Tremor Video

Second Quarter 2016 Earnings Conference Call

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CORPORATE PARTICIPANTS

Andrew Posen, *Senior Director, Investor Relations*

Bill Day, *Chief Executive Officer*

John Rego, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

John DiFucci, *Jefferies*

Michael Graham, *Canaccord*

Jason Helfstein, *Oppenheimer & Co.*

Murali Sankar, *Boenning & Scattergood*

PRESENTATION

Operator:

Greetings and welcome to Tremor Video's Second Quarter 2016 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded. I would now like to turn the conference over to your host Mr. Andrew Posen, Senior Director of Investor Relations. Thank you Mr. Posen, you now have the floor.

Andrew Posen:

Thank you. Good afternoon and welcome to Tremor Video's Second Quarter 2016 Earnings Call. During the course of today's call, we may make forward-looking statements including statements regarding Tremor Video's future financial and operating results, future market conditions, and Management's plans and objectives for future operations. These forward-looking statements are not historical facts but rather are based on the Company's current expectations and beliefs and are based on information currently available to us. The outcome of the events described in these forward-looking statements is subject to known and unknown risks and uncertainties that could cause actual results to differ materially from the results anticipated by these forward-looking statements, including but not limited to those factors contained in the Risk Factors section of the Company's most recent Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 15, 2016, and in our future SEC filings. All information provided in this conference call today is as of August 4, 2016. Except as required by law, we undertake no obligation to update publicly any forward-looking statements made on this call to conform the statement to actual results or changes in our expectations.

Our commentary today will include non-GAAP financial measures. We believe that the use of these non-GAAP financial measures provides an additional tool for Investors to use in understanding Company performance, but note that these measures should not be considered in isolation from or as a substitute for financial information prepared in accordance with GAAP. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release issued today, a copy of which can be found our website.

Now, I'd like to turn the call over to Bill Day, Tremor Video's CEO.

Bill Day:

Thanks Andrew, and welcome to our Second Quarter 2016 Earnings Call. This quarter, we achieved a number of our strategic goals and continue to grow our business. However, our results did not fully meet our expectations. In the first six months of 2016, our programmatic spend grew to $53.2 million, a 150% growth from the same period last year; and programmatic, combined with higher-function buying, which together define the future growth of the business, grew 57% over the same period. These products represented 91% of our total spend in the quarter. However, our quarterly results were mixed, with impressive growth in our seller platform offset by softness in our buyer platform including our non-programmatic media network. We have a plan to address these buy-side challenges while continuing to fuel the impressive growth of our seller platform. Our premium video marketplace remains the major differentiator for Tremor Video with our seller and buyer platforms synergistically helping position the other with customers. Our higher-function buying products had another quarter of growth driven by key strategic partnerships and innovation and our International business continues to become a larger contributor to our results. Despite these successes, the performance of our programmatic buyer platform and legacy media network fell below our expectations.

As we stated when we set 2016 guidance, we expected our legacy media and network to continue to trend lower. This erosion has occurred faster than we anticipated. While we do not consider the legacy media business to be particularly strategic in the long-term, its rapid loss in the short-term reduces our revenue growth rate and gross margin dollars. In addition, though to a lesser extent, we saw decreased spend from agency trading desks transacting on our buyer platform through insertion orders, which is one of the ways the agencies can use our platform programmatically. We expected to shift to self-service from managed-service to occur but adoption is taking longer than we initially anticipated. Despite these challenges, we continue to have a positive outlook for this business. Underpinning this outlook, we had an outstanding quarter adding new business to the buy-side programmatic platform, signing MSAs with Publicis, IPG, Horizon, and Ogilvy. In combination with our existing Dentsu relationship, we now have signed MSAs with the trading desks of four of the seven major agency groups. These MSAs give us a hunting license to sell our self-service solution into the holding Company's constituent agencies. With this accomplishment of these strategic goals, we believe that we are now in a much better position to grow our programmatic buyer platform from here forward.

