

PLAINTIFF U.S. District Court - NDCAL 4:20-cv-05640-YGR-TSH <i>Epic Games, Inc. v. Apple Inc.</i>
Ex.No. PX-0411
Date Entered _____
By _____



**Exhibit
PX 411**

PX-0411.1
APL-APPSTORE_09113508

Advertising Evolution

July 16, 2015

2

Purpose

Honest assessment of our ad business.

Performance isn't meeting expectations.

Optimize our approach.

Focus on areas where we are uniquely equipped to win.

Agree to go forward plan.

Considerations for execution.

What We've Learned

Market

Offer not competitive.

Facebook, Google and Yahoo have massive inventory and data advantages that enable more cost effective ad solutions.

Media sales increasingly inefficient.

Available options for mobile advertising have grown exponentially, resulting in longer sales cycles and lower close rates. In addition to Facebook & Google, Snapchat &

Flawed Business Model

Content costs too high

Revenue share/content costs in the App Network, Radio and News require unlikely user scale (i.e. 3-4x increase in listening) to cover fixed costs of running the businesses.

Data required to create relevance.

Competitors operate unconstrained in capturing and using user data for ad targeting. Agencies demanding hashed user level integration and ID exposure for automated buying.

Assumptions for FY16 Plan

Advertisers will choose economics over softer value propositions.

Majority of market is direct response focused making data & optimization the core marketing strategies.

Access to data internally at Apple becomes more restrictive for ad monetization.

Eliminating cross app data profiling for advertising constrains value of data poor environments like the App Network and Music.

Competition intensifies as large scale platforms begin and/or push limits in monetization & measurement.

Profiling and attribution become baseline expectations of marketers and agencies looking for media buying efficiencies and insights.

Monetization of News feeds and control of ad user experience important for Apple.

Focus and simplify

Let's solve the problems we are uniquely equipped to solve.

Two Mutually Exclusive Proposals

1

App Store Search

- Sunset existing iAd business + platform.
- Eliminate monetization programs for app developers, ad-supported radio, and in News feeds and backfill.
- Enable mediation layer in News to strip out IDs, manage opt-outs and ensure privacy is maintained.
- Singular focus on endemic business.

2

Ad Platform w/o iAd and News

- Maintain ad platform for News, expand for app developers.
- Maintain monetization of News feeds and backfill for publishers using resellers & BD deals.
- Retain option for ad-serving and creative platform to be applied to other future business opportunities (i.e. Apple Pay, Maps, Siri, etc.)

Recommending Two Mutually Exclusive Options

1

App Store Search

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- Maintain monetization of News feeds and backfill for publishers using resellers & BD deals.
- Retain option for ad-serving and creative platform to be applied to other future business opportunities (i.e. Apple Pay, Maps, Siri, etc.)
- Costs \$120 million per year to operate



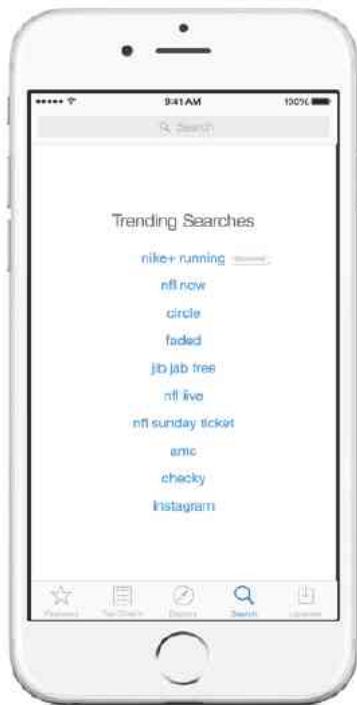
App Store Search

Enables promoted discovery for developers

A natural & highly profitable business for Apple

Relevance + bids create balance via algorithm

Trending Searches



- Sponsored ad will be at the top of the trending searches
- App developer uses iAd Workbench to place ads

1/4 Page Card

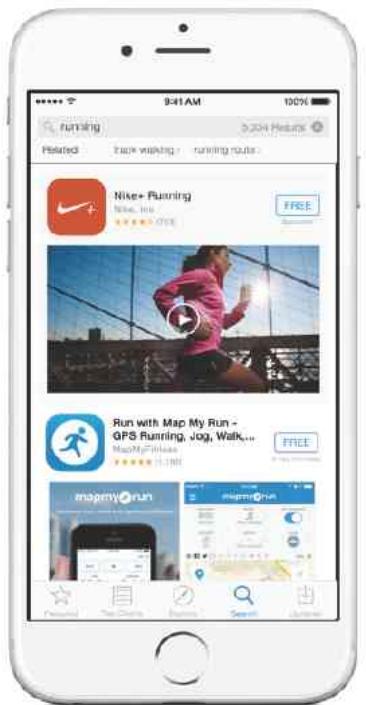


Sponsored Search

1/3 Page Card



Video Card



- Sponsored ad will appear in the 1st position in the Search results
- App developer uses iAd Workbench to buy keywords and provide ad copy
- Assets for the ad will be pulled from the app's metadata and/or iAd Workbench
- iAd will optimize the ad format to be shown based on performance
- All ads comply with Apple Marcom, App Store & iAd policies

App Store Search

Endemic solution for discovery and app promotion

Core product offering:

- 1. Data:** Search query and Store history most valuable data sets for determining future action
- 2. Creative:** Entirely automated via existing assets in iTunes App Store
- 3. Demand:** Internal channels and natural developer desire to promote on App Store already exist
- 4. Measurement:** Closed loop reporting capability all within existing iOS framework
- 5. Privacy:** Honors all user controls, provides transparency and leverages data framework of only using data available within the app, including registration,

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4. Measurement: Closed loop reporting capability all within existing iOS framework
5. Privacy: Honors all user controls, provides transparency and leverages data framework of only using data available within the App, including registration, search & download history and real-time device signals.

X

App Store Search

4-year revenue outlook

	FY '17	FY '18	FY '19	FY '20
Revenue (\$ in millions)				
United States	108.7	314.3	501.3	660.5
Japan	—	8.9	31.5	63.0
China	—	22.3	75.3	84.8
Total	108.7	345.6	608.1	808.3

Assumptions

No. App Store Searches (B)	13.9	24.9	27.7	30.5
Organic Conversion Rate	10%	9%	9%	9%
Sponsored Decelerator factor	60%	50%	40%	40%
Keyword Sell-through	6%	7%	12%	17%
Cost per install	\$3.00	\$2.93	\$2.84	\$2.55

X

App Store Search

4 Year Revenue Outlook

(\$ in millions)

	FY '17	FY '18	FY '19	FY '20
Revenue				
United States	\$108.7	\$314.3	\$501.3	\$660.5
Japan	–	\$8.9	\$31.5	\$63.0
China	–	\$22.3	\$75.3	\$84.8
Total	\$108.7	\$345.6	\$608.1	\$808.3

Assumptions for Search Results

No. App Store Searches	13.9B	24.9B	27.7B	30.5B
Keyword Sell-through	6%	7%	12%	17%
Sponsored Decelerator factor	60%	50%	40%	40%
Organic Conversion Rate	10%	9%	9%	9%
Cost per install	\$3.00	\$2.93	\$2.84	\$2.55

App Store Search

(\$ in millions)

	CF0	CF1	CF2	CF3	CF4	CF5
	FY '16	FY '17	FY '18	FY '19	FY '20	FY '21
Revenue	-	\$108.7	\$345.6	\$608.1	\$808.3	\$1,061.1
Headcount Related	\$34.0	\$54.3	\$70.2	\$84.1	\$95.8	\$109.2
Engineering	-	\$3.5	\$5.9	\$8.5	\$10.8	\$13.2
Other	\$1.1	\$3.8	\$4.5	\$5.1	\$5.8	\$6.5
Operating Cost	\$35.1	\$61.6	\$80.6	\$97.7	\$112.4	\$128.9
Infrastructure	-	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0
Placeholder	\$200.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0
Capital Cost	\$200.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0
Net Cash Flow	-\$235.1	\$7.1	\$225.0	\$470.4	\$655.9	\$892.2
Rate of Return (IRR) %	86.4%					

App Store Search

	CF0	CF1	CF2	CF3	CF4	CF5
	FY '16	FY '17	FY '18	FY '19	FY '20	FY '21
Revenue (\$ in millions)	\$0.0	\$108.7	\$345.6	\$608.1	\$808.3	\$1061.1
Headcount Related	\$34.0	\$54.3	\$70.2	\$84.1	\$95.8	\$109.2
Engineering	\$0.0	\$3.5	\$5.9	\$8.5	\$10.8	\$13.2
Other	\$1.1	\$3.8	\$4.5	\$5.1	\$5.8	\$6.5
Operating Cost	\$35.1	\$61.6	\$80.6	\$97.7	\$112.4	\$128.9
Infrastructure	\$0.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0
Placeholder	\$200.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0
Capital Cost	\$200.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0
Net Cash Flow	-\$235.1	\$7.1	\$225.0	\$470.4	\$655.9	\$892.2
Rate of Return (IRR)	86.4%					

Note : the above assumes a US launch in October 2017, Japan/China launch in October 2018
Placeholder for technology acquisition and other unforeseen startup/operational expenditures

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App Store Search

4 Year P&L

\$ Millions	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19
Revenue	-	\$108.7M	\$345.6M	\$608.1M
COS	-	-	-	-
Std Margin	-	\$108.7M	\$345.6M	\$608.1M
Salary & Fringe	\$0.1M	\$0.4M	\$0.4M	0.4
Stk Based Comp	\$0.0M	\$0.2M	\$0.2M	\$0.2M
Infrastructure & Data	-	\$1.5M	\$3.5M	\$5.5M
Tech Ops Vendor	-	\$1.0M	\$1.2M	\$1.5M
Other	-	\$0.5M	\$0.6M	\$0.6M
OCOGS	\$0.1M	\$3.5M	\$5.8M	\$8.2M
Salary & Fringe	\$19.2M	\$34.1M	\$44.4M	\$53.8M
Stk Based Comp & Bonus	\$11.5M	\$18.7M	\$22.3M	\$25.2M
Hiring Incentive	\$3.3M	-	-	-
Commission	-	\$1.1M	\$2.9M	\$4.6M
Sales Offices	-	\$1.0M	\$1.0M	\$1.0M
Engineering Vendor	-	\$1.0M	\$1.2M	\$1.5M
Marketing Programs	\$1.1M	\$2.0M	\$2.0M	\$2.0M
T&E/M&E/CC Fees/Other	-	\$0.3M	\$0.9M	\$1.5M
OPEX	\$35.0M	\$58.1M	\$74.7M	\$89.5M
Contribution	(\$35.1M)	\$47.1M	\$265.1M	\$510.4M

* Bandwidth, Data, and Time to Market Cost are high level estimates and need to be defined

x

App Store Search

4 Year P&L

(\$ in millions)

	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19
Revenue	-	\$108.7	\$345.6	\$608.1
COS	-	-	-	-
Std Margin	-	\$108.7	\$345.6	\$608.1
Salary & Fringe	\$0.1	\$0.4	\$0.4	\$0.4
Stk Based Comp	\$0.0	\$0.2	\$0.2	\$0.2
Infrastructure & Data	-	\$1.5	\$3.5	\$5.5
Tech Ops Vendor	-	\$1.0	\$1.2	\$1.5
Other	-	\$0.5	\$0.6	\$0.6
OCOGS	\$0.1	\$3.5	\$5.8	\$8.2
Salary & Fringe	\$19.2	\$34.1	\$44.4	\$53.8
Stk Based Comp & Bonus	\$11.5	\$18.7	\$22.3	\$25.2
Hiring Incentive	\$3.3	-	-	-
Commission	-	\$1.1	\$2.9	\$4.6
Sales Offices	-	\$1.0	\$1.0	\$1.0
Engineering Vendor	-	\$1.0	\$1.2	\$1.5
Marketing Programs	\$1.1	\$2.0	\$2.0	\$2.0
T&E/M&E/CC Fees/Other	-	\$0.3	\$0.9	\$1.5
OPEX	\$35.0	\$58.1	\$74.7	\$89.5
Contribution	-\$35.1	\$47.1	\$265.1	\$510.4



Ad Platform

Added this to
match App Store
Search.
Needs sub bullets
to match



Ad Platform

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X

Ad Platform

For Apple News & 3rd party iOS developers

Core product offering:

- 1. Data:** Demographic & user segments via IDFA
- 2. Creative:** iAd Producer as backbone of creative toolset
- 3. Ad Server:** iAd Workbench interface with underlying marketplace controls
- 4. Measurement:** Campaign reporting and aggregate user analytics
- 5. Privacy:** Managed compliance with evolving market conditions & Apple standards
- 6. Reseller/Marketplace Integration:** Developers will want to connect to 3rd party demand sources via IDFA

2 Ad Platform

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4. Measurement: Campaign reporting and aggregate user analytics
5. Privacy: Managed compliance with evolving market conditions & Apple standards
6. Reseller/Marketplace Integration: Developers will want to connect to 3rd party demand sources via IDFA

X

Ad Platform

FY16 P&L

	Jul Fcst FY'15	Plan - July v3 FY'16	(\$ in millions)
		B/(W)	
Revenue	\$186.0	\$80.8	-\$105.2
COS	\$151.3	\$61.1	-\$90.2
Std Margin	\$34.7	\$19.7	-\$15.0
Salary & Fringe	\$18.0	\$16.8	\$1.2
Stk Based Comp	\$6.8	\$6.2	\$0.5
Severance	-	\$0.8	-\$0.8
Infrastructure & Data	\$32.0	\$27.6	\$4.3
Other	\$5.7	\$6.7	-\$1.1
OCOGS	\$62.4	\$58.3	\$4.1
Salary & Fringe	\$50.5	\$40.2	\$10.2
Stk Based Comp & Bonus	\$32.0	\$24.8	\$7.2
Severance	-	\$5.6	-\$5.6
Commission	\$6.7	\$3.5	\$3.2
Engineering Vendor	\$5.3	\$3.4	\$1.9
Marketing Programs	\$5.1	\$2.8	\$2.3
T&E/M&E/CC Fees/Other	\$12.0	\$11.7	\$0.2
OPEX	\$111.5	\$92.0	\$19.5
Contribution	-\$139.2	-\$130.6	\$8.6

Ad Platform

FY16 P&L

(\$ in millions)

	FY'15 Jul Fcst	Plan - July v3 Q1 FY16	Plan - July v3 Q2 FY16	Plan - July v3 Q3 FY16	Plan - July v3 Q4 FY16	Plan - July v3 FY'16	B/(W)
Revenue	\$186.0	\$55.8	\$11.4	\$8.7	\$4.9	\$80.8	-\$105.2
COS	\$151.3	\$43.3	\$8.5	\$6.0	\$3.3	\$61.1	-\$90.2
Std Margin	\$34.7	\$12.5	\$2.9	\$2.7	\$1.6	\$19.7	-\$15.0
Salary & Fringe	\$18.0	\$4.7	\$4.2	\$3.9	\$3.9	\$16.8	\$1.2
Stk Based Comp	\$6.8	\$1.8	\$1.6	\$1.5	\$1.4	\$6.2	\$0.5
Severance	-	-	\$0.8	-	-	\$0.8	-\$0.8
Infrastructure & Data	\$32.0	\$7.5	\$6.5	\$7.1	\$6.5	\$27.6	\$4.3
Other	\$5.7	\$2.4	\$1.5	\$1.4	\$1.4	\$6.7	-\$1.1
OCOGS	\$62.4	\$16.5	\$14.6	\$13.9	\$13.2	\$58.3	\$4.1
Salary & Fringe	\$50.5	\$13.1	\$10.4	\$8.5	\$8.2	\$40.2	\$10.2
Stk Based Comp & Bonus	\$32.0	\$7.1	\$7.4	\$5.1	\$5.2	\$24.8	\$7.2
Severance	-	-	\$5.6	-	-	\$5.6	-\$5.6
Commission	\$6.7	\$2.0	\$0.4	\$0.4	\$0.6	\$3.5	\$3.2
Engineering Vendor	\$5.3	\$0.9	\$0.9	\$0.8	\$0.8	\$3.4	\$1.9
Marketing Programs	\$5.1	\$0.9	\$0.8	\$0.6	\$0.5	\$2.8	\$2.3
T&E/M&E/CC Fees/Other	\$12.0	\$3.9	\$2.9	\$2.5	\$2.5	\$11.7	\$0.2
OPEX	\$111.5	\$27.8	\$28.4	\$18.0	\$17.8	\$92.0	\$19.5
Contribution	-\$139.2	-\$31.8	-\$40.1	-\$29.3	-\$29.4	-\$130.6	\$8.6

x

Ad Platform FY'16 P&L

\$ Millions	FY'15 Jul Fcst	Plan - July v3 Q1 FY16	Plan - July v3 Q2 FY16	Plan - July v3 Q3 FY16	Plan - July v3 Q4 FY16	Plan - July v3 FY'16	B/(W)
Revenue	\$186.0M	\$55.8M	\$11.4M	\$8.7M	\$4.9M	\$80.8M	(\$105.2M)
COS	\$151.3M	\$43.3M	\$8.5M	\$6.0M	\$3.3M	\$61.1M	(\$90.2M)
Std Margin	\$34.7M	\$12.5M	\$2.9M	\$2.7M	\$1.6M	\$19.7M	(\$15.0M)
Salary & Fringe	\$18.0M	\$4.7M	\$4.2M	\$3.9M	\$3.9M	\$16.8M	\$1.2M
Stk Based Comp	\$6.8M	\$1.8M	\$1.6M	\$1.5M	\$1.4M	\$6.2M	\$0.5M
Severance	-	-	\$0.8M	-	-	\$0.8M	(\$0.8M)
Infrastructure & Data	\$32.0M	\$7.5M	\$6.5M	\$7.1M	\$6.5M	\$27.6M	\$4.3M
Other	\$5.7M	\$2.4M	\$1.5M	\$1.4M	\$1.4M	\$6.7M	(\$1.1M)
OCOGS	\$62.4M	\$16.5M	\$14.6M	\$13.9M	\$13.2M	\$58.3M	\$4.1M
Salary & Fringe	\$50.5M	\$13.1M	\$10.4M	\$8.5M	\$8.2M	\$40.2M	\$10.2M
Stk Based Comp & Bonus	\$32.0M	\$7.1M	\$7.4M	\$5.1M	\$5.2M	\$24.8M	\$7.2M
Severance	-	-	\$5.6M	-	-	\$5.6M	(\$5.6M)
Commission	\$6.7M	\$2.0M	\$0.4M	\$0.4M	\$0.6M	\$3.5M	\$3.2M
Engineering Vendor	\$5.3M	\$0.9M	\$0.9M	\$0.8M	\$0.8M	\$3.4M	\$1.9M
Marketing Programs	\$5.1M	\$0.9M	\$0.8M	\$0.6M	\$0.5M	\$2.8M	\$2.3M
T&E/M&E/CC Fees/Other	\$12.0M	\$3.9M	\$2.9M	\$2.5M	\$2.5M	\$11.7M	\$0.2M
OPEX	\$111.5M	\$27.8M	\$28.4M	\$18.0M	\$17.8M	\$92.0M	\$19.5M
Contribution	(\$139.2M)	(\$31.8M)	(\$40.1M)	(\$29.3M)	(\$29.4M)	(\$130.6M)	\$8.6M

