

## Morgan Stanley Technology Media & Telecom Conference

### Company Participants

- Neal Mohan

### Other Participants

- Benjamin Daniel Swinburne, Morgan Stanley & Co. LLC

## MANAGEMENT DISCUSSION SECTION

### Benjamin Daniel Swinburne {BIO 5489854 <GO>}

All right. We're ready to get started. Keep going. Good afternoon, everybody. My name is Ben Swinburne. Let me get through the disclosure statements. Please note that important disclosures including my personal holdings disclosures and Morgan Stanley disclosures all appear as a handout available in the registration area and on the Morgan Stanley public website. And I'm going to attempt again to read a Safe Harbor.

Some of the statements that Neal to my left will make maybe forward-looking - considered forward-looking. These statements involve a number of risks and uncertainties that could cause actual results to differ materially. Please refer the Google's SEC filings for a more detailed description of the risk factors that may affect our results. How is that?

### Neal Mohan {BIO 17200493 <GO>}

All right. Well done.

### Benjamin Daniel Swinburne {BIO 5489854 <GO>}

We're really excited to welcome back to the conference to my left Neal Mohan. Neal is Vice President of Display and Video Advertising Products, or as I said, everything other than Search at Google. Neal is responsible for growing the company's digital media solutions and advertising offerings on YouTube, the Google Display Network, AdSense, AdMob and the DoubleClick platform. Also served on the board of directors of the Interactive Advertising Bureau and the Mobile Marketing Association. And Neal prior to joining Google was Senior VP of Strategy at DoubleClick before the acquisition and led the integration. So, Neal, let me welcome you back to the conference. Thanks so much for being here.

## **Neal Mohan** {BIO 17200493 <GO>}

Glad to be here. Thanks for having me.

## **Q&A**

### **Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

So let's start big picture. One of the big debates on Google stock revolves around the ability to grow what is significant revenue base at the kind of levels you've grown in the past and particularly going after brand advertising dollars. The conversation we've been having throughout the conference both with competitors and agencies and others folks in the ecosystem, but walk us through how you see Google strategy and product offerings at a high level for those big brand advertisers and their agency partners?

### **A - Neal Mohan** {BIO 17200493 <GO>}

Sure. So if you think about not just Google, but the evolution of digital marketing, digital media over the course of the last sort of 10 years, 15 years, 20 years, predominantly it's been monetized through performance advertising or direct response advertising and that's been a great run for the entire ecosystem. But one of the big opportunities and many folks have heard me talk about this a lot in the past and it's a big area of focus within the company is around sort of cracking the brand advertising nut, not just on behalf of Google, but for the entire ecosystem if you will. And for us that starts first and foremost of course with YouTube, which is our flagship video property, attracts over one billion users every single month. The amount of watch-time on YouTube is growing 50% year-on-year. And, of course, that translates into an incredibly attractive place for brand advertisers because brand advertisers like to tell stories, sight, sound and motion and video happens to be frankly the best medium for that.

And so YouTube is really sort of front and center in terms of our areas of investment in terms of cracking the brand advertising nut. One of the flagship formats that we have there which is our native advertising format is called TrueView. Many of you have seen it, it's the skippable ad format on YouTube. The number of TrueView impressions on YouTube has actually grown nearly 75% year-on-year. So phenomenal uptick by advertisers and agencies and brands over the course of the last year and it's really the early stages there. The YouTube is a big part of that growth cracking that brand nut.

The other area that I would call out which applies to Google and really to the entire ecosystem is delivering the means by which brand advertisers and their agency counterparts can measure the efficacy of digital campaigns. And what's really been beautiful about direct response and performance advertising in digital is that you can measure it, click, impressions, clicks and conversions. And so the challenge before all of us is, can we do the same thing around brands, around brand advertising. And so that's been a big area of focus for us, around things like viewability and reach measurement. Is my ad showing up to the right set of users

and are they able to actually see it across the digital ecosystem including YouTube? We are also investing in tools like Brand Lift, which give brand advertisers the ability to actually measure the impact of their brand campaigns, not just who saw the ads, but as a result of seeing them, did it change their perception around my brand, did it change how they think about my new product or what-have-you.

And we've run 6,000 of these studies. They've produced, they've shown great results in terms of advertisers running campaigns on YouTube. But more importantly we are actually able to give those insights back to brands in near real-time. And if you contrast that with how it works for brands on television where they oftentimes get these insights weeks or months or quarters after the campaigns are done, we can actually deliver those insights while their campaigns are running and allow them to deliver optimized results as a result of it. And so those are a couple of the big areas we're focused on in terms of really cracking the brand nut on behalf of Google and on behalf of the ecosystem.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

If we think about your conversation with agencies today, what's different with what you're offering from a products perspective versus say a year or two ago? Certainly when I talked to ad buyers, there seems to be a real big evolution in how they think about YouTube and using YouTube for their clients.

