

WORLD TELEVISION

blinkx plc

Capital Markets Day
31st March 2014

blinkx - Capital Markets Day - 31st March 2014

blinkx Presenters

Brian Mukherjee, Chief Executive Officer

Dan Slivjanovski, SVP of Marketing

Jesse Chaset, SVP of Audience Development & Operations

Karim Rayes, Sr. Director of Sales & Marketing

Alvin Bowles, SVP of Business Development

Sandy Demitroff, GM of Interactive Group/Agency

Paul Bremer, GM of blinkx Mobile

Third Party Presenters

E.J. Hilbert, Managing Director, Cyber, Investigations & Disputes, Kroll

Lesli Esposito, Partner, DLA Piper

Yahoo

Xaxis

MediaVest

Nielsen

comScore

Introduction

Brian Mukherjee, Chief Executive Officer

Thank you for coming and welcome to the first - I think I'm right in saying this, but I think this is our first Capital Markets Day put together by blinkx, we might have had a bit of a lunch and learn earlier, but I think this is a fairly large, grand scale Capital Markets Day; so thank you for coming we appreciate you taking the time to be with us this morning.

We have a pretty packed day for you and our objective during that day is not only just to inform, but to hopefully enlighten you about the operations of your company. And we are also grateful for the support that you have given us over the years, because it enables us to participate in the public markets and provides us the resources to compete in what we think is an absolutely dynamic and vibrant industry. So thank you again for your support on that.

I also want to welcome, I don't see all of them, but I know they're coming later in the afternoon, we want to welcome some of our ecosystem partners out here that represent that supply side, the demand side and the verification side of the industry. And they will be providing you their pitches in what they do later in the afternoon and also provide you a glimpse of how this whole industry and this unique industry actually works and works well together.

I also see some of our advisors in the crowd and I want to thank them for helping put together this Capital Markets Day, there's a lot goes into these things and I certainly want to thank them for their support in doing so.

Lastly, we have quite a big crowd from the blinkx offices here and including two of our NEDs, Judy Vezmar and Mark Opzoomer who I'm sure you'll get to meet during some of the breaks. I encourage you to talk to them and mingle with them. We also have a cross section of people from the blinkx management team that represents the roots of the company, the present, the future, every product line, every function and almost, not quite, but almost every office. So we've got a fairly packed day for you.

Let me get started by walking through what we've got for the day. So as you can imagine the Safe Harbour provisions will obviously apply to our discussions today. We are not - we went into a closed period this morning, so outside of the information that was put out on the RNS we are unable to talk any more about any financial related information.

Also, there are certain pieces of information that we consider commercially sensitive and confidential, so in the Q&A if it comes up we might have to defer on that and perhaps answer the question in generalities or in more of category level rather than a specific level and I hope you can understand why.

As far as the agenda, as I said we have a packed schedule for you this morning. It's basically split into four parts, we're going to start off with a deep look and deep insight into what blinkx does. And this will cover the ecosystem - we'll start off with a history of

blinkx - Capital Markets Day - 31st March 2014

the company, cover the ecosystem that we play in, the supply side of it, the demand side of it, the technology, the content partnerships that we have but also the - you know some of the trends that we are seeing and how we are aligning ourselves alongside those trends.

The second half of the day and by the way we expect that will take approximately 90 minutes to two hours or so. The second half of the day - and we'll break for lunch and we'll come back, we'll break for lunch around one o'clock and come back by one thirty and the second half of the day is going to be talking about the ecosystem and the ecosystem partners that we've invited to come over.

We will then have a Q&A session that is going to be panel based, it will be moderated by one of the blinkx management members here and we'll moderate that. My recommendation would be as we go through the day today if you can write down your questions so that we can collect them at the end of the day and be sure to answer them instead of trying to break the flow of the day because otherwise it's just going to expand in time and we're trying to keep it fairly tight in the next four or five hours or so. And then lastly we're going to end with a social hour that hopefully what you'll find is - and I encourage you to mingle with the rest of the management team, if you have specific questions on a specific slide or topic, you know, feel free to reach out to them and ask them any details that you might want to clarify.

Finally we, like you, I'm sure you can imagine that the bear raid has been on our minds and we have gone through a very comprehensive internal and external diligence on the topic. And this morning we issued a fairly detailed response to, and our view, of the results of the diligence that we've done. We don't intend to provide any more comments on that topic and instead want to focus this particular session on the business, the prospects, etc, and then we want to start focusing our undivided attention to going after some of the growth opportunities that are ahead of us.

Let me start off with a quick snapshot of the company and juxtapose that with the history and where we came from. So blinkx is a tech media company with more tech than media, focused on the supply side of the ecosystem and you'll get an understanding of this in a minute.

We were founded in 2004 and used the IDOL technology as the kernel to pioneer the concept of consumer video search. We then built an ad supported ecosystem and a commercial model around it. And if you look at us today, you know, while we bet on video almost ten years ago to the date when video was 'buffering' we never waited for the market to catch up to that promise. And if you look at us today, while video is what we lead with, it's is our DNA and it is our future, video is not the only thing that we do for both commercial reasons and otherwise.

However, in our view because of the characteristics of that format, video is without question, in our mind, the killer ad format for the sector, one that is technologically very, very hard to crack, but one that transcends any device - that is independent of any device if you can get it right. And therefore you'll see that we have doubled up on our bets on video, particularly with the two acquisitions that we made last year and we're going to continue to do that going forward.

blinkx - Capital Markets Day - 31st March 2014

Also in terms of where we came from, as I said, you know, the company was founded in 2004, went public in 2007, we are a stronger company today than we've ever been, we've almost doubled in size, not quite, but almost doubled in size every year since IPO in 2007. We became profitable about three years ago and have been increasing both profit and cash generative ever since.

Now having said all that we also find ourselves in the unique position as a company, as an industry, to have many, many more opportunities ahead of us than capital; and as a company, as an industry what we are both after is the coming consolidation and subsequently the disruption of combining linear advertising - advertising spend on linear TV and on online, which in our estimate is a well over \$100 billion market. And that's the prize that all of us in the industry are going after.

Just to help you dimensionalise the business a little bit, you know, we are a fairly small company, but we've been a fairly rapidly growing company in the sector. And just to dimensionalise this business for you, we have just under 350 employees, spread across 15 offices in three countries, and if you look at the size of the business, the footprint of the business that we've built over the last few years we have hundreds of agency partners, publisher partners, content partners and so on - brand partners and so on. And in terms of the size of operations that we run, we see on a monthly basis we see almost a quarter of a billion users traversing our network. We see we serve over half a billion video ads and video impressions a month. And we see over 50 billion ad impressions that traverse that we can have access to on a monthly basis, this is just to give you a size of the footprint that we have built over time.

With that I'm going to move on to a quick look at the history of the company and where we've come from. It's no secret that the company has grown through acquisitions. And in the industry that we operate in - one that is characterised by rapid product development cycles and obsolescence. M&A is a very common and accepted way to drive growth, for the simple reason that the product that was the star product from last year may not exist a year from now. And I think the most fundamental example of that is what you see going on as the audiences move from desktop to mobile devices.

Now we think, as you know we've made about five acquisitions in the last five years and we think although we are fairly small, we have built a core competency around making these acquisitions; specifically around finding the right assets, at the right price and doing the right thing with it, which is trying to integrate that into the overall blinkx ecosystem and you will see examples in the management team sitting with you who will show you how we've been able to do this. There is still a lot of work to get done, don't get me wrong, but that's one thing we think we've built a core competency around that. And as the space continues to evolve I think you should expect us to do more.

Moving on then from the history to where we are today and where we see ourselves going. So if you look at the commercial model that the company - or even the industry for that matter operates under. As I said we are a tech media company, we are a B2B player in that - what I mean by that is that 95% of our revenue is generated through advertising, which means that if you think about what that fundamentally means is that we connect consumers to advertisers through a calculus that consists of the basic

blinkx - Capital Markets Day - 31st March 2014

concept of fair value exchange, meaning that in return for showing you something of value, some piece of content and you'll see examples of that throughout the day today, we are asking you for your attention; not dissimilar to what happens on TV. And that's the fundamental equation that not only us, but pretty much the entire industry is based on.

Now what we are trying to do is focus on the - as much as we can on the premium side of the business where we connect these consumers and advertisers through some form of premium content that then enables us to show the right ad, at the right time, to the right user. And our goal, our aspirations and the steps that we've taken is to be able to do so across any device, across the four screens that you see today, which is laptops, smart phones, tablets and connected TV and ultimately to be able to do it across any IP addressable device. So that is fundamentally how the commercial model is set up.

Now also in the online world it is somewhat difficult to touch and feel a product unlike what you can do with something like this. So I thought what it would be useful to do is talk about what these products actually are, what they look like and how do we actually monetise that. And here's an example of some of the products, the constellation of ad units that we use to monetise our partners and ourselves.

This includes rich media ads, mobile ads, social ads, display ads, text ads, video ads and so on and as I said again it's representative of the fact that while video is the heart of what we do, it is our DNA, it is our future, it is not the only thing that we do and you'll see more examples of this as we go along.

Moving on then to talk a little bit about the business model; the business model as I said fundamentally is based on the concept of fair value exchange, where you show some content in exchange for watching some ads. Across the product lines that fundamental truth essentially remains the same, which means that at the core of it is some form of technology that has three inputs to it. At the top you have some content which is either licensed, or indexed and when I say indexed what that means is we've got spiders that go out and spider the net to find new content, for example if it's a video spider it goes and finds out sites that have new videos posted on them, indexes it, brings it into our database and makes it search enabled.

The next is audiences which you see on the left hand side here and the audiences essentially are consumers that are in some way, shape, or form interacting online that generates interest either that is explicitly stated or inferred by us and it comes from multiple different channels. We started with blinkx.com, then went into syndication, went into discovery and the new channels that are coming on today are both - for example mobile now is starting to gain steam, connected TV in the future and ultimately any IP addressable device, it could be an in dash screen for example.

