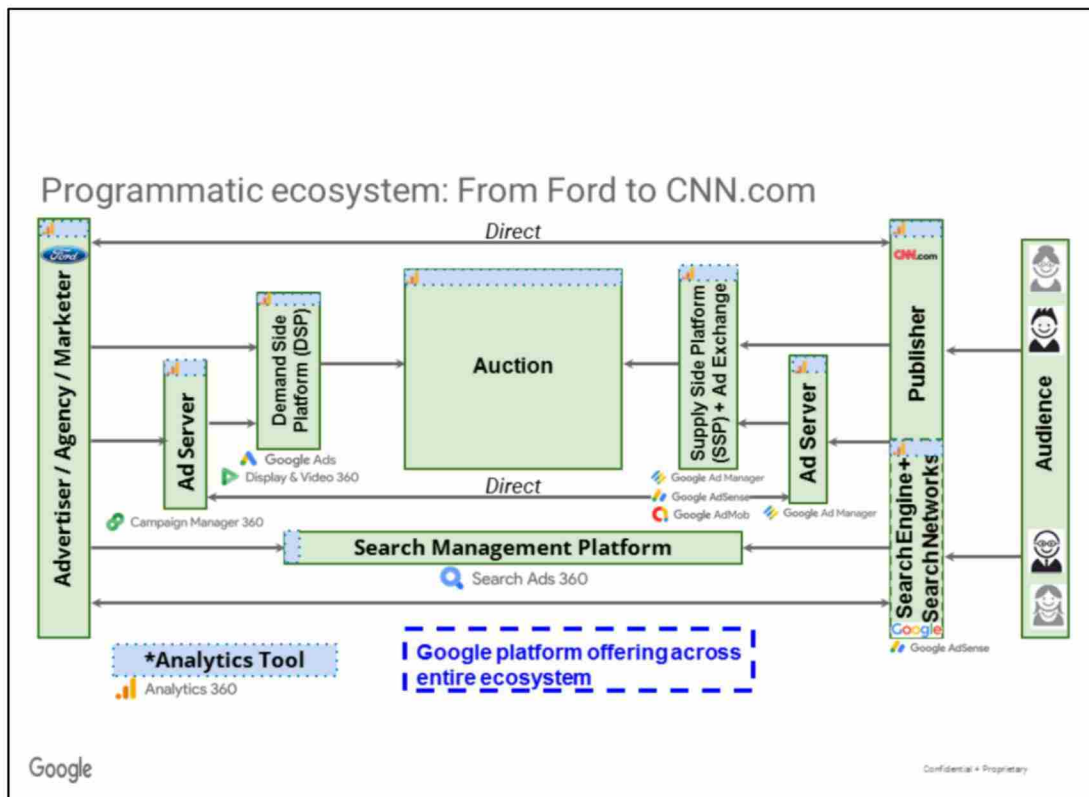
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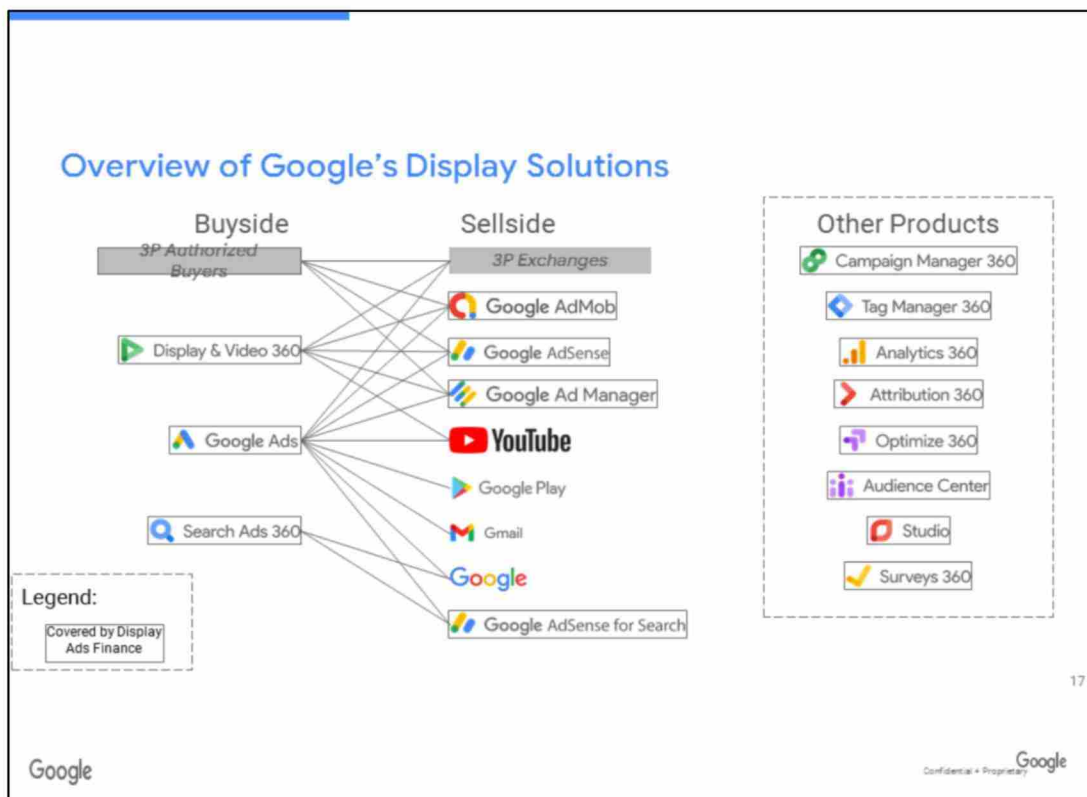