Switching gears, we are extremely pleased with the results and progress that we're seeing on our seller platform. We believe that we are one of the fastest growing players in this important space and positioned to become a global leader. Our platform is tapped into a major customer need as more premium publishers continue to turn towards programmatic channels to monetize their inventory; a solution built on our longstanding relationship with premium content creators and is ideally suited for their needs. We offer features that provide them with tools to maximize the monetization of their inventory while maintaining tight control over brand safety and the consumers' ad experience. Moreover, our status as an independent company, free from competitive ownership or influence from either a major walled garden or media company provides comfort and trust for sellers of all types and sizes. We had a number of big publisher wins this quarter, adding Hearst, Gannett, AOL, and the BBC, and in the UK, we also added the local divisions of CNN and Newscorp. We're seeing growth across many geographies as digital video continues to become a more important advertising medium outside the US and our international business model is highly scalable because our technology stack is increasingly directly integrated with large buyers globally, allowing us to get quick leverage on our market entry investments. Our managed-service higher-function buying product continue to shine. All-Screen targeting, the backbone of our higher-function product suite, has been so successfully adopted that mobile as a percent of our total spend is now 42%, up from 38% in Q1.

Last quarter, we introduced Proximity Plus to you which uses a combination of beacon and mobile geo-location data to know which location the customer visits and for how long. We also detailed our social affinity targeting which finds viewers based on active engagement on social networks and uncovers mutual connections to create custom targeting channels. We're now pleased to announce that we recently entered into an exclusive partnership with Alphonso, Inc., a TV data company that listens for TV viewing to synchronize offline and online behavior. Our product capitalizes on the best aspects of linear TV mobile engagement, attracts TV viewership in the home and enables advertisers to target audience segments with ads in real time based on their viewing habits. For example, if you're watching America's Got Talent on your home TV set, NBC can use our offering to deliver a simultaneous video ad to your smartphone promoting a future airing of the show. We continue to see higher-function buying as a strong growth business that's highly differentiated and defensible. As John will present, our guidance reflects our belief that the second half of 2016 will be much stronger than the first half, both in terms of spend growth and EBITDA profit. Our guidance assumes a continuation in the mix shift from buyer to seller platform. We expect these trends to continue and have adjusted our internal capital allocation accordingly.

We have tremendous seller platform traction and continue to successfully introduce new higher-function buying products. Our programmatic buy-side platform is a longer-term opportunity with a lengthier sales cycle but one we believe will benefit from the MSAs we've recently signed. We believe that we have the tools set to get our strategy and are extremely focused on delivering superior growth and profitable results to our Shareholders.

Now, I'd like to turn the call over to John who'll walk you through our financials before we take questions.

John Rego:

Thank you, Bill. While we faced some challenges in the quarter, I'd like to highlight the strengths of our business and our guidance for the second half of the year which implies strong growth in our topline and EBITDA profitability underpinned by the expense discipline that we've maintained consistently since our IPO. Total spend for the quarter was $54.7 million. Revenue was $37.1 million and Adjusted EBITDA was a loss of $1.2 million which were below our expectations. Total spend grew 19% year-over-year. Combined programmatic and higher-functions spend grew over 46% compared to the same period last year more than offsetting the greater than expected decline in our legacy media network which decreased 60%. Programmatic spend was $27 million in Q2 2016, driven predominantly by strong growth in our seller platform. The growth was partially offset by decreased spend from agency trading desks transacting on our buyer platform through insertion orders. Our higher-function products increased to $22.8 million, up from $20.1 million in Q2 last year. Collectively, programmatic and higher-function buying represented more than 91% of our total spend in the second quarter, and that's up from 74% in the same period last year.

Our legacy media network represented under 9% of this quarter's total spend and as we told you last quarter, we expect this business to continue to diminish as a percentage of spend. Revenue decreased 12% year-over-year to $37.1 million, while our gross profit decreased 4% year-over-year to $17.2 million. The combination of rapid growth on the seller side which is reflected on a net basis and the soft performance on our buyer side business which is reported on a gross basis resulted in a disproportionate impact on our revenue. Our gross margins increased to 46.4% compared to 42.5% for the prior-year period reflecting that same mix shift. Our take rates for the quarter remained stable within each of the businesses as we are not seeing any pricing pressure.

In the second quarter, we reported an Adjusted EBITDA loss of $1.2 million, a slight improvement compared to last year's results. Our net loss in the second quarter was $5.9 million compared to a net loss of $5.2 million in the same quarter of 2015. Basic and diluted net loss per share for the quarter was $0.10, which is flat with the same period last year. Total core operating expenses for the quarter excluding non-cash items decreased to $18.4 million from $19.3 million in Q2 of last year and decreased as a percent of total spend to 34% in the quarter from 42% in the second quarter of 2015. We've been able to maintain this cost control while building our programmatic business and expanding our operations internationally.