And the third component of this is advertisers on the advertiser side essentially we get demand which goes into the demand side of the equation which is the portion of the commercial ecosystem that essentially underwrites this whole thing and that is advertising which comes in one of two ways; either we have our on sales team going in and selling directly to the agencies, primarily and in some cases, some rare cases to the advertisers directly, the marketers directly. And increasingly pulling these ads from third

parties which is commonly known as programmatic. So that's where the two ads come from.

Now, what happens in this construct is when you have a high value user and you'll see examples of what a high value user looks like, comes into this engine, we have an option to do three things. One, show them the right ad and then show him - show him the right content, show him the right ad and make sure it is relevant to that person as best as we can tell.

Now when all three conditions are met, so you have a high value user coming in to look at a piece of high value content and we can show a high value ad we generate what we call premium revenues. When one of those conditions are not met, so for example the user comes in, we may not have a high value ad, instead of letting that impression go to waste we source it, we either sell it ourselves or source it from a third party and try to pick up any revenue stream that we can and that's called conventional revenue stream.

Now over 80% of the time today, so when I talk about we're a supply side tech media company, we've focused on the supply side; we've grown it to a size where today about 80% of the time we don't have an ad to show. Now remember just to put that into context, it doesn't mean that we own that particular impression and we've got to guarantee a payment on it. But we have an option, think of it as a call option where we have the right, but not the obligation to fill the demand. If we have an ad we fill the demand and we make money, if we don't we throw it back in the water and someone else picks it up. So that's how this business model is set up.

And this grey box that represents about 80% of the time where we don't have an ad represents the organic growth opportunity that lies ahead of us. And this is a well understood growth opportunity for us and it basically falls in two parts, one is to monetise the un-monetised impressions that we have access to and secondly is to try and figure out a way to upgrade the conventional ads to premium ads. So that's how the business model is set up.

So with that introduction I'm going to hand it over to Dan who's going to walk you through the ecosystem and how we fit into this ecosystem, Dan?

.....

Dan Slivjanovski, SVP of Marketing

So I'd like to walk you through the ecosystem, really starting pretty broad and simply and then gaining in complexity.

So imagine an event that happens millions of times every day, a consumer like you or me comes to a website, or a publisher site, finds an engaging piece of content, clicks on the content, an advertisement plays, the content plays, in this case a video and the advertiser pays the publisher who splits the revenue with the content provider. So there are four parties involved, the consumer, the website publisher, the advertiser and the content producer.

In terms of the value flow that's occurring, the consumer of course is bringing their attention or engagement to the website. The publisher wants to keep that consumer

blinkx - Capital Markets Day - 31st March 2014

coming back so they furnish that website and embellish the text content with content from a video or an app provider, making it more visceral, improving the user experience and so forth. So in this case carpages.co.uk is soliciting content from Motor Trend. That constitutes a highly relevant interaction for an advertiser. So an advertiser like Toyota will pay the web publisher of course who splits the revenue.

Now what's missing from that picture is the scale and speed required to complete the transaction. So we were talking about a single event a moment ago, imagine hundreds of millions of consumers, tens of millions of web publishers, thousands upon thousands of content and app providers and advertisers and there's a massive fragmentation problem that has to be solved in order to aggregate those audiences at scale and package them for the advertisers.

And that fragmentation problem is what blinkx solves, so we sit at the epicentre of that value chain and that ecosystem and essentially what the blinkx engine does is match consumers with content and advertisers, millions of times a day on behalf of hundreds of brands and we do it automatically and in real time. And to give you a sense of the latency, we're doing this in milliseconds; it's fractions of a second that we're serving those ads.

Now to bring the ecosystem to life, and these are actual brands and partners with whom we work there are four pillars to the ecosystem. At the core is our technology, so again blinkx sits at the epicentre and we're flanked by supply partners, demand partners and content providers and app producers. By soliciting audience from the supply side we can aggregate those audiences at scale, which in turn lets us come to the content providers with the proposition that we can extend their reach and provide incremental monetisation to an incremental audience. That in turn lets us go to the demand side of the occasion and get those premium and repeat buys. And this is a virtuous network effects model that's growing in every dimension each and every day.

Now against this backdrop blinkx does something very special and unique, at least in terms of video, so we provide video search, discovery and syndication by working with independent universal publishers and we provide the content, the ads and the audiences. And in addition to video we can execute integrated campaigns across all ad formats, which actually speaks to the way that advertisers are buying today.

So what's programmatic, you know Brian alluded to programmatic, this is a big deal, not just for the industry but also for our business and we're seeing more and more inventory being bought and sold in a programmatic environment. So like the greater ecosystem the programmatic environment has a supply and a demand side. On the fringes the supply ultimately represents the consumer or the user, the demand represents that advertiser or the brand that's seeking to advertise and value and eyeballs flow towards the middle towards an exchange.

So to give you a better sense, publishers rollup consumers, ad networks aggregate the publishers, SSPs, or supply side platforms aggregate the publishers or the ad networks rather and the SSPs are the requisite launching off point into the programmatic environment. So from the right side dollars flow where the agencies aggregate the advertisers, trading desks aggregate the agencies, the trading desks plug into DSPs, or

demand side platforms, which are the analogue to the SSP on the supply side and they meet at the clearing house, similar to a stock exchange, in the middle.

The fringes of this ecosystem tend to be high touch, where the agency is working actively with the brands, developing creative campaigns and doing planning and the publisher is engaged in UI and UX and consumer aggregation. The middle, in the blue line, is high tech in contrast. And it's that space in particular that speaks to blinkx's competency and DNA from a technology standpoint. And as we seek to grow we're actively looking for an opportunity to extend from the supply side, which is where blinkx predominately lives today, right, we are a publisher through our owned and operated properties, we function through our own networks, we function through an independent universe of web publishers. We have an SSP, but we're seeking to bridge the gap and extend to the demand side of the equation through technology.

We're also looking at common data management, unified advertising technology and consolidated reporting and analytics. And we'll talk a little bit more about that when we get to inorganic growth.

So with that I'll pass on to Jesse Chaset, the next few presentations will dig into audience, content and demand, which as we said are the three constituents that matter in our ecosystem. And as we do through these presentations we hope that you get a sense of how well integrated we are as a company, how diversified from a product and unit stand point and how innovative when it comes to new product development and growth.

.....

Jesse Chaset, SVP of Audience Development & Operations

So I'm Jesse Chaset, I joined blinkx through the Burst Media acquisition and we're going to spend some time today talking about audience.

So when we talk about audience we're really talking about that relationship between the consumer and the publisher, but in order to frame that conversation it's really important to understand the critical relationship between price, volume and quality. On the slide you're seeing your classic marketing funnel, at the top it's all about awareness where the vast majority of the volume exists, all the way down to the bottom where you really have optimised qualified users that are ready to convert.

As that volume narrows, the value that's inherent in that user increases. So there is a natural inverse relationship between that volume and then your quality and your price. So the best way to think about this is if you think of an automotive manufacturer, they have a new car that new model that they're ready to promote. In an awareness stage that advertiser is going to spend money reaching users through high impact formats like rich media and video ads, however, as they learn more about that user they're going to spend top dollar to reach that prequalified user to get them into the dealership to take a test drive.

So as we think about this and we're thinking about audience and how it pertains to the blinkx ecosystem it's important to understand the two fundamental ways that we amass audience, one is through aggregation which serves the top of the funnel and then the

blinkx - Capital Markets Day - 31st March 2014

other is through origination which serves the bottom of the funnel. I'm going to focus on the top half and then my colleague Karim will speak to you about what happens in the bottom half.

So what is a publisher? Everybody in this room goes to websites, you consumer content online, so a publisher is that producer of content. In this example we look at Bon Appétit a wonderful food website and you can see we've highlighted three boxes that represent opportunities for ads or monetisation to that publisher.

And as user behaviours are changing and the ecosystem evolves we start to consumer content across multiple devices. So here you see Bon Appétit as a tablet view as well as through a smart phone. But again what's important here is that the monetisation opportunities exist across all formats. And given the natural cannibalisation that's happening inside the ecosystem as more and more users are consuming the vast majority of their content through these alternative devices the monetisation opportunities increase and the opportunity for new and innovative ad formats to exist across these formats increases as well.

So we aggregate consumers into audience, so what do we do with that audience. That audience we aggregate into segments and these segments align with advertisers' objectives and become targetable opportunities for them to reach their core consumers. So we take information like content, psychographic information, demographic information and then package these segments into nodes that are available for advertisers to reach.

So what you're looking at on this slide are some of many examples that we have of ways that we provide this packaging throughout the ecosystem. So moving from left to right you kind of see that life stages and age groups are one of the many ways that we bucket back to advertisers. So to think about this, so Samsung releases their new Galaxy S5 phone, they're trying to reach a certain target and that target is all about early adopters, tech enthusiasts - that you can find inside of Giant Realm in the middle channel which reaches young men across those content categories and meeting all those demographics.

So while we can segment one critical point to this and one of the distinct advantages that blinkx has is that we had this massive scale to begin with that enables us to then structure these segments down into more finite digestible and actionable packages for advertisers. So we've over 4600 websites, 250 million uniques a months and it's really the breadth of scale that enables us to do this effectively day over day.

So what's the value proposition back to the publisher? So Brian spoke about the fair value exchange and that's exactly what we do. One advantage that blinkx has is that we are able to provide monetisation opportunities for publishers across multiple formats, specifically with video you're seeing some of our video products represented up on the screen. And what's important to note here is that the breadth of the products offer us to provide wonderful solutions for highly sophisticated technical publishers, which you see through our search integration and our catalogue product. Two really customisable, but plug and play options for publishers who are a bit more novice in terms of incorporating

video into the site. So we're able to service both ends of the spectrum and then everywhere in between.

Outside of video that fair value exchange also works inside rich media executions. So rich media executions are really kind of rich, high impact, immersive ads that really engage the user. And again we're thinking and talking about that top of the funnel.

So in the direct sales model as opposed to programmatic you can see executions like this. And what you're looking at on the screen is over on the right over here is a standard ad size; you've all seen them on websites. But in a rich media environment you see that ad expand to a full page immersive experience for the end user. And ultimately that drives more incremental revenue for the publisher.

