



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

Speaker List: Ziv Elul  
Yaron Zaltsman

Operator Ladies and gentlemen, welcome to Fyber's results call for the first nine months of 2017. CEO, Ziv Elul, and CFO, 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 hand over to Mr. Elul.

Z. Elul Thank you and good afternoon everyone. Thank you for joining us today for Fyber's Conference Call to present the financial results 2017. Yaron Zaltsman, our CFO, and myself will guide you through the key developments and financials of the past year and give you on outlook for 2018 and beyond.

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

Fyber is a publicly listed advertising technology company, developing a next generation platform for the programmatic trading of ads. The Company employs more than 300 talented people across 6 offices worldwide. The fact that we are a true technology company is not only proven by 40% of our employees working in R&D and product, but also given that our R&D expenses account for 30% of our net revenue. In the business year 2017 Fyber generated gross revenues of 230 Million Euro, a plus of more than 5% compared to 2016, and a 12% increase in net revenues.

Fyber is an independent, publisher-focused technology company, providing publishers with an alternative to conflicted platform providers and empowering them to overcome market imbalances. Our self-developed software enables digital publishers and app developers to monetize their audiences in an optimal way. We reach more than 1.2 billion unique users per month, empowering them by analyzing up to 200 data dimensions per user, and connecting them with advertisers worldwide - all with the goal of serving targeted, meaningful and highest paying ads. In particular our premium video solutions offer optimized yields for the publishers for each ad impression. Our primary focus is on mobile applications and video advertising, which hold the largest and fastest growing opportunity in digital advertising, but of course our innovative technology supports mobile web and desktop, and all other standard ad formats, as well.

Our unique offering enables us to service all publisher verticals, from major content publishers like the Huffington Post, to social apps like Line or leading gaming publishers like Sega. In total, more than 10,000 apps across all verticals are directly integrated with our technology.

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2017 was an important year of integration and innovation for us. We made big strides along our acquisition-driven growth strategy, realizing the first synergies from integrating all former group companies, and most importantly setting up one unified global product roadmap, leadership team and sales structure that will enable us to bring our fully consolidated holistic technology platform to the market by the end of this year.

Fyber is growing from four highly compatible, mid-sized ad tech companies to one large tier-1 provider.

From the various product and business initiatives, two themes really stand out: Profitability and innovation:

(1) Profitability: Our focus on efficiency and profitability paid off: In the last three quarters 2017 we delivered positive adjusted EBITDA. The full-year adjusted EBITDA was close to break-even at -1.2 million Euro, which is a year-over-year growth of more than 73%.

Especially the fourth quarter was very strong: with 2 million Euro adjusted EBITDA profit and gross revenues of 53 million Euro.

(2) Innovation: We are laser-focused on maintaining our strong competitive position through technological leadership and we keep investing into the fastest-growing segments of the market, solving the most pressing issues digital publishers face in their monetization efforts.

In February we have launched our in-app header bidding solution “Fyber FairBid”, the world’s first and only technology to create a true state of header bidding for the mobile app environment. The product maximizes monetization results for publishers, levels the playing field with and among advertisers and supports our focus on fairness and transparency in the ad trading.

One topic I would like to highlight is our ‘Keeping it Clean’ initiative, as it affects both of the mentioned themes. In line with industry-wide trends for more transparency, a simpler value chain and clean traffic we decided to move away from aggregated supply on the publisher-side, focusing on direct publisher integration. This way we can increase the value we can offer to advertisers, by achieving highest level of transparency, viewability, brand safety, valuable direct data sets etc.

While we forgo around €40 million of gross revenues in 2017 we view it to be fortunate that we have been able to take this step proactively thanks to our balanced revenue base, with a big part of our revenues already coming from direct publisher integrations.

In the mid-term, this initiative will not only enable higher growth rates but also improve profitability.

I’ll give you more information about FairBid and our other recent product developments and differentiators in the next slides.