Id	Date	Text
1	12/03/2021 18:43:31	@zember@google.com either on this slide, or after - could we expand the "sellside" definition here to include admob, adsense, the O&Os that buyside part of team covers (yt, play, gmail, etc.)?

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Regulatory

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Regulatory

Why do we care about it?

- Increased interest in "Big Tech" by Regulators / Competition Authorities reflected in the volume of questions about Google's business
- Focus on Display particularly as Google plays a role on both Buy/Sell sides

What's interesting about it?

- Same countries will be asking similar questions coming from different authorities - sometimes about conflicting inquiries / claims.
- Nuanced questions / complexity of the business require us to get involved on the strategy to respond

What do we do?

- (1) Implement an intake process to ensure we don't miss or get overwhelmed by it (we have other "day jobs" and (2) Document all scripts through CL to keep track of methodology

2022 Goals

Fully standardize regulatory response documentation and further streamline the process with more analysts trained to use Google3



Profitability

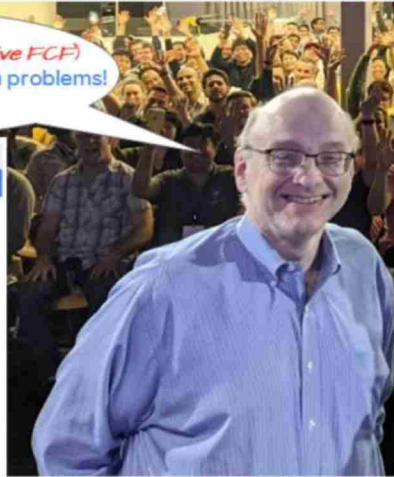
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A brief history of Profitability

Net (Op Profit, and positive FCF)
Revenue solves all known problems!

	Core DVAA	
(\$M)	2018 v3	2020
Estimated PP&E	4,126	5,192
Working Capital	1,357	1,707
<i>AR - AP</i>	1,005	1,265
<i>Operating Cash</i>	352	443
Total Invested Capital	5,483	6,899
Revenue	17,592	22,134
Operating Income Tax Rate	15%	15%
Operating Income, Post-Tax	609	826
Operating Income, Pre-Tax	717	972
ROIC	11.1%	12.0%
Operating Income Margin %	4.1%	4.4%



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Why is Profitability interesting?

