WPP PLC Xaxis and Recent Investment in AppNexus Investors and Analysts Call - Final

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Body

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Presentation

OPERATOR: Good day, and welcome to WPP PLC's call for investors and analysts led by Brian Lesser and Paul Richardson, CEO of Xaxis. Today's call is being recorded. At this time, I would like to turn the call over to Brian Lesser. Please go ahead, sir.

PAUL RICHARDSON, FINANCE DIRECTOR, WPP PLC: [Actually, it's] Paul. I will start it. Brian is with me, and so is Fran. But thank you all for joining us. We decided it might be worthwhile for you all to have a chance to listen first to a short presentation from Brian. And then ask questions almost sort of collectively, rather than us trying to deal with them one by one. (Inaudible) -- the recent transaction or proposed transaction has caused some interest, and the best person to deal with that, to answer your questions is Brian. So really this was a great opportunity to get us all together by phone, so we can start that conversation. So Brian, if I can hand it over to you, and I think that the slides should be available.

BRIAN LESSOR, CEO, XAXIS, WPP PLC: It will be on the web site after.

PAUL RICHARDSON: On the web site after, but actually easy to find, and we actually have sent a lot of this information before in general about Xaxis. So Brian, why don't you kick off in terms of the overview, and then we will start?

BRIAN LESSOR: Thank you, Paul, and good day, everyone. By way of introduction, I am Brian Lesser, I am the CEO of Xaxis. I actually came into WPP through the acquisition of 24/7 Real Media in 2007.

So I was one of the founders of Xaxis, and the media innovation group before that. I thought what I would do is walk you through some slides on programmatic, and our -- and Xaxis as a response to the programmatic industry, which should only take 10 or o 15 minutes. And then, we can open it up to questions.

So I am sure you know that programmatic advertising is a very growing market. So if you go to slide 2 on the deck, you will see that eMarketer predicts that this year programmatic will be a $9.8 billion industry in the US, and $16.6 billion industry [globally], growing to $32.5 billion globally by 2017.

I believe that there are some new numbers this morning from one of our competitors, that were actually more aggressive than that, in terms of growth rate. Regardless of the size of the predictions, of the size of the market, I think that -- suffice to say that programmatic is a very strong and rapidly growing market.

When we talk about programmatic media within Xaxis, we talk about the ability to use data and technology to direct advertisements to an audience, regardless of the context of that audience. Then there is much technology and data that goes into that process.

If you move onto the next slide, of course, what is fueling a lot of the growth within programmatic is the proliferation of media channels for consumers. So as consumers have more options including things like Twitter, Facebook, media over their mobile device, the web, even programmatic TV, it gets more difficult for an advertiser to engage that user. Particularly if you only use traditional media buying methodologies like using context as a proxy for identifying the audience.

So we use data and technology to instead build up anonymous segments or profiles of users, and then use real-time buying to access those users with an inventory that we own, and also real-time markets. So clearly this proliferation of devices and channels is fueling the growth of programmatic, because it is simply easier for advertisers to engage those audiences across multiple devices and channels.

On the next slide is the opposite view of the ecosystem. So if you look at programmatic from an advertiser's point of view, of course, you will have seen this chart. But there are literally hundreds of different companies, many of them venture-funded that have flooded the market to meet the needs of the advertisers.

It is incredibly complicated to build consumer profiles, to ingest data from many disparate sources, to ensure high quality inventory, to ensure viewability in highly engaging formats. And hundreds of companies have come into the market to meet one or more of those functions. So in the context of this, it gets very difficult for an advertiser to engage the ecosystem, and take advantage of data and technology.

Of course, in the context of that, WPP has created Xaxis, which is neither an agency nor a trade desk, but rather a platform that enables advertisers to engage with audiences. So that is a clear distinction between what we have created in Xaxis, versus what some of our competitors have created in potentially a shared service model or a trade desk. And very simply, we define Xaxis as experts in using data and technology to help advertisers engage with audiences across all addressable devices and channels.

Importantly, when we founded the Company 3.5 years ago, this was primarily through display advertising, whereas in 2014 more than half of our sales will be in video advertising. So the Company is evolving very quickly along the lines of this mission to use data and technology to help advertisers engage with audiences, wherever those audiences happen to be.

On slide 7, you will have seen some of these statistics before, but we have built the world's largest programmatic media and technology platform. So we manage over $750 million in spends this year, in 42 offices across 34 markets. Xaxis has over 800 employees. We serve over 600 billion impressions a year.

We have 2,700 clients, and importantly, our client base is up 21% from last year. So in other words, we have 21% more clients this year than we did in 2013.

And you may know that every one of our clients opts in to Xaxis. So our clients understand that Xaxis is not an agency model, that it is a media business, and give their consent to buy Xaxis at varying levels.

On slide number 8, the business continues to grow aggressively, so we will grow 25% net sales year-on-year this year. The business is up 16% on net sales in North America, 24% in EMEA, 400% growth in Latin America. Obviously, that is a small base, but Latin America is growing aggressively for us, as is Asia Pacific which will grow 71% on net sales year-over-year in 2014.

In terms of our market roll-out, We are now in 34 markets. When we founded the business 3.5 years ago, we were in about a dozen markets, so we have rolled the business out very aggressively. WPP is 110 or maybe –

PAUL RICHARDSON: 111

BRIAN LESSOR: 111 markets so –

PAUL RICHARDSON: Technically.

BRIAN LESSOR: So there is lots of room for growth, in terms of how we expand the business geographically. Our regions, EMEA is our largest region by revenue, followed by North America, Asia, and Latin America.

On slide 10, specifically this call is set up to answer questions about our announcement last week with AppNexus, and there are two components of the deal we have done with AppNexus. The first is that we have sold our publisher ad publishing business, Xaxis For Publishers to AppNexus.

This is very good for Xaxis and also WPP, because we gain a significant share holding in AppNexus, which is the largest independent ad tech firm globally. It also gives us influence over the AppNexus road map, and a seat on the AppNexus' Board, so we can direct the AppNexus development road map over the course of this partnership.

At the same time, what has made Xaxis successful, one of the elements that has made us successful is that we take a different view on accessing inventory. Much of the inventory that Xaxis acquires, it acquires outright or makes commitments to publishers, and that is to reserve the highest quality inventory for our advertisers.

We maintain that close direct connection to publishers, despite the not operating Xaxis For Publishers ourselves, because we maintain that link via AppNexus. We also maintain all of our trading and data acquisition relationships.

So by no means, do we have to buy via the AppNexus exchange or even other exchanges. We maintain our direct connection to publishers via the technology. The technology is now simply developed by AppNexus.

And we retain significant software development resources within Xaxis. So Xaxis also distinguishes itself from competitors, in that we develop our own technology.

