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Sent: Friday, November 22, 2013 4:37 PM EST
To: Tim Cadogan <tim.cadogan@openx.com>
Subject: Important, Not urgent
Attachment(s): "Ad Server QBR - 11.15.13 Final.pptx"

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From: Paul Sternhell <paul.sternhell@openx.com>

Date: Friday, November 15, 2013 1:28 PM

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Subject: Ad Server Q4 2013 QBR Deck

The Ad Server QBR deck that I presented today is attached. Branden, Ananth and I will pull together the follow-up information we discussed and will send an update to this distribution.

Branden also updated the attendee list for future QBRs to include this full group.

Best,
Paul

Paul Sternhell

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Ad Server Quarterly Business Review
11.15.13



Unleashing the full economic potential of digital media companies

Forbes 2013
America's Most
Promising Companies

//CODIE//
2013 DIGITAL ADVERTISING



Gartner 2013
Cool Vendor



Agenda

Executive Summary

- Revenue Analysis
- Sales Feedback
- Churn Analysis
- Pipeline Analysis

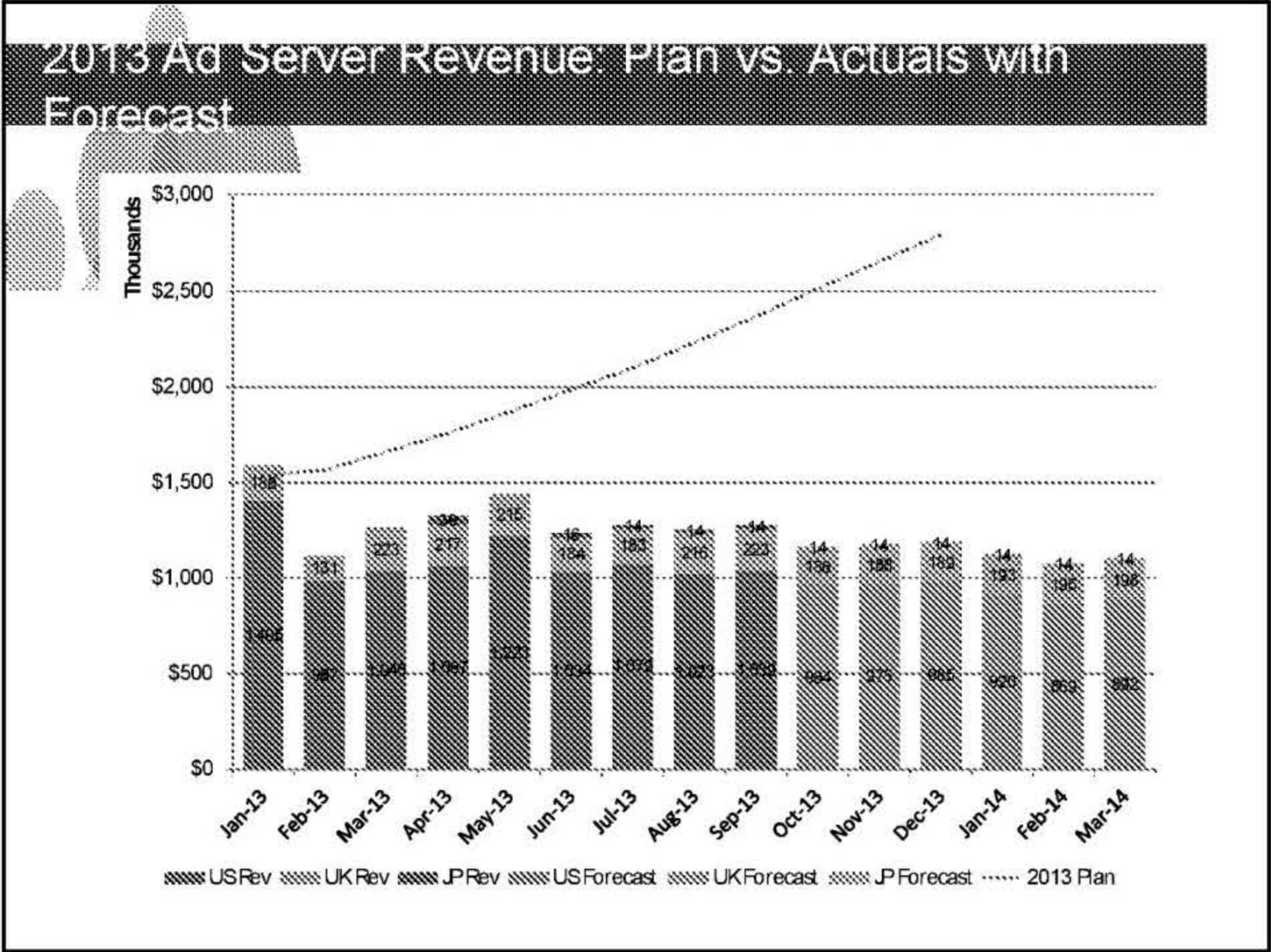
Consider – 3 Columns – We're outside / We move inside / The 2 are merged