Additionally you may have heard a bit of buzz in the industry around native and social advertising, and this is really a growing and emerging sector in the ecosystem. And what this does and why this is important to audience is we work with several influencers, thousands of influencers in this space, influencers also commonly known as bloggers. Blogger have a wonderful relationship with their audiences. These audiences come to these sites because they feel as though they have this personal connection to the blogger, the influencer, themselves.

So native and social advertising takes advantage of that relationship, and it's a wonderful place for advertisers to align themselves and be able to experience kind of that authentic relationship they have with the audience. So in these examples what you're looking at here are similar, are same red boxes. These look like pieces of content but they're actually ads. In this example the Gap worked with us to distribute gift cards to about 200 of the top influencers within their category, and those influencers then went shopping, outfitted themselves, outfitted their spouses and their families, and wrote about it. So as audiences go to the site they're interacting with this kind of content and it really starts to take it to the next level.

And again we have the ability then through our technology and innovation to do even, you know, more interesting executions. There we were in a similar campaign for Panasonic, promoting their new DSLR. We're able to then aggregate all of these content pieces that exist here, and then distribute those in a custom ad format across these influencers. Again speaking to that audience and delivering to the top of that funnel.

So that's aggregation and what we do to service the top of the funnel, and I'll hand it over to Karim who is going to talk to you a bit more about what happens in that highly qualified conversion part of the funnel where we originate our traffic.



Karim Rayes, Senior Director, Sales & Marketing

Thanks Jesse. Hi, my name is Karim Rayes. I work on the consumer side of blinkx, work on our consumer product. Today I'm going to talk to you about audience generation. So while most of our audience is actually aggregated as Jesse mentioned, we do also generate a portion of our audience directly. This is done through third party apps as well as owned and operated applications.

blinkx - Capital Markets Day - 31st March 2014

Today I will show you a couple of examples of third party apps that we use, as well as of a couple of new owned and operated applications that we've recently built that are currently embedded distribution.

So let me actually start with examples of third party applications. These applications are typically paid applications that we offer to our users for free in exchange for advertisement. They're essentially ad sponsored applications. It's very common, especially these days as users are more and more looking for free applications, and you know the way for the software manufacturer to generate revenue is through advertisement. You see that a lot on mobile these days where you may be able to get a game for free. You'll see small ad units showing up on that game. You can then, you know, buy the same game and not get that advertisement at all. So that's really the value exchange.

This happens on desktop quite a bit as well. I'm sure a lot of you use applications such as Skype. Skype will show advertisements during the chat windows. Same thing on Google Chrome through search etc. So we do the same thing here. We have this application called Storm Alert that we license from a third party. Storm Alert is essentially a severe weather notification application. To give you a concrete example, let's say a storm is headed to your area, Storm Alert will show an alert on your desktop alerting you that the storm is coming, take shelter etc. This actually works for many other typical weather notifications such as tornadoes, earthquakes etc, and really it's a great addition to a standard weather application you may already have. This application will only show up when there is an event occurring, otherwise it's pretty much invisible to the user. Very lightweight, easy to use.

So you have two options when you download this application. You can either pay 4.95 and buy the application, in which case no advertisement will be shown. Or you can go and download the blinkx sponsored version of it. That version will show you a couple of advertisements a day, and you get the application for free. At any time during the use of this application you can opt in to buy the application, get rid of the advertisement.

So here we have a second example. This is an application called Frugal iD. Frugal iD is an identity theft protection service. Essentially if your identity is ever assumed by a criminal this service will help you recover your identity. They can either do that through support, so basically you go through the process and they will help you along the way, or they can take over the entire process for you, it's entirely your choice.

Frugal iD will also go ahead and set up a \$25,000 insurance policy under your name as soon as you register. They do that for every registered user. Again that's offered for free. You might have seen similar services offered elsewhere. These services typically cost anywhere between \$30 and \$40 a month. Again Frugal iD is offered for free thanks to blinkx sponsored advertisement.

Now I'm going to get into a couple of our owned and operated applications that we're building. We're actually very excited about this application. This is a new application called Skyrocket player. Skyrocket player is a flexible online video player. Essentially

blinkx - Capital Markets Day - 31st March 2014

what it does is enables you to watch online videos right on your desktop. You have access to the full blinkx content on this player, as well as YouTube content.

This application is very flexible; you can obviously move it around your window. You can actually stretch the video, reduce the size. But one of its unique features is its transparency mode. You can actually see through the video and you can control that, but you can actually work through it as well which is a very unique feature. Let me show you a quick example of what that looks like.

Video

Karim Rayes, Senior Director, Sales & Marketing

Transparency mode that you can see here.

Video

Karim Rayes, Senior Director, Sales & Marketing

Not only can you see through the video, you can actually type through the video as well which is a very unique feature. This application is actually patent pending right now and doesn't exist outside of here. This is the first time this has been done.

So not only this is a great feature for the user itself, it's also a great feature for our advertisers. Because of this technology we can guarantee that the video will always be played upfront, so essentially your - in this case your Excel sheet will never go over the video. So the advertisers know for sure that their video is playing and the user is seeing it. It's never minimised, it's never hidden.

So our vision for this product is to turn it into a video hub. As I mentioned right now, we support blinkx content, we support YouTube. We're in the process of adding Netflix, Hulu and other online video services to the product, and we want to make it your main video hub on your desktop.

Next we have a shopping comparison product called Boost. This is a shopping comparison utility product that adds to your browser. Users opt in to this product essentially to enhance their shopping experience online. When visiting a product page on a vendor site the Boost interface will load at the footer here, and will show competitive prices for the products you're shopping for.

So in this example here the user is on buy.com looking for a food processor. They found one for \$999. The Boost application loaded and showed that exact same food processor here on eBay at \$350. So the user has access to better prices for their products without having to actually go through that extensive search and load every vendor site and find deals that way. It will also offer similar products as well as related products to that, to give you alternative options as well.

As you can imagine this is very valuable traffic. These users are obviously qualified; they're shopping for an application right now, and in the process of completing a transaction. So those clicks sell for a very high amount of money and are very targeted.

So you've seen our products. You've seen some third party products as well as some of our owned and operated. I'd like to go through the ad units that work within those products. We have four examples here of ad units that we use on our products. First is the contextual ad unit. This ad unit is mainly used in our third party applications. It is a targeted ad unit, it's key word targeted, geo targeted and only shows at very low frequencies. So essentially that's what I talked about initially, you get the product for free, you see a couple of ads a day. This is the unit that will load there.

Next we have the slider ad unit. This is mainly used in our shopping comparison products, again to show competitive prices on products you're shopping for online. At the bottom here you can see our text highlight ad unit. The way this unit works is essentially you will highlight relevant keywords on web pages. When the users hover over these keywords a relevant ad will be shown. Again these ads are keyword targeted; they're geo targeted, very valuable.

Lastly you'll have our video ad units. These are used in Skyrocket player as we've seen earlier. These again are targeted to the content that is currently playing in the player. They'll show before or after the video when blinkx videos are shown.

So of course we drive ad units. We never, as Brian mentioned earlier, we always attach a value proposition to these ad units. And content is at the centre of that value proposition. I'd like to introduce to you Alvin who will come up and speak to you about the different content that blinkx has to offer.



Alvin Bowles, SVP, Business Development

Hi, I'm Alvin Bowles. I came to blinkx via the Grab Media acquisition that took place last year. It's important to note, as Jesse and Karim have talked about, that content is an important distinction for blinkx as we serve our audiences. We actually have one of the largest libraries of content, professionally produced content I should note, in the ecosystem. We have over 1,100 partners, and we've got about 700,000 pieces of content in our database at any given time. We get about 30 to 40,000 new pieces of content each week, as recency is an important currency for the constituency that we serve.

So not only do we focus on a tremendous amount of content providers, we also focus on apps. As you talk about the proliferation of mobile devices we want to make sure we focus on following audiences across the mobile web, especially due to the proliferation of mobile devices as well. We've got millions and millions of hours of content. It's primarily short form content. We tend to think about our ecosystem as video snacking. Although we do have episodic content, evergreen content and everything else, and full length episodes, we are really talking about video experiences that are most often shy of about five minutes in length.

So you think about the content partners. This is a bit of our logo soup here. You'll see recognisable brands. We've got an anchored content, partner in Yahoo from an entertainment perspective. We've got anchored content partners Bloomberg and CNBC from a business and news perspective. We focus on really everything in between and really have a large and growing Hispanic and Latino business really focused on the United States there.

It's a really important distinction for us as this is a really important piece for everyone in the ecosystem as most of these content providers, they spend a tremendous amount of money making this wonderful content and they entrust this content to us. And you know we're focusing on not just spraying and praying this across the internet, but trying to focus on the intended demographic, psychograph and behavioural target that the content creation was intended to reach. It's an important distinction for us.

So to think about the products that we have once we actually have content. One of them is called Direct Play. Direct Play is licensed content we get from media companies as we focus on once it's ingested into our ecosystem is allows for search and discovery, where we at blinkx are actually responsible for the monetisation, and we provide a revenue share back to the content provider. It's really focused on making sure that blinkx.com has a tremendous amount of content and it's all professionally produced.

The other product that we have us called Premium Play, where we actually get that licensed content, but we actually get that along with monetisation from the content provider itself. This really allows us to be able to extend the reach that allows for - most media companies to have a tremendous amount of content that they make, and they have a great audience on their own endemic property, but they are looking for reach that actually allows them to be able to make that content accessible to other aggregated audiences around passion points.

One example of that is really our content hub. Content hubs is one of our premium products if you will in Premium Play, where we actually build this on behalf of a content provider. The focus here is to make sure that we actually focus on the [gap in audio] would find on their own endemic website [gap in audio] and that content in an environment inside of blinkx.com to be able to extend that reach. It really is focusing on increased frequency [gap in audio].