That technology in the past included publisher ad serving and our data management platform called Turbine, as well as applications for optimization and analytics. Through this deal, we now have more resources to devote to our data management platform, optimization and analytics applications, which we think is where we can best distinguish ourselves, and use it as the foundation to build programmatic media products in the future.

The second aspect of the deal is that WPP has invested $25 million in the AppNexus series E funding. WPP is the only holding company that has made a serious investment in advertising technology. As Martin and Paul have mentioned in the past, that started with the acquisition of 24/7 Real Media in 2007.

Since that time, WPP has invested over $1 billion in its advertising technology and programmatic platform. The deal also closely aligns WPP with the leading independent ad tech company which is AppNexus. This we believe further cements WPP's leadership in ad tech and programmatic buying, in that we have a significant shareholding in the leading advertising technology platform outside of Google, Facebook, and the platforms that are inextricably linked to media.

We think that this is an advantage to our clients to have an independent ad tech ecosystem, because it provides more value, and is more independent than the [walled] gardens of a Google or a Facebook. We think it is important to have a strong independent ad tech provider, because through that neutrality, we can provide our clients with the highest ROI.

So with that, I will open the line for questions.

PAUL RICHARDSON: So, operator, please could you open up the line for questions?

Questions and Answers

OPERATOR: Okay. Thank you.

(Operator Instructions)

Okay. We will take our first question from Dan Salmon of BMO Capitol Markets. Please go ahead, your line is open.

DAN SALMON, ANALYST, BMO CAPITAL MARKETS: Hey, good morning, everyone. Thanks, Brian for all that detail. The question I had is with the investment in AppNexus, how is Xaxis and maybe other pockets of WPP looking at its work with other venders? I know there are other ad tech vendors you have worked with on different areas. And particularly, how that conversation works with client, if sometimes they may prefer a different solution?

But just like to hear a little bit more around where you really try to prefer to use AppNexus with some of your clients, or where you may be using some other tools that they prefer?

BRIAN LESSOR: Sure. So our technology development strategy has always been that we build technology where we think it provides the highest benefit and utility to our clients. And we partner on pieces of technology that we consider to be more commoditized in the market. And that doesn't change with our investment in AppNexus.

We have literally hundreds of different technology partners around the world, depending on the individual function that we need, or the channel or the market. Those partners change. So we maintain that ability to partner with the best advertising technology vendors wherever we may be.

AppNexus, is in our mind, the leading end-to-end ad tech stack outside of Google. And so, we think it's important to have an investment in AppNexus, and also a close partnership there, because we can work on products and features and functions that lead the market. But, of course, if our advertisers have preferences for our technology, we honor those preferences. So in some cases, advertisers would like to do business with Xaxis, but have a preference for a certain DSP or a certain DMP.

Of course, we honor those preferences and maintain our agnosticism, in terms of how we can work with those providers. Having said that, we do think it is important to have this investment, because part of what has made us successful is the ability to innovate and develop products that are ahead of the market, not simply, me too types of products and features.

DAN SALMON: Then maybe just as a follow up, as I am sure you are well aware, there has been a lot of attention on your business, and the model that it is operating under these days. I don't think that an investment in AppNexus would necessarily preclude any changes here, but have you looked at examining some more of these -- more self-serve type of models, with more fixed economics for your business? Or are there other parts of WPP that may, or GroupM that may address that type of model, and you stick with what Xaxis has been built around over the past few years?

BRIAN LESSOR: Yes, Dan, you mentioned our model these days. I would just point out that our model hasn't changed --

DAN SALMON: That's right.

BRIAN LESSOR: Since we created the Company. Our model has always been that -- because of the amount of money we invest in the technology and the products, it is not an agency model. In fact, Xaxis is a media company and not an agency, and our clients understand that.

So, of course, the market evolves over time, and we remain open to evolving with the market. But at the moment, our model is not going to change. We are part of GroupM, and GroupM has developed products that cater to advertisers that want the fully disclosed agency type service model for programmatic buying.

We think that there is advantages to Xaxis, because we cut out many of the middle men in the equation, and we have preferred partnerships with literally hundreds of different technology providers that from an end-to-end standpoint mean that advertisers save money when they use Xaxis. But, of course, we understand that certain clients that want full disclosure, and GroupM has options for those clients. (Multiple Speakers).

PAUL RICHARDSON: And I think, obviously, Brian is only talking [specifically] about Xaxis, but if you think GroupM has a sort of a wider [remiss]. And certainly for those clients that want either performance or outcome-based solution on digital, we have another product through another company called Quisma. And it -- we won't stop sort of looking at what are the alternative requirements that clients have, all of GroupM, in terms of various areas both in digital and traditional media buying. And so, that is one aspect.

On the second aspect, some of these investments are done sort of more on the knowledge base. And you have seen us in the past, make small but significant in terms of dollars, investments in companies like [Omniture] and Buddy Media, as some of these areas became of high interest to both clients and ourselves. And going back to even sort dot-com 1.0, some of these were done for knowledge, introduction and learning, as much as for the financial economics of the transaction on the base.

So it is sort of a continuous journey. I think obviously, given the importance of digital media buying, and what -- how display has moved on towards video, and how Xaxis has always been the front and center of our sort of technology platform, you are obviously going to be more [interested], and more involved in those particular transactions.

But there are other things we are looking at continuously, on both the content and the other sides as a -- through either GroupM or WPP digital. And that will continue, so we don't basically avoid or miss out on one or other areas of a technology development as it continues to accelerate.

DAN SALMON: That's great. Thanks, Paul.

PAUL RICHARDSON: Do we have another, operator? Any more calls?

OPERATOR: We will now take our next question from Will Smith of Goldman Sachs. Please go ahead, your line is open.

WILL SMITH, ANALYST, GOLDMAN SACHS: Yes. Hey Brian, hey, Paul. Thanks for taking the question. Just two for me. Brian, first, I know you have made a lot on the opt-in strategy. Can you talk a little about what the take up you have seen from the other kind of large clients, maybe the top 10, and whether you see that changing following the AppNexus transaction?

And then, I would also be interested to hear, what metrics you looked at for valuing the Xaxis For Publishers that was contributed as part of the payment.

BRIAN LESSOR: Sure. So on the client front, if you read the press, and you read the [WFI] study, I think you would be tempted to think that advertisers are fleeing en masse from models like Xaxis, and the opposite is actually the case. As I mentioned, we have 21% more clients on an individual contract basis this year than we had last year.

Now there are large global advertisers that have voiced an objection to business models like Xaxis, within a holding company like WPP. I think in many cases, they haven't voiced an objection there outside of WPP. So working with some of the specialists and retargeting our performance marketing is okay, but Xaxis being part of WPP is not okay.

