



2012 Digital Advertising Growth: Mobile and Video Lead the Way

April 16, 2013



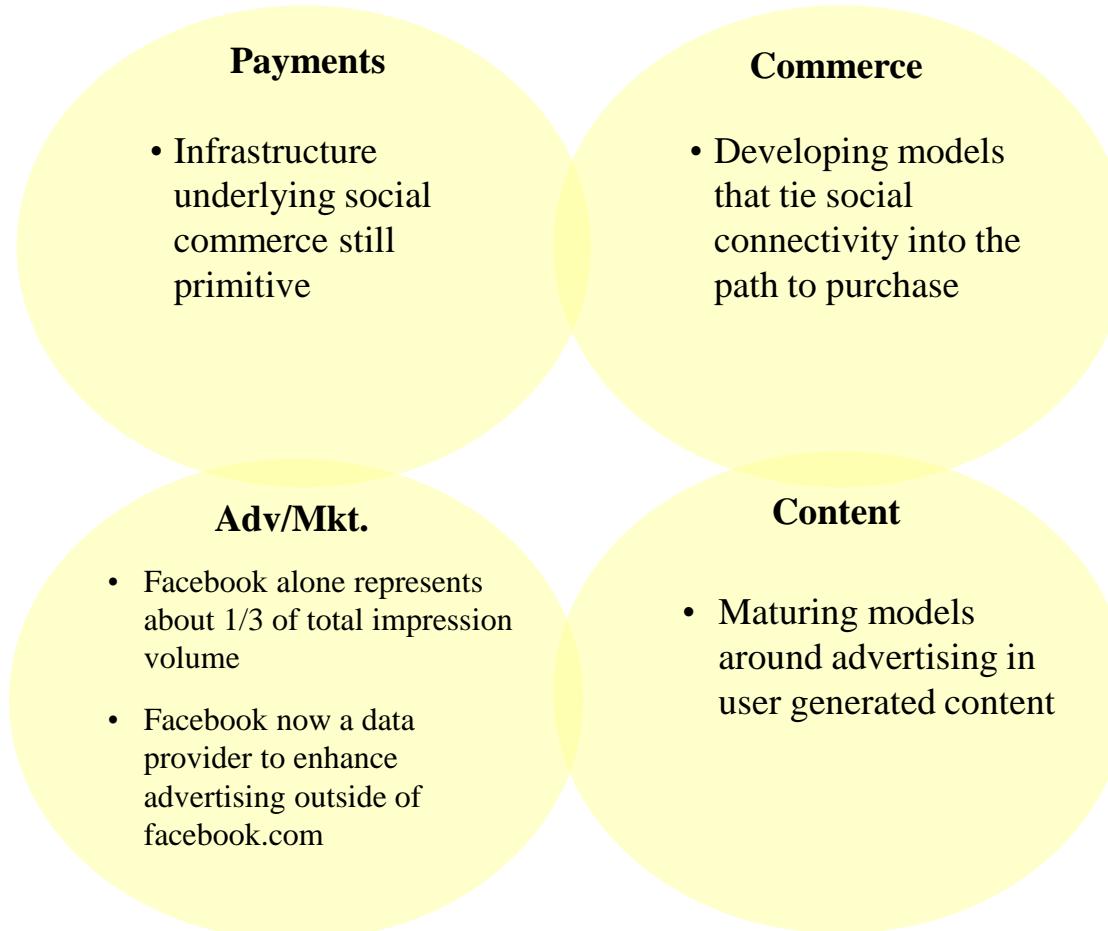
Gridley & Company LLC

Macro Themes in Online Advertising in 2012

- 2012 was the year of social marketing as category leaders were acquired by digital marketing and enterprise software leaders, paving the way for broader application across the advertising and marketing landscape
- Mobile and tablet growth continued to drive considerable investment and strategic activity
 - Advertisers played catch up to the consumer in 2012, investing considerable resources to adapt broader advertising objectives to the small screen
- Digital video continued to be fueled by changes in consumer behavior
 - Mobile Consumption + Growing library of TV quality content = Big drivers of online video growth
- RTB continued to gain mindshare across all digital channels as underlying technologies mature
 - A number of leaders emerged in 2012
 - In 2013, we expect to see multiple IPOs in the category that will help bring greater clarity to the market