Video



Alvin Bowles, SVP, Business Development

So this content we actually got from Ziff Davis' IGN which is a focused brand around gaming and gamers. We actually got that piece of content [gap in audio] we get that content in perpetuity. [Gap in audio] campaign this content can be indexed, especially if it's evergreen. You know if it's a recency content it will expire at a certain, you know, specific time, if it's weather related or things of that nature. You don't care if it rained yesterday; you care if it's going to rain tomorrow. But if it's evergreen content that actually [gap in audio] that method applies here as well.

blinkx - Capital Markets Day - 31st March 2014

Another syndication tool for us is actually called audience extension which is a coveted tool for media companies where we actually get a finite amount of content over a finite specific period with monetisation. But instead of running that just on blinkx.com we run that across our distributed network of publishers. As Jesse and Karim took you through how we serve those constituents, this is some of the product that we actually showcase to them.

This specific example is one of the pieces of content we actually receive from Yahoo. It's a cooking show called Chow Ciao, it's about Italian American cuisine, and we actually focused on finding a distributed network of publishers that we could showcase this content to along with the ad over a finite period of time. This allowed us to be able to really focus on aggregated reach from a reach of frequency curve perspectives. Most agencies are looking for additional ads against premium content experiences across a wide variety of sites, but you're really trying to focus on professional content experiences. This is a very coveted tool and one of the distinctions that we have at blinkx that others can't offer.

It is important to probably note that we actually don't create any content at all. Our entire library is licensed professionally produced content. We don't have any user generated content in our ecosystem whatsoever. There's no currency for it within blinkx, and it's a really important distinction as content is a really proxy for premium in our ecosystem.

Now two additional products that we have here which are new. One called Video Match, and I'll take you through an example of this. It is a very interesting product where you really are focusing on an image inventory creation tool. And I'll take you through the example and talk about that in just a bit more.

The other product on this page is called Grab Press. Now it's important to note that [gap in audio] WordPress for their content management system [gap in audio] with engineers or large technological [gap in audio] to be able to combine precision search [gap in audio] sound and motion, which is obviously more valuable to advertisers and such.

I'll take you through an example of video match. This actually a really cool product. So what this does, this is actually an example of the Daily Mirror. This product which was actually just launched really last week, allows us to be able to scrub or scan a page, any page across the internet. And any image that's on that page return a video from our library if it actually matches the contextual relevance of the article surrounding it. What's interesting about that is that one, it is device agnostic. Most video players, if you will, are fighting for real estate on a particular page. This allows us to be able to not have to deal with that whatsoever. It also focuses on a tool that's focusing on viewability and verification because this is always front and centre of the consumer. It's a really big hot one and you'll hear about that later from comScore and Nielsen and some of our other panellists later today.

But this is a very interesting tool and I'll showcase how this works. This specific story is about Chris Martin and Gwyneth Paltrow and unfortunately they're getting divorced. And this all happens in milliseconds where you'll literally have a superimposed triangle over

an image that may have been licensed from Getty Image, AP or what have you, and returns in milliseconds a video from a contextual relevant perspective.

Video

Alvin Bowles, SVP, Business Development

Very seamless execution. This is a differentiator on how you focus on creating organic video views against user generated video executions. This is a really important distinction for us.

And it's also important to know that all the different partners that we have from a content perspective entrust us to be able to deal with our content in a very respectful and professional manner. If you're focusing on - if you had to think about all the investment that content providers put into their content, in order to entrust that to someone like blinkx if you will, we've got a return with that the love and care that you actually have to focus on content. So we're focusing on making sure we connect the behavioural target, psychographic and demographic targeting that the content provider was intended to reach. And so I'll turn this over to Sandy to talk about the advertiser and demand portion of our business.

Sandy Demitroff, GM of Interactive Group/Agency

Thanks Alvin. Hi, I'm Sandy Demitroff and I've been with blinkx for three years. I joined the company through the PVMG acquisition. And as you've heard from my colleagues blinkx sits in a unique position at the intersection of audience, content and demand.

And I'm going to talk a little bit today about demand from agencies and advertisers. And demand represents the ad dollars that we receive from advertisers in exchange for helping them to reach and engage consumers online.

We have a very unique value proposition at blinkx and a diversified product set, and this gives us the ability and privilege of working with the who's who of consumer brands, and leading media agencies. These are just a representative sample of some of the great companies we work with. In all we work with 900 brands over 70 agencies and have over 50 programmatic partners.

When we engage with advertisers we usually follow one of two paths, direct and programmatic. The direct channel is the more traditional path. It's the madmen model of having a live sales team that interacts frequently with advertisers or agencies on their behalf. It's very people intensive. It's about relationship building. It's about wining and dining, or jollies as my team likes to call it here. It's about understanding an advertiser's need and responding to that through RFPs and proposals, and ultimately culminates in an insertion order.

Programmatic on the other hand leverages technology to automate the buying and selling of media. I like to think about it as electronic trading for advertising. And here

blinkx - Capital Markets Day - 31st March 2014

we interact with the advertisers, typically through their agency trading desks, through DSPs and exchanges.

As many of you know programmatic buying and selling has exploded in the last two years and it's really not slowing down. Global spend is expected to grow almost 200% from \$12bn in 2013 to over \$32bn in 2017.

You've seen a version of this already but this is a high level view of the programmatic ecosystem. And within the value chain there are two sides, the sell side and the buy side. We sort of start at the outside and work our way in. On the sell side you have publishers and ad networks who are attracting consumers through specialised content. And then the FSPs are aggregating those consumer eyeballs into audiences, and they're the launching pad into the exchanges.

On the buy side you have advertisers who are allocating significant dollars to reach qualified, targeted segments online. And the campaigns are run through the agency trading desks that plug into the DSPs or demand side platforms, and exchanges where the real time auction or bidding actually takes place. Most important to this automation which you've heard happens in milliseconds is data. Data is virtually the currency of programmatic buying and selling, and drives valuation in the space.

So on the sell side SSPs aggregate collect first and third party data and create user profiles. Data can include demographic data, behavioural data, geography, buying patterns. For the buy side advertisers look at that data to identify and match the right target client and apply a value to the impression. As you might imagine the richer the data the better the match, the more an advertiser is willing to pay.

Also what is central to programmatic buying and selling is viewability and verification. Advertisers want proof that their ads are being seen by the right target demo in a brand safe environment. They're in view according to IAB standards, and they're being seen by real humans. Companies such as comScore, Nielsen, DoubleVerify and Integral Ad Science are setting standards in this area, and we have partnerships with all of them.

As Brian and Dan both mentioned, blinkx today is a tech drive, sell side company, so we actually own our own SSP, we aggregate inventory at massive scale, and our SSP is fuelled by direct relationships with thousands of publishers. It's also built on relationships with other content networks who leverage our ad server technology. And we access demand through direct integrations with DSPs and exchanges like AppNexus, MediaMath, DiToMi OwnerIQ, and believe it or not through relationships with other SSPs like Rubicon, PulsePoint, PubMatic and Sovereign, it's through the frenemy model. We compete but we partner together.

So whether we work with advertisers on a direct basis or a programmatic basis we have a fully integrated product offering. You know it's best for video and we have a broad range of video solutions. These are a couple that I'll share with you today. So the video pre-rolling companion ad, this is a 15 second piece that an advertiser creates for the web or leverages from TV. It runs before the video content and when the ad is over a banner appears in a persistent state so the ad is always in front of the user.

blinkx - Capital Markets Day - 31st March 2014

Our branded player is a very immersive experience where we take our video player and we literally re-skin it with an advertiser's brand assets. Sponsored video is seated video where the content is actually the ad in its longer form up to two minutes long, and we also make blinkx video content available through connected TV, through relationships we have with Sony and Roku.

In addition to video we also offer standard display, rich media, social and influencer programmes and mobile products. Rich media, as Jesse said, high impact, very engaging and entertaining for the user, and also very highly customised for an advertiser. I'll take you through an example of a fixed footer which is the top left, which is part of a very successful programme that we did for Happy Family, an organic baby food company. And it allowed the advertiser to interact in multiple ways. A consumer could go to the site, watch a video about the product. They could also read blog posts from influential mummy bloggers who were posting about mealtime with their children, or they could submit their own story to Happy Family's Facebook page and enter a contest to win \$20,000 towards their child's education.

The unit is fully in view, the campaign was really successful, drove almost a million readers and also 18,000 Facebook page views and 2,000 visits to Pinterest. So as you can see, you know we really challenge ourselves as Dan said to be innovative and diversified, and we believe that that gives us a real competitive advantage because it lets us go beyond selling standards units to selling fully integrated campaigns that are very, very valuable to our demand partners. With that set I'm going to pass it to Paul who's going to take a deeper dive into mobile.

Paul Bremer, GM of blinkx Mobile

Thanks Sandy. My name is Paul Bremer. I came to blinkx through the acquisition of Rhythm which was the most recent acquisition in December of '13. Just to continue and finish up on the creative execution, much like my colleagues have shared earlier we've also been innovating, and in this really wonderful world of mobile and smartphones and tablets there's a whole lot of really interesting things you can do. From ads here for movies that go directly to buy a ticket potentially, to the social media aspects of the canvas. We find that turning consumers into social advocates through things like Facebook and Twitter is almost an immediate thing that happens through mobile.

Also on the far right you see an example of a television commercial that we created for the tablet space for Lincoln. It was a full app and I'll get more into that later.

Rhythm is a company that's been around about eight years, our heritage is in premium mobile video, our founder Ujjal Kohli who's now in the blinkx board as a matter of fact, was a former CMO of a company called AirTouch Mobile, he was creating mobile video opportunities eight years ago before there were even smartphones. Essentially it was in a feature phone environment, there was something called v-snacks, it was a software kit that went directly into feature phones on behalf of major media companies in the United States and from there we've developed a number of products in the application world.

blinkx - Capital Markets Day - 31st March 2014

So when smartphones came around 2007 I guess you would call it, probably with the iPhone would probably be the first smartphone, the content that we developed on behalf of major media companies in the United States has allowed us to have deep ingrained relationships with these folks. So we built for instance the first app for Discovery, we built the first app for E! Online which is a major media company in the United States. We have developed alongside and with these major media companies for nearly six years now and now in the current generation of where we're going we've got to the point where we've moved further along to the ad serving and ad technology part of the business.