Fyber FairBid is our proprietary header bidding technology, developed especially for the in-app environment we are operating in. By leveraging the best technology assets from the 4 companies we integrated, we were able to introduce a truly unique and differentiated offering to the market, making us the first company to launch a true header bidding technology for the mobile app environment - even before the major internet and social media players.

Fyber FairBid addresses some of the key challenges publishers and advertisers are facing with current solutions, by enabling programmatic and non-programmatic

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demand partners to bid for every ad-opportunity in one truly parallel real-time auction.

By doing so, our solution does not favor any single demand source and gives transparent insights on pricing, winning auction etc. to all parties involved.

In addition, we eliminate missed revenue opportunities by basing our auction on actual prices that demand partners are willing to pay and awarding the impression to the highest bidder, as opposed to current solutions that allocate impressions based estimated prices that are calculated by using historical data.

To ensure our solution is adopted by substantial demand partners from day 1, we partnered with 2 of the largest ad networks in the industry, AdColony and TapJoy, supporting their transition into a real-time bidding environment.

Our fully integrated technology platform is currently undergoing testing with several publishers and will be available to all publishers before the end of 2018.

VAMP is our suite of publisher tools centered around video advertising and audience segmentation, which we launched during 2017.

It provides publishers with in-depth insights into their own inventory and tools to create targeted audience segments, making use of an optimal mix of innovative video ad units to drive their monetization yield.

VAMP is also one of the technological cornerstones of our unified publisher platform, and will be available to all group customers with the full roll-out of this platform later in the year.

Across all formats and platform products, the massive reach of our network makes Fyber one of the leading independent publisher-focused companies globally. Our advanced data analysis capabilities enable us to enrich the publisher's data with our own ad usage data, brings true value to publishers and enables 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 buyers' willingness to pay and ultimately the achieved price. We also aim to leverage the data to improve the user experience.

Fyber is a trusted primary partner for thousands of publishers across all verticals. As a group, we reach over 1.2 billion unique monthly users across 180 countries. We see these users on the over 10 thousand apps we are directly connected with via SDK. The SDK allows us to have access to a high number of user-level data parameters, which are pulled directly from the application on behalf of our publishers.

Our technology is built for mobile apps with a focus on programmatic and in-app header bidding. The mobile app environment poses unique technological challenges that only dedicated providers like Fyber can offer tailored high-quality solutions for. Fyber offers extensive video tools that support industry standard formats, but also includes innovative video ad-units and technology such as our outstream video format "Story", especially suitable for leading content publishers, such as major news apps.

Our vast partner network, both on the publisher- and the advertiser side, and focused technology, allow us to offer superior data services that are geared towards enabling and improving the monetization results app developers can achieve.

With that I hand over to Yaron, who will give you more insights into the financials of the past period and the outlook.

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Y. Zaltsman

Thank you Ziv.

The majority of our revenues in 2017 stemmed from programmatic trading and mobile, with programmatic showing the strongest growth of 18%.

Almost 40% of our revenues comes from video advertising. The consistent growth we have reported on over the past quarters was set back by our strategic decision to shut-down supply side aggregators as part of our 'Keeping it Clean' initiative. Fyber RTB was affected in particular, and most of their revenues are from video advertising.

We do however expect future growth in the share of video, as we are focusing our investments towards programmatic video advertising. Our best-in-class products such as our video platform VAMP will become available to all customers following the integration into one joint tech platform.

We have a global diversified revenue base, also able to service publishers in APAC that are looking for international traffic. It should be noted, that APAC that contributed to 27% of our revenues, is expected to decline in year 2018 due to Google's ban of charging screen ads for apps.

Looking at the year-over-development, I would like to emphasize that we have been able to show growth despite the deliberate strategic decision we made to discontinue parts of our business.

If the effect of 'Keeping it Clean' initiative, here illustrated as a striped box at the bottom of the bar for 2017, were to be added onto the achieved gross revenue, Fyber would have grown significantly by over 20%, which is where we see current market levels.

We are convinced that this strategic decision, even though it negatively impacts our revenue in the short-term, is critical for future growth as we fulfill our partners' requirements with regards to transparency, clean and in parts unique inventory and direct publisher integrations.