FY16 OPEX vs. Prior Year

\$92M OPEX – \$20M lower than PY (-18% YoY)

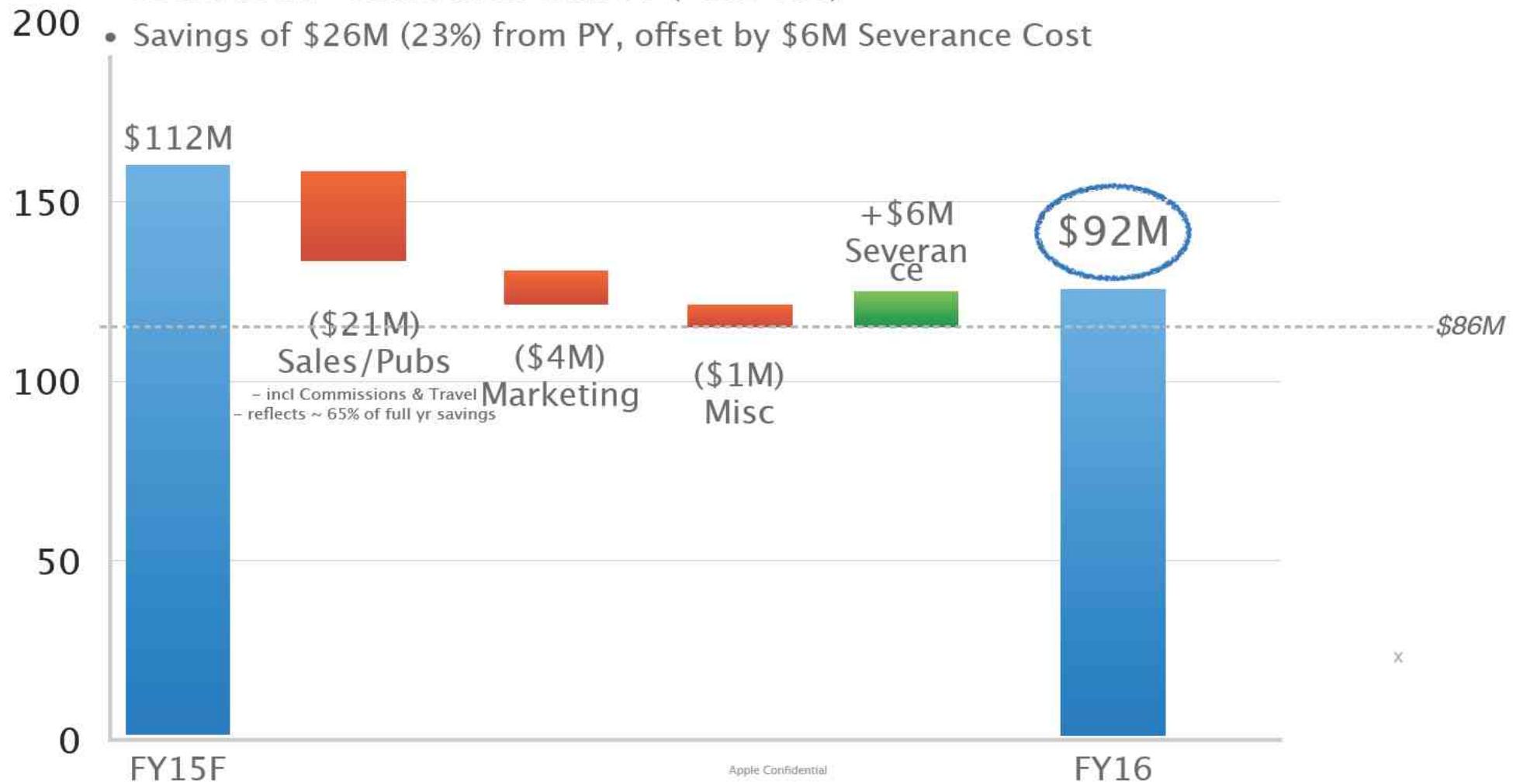
Savings of \$26M (23%) from PY, offset by \$6M Severance Cost

\$73M Steady State



FY16 OPEX (vs Prior Year)

- \$92M OPEX – \$20M lower than PY (-18% YoY)
- Savings of \$26M (23%) from PY, offset by \$6M Severance Cost

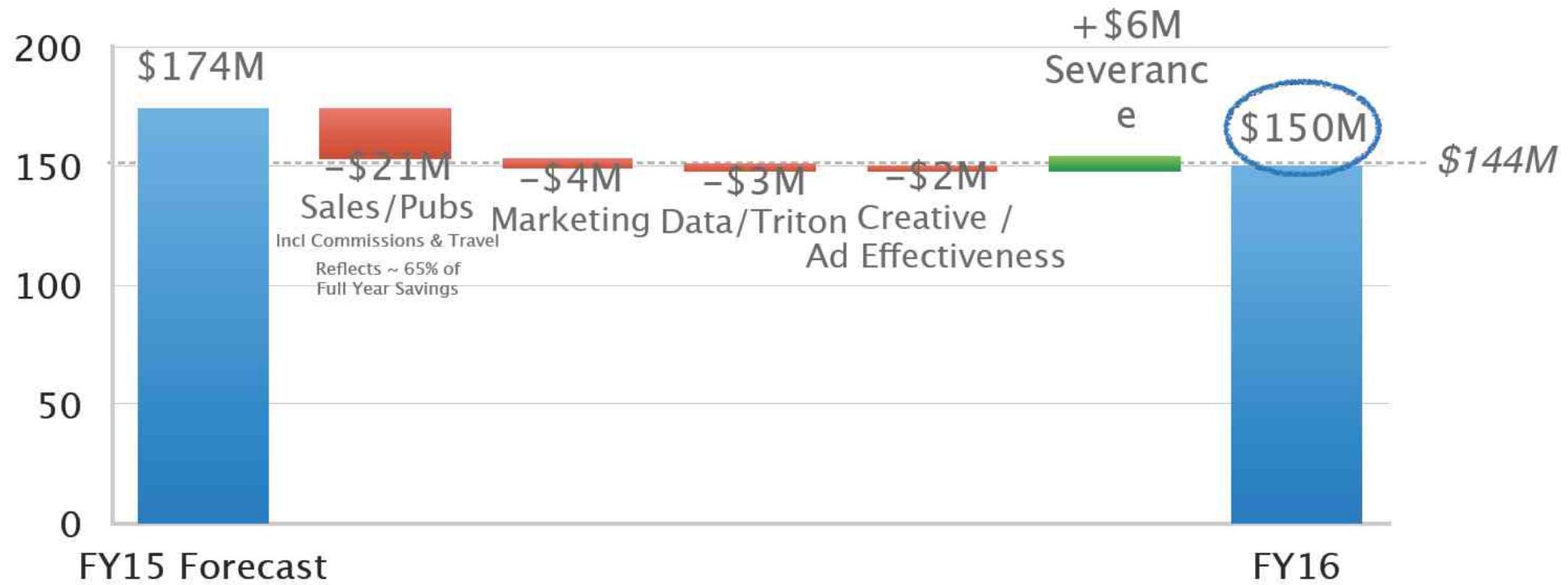


FY16 Operating Costs vs. Prior Year

\$150M Operating Cost – \$24M lower from PY (-14% YoY)

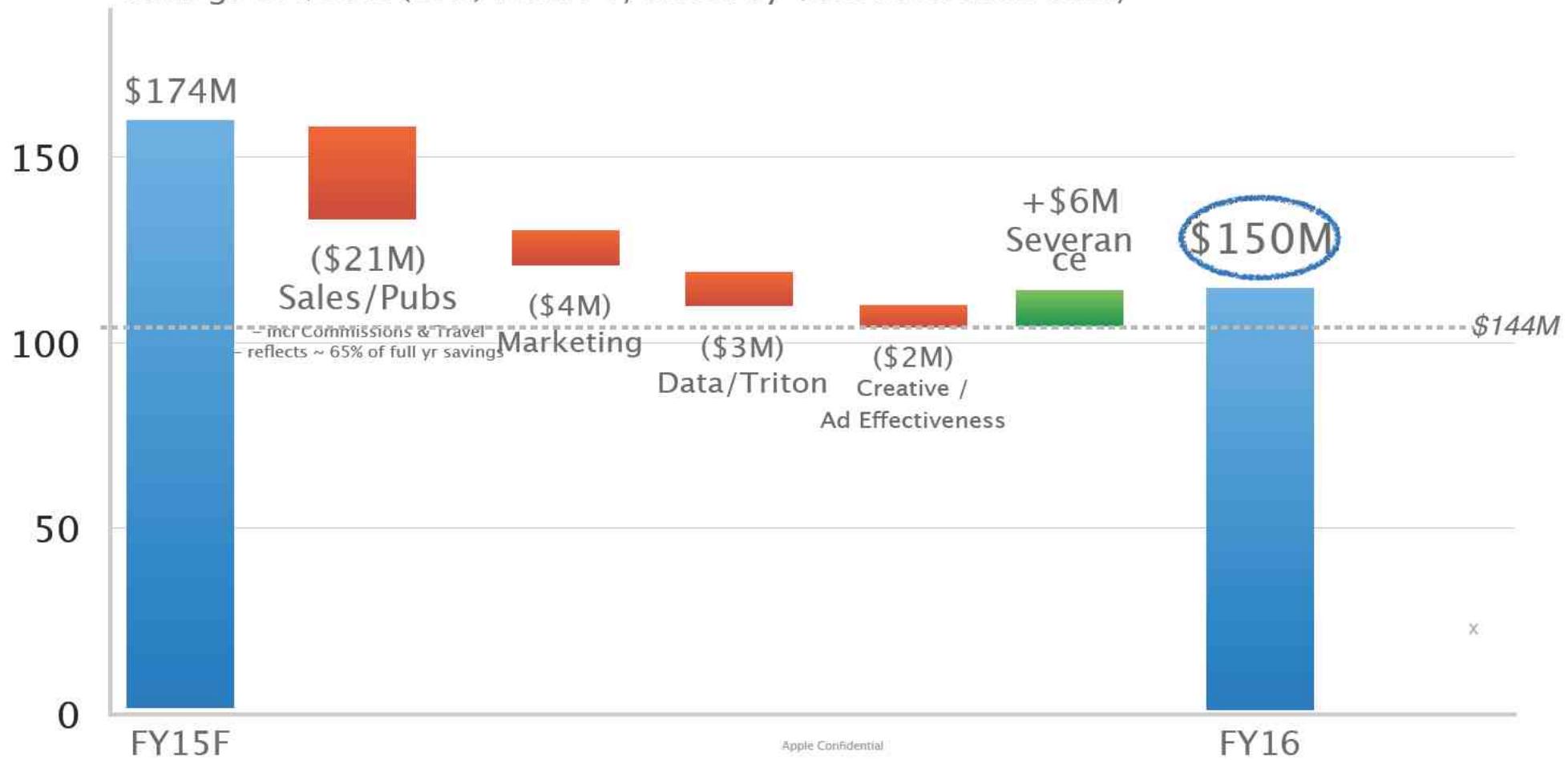
Savings of \$30M (17%) from PY, offset by \$6M Severance Cost

\$130M Steady State



FY16 Operating Cost (vs PY)

- \$150M Operating Cost – \$24M lower from PY (-14% YoY)
- Savings of \$30M (17%) from PY, offset by \$6M Severance Cost,



Apple Confidential

Implications

App Network

Sunset monetization program.

Can be framed under privacy umbrella of not wanting to perpetuate cross App data usage for advertising. 28,000 developers receive checks monthly so we need to provide notice and transition period.

Transition timeline:

Notify developers of plans on Jan 1, with ramp down through May 30. Cease field sales efforts on Jan 1.

Radio

Sunset ad-supported radio.

Can be framed under our focus on subscription and live Radio, ideally in Fall 2015 after successful launch period.

Beats 1 sponsorship continues

Sponsorships / co-marketing agreements can be handled by BD negotiations and light operational support.

Transition timeline:

News

Enable ad platform.

Structure BD partnerships with select publishers for monetizing feeds. Enable resellers to purchase inventory via programmatic connection into News.

Transition timeline:

Begin transition ASAP.

Implications

App Network

Sunset monetization program.

Can be framed under privacy umbrella of not wanting to perpetuate cross App data usage for advertising. 28,000 developers receive checks monthly so we need to provide notice and transition period.

Transition timeline:

Notify developers of plans on Jan 1, with ramp down through May 30. Cease field sales efforts on Jan 1.

During ramp down/transition, continue to support sales via Workbench and performance sales team.

Radio

Sunset ad-supported radio.

Can be framed under our focus on subscription and live Radio, ideally in Fall 2015 after successful launch period.

Beats 1 sponsorship continues

Sponsorships / co-marketing agreements can be handled by BD negotiations and light operational support.

Transition timeline:

User transition period required but propose no later than 1/1/16, when sales channels

News

Enable ad platform.

Structure BD partnerships with select publishers for monetizing feeds. Enable resellers to purchase inventory via programmatic connection into News.

Transition timeline:

Begin transition asap.

X

Two Alternatives to Ad Platform

A

Mediation

- Sunset existing iAd business + platform.
- Build mediation layer in News to proxy IDs, manage opt-outs and ensure privacy is maintained.
- Publishers lose: monetization, inventory forecasting, campaign management, targeting capabilities, campaign measurement & creative platform. Must source from 3rd parties.
- Apple will need to provide IDFA for every ad call and/or integrate SDKs in Apple

B

Open Ad Calls

- Allow ad calls to go directly from News to Publishers.
- Requires SDKs from leading platforms like Google, Facebook, Twitter and Yahoo to be embedded into Apple News. IDFAs flows accordingly.
- Apple loses: ability to prevent publishers from profiling users and knowing what they read.