So it's crucial when you consider the development of the mobile ecosystem to understand that Rhythm is very much a proxy for what blinkx was already doing in video. We work with major brands, I think last year we worked with 44 of the top 100 advertisers in the United States Ad Agency 100, we called directly on these folks, we are engaged with their agency partners, we are developing content and most importantly we're developing great creative experiences for them.

We make money in two different ways, one of them is through the ad serving technology on behalf of our content partners and one of them is through a network model which is the Rhythm ad network which rolls up all these folks at an audience level.

There are four major things that I think you should take away on what's currently part of the business, we think there are huge opportunities beyond this by the way, what we've done today has been traditional, premium, working directly with these advertisers, we've not even entered remotely into the premium programmatic direct. A lot of the things that Sandy took you through and a few others have mentioned there's a huge opportunity there, we have just now scratched the surface of connected TVs, we were already working on that technology and now we're going to be working with our partners at blinkx and developing that.

In content syndication Alvin talked to you about taking content from various locations and destinations and moving that across, there's a parallel ecosystem here and we are playing in it, the ecosystem is growing at a much more rapid pace than the desktop. So I think that probably part of the strategy about acquiring Rhythm was to put together a future casting of that type of opportunity.

If you look at the scope of who we work with, traditionally we have worked with these big media companies and I think that was a great place to sort of cut our teeth and to get our roots in place. But ultimately where we're going from here is looking at digital first companies; we're working with companies that started video businesses in the digital world, on the desktop world and moving to mobile, not just major media companies. The common thread though to be clear is premium, we are not playing in the mid tail, we're not playing in the long tail, we're working exclusively with those companies.

We get a lot of questions about scale, people wonder if in fact scale has been achieved in premium mobile video, I remember when I joined several years ago people said well that sounds really cool but ultimately is that a thing, is that on any kind of scale, we estimate we have about 75 million uniques now which is a pretty big number when you

blinkx - Capital Markets Day - 31st March 2014

consider the number of smartphones and tablets, we're only US based right now so another great opportunity is in international growth. And we see about 500 million streams per month so that's a really big number when you consider that our primary ad unit, in the 500 million streams I'm talking about is video, inside video content so not just putting up a video all across the mobile web or in apps, I'm talking about video and video content.

The dirty little secret about the mobile video world is that the majority of the ads that run, and this is important for those in the room who are studying other companies, should understand that the majority of the ads that run in mobile video are running in games. And there's nothing wrong with that, ultimately running in game advertising makes a lot of sense at times right, but if you're between game levels or something like that you might not expect that video. And if that video app comes you're starting to erode that fair value exchange, that term has been used two or three times already.

The fair value exchange with the consumers, the expectation that that consumer will see an ad that they believe is a fair value for the content that they're going to digest, right now that ad is typically 15 seconds in length, sometimes 30 seconds, I wouldn't be surprised if that length ultimately shortened because of the nature of the mobile world especially on smartphones.

Smartphones and tablets are also two different devices and you should keep that in mind as you're looking at different companies that play in both. We play in both they're very different devices, used at different times of day, used for different durations of length and used for different experiences. The tablet is akin to a television experience, much more of a lean back experience, in many ways it's competing, if you look at the time of day, with the television but the smartphone is used throughout the day, there really is no prime time for smartphone.

We allow our advertisers supreme choice, transparency is incredibly important to us, always has been, has been the bedrock of Rhythm's pitch, this is why leading advertisers work with us. They're able to choose which of our partners they work with and they're able to opt [short gap in audio] United States, CBS was already working with one of our advertisers which is entirely likely, they would simply say I'm already working with CBS on a 360 type of campaign, call it television possibly desktop, mobile, tablet, maybe connected TV and they're already working with those folks, they will look to move out of that and won't work with them for us.

In our case we're putting together a horizontal audience buy, in many cases we're helping them reach at a larger scale believe it or not, if you look at the major media companies on the right here that are actually smaller than Rhythm, we're helping them reach a larger audience of their target than they can through any of these big media companies.

The last thing that I'll mention on where Rhythm fits into the ecosystem here is and every time you put up a chart like this you always end up on the top right if you're doing your job right, but ultimately what we've done because we've been maniacally focussed on smartphones and tablets as an advertising platform technology we have the largest

blinkx - Capital Markets Day - 31st March 2014

transparent premium in stream, again video, inside video content offering of any of our competitive sets.

Others in the mobile space and in the video space play in different places, some are much more heavily focused on desktop and some are much more in the mobile space heavily focused on display. But ultimately what we do is we focus on mobile video exclusively.

So with that there's a lot of really interesting examples you can do. The creative canvas that mobile provides is really I would say second to none, it's a full screen immersive experience, the desktop audience as Karim's example shows, people are actually work sometimes while they're watching video which is fine because it takes up, it's very hard for an advertiser to reach somebody during that crucial work time. But the mobile canvas you have to treat a little bit differently and I'll give you an example here. This is something we did for Mountain Dew which is a Pepsi brand.

Video playing

So that's an example, that was actually submitted and presented at a conference that we did recently where we attended with some of our leading advertisers. That's an example of taking over the entire screen, you couldn't really get the effect of it but if you shook the screen the can actually moved and there are really some fun things that you can do with the creative execution there.

This is another example of something we did for Bose which is a leading sound technology company and this was actually a finalist for the IAB, the Interactive Advertising Bureau which is the governing body of the world that we all live in. They have an annual mix awards, sort of a gala event and this was a finalist for the tablet category. The reason that this is interesting is because this entire example is an ad but it's really more like an application.

Video playing

So this was something called the showroom where you could go around, you could watch video within it, you could go to a gallery, you could actually test the product out, play around with it.

I think you probably get the idea, there's a whole lot of interesting stuff that you can do in mobile from a creative standpoint and our company's sort of been at the forefront of that for years. The thing that we're mostly excited about is something called LivePods, this is a patent pending technology that we announced in November last year, I'll show you a brief video here and I'll tell you what that is.

Video Playing

So one of the biggest challenges is that because of all the complicated operating systems and so on, that mobile presents is live dynamic ad insertion. So in many cases most ads that you see if you watch a television programme on your tablet or on your smartphone you'll see they're the same ad over and over and in some cases you [short gap in audio].

Rhythm has created this patent pending technology called LivePods to dynamically insert ads, as Brian said you want to serve ads to the right person at the right time, for what mindset that that person is in, this allows for that to happen.

So an example of just recently NBC with the Olympics, they had a room twice the size of this full of interns actually pushing things live at the breaks that they had in the digital video that they were showing on nbcolympics.com. So there's a massive challenge out there and a massive opportunity around live events whether it be in sports or in music and we are going to be at the forefront of that as well. So I'll turn it back over to Dan who's going to talk to you about our technology.

.....

Dan Slivjanovski, SVP of Marketing

Thanks. Okay so I'll talk about tech a little bit, I think as we've established you know the blinkx competitive mode consists of three concentric circles, there's the blinkx engine in the middle, there's an ecosystem around that that consists of supply, demand and content partnerships. And then as evidenced through the last three presentations we further go out to the market via different ad units and products but at the core of what blinkx is there's technology.

So most tech search engines actually miss the video in the video you know they read the metadata associated with the video which is the text tags around it. The analogy we like to use it's like reading the envelope but forgetting to open it up and actually take a look at the letter and the blinkx technology does that and it's pretty cool.

So in addition to text analysis we augment those inputs by ingesting speech analysis and image analysis for a much deeper, richer understanding not only of the content but also of the context of the video. So for example if there were a video tagged Paris Hilton you know our technology could tell the difference between a video on the celebrity versus a video about the hotel in Paris and that of course would have implications for both the user entering that search query as well as the advertiser who wants to advertise against the asset.

Here's an example of how it works and we want to show you some of the attributes of what the technology can do.

Video playing

So while the video is playing the engine is ingesting multiple feeds and in addition to playing the video it's providing other videos that may be of interest to the user, it's assembling a dynamic tag cloud based on audio and text analysis so it's recognising the actual themes in the video and it's doing a frame analysis by visually taking a look at the breaks in the sequence and provides a much richer sense of context.

With that we're going to talk about standards next, standards are very important in the industry, it's something that we embrace and they're multi-faceted you know standards apply to how are we papered in terms of our relationships with our partners, what are we doing around verification and viewability and also how are we compliant with some of the greater organisational standards that are in the industry. And to kick off this

presentation we actually have two outside speakers so they're going to start and speak on our behalf.

The first one I want to introduce now is Lesli Esposito who's a partner at DLA Piper, she's served as expert, basically as external consultant to us, external counsel and proactively reached out to the FTC on behalf of blinkx to get a crystal clear understanding of where we stand essentially in terms of business practices and is there anything residual from a prior acquisition that extends into today that we need to bear in mind. Lesli are you on the line?

.....

Lesli Esposito, Partner, DLA Piper

I am yes, can you hear me Dan?

.....

Dan Slivjanovski, SVP of Marketing

We can hear you fine, with that I'll kick it over to you and it would be very helpful if you could just document or at least communicate what you did, who you reached out to, what was the nature of your correspondence and any individual findings and so if you were to advise us in terms of where we stand and what we need to worry about what is that conclusion?

.....

Lesli Esposito, Partner, DLA Piper

Absolutely Dan I'm happy to do that. As Dan stated my name is Lesli Esposito and I'm a partner at the law firm of DLA Piper in the United States in their Washington DC and Philadelphia offices. And to give a little more background on myself prior to joining DLA I was a lead attorney at the Federal Trade Commission or FTC. So that gives a little bit of relevant background for what I'm going to talk about today which is the representation that I was asked to take on with regard to blinkx.

I was asked to represent blinkx with regard to some select FTC matters, specifically whether or not an old consent decree which has been issued against a company called Zango back at the end of 2006 and beginning of 2007, whether or not the terms of that consent decree were applicable to blinkx, whether or not blinkx was bound by that consent decree. And further if blinkx' practices were compliant with the terms of that consent order and guidance that has been passed out through a number of opinions by the Federal Trade Commission.

