Tremor Video, Inc.
Third Quarter 2013 Earnings Conference Call
November 7, 2013

Operator: Good day, and welcome to the Tremor Video Third Quarter 2013 Earnings Conference Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Denise Garcia with ICR. You may begin.

Denise Garcia: Thank you. Good afternoon and welcome to Tremor Video's Third Quarter 2013 Earnings Call. Joining me today to discuss our results are Bill Day, President and CEO and Todd Sloan, CFO.

Before we begin, I'd like to take this opportunity to remind you that during the course of this call management will make forward-looking statements, which are subject to various risks and uncertainties. Actual results and the timing of certain events may differ materially from the results or timing predicted or implied by such forward-looking statements and reported results should not be considered as an indication of future performance. Further information regarding the factors that could affect the Company's financial results is included in filings it makes with the Securities and Exchange Commission from time to time, including the section entitled "Risk Factors" and the Company's 10-Q filed with the SEC on August 14th, 2013.

Also, I'd like to remind you that during the course of this conference call we will discuss non-GAAP measures in talking about the Company's performance. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the press release. This conference call is also being broadcast on the internet and is available through the Investor Relations section of the Tremor Video website.

And now I'll turn the call over to Bill Day, Tremor Video's President and CEO.

Bill Day: Thanks, Denise, and welcome to our Third Quarter 2013 Earnings Call. We closed the third quarter at $35.3 million revenue, with industry revenue up 19% from the same quarter last year and slightly below the guidance range. Adjusted EBITDA was $140,000 within our guidance range compared to $653,000 in the prior year. These financial results are not as strong as the first half of the year but we continue to make significant progress towards our long-term objective. Our revenue growth in Q3 to some extent and our expected revenue in Q4 to a greater extent are being negatively impacted by the delayed TV upfronts that deferred ad buying and planning in the quarter, and by an increasing shift in video advertising expense towards programmatic buying.

Our growth margin in the quarter was pressured by an increase in demographic baseline toward demo buying. These factors have caused us to revise our forecast for Q4 and full year 2013. I'll outline our plan to address these issues in a minute.

But first, I think it's important to see the forest through the trees. We believe that Q3 results demonstrate an accelerating shift to the joint planning and buying of TV and online video and we believe this shift made a significant opportunity for the company. These recent developments affirm why we remain excited about our space as TV advertising spend is moving online at a greater pace to match the shift in media consumption that has already occurred. We will work to capitalize on this shift by leveraging all of our assets to serve the needs of the TV buyer in 2014 and beyond.

Our Q3 and Q4 revenue growth rates have been impacted by a couple of factors. We believe that the biggest impact was driven by the delayed resolution of the fall TV upfronts, which stalled online video planning. This affected our results in September and we expect a more substantial impact in Q4. In addition, many of these upfront TV deals bundled TV buys with videos from the associated TV extension site, reducing demand for our premium video offering. We believe this issue is temporary and does not represent a long-term trend. We expect that by this time next year TV Upfront buying will extend well beyond TV extension sites since these sites don't provide the required scale TV buyers need long term. We believe that our premium capabilities and scales position us well to receive a larger share of TV dollars shifting online after clients understand the results and limitations of their 2013 buying.

Programmatic video demand driven through agency trading desk is growing fast and resulted in some advertising spend being diverted from our current media offerings. As you know, we have a number of programmatic initiators under way but to be clear our programmatic solutions are just gearing up so we don't yet fully benefit from this demand growth. We think that our programmatic initiative coupled with TV buyer interest in premium programmatic will more fully contribute to our growth next year.

Which brings me to 2014. We believe that our store experience in premium placement and brand performance combined with our initiative into the programmatic space position us well for 2014, and we expect that our growth rate will return the pacing to that of the old raw market or better than. I want to dive deeper into the increasing convergence of TV and online buying, particularly the growth of demo buying and online video. As you know, we focus on targeting the largest TV brand marketers with in-stream video solutions, leveraging VideoHub advanced analytics and optimization capabilities and our proprietary performance-based pricing models in order to serve their brand goal.

Our performance-based pricing models continue to drive higher margins than traditional CPM price campaigns. An adoption of these models in the short term was negatively impacted by strong demands for demo buying. Demo buying which is typical on TV requires that buyers pay only for ads that were delivered to a specific audience segment. Unlike performance-based pricing models that rely on real time optimization of data that we generate demo buying is old school and currently allows a limited optimization based on panel data from third parties. The difficulties in optimizing delivery of such campaigns produce lower eCPM resulting in a negative impact to our overall margin.