Two Alternatives to Ad Platform

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Mediation

- Sunset existing iAd business + platform.
- Build mediation layer in News to proxy IDs, manage opt-outs and ensure privacy is maintained.
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FY16 Plan P&L vs Prior Year

	Jul Fcst FY'15	Plan - July v3 FY'16	B/(W)	(\$ in millions) <i>Operating Costs</i>
Revenue	\$186.0	\$72.4		
COS	\$151.3	\$56.7		
Std Margin	\$34.7	\$15.7	-\$19.0	\$44M Steady State
Salary & Fringe	\$18.0	\$9.1		
Stk Based Comp	\$6.8	\$3.4		
Severance	-	\$1.5		
Infrastructure & Data	\$32.0	\$25.9		
Tech Ops Vendor	\$2.3	\$3.6		
Creative Vendor	\$2.2	\$0.8		
Other	\$1.1	\$1.0		
OCOGS	\$62.4	\$45.2	\$17.2	
Salary & Fringe	\$50.5	\$19.1		
Stk Based Comp &	\$32.0	\$12.3		
Severance	-	\$6.4		
Hiring Incentive	\$0.0	-		
Commission	\$6.7	\$2.9		
Sales Offices	\$5.6	\$6.6		
Engineering Vendor	\$5.3	\$4.4		
Marketing Programs	\$5.1	\$2.8		
T&E/M&E/CC Fees/	\$6.3	\$4.0		
OPEX	\$111.5	\$58.5	\$53.0	
Contribution	-\$139.2	-\$88.0	\$51.2	

\$44M Steady State
vs.
\$104M in
FY16 Transition

FY16 Plan P&L by Quarter

(\$ in millions)

	FY'15 Jul Fcst	Plan - July v3 Q1 FY16	Plan - July v3 Q2 FY16	Plan - July v3 Q3 FY16	Plan - July v3 Q4 FY16	Plan - July v3 FY'16	B/(W)
Revenue	\$186.0	\$54.9	\$10.5	\$6.0	\$1.0	\$72.4	-\$113.6
COS	\$151.3	\$42.8	\$8.0	\$4.6	\$1.3	\$56.7	-\$94.6
Std Margin	\$34.7	\$12.1	\$2.5	\$1.4	-\$0.3	\$15.7	-\$19.0
Salary & Fringe	\$18.0	\$4.7	\$2.2	\$1.2	\$1.0	\$9.1	\$8.9
Stk Based Comp	\$6.8	\$1.8	\$0.8	\$0.4	\$0.3	\$3.4	\$3.4
Severance	-	-	\$1.5	-	-	\$1.5	-\$1.5
Infrastructure & Data	\$32.0	\$7.5	\$6.2	\$6.7	\$5.5	\$25.9	\$6.1
Tech Ops Vendor	\$2.3	\$0.7	\$1.3	\$1.0	\$0.6	\$3.6	-\$1.3
Creative Vendor	\$2.2	\$0.6	\$0.1	\$0.1	-	\$0.8	\$1.4
Other	\$1.1	\$0.4	\$0.2	\$0.2	\$0.2	\$1.0	\$0.2
OCOGS	\$62.4	\$15.9	\$12.2	\$9.6	\$7.5	\$45.2	\$17.2
Salary & Fringe	\$50.5	\$10.4	\$4.6	\$2.1	\$1.9	\$19.1	\$31.4
Stk Based Comp & Bonus	\$32.0	\$5.4	\$3.7	\$1.6	\$1.7	\$12.3	\$19.7
Severance	-	-	\$6.4	-	-	\$6.4	-\$6.4
Hiring Incentive	\$0.0	-	-	-	-	-	\$0.0
Commission	\$6.7	\$2.0	\$0.2	\$0.2	\$0.4	\$2.9	\$3.8
Sales Offices	\$5.6	\$1.7	\$1.6	\$1.6	\$1.6	\$6.6	-\$1.0
Engineering Vendor	\$5.3	\$0.9	\$1.5	\$1.2	\$0.8	\$4.4	\$0.9
Marketing Programs	\$5.1	\$0.9	\$0.8	\$0.6	\$0.5	\$2.8	\$2.3
T&E/M&E/CC Fees/Other	\$6.3	\$1.7	\$1.0	\$0.7	\$0.7	\$4.0	\$2.3
OPEX	\$111.5	\$22.9	\$19.9	\$8.0	\$7.6	\$58.5	\$53.0
Contribution	-\$139.2	-\$26.7	-\$29.6	-\$16.2	-\$15.4	-\$88.0	\$51.2

X

FY16 Plan P&L by Quarter

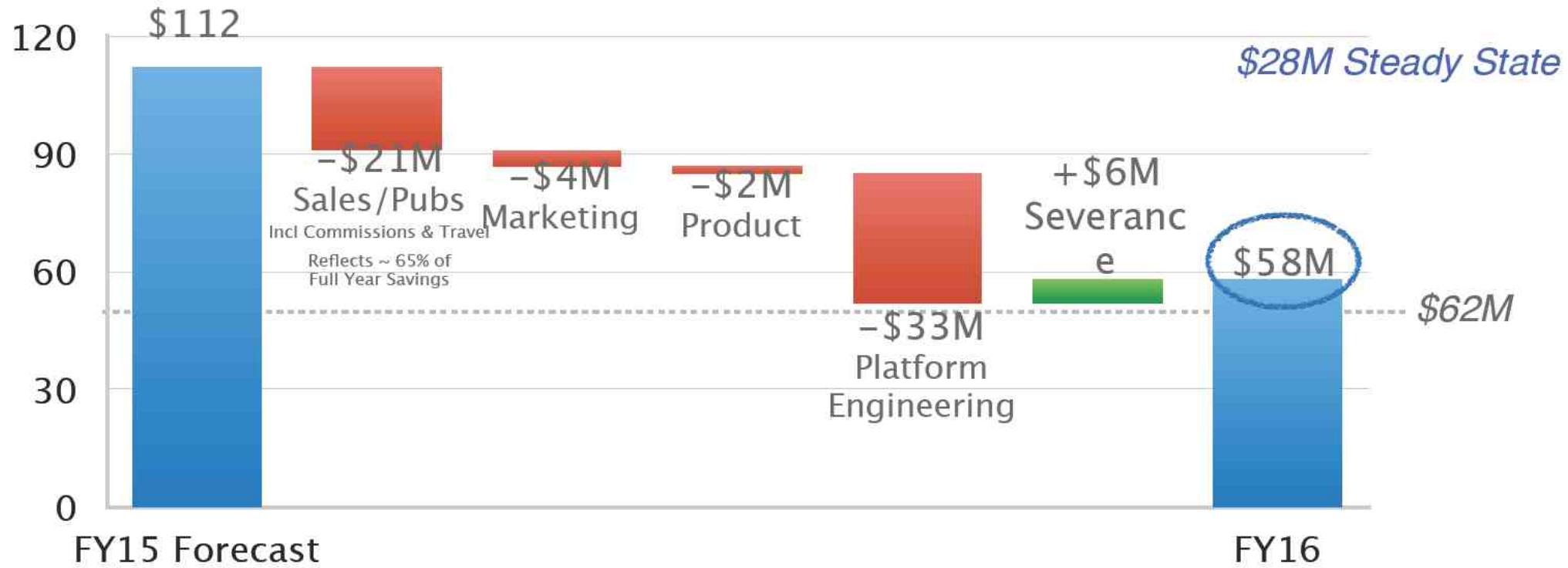
\$ Millions	FY'15 Jul Fcst	Plan - July v3 Q1 FY16	Plan - July v3 Q2 FY16	Plan - July v3 Q3 FY16	Plan - July v3 Q4 FY16	Plan - July v3 FY'16	B/(W)
Revenue	\$186.0M	\$54.9M	\$10.5M	\$6.0M	\$1.0M	\$72.4M	(\$113.6M)
COS	\$151.3M	\$42.8M	\$8.0M	\$4.6M	\$1.3M	\$56.7M	(\$94.6M)
Std Margin	\$34.7M	\$12.1M	\$2.5M	\$1.4M	(\$0.3M)	\$15.7M	(\$19.0M)
Salary & Fringe	\$18.0M	\$4.7M	\$2.2M	\$1.2M	\$1.0M	\$9.1M	\$8.9M
Stk Based Comp	\$6.8M	\$1.8M	\$0.8M	\$0.4M	\$0.3M	\$3.4M	\$3.4M
Severance	-	-	\$1.5M	-	-	\$1.5M	(\$1.5M)
Infrastructure & Data	\$32.0M	\$7.5M	\$6.2M	\$6.7M	\$5.5M	\$25.9M	\$6.1M
Tech Ops Vendor	\$2.3M	\$0.7M	\$1.3M	\$1.0M	\$0.6M	\$3.6M	(\$1.3M)
Creative Vendor	\$2.2M	\$0.6M	0.1	\$0.1M	-	\$0.8M	\$1.4M
Other	\$1.1M	\$0.4M	\$0.2M	\$0.2M	\$0.2M	\$1.0M	\$0.2M
OCOGS	\$62.4M	\$15.9M	\$12.2M	\$9.6M	\$7.5M	\$45.2M	\$17.2M
Salary & Fringe	\$50.5M	\$10.4M	\$4.6M	\$2.1M	\$1.9M	\$19.1M	\$31.4M
Stk Based Comp & Bonus	\$32.0M	\$5.4M	\$3.7M	\$1.6M	\$1.7M	\$12.3M	\$19.7M
Severance	-	-	\$6.4M	-	-	\$6.4M	(\$6.4M)
Hiring Incentive	\$0.0M	-	-	-	-	-	\$0.0M
Commission	\$6.7M	\$2.0M	\$0.2M	\$0.2M	\$0.4M	\$2.9M	\$3.8M
Sales Offices	\$5.6M	\$1.7M	\$1.6M	\$1.6M	\$1.6M	\$6.6M	(\$1.0M)
Engineering Vendor	\$5.3M	\$0.9M	\$1.5M	\$1.2M	\$0.8M	\$4.4M	\$0.9M
Marketing Programs	\$5.1M	\$0.9M	\$0.8M	\$0.6M	\$0.5M	\$2.8M	\$2.3M
T&E/M&E/CC Fees/Other	\$6.3M	\$1.7M	\$1.0M	\$0.7M	\$0.7M	\$4.0M	\$2.3M
OPEX	\$111.5M	\$22.9M	\$19.9M	\$8.0M	\$7.6M	\$58.5M	\$53.0M
Contribution	(\$139.2M)	(\$26.7M)	(\$29.6M)	(\$16.2M)	(\$15.4M)	(\$88.0M)	\$51.2M

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FY16 OPEX vs. Prior Year

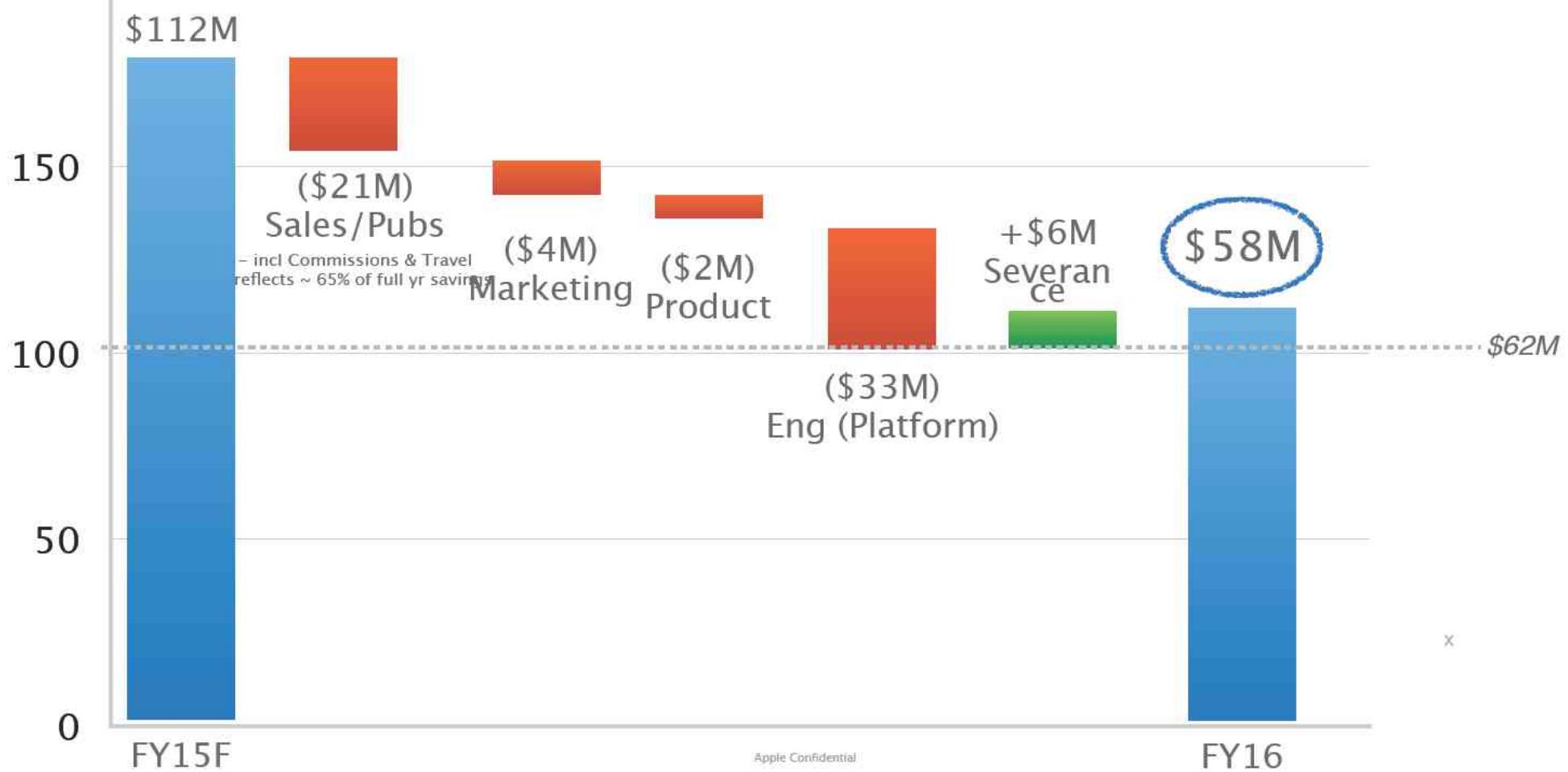
\$58M OPEX; \$54M lower than prior year (-48% YoY)

Savings of \$60M (54%) from prior year, offset by \$6M severance cost



FY16 OPEX (vs Prior Year)

- \$58M OPEX – \$54M lower than PY (-48% YoY)
- Savings of \$60M (54%) from PY, offset by \$6M Severance Cost

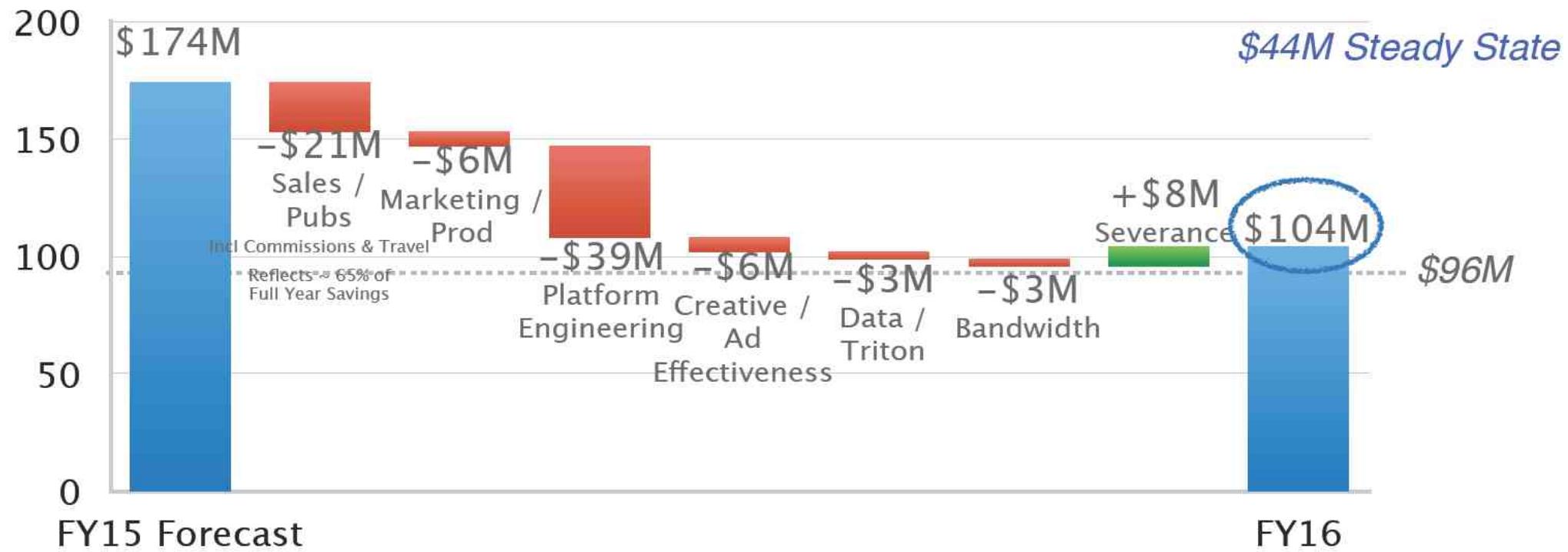


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FY16 Operating Costs vs. Prior Year