Now before I talk about our outlook, I want to spend a couple of minutes on our balance sheet. We ended the quarter with $94.8 million of available liquidity including $62.3 million of working capital and our $32.5 million credit line. For the second half of the year, we believe that we will be positive cash flow from operations. During the quarter, we repurchased just under 178,000 shares at an average price of $1.87 and expect to continue executing on the program as we think our shares remain meaningfully undervalued. We believe that our strong balance sheet and cash position enable us to return value to Shareholders through these share repurchases while still affording us the ability to pursue disciplined investments in our future growth.

I'd like to finish with our expectations for the third quarter and the full year of 2016. As we did last quarter we are providing guidance for three key metrics; total spend, revenue, and Adjusted EBITDA. I want to emphasize that we believe total spend and Adjusted EBITDA represent the best metrics to measure the growth and progress of our business. In Q3, we expect total spend to be in the range of $63 million to $65 million, 30% up year-over-year. Revenues to be in the range of $36 million to $38 million and Adjusted EBITDA to be between a $500,000 loss and a $500,000 profit. We are adjusting our full year guidance lower in part due to the continued mix shift to our seller side platform as well as the faster timeline for the winding down of our legacy media business. We anticipate a significantly stronger second half similar to what we experienced last year driven in large part by growth interaction in our seller platform business and the performance of our higher-function buying products. For the year, total spend is expected to be between $245 million and $255 million, up 23% year-over-year, revenue to be between $155 million and $160 million, and Adjusted EBITDA to be between a loss of $4 million and breakeven. Weighted average basic share count is estimated to be between 52.6 million for Q3 and 52.5 million for the year. Our guidance reflects a positive EBITDA contribution for the second half and full year growth in total spend of 23% year-over-year.

While our results this quarter were below our expectations, we're extremely pleased with the strength of our seller platform and the strategic positioning of our buyer platform. We believe that our programmatic business and higher-function products will continue to drive our results and combined with our continued expense management, enable us to provide profitable results for the back half of the year.

Now we'll open up the line for some questions.

Operator:

Thank you, gentlemen. At this time we'll now be conducting a question-and-answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the queue and you may press star, two if you'd like to remove your question from the queue. As a reminder, for anyone using speaker equipment, it might be necessary that you pick up your handset before pressing the star keys. One moment please, while we poll for questions.

Our first question comes from the line of Mr. Brian Fitzgerald from Jefferies. Please proceed.

John Streppa:

Hi. This is John on for Brian. Thanks for taking my question. From some of your peers we've heard of some softness in pricing due to header (phon) bidding on the desktop display side, just curious if you guys have seen anything flow through from that on more on the video side? Thanks.

Bill Day:

Yes, thanks. It's Bill Day. We have not. In fact I think, it's worth talking about a second because I know that's been a topic of conversation. Certainly (phon) it is one of the places where video and display are very, very different, and header biddings come along, header bidding's the idea that publishers can in essence offer up a quick peek at their inventory in a way that sort of sits in front of the exchange or the programmatic RTB trading. We're doing that because it provides publishers with a degree of transparency control and the ability to manage demand that is useful in display where CPMs are much lower and there are—sellout is lower and latency, I think there's just a general feeling that latency means slower page loads based on particular (inaudible) that big a deal. First of all, and video is very different as we've said, CPM is much higher, sellout will roll much higher at those higher CPMs and latency and user experience is a much bigger consideration by publishers. So I think that sort of contracts the external environment. Internally, actually RFSP and the way it's architected specifically to get technical with server-to-server connections directly between the supply, the publishers and the demand sources, we believe achieves providing a degree of control and transparency that the publishers are looking for to get the highest price they want without introducing the latency and delay that header bidding can and would impact video and so we haven't seen it. Well we believe we haven't seen that partially because video is different partially because our solution is (inaudible) to solving the problems directly as opposed to work around and header bidding in a way is the workaround into displays. I see also is less common that we're not cavalier on the topic and so if a better way materializes where we can help sellers sell better, and utilize our inventory better, look for us, we're one of the first to introduce it. So all in I hope—hopefully that helps answer your question.

John Streppa:

No, I think that was great and then maybe just as a quick follow-up, you guys signed a deal with Unity a quarter or two ago. Just and one of the most popular mobile games now, Pokémon GO is built on the Unity platform. So just curious have you seen any uptick from that partnership so far and kind of just how sticky is that spend once that kind of fully ramps? Thank you.