Executive Summary

...and increasing gap between 2013 plan and actuals/forecast due to much lower new revenue (fewer BDs, smaller TAM due to TQ), much higher chum (TQ, product dissatisfaction), and negative variance.

- One third of current Ad Server revenue churning or at risk of churning.
- Low level of sales focus and marketing support exacerbated problem.
- Need to manage existing TQ risk and filter TQ publishers going forward.
- Increasing sales excitement / focus on Ad Server but need product improvements (fixes to current features + differentiators) to capitalize.

Consider – 3 Columns – We're outside / We move inside / The 2 are merged



Fully inclusive of all known churn

Sept. 2013 Ad Server At-Risk Revenue: Top 20 Publishers

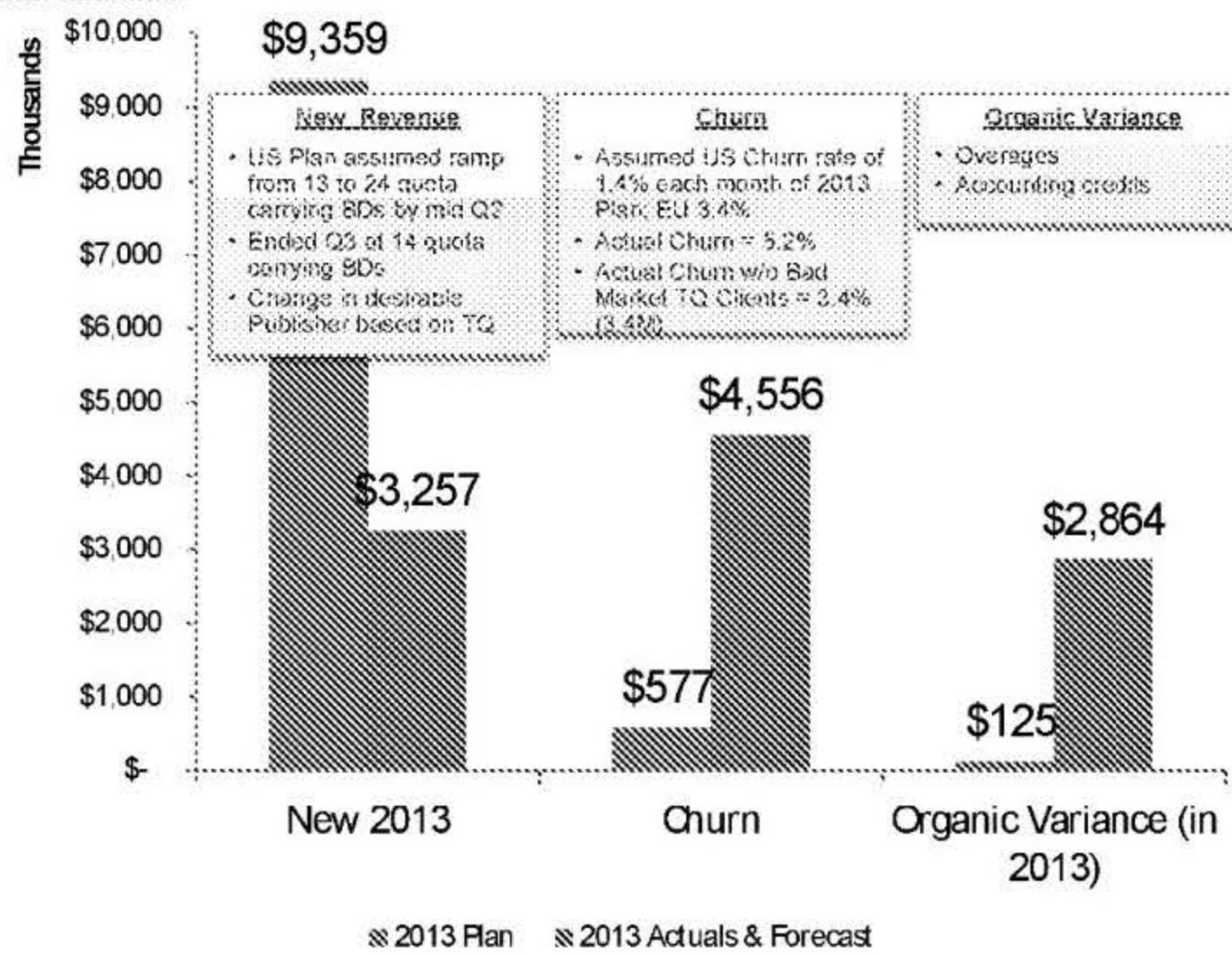
Publishers	Sep. 2013 Revenue	Bad TQ Client?	Known / Probable Date of Churn	% of Total Revenue
BrainStock Media	\$92,544			7.3%
Adknowledge	\$84,649		2/28/2014	6.6%
Brand Technologies	\$71,628	yes	1/31/2014	5.6%
Bit Torrent	\$70,320		6/30/2014	5.5%
Samba	\$31,180			2.4%
King.com	\$27,051		9/30/2013	2.1%
Journal Communications	\$25,814			2.0%
PixFuture Media	\$22,909	yes		1.8%
Patient Conversation Media	\$22,418	yes		1.8%
RBS- Zero Hora Editora Jornalística S.A.	\$21,000			1.6%
Airpush, Inc.	\$20,000			1.6%
ChaCha Search	\$19,200		9/30/2013	1.5%
Lycos	\$16,950	yes		1.3%
Team Player Gaming	\$16,790			1.3%
Mustard Seed Ventures	\$16,210	yes		1.3%
RevNew Media	\$15,908			1.2%
CWT SAS	\$15,422			1.2%
Mxit - Shinka	\$15,289			1.2%
EC Media LLC	\$15,000	yes		1.2%
Biogtakraadio, Inc.	\$14,703	yes		1.2%
Other Top 50 Publishers	\$259,156			20.3%
Non-Top 50 Publishers	\$381,725			29.9%

