Meeting Title: Fyber N.V. H1 2017 Results Call

Speaker List: Ziv Elul
Yaron Zaltsman

Coordinator Good day, ladies and gentlemen and welcome to the Fyber Results Call for the first half of the year 2017. Today, CEO, Mr. Ziv Elul, and the CFO, Mr. Yaron Zaltsman, will outline the financial and operational highlights to you. After the presentation you are invited to join the Q&A session.

With that, I will now hand over the call to Mr. Elul. Please proceed.

Z. Elul Thank you. Good morning, everyone. Thank you for joining us today for Fyber's conference call. We will present the interim results for the first half of the year 2017. Yaron Zaltsman, our CFO, and myself will walk you through the key developments and financials of the period and will also provide you with an updated outlook for the company for 2018 and beyond.

To note before we start the presentation, any forward-looking statement outlined in the presentation and the interim report are based on current expectations and are as a result subject to market risk and uncertainties. All statements are based on the information available to the company as of the date of the presentation and are subject to the risks detailed in the Risk section of the Annual Report 2016.

To recap on Fyber's business model and positioning in the digital advertising value chain, we provide the technology to publishers to connect with advertisers worldwide and enable them to monetize their audiences in an optimal way. We reach more than 1.2 billion unique users per month, empowering the publishers by analyzing up to 200 data dimensions per user with the goal of serving targeted, meaningful and highest paying ads. With this, we power the digital economy by enabling the creation of affordable quality content.

After exceeding our guidance for last year, with €218 million in revenues we confirm the guidance for this year at more than €280 million in gross revenues, as well as for next year at more than €360 million.
This means an above market growth for 2018 of around 30%, compared to the global mobile ad spending, which is estimated to grow 25% in 2018 year-over-year.

We explained before that our product focus on 'Video across screens', 'Data-driven audience segmentation' and 'Advanced programmatic trading' revolves around the fastest-growing market segments.

This also becomes evident in our recent launch of ‘VAMP’ - our comprehensive video ad monetization platform. Through the combined power of the Audience Vault, the Revenue Desk and the Video Suite, VAMP enables publishers unprecedented transparency into their own inventory. We provide them with the tools to create targeted audience segments and make use of an optimal mix of innovative video ad units to drive monetization.

What makes our offering unique?
We have reached critical scale, enabling us to offer publishers with access to the most important demand sources globally and on the other hand, offer access to more than 1.2 billion unique users to advertisers. We combine this massive reach with our advanced data analysis capabilities, bringing true value to publishers and enabling them to compete more effectively with the internet giants. This underlines our holistic approach to monetization: By adding data to an impression we not only increase the advertisers’ willingness to buy and ultimately the achieved price. We also aim to leverage the data to improve the user experience within the publisher environment, an improvement that is vital to the publishers’ monetization goals overall.

We are mobile in-app first, yet offer products and solutions across screens. While many competitors try to adapt their desktop solution to the very different app environment, the majority of our product suite was specifically built for mobile in-app, with the specific needs of that type of publishers in mind.

Our comprehensive product offering covers all relevant demand channels and ad formats, enabling publishers to execute their monetization strategies through one provider. We are able to accommodate a wide variety of publishers, from gaming app developers to major publishing houses and Comscore200 publishers.

We offer all of the above as a neutral technology provider, strengthening the publishers standing in the value chain. We are agnostic to ad inventory and demand sources, and we address the reluctance of many publishers to work exclusively with the major internet platforms, who have the inherent conflict of being publishers themselves.

Yaron will give a detailed overview of the financials in a minute, but just to bring a few highlights to your attention: We confirmed the guidance we have given for 2017 and 2018, which will bring us to a CAGR for 2015 to 2018 of at least 40% in gross revenues, well above market growth.

Furthermore we achieved the first profitable quarter in Q2 2017, in line with our expectations of full-year profitability above €3 million in 2017 on an adjusted EBITDA basis. We have also added an EBITDA goal for next year. We expect to achieve an adjusted EBITDA in excess of €15 million in 2018.

Our healthy growth trajectory and improving bottom line indicate that our strategy of uniting all of the group's assets under one brand and ultimately on one platform, will enable us to capitalize on the available synergies and drive further growth.

With that I hand over to Yaron.

Y. Zaltsman — Thank you, Ziv. I would like to start off by speaking to the main drivers of our business, the areas of the fastest growth and also of main investments, to date and going forward.