Bill Day:

Yes. So I think it's really important to be clear that Pokémon GO is obviously a global phenomenon, A. B, it doesn't carry any ads right now and so it would have—well it is on the Unity platform and we're super excited for both Unity and Niantic. It's not going to impact our business right now, specifically. However, I think it's indicative of the kind of gaming that can come along in the future that can be ad-supportive. In fact Niantic talked about their intent over time to introduce ads into the user experience. I have no idea how fast they're going to do that. It's again, it's outside our control. So we're live with Unity now. The relation since launch although they said again expectations it's slow and small, it's starting slow and rolling out bigger and it depends somewhat on the adoption of publishers on their platform sometimes requiring an SDK update since this is in-app inventory. We expect it to continue to grow and obviously it'll become a bigger chunk of our inventory that we expect to be sticky. There's something going on here in essence and we're figuring how to take branding, brand advertising in video and use it in a gaming environment where it hasn't really been used in the past. I think if people know gaming well, they're used to what are called cost-per-install ads and cost-per-install ads aren't going away but many, many gamers are now believing it to be strategic to figure out how branding fits in the overall game to experience the complement cost-per-install ads. I think we're really well positioned as a platform to be their partner to help them figure out that.

John Streppa:

Great, thanks guys.

Operator:

Now our next question comes from the line of Mr. Michael Graham from Canaccord. Please proceed.

Michael Graham:

Thank you. Just a couple, on the guidance, can you just talk about what you're expecting DSP versus SSP in that guidance and then the second one is just some of these media holding company deals are surprise—a good surprise. Just talk about like the ones that you already have, what have you seen from them and these new ones? How long do you think it'll be until they're material? Are they embedded in your second half guidance at all? Thanks.

John Rego:

So Mike we don't—we haven't historically broken out the DSP versus the SSP. As you know we just get sort of programmatic look forward. But I think from the comments we've had on the call, the seller side is really being rather impressive for us. So it's the best I can do for you. That's really been showing great traction and we've got some work to do on the buy side, which we've talked about.

Bill Day:

Yes I'll just expand on that. I mean the one thing to understand about our guidance is that we're not sort of hoping for some magical change in what we've seen year-to-date, it's actually, I think, we've guided with a consistent feeling of what we've seen so far will continue and through that we feel comfortable providing the numbers we provided to you and if something changes dramatically on the buy side sooner that could actually represent upside for us. So you're right, we're really pleased about the progress we've made in terms of getting MSA. Again MSAs are agreements at an agency level to then drive adoption. They don't necessarily represent an immediate turn on in spending. They require effort behind that. We believe that while there are other competitors in some of the agencies that there is anything but a calcified (phon) market where market share's locked in. We believe that the things we do well as we've discussed in the past, taking a high function buy innovation, and building that into the sell side—self-service platform for the buyers whether it's real-time viewability or a product we recently just launched called outcome-based bidding, will be received well. It's complementary to some of the other competitive products and I've used this analogy of supermarket marketing. The first thing you have to do in a supermarket when you want to sell product, you got to have a strategy to get on the shelf and in essence the MSA's get us on the shelves and now we need to use our Sales Team which is all in place and operating right now to work on a really client-by-client basis within these agencies to drive adoption of the product within that environment.

So we feel good about it. To-date, though as John said, frankly we've under-delivered on our expectations and that's part of the softness that we saw in Q2. The dollars are shifting from managed-service to self-service that's great news because we've been leaning forward towards programmatic. We weren't in a position in Q2 to capture as many of those sellers as they shifted as we wanted to and that represented some year-to-year softness that it snapped our growth rate and our drove our expect—our results lower than expectations and so we don't think that's indicative of anything but a timing issue as we've learned at this sale and ramping spend can be longer than we anticipated and so we expect it to be something we can drive in the second half of 2016 and then particularly in 2017.

Michael Graham:

Okay. Thank you, Bill.

Bill Day:

Yes.

Operator:

Now our next question comes from the line of Jason Helfstein from Oppenheimer. Please proceed with your question.

Jason Helfstein:

Thanks. We'll see if we can do this in three minutes before the (inaudible) call. So first, can you give us the breakdown of revenue between mobile and desktop for the fourth quarter, first quarter, and the second quarter? Because I think that'd be helpful because I think people are really struggling how to model and then also, it sounds like you won't give this out based on the last question but if you could breakdown historically the programmatic revenue between buy-side and sell-side, again for the fourth quarter, first quarter, and the second quarter. So those are—that's the housekeeping and then—let's do that and if there's still time, I'll actually ask you an industry question.