**A - Neal Mohan** {BIO 17200493 <GO>}

Yeah. I mean YouTube obviously as I described is really front and center in that conversation. It's where their brands want to be, it's where consumers are, in fact - there was over seven million hours worth of ad content. So these are online videos on YouTube that are actually made by brands watched since the beginning of this year on YouTube.

Last year, four of the top 10 videos across all of YouTube were actually built by brands, they were ads. And so it turns out to be a great place for brands to engage with their consumers and tell stories. Oftentimes these ads are quite long. There was a Nike ad that was over five minutes long, so you can break out of the sort of standard 15-second or 30-second mold that you're stuck to on television. So that works incredibly well for agencies and brands. I also touched on what we're doing in terms of proving the efficacy of brand advertising on YouTube and digital in general and that's an important conversation for agencies.

The other piece that I'll add to that, kind of two other pieces that I'll call out are, first and foremost, in all of my agency conversations it's pretty clear that agencies want to be able to enable this programmatically.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Yeah.

**A - Neal Mohan** {BIO 17200493 <GO>}

And programmatic buying is one of the fastest-growing parts of not just our business, but the entire ecosystem, if you will. For example, in Q4 last year we saw growth in revenue in our DoubleClick Bid Manager platform grow 100% year-on-year, which is just phenomenal growth and DoubleClick Bid Manager happens to be the platform that's used by many large agency on behalf of their brand clients to buy programmatically across the entire digital ecosystem. So programmatic is a big part of the conversation. It's an area where we continue to invest in heavily. We've been pioneers in this space as you know and our investment there continues unabated.

And then the other big area, of course, outside of programmatic and agency conversations, of course, is how do we make sure that all of our tools and capabilities apply to the multi-screen world that our consumers are already living in. Consumers live a 24x7 connected life, we all do. There was a stat recently said 90% of consumers begin a task on one device and completed on another. From an advertiser and agency perspective, we need to be able to address that market reality and that's a big area focus for us. And it's turning out to pay off in the numbers. In fact, there has been a 68% increase in the amount of mobile impressions across our entire stack year-on-year, which is, I already mentioned the nearly 75% growth rate in TrueView impressions, but mobile is also is a big driver. So emerging formats are a big driver of our entire programmatic stack which tends to be again where a lot of the conversation with our agency partners is focused.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Is that 68% increase a YouTube statistic on mobile or across the...

**A - Neal Mohan** {BIO 17200493 <GO>}

Across the entire stack.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Got it. Okay. You mentioned measurement and attribution. So we had a session yesterday on programmatic with one - and an agency person had talked about some of the issues there around understanding measurement on the video side, generally TV, but also online.

What are you seeing in the industry, your - on the board of IAB and I know they are focused on it. What are the things we're going to see in 2015 on the measurement front either from Google or from the industry that sort of really make a difference with agency trust and transparency.

**A - Neal Mohan** {BIO 17200493 <GO>}

Yeah. I mean, I think the way that I think about it is - this is a problem that needs to get solved at an industry-wide level. I think Google is in a position because of our DoubleClick stack and its adoption on both the publisher side and the advertiser side, where our publisher partners and our advertiser and agency partners are often looking to us to help develop those solutions because we happen to operate the technology stacks that they used to manage their media buying or selling, whether they are advertisers or publishers.

And so the way I think about it is really as a pyramid, if you will. And from a brands perspective, the very first question that every brand should be asking is, did a human being actually see my ad. And that sounds kind of like an obvious question and one that the answer should be, of course, yes. But from a digital standpoint, one of the biggest challenges we have that I believe is an addressable challenge is to answer the question of viewability for brands. And we have a product there called Active View, which we make available freely in our DoubleClick stack for advertisers and publishers to use, to seamlessly measure viewability across their entire campaign.

In January, I announced that we brought it not just to display and banners and rich media ads, but also the video and so it's available for video advertising as well as display. But really that's the bottom of the pyramid. And after answering the question of whether a human being actually saw my ad, the next obvious question that a brand should ask is, was it the right set of human being? Did I reach my target audience? And that's where Google partnered with companies like comScore and Nielsen around their vCE and OCR metrics to be able to measure audience reach and frequency across YouTube, but across our Google display network as well across the entire DoubleClick stack to kind of to broaden it out.