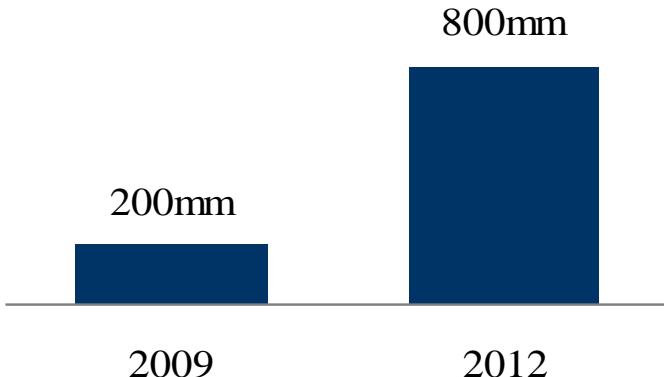
Social Has Broad Reaching Implications

Social will increasingly play a role across the digital ecosystem



Key Factors Driving Mobile Growth - Underlying Dynamics Remain Strong

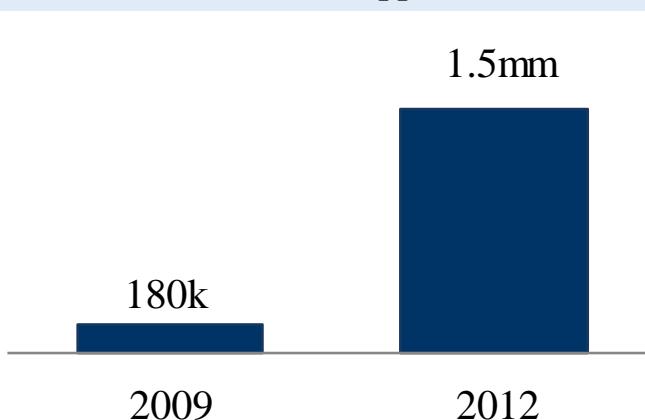
Mobile Smartphone and Tablet Shipments



Source: Gartner, Strategy Analytics.

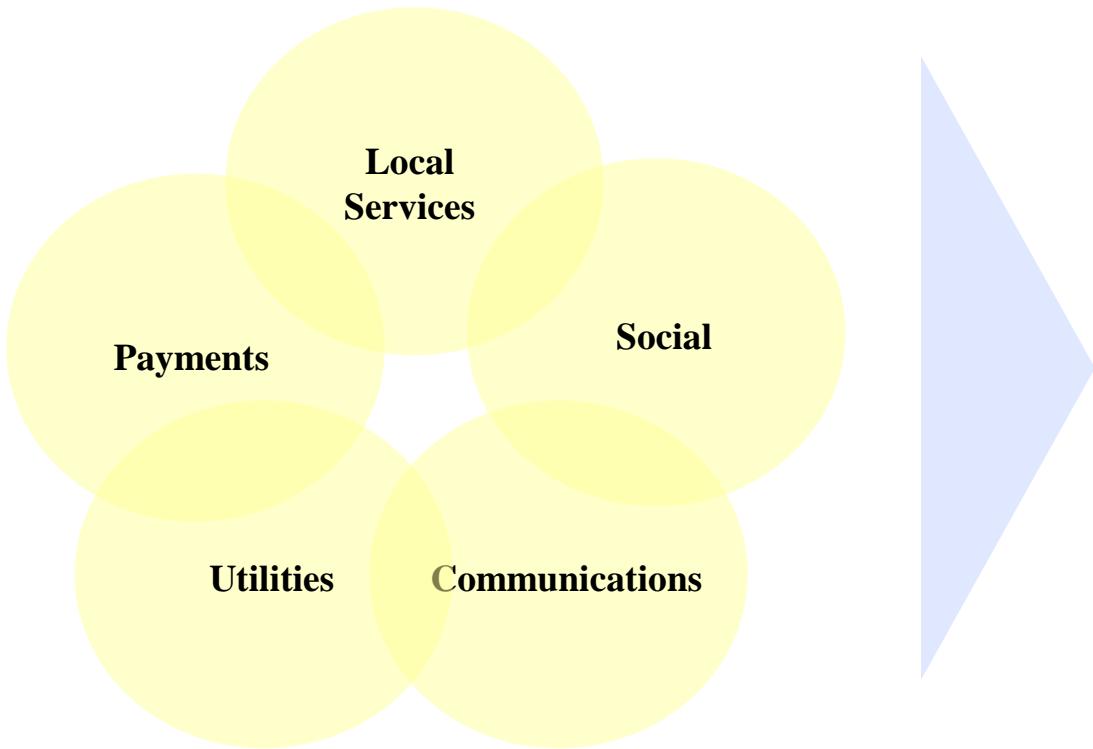
- Explosion in smartphone and tablet form factors continues to drive underlying growth of the mobile ecosystem
- Mobile app environment continues to grow and mature as business models develop and advertising budgets grow to support the market

