



Meeting Title: Fyber N.V. H1 2018 Results Call

Speaker List: Ziv Elul  
Yaron Zaltsman

Operator Ladies and gentlemen, welcome to Fyber's results call for the first six months of 2018. 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 for the first six months of 2018. Yaron Zaltsman, our CFO, and myself will guide you through the key developments, the financials and the outlook.

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 our last Annual Report.

Fyber is a technology company, developing and providing a unique monetization platform to app developers and other digital publishers.

It is our purpose to provide publishers with stable and sustainable sources of income from high-quality, targeted advertising. Our platform connects publishers with advertisers worldwide and ensures in real-time, that only meaningful and highest-paying ads get delivered to apps, maximizing the yield for publishers with each ad impression.

Our service offering is best described with the help of a short comparison between, what we call, the old and the new ad tech. Fyber established itself as one of the leaders of the new ad tech, by leading with technology and quality.

We solve the key issues for publishers and advertisers - monetizing digital content in an optimal way and identifying and targeting the right users at the right time. Our technology is our key asset and main area of investment. It is transparent, and our service is based on direct integrations with our partners. Our business is clean, without any hidden fees or hidden agenda, enabling us to be a trusted partner of the biggest industry players and together we continue to shape the industry and move publisher-focused ad tech forward.

When taking over the management of Fyber, my key focus was the profitability and the sustainability of the business. Together with my achieved management team, we have set up a clear cycle of growth, that would ensure the long-term development and scalability of Fyber. Our publisher platform is among the leading systems worldwide and we strive to be the primary independent monetization platform for publishers.

By offering diverse direct publisher integrations and audiences at scale, we are attracting large buyers to our platform, which in turn adds to our offering for publishers. Publishers integrate with the Fyber platform through a software-

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development-kit - a deep technological integration that ensures among others highest data quality and stickiness of the publishers with our platform. This cycle is complemented and enhanced by state-of-the-art data tools, that allow for meaningful audience segmentation and data insights that boost monetization.

During the first half of the year, we have made significant progress along our product roadmap on the way to a fully unified platform.

We have launched our innovative in-app header bidding solution Fyber FairBid and signed a partnership with the biggest ad network globally, Facebook Audience Network, for this program. After detailed vetting, Facebook chose Fyber among only two other providers worldwide, to establish with them their in-app header bidding offering - a clear sign of Fyber's technological leadership and innovation.

We have released Offer Wall Edge, a complete re-design of one of our core ad formats, with enhanced user experience and usability. After a strong beta phase, the product received outstanding client feedback, showing higher conversion rates and higher revenue per ad impression.

We signed a big number of new clients in the last months, which will expand our revenue base in the near term. We continue to invest into our partnerships, especially our publisher relations. Regularly we are hosting publisher summits in our office, often also attended by Facebook teams and other major demand partners, educating existing and potential future publishers about our platform and benefits, and how they can best use Fyber to realize their monetization potential. We are also present at all global leading industry conferences, receiving strong client feedback on our thought leadership work, the product developments and the overall positioning of the company in the market.

The topline of our business was still affected by one-off effects that for the most part are based on strategic deliberate decisions to set Fyber up for future growth. At the same time, we have been able to increase the net revenue margin and expect to see a stable development from the underlying core business excluding the one-off effects.

To give you some background on the recent financials, we should not forget we have been working on the major challenge of integrating four companies into one.

Until completion of this project, which is our main area of investment, we are still supporting four platforms, which are partly affected by one-off effects such as the "Keeping it Clean" initiative or the removal of charging screen ads.

The integration is however fully on track. We already put out the core product of the unified platform, Fyber FairBid, and released it outside the beta phase earlier than expected.

As such, 2018 is still a period of transition for us. We have made significant investments into new products, like our video platform VAMP, Fyber FairBid and Offer Wall Edge. We are dedicated to lead with technology, and while this process takes time, we are very confident that we will soon be able to see the positive effects of the integration also in the financial results.

Before diving into the financials, this slide gives you some more insights into where our investments went into and what the strategy behind it was and is.