So the first thing that I did was I do an investigation basically of blinkx' current practices as they would apply to this Zango consent order and some of the FTC's rules and regulations. And in order to do that I spoke to a number of executives, I had a number of lengthy interviews with them and everyone readily answered all of my questions, they were eager to cooperate, eager to answer any questions that I had and even do additional research into some historical aspects of the acquisition of select Zango assets by blinkx.

blinkx - Capital Markets Day - 31st March 2014

And once I had all of my questions answered I was comfortable and confident that blinkxs' practices even if they were bound by the Zango consent order were in fact compliant with the terms of that consent order and were compliant with other rules and regulations that have been passed down from the FTC.

So once I had a better understanding of blinkxs' practices and I had that comfort and that confidence in their practices and what they were doing I reached out to the Federal Trade Commission.

And I'd like to take just a brief minute to explain a little bit about the FTC so that you can understand who I spoke to and why they were the relevant people. So the Federal Trade Commission is broken down primarily into two parts, the Bureau of Competition which handles anti-trust and competition matters and the Bureau of Consumer Protection which has fairly wide ranging authority on consumer protection issues.

Now within the Bureau of Consumer Protection there are a number of different divisions and one of the divisions is called the Division of Advertising Practices and they also handle internet advertising and various internet issues. And it's the Division of Advertising Practices at the FTC that has authority over the blinkx' practices, it's also the Division of Advertising Practices that conducted this investigation of Zango several years ago and actually drafted and implemented this consent order against Zango.

So I reached out to a woman named Mary Engle and she's the Assistant Director for the Division of Advertising Practices and I know her through some of my dealings with the commission. And I reached out to her, she oversees and supervises all of the investigations that are conducted by the Division of Advertising Practices and the Division of Advertising Practices is charged with enforcing the rules and regulations that relate to unfair and deceptive advertising and marketing practices and again it's her division that did the Zango investigation and the Zango consent order.

So I spoke with her at length about the Zango consent order and whether or not that consent order would be applicable to blinkx, given that blinkx purchased select Zango assets after Zango had filed for bankruptcy. And she stated and informed me with confidence that she was not aware of any application of that consent order to blinkx.

And in an effort to take it even a step further I spoke with her whether or not there were any FTC investigations ongoing into blinkx and blinkx practices because she again heads up the division that would be in charge and would conduct any such investigation. And she informed me verbally that she was not aware of any ongoing FTC investigations of blinkx or any of blinkxs' practices.

And we even went into a little bit more detail and discussed add on networks, Burst Media, Grab Media, Lead Impact, Prime Visibility, Rhythm New Media and Averted Technology Group and she informs me that with regards to all of those entities and those names she similarly was not aware of any ongoing FTC investigation into any of those entities.

And I think it was very important to ask that question because the way the FTC conducts their investigations they start as what's called a non-public investigation and so often

blinkx - Capital Markets Day - 31st March 2014

they will begin to investigate a company and do some preliminary research prior to reaching out to that company to inform them that they're undergoing an investigation. And so I explained to her that if there was any such investigation the company wished to be cooperative, wished to answer any questions that the FTC might have and so it was really in that vein that we were reaching out to her to see if there were any ongoing investigations. And again she assured me that there were not.

She also suggested that I reach out to the Assistant Director of the Division of Enforcement and the Division of Enforcement is another division within the Bureau of Consumer Protection at the FTC and the Division of Enforcement is the division that has all of the responsibility for enforcing all consent orders that are implemented by the Bureau of Consumer Protection. So it was I think an important second step to reach out to him as he's the person who supervises the division that enforces all of the consent orders and he's the only other individual at the FTC that would be aware of any enforcement actions against blinkx or any enforcement actions regarding this Zango consent order.

So I called him, his name is James Kohm and we had again another lengthy in depth conversation about the Zango consent order and I talked to him about the assets that blinkx had purchased, the way in which they had been purchased, a little bit about what was done with the assets after they were purchased. And he informed me again with confidence that he was not aware of any enforcement actions regarding the Zango consent order. And what that means is that right now currently the FTC is not alleging that anyone is in violation of the consent order.

And he further stated to me that he actually believes that the Zango consent order might no longer be active or enforceable in light on Zango's bankruptcy. Now there are specific terms in consent orders regarding who they transfer to and it has to be a successor to the company and in light of the bankruptcy and the way certain assets were sold off, he said he did not believe that that consent order would still be valid and enforceable based on his current understanding.

So I think those were very great and strong assurances to get from Ms Engle and Mr Kohm at the FTC, they're certainly the individuals who would be aware of any actions or investigations regarding blinkx.

The unfortunate thing is the FTC does have a policy not to put these types of statements and assurances in writing so while they both were willing to talk to me over the phone and verbally state these things and verbally give me these assurances it is against FTC policy to put these types of statements into writing. So while we were not able to get this in writing I am confident in their verbal assertions and comments to me and in our discussions that currently the Zango consent order is not applicable to blinkx and currently there are no investigations going on at blinkx being conducted by the Federal Trade Commission.

And again they're the government agency in the United States that would really have authority over the types of acts and practices that are part of blinkxs' business. And I think it says really a lot about blinkx and the executives and the individuals at the company that they wanted to voluntarily approach the FTC to find out if there were

investigations, to find out if the consent order was applicable, you know they were eager and ready and willing to have meetings with the FTC to discuss their business practices and discuss any applicability of this consent order and really wanted to cooperate in any investigation if there were any investigations that were ongoing.

And when I informed that there were no investigations and the consent order was not applicable the executives at blinkx even asked me to approach the FTC about getting a voluntary business review letter and this is a practice that's a little unique to the Federal Trade Commission. They have a system and mechanism in place where companies can approach the FTC and ask them to review business practices and issue them a letter in writing stating whether or not those practices are legal and compliant with the laws of the United States and the rules and regulations that the FTC enforces.

So I reached back out to Mary Engle again as she would be the individual who would handle such a request and would have authority over blinkx practices and told her about this desire of blinkx to have a voluntary review of their practices to get assurance in writing that they were compliant. And she was very impressed; I think it always says a lot about a company when they are willing to voluntarily seek a review of their practices, it shows that there is nothing to hide and that they have confidence in what they're doing.

And I spoke with her at length about getting one of these business review letters and unfortunately the FTC changed their policy about a year ago that they will now only issue these business review letters for proposed conduct, for proposed changes in conduct. So due to the fact that we were asking them to review ongoing business practices the FTC stated that they would have to decline that request. Again not because of any concern or anything like that but again merely just a policy and procedure question; but again I think it says a lot about the company that they wanted to seek such a review of their practices.

So I think that summarises what I have done and the conversations that I have had with the individuals at the Federal Trade Commission. I'm certainly happy to answer any questions that anyone might have or provide further detail on any of the points or conversations that I've mentioned if that would be helpful.

.....

Dan Slivjanovski, SVP of Marketing

Thank you very much Lesli, appreciate your participation. Okay E.J. Hilbert, Managing Director Head of Cyber Investigations and Disputes at Kroll. E J has a storied history, was previously with the FBI and previously to that worked for Myspace, Fox and is an expert on cybercrime and in light of the evolution of the internet, the fast pace that things are changing we've asked E.J. just to share outside expert insight into what companies need to look out for.

.....

E.J. Hilbert, Managing Director, Cyber, Investigations & Disputes, Kroll

To give you a little bit more on my background I was an FBI agent for eight years in Cyber Crime and Counter Terrorism and then I actually joined Myspace after that and

blinkx - Capital Markets Day - 31st March 2014

then I ran a firm called Online Intelligence after that. For those of you who've worked in the, or understand the online advertising world, Myspace is probably one of the first ones that, well they were pretty big in it, they made \$900m off Google for selling their ad spaces so it works out very well. And I was responsible for helping the companies identifying individuals who did things wrong particularly in the online ad space and the affiliate market space, suing two individuals, you may know the names Scott Richter for \$10m which we won and another individual by the name of Sanford Wallace for \$240m as I testified for the FTC in this space.

I was asked to look at some situations as it became apparent here and you need to understand something with regards to this and regards to the evolution of this market. I shall be talking about the ecosystem later on, it is important to note that when this market - when the online ad space really came into play most of the individuals working in this space were kids, the average age was between 15 and 25 years old.

The businesses that were run, if you pay attention at all there was a recent young man by the name of Ryan Eagle who was just sued by the FTC and lost everything with regards to it. He was making millions of dollars per month in the online ad space doing the various different things that you're not supposed to do. And there were a number of companies out there that were doing the same type of situation.

The reference to Zango, Zango was the epitome of one because they set themselves up as a full company and what they were actually doing was encouraging the affiliate marketers and individuals of that nature to utilise exploits in computer systems to force into play, apps, toolbars, things of that nature. And then you have individuals who pop up into the ecosphere who decide that they don't like what's going on and therefore they're going to declare why this is going on wrong or this is not going on right and then they become some kind of expert in that space.

Since then, particularly in say the last three to four years you have really seen companies change things around. Most of these companies are usually private equity held, or personally held; now you're having publically traded companies which means they have to open themselves up to the scrutiny of other things going on. You don't see that a lot to be quite honest with you. As you've heard blinkx was willing to go to the FTC and say please review our stuff.

I actually advise another company that's a competitor to blinkx, yet blinkx was willing to have me come and take a look at their stuff as well. That is a significant aspect of this business now. Because this is the future, let's be quite honest as you see these amazing apps and all these different things that are going on there are other companies out there that are doing things of this nature, don't get me wrong, I'm not in the position where I can endorse one or the other, I apologise with regards to that's the nature of Kroll and being an independent party that does these investigations.

But it is important that as mobile moves on, as more screen time is placed in front of a tablet or mobile device rather than a TV the monetisation process is through advertisement, just as it has been with TV all those years. And you've taken what used to be - I had a copy of the paper earlier, if you grab any one of the newspapers that you get, if you just on the metro and you grab the Evening Standard it will say something

blinkx - Capital Markets Day - 31st March 2014

like the most read newspaper in the world, or the most popular newspaper in the world, or something of this nature. There's no way to market that. There's no way to make sure that that's actually true. Just because they have a certain demographic that they apply to it and just because they sit in every Tube station in London.

But companies are taking active approaches to do that and by the list of individuals who are going to be speaking after lunch you can tell they're taking active approaches. And there are different ways to do this, from a standards perspective there are not specific rules laid out there. You talk about things like Malware, which is taking over people's computers without them knowing, this is where you trick them into doing something. You send them a fishing scheme; you manipulate them in some way, shape or form.