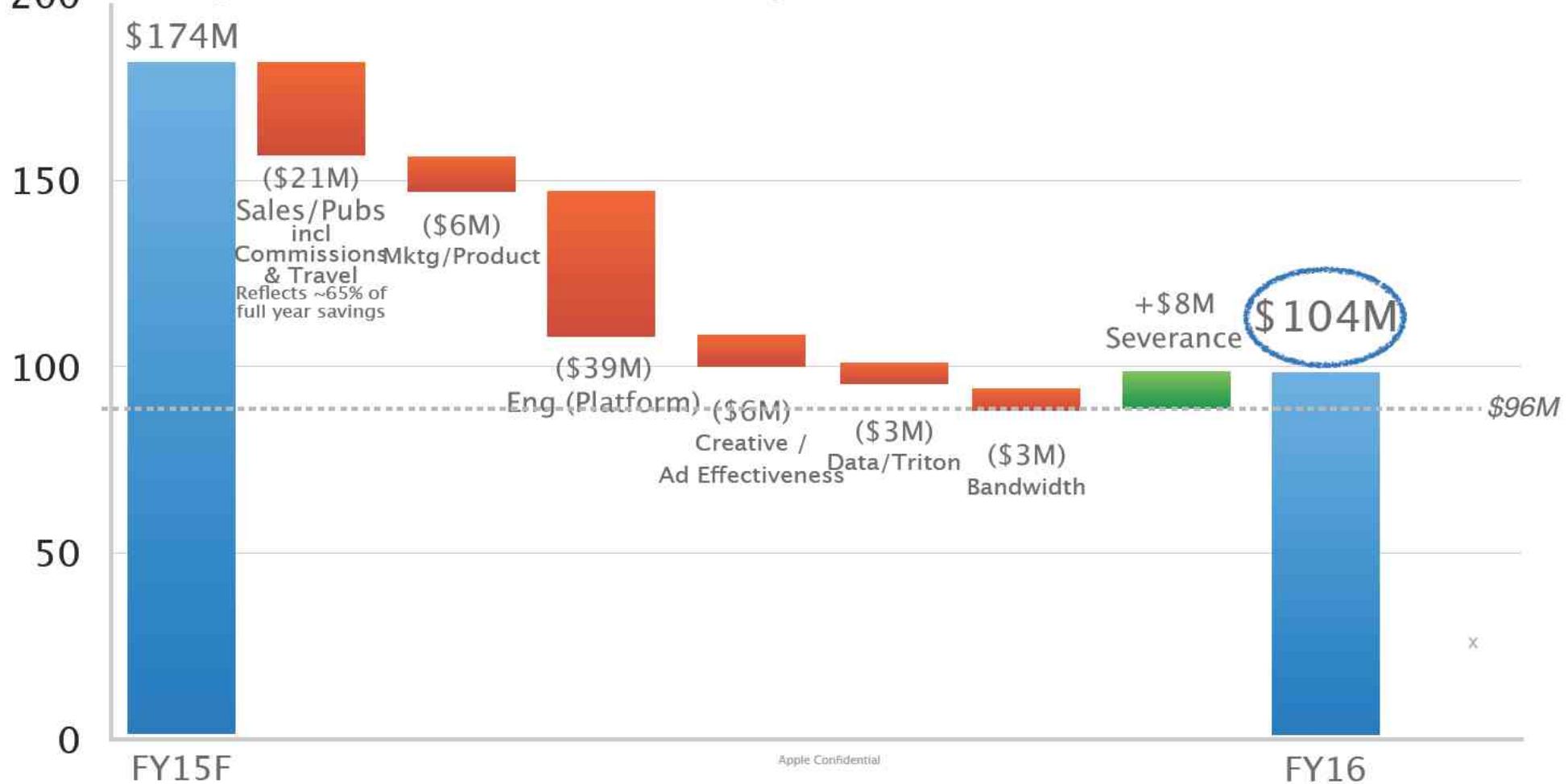
\$108M Operating Cost; \$70M lower than prior year (-40% YoY)

Savings of \$78M (45%) from prior year, offset by \$8M severance cost



FY16 Operating Cost (vs PY)

- \$108M Operating Cost – \$70M lower than PY (-40% YoY)
- Savings of \$78M (45%) from PY, offset by \$8M Severance Cost



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Discussion

iAd Scenarios

FY16 (Partial Savings) / FY17 "Steady State"

(\$ in millions)

Scenario	FY16 Forecast Only Partial Year Savings / Severance			FY17 "Steady State"		
	OPEX	OCOGS	Operating Cost	OPEX	OCOGS	Operating Cost
Platform Only	\$92	\$58	\$150	\$73	\$57	\$130
App Store Search	\$35	-	\$35	\$58	\$4	\$62
Mediation Only	\$59	\$45	\$104	\$28	\$16	\$44

* Does not include potential wind down costs of Platform.

iAd Scenarios –

FY16 (Partial Savings) / FY17 “Steady State”

Scenario	FY16 Forecast Only Partial Year Savings / Severance			FY17 “Steady State”		
	OPEX	OCOGS	Operating Cost	OPEX	OCOGS	Operating Cost
Platform Only	\$92M	\$58M	\$150M	\$73M	\$57M	\$130M
App Store Search	\$35M	–	\$35M	\$58M	\$4M	\$62M
Mediation Only	\$58M	\$45M	\$104M	\$28M	\$16M	\$44M

x

iAd Scenarios

Costs vs. Prior Year

(\$ in millions)

Scenario	Versus Prior Year	
	OPEX	Operating Cost
App Store Search Only*	(\$77) -69%	(\$139) -80%
Platform Only	(\$20) -18% YoY	(\$24) -14% YoY
Mediation Only	(\$53) -48% YoY	(\$70) -40% YoY
Platform + Search	+\$16 14%	+\$12 6%
Mediation + Search	(\$20) -18% YoY	(\$33) -19% YoY

* Does not include potential wind down costs of Platform.

iAd Scenarios – Cost vs Prior Year

	vs Prior Year	
Scenario	OPEX	Operating Cost
Platform Only	(\$20M) -18% YoY	(\$24M) -14% YoY
App Store Search Only	(\$77M) -69%	(\$77M) -69%
Mediation Only	(\$54M) -48% YoY	(\$70M) -40% YoY
Platform + Search	+\$16M 14%	+\$12M 6%
Mediation + Search	(\$21M) -19% YoY	(\$33M) -19% YoY

X

Impact: Ad Platform + Search

Ad Platform + Search

5 Year P&L

(\$ in millions)

	Jul Fcst FY'15	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19
Revenue	\$186.0	\$80.8	\$138.2	\$381.5	\$650.6
COS	\$151.3	\$61.1	\$18.0	\$21.3	\$24.7
Std Margin	\$34.7	\$19.7	\$120.2	\$360.2	\$625.9
Salary & Fringe	\$18.0	\$16.9	\$17.0	\$18.0	\$19.0
Stk Based Comp	\$6.8	\$6.3	\$5.8	\$6.0	\$6.2
Severance	-	\$0.8	-	-	-
Infrastructure & Data	\$32.0	\$27.6	\$30.1	\$31.4	\$32.1
Tech Ops Vendor	\$2.3	\$4.5	\$6.0	\$6.2	\$6.7
Creative Vendor	\$2.2	\$0.9	\$0.4	\$0.4	\$0.5
Other	\$1.1	\$1.3	\$1.4	\$1.6	\$1.8
OCOGS	\$62.4	\$58.4	\$60.7	\$63.5	\$66.2
Salary & Fringe	\$50.5	\$59.4	\$68.7	\$79.9	\$91.7
Stk Based Comp & Bonus	\$32.0	\$36.3	\$40.1	\$45.1	\$49.3
Severance	-	\$5.6	-	-	-
Hiring Incentive	\$0.0	\$3.7	-	-	-
Commission	\$6.7	\$3.5	\$3.6	\$5.5	\$7.2
Sales Offices	\$5.6	\$6.6	\$6.0	\$6.0	\$6.0
Engineering Vendor	\$5.3	\$3.4	\$4.5	\$4.7	\$5.2
Marketing Programs	\$5.1	\$3.5	\$4.3	\$5.5	\$5.7
T&E/M&E/CC Fees/Other	\$6.3	\$5.1	\$4.0	\$5.0	\$6.0
OPEX	\$111.5	\$127.0	\$131.2	\$151.8	\$171.0
Contribution	-\$139.2	-\$165.7	-\$71.7	\$144.9	\$388.7

* Bandwidth, Data, and Time to Market Cost are high level estimates and need to be defined

Ad Platform + Search

5 Year P&L

\$ Millions	Jul Fcst FY'15	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19
Revenue	\$186.0M	\$80.8M	\$138.2M	\$381.5M	\$650.6M
COS	\$151.3M	\$61.1M	\$18.0M	\$21.3M	\$24.7M
Std Margin	\$34.7M	\$19.7M	\$120.2M	\$360.2M	\$625.9M
Salary & Fringe	\$18.0M	\$16.9M	\$17.0M	\$18.0M	\$19.0M
Stk Based Comp	\$6.8M	\$6.3M	\$5.8M	\$6.0M	\$6.2M
Severance	-	\$0.8M	-	-	-
Infrastructure & Data	\$32.0M	\$27.6M	\$30.1M	\$31.4M	\$32.1M
Tech Ops Vendor	\$2.3M	\$4.5M	\$6.0M	\$6.2M	\$6.7M
Creative Vendor	\$2.2M	\$0.9M	\$0.4M	\$0.4M	\$0.5M
Other	\$1.1M	\$1.3M	\$1.4M	\$1.6M	\$1.8M
OCOGS	\$62.4M	\$58.4M	\$60.7M	\$63.5M	\$66.2M
Salary & Fringe	\$50.5M	\$59.4M	\$68.7M	\$79.9M	\$91.7M
Stk Based Comp & Bonus	\$32.0M	\$36.3M	\$40.1M	\$45.1M	\$49.3M
Severance	-	\$5.6M	-	-	-
Hiring Incentive	\$0.0M	\$3.7M	-	-	-
Commission	\$6.7M	\$3.5M	\$3.6M	\$5.5M	\$7.2M
Sales Offices	\$5.6M	\$6.6M	\$6.0M	\$6.0M	\$6.0M
Engineering Vendor	\$5.3M	\$3.4M	\$4.5M	\$4.7M	\$5.2M
Marketing Programs	\$5.1M	\$3.5M	\$4.3M	\$5.5M	\$5.7M
T&E/M&E/CC Fees/Other	\$6.3M	\$5.1M	\$4.0M	\$5.0M	\$6.0M
OPEX	\$111.5M	\$127.0M	\$131.2M	\$151.8M	\$171.0M
Contribution	(\$139.2M)	(\$165.7M)	(\$71.7M)	\$144.9M	\$388.7M

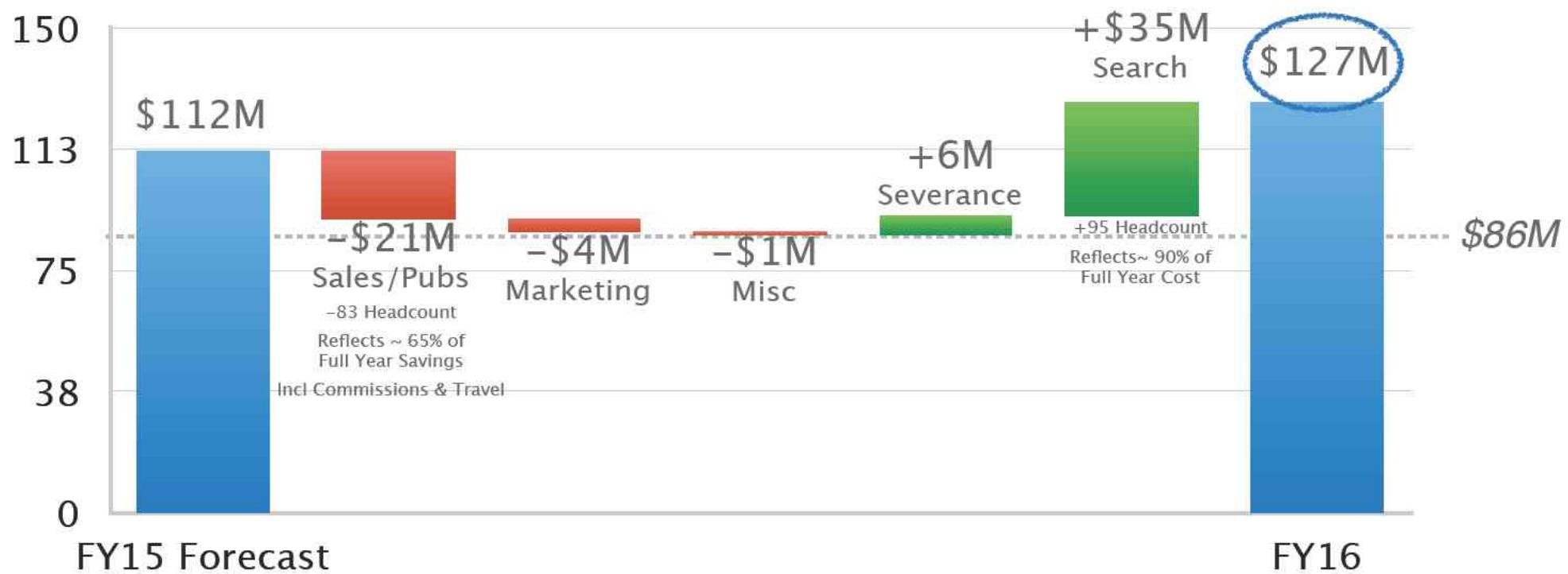
* Bandwidth, Data, and Time to Market Cost are high level estimates and need to be defined

X

FY16 OPEX (vs Prior Year)

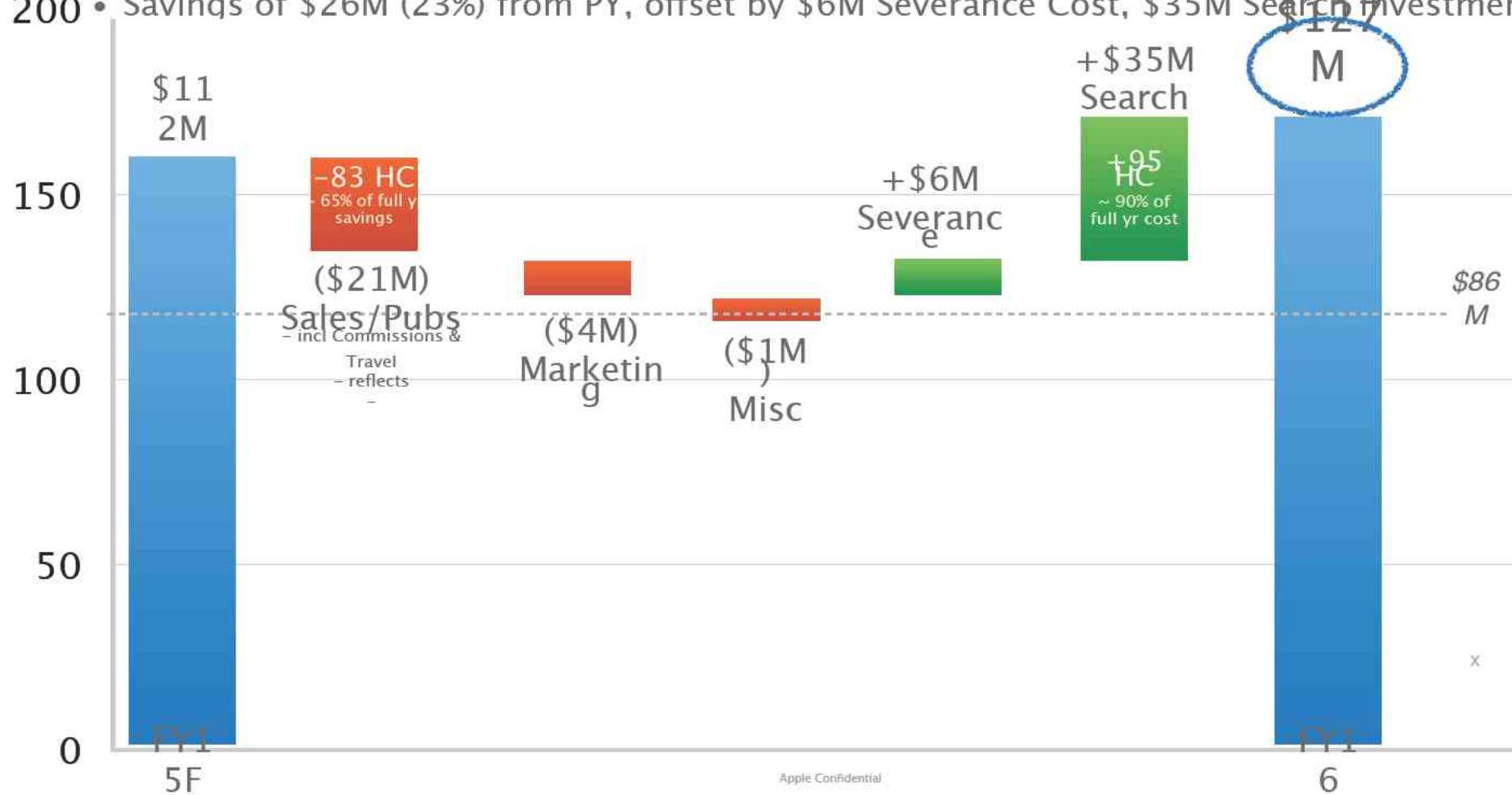
\$127M OPEX; +\$16M from prior year (+14% YoY)