Bill Day:

So I can take the model part. I'll let John speak to the second part. So we are, as I said 42% mobile. I don't know exactly what you want at the top off my—my fingers but we're 42% mobile in Q2 versus 38% in Q1 versus 34% in Q2 of last year. If you consider just sort of beginning growing digital TV business, so that's connected device and OTT were 45% off desktop in Q2, meaning 3% of spend was in connected device and OTT. It doesn't exactly give you their progression you're looking for quarter-to-quarter but gives you a picture of how that progression's been working for us. John, the second part you take that.

John Rego:

Buy-side, sell-side, so Jason unfortunately we're not breaking that up. I guess one thing you can look to or have your guys look to is in the disclosures that we do give in the earnings release, we show what the publishing cost is on the sell-side so it could be used as sort of a little proxy knowing what programmatic is to try to back into the numbers that you're looking for but as of now we don't guide to nor have we broken out the difference.

Jason Helfstein:

So the publishing is a sell-side cost.

Bill Day:

Correct. Sell-side, sell-side publishing is disclosed.

Jason Helfstein:

Okay and then just industry, are you seeing any—are you running into—not running into, but Facebook and Google, they are making a big push on the SSP side for video. I mean, part of its selling their—Facebook effectively selling their own, making a big push for the brand in Instagram and then obviously, Google has locked out all the DSPs and is really pushing YouTube on their own, effectively SSP. I mean, is this having an impact on you? Is it taking dollars that you would have otherwise been trying to get access to? Thanks.

Bill Day:

Yes, so as a reminder, Google's being pushed on DSP side and Google Vid Manager is a big partner of ours into our SSP, for just that reason and Facebook's really walked away from the SSP business with their shutting down the Live Reel platform. That's opened up an actual market opportunity for us to bring on some new clients hopefully we can talk to you about soon. I still think that anybody—you've got this thing going on. The hottest stat you're talking about is 85% of all incremental spend, is going to YouTube and Facebook. I'm not sure I 100% buy this stat and nonetheless I worked the numbers on our own and even if that's true, I think it's less true in video because that's anchored really by search and display and videos, less true from that standpoint and it means so from our numbers so we crunch that, somewhere between 50% and 60% of the overall video market's not going to them but it is making a big impact on our customers. So as we shift from being sort of media-centric to platform-centric, we target that off-YouTube, off-Facebook, 50% to 60% of spend, the customers that count on that as driving customer adoption of our platform and so the independents we have I think in Q2 is never been a bigger deal in terms of closing deals for us. In essence again I think all the companies we work with are happy to work with Google and Facebook from a media standpoint either big sales deal to Google or Facebook or buying or working with Google and Facebook. That's very different than building your selling operations or your buying your operations on top of Google or Facebook software and so we consistently hear from clients who value that independence and choose us because of this.

Jason Helfstein:

So you don't think that's why the programmatic number may have been weaker than expected in the quarter?

Bill Day:

No, I still see our biggest competitor—on a sell-side not at all. On the buy-side Google is one competitor but two mobiles (phon) are partnering competitor too and the trade desk is a partnering competitor too and so I can't take that as like a giant reason from our standpoint I think we just are excited by the progress we've made and opening up more agency MSAs and a diversity that's going to give us to work more accounts and we've had to work for now and I think we're also more reasonable in terms of understanding now their length of time it takes to drive that spend through an MSA and feel confident we can do it going forward.

Jason Helfstein:

Okay. So basically, it was the pipeline. The closing of the pipeline took longer than you thought.

Bill Day:

Exactly and we didn't have as much diversity in terms of the MSAs and now we do. We have a number of accounts we can work so some go slower, others can go faster and we can I think be more successful doing that.

Jason Helfstein:

Then the reason why the non-programmatic higher-function is probably better is it because you saw—did you push harder on that because you knew the programmatic number was going to come in lighter?

Bill Day:

It's a bifurcated market. I think you see buyers who are all in on self-service and then there are buyers who are really falling back into an opinion that they can accomplish more with a managed-service solution. So I think that two markets trade pretty independently and sometimes buyers use both but they trade pretty independently and so I think we're just doing a good job there and I think as I mentioned, (inaudible) being the hot new product. We've launched initially into the entertainment space in Q3 will continue to give us momentum there. It really is something, we're really good at doing, it's high margin, it's defensible and importantly as I said, it gives us an innovation spot to test things and then build them into the platform business. So outcome-based bidding for example, we've been selling outcome-based products; we're talking about hosper (phon) engagement and things like that and viewability and now building those sort of capabilities into the platform allows us to really differentiate our self-service platform in a very productive way.