But we have a plan of action: not predicting a quick fix on margins on demo buying due to the magnitude of the demand shift we need to coordinate industry players to provide a more efficient solution and the fact that TV has historically been bought on demo. Our work plan involves both leveraging our optimization capabilities to better cover demographics, working with data providers to address issues with the current quality and availability data, and frankly most importantly to keep doing what we've always done, educate brand marketers on the need to move past demos and buy based on who their customer truly is, not simply buy a proxy for their customer. We believe that our VHA solution uniquely positions us to leave this education as brand marketers can access our advanced analytics to see the actual impact of demographics on their campaign performance.

So let me articulate why we believe that our business model will benefit as TV buyers graduate from simply buying the TV extension sites they bought in recent TV upfronts or buying solely based on demos into buying our premium offering. We believe TV advertisers want three things from online video: brand performance, premium placements and transparency, and programmatic buying. TV buyers require a brand performance because it allows them to understand the true ROI of their spend. We are noted leaders and pioneers of brand performance measurement and optimization for in-stream video recently launching a number of innovative performance based pricing models where advertisers only pay when their campaigns achieve measurable brand results.

Our recently announced CPS or Cost-Per-Brand Shift pricing model chargers advertisers only when a consumer's favorability per brand has positively shifted up. CPQ or Cost-Per-Conquest is a pricing structure where advertisers pay only when a consumer's intent for a brand has been shifted from the direct competitive set. Additionally, our new CPV&C offering guarantees marketers they will only pay for ads that are 100% viewable for the entire ad play, and 100% completed, building upon our existing CPVC offering. This new suite of performance-based pricing models joins our CPE or Cost-Per-Engagement pricing model, which we first introduced in 2010 and brought the mobile video in 2012.

In September, we announced the arrival of our programmatic buying platform built for brand performance, VideoHub Connect, which we are currently casting with select partners. We believe that Connect is the only DSP to allow marketers three dimensions of bidding: price, brand performance and reach rather than typically trading price and reach.

The central criteria that TV advertisers want is premium placement of their ads and buying transparency. We continued our march towards amassing the largest set of premium content relationships in the industry as we added ABC.com and new lines for our exclusive online publisher roster and renewed our exclusive agreement with NBC Local and extended that agreement into mobile video as well. In addition, we added Zynga, The Fusion Network, and Maker Studios to our online publisher network and added ABC.com, Pac-12 Sports, and Songza (ph) to our mobile network.

But premium placement isn’t just a premium publisher, it's larger player size, ads that are viewable, and a low likelihood of fraudulent traffic. In other words, premium placement goes hand in hand with transparency, another defining characteristic of our company. Our VHA analytic platform embodies true buying transparency. As a reminder, VHA allows agencies to measure the brand performance across all the direct sites, networks and exchanges that the agency buys, whether or not that includes the Tremor Video network. This quarter we reached an agreement with the Interpublic Group Agency Holding Company to license VHA for the use of all its affiliated agencies. Interpublic joins the growing roster of agencies and publishers that rely on our platform solution to power their operations.

And lastly, the third item TV advertisers clearly want is programmatic workflow in buying. It's integral to allowing agencies to scale their video buying to rival the efficiency of the TV buy. We don’t debate whether premium inventory is going to transact programmatically. Buyers will demand it and make it so but making premium programmatic work for publishers as well as for buyers is critical and we believe that Tremor Video rather uniquely has the expertise and premium publisher relationships to lead the way.

As I mentioned during the quarter we introduced our DSP VideoHub Connect to select TAS (ph) partners to enable programmatic line measurements and optimization of online video against brand goals. For programmatic to work on premium online video it must be informed by brand performance. The goal of VideoHub Connect is to lead to a more efficient brand-based process where clients pay for brand performance and high performing publishers are rewarded with premium pricing. This is far different than a goal of simply delivering cheap rates. It's a race to the top, not a race to the bottom.

Through VideoHub Connect, buyers will be able to purchase outcomes such as completion rates, viewability, and time spent in order to weigh performance against price and reach. To expand our programmatic buying capabilities we are integrating with supply sources such as LiveRail Publisher Platform and the Google AdX Exchange. In addition, VideoHub Connect will be embedded into our VHA analytic console so that buying opportunities can be immediately acted upon by agencies licensing that product.