I think that that thinking will change over time, as advertisers understand that like for example, WPP has an investment in [Vise], for example. WPP has built a programmatic media company in Xaxis, and advertisers can rely on their media agency, whether that is Mindshare or Mediacom, MEC or Maxus to hold Xaxis as a media company accountable on a price and performance basis.

Now in the meantime, as I mentioned, GroupM has alternatives for these clients. But we have shown over time that it's actually more expensive for an advertiser to use a fully-disclosed model, or certainly take it in-house than it is to use Xaxis.

So I do think that there is a wave of sort of conversation and speculation around these types of models. But I do think that because we are out in front in terms of building this Company, and developing the model, we are going to take much of the heat for this. But over time, the industry will evolve.

So I am very optimistic about it. And I am optimistic partially because our business continues to grow, and I think we have only scratched the surface in terms of what is possible in programmatic media. The second part of your question was?

WILL SMITH: Just what metrics did you look at to value the Xaxis For Publishers as contributing that as part of the payment for the stake?

BRIAN LESSOR: Sure. So we have had a partnership with AppNexus for the last four to five years, even before we founded Xaxis. And in fact, we have always -- we had an ongoing conversation with AppNexus about what the right balance of assets between Xaxis and AppNexus would be. And we believe that Open Adstream or as we rebranded it Xaxis For

Publishers is in better hands with AppNexus, because they are building an end-to-end ad tech stack. So it is extremely valuable to them, and it's valuable to us.

I don't -- I can't get into the details on specifically how we valued it. But I think it has been publicized that the combination of WPP's $25 million investment plus the asset, plus a small stake that we already owned in AppNexus, nets us just under 15%. So I think it's relatively easy to do the math on that, given AppNexus has recently announced that they are valued at $1.2 billion post-money in their latest fundraising.

WILL SMITH: Okay. And then, I mean could you give us any color on how big Xaxis For Publishers was, in terms of sales within that $750 million in billings?

PAUL RICHARDSON: Well, we have said it is -- look at it on more of a gross margin basis. It is - - I think it's really in that sort of $30 million to $40 million sort of gross margin, was the business we had within Xaxis, specifically sort of carved out on this publishers side.

WILL SMITH: Great. Very clear. Thanks.

OPERATOR: We will now take our next question from David Reynolds of Jefferies. Please go ahead, your line is open.

DAVID REYNOLD, ANALYST, JEFFERIES & CO.: Hello. Yes, I just wondered if I could ask a question please, on the thorny issue of transparency? I guess, some of my more skeptical colleagues on the south side have got a bit of an issue with that. I just wonder if you could perhaps put pay to that in some shape, way or form? Perhaps give us some sense on the margin profile of the business as it moves from display to video, and where you see those trends evolving?

BRIAN LESSOR: Sure. So David, the one thing I would correct, is that Xaxis isn't transparent. We are transparent. In fact, so transparent that every advertiser knows specifically how we make money, and what the business model is. We are not disclosed, in that we don't disclose the price that we pay for talent, data, inventory, technology, et cetera.

The business, the profile of the business, and of course, I won't give you exact guidance on what are margins are, but the profile of our business is in line with other WPPs. So if you look at GroupM's profile within WPP, I think that you could see that Xaxis has a similar type of profile. And, of course, it is very easy to see how these businesses perform, as compared to specialists like Rocketfuel and Criteo.

So the answer is, it's somewhere in the middle. But on a profitability standpoint, I think what people don't understand is how much we invest back in the business. So we invested for example, $25 million in relaunching our DMP over the last 12 months, which is obviously very expensive. So, yes, the margins will vary from display to video to social to mobile, et cetera, but generally speaking, it is in line with other media businesses within WPP.

PAUL RICHARDSON: And David, I look at this -- I asked Brian questions as well, sort of offline. And in the sort of -- the conversations we have and the growth in the client base. Brian repeatedly says to me, two things. One, that we are able to get better pricing for publishers of their premium content. And secondly, we are able to get better pricing for clients, in the order of sort of 20% to 30% in terms of their previous digital media purchasing through other platforms.

So when you look at those two things combined, it has to be -- there is an efficiency that we are driving from the marketplace that actually clients are benefiting from. So I think, as long as we are successful in delivering that to clients, it actually it will be a successful platform, because clients will continue to sign up, because they see the value of that.

And as Brian mentioned before, the media agencies within -- well, the digital media buyers within Mindshare and MEC, Maxus, and Media Edge, they are not beholden to have to come through Xaxis to purchase that digital programmatical channel buying. And they will compare their prices with other market players, on each and other -- on each sort of marketing program they have in front of them.

So there is an in-built check and balance within our own system, within GroupM, and then also, clients are benchmarking. And the one obvious benefit of digital media, is it is much more measurable against other forms of purchasing in the same marketplace. So I think, that those things give us confidence that we are approaching this in the right manner.

DAVID REYNOLD: Sure. That's helpful. Thank you. Maybe just one follow up, and apologies for the [mischief] here, but would you be able to share perhaps a sense from an industry perspective, as this Xaxis model becomes more and more central to both advertisers and publishers, and the volume of trading going across the platform increases, would you anticipate seeing margins improve? Or are they relatively stable, or conversely do you see pricing pressure emerging with volume growth?

PAUL RICHARDSON: Well, I will tackle it first off, which is, I mean, obviously we do disclose that our media margin is the best in our group average. And I have said before that the Xaxis revenues, when I look at it from a group perspective, it still only represents less than 2% of the total group. So whilst we are very excited about the performance of Xaxis, and how it's done, and how it has performed the last five years, it is still relatively small in both the scale of GroupM and the scale of the group.

I think -- I think you do look at -- I forget which slide number, in terms of the plethora of independent marketing technology companies within the industry. They cannot all survive in terms of -- a number of them are not profitable in terms of how they -- their current business model is performing, and there will be consolidation. And traditionally, when media becomes a larger share of the pie, margins do equate to more -- of the more normalized level in each industry. So I think there is some time to go.

And there is also an opportunity where there will be winners and losers in each technology stack, as they perform well or badly over the next three or four years. We are obviously, determined to make sure Xaxis has the full support and full backing, and obviously, we are expecting it to deliver -- at least GroupM media margins as they continue that journey.

As Brian said, we are the widest in terms of the channels in which its technology platform serves. It's social, it's video, display, even radio. So we are continuing to making new investments in it, and that will obviously keep the margin within a range. And what I would say, is actually the margin of Xaxis, despite its growth, despite its technology, has been relatively constant for us over the last three to four years.

So whilst it is good and growing, we have sort of controlled the investment, controlled the performance of the business to allow these things to happen in a sort of normal competitive environment. Brian, do you want -- have any?

BRIAN LESSOR: Yes, I think that's right. I mean, even in display, which is at this point a very mature market, I think you are still seeing that there is innovation that comes into display. The only thing I would add to what Paul said is that, part of the reason we have created Xaxis is to come up with new products, new technologies, new ways to engage users.