People like to attribute Adware to Malware it's not the same thing. They like to attribute Spyware to Malware, maybe it's the same thing, it's depends on whether or not you chose to let it happen. You are allowing, as a consumer, a consumer has to be allowed the opportunity to decide whether or not to install something onto their system and they need to be told what that does, be it an application, be it some kind of download rather than a small application, some kind of toolbar, some kind of comparison site, something of that nature. And that's the key here.

And everything that I've seen and everything that I've been looking at I can tell you where there are bad players, there are bad players that are outside of the blinkx network, there are bad players that will try to manipulate the blinkx network, okay. The difference is blinkx is aware of it, as are several other companies and they take steps to do that. And if individuals give you the opportunity to actually do something about it and they take that opportunity and they fix it it's a completely different thing than say the former groups like Millnic Media. Who used to say to the affiliates, oh all your traffic was bad we're not paying you anything, but on the other side they would go and receive payment from the advertisers.

So from a moving forward perspective as you're looking at this, advertising in the online world is huge, advertising in the online world used to be a primary methodology for monetisation for cyber criminals. It is where most of those who steal credit cards, it is where most of those who steal personal accounts, this is how they monetise. And firms that are out there that are flyby night small groups where their traffic isn't being monitored that's how the money is getting through.

I don't know and I may offend some individuals but there was a whole bunch of colon cleanse and teeth whitening and other ads that were put out there for a very long time and manipulations of a cyber - and having Oprah Winfrey's face on it as if she somehow endorsed it, okay. And those products were the methodology with which to manipulate individuals, manipulate systems and make money.

Companies cracked down on it, we heard about CBS a US media company they refused to work with companies for a long period of time and created their own in site, just so they could control it themselves, so that they could see what was going on.

You see things like the New York Times where their front page gets hacked and there's an ad that actually redirects you to Malware, it looks like a clean one, they bought the ad

blinkx - Capital Markets Day - 31st March 2014

themselves, they placed the ad themselves, but they didn't realise that the bad guys were monitoring IP addresses that determined when you're reviewing it which IP is it coming from is it one that's going to be the company and they're going to make it bad, or is it some other general public, so they put things into place.

I have spoken with the blinkx individuals, I know what they have in place, I have issued a report that has to stay in-house. There are certain recommendations, I will make those recommendations here, there are recommendations that have been made in different ways, recommendations such as having an abuse committee that actually reviews the stuff that answers to your general counsel and not to operations. Having an abuse committee that can physically go out and view sites based off the traffic as it comes through. You have amazing technology that collects everywhere that ads show up, you have amazing technology that tells you which affiliate is responsible for which ad, which website, which publisher had that ad, go and check it. So if it's really there.

You have the ability to - it used to be that you had multiple affiliates working for multiple groups, all right, and they would not want to share with the ad networks, where they were actually posting their traffic, where their publisher sites were. Because they feared that those networks would use house accounts, go up and buy those ads themselves at a lower rates or different things of that nature. So everybody hid their traffic, hid everything going on.

But you can change that by the relationship with which you have. A lot of what blinkx does is 50/50, it's revenue sharing, which means everybody is looking at what's going on, everybody has the right to look at what's going on. So that takes that ability to hide out of the practice.

So from that perspective and the other aspects that I've looked at, I can tell you right now everything that I've seen with regards to blinkx fits within the standards and the guidelines that are out there right now. But the standards and guidelines always have opportunities for changing and fixing. blinkx have been very open to listening to those and will take the steps that they deem appropriate. But at this point in time they're above - this is my personal opinion, they're above many of the standards that are happening, alright this is not Kroll, this is my personal opinion, having looked at what they've done and it appears they will stay on that cutting edge and be addressing this because that's what happens with a publically traded company, there's folks like you who are going to question them on that.

Dan Slivjanovski, SVP of Marketing

Thank you very much E.J, you know we wanted to include that category address just as a backdrop. You know the internet is fast moving, it's constantly changing, these topics are relevant to all players in the space. And just being open and transparent about it is important to us and we hope that you take away the sense that we're serious about the topic and we're also serious about monitoring what we're doing to stay compliant with the topic.

What we're like to do next is talk you through the nature of how we get audiences, what protocols do we have in place, what documentation - you know, protects us in

relationships with other ecosystem participants and furthermore how do we dovetail with third parties on the topics of verification, viewability, traffic, etc. And that's going to be the remainder of this part of the presentation and I'll turn it over to Brian.

.....

Brian Mukherjee, Chief Executive Officer

So thanks to the other participants who've talked through this, you know this part is going to get a little dense, so pardon me for it, but we'll try and simplify it as best as possible. So remember what we've talked about - we've talked about the top of the funnel, the bottom of the funnel, the majority of the traffic is aggregated, not originated and there's a difference between the two.

More of the traffic that we originate and it's a very small fraction by the way, is used for the bottom of the funnel where you're expected - the main mode of the advertising there is some sort of a conversion. Now traffic comes from multiple sources, fundamentally it comes from any interaction that a consumer makes online, or on their mobile phone increasingly generates traffic. So whether you go to a site, you watch a video, you download an email, whatever it is that's what traffic is. And as I said there are two parts to it, you either originate it or you can optimise it.

So our focus is mostly on the - on the optimisation part of it. And you'll see why that is. And it's - we are able to optimise that traffic based on the criteria that the advertiser needs, the criteria that we have with the publishers and so on, it is almost, I shouldn't say exact - but almost impossible to go downstream to focus on the origination. That becomes a consumer value proposition, this is much more of a - when we talk about being a B2B company this is what we mean.

All right, let me tell you the way the traffic in the auction takes - now remember that when we talk about traffic this traffic auction generally takes place in an auction mechanism. So justice is instant. If the traffic doesn't work what happens is the advertiser comes in, drops their price and you get paid less than what you were paid literally a minute ago. It's not based on the end of the month, or in the period, it is instant that justice.

And the way it happens typically it's through network plays, the network happens in two - there's actually a two stage auction that takes place, there's the stage one that's an in network auction where advertisers come in and bid for keywords that they want to buy and then based on the ranking and based on their criteria that they come in and put on the - they put their bids, based on what they want to buy into what's known as the advertiser centre.

Now the advertiser could either come to us directly, or can come to us through a series of different affiliates that the advertisers work with, for example an agency, an affiliate and so on and so forth.

Once this is done - so this represents the stage one auction, where the buyer of the traffic comes and says - I'm willing to pay X price for Y keyword. Now once we aggregate that they compete with other advertisers that come to our network, we then stack rank the - all of the ads and the keywords that they've bought and then have to go

to the public markets in a stage two auction to go and source that traffic for them. And the reason for that is, at the end of the day advertisers are trying to connect with the user, remember the majority of the time we actually don't have access directly to the user, we work with our partners to get access to the user.

Now just like that on the left hand side you can have the separation between us and the advertiser could be two or three levels deep, the separation between us and the end consumer could also be in some cases four to five levels deep because of what E.J. was talking about how people aggregate traffic along the way. And this is a very common practice in the industry and a lot of times it used to be because you could have a user being aggregated by this person and that then gets aggregated by a sub-aggregator. What happens is this sub-aggregator may not want to show the aggregator where the traffic comes from because otherwise the expectation is this aggregator would go and directly get the traffic from the sub-aggregator. So it becomes a sub sub-aggregator process to do this.

So stage one auctions happen in network, stage two auctions happen out of network where we then have to go to the public markets and have the technology, have the right ads, have the right criteria to go and solicit or source that ad from them.

Now the stage two auction actually gets pretty complicated right, it is a many to many auction that happens literally in milliseconds. So if you recall again the advertiser is trying to reach the user, advertiser goes to a network and bids for those keywords. Now that particular advertiser can go and bid for either the same keyword, or different keywords for that same topic across any number of networks that he or she may like.

So that same advertiser can go to network one, network two, network three and so on and they typically - they use networks for different reasons. In some cases they get better results and it is impossible to tell why that is, they might get better results for a certain keyword on a particular network, they might get more coverage, they might get better service, there are a number of reasons why that happens.

So this particular advertiser goes and bids 90 cents for that traffic on network one, a dollar on network two, and let's say 80 cents on network three. Again, it's all up to them what they want to bid.

Those networks then, that's where the rev share happens. So the networks then keep a certain portion of the rev share, that's completely based on what the network wants to do. And then that network that has to go to the public market, to the public auction, to go and get that traffic for that particular advertiser.

Now this is happening in real time, so what you'll see is that 90 cent - where the advertiser pays 90 cent, the network keeps 27 cents and then distributes what looks like about 63 cents through its network partners. And in this case wins the bid because he is willing to pay the highest price for that particular user at that particular time.

The same thing in the second case, the network two - the advertiser pays the network two a dollar, the network keeps about 40 cents of that dollar and distributes 60 cents through the publisher base and then the publisher, the last mile of that gets 40 cents

blinkx - Capital Markets Day - 31st March 2014

and the publisher wins that traffic. And lastly what happens is in network three - 80 cents, they're willing to keep 32 cents and give out 48 cents. In this case network three wins that auction.

Now remember this is happening all in milliseconds, so essentially to a large extent a lot of our competitors also compete for that same traffic. But what you need to understand is that the winning bid is a function of how fast you can get there, so how fast you can get to the dance, how much you're willing to pay, what are the filtering criteria you are using to filter out the traffic and ultimately what is the rev share you're willing to give up. And all of this is happening in milliseconds.

Now again to reverse this out to tell you how complicated this industry gets the user and these aggregators can also provide - be connected to multiple networks. So it's a many to many auction that takes place literally in split seconds.

So that's how this industry is set up and this is how when we talk about competing in this industry this is how the whole sector is set up and this why - we talk about unable to know where the user comes in it's almost impossible to do that and that's where what you do is you start monitoring the traffic once it hits your server.