Let's be clear programmatic isn't just a platform initiative, we are also actively pursuing programmatic solutions on our media network via an initiative we call Tremor Video Expense. Expense connects Tremor Video network to programmatic sources of demand that we believe compliments our direct sales efforts. We've signed agreements with DSPs such as Turn, MediaMath, IgnitionOne, and DoubleClick BidManager so that they can buy programmatically through our network. As of today Bid Manager, (inaudible) Change, and VideoHub Connect are integrated into our system. We will continue to focus on integrating and increasing number of demand and supply sources with Tremor Expense to enhance our client solutions.

In closing, I want to reiterate that we believe strongly that as the industry matures TV buyers will demand an upgrade to the quality of current online video buying and that we are well positioned to capitalize on its multi-year, multi-billion dollar redirection of advertising expense. We believe that the shift towards the coordinated TV and online video buyer that we saw in Q3 and expect to see in Q4 will positively impact our future results and we believe that this shift coupled with our investments in premium programmatic will power a successful 2014.

With that, I'll turn the call over to Todd to take you through this quarter's financial results in more detail.

Todd Sloan: Thanks, Bill, and thanks, everyone, for joining us today as we share our Q3 highlights and financial results.

Our revenue for Q3 was 35.3 million, an increase of 17% compared to 30.2 million in Q3 last year. In-stream revenue was 34.4 million, an increase of 19% compared to 29 million in Q3 last year, which excludes in-banner advertising. As we announced in July our video revenue is now 100% in-stream. Performance-based pricing revenue decreased from 34% of total revenue in the second quarter to 26% of total revenue this quarter, reflecting in part the shift towards demo-based buying in the quarter. The change in revenue mix from performance-based pricing to demo-based buying negatively contributed to our gross margin, which was 40.3% for the quarter.

As we deliver against demo buying, we are continuing to implement a number of initiatives geared towards improving margin performance for these buys. Mobile revenue is 9% of total revenue compared to 7% of revenue in the same quarter last year.

Adjusted EBITDA was 140,000 in Q3 compared to adjusted EBITDA of 650,000 in Q3 last year. Net loss was 2.2 million as compared to a net loss of 1.7 million during the third quarter of 2012. For the third quarter of 2013, basic and diluted net loss per share was $0.05 compared to a loss of $0.22 in Q3 2012. Non-GAAP basic and diluted adjusted EBITDA per share was breakeven respectively. Basic and diluted net loss per share was based on 49.1 million weighted average shares of common stock outstanding as of September 30th 2013. Non-GAAP basic and diluted adjusted EBITDA per share is based on 49.1 and 53.2 million weighted average shares of common stock outstanding as of September 30th 2013 respectively.

I would like to highlight a few non-financial operating metrics driving our financial results. Our media revenue is influenced by impression volume and we did see impression volume increase by 29% in Q3 this year versus last year. Excluding campaigns bought with demo guarantees, our eCPM declined by 5% in Q3 compared to the same period a year ago. Including demo-based campaigns eCPMs declined by 10% year-over-year. We continue to see pricing in mobile equal to or higher than that of online pricing. We saw impressive volume in our licensing business grow 309% in Q3 this year versus last year as we continue to see further adoption in the marketplace.

Now I'd like to discuss some of our operating metrics. As our business matures, the model continues to show operating leverage as operating expense as a percentage of revenue is declining. We continue to focus on investing in technology and increasing efficiencies on our sales and marketing and G&A functions to further drive growth and operating leverage.

Total operating expense including stock-based compensation was 16.6 million for the quarter or 47% of revenue as compared to 15.1 million or 50% of revenue in the same period last year. Notably, sales and marketing costs were 9.4 million for the quarter or 27% of revenue compared to 8.9 million in the same period a year ago or 29% of revenue.

G&A expense increased 9% over the same quarter in the prior year from 2.5 million to 2.7 million due to costs associated with our transition to being a public company. As of September 2013, we had 287 employees, increasing 15% from 250 a year ago and from 252 at year-end 2012. This was consistent with our hiring plans as we continue to invest in products, technology, and licensing teams.

We ended the third quarter with 96.3 million in cash, cash equivalents, and short-term investments compared to 32.1 million at the end of the prior quarter. This includes 66.6 million in net proceeds from our IPO that closed in July 2nd. In addition, our net cash generated by operating activities for the nine months year-to-date was 3.9 million, compared to a $5.8 million earned for the nine months year-to-date for 2012. This reflects a turn towards operations generating positive cash flow in 2013.