If we were to simply stand pat on what we have built, and continue to sell campaigns as we have sold them, I think you would see a decline in our margin over time. But we are constantly investing in the business. And if you pay attention to the products that we have built and release into the market, I do think that in most cases, we are leading the market with new types of products. And therefore, we have been able to maintain a relatively stable margin over time.

DAVID REYNOLD: Very helpful. Thanks.

OPERATOR: We will now take our next question from Julien Roch of Barclays. Please go ahead, your line is open.

JULIEN ROCH, ANALYST, BARCLAYS CAPITAL: Yes, good afternoon. Three related questions. You have shown the LUMAscape with [Demesta] is in the middle. And in the past, there is talk about you wanting to consolidate that space, and Paul made a remark to that effect. So my first question is, is how successful are you in consolidating that space?

My second related question is, the World Federation of Advertisers just put out a white paper on programmatic. And in terms of value chain, they say that the agency of record and the agency trading desk get 5% and 15% of the value change, the DSP,10% the value add 25%, and the exchange 5%, and the publishers 40%. Sorry, lots of numbers. Do you agree with kind of that slate?

And then the third question is, where do you see Xaxis [strong] -- WPP, strong through the agencies, taking their share of the pie once the market has consolidated? And how much of the publishers can get back, or will that stay at 40%. So three interrelated questions on the value chain?

BRIAN LESSOR: Sure, and they are all related. With regard to the LUMAscape, it is not our intention to consolidate that space, although to Paul's earlier point, clearly, it does have to -- it will become consolidated.

There aren't -- those companies can't survive. I would say that the vast majority of those companies are not profitable right now, even the companies that have managed to take their business public, and raise money in the public markets in some cases are not profitable. So that is clearly not sustainable.

Our job within Xaxis is to partner with the best-of-breed in each of those categories, and stitch together a seamless platform for advertisers. And as we do that, we have preferred financial relationships with each one of those partners.

So in fact, I would argue with the WFA study. I don't understand the methodology they used. And just on the metric of -- they claim that use of what they call agency trading desks. But use of agency's programmatic platforms have declined year-over-year, our business is up over 20% this year. So either their study is flawed, or our competitors are suffering much worse than we are.

So coming back to LUMAscape, we actually deliver more value to publishers and more value to advertisers, because we can have those connections across all those companies. Publishers that work with Xaxis earn up to 30% more on a CPM basis, than if they were to use an ad exchange, like a Google AdX or others.

So, of course, we are entitled to taking some value out of that equation, because it is hard work to stitch those companies together, and to continue to build technology. But from an end-to-end standpoint, our advertisers see up to 30% improvement in their performance or pricing, and our publishers see up to 30% more on a CPM basis.

And although I won't mention them by name, there are some major global publishers that happily do business with Xaxis, and sell us high quality inventory. So I think that that's part of the value that we bring.

In terms of, as this consolidation occurs, what will happen to Xaxis? I think we believe that only truly scaled platforms within the space are going to be able to affect real change and continue to innovate. And that is why we have been laser-focused on building Xaxis, and building scale in the platform. And so, we think over time our share will increase, particularly as we get into new channels, such as mobile, TV, out of home, radio, et cetera.

JULIEN ROCH: And maybe then, a more general question at the WPP level for Paul. If you take together all of the WPP digital media buying, how much do you feel you get of the -- that part in the middle of the LUMAscape, and through consolidation, or will you participate or not? What kind of [increment] share can the agency hope for in the coming years?

PAUL RICHARDSON: Well, I am going to try and answer it a different way, because I was very struck back in 2000, when we listed -- actually, I think we might have done the slide even -- the top 10 buyers of digital media in the landscape. And if you lined up the top 10 on traditional media buying, obviously, it would have been the usual suspects, ourselves, InterPublic, Omnicom and Publicis. But when we list -- when we lined up the top 10 digital media buyers back in 2000 - 2001, the top five were independents. And none of the big four or big five had actually established a sizable presence in the digital media buying landscape.

Obviously, through 2000 to 2007 and beyond, we have actually now, in fact all of us, all of the big four, have made different initiatives to basically be a player in the digital media buying space, where we can add some value. And obviously, the -- not only is it in terms of access to content, but obviously, scale still matters. And I think we have shown that we have actually moved ahead, made that one significant investment back in 2007 with 24/7 Real Media, and have got other interests in terms of our investments.

We are making sure we cover off, [purchasing] content like [Vise] et cetera. So I think we tend not to look at it in the -- essentially the whole landscape, but actually what is our share of that particular buying segment, and are we a top 5 player in that case? And I think we have, I think pulled our socks up in the last sort of 14 years, and actually developed a very sort of market-leading position both in platform and in scale.

And obviously, intend to make sure we retain that leadership advantage, and if not build on it. And I think it's -- that is what we are keen to do, and not only in the US market either. So I think when you look at some of the strength of our businesses, it's not just because it's strong in the USA, or just because it is strong in Europe. It is because it is very strong globally.

And I think some of the opportunities we see, are actually in some of the emerging markets where we are probably way ahead of some of our competition, in both the technology and the scale that we can bring to the equation. So I think that is more how we look at it.

It is getting into these markets early, getting into technologies early, sometimes by learning through investments. But then establishing a scale in the presents that gives us an outright advantage in terms of the media purchasing costs that we are delivering to [cloud]. If we can achieve that, that's really the fundamental principle with which we are working towards rather than total market share of anyone particular sector.

JULIEN ROCH: Okay, that is very useful. And to be able to independently track your share of that buying segment, are you using recommended (inaudible) to try digital media buying or is there an external source we can track?

PAUL RICHARDSON: I'm looking at Brian, but I am not sure there is great sources yet. I am sure they will all come. I am sure TNS will be able to drive you with any sort of measurement that you wish. (laughter)

JULIEN ROCH: Very well, thank you very much. Very useful.

OPERATOR: Tom Singlehurst from Citi.

TOM SINGLEHURST, ANALYST, CITIGROUP: I just wanted to get back to the margins because I can't work out how you -- how it ends up just being a (inaudible) standard to average media buying margin. Just going through the G&A cost basis of Company stock (inaudible) a bunch of others you find anywhere between 45% and 55% G&A cost base is sales and marketing. And you have been advertising that product, i.e. I presume take out the agency to dinners and meetings and basicially sell their services.

I'm working on the assumption that you don't have any of that. Plus you are about twice if not three times as big as a lot of them in terms of over-bidding. I just wanted to sort of really work out, what we are missing? I mean, are you spending sort of hundreds of millions of dollars a year in [deals] -- or are you just taking a much, much lower net sales out of that [$]750 million of billing than we all think? Because most media, most ad tech companies appear to have a gross margin in the sort of 40% to 60% range. That was the first question.