In addition to our reported financial statements, we provide here the pro-forma financials of 2017, which include the acquisitions of Heyzap and Inneractive as if they closed on 1 January 2016 - providing a like-for-like comparison.

For the full year 2017, we have seen a 5% growth in gross revenues to 230 million Euro, largely driven by the growth in our programmatic business units, which increased by 18% year-over-year.

I would like to emphasize, that net revenue more than doubled this growth rate and increased by 12% to 70 million Euro - a clear proof point of the positive side-effects of our specialization strategy. The "Keeping it Clean' initiative might slow down gross revenue growth in the short-term, but increases the value of inventory available on our platform and the achievable prices.

This explains the rise in net revenue margin to over 30%, with Q4 coming in at 34%. I would like to emphasize that we do expect further growth in our margins in year 2018 onwards.

Q4 should also be viewed as an example for our cost base and the continuous actions we take to focus on efficiency and lean operations.

G&A cost was reduced by more than 25% and the total cost base was reduced by 20%, leading to a positive adjusted EBITDA of more than 2 million Euro for the last quarter.

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The full-year adjusted EBITDA was close to break-even at minus 1.2 million Euro - up from a loss of more than 4 million Euro in 2016.

Another accounting result of the 'Keeping it Clean' initiative is the write-off of goodwill. We took the decision to perform a one-time write-off of €80 million goodwill related to the Fyber RTB business, as their revenue was largely dependent on business with aggregators on the publisher-side. With that, we have cleared the balance sheet of all related effects and are confident that all stated assets are represented at their fair value.

We see year 2018 as a transition year, until the unified product will positively impact our results.

The 'Keeping it Clean' initiative that lowers the revenue base for 2018 by about €40 million and the recent change made by Google to ban the use of charging screens ads which was a popular ad format especially in the APAC region and a significant contributor to Fyber's business in China, makes the starting point for the year 2018 more challenging.

Nevertheless, we have high expectations for our unified product, but it is too early to predict its exact growth contribution. Also, the full roll-out of the holistic technology platform is expected for the fourth quarter of 2018, which limits positive financial impact on the current year.

Taking into account all above mentioned developments and especially the fact, that in our business the fourth quarter is by far the strongest in terms of revenues, we forecast the gross revenue for 2018 to be in the range of €220 million to €240 million, net revenue of above €70 million and a net revenue margin of more than 31%.

In line with the industry's natural seasonality and our financial performance during the last years, we expect the first quarter to contribute less than 15% to the full-year revenue and to be the only quarter with negative EBITDA. Based on our investments in efficiency and scalability, for the first time we expect a positive EBITDA for full year 2018 ranging between €5 million and €8 million. The goal achievement will be largely dependent on the successful conclusion of our integration strategy.

The substantial economies of scale we expect to achieve through the integration of group companies and the launch and scaling of our integrated technology platform allow us to state a mid-term target of at least €40 million EBITDA for 2021 with gross revenue ranging between €400 million and €450 million.

Fyber's technology platform, the combination of audiences, data sets and analytics capabilities, products and verticals are an unique offering on the market – a strong asset to our existing partners and a valuable proposition to future partners which we aim to have in the near future.

The company achieved a strong market position over the years, based on our global reach, the direct integration with our publishers and our high technology. We are highly focused, which we view as particularly important to win in this market.

We offer the digital publishers, best-in-class independent services, that maximize the yield they can generate with advertising.

The clean marketplace is a key element for future growth as it ensures that Fyber is living up to the growing market requirement and fulfilling advertisers' requests for the highest standards of quality and transparency.

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We delivered the first quarters of adj. EBITDA profit in 2017 and are confident that the company's position, our focus on efficiency, the full integration of group companies and the promising market opportunities will help grow the profit margin over time.

The next events for us will be AGM end of May, followed by the release of the Q1 Interim Financials. From now on we will hold analyst calls following the financials releases after the half and the full year results.

