



**Tremor Video**

**Investor Conference Call**

**August 7, 2017**

## CORPORATE PARTICIPANTS

**John Rego**, *Chief Financial Officer*

**Mark Zagorski**, *Chief Executive Officer*

**Paul Caine**, *Chairman*

## CONFERENCE CALL PARTICIPANTS

**Austin Moldow**, *Canaccord Genuity*

**Chris**, *Credit Suisse*

**John**, *Jefferies*

## PRESENTATION

### **Operator:**

Greetings, and welcome to the Tremor Video Investor 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.

It is now my pleasure to introduce your host, Mr. John Rego, Chief Financial Officer. Thank you. You may begin.

### **John Rego:**

Thank you, Operator. Good morning. Welcome to our call this morning. 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, the ability to realize the anticipated benefits and strategic gains from the transactions, 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, 2016, filed with the SEC on March 10, 2017, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the SEC on May 10, 2017, and in our future SEC filings.

All information provided in this conference call is as of today, August 7. Except as required by law, we undertake no obligation to update publicly any forward-looking statement made on this call to conform the statement to actual results or changes in our expectations.

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 the 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 on our website.

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

**Mark Zagorski:**

Thanks John. Good morning everyone. Thank you for joining us today. This morning we announced a transformational event for Tremor Video. Going forward, we will be completely focused as a Sell Side Software Platform. We've reached agreement with Taptica International, a global mobile advertising platform for agencies and brands, to acquire our buyer platform for a total consideration of \$50 million.

I'm excited about this transaction as it capitalizes on our global SSP momentum and positions us even more advantageously with premium video publishers, leading DSPs and agencies. I look forward to leading the Company through this period as we transition to a pure-play sell side video platform.

Now I'll turn the call over to Paul Caine, our Chairman, who has been leading this transaction. He'll walk you through the details in our strategic rationale for making this significant move. Following Paul's comments, John Rego, our CFO, Paul and myself will all be happy to take your questions.

**Paul Caine:**

Thanks Mark. Good morning everybody. As you saw in this morning's press release and the accompanying presentation on our website, we have sold our buy side business to Taptica International for a total consideration of \$50 million. This is an exceptional outcome for all parties. Today's transaction gives us the resources and the financial flexibility to invest in the part of our business that has been our primary growth driver and which we believe has the most potential for future growth. This strategic decision puts us in a stronger and unconflicted position with premium video publishers and DSPs, providing a clear runway for developing and expanding next gen software and services for video monetization across all platforms.

The market opportunity that exists in Connected TV and OTT is big and getting bigger each day. We believe this transaction will allow us to fully capitalize on these trends and broaden our existing leadership position in this space. We are focused on continuing to expand and innovate our best-in-class technology to provide a differentiated product that makes us an indispensable partner to industry leaders.

One of the benefits of being a pure-play, self-service SSP is that we can create more leverage from our technology platform and rely less heavily on high-touch personal support. In this way, it more closely resembles a SaaS business model. We believe our go-forward business can be much more nimble and streamlined with potential to grow the top line while achieving significant operating leverage. The strength of our technology and our relationships have driven the growth of our SSP at a significant pace. On a trailing 12-month basis through June 30, our SSP spend has increased 78% to over \$137 million and revenue has grown 83% to \$34 million. Looking forward, this transaction provides us with the capital

to aggressively expand and scale our business. Within the next few days, we'll be filing pro forma financials with the SEC.

Our buyer platform is widely recognized in the industry for exceptional client service, advanced optimization technology and cutting edge analytics and targeting solutions. This business has the foundation to continue to flourish under this new ownership. We look forward to working with Taptica as the new owner of the Tremor Video DSP and a key demand partner on our supply platform.

In light of today's transaction, we are removing our guidance for the year as we manage through a transition period. We fully expect to update our outlook for 2017 when we report our Q3 financial results in November. In the interim, we will be scheduling an Investor Day in the coming weeks.

Operator, we will now open the line for questions.

**Operator:**

Thank you. The floor is now open for questions. If you would like to ask a question, please press star, one on your telephone keypad at this time. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's star, one to register your questions at this time.

Our first question is coming from Austin Moldow of Canaccord Genuity. Please go ahead.

**Austin Moldow:**

Hi. Thanks for taking my question. Are you able to sort of talk about the level of investment in the SSP, perhaps first the buyer platform, historically, were your resources sort of half and half on each side or was it maybe more heavily focused on the buyer platform or the other way? Then part two is, how are you thinking about investing in the SSP going forward, relative to those historical levels are? Should we expect it kind of in line with what you've been doing or are you going to ramp up investment due to the perceived opportunity? Thank you. That's it.