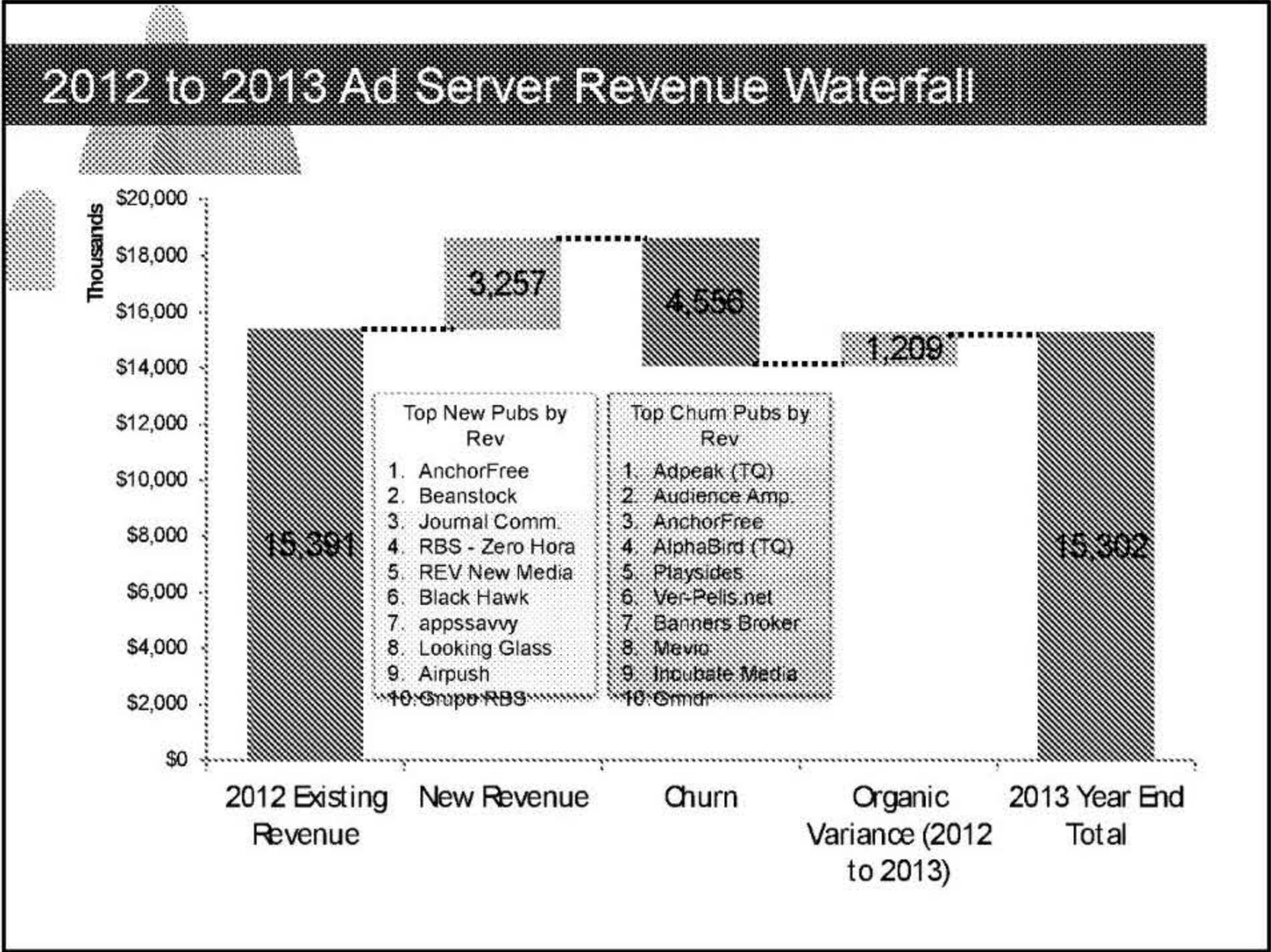
At-Risk Revenue due to Bad Market TQ is 12% of Total Revenue