We will also present Fyber at a number of investor conferences in Europe and North America this year. More announcements are expected later in the year. The full financial calendar can also be found on our website.

With that I thank you all for your time and hand over to the operator to open the call for your questions.

Operator *Administers Q&A session*

Questioner Good afternoon, gentlemen. Thank you for taking my question. It seems to me that you reduce your forecast for 2018 quite drastically, if I see what you did say in November and October of last year. Could you elaborate a little bit more on that: where is that coming from, please? Thank you.

Y. Zaltsman As we said, basically there is two major points that effect our business in year 2018 that was not fully taken into account in our earlier forecast. The first point was that we decided to shut down the aggregators. We actually decided to shut it down completely, and that impacts our revenues for 2018 around €40 million at least.

The second point that was not taken into account in the beginning was the charging screen ads which were a strong contributor to the revenue base for us in China. After Google decided to close it, it impacts our revenue for at least €20 million as well. Therefore, we decided to decrease our revenue forecast. That is on the revenue side.

On the cost, on the EBITDA side, generally we can say that our cost structure is now more or less fixed. Which means that we have a cost structure of around €50 million per year and therefore if we decrease our income almost each dollar that we decrease the income, influences the EBITDA by 25 cents. That is why we decided also to decrease the EBITDA forecast for 2018.

For us, we want to emphasize that our mid-term goals have not been changed. The key influence for a company like us to grow is basically on the unified product, which we aim to have in Q4. So, this year is more like a transition year for us.

Although it is important to focus for next year, we want to emphasize that it is a strategic decision. We are trying to look not only on the short-term goal but more on the mid-term goals.

Questioner, follow-up question

Thank you. Did I understand it right that the second part of this Google decision is €1 million per year less revenue?

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Y. Zaltsman 20. At least €20 million.

Questioner, follow-up question  
20, 2 – 0?

Y. Zaltsman Yes, 20.

Questioner, follow-up question  
Ok. May I ask one more question, please. It seems that with resolving the fall-back agreement between you and the former Fyber shareholders and Sapinda — Sapinda is once again a large part of your shareholders. Is that correct?

Y. Zaltsman That is correct. For all we know, they hold 40% in the company. They are not in any direct connection to us, in the way that they are not interfering or talking to us on the on-going business. But it is true: they hold at least 40% in the company. That is correct.

Questioner, follow-up  
Ok, great. I appreciate it. Thank you very much.

Z. Elul But I think it is more important to say that now the fall-back is resolved, and I think it is very valuable for the company moving forward. We are very happy for that.

Questioner, follow-up  
Ok thank you.

Operator For any additional questions, please press 9 and the \* key.

Questioner Yes, hello. I have two questions. One is: You have one balance sheet asset; it is called financial asset, about €9.5 million. Can you explain how this—what is it exactly and how will it go out of the balance sheet?  
Second question: Can you rule out a capital increase in the nearer future?

Y. Zaltsman I think I will start here first. With the first one, it is more an accounting issue that we have with assets and liabilities in the same amount. Related to that is—you can look over this in the notes. It relates to payments in connection to stock appreciation rights, so it is not really an assets and liability, so you should take it economic-wise. Regarding your second question: In a company like us, as long as we don't need money for on-going business needs we don't think it is making any sense to do any capital increase and to dilute our core shareholders in the current price. Nevertheless, it is always an issue if you want to reduce risk; because at the end—as you see this is a risky business until we will finalize all the issues related to the release of product—it is something that we are looking at on a quarterly basis. But for now, at least, for this moment, we don't think it is something that we plan to do—at least in the short-term. If we see over the year that we have a negative development, and if we have any cash flow issue, we surely will positively consider this kind of option. We will ask our board for this.

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Questioner, follow-up

Ok, thank you.

Operator

There are no further questions. So, with this, I hand back to Mr. Elul and Mr. Zaltsman.

Z. Elul

Well, we would like to thank you all for your time. Thank you all for the support and effort. Thank you, have a good evening, bye-bye.

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