Jason Helfstein:

I mean, I guess. It's just, look, Rubicon yes, the other day said pretty much the exact opposite thing on their managed business, right. So I guess it's just a very company-by-company specific, who are you selling to that quarter, and are you exactly with the right product at the right time because things can basically move quarter to quarter really without visibility at this point.

Bill Day:

Well, I think also video has shown I think a consistent pattern towards more managed-service and display. I think display is rapidly going self-service and just like display has gone a lot of direct-to-client and in video, agencies really control the spend. There's much more of an opportunity to drive more both managed-service and self-service. Remember, a lot of the managed-service are dollars earned necessarily coming from digital. There also now agencies that are looking at their television spend and routing some of that into digital as well. So the managed-service is compelling because it offers the sort of environment they've had in the past with respect to having things run for them rather than doing it all themselves but delivering a lot more visibility, transparency, accountability, in terms of the actual efficacy of the spend and so, we don't see any scenario and again I think it's reflected on our numbers and our guidance where high-function buying selling is starting to peter out like you've seen in display. We think at least that planning horizon you guys put together your model that's going to be part of our business.

Jason Helfstein:

Okay. Cool. Thanks.

Bill Day:

Yes, thanks.

Operator:

Our final question comes from the line of Murali Sankar from Boenning. Please proceed with your question.

Murali Sankar:

Sure. Thank you for taking the question. Since you've kind of backed away free cash flow and EBITDA profitability for the full year, how does it influence how you think about the use of your cash, in particular for buybacks and the second question I had was related to international. How do you see international ramping and what are your expectations for the longer term in terms of the markets that you're already in and in terms of the percentage of the total?

John Rego:

Sure. So Murali, this is John. So on the liquidity question, I mean we do have almost $100 million of liquidity still. I think that we were hoping for cash flow breakeven for the year. I think the timing's pushed a little bit so be a cash flow breakeven to positive for half the year and expecting to be slightly under to maybe breakeven EBITDA for the full year. So that's just sort of a timing issue. As it relates to the stock buyback program, we committed to do it. As we look at it, I think that our shares are grossly undervalued and so we're out there and we're buying, we're buying everyday that we can buy, we're buying the most that we can buy. It's a great opportunity for the—it's a great opportunity for the Company so we don't see that stopping any time soon and bear in mind, when you're in a program like that it's highly regulated by the SEC; how many shares you can buy, et cetera, it's formulaic but we're out there buying. So what you saw in our disclosure was what we did in Q1. We're out there again in Q2 and we'll be out there in Q3.

Bill Day:

Yes. I can comment to international. I think it's one of the things that we put in our investor presentation as a growth pillar and it's not by chance. We feel like until only about a year ago 18 months, the US was the predominant market with respect to video spend growth and that's changed and really driven by programmatic. Other markets are growing rapidly. They're still small compared to the US, but they're growing rapidly and they are productive for us. The 10% of our revenue in Q2 with non-US, up from about 1% a year ago. So you can on one hand it's 10% not more than that but on the other hand it's up 10 times for when it was a year ago. I think that reflects our investment in countries and places as we've outlined like Southeast Asia, Latin America, and the EU. So—the key other thing that happened on our side was shifting to the platform model really changed the dynamic of how we could enter markets. We have a global text back—sure there's some degree of customization required to enter a market, but our cost to enter a market are far more productive now and so we can drive to probability on a unit basis very quickly after market entry if we've done our job right. So we feel more comfortable now being more aggressive outside the US is not nearly as capital intensive and the timing is right. So I think we're just going to continue to in a smart way progress through the markets we've decided are strategic and will support our competitive advantage and keep doing that and hopefully keep reporting results that get larger and larger than 10% going forward.

Murali Sankar:

Ten of revenue?

Bill Day:

Yes, I'm sorry, 10% of spend, not revenue, I want to be super clear.

Murali Sankar:

Right, so it's essentially mostly programmatic at this point. That's kind of the impression that I get.

Bill Day:

Yes, 100% programmatic, exactly.

Murali Sankar:

Okay. Great, thank you.

Bill Day:

Okay.

Operator:

We've reached the end of our question-and-answer session. I'd like to turn the call back over to Management for any closing remarks.

Bill Day:

No closing remarks other than thank you very much for joining us today and we look forward to talking to you more about our results as the quarter goes out. Thank you.

Operator:

Ladies and gentlemen, this does conclude our teleconference for today and we thank you for your time and participation. You may disconnect your lines at time and have a wonderful rest of the day.