Despite the progress and the many initiatives we've announced many of these are mid to long term payoffs that will benefit us in the future but not in Q4 of this year. Therefore, we need to reset financial expectations for the rest of the year. For the fourth quarter, with the delayed TV upfront and industry shift towards programmatic spending we expect revenue within the range of 29.5 to 30.5 million with non-GAAP adjusted EBITDA loss in the range of 2.6 to 2.1 million. Weighted average basic shares, share count, is estimated to be 49.8 million for the fourth quarter.

For the full year 2013, we expect revenue within the range of 125 to 126 million. We expect non-GAAP adjusted EBITDA loss for the year to be in the range of 3.2 to 2.7 million. Weighted average basic share count is estimated to be 28.8 million for the full year.

In summary, while the industry is changing and not only as easy to predict we believe we are well positioned to be a leader in and benefit from the shift of advertising from TV to online. Our pipeline entering 2014 looks solid and we expect that our growth rate will return to pacing at the market or better.

Thank you for joining us today. We’ll now open the line to your questions. Operator?

Operator: Thank you. If you would like to ask your questions, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask your question. We’ll pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take our first question from Stephen Ju with Credit Suisse.

Stephen Ju: Hey, Bill. So I'm trying to reconcile your TV upfront delay commentary (inaudible) the lower guidance today. Haven’t the upfronts already been completed some time ago ahead of the current TV season, and haven't the budgeting decision already been made? And the shift to demo-based buying you mentioned as well. I don’t understand the impact here. Are you saying that the data you currently have from your publishers is not sufficient of yet, it's enough to deliver against the campaign needs of your advertisers? Thanks.

Bill Day: Yes, that's fine. Stephen, yes, I'll answer in the reverse into what you're just trying to make them a baseline. Our feeling is that first of all demo buying is an industry trend so it's not just as. I think that you understand that to be clear. But if you're talking about data that is not data that we have inherently. We don't generate demographics, we license that data. And so there are a number of factors going on, right. It's the fact that the data, we believe, I mean I have been pretty on the record on this – we believe the data is not the best data to be won, first of all. The second thing is that it's harder to optimize against because the data isn't available real time so when you think about our costs for engagement or some of the other things to be optimized against you're talking about every ad delivered allows us to optimize, improve the delivery of the next batch. And so when you compare that to the situation where the data is available say at the end of the campaign or significantly, it will lag from the delivery of the ad it limits your optimization capabilities.

These are all things we're working on, right? So improving the data, working with the people that provide the data to improve the data, stronger models, lookalike models like we do in other parts of business combined with the ability to get access to the data on I don't think of a real time basis but nearer the real time basis is, I think, a big part of the solution. But that takes time. It's not easy to – developing CPE wasn't easy and the general – I guess that is the general issue that I think we see because we live this every day but many other video publishers and video sellers see right now. And so some of that solution is really working a bit with them as well, it's not just as solving it alone. Is that a helpful answer to that part of your question?

Stephen Ju: Yes, I mean it does address the part of the question. I guess what you're actually saying is that advertisers are I guess electing to not use the data that is available at their fingertips.

Bill Day: Yes, and it's because again there's something important going on and so we make sure we stress it, right? The TV connection to at last premium video in TV buying is real and going on. And the way we've seen demo buying pace up pretty substantially in a short period of time I think is directly indicative of the fact that you're seeing the TV planning start to ingest this premium video into that ecosystem and demographics are just incredibly comfortable for the people who do TV planning and buying. So if you're point is the acceptance one step back yes except you're stepping one step back towards what could be a much larger budget in the future.

We continue to believe that demographics are a proxy for the customer and so as key buyers get comfortable with demographics, which we report on regularly, the question here isn't whether you should record the demographics, the question is whether you should optimize and judge the success of the campaign against demographics solely. And I'd say clearly no, right. But the reality is we have to work with buyers so that they can learn to take advantage of the stuff that we can do and not fight that. And so that's I think our paths for demographics is both heavy investment because we do believe we can do better from an optimization standpoint. It's tricky because of the access to the data and some things like that, but we're heavily invested in it, trust me. And in continuing to educate buyers who are coming in with more of a TV event, that they can do things that other buyers know that we can do for them and have done for them for years with respect to customer engagement, or brand lift.