At-Risk Revenue due to known / likely churn dates is 21.4% of Total Revenue

Total Monthly At-Risk Revenue is 33% of Total Revenue

2013 Ad Server Revenue: Plan vs. Actuals w/ Q4 Forecast





2013 Ad Server Metrics

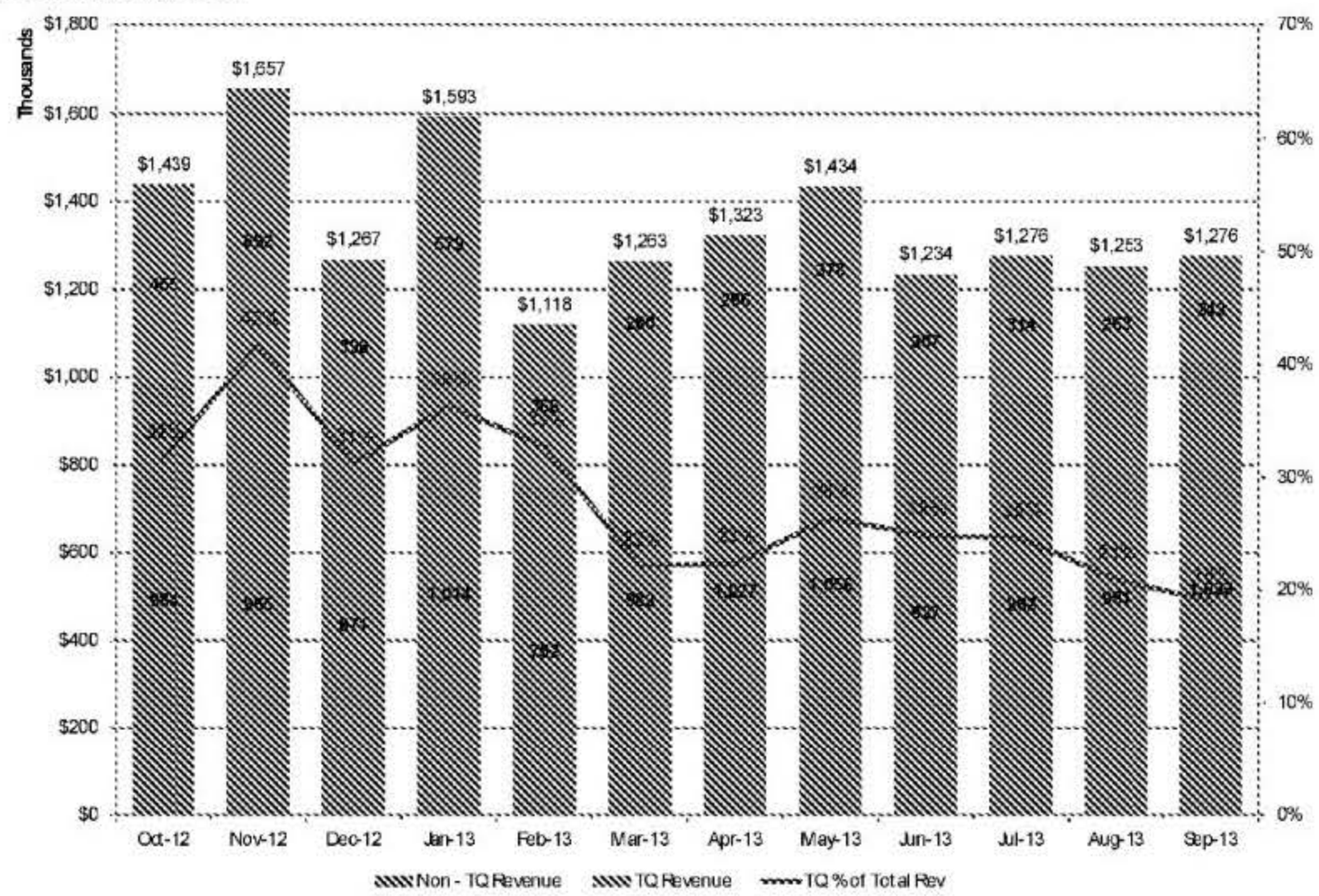
Ad Server Pubs

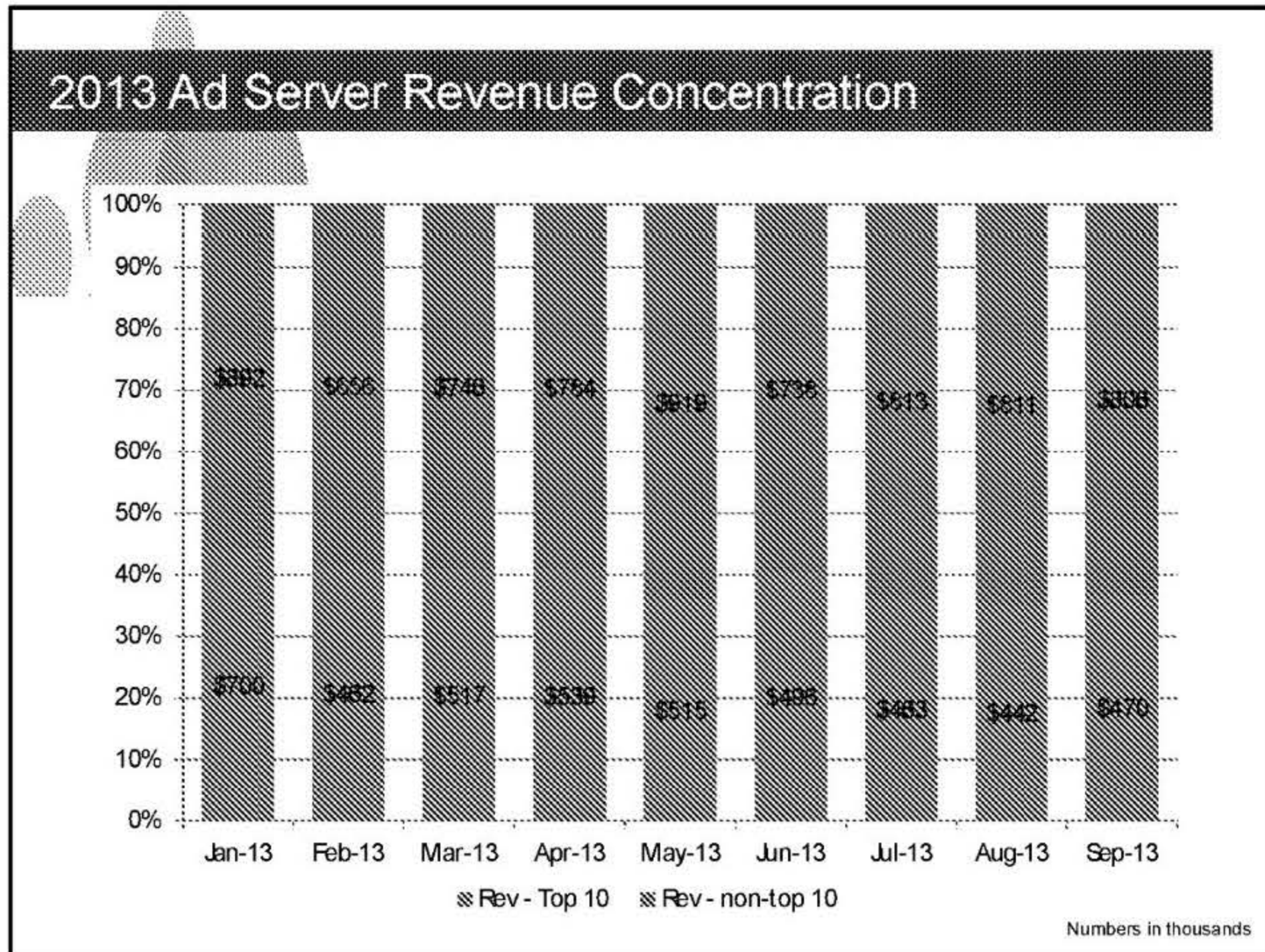
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Active	311	280	291	270	291	283	261	248	232
Existing	290	264	282	263	270	275	257	237	222
New	21	16	9	7	21	8	4	11	10
Churn	11	29	13	21	11	14	20	22	24
Total	322	309	304	291	302	297	281	270	256
Churn %	3.4%	9.4%	4.3%	7.2%	3.6%	4.7%	7.1%	8.1%	9.4%
Revenue / Pub	\$ 4,947	\$ 3,619	\$ 4,154	\$ 4,547	\$ 4,750	\$ 4,155	\$ 4,543	\$ 4,642	\$ 4,984