Savings of \$26M (23%) from prior year, offset by \$6M severance cost, \$35M search investment



FY16 OPEX (vs Prior Year)

- \$127M OPEX - +\$16M from PY (+14% YoY)
- Savings of \$26M (23%) from PY, offset by \$6M Severance Cost, \$35M Search investment

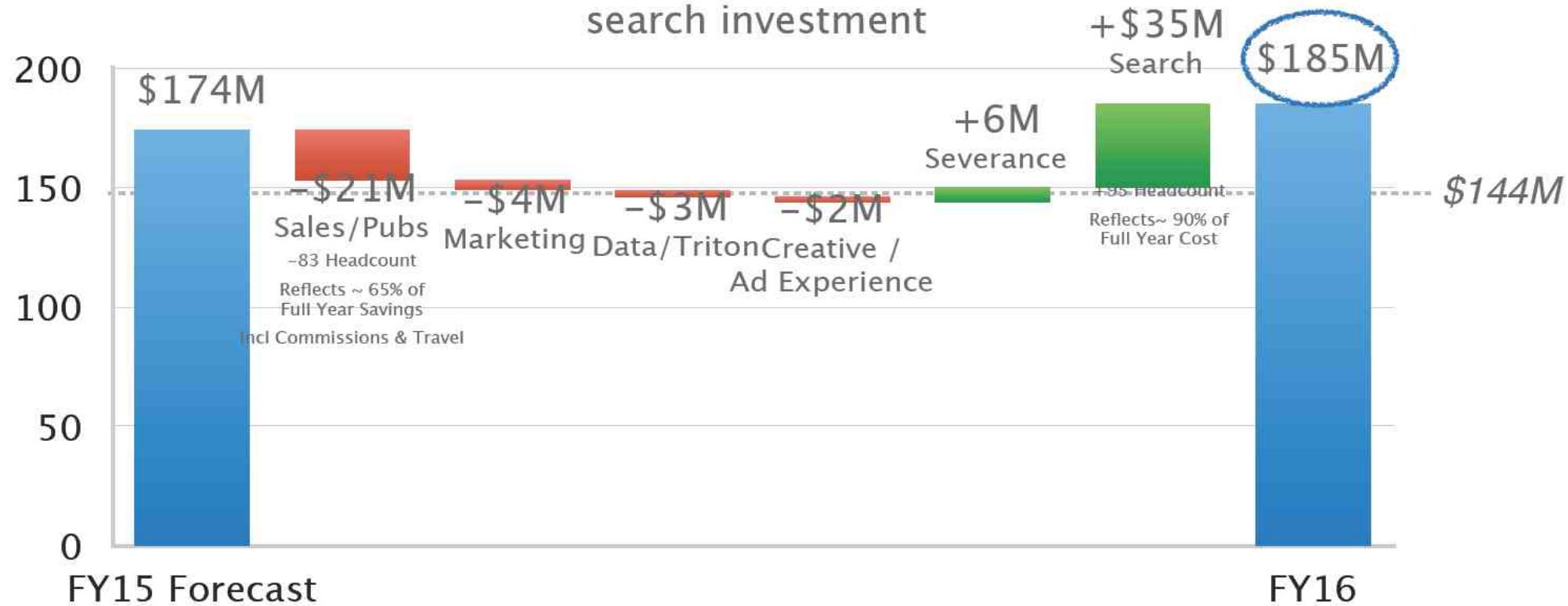


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FY16 Operating Costs (vs Prior Year)

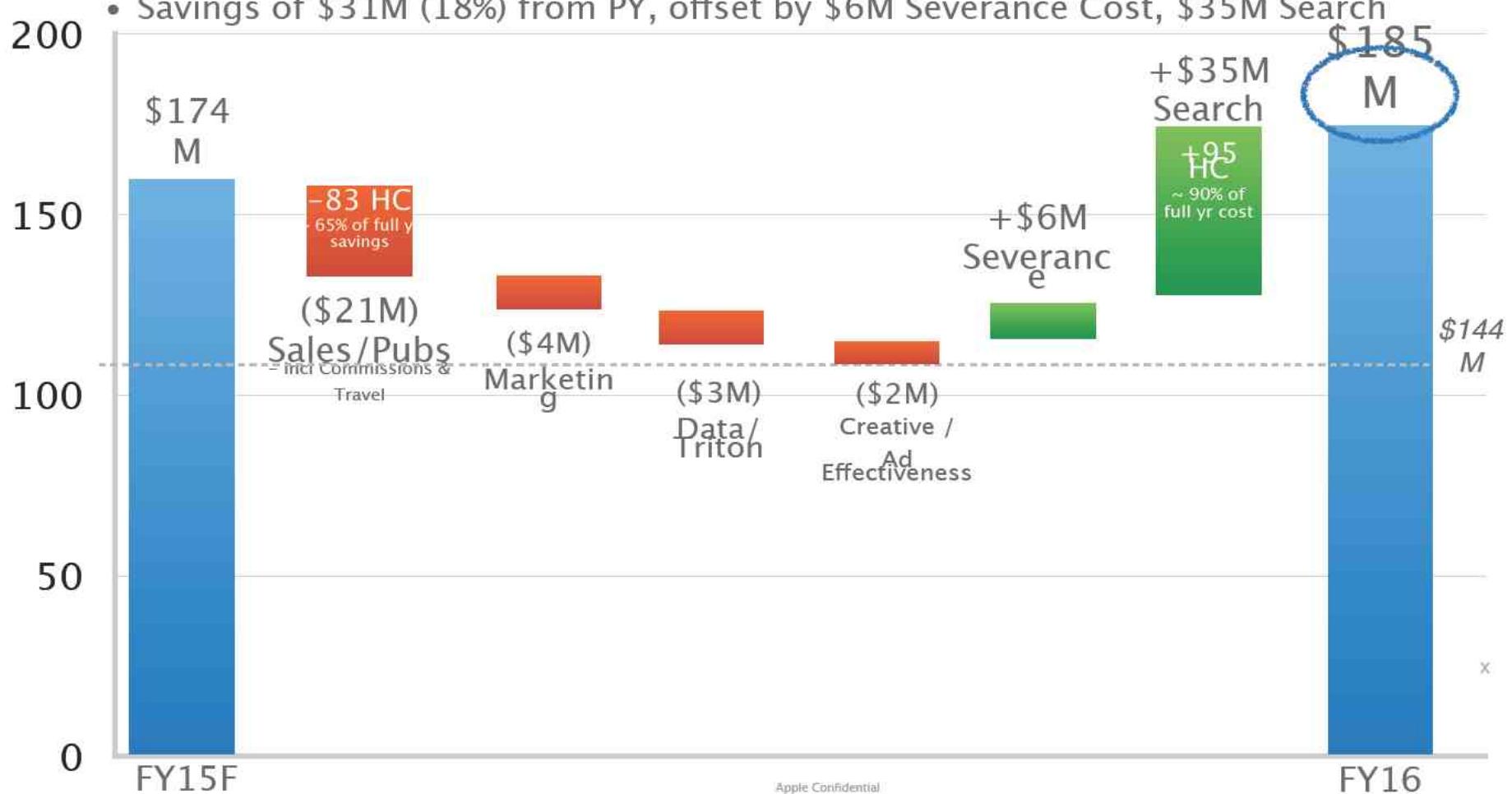
\$185M Operating Cost; +\$11M from prior year (+6% YoY)

Savings of \$31M (18%) from prior year, offset by \$6M severance cost, \$35M search investment



FY16 Operating Cost (vs PY)

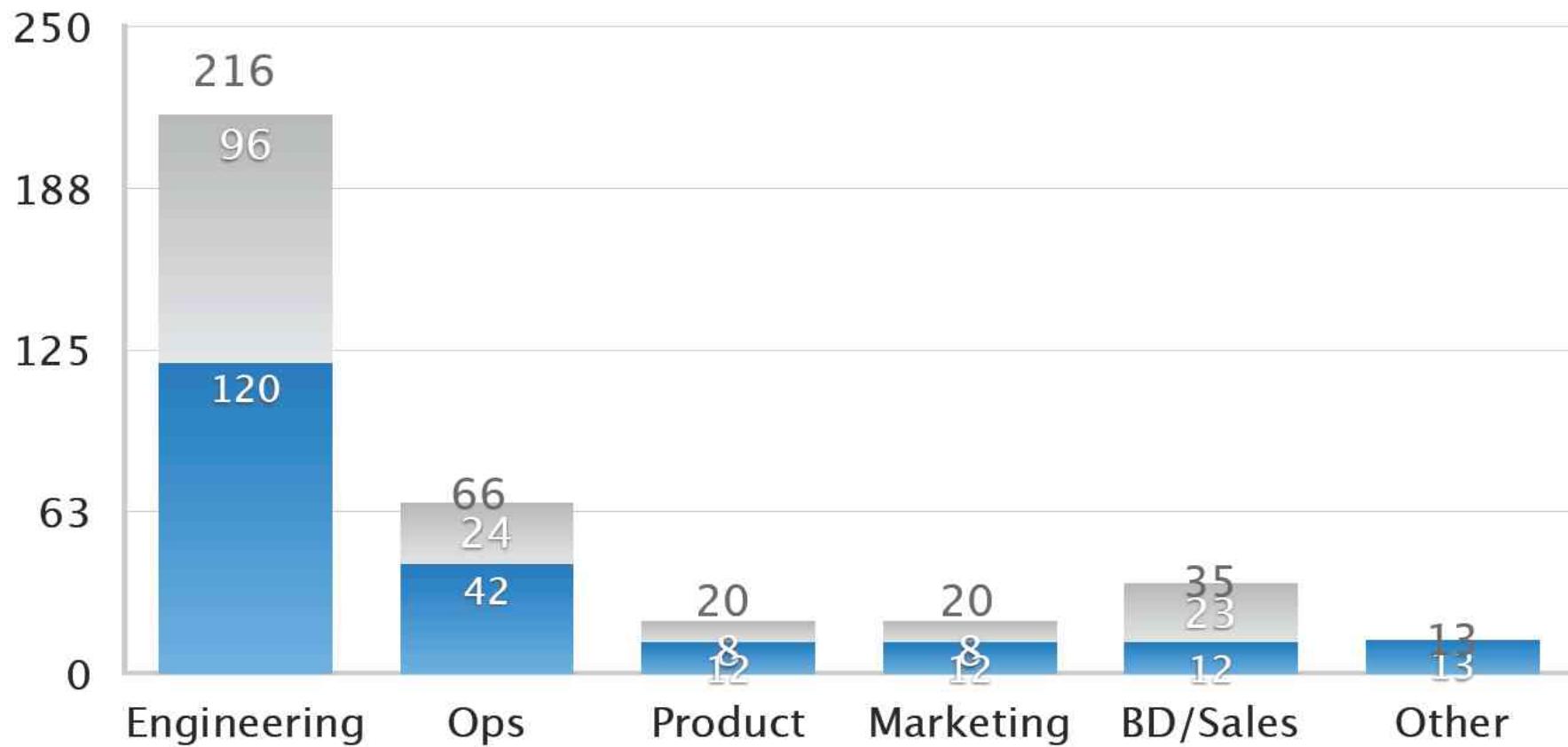
- \$185M Operating Cost – +\$11M from PY (+6% YoY)
- Savings of \$31M (18%) from PY, offset by \$6M Severance Cost, \$35M Search



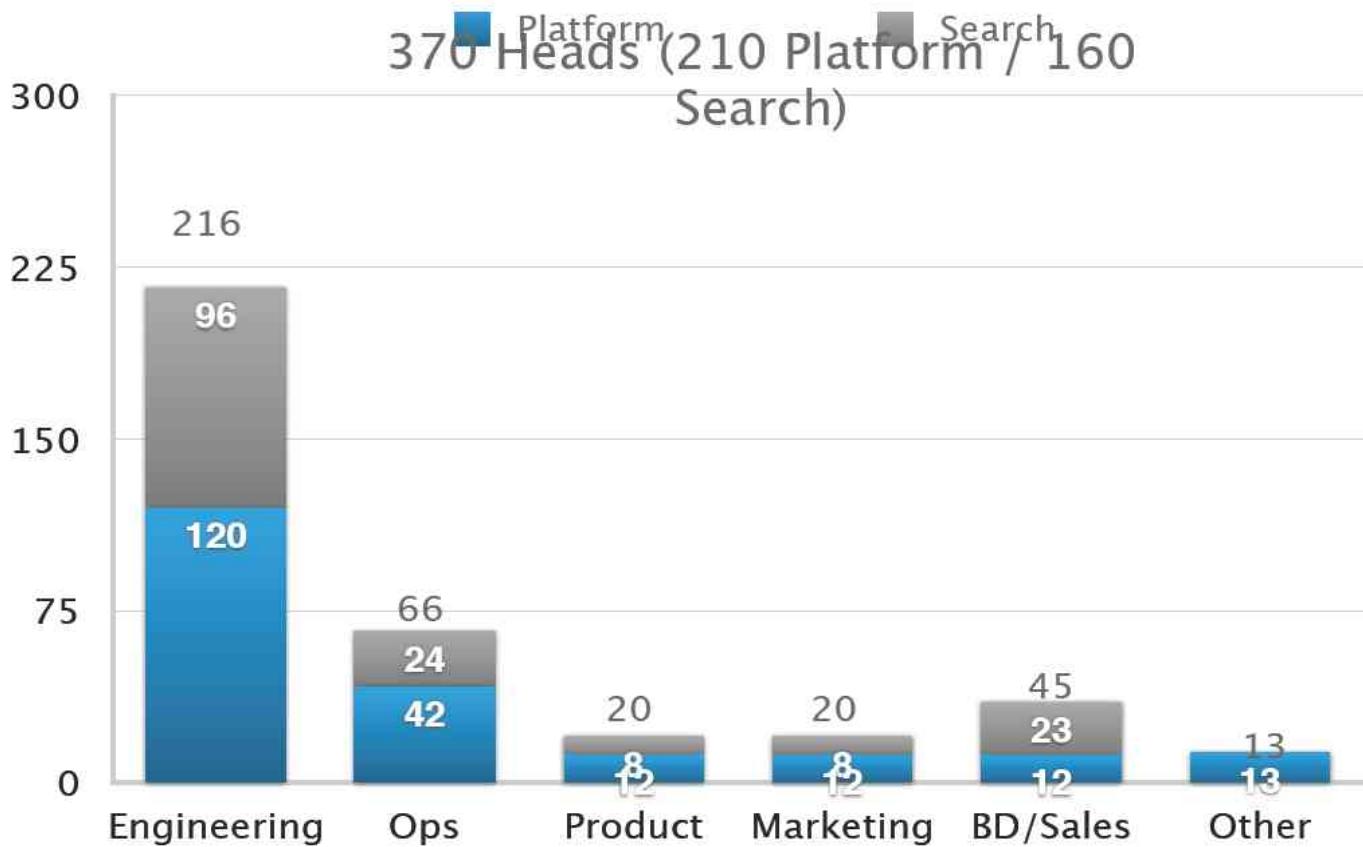
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FY16 Headcount