And then the second question actually for Paul, you have put in the release that you value -- or if Xaxis had an equivalent value to other ad tech companies, it would be worth over $4 billion. I was just wondering how you calculate that?

BRIAN LESSOR: So Tom, I read with great interest your estimates on our margin. And I can just say, that it's not accurate, that it is much higher. Your estimates are much higher than the reality of our business. We have sales and marketing costs. We have over 800 employees.

And we have employees that literally sit within each of the agencies and educate the agencies on programmatic, and we have software engineers, data scientists, campaign managers, et cetera. So I think that the cost of the Xaxis platform are probably similar to the public comps.

No, we don't do as much marketing and advertising, but I think that those costs that we save are fed back into our software development and our technology. But I don't think it's fair to say that we don't have any sales and marketing costs, because we do quite a bit of client outreach.

The other aspect of that is that is 10% of our business is currently done outside the GroupM agencies. So we have a substantial business going direct to advertisers. It's small in relation to our [$]750 million, but it is growing. So we are spending a considerable amount in sales and marketing for that segment of our business.

PAUL RICHARDSON: I think, Tom, that was a fairly broad brush valuation, without specifics at the time. What I would say is, we do incorporate all our various investments, both the ones that you know about, obviously which are more publicized and bigger. And there are many small stakes that we have that are basically unpublished. But when you -- and yes, I think we do accept that the flotation values of Critea and Rocketfuel were very strong. And when you compare, at that time, obviously our valuations -- although our company was a lot smaller, was much greater. We are obviously looking a little bit in terms of the future, in terms of the scale of Xaxis, in terms of 2015. The valuations have come off. But obviously, so again has our various investments increased in terms of some of the other areas where we have been quite involved. So I would use it as a very broad brush figure, to be quite frank with you.

TOM SINGLEHURST: Thank you. Fair enough. One quick follow up. On the G&A base, I mean, I know there are more R&D investments going in. You talked about the new demand side platform. But in principle once we get below the net sales level -- I excluded the cost of the inventory and the media itself, is this a fixed cost business, or in principle should it be a fixed cost business before reinvestment in new markets? And should it be very scalable, with a lot of drop through on increased net sales?

BRIAN LESSOR: I mean, I think like most good businesses, it should have positive operating leverage rather -- the more scale we have, the more efficient we get. But again, we would look to take the profit, and reinvest it in developing new products. So I don't think the margin is fixed. And I do think that having scale in programmatic, like having scale in any business affords us an ability to get more efficient over time, and that is what we will use to enter entirely new markets and new channels.

And the other thing I would point out, and Paul mentioned this, is that if you look at the geographic profile of some of our specialist competitors, there is no company that is even close to Xaxis, in terms of the number of markets that we operate in from Japan and China and India, across all of Europe, North America and Latin America. Again, when you look at G&A costs, we have made a significant investment in making sure that our advertisers have a global solution.

TOM SINGLEHURST: Okay.

PAUL RICHARDSON: Tom, I think we have still got a big list of questions, questioners waiting behind you.

TOM SINGLEHURST: That is a lot to get through.

BRIAN LESSOR: If we can -- anymore -- I mean, take offline with us, I would be grateful. But I know every time we answer a question, another persons puts on the queue. So if we can keep moving on, we would be grateful.

TOM SINGLEHURST: I will take off. Thank you.

OPERATOR: Thank you. We will now take our next question from Doug Arthur of Evercore. Please go ahead, sir, your line is open.

DOUG ARTHUR, ANALYST, EVERCORE PARTNERS: Yes, good morning. Brian, just in terms of the thought process on injecting the publishing platform into AppNexus, you mentioned some of the things that advertisers have objected to, in terms of Xaxis position within WPP. Is there -- does that make -- is there any potential conflict that that is now resolved by that move, and actually may enhance client additions, or is that a nonissue?

BRIAN LESSOR: I don't -- I wish it helped that issue, but it doesn't. I -- we simply took a piece of our ad techs back, and handed it over to AppNexus. Because as I mentioned, we think that it is more consistent with what they are trying to build in the market.

They are not trying to build a media business. They are trying to build a software-as-a-service business with an end-to-end ad tech stack. And so, this piece of the technology is more consistent with what they are trying to achieve. We are trying to build a media business, and we are building programmatic products. So I don't actually think that our sale of Open Adstream to AppNexus really changes the debate around whether or not WPP is in its right to build a media company, which obviously we all think it is.

DOUG ARTHUR: Okay. Great. Thank you.

OPERATOR: We will take our next question from Ben Swinburne of Morgan Stanley. Please go ahead.

BEN SWINBURNE , ANALYST, MORGAN STANLEY: Thank you, and thanks for the time. Obviously, very helpful for everybody on the call.

I was curious if you could give us a sense for how much of client spending you think is running through programmatic at this point? I would guess WPP and on the Xaxis platform, just trying to get an understanding of how far -- how deep have clients gone with programmatic at this point?

And then, on video, Brian, you mentioned video is over half the business now? Can you comment on how much of that might be television versus online video?

And then lastly, DoubleClick and soon Facebook's Atlas seem to be direct competitors. I don't know if you would agree with that. And I am just curious how you do or do not work with them or differentiate versus them from a client perspective inside of WPP? I know that is a lot, but thanks.

BRIAN LESSOR: Sure. So percent of spend, I think you would have the industry metrics on how much of any client's overall budget is digital. It is -- depending on the estimate it is 20% to 30% at the moment. And then if you understand that a large portion of that 20% to 30% would currently be spent on search, I think it is safe to say that well under 5% of a client's overall budget is spent on programmatic media outside of search.

So that is good news for us, because there is lots of head room for us to grow the programmatic media business. And I do think that advertisers are starting to see the advantages of programmatic, for many of the reasons I said in the presentation. It's simply getting harder to have an ongoing conversation with your consumer base, without the use of technology and data. So we think there is a lot of head room there.

On video, I mentioned that about half of our business this year will be video. For the most part, that is online video. We do buy some television inventory, but television inventory is very, very limited in terms of its programmatic availability. There is some, but for the most part, it is extremely limited.

GroupM also has another entity called Modi Media that specializes in addressable television and programmatic television. But it is still very early days for programmatic TV.

And then, in terms of our relation to DoubleClick and Atlas, DoubleClick as a agency ad server is the leader in the space, obviously from a market share standpoint, and has some competition in Sizmek and Atlas. And that's not a business that we are really in. We are not in the agency ad server business. What I would say, is that clients should rely on their ad server, which is essentially a counting mechanism that helps advertisers understand performance to be agnostic to media and data.