And if you think about sort of what brands had available in television land, it really was sort of up to that question of, did the right set of users see my ad, was it the right audience, using GRPs as proxy for that. But the beauty of digital is, we can go one step further. And so I think the next step in the pyramid above and beyond did a human being see my ad and was it the right human being, is a question that really matters to brands which is, what impact did it have, what did it change about that side of consumers that I reached as a result of me spending money in digital. And I think that's kind of the Holy Grail or the very key metric that needs to get solved just like if you think about sort of clicks in AdWords, what that did for direct response and search campaign and the fact that clicks were associated with some sort of conversion or sale event down the road.

And so that next pyramid is sort of what we call our Brand Lift products. We have a portfolio product that allow brands to be able to measure the impact of their campaign. As I mentioned, things like change in consideration, change in ad recall, change in brand awareness, all those upper funnel metrics that brands know and love, but really had no way of actually measuring in meaningful scale before the advent of these products in this Brand Lift portfolio.

And again, these are products that we make available to our brands for free. We ran 6,000 of these studies as I mentioned last year. The good news is that places like YouTube actually do generate meaningful Brand Lift. But as I said, the really sort of healthy metric for us in the long term is the fact that not only do these campaigns generate lift, but we can give that lift insight to brands back in as near real-time as possible.

And I think that's the distinguishing thing about what happens in the digital world versus what brands have been used to in television, where they could never get

those insights in real-time and therefore could not optimize their campaigns while they were still running.

And so if you think about that from a brands perspective that's the difference between getting the exact results you are looking for during your holiday, most important campaign time of the year, versus getting some results after the fact that you can only apply 12 months down the road when you're running your next holiday campaign.

And so it's kind of a long answer to your question, but I wanted to unpack that a little bit and give some visibility into how we think about sort of our brand measurement strategy and how we think it's going to be game-changing in terms of really cracking that nut for brand advertisers, not just on YouTube, but across the entire digital ecosystem as we bake those metrics into our DoubleClick platforms as well.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

You've been at this for a while, so you know that the debate around measurement and data is a fierce one. And certainly, one thing that I think had helped television maintain inertia is, you have Nielsen ratings, people understand it, it's easy currency to trade even if it's not perfect, where do you come down and sort of the first-party, third-party data point on your business because you mentioned Nielsen OCR and vCE that's helped. Are you all the way there now in terms of using a third-party currency to help brand advertisers and maybe more important their agency partners believe in what they're buying and sort of comfortable putting more money to work, or is was there more room to go?

**A - Neal Mohan** {BIO 17200493 <GO>}

So we - as I said at the beginning, our goal is to partner with the entire industry like you said, I'm on the board of the IAB, these are all big issues there. And I think they need to get addressed from an industry standpoint.

Having said that, I believe that the industry does look to companies like Google to actually help address a lot of the technological challenges on behalf of the industry. And so I mentioned, our viewability product's called Active View, so that's technology that we've developed. It has, without getting into a lot of the gory technical details, has the capability to provide broad coverage in terms of viewability for publishers and advertisers. But we believe that, that's something that shouldn't just remain the purview of Google, and that's why we've made it available for free across our entire stack, it's MRC accredited and we're happy for it to be something that's used by the entire industry. And so we view our role as really contributors of insights in technology that can be adopted by a broader industry. But absolutely, it needs to be an industry-wide effort as opposed to silo metrics developed by individual players.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Let's turn to the content side of the equation, but stick on this theme of sort of agency and brand advertiser adoption of YouTube. Is your perspective on what kind

of content you want to put on YouTube and what do you want to pay for evolving? You've launched YouTube Kids recently, which at least as a parent seems to be an evolution in a little bit of a different direction, but maybe you can put that into context in for us and how you are thinking about evolving the content piece of the puzzle at YouTube?

**A - Neal Mohan** {BIO 17200493 <GO>}

Yeah. I mean, for us, it's always been about really from the early days of YouTube, it's really been about the organic evolution of a lot of that content. I mean, if you think about some of the largest creators on YouTube today, PewDiePie, (16:44), et cetera. Those are incredibly fierce loyal fan bases that they've built up and they are very large. And so in YouTube, we view our job as really sort of supporting our creators through that entire sort of lifecycle and that includes everything from studio support. So we have studios in LA and New York, where we help creators marketing support. You've seen kind of our kind of YouTube Original's marketing efforts.