Mobile Apps



Source: Flurry, Apple, Google (Android) press releases.

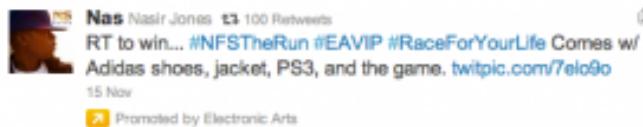
Key Factors Driving Mobile Growth - Broadening App Universe



- “Killer apps” no longer concentrated in one or two niche verticals
- New sources of inventory and context will drive continued growth in mobile

Key Factors Driving Mobile Growth - Distinct Engagement Environment for Brands

Native



Engaging



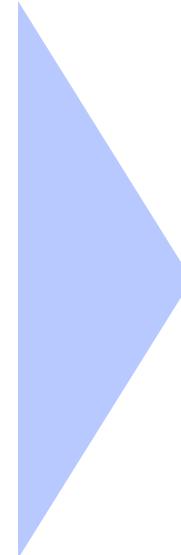
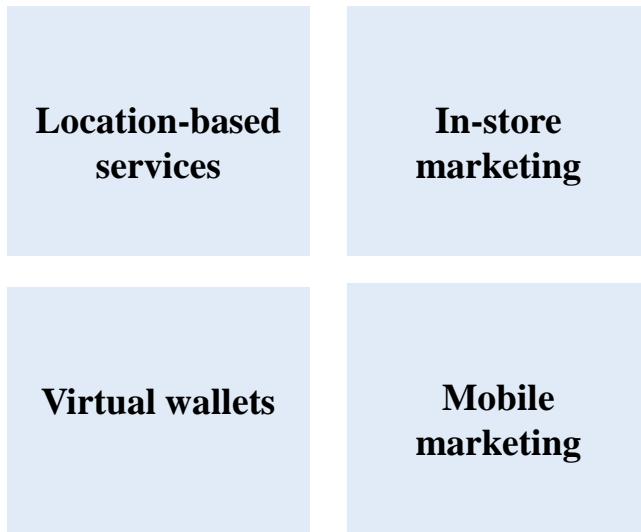
Location based



- Mobile is creating fundamentally new ways to reach consumers
- Marketing strategies are being re-imagined to incorporate new forms of consumer marketing