We set up internal integrations between all our product lines and created our main asset, Fyber FairBid, combining the strongest technology assets of all former group companies. But this doesn't mean that investment into the other parts of product

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offerings have been halted. We upgraded our overall infrastructure and enhanced the investment into R&D and product.

As a result, we saw improved net revenue margins, growing from 29% to 36% in H1 2018, a big increase in new customers, but also a short-term negative effect on the top line, with gross revenues of €59m in H1 2018. We are targeting a net revenue margin of 34% for the full year 2018. We believe this above-industry-average margin to be sustainable, as we are focused on offering our partners a true technology-based value-added and excluded any low-margin business units from our core business.

We are working on accelerating the roll-out of the fully integrated technology platform, which will increase our overall monetization skills and support our efforts to onboard new clients. This strategy is working - recently proven by the signing of a partnership with industry leader Facebook, Tapjoy and AdColony for Fyber FairBid - and we are working on further important partnerships that will increase our reach and market share.

With that I hand over to our CFO Yaron Zaltsman, to guide you through the financials.

Y. Zaltsman

Thank you Ziv.

I would like to start with an overview of the P&L statement for the first half of the year. As mentioned, our short-term revenue development was heavily affected by the necessary strategic decisions we took in order to set Fyber up for future growth, mainly the 'Keeping it Clean' initiative and the reorganization of our global sales teams.

The "Keeping it Clean" initiative - marked in the table to the right as "Aggregators" - was a critical factor in providing a technology platform that delivers highest quality and brand safety to our partners.

This decision meant discontinuing of significant parts of our business, resulting in a decline from 37 million Euro in H1 last year to only 3 million this year.

A second factor was an external one: Google's ban of charging screen ads. Income from these formats decreased from 9 million Euro in H1 last year to less than 1 million this year.

These two factors alone set our business back by 42 million Euro during the first six months.

I want to emphasize that they are however not influencing our core business, or our overall product and growth strategy. The core business was impacted by the integration of group companies and the transitioning of sales teams, resulting in a one-time revenue decrease of around 20 million Euro.

We spent significant efforts on training all our sales employees on all different product lines to better accommodate for a fully global organization with the upcoming integrated tech platform.

The training process is now complete, and we expect a quick ramp-up of performance to previous growth numbers.

However, the mentioned initiatives led to a considerable increase in net revenue margin to over 37% in the second quarter of 2018 and reduced total operating expenses by 29%.

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Based on the weaker revenue numbers in H1, we are updating our forecast for the full year 2018 to gross revenues between 150 and 180 million Euro.

The overview you can see here makes the impact of the one-off effects transparent. It is important to highlight, that while income from aggregators and charging screen ads is reduced significantly, our core business is on track and expected to grow. It is this core business - focused on the key areas of advanced programmatic mediation and video advertising technology - that we will continue to develop, and which will form the basis of Fyber's growth from 2019 onwards.

Moreover, now that the sales transition is complete, we expect to see growth in the core business not only compared to H1 this year but also compare to last year.

The positive effect on the core business, excluding the one-off effects, becomes even more evident, when looking at the net revenue.

Based on the growth in net revenue margin, we expect the net revenue of 'The New Fyber', our core business, to slightly increase in 2018, despite the one-off effects that still weigh on the business in 2018.

In the second half of the year, the growth is expected to be even stronger. There is only minimal net revenue still coming from the discontinued segments, and the absolute majority is stemming from our core business. From 2019 onwards, the core business will make up all our activities.

Our product and business strategy, and our mid-term goals for 2021 have not been affected by the one-off effects. While updating the guidance for this year to revenues of above 150 million Euro and an EBITDA around break-even, we confirm the previously stated guidance for 2021, with revenues above 400 million Euro and an EBITDA above 40 million Euro.

The underlying core business is stable, we have received strong market feedback from recent product roll-outs. The sales transition, which slowed down output in H1, is now complete. Based on this and the expected expansion of our partner networks, we expected a rapid return to former growth rates and are confident in our mid-term outlook.

You can meet us at three more conference this year, the next one in Zurich in October.

The conferences and roadshows for the next year will be announced on our website in due course.

With that I hand over to the operator to open the call for questions. Thank you all for joining.

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