And then back in September, we announced also monetary support around some types of programming. And really it's oriented around, really oriented around our creators. And the breadth of our creators is pretty astonishing. YouTube today has more 18-year-olds to 34-year-olds than any cable channel out there. I already mentioned the watch-time growth 50% year-over-year. And so really the goal there is to support creators in any way possible. Few weeks ago, we mentioned that the amount of money that we paid out to creators grew by about 50% between 2013 and 2014. And so it's an incredibly vibrant platform. We view it as, we've always viewed it as three pillars, our users, our viewers, our creators, the people that are publishing the content, and then of course, our advertisers were looking to reach consumers but then they're also helping support that content.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

The advent of the YouTube stars have been to impressive to watch. You mentioned some of the big stars. Are you seeing real competition for talent now in a business that you essentially created in many ways because it seems some new company's launch recently and even some other online incumbents look at trying to build a business like YouTube which is easier said than done. But it could in theory pressure your margins.

**A - Neal Mohan** {BIO 17200493 <GO>}

I mean, we're head-down focused on supporting our consumers, I mean, supporting our creators and what they care about and what they tell us anytime I met with them, what they share back with me is YouTube is a place where their audience is. That's where they're able to connect with their audience. In fact, the conversation very quickly moves to the types of features and capabilities we can provide to creators to help them better connect with their audience. And so our creators, at least in my conversations remain incredibly committed to the platform. They know that's where their users are. I mentioned some of the results we've been able to provide from a monetization standpoint.

So we're incredibly happy with that. We're always looking for ways to deepen that partnership with creators. That's an incredibly vibrant, creative community. And so making sure that it remains that way is kind of one of the fundamental tenets of YouTube.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Let's pivot then to the programmatic automation side of the equation, your background in DoubleClick, of course, makes sense to talk about this topic, it's a big one, I think probably one maybe people don't understand as much as we would like to. What's your perspective on the change that's happening? It seems like it's accelerating in terms of pace on how media is bought and what that means to your broader display business in particular?

**A - Neal Mohan** {BIO 17200493 <GO>}

Yeah. I mean, so one of the things that that I would say is I think everybody - probably a few people in this room as well have this impression of programmatic is being the place where remnant inventory is transacted primarily for a direct response objective. And if you go back to kind of several years ago, that is where a lot of the kind of early momentum for programmatic really came from. But what's most exciting to me about this space is how much it is now applied to kind of the entire spectrum of inventory and advertiser use cases.

In fact, last year, we launched a program called Google Partner Select, and it was a program meant to be complementary to our YouTube offering, specifically the YouTube sort of Google Preferred offering, which is kind of the premium sort of 5% of YouTube. And Partner Select has turned out to be a collection of the Internet sort of most premium video partners on one-end and the most premium sort of global brands on the other end.

Recently a few weeks ago, we announced sort of 50-plus partners on the sell side and the buy side and it's fundamentally a programmatic video marketplace that transacts premium programmatic - premium video inventory sort of the cream of the crop in terms of what brands are looking for but does so programmatically which is the other thing that brands are looking for. And it's growing on an impression basis 35% month-on-month, so phenomenal growth. And it really just proves out the point in terms of the future of programmatic. And where I see that being - see it firmly sort of in the brand, sort of programmatic premium spectrum of the market, which is incredibly exciting because that's a hugely sort of untapped opportunity for the growth of programmatic.

If you think about sort of the amount of transactions that occur across the digital world, across the web, across mobile, et cetera, about 70% of that media still transacted in a kind of upfront RFP manner the way television buying and selling happened. And that's all right for movement to programmatic with the advent of things like private exchanges, programmatic deals, et cetera. And these are all areas where we've seen a phenomenal growth. I gave you some stats around Partner Select. But we've seen tremendous amount of growth in programmatic primarily in this programmatic premium section where CPMs tend to be higher, where the types



of brands tend to be – the typical sort of global premium brands that you would associate. And so that's where we see the future of programmatic heading. It's reason why such a capability that's so front and center for all of our agency and agency holding company conversations as well.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

I can see why that trend would be a positive for DoubleClick and its business. Does this trend help YouTube and broader Google in terms of its financial results?

**A - Neal Mohan** {BIO 17200493 <GO>}

Absolutely. I mean, one of the means by which agencies and advertisers would like to buy in YouTube is programmatically as well. And I don't have anything to announce there specifically today, but we recognize that that's something that our advertisers and agencies have moved their business onto and obviously been leaders in that respect. The YouTube turn outs to be – happens to be the largest DoubleClick publisher out there. And so it's already integrated in the DoubleClick publisher stack, if you will, it's a DFP publisher, if you will.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Yeah. It does seem like the momentum has been on the buyer side, but now publishers seem to be getting on board. What has happened in the last, maybe in the six months to 12 months that's convinced publishers, you mentioned premium video to say, this is not a race to the bottom on pricing, this is actually core to my growing my business, what's happened?