370 Heads (210 Platform / 160 Search)

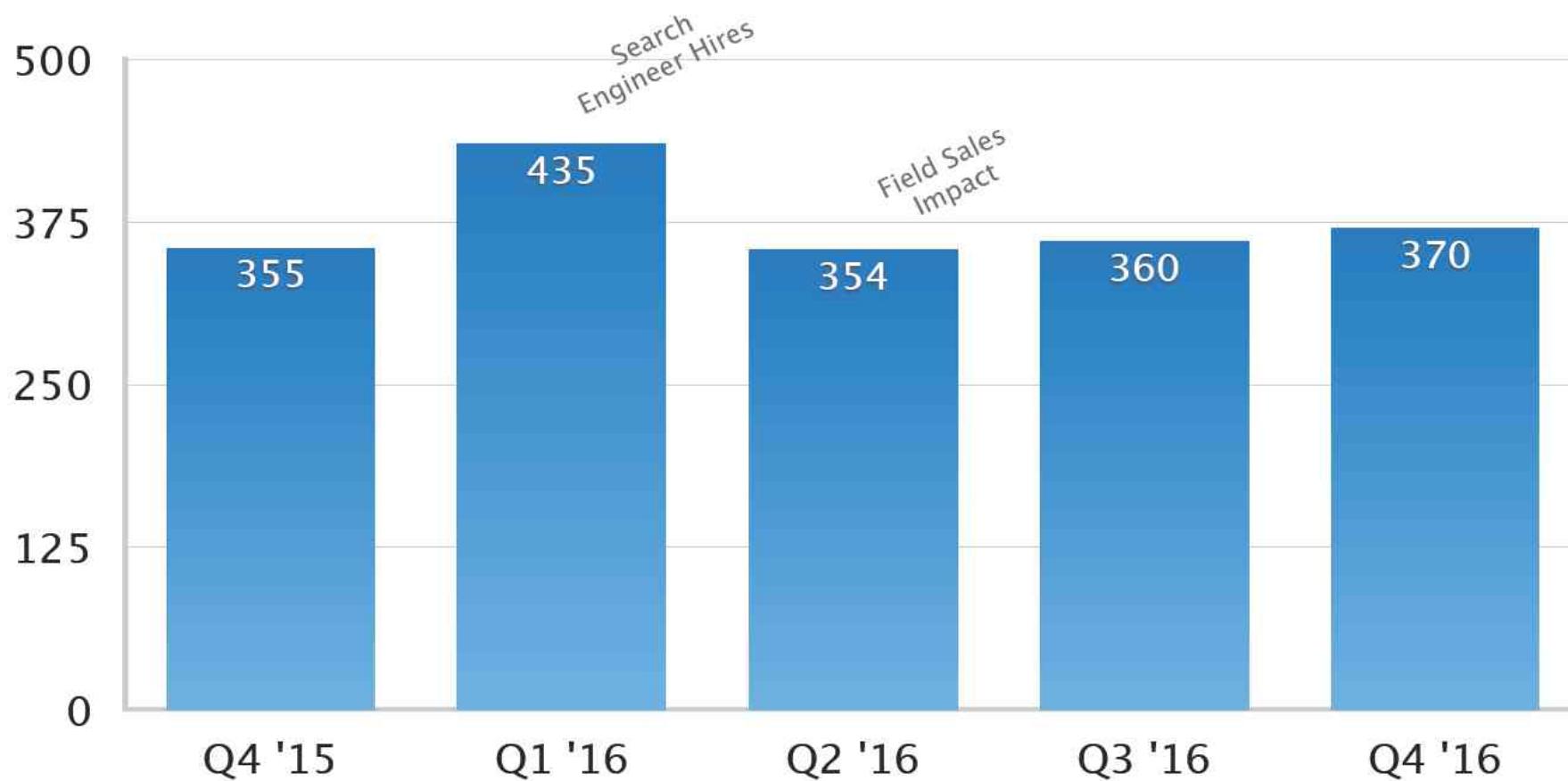


FY16 Headcount

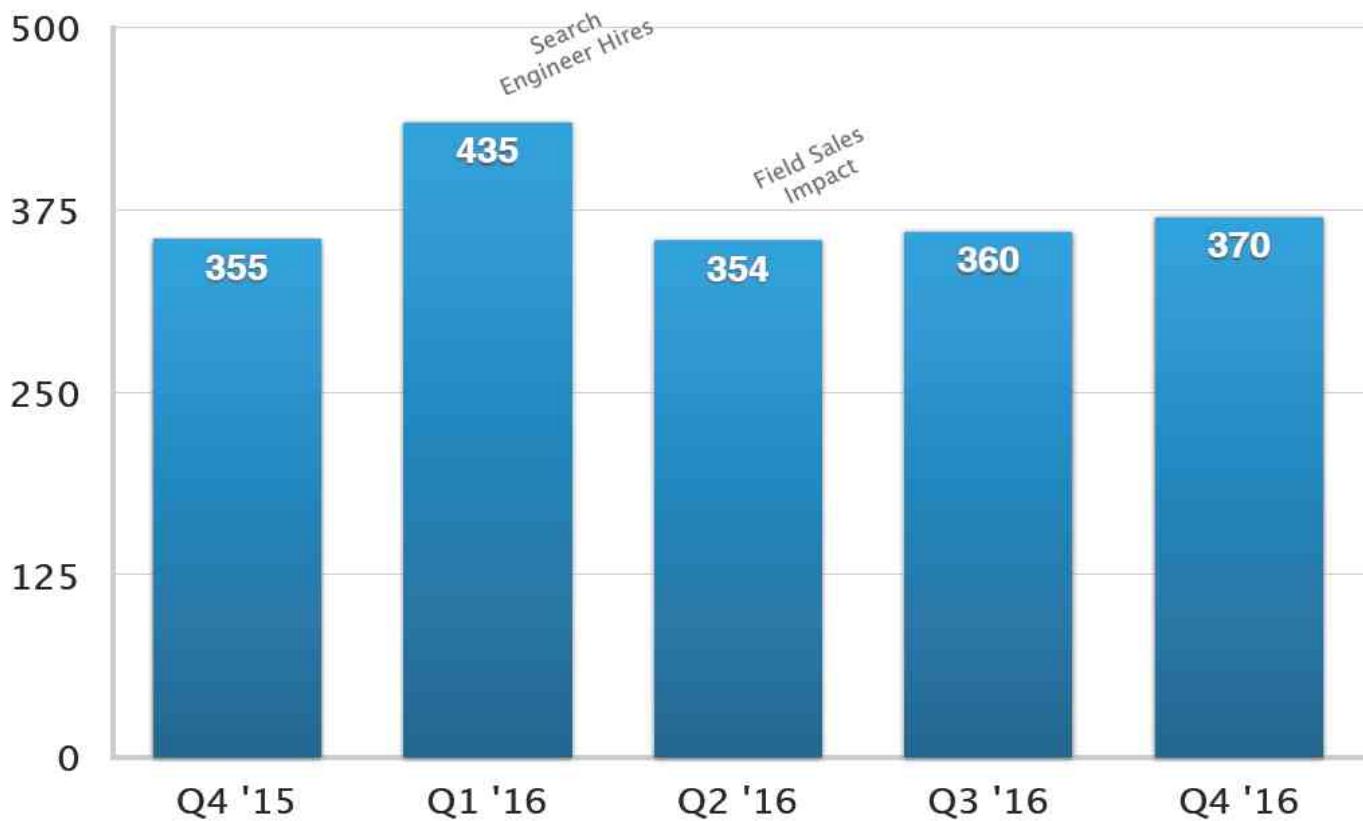


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FY16 Headcount



FY16 Headcount



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Impact: Mediation + Search

Mediation + Search

5 Year P&L

	Jul Fcst FY'15	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19 (\$ in millions)
Revenue	\$186.0	\$72.4	\$111.6	\$348.5	\$611.0
COS	\$151.3	\$56.7	\$4.3	\$4.3	\$4.3
Std Margin	\$34.7	\$15.6	\$107.3	\$344.2	\$606.7
Salary & Fringe	\$18.0	\$12.4	\$4.8	\$5.3	\$5.8
Stk Based Comp	\$6.8	\$4.3	\$1.7	\$1.9	\$2.1
Severance	-	\$1.5	-	-	-
Infrastructure & Data	\$32.0	\$25.9	\$8.2	\$8.9	\$10.9
Tech Ops Vendor	\$2.3	\$3.6	\$3.5	\$3.6	\$4.1
Creative Vendor	\$2.2	\$0.8	-	-	-
Other	\$1.1	\$1.0	\$1.2	\$1.4	\$1.5
OCOGS	\$62.4	\$49.5	\$19.4	\$21.1	\$24.4
Salary & Fringe	\$50.5	\$39.0	\$41.9	\$53.5	\$64.3
Stk Based Comp & Bonus	\$32.0	\$24.3	\$26.4	\$31.9	\$36.6
Severance	-	\$6.4	-	-	-
Hiring Incentive	\$0.0	-	-	-	-
Commission	\$6.7	\$2.9	\$1.1	\$2.9	\$4.6
Sales Offices	\$5.6	\$6.6	\$6.0	\$6.0	\$6.0
Engineering Vendor	\$5.3	\$4.4	\$4.3	\$4.5	\$4.9
Marketing Programs	\$5.1	\$3.8	\$3.0	\$3.0	\$3.0
T&E/M&E/CC Fees/Other	\$6.3	\$4.1	\$3.7	\$4.6	\$5.6
OPEX	\$111.5	\$91.4	\$86.4	\$106.5	\$125.0
Contribution	-\$139.2	-\$125.3	\$1.6	\$216.6	\$457.3

* Bandwidth, Data, and Time to Market Cost are high level estimates and need to be defined

Mediation + Search

5 Year P&L

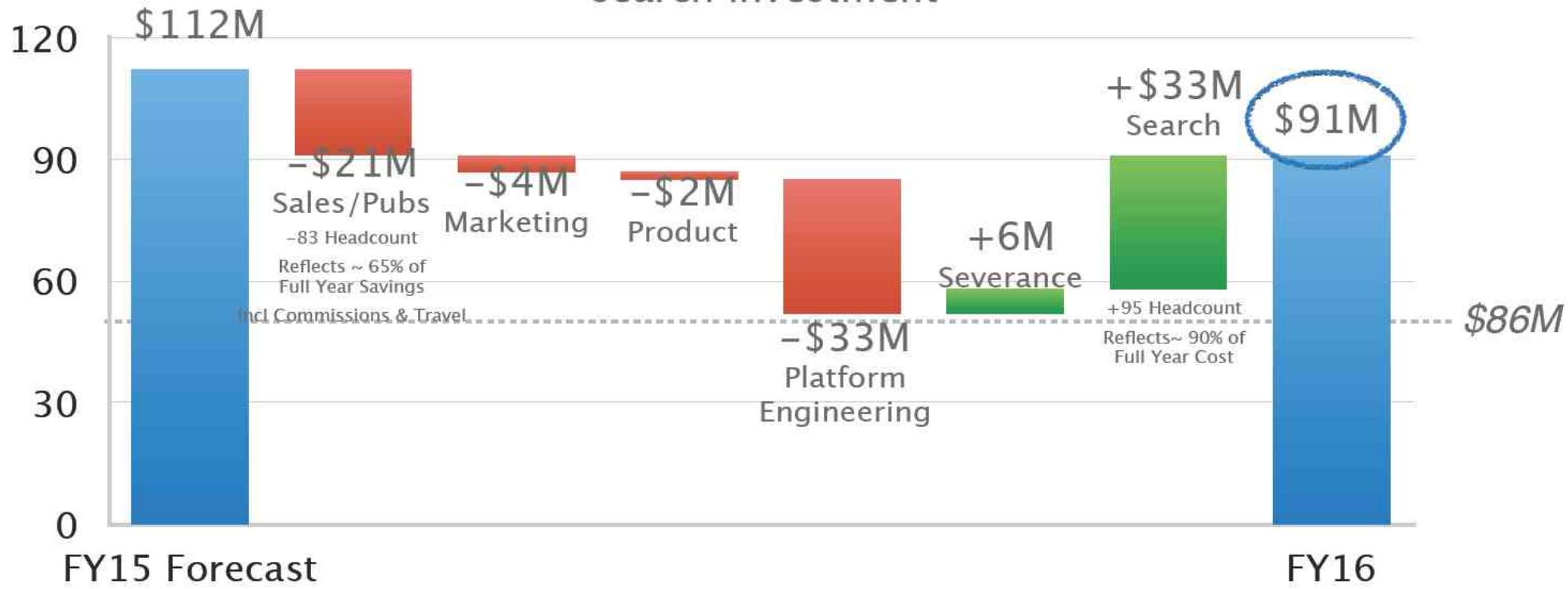
\$ Millions	Jul Fcst FY'15	Plan - July v3 FY'16	Estimate FY'17	Estimate FY'18	Estimate FY'19
Revenue	\$186.0M	\$72.4M	\$111.6M	\$348.5M	\$611.0M
COS	\$151.3M	\$56.7M	\$4.3M	\$4.3M	\$4.3M
Std Margin	\$34.7M	\$15.6M	\$107.3M	\$344.2M	\$606.7M
Salary & Fringe	\$18.0M	\$12.4M	\$4.8M	\$5.3M	\$5.8M
Stk Based Comp	\$6.8M	\$4.3M	\$1.7M	\$1.9M	\$2.1M
Severance	-	\$1.5M	-	-	-
Infrastructure & Data	\$32.0M	\$25.9M	\$8.2M	\$8.9M	\$10.9M
Tech Ops Vendor	\$2.3M	\$3.6M	\$3.5M	\$3.6M	\$4.1M
Creative Vendor	\$2.2M	\$0.8M	-	-	-
Other	\$1.1M	\$1.0M	\$1.2M	\$1.4M	\$1.5M
OCOGS	\$62.4M	\$49.5M	\$19.4M	\$21.1M	\$24.4M
Salary & Fringe	\$50.5M	\$39.0M	\$41.9M	\$53.5M	\$64.3M
Stk Based Comp & Bonus	\$32.0M	\$24.3M	\$26.4M	\$31.9M	\$36.6M
Severance	-	\$6.4M	-	-	-
Hiring Incentive	\$0.0M	-	-	-	-
Commission	\$6.7M	\$2.9M	\$1.1M	\$2.9M	\$4.6M
Sales Offices	\$5.6M	\$6.6M	\$6.0M	\$6.0M	\$6.0M
Engineering Vendor	\$5.3M	\$4.4M	\$4.3M	\$4.5M	\$4.9M
Marketing Programs	\$5.1M	\$3.8M	\$3.0M	\$3.0M	\$3.0M
T&E/M&E/CC Fees/Other	\$6.3M	\$4.1M	\$3.7M	\$4.6M	\$5.6M
OPEX	\$111.5M	\$91.4M	\$86.4M	\$106.5M	\$125.0M
Contribution	(\$139.2M)	(\$125.3M)	\$1.6M	\$216.6M	\$457.3M

X

FY16 OPEX (vs Prior Year)

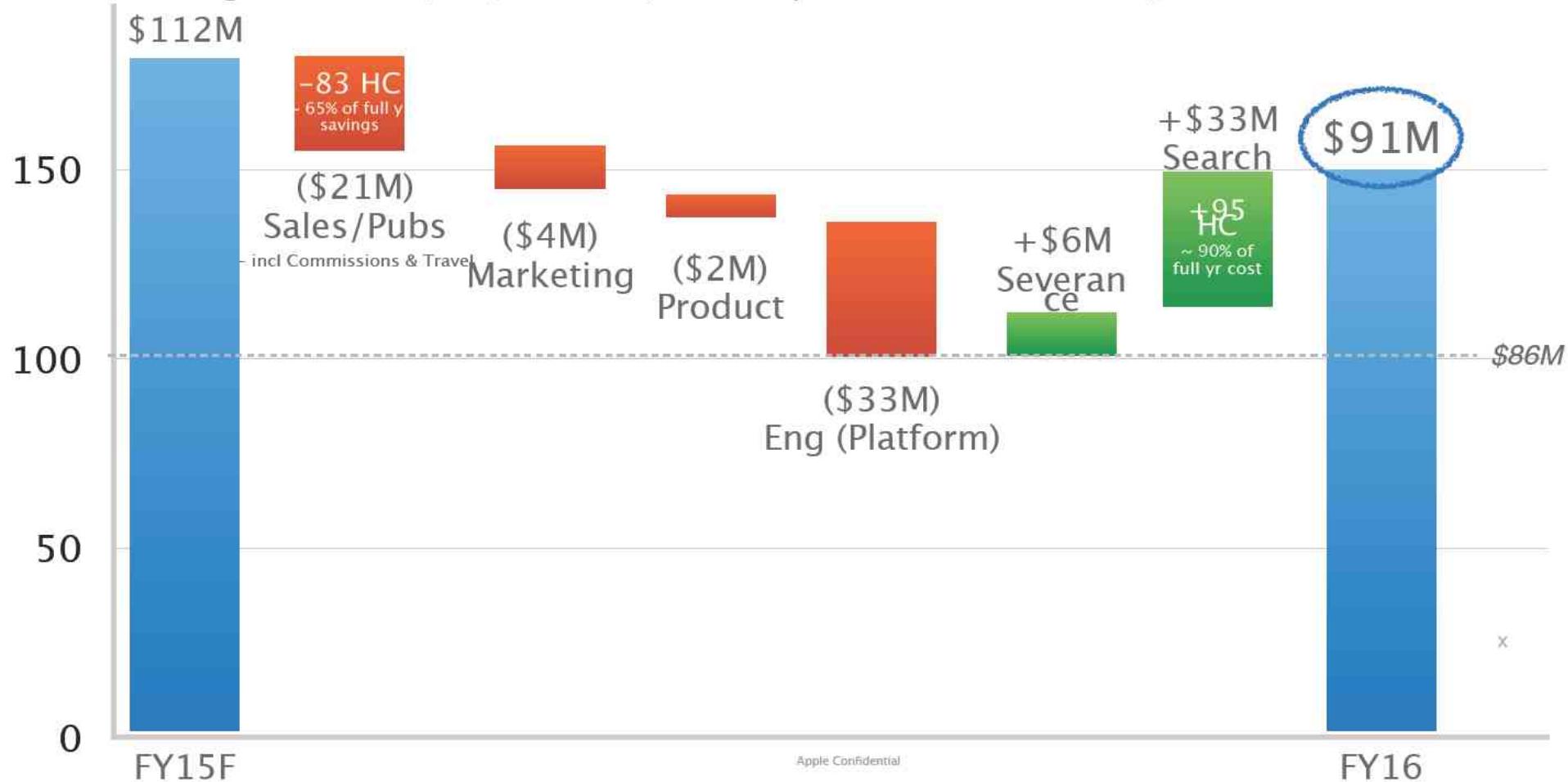
\$91M OPEX; \$21M lower than prior year (-19% YoY)