The presented reporting structure follows the different buying channels and ad formats our technology platforms support. The first component programmatic vs. direct relates to the use of automated processes to purchase digital advertising, as opposed to the traditional way of using manual insertion orders. The second component mobile vs. desktop relates to the screen type, and lastly video vs. display relates to the type of ad format used by the publishers.

Thus, for the first half of the year more than two-thirds of our business is generated by programmatic trading. We extended our focus on programmatic through our acquisition of Falk Realtime, which is now known as Fyber RTB, and Inneractive, as well as organic development. Today, Fyber RTB and Inneractive, whose exchanges form the programmatic foundation of our group, are our fastest growing business units; hence the uptick in the share of programmatic trading, which we believe will continue in the future, in line with the expectations of both publishers and advertisers.
Revenues from programmatic grew more than 50% in H1 2017 year-over-year.

68% of our H1 2017 revenue comes from Mobile, compared to 77% in 2016. The change was driven mostly be the strong growth of Fyber RTB, which mainly operates on Desktop and is focused on video advertising. While Mobile remains our primary focus area, the strong growth in desktop revenue is in-line with our commitment to serve publishers across screens and advertising environments.

We spent the first half of the year making significant investment in our video capabilities, resulting in the recent rollout of our video monetization platform, VAMP. Video revenue grew by almost 30% in H1 2017, while display revenues followed closely, with 24% growth. The similar growth rate of video and display caused the share of video revenue to remain almost flat compared to the same quarter in the previous year. However, we expect that the adoption of VAMP in the coming months will lead us to an increase in the share of video revenues.

Looking at the revenues by geography based on the publisher location, H1 2017 marks the first period in which the reward of our expansion efforts in APAC, mainly China, is clearly shown. The share of revenues from APAC almost doubled within the first half of the year, making up more than 20% in Q2. China was the fastest-growing country in the period and based on our pipeline we expect further growth. APAC in general and China in particular is also one of the areas of longer-term growth for our business. Currently we are mostly serving Chinese publishers looking for international demand - with the vast potential of serving the domestic market still left largely untouched.

In addition to the financial statements reported in the Interim Report, we also provide the pro-forma financials of year 2016 which include the acquisitions of Heyzap and Inneractive as if they had already closed on 1 January 2016 - providing a like-for-like comparison and with that demonstrating our organic growth.

For the first half of the year, we have seen a 26% uptick in gross revenues to more than €119 million, largely driven by the growth in our programmatic business units, which grew 53% in total.
The average gross margin decreased slightly to 29%, due to mix-effects with Fyber RTB, which increased its share of revenue contribution to 30%. Also Inneractive's expansion to China and the lower margin in connection with entering this new market has been a contributing factor.

At the same time, we reported a reduction of 6% in overhead expenses, an increase in IT cost to €9 million and a flat development of all other expenses.

This brings us to a positive adjusted EBITDA for the second quarter at € 1.2 million, and an expected positive adjusted EBITDA for the second half of the year of more than €7 million, equaling an EBITDA margin of at least 4%.

Going forward, we plan to increase the profit over time, mainly by increasing efficiency as will show in the next slide.

As outlined by Ziv we have confirmed our recent guidance, and added a further outlook for 2018 as well as long terms goals.

For year 2017 we except gross revenues of €280 million a growth of 28% year-over-year. It should be noted that due to seasonality at least two thirds of the revenues of H2 2017 will be generated in the last quarter of the year.
For year 2018 we expect a gross revenue of €360 million, a growth of 30% year-over-year.

We expect a slight decline in gross margins, due to mix effects with the Fyber RTB business, to around 28% in 2017 and 2018. This decline will be offset by the synergies we expect to realize through the integration of the four Fyber-owned group companies and the positive effects on our operating expenses that go with that.
The targeted EBITDA margin for H2 2017 is at least 4%, resulting in a full year EBITDA margin of 1.4% and at least 5% for the full year 2018.

As a long term 3-year-goal we are targeting a revenue run rate of more than €600 million at a gross margin of around 28% and an EBITDA margin of at least 8%. Based on the strong growth of the business units, the upsides following the integration of the companies and our continuous investments into a lean efficient organization we trust these goals to be achievable.

The next events for us will be the Annual General Meeting next week, the release of the Q3 Report in November and the following Annual Analyst Conference.

The full financial calendar can also be found on our website.