**A - Neal Mohan** {BIO 17200493 <GO>}

I think it's two things. And I think for me, at least it's been two pieces that have been fundamental to the programmatic equation since the early days. The first is – first and foremost from a publisher standpoint is that it's about yield, programmatic buying because it allows the application of all this very rich buy-side data and insights to publishers' inventory, that publishers may otherwise not have had access to, generates higher yields for publishers, in a way that's more efficient because they can handle it through an automated pipeline as opposed to the traditional way of buying and selling. And so more money, of course, kind of – it helps the story for sure.

The second is control, so publishers have control over the type of inventory that they make available, how they make that available, how they manage channel conflict. For example, they might want to offer a slice of inventory to one particular agency in a way that might be different than the way that they do business with another agency or a brand. And through the evolution of programmatic technology they now have all those controls and all those bells and whistles. And so I think those will be the two things that have led to very rapid adoption of kind of the programmatic capability on the sell-side, not just on the buy-side.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Yeah. Does any of your comments on what we're seeing in programmatic that benefits to Google change in a mobile world versus desktop, or is it essentially the same story?

**A - Neal Mohan** {BIO 17200493 <GO>}

There is, of course, changes in the underlying, some of the underlying technology. Obviously, users tend to be in a different context on mobile devices than they may be on their desktop or tablets, if you will.

But I think, fundamentally nothing has changed. It's still about reaching consumers in the moments that truly matter. And if you think about it that's what Google has been about since the earliest days of its advertising business and that remains true to programmatic. It remains true as the world shifts to mobile. I mentioned one of the fastest growing parts of our entire stack, the programmatic stack, YouTube, our ad network, et cetera, happens to be mobile where impressions are growing 68% year-on-year. And so that has to do with the change of course in consumer behavior, but the fact that the capabilities that we have to our advertisers and publishers keep up with that as well.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Yeah. We're almost out of time, but I want to come back and maybe end with another big debate on your stock and on the company, which is how well-positioned Google is in the mobile world. Talk about AdMob and particularly In-app advertising and then maybe you can comment on this sort of debate around the cookie list, mobile environment that everyone is navigating on the advertisers and whether that's an issue for Google?

**A - Neal Mohan** {BIO 17200493 <GO>}

Sure. Our AdMob business is one that we're incredibly happy with. We've got over 650,000 app developers and growing. So it's quite a large network, reaches about 1 billion users globally. So from an advertiser and agency and brand perspective, it tends to be a place where they gravitate towards in terms of reaching consumers and whether that use case is a brand use case, whether it's a performance use case around app installer, app re-engagement AdMob happens to be a place that works incredibly well for brands. And we continue to invest and innovate there. Couple days ago, at the Game Developer Conference right here, we announced a couple of things, for example, app install ads in our Play Store, but also the advent of native ad formats support across our entire network. And so that's something that our advisers have been extremely excited about. And it's been something that I think is going to work incredibly well for our developers as well. And it's a big tactical feat to be able to bring a truly native format to a heterogeneous of a network as we have.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Yeah.

**A - Neal Mohan** {BIO 17200493 <GO>}

But our fundamental goal on mobile is the same as it's always been, which is again reaching consumers and moments that really matter to them. The beauty of our ad network and our properties like YouTube and others is that we are able to find users in a whole number of context, whether they are entertaining themselves through video, socializing with friends, reading news sites, et cetera, searching for information. And so being able to find users in all kinds of context throughout their day is an incredibly powerful offering for advertisers and brands. And so we're extremely excited by our prospects.

To the second part of your question around sort of cookie list. I think that's around sort of things like cost device measurement, et cetera. Those are capabilities that we continue to invest in. Few months ago, we announced an estimated total conversions in AdWords as a means of being able to give a picture of total conversion activity driven by our Google campaigns across all devices. That's the capability that you could imagine extends to our entire stack even beyond AdWords. And for us, our advertising has always been about, like I said, reaching consumers at the time that that impact can be most powerful whether it's through the programmatic channel, whether it's through our AdWords offerings or what-have-you and that applies just as much in the mobile context as it did in desktop.

**Q - Benjamin Daniel Swinburne** {BIO 5489854 <GO>}

Sure.

Well, thank you for sharing with us. It's a great conversation. We look forward to keeping up and chatting next year. Thank you very much.

**A - Neal Mohan** {BIO 17200493 <GO>}

Great. Thank you, everybody. Thank you.

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