- Average monthly new publishers: 11.9
- Average monthly churned publishers: 18.3
- Net reduction in active publishers: 25.4%

Churn by Revenue: with TQ Clients (\$5K) without TQ (\$3.8K)

2013 Ad Server Global Revenue: TQ vs. Non- TQ





Put in \$!!

Why are we NOT winning ad server deals

External Challenges:

Deal Flow Obstacles:

PAF / DFP position

- AdX / AdSense monetization
- Industry name recognition and lingering legacy brand value perceptions
- Competitive Pricing (for small/medium publishers)*:
 - Flexibility – offering no minimum base fee and declining rate scale.
 - Lower start barrier – free initial fee (typically 100M)
 - A la carte service and support options

Internal Challenges:

- Sales Focus: Quarterly goals lend themselves more to transactional Ad Exchange deals and result in focus shifts when faced with deal resistance.
- Internal Approval Process (legal, PAF, Deal Desk) at and time and rigidity to the deal flow process
- Product Gaps:
 - Parity gaps – scheduled reporting, UI, KVP targeting flexibility, prioritization, manual override on forecast, editorial and ad quality restriction management
 - Leap-frog gaps – distinct points of significant differentiation or niche channel focus/differentiation

* Example: Auzerk – 100M free, declining CPM rate beyond free, no minimum price, discounts for multi-year contract. [Link](#)

Other includes JumpTime and Direct Demand

Sales Team Readiness

Goal is to build muscle around both inbound and outbound sales performance:

- Training: Product, competitive, sales effectiveness and engagement strategy (Miller Heiman sales training, overcoming objections, organizational mapping, prospecting, pipeline development, etc.)
- Competitive Intelligence: Industry and competitive knowledge, ability to clearly present USP and competitive points of differentiation
- Lead Development: Generate, qualify, and respond to leads effectively. Ensure leads are developed around product development and market position points of differentiation that help qualify our solution
- Internal Hurdles: Reduce internal deal-flow friction (Legal, PAF and Deal Desk approval process)

Other includes JumpTime and Direct Demand

Product Marketing Needs

- Dedicated Resource: Need to reactivate Publisher Product Marketing Director headcount
- Content: Updated pitch decks and sales sheets by product and optional service: Ad Server, Forecasting, Audience Extension, SSL Secure Serving, Integrated Exchange, etc.
- Lead Development: Qualified outbound marketing and lead development
- Kill Sheets
 - Product sales points and topics of comparison by channel and competitor
 - USP and clear points of differentiation
 - Competitive comparison sheets -- knowledge and speaking terms
- Platform User Accreditation
 - Scale base of active users through certification and accreditation program
 - Provide access to accredited solution providers -- consultants, operations leads, support, trafficking
- Events Participation: Strong presence at AdMonsters and other key ad ops events