Strategic Interest Has Followed

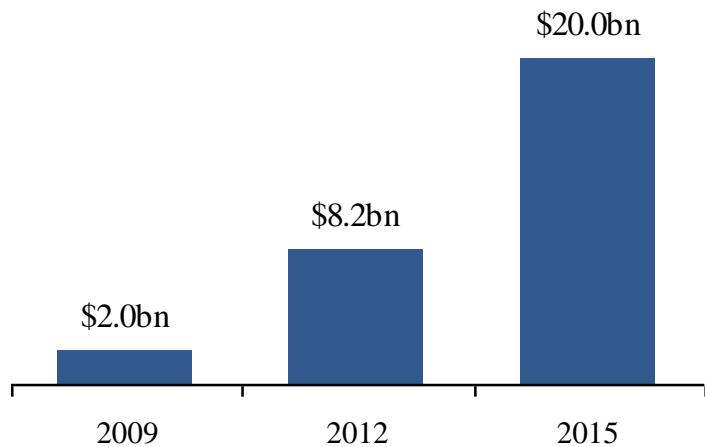
Digital marketing leaders have been acquiring capabilities across the mobile ecosystem



- New marketing channels being developed organically and through M&A
- New media opportunities being created as digital marketing leaders acquire best of breed capabilities

Key Factors Driving Video Growth - Shift in Consumer Behavior

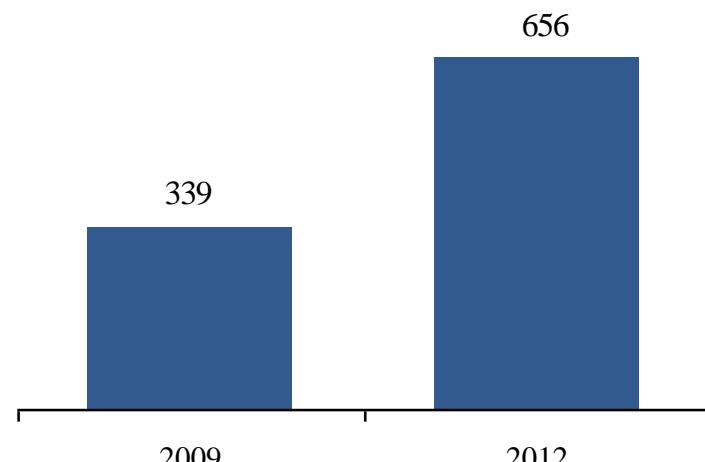
Over the Top Revenue



Consumer behavior is leading a large shift in online video

- Digital video has become a killer application for mobile form factors
- Streaming digital video continues to grow the breadth and quality of content online

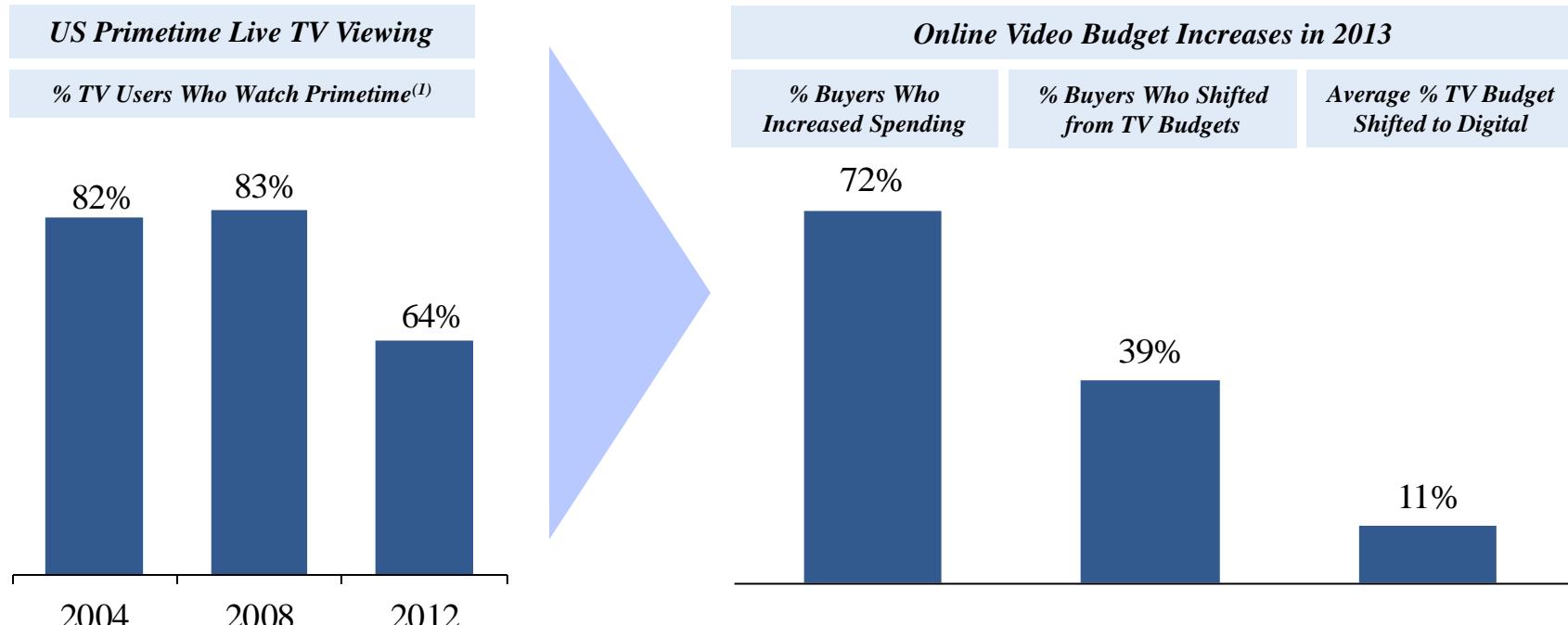
Monthly Video Minutes on Mobile per Active User