**Mark Zagorski:**

This is Mark Zagorski, CEO. With regard to the investment in the buy versus sell side of the year, if you look strictly at resources and headcount, the buy side of the business has always had a heavier reliance on headcount and people. So moving ahead, as we noted, we will have a leaner operation with regard to the overhead needed to manage it as it will be much more technology-focused resources and a software-based business proposition as opposed to the buy side of the business.

You can see that in the gross margins that we work off of in that business and, again, the growth rate that we've been able to achieve off that business. So we can assume the buy side of the business was a heavier overhead business to carry, moving forward.

With regard to investments in the business, I think there are lots of opportunities open for us, both organically and continue to expand where the platform sits, the functionality of that platform and the solutions that we're able to provide to our partners, as well as looking at potential M&A and development work that we may do down the road. The door's open for a lot of things. The great part is that we have a significant amount of capital to work with. We're going to look for the ways to most efficiently implement that capital to drive the highest value to the business.

**Operator:**

Sir, do you have any additional questions?

**Austin Moldow:**

That's it. Thank you very much.

**Operator:**

Thank you. Our next question is coming from Stephen Ju of Credit Suisse. Please go ahead.

**Chris:**

Hi guys, it's Chris on for Stephen. Maybe one for Mark or Paul. Was there a specific event or issue that catalyzed this sale? Any more color there would be great. Thanks.

**Mark Zagorski:**

I don't think there was. There was not a specific kind of event that said, "Hey, we need to move in this direction." I think there was a culmination of a lot of things, including a market that is increasingly being focused on the sell side and connected television part of the business in which we have a really strong vision, as well as, obviously, the clear opportunity we have based on the momentum that business has been showing. I mean, when we look at an 83% revenue growth rate over the last 12 months, it's the kind of opportunity that you want to continue to invest in. Being split between both sides of the business, obviously, has limited the ability for us to continue to invest and focus in that part of the fast-growing business. I think it was just a culmination of a strategic direction that we wanted to make sure that we could continue to focus on, invest in and drive the highest value that we could.

**Paul Caine:**

I'm just going to add one last thing to that—this is Paul Caine, Chairman of the Board—is that we believe in both sides of this business. We believe in this industry and we believe and we're very optimistic about the future of all sides of this business. We understand that in order for all sides to flourish, sometimes focus and clarity can be a very positive driving force. In this particular case, having Taptica as an owner of the buy side business is actually going to allow that side of the business to flourish which is going to serve the industry and top advertisers as they explore this part of their media mix, and it's going to allow Tremor to focus and to develop the SSP as Mark laid out. We see this as an opportunity for the industry in addition to both sides of our business.

**Chris:**

Okay. Thank you guys.

**Operator:**

Thank you. Our final question today is coming from Brian Fitzgerald of Jefferies. Please go ahead.

**John:**

Hi. This is John on for Brian. Maybe just as a quick follow-up to that question, on the relationship between Tremor and Taptica going forward, how do you see that partnership evolving over time, and with

you separating from the buy side of the equation, is that going to open you up to more demand sources for the SSP? Thanks.

**Mark Zagorski:**

I'll answer the second part of that question first. Obviously, removing ourselves from the buy side of the equation removes friction that we've had in the past with other potential buyers and creates an even playing field now for all the partners that we would work with on the demand side, which is a great thing for us.

With regard to Taptica, we continue to look at them and to have them as one of our biggest partners and we actually have a signed demand side agreement with them on the SSP. Again, as Paul noted, this is a win-win across the board, not just for our employees but for our publisher partners on our SSPs who enjoy the demands that we've gotten from the demand side of our business, but also it opens up the supply side to much stronger and broader partnerships without the perceived issue of friction or conflict with the demand side of the business.

**John:**

Great. Thank you.

**Operator:**

Thank you. At this time, I'd like to turn the floor back over to Mark Zagorski for any additional or closing comments.

**Mark Zagorski:**

Thank you. In closing, to reiterate, this transaction empowers Tremor Video to focus its full efforts on the highest growth part of the business, gives us an exceptional amount of capital to invest in the business and further strengthens our position as a leading sell side platform. Thank you very much.

**Operator:**

Thank you for your participation. This concludes today's conference. You may disconnect your lines at this time. Have a wonderful day.