		Google Ads					DNC					AdX Buyers					Exchange Bidding					Total Publisher		
		GA	PD	PA	PG	TAG	GA	PD	PA	PG	TAG	GA	PD	PA	PG	TAG	GA	PD	PA	PG	TAG			
O&O	YouTube	9%	40%				4%	45%														4%	40%	
		40%	\$15.5B				40%	\$2.5B														40%	\$15.5B	
			(+75%)					(+45%)															(+75%)	
	Google	0%	100%				0%	100%															0%	100%
	Play	0%	100%				0%	100%															0%	100%
		100%	\$3.0B				100%	\$3.0B															100%	\$3.0B
			(+65%)					(+65%)																(+65%)
Network	AFC	9%	33%				3%	32%				0%	32%										1%	33%
		33%	\$2.8B				42%	\$0.4B				32%	\$0.1B										34%	\$3.5B
			(+75%)					(+12%)					(+12%)											(+75%)
	AdMob	0%	30%				0%	30%				0%	30%										1%	30%
		30%	\$5.2B				42%	\$1.2B				30%	\$0.3B										30%	\$5.5B
			(+10%)					(+42%)					(+10%)											(+10%)
	AdSense	10%	30%				0%	20%				0%	20%										0%	30%
		30%	\$2.7B				20%	\$2.7B				20%	\$0.1B										24%	\$0.1B
			(+5%)					(+25%)					(+25%)											(+5%)
	Reserve	0%	30%				0%	30%				0%	30%										0%	30%
		30%	\$0.8B				30%	\$0.8B				30%	\$0.8B										30%	\$0.8B
			(+5%)					(+5%)					(+5%)											(+5%)
	Reserve	0%	30%				0%	30%				0%	30%										0%	30%
		30%	\$0.8B				30%	\$0.8B				30%	\$0.8B										30%	\$0.8B
			(+5%)					(+5%)					(+5%)											(+5%)
	Non-Google	0%	30%				0%	30%				0%	30%										0%	30%
		30%	\$0.8B				30%	\$0.8B				30%	\$0.8B										30%	\$0.8B
			(+5%)					(+5%)					(+5%)											(+5%)
	SPR	0%	30%				0%	30%				0%	30%										0%	30%
		30%	\$0.8B				30%	\$0.8B				30%	\$0.8B										30%	\$0.8B
			(+5%)					(+5%)					(+5%)											(+5%)
	Demand Product	0%	30%				0%	30%				0%	30%										0%	30%
		30%	\$0.8B				30%	\$0.8B				30%	\$0.8B										30%	\$0.8B
			(+5%)					(+5%)					(+5%)											(+5%)
	Total Buying Share	9%	40%				4%	45%				0%	45%										4%	40%
		40%	\$15.5B				40%	\$2.5B				32%	\$0.1B										42%	\$15.5B
			(+75%)					(+45%)					(+12%)											(+75%)

Legend:

Buy-side Fee

6% 27%

←Side Rev Share

Net Revenue

31% \$2.4B

←Media Spend

Margin

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- We care about profitability for a number of reasons
- As you heard from Ron, our Display business is complex (and increasingly so)
- 1) Different from Search & YouTube, we have multiple products on the advertiser & publisher side, each with very different profitabilities ... so even small changes in revenue mix have an outsized impact on our P&L
- 2) It costs much more to run our Display business than our O&O business so the margins are inherently tighter (and pressures on profitability are greater)
- 3) We're under increasing pressure from regulators to maintain profitable Display businesses
- 4) Our business partners care about profitability now more than ever ... it's no longer enough to have a strong revenue growth case; folks like Prabhakar and Jerry are asking questions about the ROI of a product, or what the plan to profitability looks like? What are the profitability goals? What levers do they have?

What does our team do on **Profitability**?

- Lead product
- Manage and metrics into
- Maintain our
- Resource all
- x-Display Ea



Translate P&L

Google

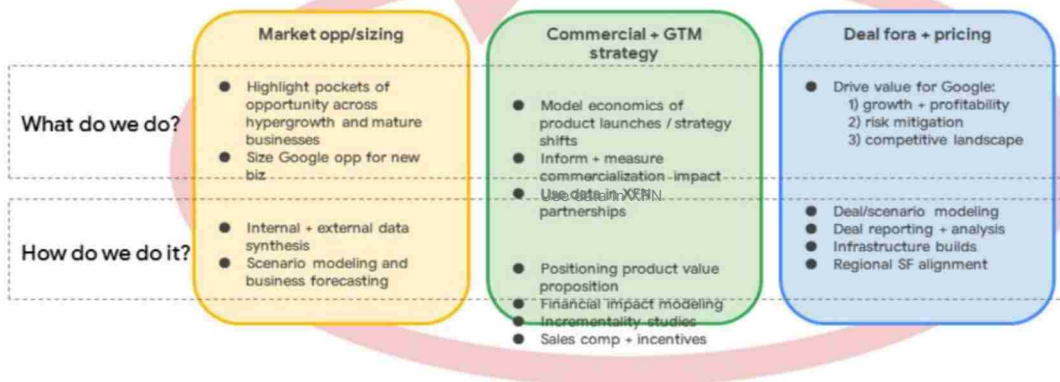
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Deals & Commercialization