Savings of \$60M (54%) from prior year, offset by \$6M severance cost, \$33M search investment



FY16 OPEX (vs Prior Year)

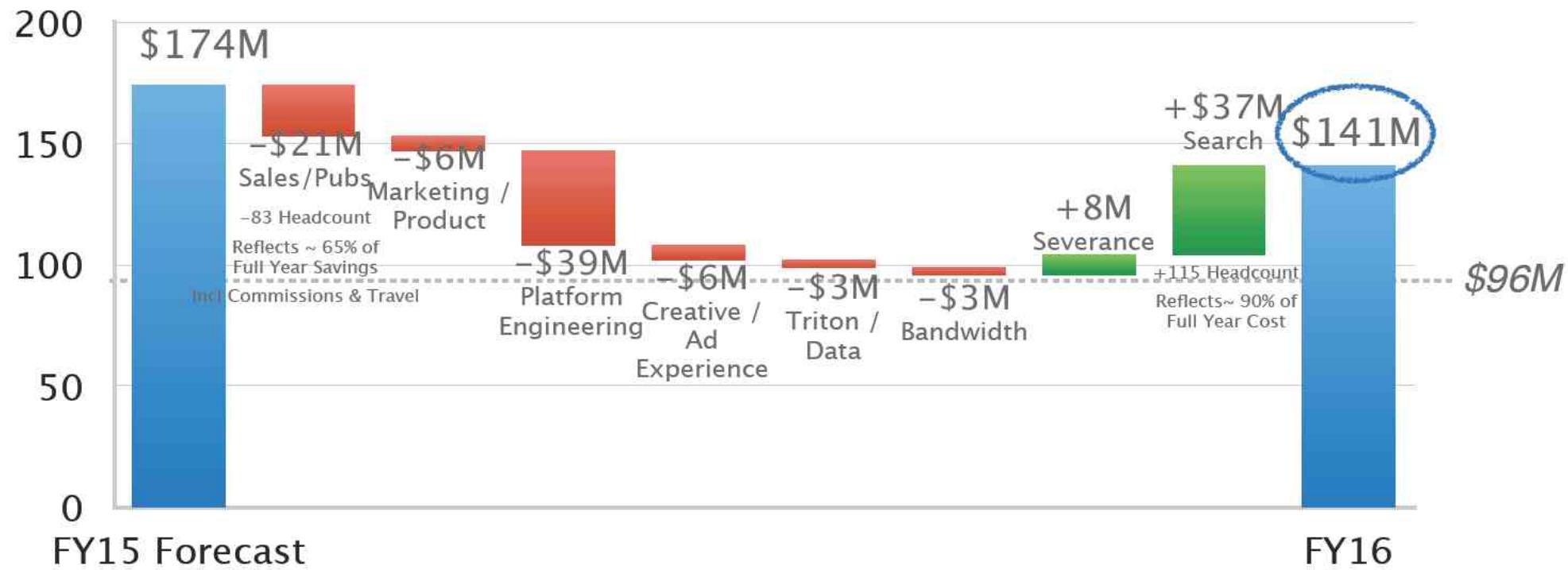
- \$91M OPEX – \$21M lower than PY (-19% YoY)
- Savings of \$60M (54%) from PY, offset by \$6M Severance Cost, \$33M Search investment



FY16 Operating Costs (vs Prior Year)

\$141M Operating Cost – \$33M lower than PY (-19% YoY)

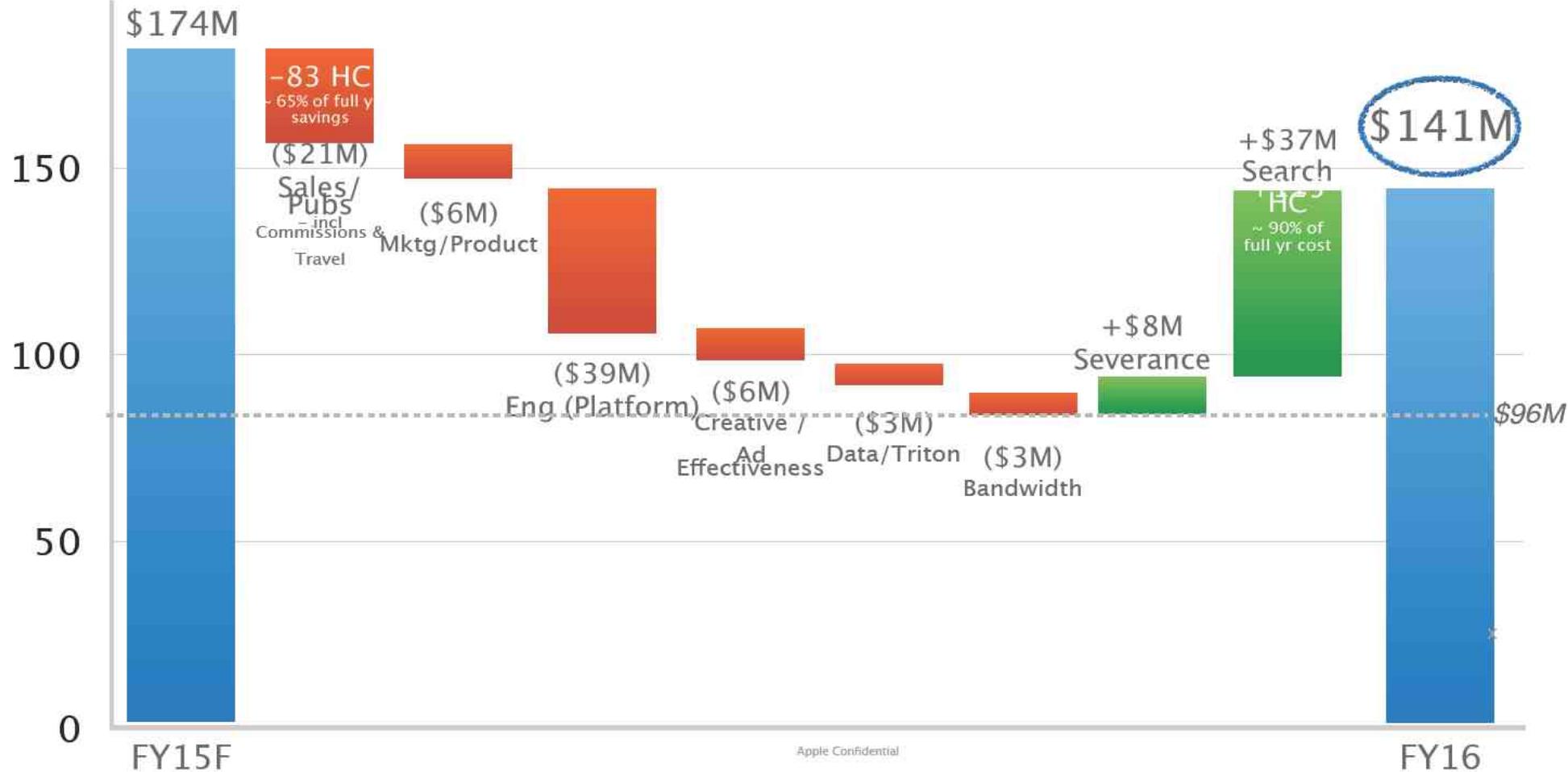
Savings of \$78M (45%) from PY, offset by \$8M Severance Cost, \$37M Search investment



FY16 Operating Cost (vs PY)

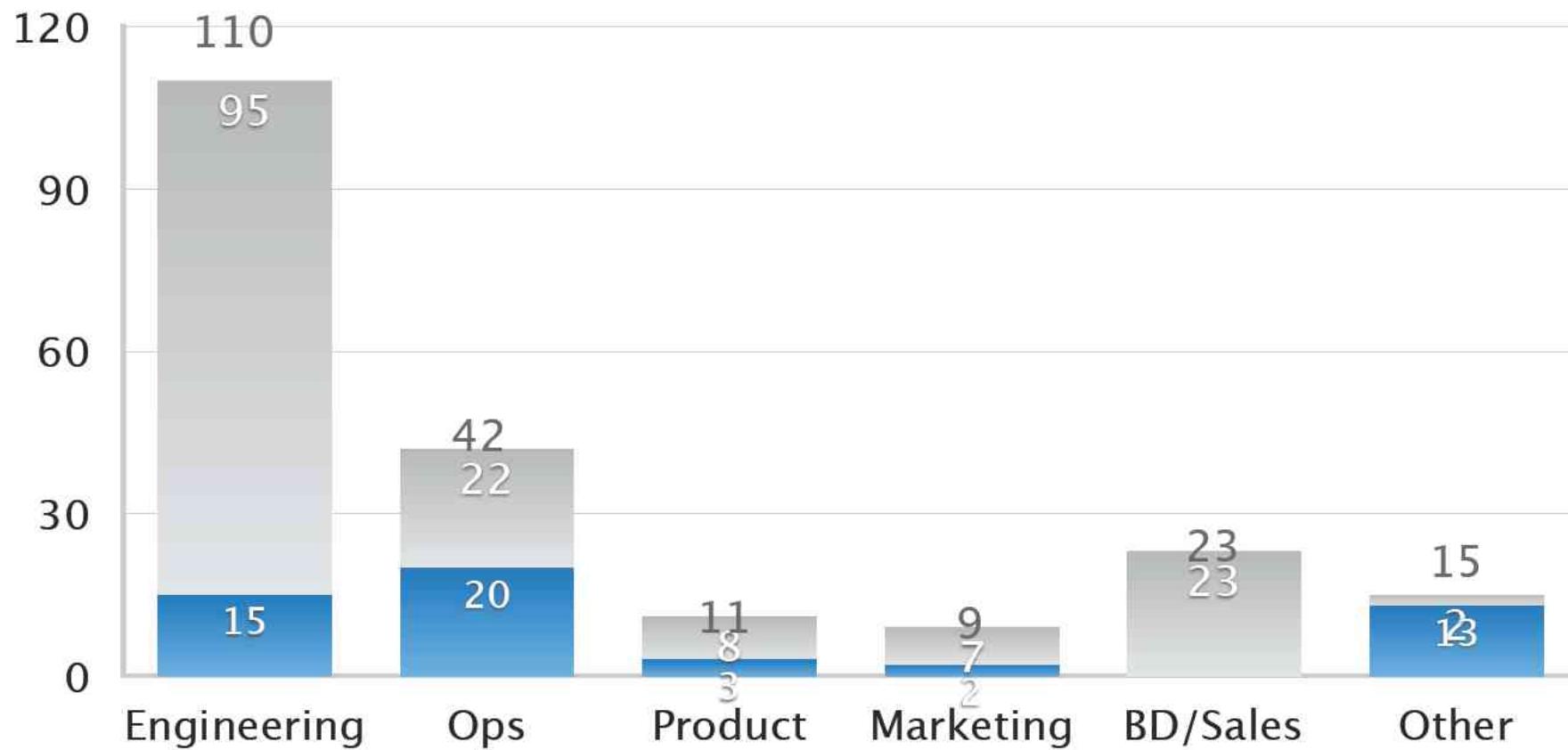
- \$141M Operating Cost – \$33M lower than PY (-19% YoY)

- Savings of \$78M (45%) from PY, offset by \$8M Severance Cost, \$37M Search investment