And what we want to avoid is to have two or three or four walled gardens of inventory plus tech, where an advertiser loses an ability to understand their consumer across multiple channels. So if you are using one set of technology to buy Facebook, and another set of technology to buy Google and other properties, and yet another set of technology to buy Twitter, we think that that's very difficult for advertisers because, of course, our clients want visibility across all of those channels.

Part of what has made Xaxis successful is that we have a very deep analytics and insights practice, where we not only provide advertisers savings and efficiency, but we also give them insights into attribution. Which to say, where are their customers performing the best, where are they engaging the most? And part of the reason for our investment in AppNexus is that we think that this requires an independent ad tech stack, rather than us having to work with -- as I said, several walled gardens of technology plus inventory.

BEN SWINBURNE : Very helpful. Thanks a lot.

OPERATOR: We will take our next question from [John McKay] of [F M Moore], please go ahead.

JOHN MCKAY, ANALYST, F.M. MOORE: Thanks, Brian, for the excellent presentation. I was just trying to relate the general growth of US programmatic display ad spend of 30.7% in 2014, to your North American growth rate of 16%, which seems to be more or less in line with the growth rate of digital advertising in generally at 16% to 17%? So I would be just wondering why Xaxis isn't growing faster in the United States? Thanks.

BRIAN LESSOR: Sure. So it is a question about the base. Our business in North America is over $250 million in terms of our billings, and that would be bigger than most of our competitors in the US. So as the base grows, our growth rate slows.

However, this is partially why we are making investments now into our direct channel. Because for the most part within North America, we have done a good job of working with clients that are already within GroupM and already within WPP. But we do think that as the market changes, there are a substantial number of advertisers that want to work directly with a programmatic media platform. And so, we are making investments in that direct channel now.

JOHN MCKAY: Thank you.

OPERATOR: We will take our next question from William Mairs of Nomura. Please go ahead.

WILLIAM MAIRS, ANALYST, NOMURA ASSET MANAGEMENT: Hello, thanks. And just one question on programmatic buying being taken in-house, which I guess is a growing theme. You see companies like P&G using a platform like AudienceScience to do so. And I guess, some of these platforms do appear as if they have compelling products, allowing advertisers to keep a hold of their own private data, rather than hand it over to an agency. And they also have full pricing transparency over the buying and selling of media.

So I guess, the question is, what do you think about these rival platforms, and perhaps how do you approach things during a client pitch, in terms of what Xaxis can offer better versus some of these in-house buying products? Thanks.

BRIAN LESSOR: Sure. So it's a very complicated question. I think in some cases, we are very supportive of advertisers taking control of some pieces of the ad tech stack. For example, I do think clients should manage their substantial data assets. Now there are lots of third-parties that help them do that, but at the end of the day, it is a very good thing that advertisers are investing in technology, to better understand the audiences coming to their web sites, for example.

However, I think this notion that advertisers are bringing programmatic in house is exaggerated. Because generally speaking, from what I have seen advertisers are doing an excellent job of using their first-party data to do, what I would consider relatively simple things within the programmatic space like retargeting.

But when you get into all of the different available technologies from ad servers to SSPs, DSPs, DMPs, ad verification, viewability. And then you multiply that by each and every channel, because generally speaking, the technology players are different in display, video, mobile, social, et cetera, it becomes very, very complicated.

So while I applaud advertisers for taking control of their own data I do think over time, we will see that technology and data is not necessarily making it easier to engage with audiences, it is making it harder. And you need a company or a platform that can stitch these things together for you in a very effective way. Combine that with simply our buying power, which Paul talked about, but because of our scale and our trading relationships, we can simply get higher quality inventory at lower prices, and still deliver better CPMs to the publishers.

So I think only the largest advertisers in the world would be able to accomplish that sort of dual challenge. Which is dealing with all the ad tech players, building a team of professionals in an industry that has only been invented over the last ten years, and using scale to gain access to high quality inventory as programmatic moves from display into video into mobile, and eventually TV.

So I think it's complicated, and I feel very good about what we have been able to build in Xaxis. And of course, we are happy to work with advertisers that want to try to in-house some or parts of that. But I do think that the press around on this is exaggerating what is actually happening in the market.

WILLIAM MAIRS: Okay. Great. Thanks.

OPERATOR: Operator. We will take our next question from Johnathan Barrett of N+1 Singer. Please go ahead.

JOHNATHAN BARRETT, ANALYST, NPLUS1 SINGER ADVISORY LLP: Good afternoon. I -- most of my questions have actually been asked now, you will be relieved to hear. I think there is two things outstanding. First of all, just tell us what your thoughts are on potentially owning an exchange one day? Obviously, you are highlighting that you think AppNexus is the only truly independent one of scale. I am just -- if you could just talk us through that?

And secondly, if I frame up what you were trying to say today is that, you don't think the stand-alone players on the advertise side of the market, the DSPs have necessarily got much of a future against well-organized and invested agencies with the right products and services? Is that what we should be taking away today?

BRIAN LESSOR: No, in terms of owning an exchange, we do own an exchange in a way, depending on how you define it. We don't own the technology that connects buyers to sellers. We owned a piece of that, and we have sold it to AppNexus. But in the sense that an exchange is a market, Xaxis owns a market. We have direct relationships with publishers, and we use programmatic technology to buy inventory from those publishers in real-time, much of which is pre-negotiated so that we can gain access to better rates and better inventory.

So I don't think that we need to own the infrastructure. We don't need to be the NASDAQ market, but we can have the best technology to take advantage of the technology, and create products that we then package and sell to our clients. So at the moment, I don't see a need to own the infrastructure itself.

On DSPs, I wouldn't say that the future is bleak for DSPs. I would say that there is going to be winners, and there is going to be losers, and there is very good companies in the marketplace right now. And there is some that I don't think are going to survive. But that piece of the ad tech stack is extremely important. We have a partnership with AppNexus. We also work with other DSPs.

I know those that tend to perform very well, and those that tend to perform not so well. So I think over time, when you look at the profile of these businesses, they are either going to have to keep going back to the well to raise more money, either privately or publicly. Or they are going to have to figure out how to turn a profit and continue to invest, or you will see many of them go out of business. I think that is just the reality.

JOHNATHAN BARRETT: Okay. Thank you very much.

OPERATOR: We will take our next question from Charles Bedouelle of Exane. Please go ahead.

CHARLES BEDOUELLE , ANALYST, EXANE BNP PARIBAS: Hello, good afternoon. Good morning, everyone. Thank you for taking the time. Two quick questions if I may.

The first one is coming back on the growth of Xaxis, which is obviously quite strong given the size of the business, but maybe not as strong as the overall market in programmatic? Is it fair to say that the fact that you have this arbitrage I would say, strategy, somewhat to hinder the growth of the asset in this -- could be maybe better relative to the market as the client acceptance increases? And then I have got another question on a different matter on AppNexus.