Other includes JumpTime and Direct Demand

Product Sales Tools

- Pricing Calculator: Easily calculate price and optional pricing vehicles such as ad exchange, additional CDN allocation, subsidized migration options, support tiers, etc.
- Legal: Flexible contract modeling for simplified negotiation and quick terms to draft processing
- Deployment methodology model
- Professional Services: Structure, pricing and engagement options
- Product Development:
 - Simplified UI and trafficking workflow: Easily visualize and verify set-up structure and confirm against goals
 - See which ads are eligible to run on which inventory
 - Review booked vs. available/forecasted impressions
 - Confirm targeting goals
 - View tear-sheet planning
 - Scheduled Reporting
 - Editorial Management: Advanced block list management and ability to block indirect ads or 3rd party cookies/data beacons

Other includes JumpTime and Direct Demand

Churn by Region and Reason

Q2 Ad Server Churn Analysis:

- 21 partners churned, with comparable volume across the 3 main sales regions
- Change to partner's business (or outright failure) accounted for 26% of churn
- Most of remainder were partner dissatisfaction, with non-payment usually a symptom
- AnchorFree and Alphabird contracts were cancelled by OpenX over TQ concerns

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Churn by Size of Account

- Majority of churned publishers were self-service with average monthly fees of <\$1,500
- However, 2 largest churned publishers represented >65% of monthly net revenue lost (AnchorFree, Alphabird, Opuvence)

Revenue Tier	Count of Account Name	% of Total Churn
Tier 1	1	3.2%
Tier 2	1	3.2%
Tier 3	1	3.2%
Tier 4	2	6.5%
Self Service	26	83.9%
Grand Total	31	100.0%

Revenue Tier	Average Rev by Tier	% of Total Churn
Tier 1	\$38,451	26.4%
Tier 2	\$36,000	24.7%
Tier 3	\$25,000	17.2%
Tier 4	\$4,325	5.9%
Self Service	\$1,438	25.7%
Grand Total	\$4,693	100.0%

Lost Revenue Due to Churn

- Churned partners had product access on average >1 year with collected value estimated* at ~73% of initial contract value
(rough equal distribution among those who ran contract through its life, those who canceled early, and those who renewed and then cancelled)
- Lost revenue, however, represented 17% of Ad Server quarterly business, driven mostly by the 3 large losses. Remaining 28 accounts were 5% of total quarterly fees.

Q3 Churn Summary

Contract Value	\$	2,090,570	
Est. Collected Value	\$	1,527,102	73%
Diff Projected to Actual	\$	(563,468)	
Average Months Product Accessible		15	
6 of 31 partners were Failure to Launch			
3 of 6 FTLs paid through contracted term despite never deploying/launching			

Q3 Actual Ad Server Revenue

		# of Partners	Avg Qtrly Fee
All Ad Server Revenue	\$	2,582,592	
Lost (Churn) Revenue	\$	438,113	
Churn - Top 3 \$ Partners	\$	298,353	3 \$ 99,451
All Other Partners	\$	139,760	28 \$ 4,991

* Finance was able to provide last date of payment but not total collected value. We have tallied revenue based on committed monthly fees per the contract up to the date of last payment.

Ad Server Q4 Regional Pipeline

Region	Qualification (25%)	Proposal (50%)	Approval (75%)	Commit (90%)	Closed Won (100%)	Grand Total
US - West	\$57,351	\$134,150	\$33,500	\$100	\$40,000	\$265,101
US - East	\$134,050	\$17,285	\$3,750	\$0	\$4,675	\$159,760
EMEA	\$37,937	\$89,820	\$3,500	\$0	\$2,487	\$133,753
Japan	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$229,338	\$241,255	\$40,750	\$100	\$47,172	\$558,614

- US-East trending below expected quota pace
- EMEA Q4 revenue at risk to due re-focus on Exchange revenue
- Overall 6 deals closed in Q4

Ad Server Q4 Top 10 Pipeline Deals

Account Name	Region	Stage	Est. Monthly Pmt
LIN Digital	US-West	In Discussion	\$50,000
Intermarkets	US-West	Qualification	\$40,000
AutoTrader UK	EMEA	In Discussion	\$38,320
Ziff Davis, Inc.	US-East	Proposal	\$32,500
Advance Publications / Advance Digital	US-East	In Discussion	\$30,000
Adsmovil	US-West	Proposal	\$30,000
Kindling Media	US-West	Proposal	\$29,500
Target Corporation	US-West	Proposal	\$26,250
1&1 Mail & Media	US-West	In Discussion	\$25,000
Hark	US-West	In Discussion	\$25,000