And that's why I think the new performance-based pricing models are so important because they take aspects of our business like brand lift that resonate with a lot of buyers and say look, you can buy those on a performance basis as well now. Good for them, good for us. We have the tools really to upsell them, it's just going to take some work to do that. So I think again the big opportunity is to access the TV dollars that really have not, in our opinion, been coming into the spaces rapidly as they are now, the challenges just dealing with optimizing the demographics. The fist part about the TV upfronts from our perspective we saw this go into August/September so while aspects were resolved from a TV standpoint it was a longer, more delayed process that pushed all the – traditionally worked for TV and cable and then online after and just squeezed online. And so you saw a combination of two things: more than we've ever seen in any other year the TV upfronts involved packaging the extension sites, as you know ABC.com and ABC and things like that.

The extension sites into the upfront itself which filled some of the spend up in the market at the end of this year. The other thing is that the timing, the planning timeframe for planning that did go by for the more scattered part of the market, which is where we operate, was compacted. And so from a planning standpoint planners sometimes when that happens start to just look ahead. They'll say, look, I'll just focus on 2014, and start to catch up that way because I can't constantly be behind, I need to make up that time. So across a number of accounts we saw that impact. We don't want to, again, I think as I said clearly in my comments, we think that there's a sort of point in time situation, I think as Todd said in his comments as he's looking at 2014 the pipeline looks solid but the point in time situation is one that's clogging up after we set our guidance for our Q4 based on that.

Stephen Ju: Understood. Thank you.

Bill Day: Yes, thanks.

Operator: Next, we'll go to Jason Helfstein with Oppenheimer.

Jason Helfstein: Hey thanks. So two questions, so one I guess I'll just start off, so basically in layman's terms what you're basically saying is those more sophisticated advertisers or buyers are shifting to programmatic buying which you are not yet doing and then the less sophisticated guys are just continuing to focus on the Nielsen data. So you guys kind of get caught in the middle, you're being hurt by that so I just want to enhance that, a way to think about that in layman's terms and then I've got two follow ups.

Bill Day: Yes, the only thing I think I'd disagree with is the more sophisticated, less sophisticated. I don't think any TV buyer would certainly take exception, Jason. The TV buyers have years of sophistication around how they buy television, right? So they're coming in first using the tool that they most understand that they've invested tons of money in which is demographics. I don't think demographics by the way goes away, I don't think as they become more sophisticated they loose their interest in demographics because they're always going to want to understand relatively speaking how their video buy is comparing to their television buy.

But I do think that they're just not familiar with the whole idea. I mean we've dealt with this three years ago when we first introduced Cost-Per-Engagement, the idea that you can pay only when someone engages. It was such a mind-blowing concept that frankly sometimes you need to repeat it two of three times just to get people to understand that that's actually what we're saying we could do because that just wasn't something we've ever seen before. And we're sort of stepping back a little with the TV buyers to get them to do that. I will say with programmatic too I still think it's early from a premium inventory standpoint but we're starting to see some premium inventory go there too which to me is perfect timing because VideoHub Connect launched that we're steaming towards I think positions us well to capitalize on that in the future.

So I guess in summary I think like the programmatic we're set to build into our growth and into our capabilities in short order. The TV, the demo stuff is much more the ability to speak out of both sides of your mouth to really do well in the TV buying dollars, both the demographic side as well as the performance side, because I think they're going to totally love and want to spend a lot time with it's just that it's not the first thing they're going to do as they step into online video.

Jason Helfstein: Then the other two. So obviously while the currency to do acquisitions, at least according to afterhours trading, is significantly diminished. Do you need to do acquisitions to accelerate your shift to programmatic so you can turn the tide? And then lastly would you be willing to disclose media costs year-to-date to last year because it does look like the market's wanting to look to be stocked on a net basis in addition to our gross basis? Thanks.

Bill Day: I'm going to take the first one and then I'll let Todd take the second one. No, we don't need to make the acquisition to launch nor accelerate our programmatic efforts. I guess it's important to understand again that programmatic comes in many flavors in terms of what we're doing right now so I'll provide a little detail. We've talked about Connect a lot. Connect is the product we're testing with a few clients right now that will continue to sort of build momentum and work to launch early next year. And so Connect is a product we developed, it sits directly on top of the capabilities that are the same ones that provide Cost-Per-Engagement, things like that, but the real aptitude for us we found that suppliers of inventories, so it's Executive DSP. So you need to work with inventory suppliers, are really interested in working with us so there's no shortage of people we can work with there. We've found that buyers who – whether it's trading desks or clients, agency teams – are very interested in Connect as a product again because of the differentiation.