Sources: ABI Research; Flurry Analytics, Comscore; Monthly minutes include tablets.

Key Factors Driving Video Growth - Finally Bringing Offline Budgets to Digital Video

- Advertisers are following users to digital channels
- Large content producers are participating in this growth, bringing more TV quality programming online

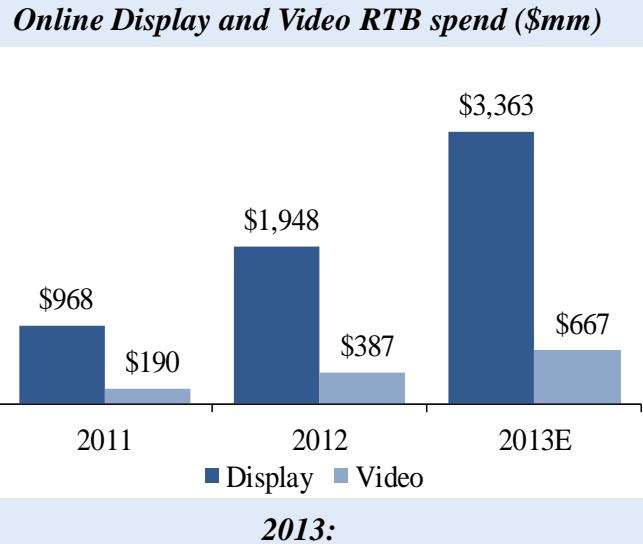


Sources: GFK research; Adapt.tv and Digiday Q1 2013 "State of the Industry in Online Video" Study.

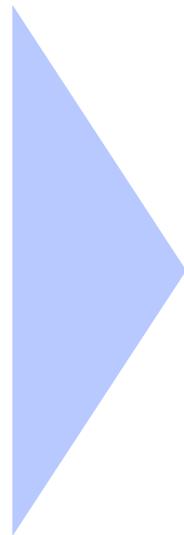
(1) 18-49 year old TV users.