BRIAN LESSOR: So I -- some of you may have heard me say this before, but our business is not arbitrage. Arbitrage is acquiring something in one market, and selling that same thing in a different market. What we acquire is inventory, and we combine it with data and technology and talent, and we sell something completely different. So it is more akin to a manufacturing process, than it is arbitrage. The asset that we buy from a publisher is not the assets that we eventually sell to our clients. So I don't consider that arbitrage in any sense.

Now I think the question was, does our model afford us an advantage when it comes to building a scalable platform? I do think if you compare our model to an agency trading desk within some of our agency competitors, it is awfully difficult for them to invest in technology and invest in people, when they have got a traditional agency model. And I think what happens to those models is that they became service centers, or they become centers of excellence for a discipline, and not businesses unto themselves. So I do think that is an advantage for us.

CHARLES BEDOUELLE : Okay. That's great. And then, just a slightly different question. On AppNexus, I mean, would you say that -- or maybe not, would you say that investing in AppNexus is also a way for you to be a stronger, independent player? And that this is something that you will look for [work], in terms of balancing the market power, compared to some of the big players that WPP has been talking about in the past, as being [frenemy] or something close to this?

BRIAN LESSOR: Yes, absolutely. I don't think Google owning the entire ad tech market is good for advertisers, because we have seen that Google can give preferential treatment to their own products via their technology. So, yes, I think it is good for us to make this investment with AppNexus, so that we ensure that there is an alternative to DoubleClick.

CHARLES BEDOUELLE : Okay. That's great. Thanks for the time.

PAUL RICHARDSON: Operator, we got anymore?

OPERATOR: Yes, we will take our next question from Peter Stabler of Wells Fargo Securities. Please go ahead.

PETER STABLER, ANALYST, WELLS FARGO SECURITIES: Thanks for doing this call, very helpful. So question for you Brian, kind of philosophically on the role of RTB and open exchanges. Ari Bluman has spoken recently about GroupM's decision to not buy off the open exchange, yet it seems to us that the promise of programmatic at its onset was truly separating context from audience. So could you talk a little bit about your view on the open exchange market and the future there, and how that may or may not differ from GroupM's view? Thanks very much.

BRIAN LESSOR: Sure. I think we have to separate the promise of programmatic from the promise of an open RTB environment. Programmatic is an enabler of a transaction. And I believe what Ari was saying, is that he would prefer to have a direct relationship with the publisher, whereby he can pre-negotiate rates and ensure that he is getting consistent quality, rather than buy from an open marketplace.

And we share that view within Xaxis. I think that because we have advertisers that are very performance-oriented, and sometimes therefore the inventory quality is not as important as the overall performance of the campaign. So for example, direct response marketers, that we can in fact buy some inventory from open exchanges and it performs well for us. And we can ensure quality through other third-party techniques.

So GroupM wants to get to a position for its agencies where they are not buying from an open exchange, but in fact they have created a marketplace for their clients. And Xaxis shares that view, but I think has a slightly different standard, because we tend to work with some advertisers that are so performance-oriented, that if we have first party data, it's okay that we buy call it 10% of our inventory from an open exchange.

PETER STABLER: And I do -- can I have one quick follow up on that. How would you assess industry efforts right now to reduce the issues of bot fraud, which continue to be kind of nagging?

BRIAN LESSOR: Yes, it is a very serious problem. And I think that it is going to require an investment from publishers, companies like Xaxis as well as advertisers. We have done our share. Charles, I'm sorry, Peter. Just a few months ago, we launched a product called Xaxis Prime which guarantees 95% human traffic. So I think we are the first Company of our kind, and certainly of our size to offer a cost per human, rather than a cost per thousand.

So we have done our share, and we have worked with all of the relevant third-parties to make sure that we have a 95% guarantee on human traffic. We have also done the same kind of investment on viewability. But you are right in saying, it is a serious issue. We have to get advertisers to think differently about performance, and not simply think about cost per click or view through attribution.

We have to make sure advertisers understand the higher threshold of human traffic is going to mean a dip in performance over time, because the bad actors will have to be weeded out of the system. And we have to get publishers to make an investment in understanding what kinds of technologies they can use to ensure that all of their traffic is human traffic. So I do think that the industry through the [ID] and other industry bodies is taking this seriously. But it's a serious issue.

PETER STABLER: Thanks very much.

OPERATOR: We will take our next question from James Dix of Wedbush. Please go ahead.

JAMES DIX, ANALYST, WEDBUSH SECURITIES: Hey, good morning, or/afternoon. Just two questions. Just following up a little bit on Ben's earlier about DoubleClick and Atlas.

I guess, more broadly, Brian, how do you see your business competing now in revenue and getting clients and delivering performance versus Facebook and Google? And more specifically, what do you think the implications are, if any, from Facebook's move into offsite networks?

And then secondly, where do you see the ad spending that goes through Xaxis coming from, in terms of other budgets -- other parts of the budget of the clients, especially in terms of is it more of top funnel? Or is it moving -- you mentioned you have some direct response clients, so I presume that is more movement from other performance channels, but I am just trying to get a sense as to how you see Xaxis pulling its revenue from various types of advertisers objectives, I guess? Thanks.

BRIAN LESSOR: Sure. Well, Xaxis in relation to Google and Facebook, we have a much smaller business than either Google and Facebook. I think that Facebook has done a very good job of introducing programmatic media products, and they have clearly have done a great job in mobile, where we see that they are far and away the largest player in mobile advertising right now.

Google has great media properties. And I think as Sir Martin has said many times, Google is primarily a media company, because that is how they generate their revenue. And our issue is not with Google as a media company. We think, as I mentioned, they have great products like YouTube and others.

Our issue is when you attach technology to those products, you create a bias, and I think that is evident in some of the things that Google has done. So Xaxis in relation to those companies, Xaxis is not a direct competitor to either one of those companies, but rather a platform by which advertisers can engage audiences across those properties as well as others. And that is how we will continue to build the business.

In terms of our advertisers, our advertisers are consistent with WPP's advertisers. So that is much more brand-oriented than direct response-oriented. But as you know, in any new channel, direct response advertisers are typically the first movers to take advantage. So our advertiser base would skew more towards direct response than for example, WPP or GroupM's overall portfolio of our advertisers.

But clearly, the product development within Xaxis is more focused on brand advertising than direct response. And the growth of video within Xaxis is the best example of that, where we have grown our business in video very significantly, because we have been able to show advertisers how video interacts with traditional broadcast channels like TV. And that has meant that advertisers can then spend more on video, because they understand how it interacts with their broadcast television button.

JAMES DIX: Is it fair to say that, that spend is coming from the traditional TV area within each client's budget? (Multiple Speakers).

BRIAN LESSOR: (Multiple Speakers). I'm sorry.