I mean it's almost perfect timing to say that people have been buying programmatically for a while. "Hey, how is it working not just from a race standpoint but what kind of performance are you driving?" and frankly they don't know or they don't have the tools to really speak with the clarity they need to as they ramp more and more dollars into it. So the Connect side of the business, again, we feel very comfortable doing that from an organic standpoint. Then there's the media side of business. And so the media side of the business we actually generated about a half million dollars of programmatic revenue in Q3 and we'll need to ramp that through Q4 into 2014. And this is us working with programmatic forces of demand so as I say referenced we signed relationships with Turn, MediaMath, and other DSPs who we believe compliments our sales team's ability to reach for dollars into the market. And we think that actually helps really accelerate our sales investments that we've made for the year and the relationships we've built with clients that allow us to tap into the programmatic going forward.

So I think from that standpoint I think inorganic's an option but not a requirement in terms of what we do. I'll let Todd talk about the gross versus net comment but Jason to your question about media in the marketplace. So right now, I think we've all seen disclosures for programmatic players in the market are mostly pumping (ph) gross or media dollars, as you refer to. As related to us it's early days for us, we've not yet determined what our accounting treatment will be for our GSP offering so that's to be determined as we roll it out.

Jason Helfstein: Thank you.

Operator: We'll take our next question from Michael Graham with Canaccord.

Michael Graham: Thank you. Hey guys, I just wanted to ask you if there were any – in Q3 or Q4 – if there were any big deals that maybe got cancelled or called off or any big sources of inventory that maybe dried up or the publishers decided to go direct? That would be the first question. And then I just wanted to get a little more color around so we've got the situation where TV buyers are kind of doing – they made a decision to kind of do what they've been doing all along and not try something new and you made the comment about visibility for next year, pipeline for next year, I just wonder if you could give us any more color around where your confidence is coming from or just any kind of parameters you can put around that.

Bill Day: I mean I can – I'll put it this way – the TV buyers are trying something tremendously new, which is to take the buying to online video. So I think your point, Mike, was just that they're doing it by demographics, is that the point?

Michael Graham: Well yes, I mean that they are trying to buy on a new medium but they're doing it using the same old metrics and sort of delaying the decision to be nouveau in approaching online.

Bill Day: Yes. And again, I think it's just a point in time. Again, it's too important for them at this moment to be able to look. So from talking to buyers, which I do a lot, the way to look at it is buyers have started to refer to video and a couple of times they're going to say this, they'll say "What do you mean? I don't get it the way you're talking" and they're basically saying video and they mean television and online video so they're actually picking that inclusively about the two sort of being seamless together which again I think is very powerful as a trend in terms of where things are going from a planning, buying, and what that means for online video because consumption continues to drive viewership into online video.

So the issue is that again, there are infrastructures in the agency world that are built around how television has been purchased measured and the infrastructure is really built around demographics. And so I think it would be probably unrealistic to expect that infrastructure with the shift and it sort of open minded the video that infrastructure should be sort of upgrade that quickly. And again, I actually don't think demographics are necessarily going to go away as I said. I think they become a component of the buy, as people come into video, but that takes some time for them to try what we do.

We have examples, I mean great examples of some of our biggest customers who while they become more aggressive with demographics buying continue to buy us for Cost-Per-Engagement and higher function creative units and things like that. So they're not going all in, they're splitting their buy and looking at the relative results, one versus the other. And so I think, like I said, a lot of this will just migrate it and people spend more time doing it, it's just so new.

And Mike to answer your first question in that reverse order so you asked about whether there was any supply, inventory supply that dried up and the answer is no, we have great relationships with our publisher network, we have access to supplies, so there was no issue or supply constraint. As far as ad cancellations yes, typical in the media business this could happen from time to time and some of our clients could be challenged with their own businesses so yes, we did see some cancellations on the consumer product goods companies that resulted up to as much as seven figures in Q3. Again, I think as Todd had said is that those were specifically driven by company-specific issues that probably are pretty well publicized.

Michael Graham: Thanks for that, I mean just to clarify one step further like as you formulated your Q4 guidance were there any significant relationships or was the tone of business from one or two large customers hurting your outlook or was it more sort of democratically widespread across your advertiser base/

Bill Day: It's probably more vertically specific in some instances for Q4. Again, I think part of what we've said broadly is that Q4 challenges this year there was a lot of late breaking upfronts, that what ended up happening was a greater portion of those would go to TV extensions. As a result, some of the late upfronts, as well as some shifting into the way people are spending through programmatic spending so that combined with some industry, some vertical challenges, yes, have put some strains on Q4.

Michael Graham: Okay, thanks a lot guys.

Operator: Okay, that concludes our conference for today. We thank you for your participation.