Continued Influence of RTB

Technology and transparency leading to greater buying efficiencies for advertisers



- 22% of online video spending through RTB
- 19% of total digital display ad spending through RTB

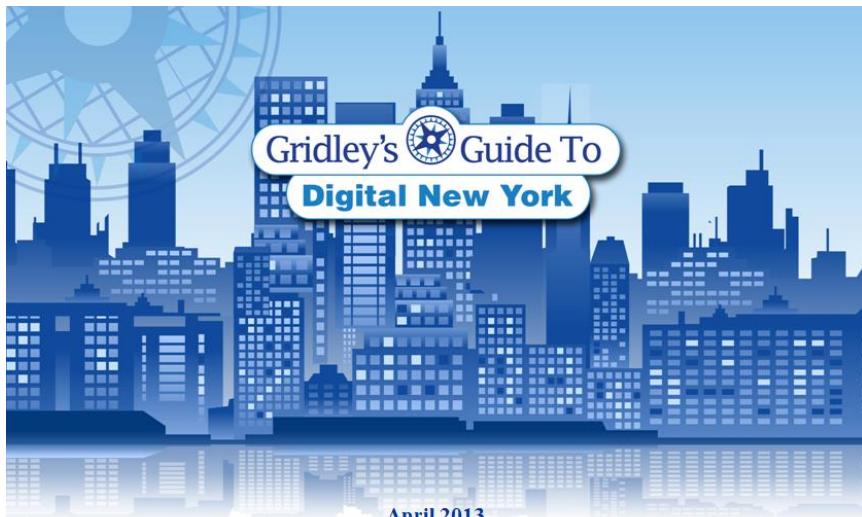
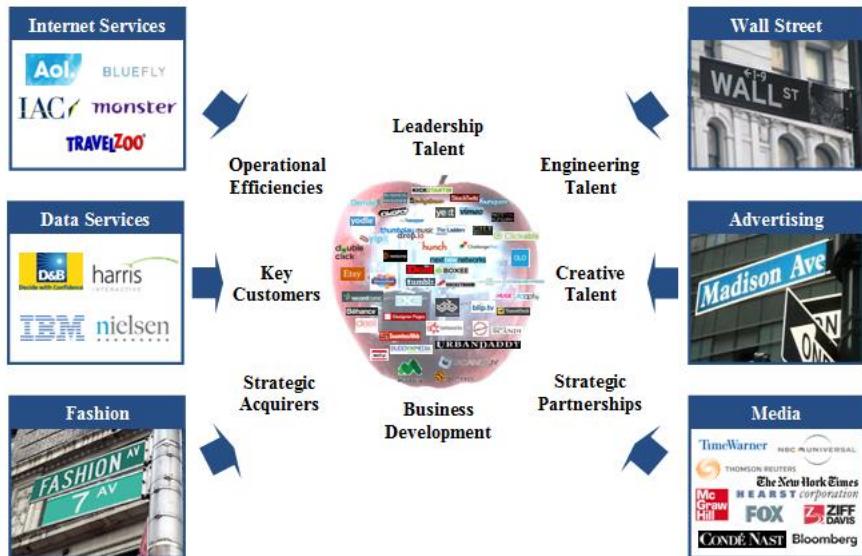


- RTB continues to gain traction across channels
- *Is RTB helping to increase the pie for digital advertising?*

Sources: e-Marketer, Forrester Research research commissioned by SpotExchange.

A Word About the New York Scene

- New York now consistently #2 tech hub behind SF Bay Area
 - \$5.6 billion invested in Digital NY companies since 2006
 - ~200 Digital NY companies have raised \$5 million+ of outside capital
 - ~150 investors focused on Digital NY
- Leading digital/internet companies moving into area
 - AOL moved its headquarters to NYC in 2008; Google bought its office in 2010; Twitter and Yahoo both opened offices in late 2011
 - eBay building an innovation center in the City



Digital Dealings – 2012 in Review and Outlook

2012

IPO

- Facebook fallout
- Mixed bag from others
- Investors favored B2B models

M&A

- Social → Enterprise
- Tech & team by “new kids”

Fundraising

- More \$ volume at higher valuations
- Market leaders clarified and raised the stakes through new money

Predictions for 2013

- Lots of IPOs of all sizes coming if market holds up

- LOTS of tech & team, smaller deals
- Continued premiums paid for perceived market leaders

- \$50 million is the new \$20 million and \$20 million is the new \$10 million
- High valuations paid for experienced teams in uncrowded markets

QUESTIONS?

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