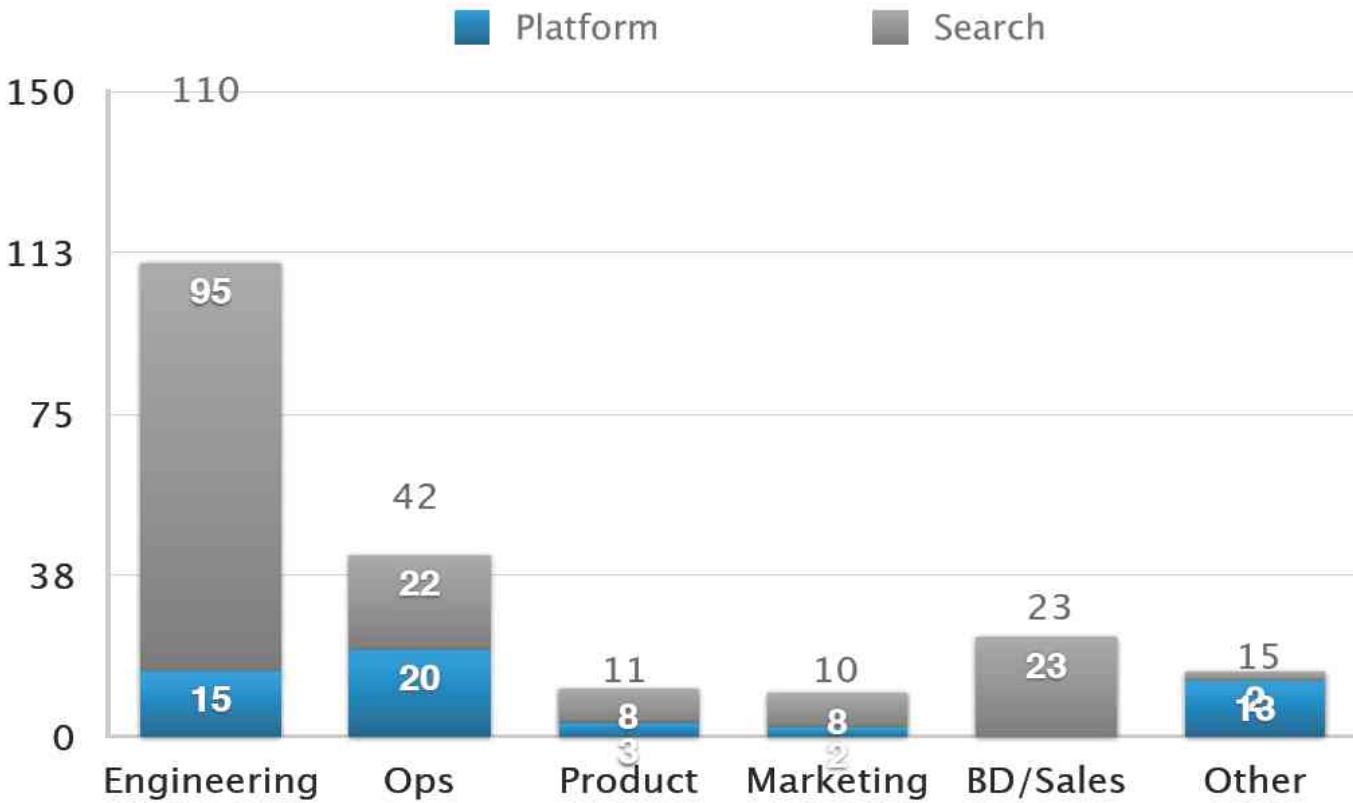
FY16 Headcount

210 Heads (55 Platform / 155 Search)



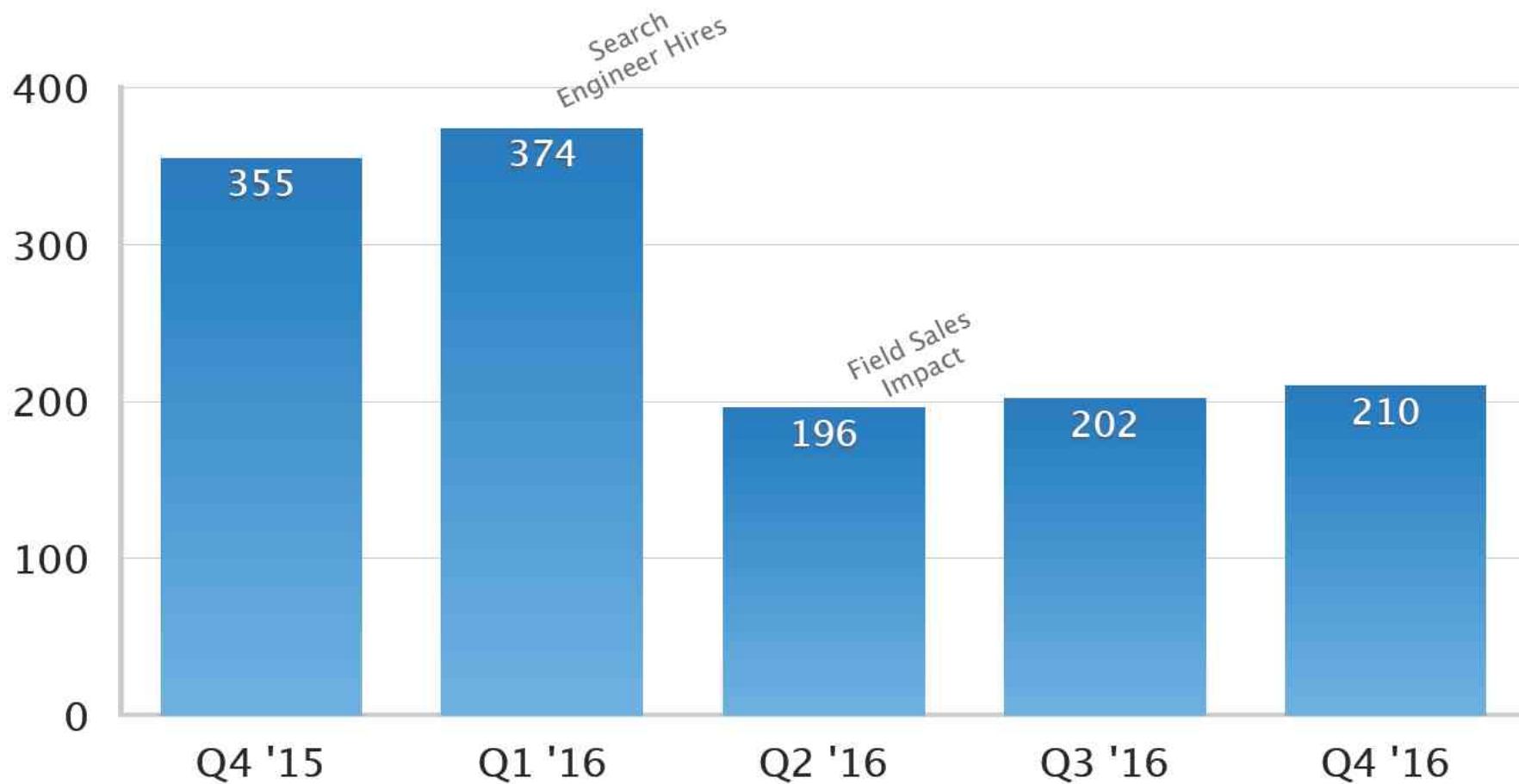
FY16 Headcount

210 Heads (55 Platform / 155 Search)

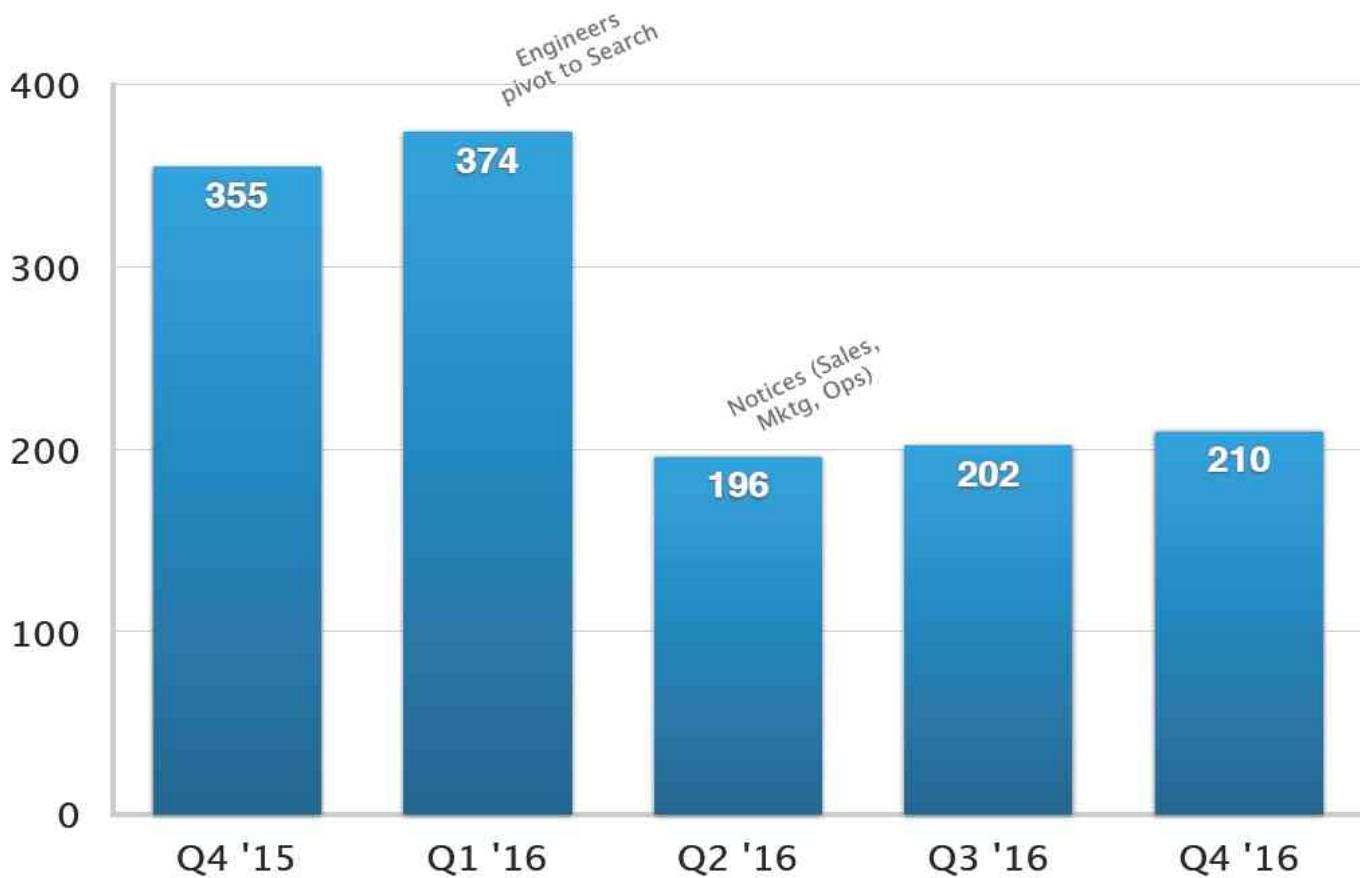


Apple Confidential

FY16 Headcount



FY16 Headcount



Apple Confidential





News

Priorities for 2016

1. Engagement
2. International expansion
3. Publisher requests

Engagement

A/B testing

Breaking news

OS integration

Better sharing

Local news

Web/Mac/Android client

Favorites improvements

- Folders, Sorting

More content types in feeds

- Trending stories, infographics, videos, galleries

International Expansion

Timing	Language	Countries
Oct 2015	English	UK, AU
H1 2016	French, German	DE, FR, CA
H2 2016	Italian, Spanish	IT, ES, LATAM
	English	TBD: India, Nordics, Africa, Caribbean
TBD	CJK	China, Japan, Korea

Supporting Publishers

ComScore

Better analytics

Subscriptions

Authoring

Richer channel pages

Richer article content

More ad options

The New York Times

ESPN

CONDÉ NAST

the Atlantic

NEW YORK

theguardian

BuzzFeed

RODALE

VOX MEDIA

Time Inc.

POLITICO

Daily Mail

FINANCIAL TIMES

CNN

The Telegraph

H E A R S T



Added since WWDC



Slate

The Washington Post

VICE

npr

THE DAILY
BEAST



Australian
Broadcasting
Corporation

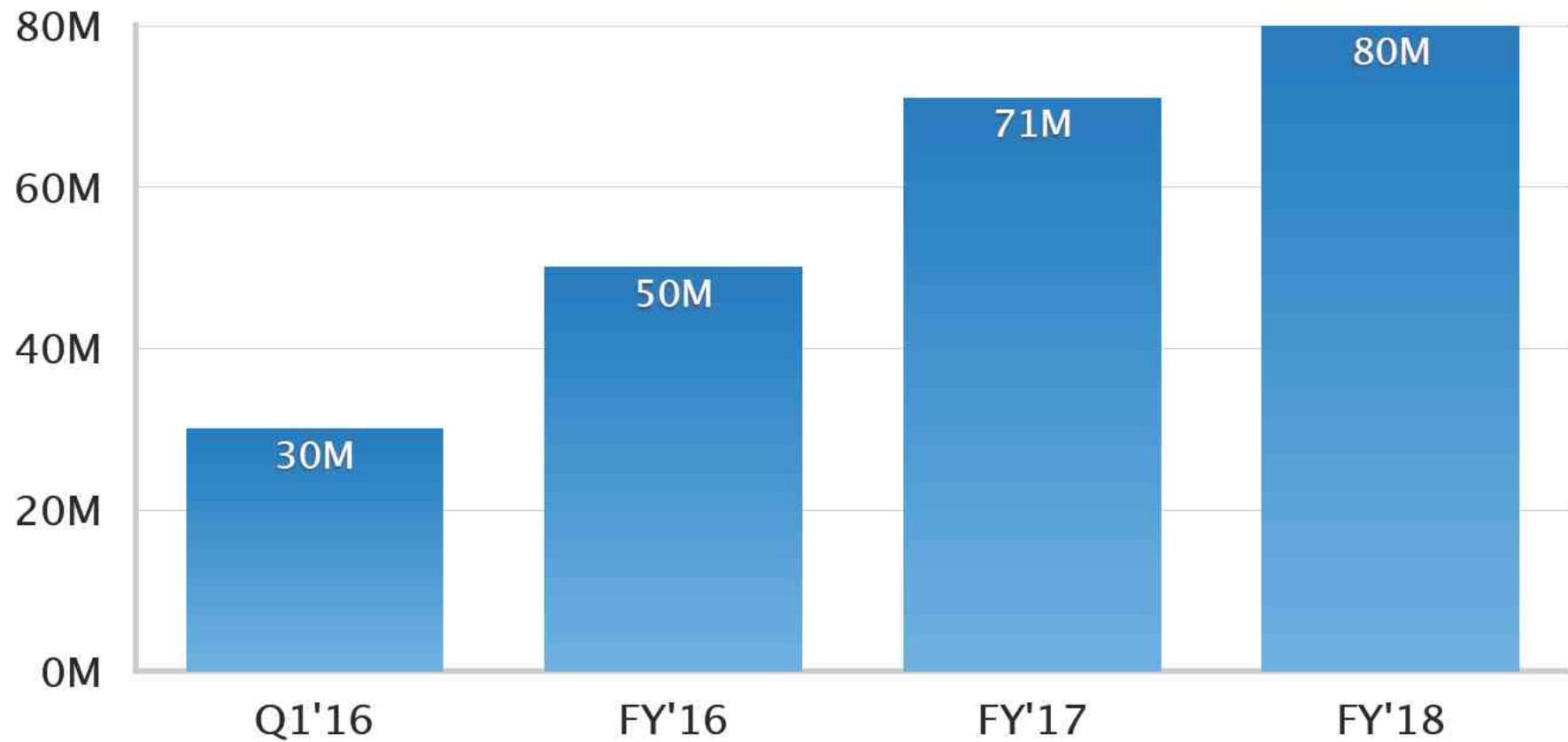
THOMSON REUTERS

Smithsonian

In Progress

News Corp

Projected Monthly Active Users



Assumes 25% iOS Adoption Rate

48

FY16 News Headcount

	U.S.	International
Publisher Relations	3+0	+3
Publisher Support	X + 2	+2
Editorial Ops	X + 0 (+ contractors)	+3*
Content Moderation	X + 2	+2*
Editorial Curation	X + 2	+3*

Pub Relations — Recruiting publishers, cutting deals, etc

Publisher Support — Technical support for publishers, documentation

Editorial Ops — Updating Explore tab, updating on-boarding options, updating topic taxonomy (adding, deleting, renaming, localizing), RSS maintenance, updating brand/topic quality ranking, guidelines, collaboration with engineering on updates

Content Moderation — Report a concern, new channel applications

Editorial Curation — Apple News Updates channel, email briefings, breaking news, event-driven news, special content promotions

Other Apps

New Apps for 2015



News



News Publisher



Notes
iOS + Mac



Gershwin

Updated Apps for 2015

iWork

- Pages for iOS, Mac, Web
- Numbers for iOS, Mac, Web
- Keynote for iOS, Mac, Web

iBooks

- iBooks for iOS, Mac

iBooks Author

Video

- iMovie for iOS, Mac
- FinalCut
- Compressor
- Motion

Music

Key Releases for 2016

Notes—Collaboration? Organization features

iWork—Collaboration

Photos—Memories for Eagle

Appendix

Radio P&L (no shutdown)

\$Millions	Radio FY15F	Radio FY15F (w iTunes Cost)	Radio FY16F	Radio FY16F (w iTunes Cost)
Revenue *	\$25.3	\$25.3	\$30.2	\$30.2
COS	\$39.2	\$39.2	\$39.5	\$39.5
Std Margin	(\$13.9)	(\$13.9)	(\$9.3)	(\$9.3)
OCOGS	\$17.3	\$22.2	\$18.0	\$21.8
OPEX	\$27.1	\$31.2	\$28.0	\$30.2
Contribution	(\$58.3)	(\$67.3)	(\$55.3)	(\$61.3)
Contribution %	-230.4%	-265.9%	-183.1%	-203.0%

Lowered latest FY16 Monetization assumptions

Keeping Radio live is a projected \$60M Annual loss (with or without Ad Revenue)

* Does not tie to SAP, includes deferred revenue ~ \$2M

55

App Store Search

3 Year Revenue (US Only)

	FY '17				FY '18				FY '19							
	Q1	Q2	Q3	Q4	FY '17	Q1	Q2	Q3	Q4	FY '18	Q1	Q2	Q3	Q4	FY '19	
No. App Store Searches (B)	3.3	3.4	3.5	3.7	13.9	3.78	3.87	3.96	4.06	15.7	4.15	4.26	4.36	4.46	17.2	
Sponsored Search																
Organic Conversion Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Sponsored Decelerator factor	60%	60%	60%	60%	60%	50%	50%	50%	50%	50%	40%	40%	40%	40%	40%	40%
Keyword Sell-through	1%	4%	8%	11%	6%	12%	12%	13%	14%	13%	15%	15%	16%	17%	16%	
No. Sponsored Downloads (M)	1.8	5.5	11.8	15.6	34.7	21.9	23.9	26.0	28.1	99.9	34.5	39.2	42.2	45.2	161.1	
eCPA	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Sponsored Search Revenue	\$5.3	\$16.4	\$35.4	\$46.9	104.0	\$65.8	\$71.8	\$78.0	\$84.4	300.0	\$103.	\$117.	\$126.	\$135.	483.1	
Trending Searches																
Search discount factor	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Sell-through	5%	13%	31%	40%	22%	49%	58%	67%	70%	61%	70%	70%	70%	70%	70%	70%
CPM	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Trending Searches Revenue	\$0.2	\$0.7	\$1.6	\$2.2	4.7	\$2.8	\$3.4	\$4.0	\$4.3	14.5	\$4.4	\$4.5	\$4.6	\$4.7	18.2	
Total App Store Revenue	\$5.5	\$17.1	\$37.0	\$49.1	\$108.	\$68.6	\$75.2	\$82.0	\$88.7	\$314.	\$107.	\$122.	\$131.	\$140.	\$501.	

App Store Search

3 Year Revenue (US, Japan, China)

	FY '17				FY '18				FY '19							
	Q1	Q2	Q3	Q4	FY '17	Q1	Q2	Q3	Q4	FY '18	Q1	Q2	Q3	Q4	FY '19	
No. App Store Searches (B)	3.3	3.4	3.5	3.7	13.9	6.0	6.1	6.3	6.5	24.9	6.7	6.8	7.0	7.2	27.7	
Sponsored Search																
Organic Conversion Rate	10%	10%	10%	10%	10%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Sponsored Decelerator factor	60%	60%	60%	60%	60%	50%	50%	50%	50%	50%	40%	40%	40%	40%	40%	40%
Keyword Sell-through	1%	4%	8%	11%	6%	5%	6%	7%	9%	7%	10%	11%	12%	14%	12%	
No. Sponsored Downloads (M)	1.8	5.5	11.8	15.6	34.7	23.1	26.2	29.6	33.1	112.0	42.4	49.0	53.8	58.8	204.0	
eCPA	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$2.97	\$2.94	\$2.92	\$2.90	\$2.93	\$2.88	\$2.87	\$2.86	\$2.78	\$2.84	
Sponsored Search Revenue	\$5.3	\$16.4	\$35.4	\$46.9	104.0	\$68.4	\$77.2	\$86.4	\$96.0	328.0	\$122.	\$140.	\$153.	\$163.	580.4	
Trending Searches																
Search discount factor	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Sell-through	5%	13%	31%	40%	22%	33%	41%	54%	59%	47%	62%	65%	69%	70%	67%	
CPM	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	
Trending Searches Revenue	\$0.2	\$0.7	\$1.6	\$2.2	4.7	\$2.9	\$3.8	\$5.1	\$5.7	17.6	\$6.2	\$6.7	\$7.2	\$7.5	27.7	
Total App Store Revenue	\$5.5	\$17.1	\$37.0	\$49.1	\$108.	\$71.4	\$81.0	\$91.5	\$101.	\$345.	\$128.	\$147.	\$161.	\$171.	\$608.	