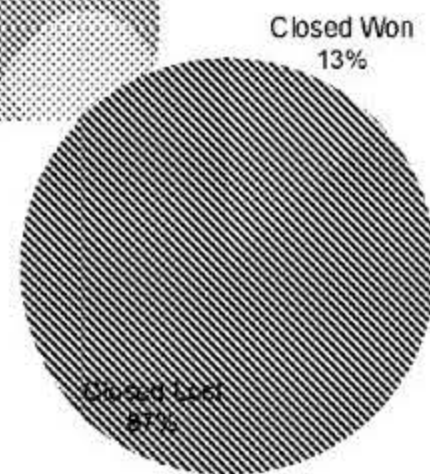
Ad Server Q4 Pipeline Assessment

44 to Close	Qual (25%)	Proposal (55%)	Approval (70%)	Contract (80%)	Closed Won (100%)	Total
# Deals	26	23	10	1	6	66
\$ Est. Monthly Net. Rev.	\$229,338	\$241,255	\$40,750	\$100	\$47,172	\$558,614
Avg. Deal Size	\$8,821	\$10,490	\$4,075	\$100	\$7,862	\$8,464

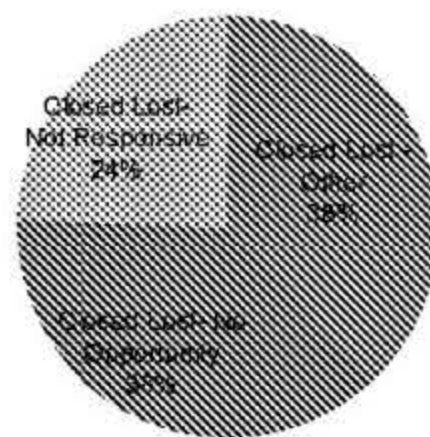
Top Heavy funnel. 74% of Q4 opportunities 50% probability or below.

2H'13 Win/Loss Analysis

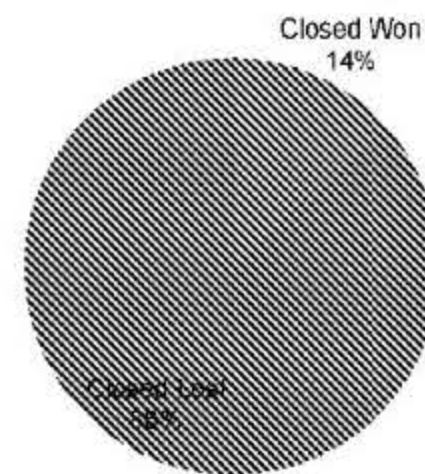
2H'13 Win-Loss Ratio by Net Revenue



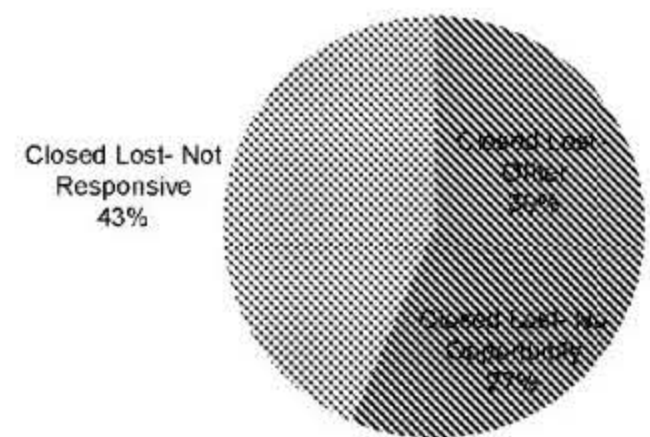
Closed Lost by Net Revenue



2H'13 Win-Loss Ratio by Opportunities



Closed Lost by Opportunities



- Closed Won: \$208,476
- Closed Lost: \$1,386,839
- Closed Won Opps: #45
- Closed Lost Opps: #287

2H'13 Lead to Opportunity Flow

Item	Leads in 2H'13	Leads Converted to Opportunities	Leads Converted to Closed Won Opportunities
# Leads	1,606	1,606	1,606
# Opportunities	-	90	10
\$ Net Revenue	-	\$308,130	\$74,600
Conversion Rates	-	5.6%	1%

Other includes JumpTime and Direct Demand

Appendix

Lead to Opportunity Flow Process

Other includes JumpTime and Direct Demand