PETER STABLER: Just to follow up on the first part. So, it is not to say that, some clients might come to you and say, well, we have talked with Facebook and its properties about achieving a certain reach or frequency or whatever the metrics are in terms of branding. What can you do for us, because if we think we can get better metrics, in terms of like our branding objectives, whether it is on mobile or desktop or elsewhere, we are happy to spend it with you? I mean, you don't see a lot of that dynamic?

BRIAN LESSOR: No, I absolutely see that dynamic. I mean, it is no secret that Facebook is working directly with advertisers as is Google, and that's fine. And I am sure advertisers find that very effective.

What I am suggesting is that advertisers overall want to engage their audiences across those properties, as well as others. And I think Facebook relaunching Atlas is certainly a start to Facebook perhaps offering advertisers an ability to use Facebook data outside of Facebook. But it is very, very early days on that. And I think until you have a technology like Atlas or DoubleClick that is truly universal across every type of addressable platform or channel, you are going to need a company like Xaxis to help connect those pieces.

PETER STABLER: Great. Thanks very much, gentlemen.

OPERATOR: We will take our next question from Sarah Simon of Berenberg. Please go ahead.

SARAH SIMON, ANALYST, BERENBERG BANK: Yes, hello. A lot of questions answered. I just have one. I am interested in what you said about being able to pay more to your publishers. Because obviously, there is quite a lot of publishers out there who say the reason display is kind of imploding because of programmatic. What would your kind of comments to that be? Thanks.

BRIAN LESSOR: Right. It is interesting Sarah, if you look in markets that didn't develop this quickly, I think you would find the opposite. In markets in Eastern Europe or Asia, where publishers didn't have the tools available to them four to five years ago, and now are starting to strategically approach programmatic, you would find the opposite, where publishers are actually generating incremental revenue and higher CPMs via the channel.

I think what happened in the sophisticated markets like the US and UK, is publishers took their [remnant] inventory and contributed to an exchange, and that cannibalized their direct sold inventory, or their Tier 2 inventory. So, yes, I do think it depends on how a publisher develops a programmatic strategy.

But I would say, working with major global media companies that have approached this thoughtfully, they recognize the mistakes that may have been made in the past, with regard to dumping all their inventories into an exchange. And now realize that there are mechanisms like private marketplaces or direct connections to buyers like Xaxis, where they can actually earn incremental revenue and see an increase in CPM.

Part of the problem in display is that there is just too much inventory. It is -- there is a supply/demand problem, because there is an oversupply. You don't see that in video, where there is actually a relatively tight market in most parts of the world. So the market will adjust over time, and I think you will see fewer display ads. That in combination with the fraud and viewability problem, means it is probably good for consumers as well. You will see fewer display ads, but they will be more engaging, and publishers via programmatic will see a rebound in their CPMs and their revenue.

SARAH SIMON: Great. Thanks a lot.

OPERATOR: We will now take our next question from Brian Wieser of Pivotal Research. Please go ahead.

BRIAN WIESER , ANALYST, PIVOTAL RESEARCH: Thanks for taking the question, and all the questions actually. Back to the AppNexus deal, I am curious if there is a specific benefit or commitments between you and whether at the Xaxis level, or the GroupM level for the agencies, and AppNexus as part of the announcement? For example, are there price advantage volume commitments for spending via the exchange, or a certain number of DSP licenses you are committed to?

And then second question, Paul, I think you mentioned $30 million to $40 million on Xaxis For Publishers in gross margin, that was pounds or dollars?

PAUL RICHARDSON: That was US dollars.

BRIAN WIESER : Thank you.

PAUL RICHARDSON: I will answer that one first.

BRIAN LESSOR: Brian, there is no spending commitment to AppNexus as part of this deal. There is no commitment with regard to number of DSP or SSP licenses. There are no volume commitments as part of this deal.

So it is pretty clean, in terms of we have invested. We have sold an asset, and as a result, we will gain a Board seat and some influence over their development roadmap. But again, we have been partners with AppNexus for several years. So that is I think, just a natural evolution of the relationship. But, no, there are no spend commitments or guarantees to AppNexus as a result of it.

BRIAN WIESER : Got it. Thank you.

BRIAN LESSOR: I think we are --

PAUL RICHARDSON: We may be our --

BRIAN LESSOR: Our last question.

PAUL RICHARDSON: We may be.

OPERATOR: Okay. We also have a question from Filippo Lo Franco of JPMorgan. Please go ahead, your line is open.

FILIPPO LO FRANCO , ANALYST, JPMORGAN: Okay. Thank you for taking my -- the last question of the day, is going to be very, very quick. So the first is, how much your business is dependent on getting direct data from -- I mean, you might not consider it, but a lot of people in the market consider your competitors like Google, Facebook, and so on. And the question is really what if, you no longer get access to their information?

And the second question is that, how you see programmatic with native advertising? Do you think that the merge, I mean, the increasing emergence of native advertising has impact on programmatic? Thank you.

BRIAN LESSOR: So the first question on data, data is probably the most important aspect of our business. Data comes from many different places, including from advertisers themselves, from publishers, and from third-parties. We have an advantage over other platforms in that we have our own proprietary data set. Some of those we create.

FILIPPO LO FRANCO : Sorry, I can't hear you because there is a --

PAUL RICHARDSON: Yes, the cops are coming. (Laughter).

FILIPPO LO FRANCO : The cops are coming to take you -- (Laughter).

PAUL RICHARDSON: (Laughter). They are taking me away. (Laughter).

BRIAN LESSOR: Some of the data we create ourselves by cojoining other data sets. Some of the data we work with partners, for example, within Kantar. WPP, I think, stands alone in having a data investment management business. Of course, we are good partners with Kantar, and for certain data bases we have access there that others may not have.

Certainly, Facebook has fantastic data, and clearly they want to use that to build a bigger marketplace, and that is what's behind the Atlas announcement, and Google has excellent data as well. But I do think if you look at this as a data war, where we are holding up very, very well because we have proprietary data assets within the company.

On the second question on native, I do think that native is very well-suited to programmatic. We made an announcement a couple weeks ago with a partnership called GumGum, where we can serve in in-image advertising. And we are the only company in the world to offer in-image advertising programmatically. And so, I think that you will see an acceleration of native advertising via programmatic technology, because it tends to lend itself well to programmatic.

FILIPPO LO FRANCO : Okay. Fantastic. Thank you.

OPERATOR: As there are no further questions, I would like to turn the call back to the speaker for any additional or closing remarks.

PAUL RICHARDSON: Thank you, operator. Thank you all for your patience, and I think Brian has done a stunning job helping us through this. But obviously, we are all still around, Brian, myself, Fran and Chris for any further questions. But thank you all for joining us. I hope you found it useful.

OPERATOR: Thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

Load-Date: October 2, 2014