Google

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Deals & Commercialization



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Exam Time

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Regulatory

How many requests (with multiple questions) have the Display team handled in the past year?

Answer: 32

How many country authorities have we answered (multiple) questions from in 2021?

Answer: 13

What is the main topic regulators are focused on?

Answer: Antitrust / Anti-Competitive

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1	12/07/2021 21:28:43	@rsousa@google.com Feel free to tweak _Assigned to Rony Figueiredo Sousa_

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Profitability

What year did the Display P&L first become profitable?

~~Answer: 2018~~

What is the largest contributor of cost in the Display P&L?

~~Answer: Katie's Bonus~~ Traffic Acquisition Cost

What is our Y/Y profitability growth %?

~~Answer: 167%~~

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- Answer: 2018 ... our Core Display business generated ~\$800M in operating profit in 2018, a huge milestone for our Display business. We're on track to generate \$3B in Operating Profit this year
- Answer: TAC. TAC accounts for 80% of our total costs; OpEx is 15% and Machines is 5%. We paid out almost \$16B to publishers in revshare (TAC) last year, so we spend a ton of time understanding the dynamics of TAC and how it impacts profitability
- Answer: 167%! Display also has the strongest performance vs. Plan from an operating profit perspective

Deals & Commercialization

What concept "graduated" from Display to become its own billion+ dollar Google business?

Answer: Project Tailor

Name a deal forum that Display Finance routinely attends

Answer(s): GPX, GBX, FMG

How many deals (buyside + sellside) did Display Finance deliberate on in 2021?

Answer: 350

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Graveyard

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What does team do? Who do we partner with?

Replaced with Slide 4

Display Ads Finance

Our purpose is to help partners (Ads Product, Commercialization, Biz Dev, StratOps, GTM, and Sales) make sound decisions; entrusted with objectivity, we guard and guide to provide clarity for the future. Help leaders navigate through the most complex problems that carry significant risk and make sound decisions.



Replaced with Slide 4

Make like Slide 3 -? Map of all the things we cover.

Slide of all the areas/things we work on to communicate the breadth of what we do→ call out which things we're going to go into more detail on...

- Revenue forecasting
- Regulatory
- Market sizing/commercialization?
- Opex management
- Deals (buy & sell)
- Product strategy/financial modeling
- P&L
- Plssss add and we'll make this a pretty slide

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- Revenue forecasting
- Regulatory
- Market sizing/commercialization?
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- Deals (buy & sell)
- Product strategy/financial modeling
- P&L
- Plssss add and we'll make this a pretty slide

Id	Date	Text
1	12/03/2021 18:04:49	<p>For 1) market sizing, 2) regulatory and 3) P&L:</p> <p>What do we do within each area / why do it, why do we care about it, what's interesting about it(1-2 bullets)?</p> <p>Add 2-3 questions per topic</p> <p>~5 mins per slide</p>
2	12/03/2021 21:05:58	I can take a stab
2	12/06/2021 18:07:39	<p>@klewinski@google.com do you own making or do i?</p> <p>fine either way, just wasn't sure</p>
3	12/06/2021 18:07:39	can do away with this slide in favor of Slide 4

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Key Messages to Communicate

- Display Ads Primer
 - What *is* Display - umbrella term/shorthand for a bunch of different products, some of which are non-Display
 - Particular Complexity in Display - why
 - a) many products b) two sided dynamics to consider c) area created by many acquisitions
- Breadth of what we do
- We do a lot, but can't cover it all today; focus on a couple areas that might be less familiar to you
 - Profitability
 - Regulatory
 - Commercial Strategy: we partnering with GBO (GPL + Sales), pricing, deals, identifying opportunity

Id	Date	Text
3	12/03/2021 18:50:54	@jmok@google.com

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