Now, let's take a look at how that process works with us. So as I said we focus on optimisation rather than origination. So what does that mean? What that means basically is when a traffic or the user hits our engine, or hits our server we want to make sure that we have a high probability of figuring out that this is who the person says they are. So to do that what we do is we put that traffic through a series of five different filters. And we use approximately 48 different filters along these five different stages to measure and understand how that traffic is behaving, because again remember we don't have much visibility on the upper end of it.

Now the way that works is the moment the traffic hits the servers it's called an ad query, so the traffic says - hey I'm so and so can you give me an ad. What we do is we actually put him in a holding pen. And the reason we do that is we want to ensure that even if our systems are down we are able to get to the false negatives. So in this case what happens is we put them in a holding pen and we run through a battery of filters that says - are you who you say you are?

Now once that's figured out - then the ad gets requested by the engine it says - hey can you send me an ad? And we do, but between the ad request and the ad delivery we run another set of about 22 different filters and it filters not only just for bad traffic but it filters for other things like is there money in the budget, it is date parted, is it the right ad? You know there's a whole bunch of other filters, it is not just quality filters, but there are also some operational filters that it goes through before the ad is delivered.

Then the ad is delivered and then for certain partners what we do - so by this time if we start with a normalised count of a hundred users coming in in this process we'd reject about 35 and then between the ad request and ad delivery we'd reject - again I'm giving you broad averages, about another 15 of these traffic source.

blinkx - Capital Markets Day - 31st March 2014

Now between the ad delivery - so at this point the ad is delivered and has gone to the advertiser. Now for certain advertisers we actually work very closely with them, to on literally a ten minute basis optimise the campaigns and optimise the traffic sources for them. So they'll tell us, block this IP, I want more traffic from this particular user ID and so on and so forth. So we are working with them, not everyone does it, but the ones that we work with closely they give us a feedback loop that we are then able to use on this site, and not only benefit them, but also benefit the rest of our client base.

And then what happens is - so there might be another 8 or so percent that might drop off here and then a month later, so at the end of the month, or the end of the period, or the end of the campaign we go ahead and run what's known as a look back and say - hey when we took a look at that something might have gotten through, what worked, what didn't work. And we might have a slight - you know another drop off there. So these are the first stages that we go through in trying to figure out and optimise the traffic.

So the supply side - when you look at the way we do it we use several different blocks like invisible traffic blocks, off screen blocks, i-frame blocks, etc, and then on the demand side what we do is we provide the advertiser the opportunity - first of all we disclose the range of options - remember that this is a self-service platform. So we disclose all of the criteria that you have at your disposal, or the filtering options that you have.

There are certain filters that we absolutely mandate, so you cannot not use them, examples would be adult filtering, adult filtering - we try to block off - so a lot of the stuff that happens here in the holding pen is we actually try and get rid of any adult traffic coming. And the reason being because a lot of this is happening at the top of the funnel the last thing you want to do is have a good ad show up on a bad site. So we want to make sure that we try and sort of take care of that. So adult filtering, so adult filters are mandated and you cannot take them off, and there are some other likes like black lists, blocked lists, etc.

And then lastly there are some optional filters that you can use and you either can set - and for you to not use them you have to consent to not using them. for example adometry filters, adometry is a third party that uses a traffic scoring mechanism and we can actually use an adometry filter to score and send only the traffic that you want that meets or exceeds a certain adometry threshold.

In some instances what happens is the advertisers say look I don't want that filter, because I already have it on my end, so I don't want to do it twice because then I'm going to have a latency problem and I'm going to be missing out on the traffic that I want. So there are certain sort of explicit reasons as to why this happens and why you would do this.

Now all of this is happening again, just to give you a sense of scale, it's happening in milliseconds, typically we have between 50 and 200 milliseconds to go through this process here and just to give you an idea of scale we're doing over a billion of these response to ad impression a day. A billion.

So does some get through? Yes. But I don't think there's anyone else, at least we don't know of that uses this level of rigour, particularly around this process where we are able to get that feedback loop to constantly have the engines learn as to what's working and what's not working. So this is how this thing is actually set up. It's a high speed trading environment not dissimilar to what you might find that happens in a financial trading house. This is how this whole thing is set up.

With that we're going to talk to you a little bit more about some of the standards and protocols that we use to further, not only from a technology standpoint, but also from a legal and operational standpoint address some of the issues to try and clean up and continue to monitor the network.

.....

Dan Slivjanovski, SVP of Marketing

If you guys will bear with us I think that we can conclude the blinkx portion of the show in about ten minutes, so I'll blaze through the i-charts on the next few slides. The point being, you know Brian just described a lot of complexity when it comes to audience acquisition. Part of being safe guarded of course is having bullet proof Ts and Cs with respect to our advertiser partners, audience provider partners, etc.

On the advertiser side of things we have explicit terms and conditions, we have a DMC protocol where we disclose everything around traffic origination, what we do from a filtering standpoint, we mandate that certain filters are always applied and so they're non-discretionary and the user has to consent to removing filters and those are apart from the mandatory ones.

And this spells it out in more detail. We have codes of conduct for advertisers, this really applies to the software part of the business, the ad supported software part of the business where we have affiliate rules and things of that sort.

On the partner side, so because we don't originate the vast majority of our traffic we're expert at filtering an optimisation, we have the explicit terms around what we consider invalid clicks from those audience sources and what we consider valid clicks. And some of the more important language that I want to point out, invalid clicks cover things like automated crawlers, robots, click generating scripts, fraudulent clicks, Malware, clicks generate as a result of auto-spawning of browsers, blocked IPs, etc, etc, and ultimately the gold standard for a valid click is that you can track it back to a human being.

Now that has to do with the aggregation part of the business, when it comes to the area of the traffic where we originate and again we do that in a small instance, either through our owned and operated properties, or through our ad supported software business, we apply equal rigor and in some cases actually more rigour because we're defending the origination of this traffic. So when it comes to app distribution for example, we put every app that we're considering through a 25 point evaluation check list, and that check list basically covers all of the categories that cover user choice, consent, installation, uninstallation, so we tick all of the boxes in terms of the standards that protect the users out there on the internet.

blinkx - Capital Markets Day - 31st March 2014

Here's an example of what we do to certify apps, AV companies, or antivirus companies, for every application that we're considering distributing we put it through a battery of tests with over 50 AV companies and for the app to sail through it has to get an 80% approval rate from those companies. And furthermore for the apps that either we develop, or we white label from other partners we work with a subset of these AV companies to get the apps certified and white listed, so we take the extra step that we think is actually unique in the industry.

From a distribution standpoint, you know we feel that we're best in class from a UI UX standpoint, the user experience is explicit and clear and walks them through the experience pertaining to choice, consent and installation. They're choosing to participate in a fair value exchange where they're getting utility for free in exchange for being served ads. They have choice around which applications they want to download in a bundle, there are explicit consent screen, the installation process is unambiguous and the uninstall options are easy and clear.

From a standards standpoint, really jumping from the bottom, so we basically addressed what we do internally relative to partners, we also try to comply with their party authorities, you know on topics like verification, viewability, and those have become hot topics in the digital advertising lexicon, you know and they're serious.

The truth of the matter is that verification and viewability are here to stay, everyone who plays in this ecosystem will benefit from standards in that regard. But there is no common standard today, there isn't really a singular yardstick for verification and viewability; rather there are multiple companies, new entrants all the time, some of independent, some are embedded in actual larger media companies and each has its own methodology.

And our approach has been to partner with those that we consider best in bred, and so we actively work with companies like comScore, Nielsen, DoubleVerify, Integral Ad Science, Adometry, fraudlogix, to see how we gauge in terms of verification and viewability and audience quality. And furthermore we've leaned in and we work with industry consortia members like the IAB, like OpenVV where we can contribute thought leadership and code to advancing the standardisation of these things in the industry.

Here are some examples of the types of reporting that we receive from partners, cut to the chase, you know Integral Ad Science provides a verification score which actually has a viewability component called a track score. We regularly risk - regularly rate in the low risk category or the upper quartile.

From a viewability standpoint this was a report that was run just last week I believe, we get a 79% in view rating and a very rating for being in view for over five seconds and in this case we're actually beating the industry norms.

We work with comScore in terms of rankings and audience size; we're a top ten comScore property, by total unique viewers and video streamed. From a Nielsen standpoint the big take away is that 94% of blinkx.com traffic maps to Nielsen's data overlay with Facebook and moreover we over index young and male, which is intuitive given the nature of our product and proposition.

And for audience quality we actively work with Adometry, the big take away here is the invalid rate that Adometry provides, showing something that was errant in the traffic or the traffic quality with a detailed breakdown of what constitutes that invalid rate.

DoubleVerify is another partner - take away blinkx is verified as brand safe and since inception of that relationship no flagged blinks URLs, meaning that we've never received an incident report from DoubleVerify, meaning that we've sailed through their protocols.

So the next and final topic that we want to cover is trends. You know in this regard we rely heavily on data and use data to augment our own institutional knowledge of where we're going, what the industry is doing and how can we place smart bets from the standpoint of organic and inorganic growth. And I'll rocket through these slides.

But the leading indicator of growth is digital ad spend and as you can see digital ad spend is growing, it's about an 8% compound annual growth rate for a five year period. The interesting take away though is that when you break it down and deconstruct it mobile is cannibalising desktop, you know we're seeing a saturation of desktop, a slow regression, mobile alone is climbing at a 30% compound annual growth rate.

In terms of its component parts, search is half of all advertising spend, that's why we're all envious of Google's revenue stream, but the other areas here are video, banners, rich media are fast growing. And in fact video is growing somewhere in the neighbourhood of 18% compound annual growth rate, rich media at 22% and that constitutes the primary focus of what we are doing from a product and campaign standpoint.

Online video audience is growing both domestically and internationally. International growth in particular is interesting to us and we think it's vivid validation of our strategy to test into international markets through syndication, where through something like the blinkx video advantage player we can have publishers self-serve into bringing video internationally.

There are a number of macroeconomic tailwinds, or macro environmental tailwinds that are driving industry growth and growth for blinkx. One is broadband penetration; the world has truly become accessible in terms of video viewing. Over 51% of consumer traffic today is devoted to video and that bandwidth consumption is expected to triple over the next four years.

This is something that we call the video enablement of the text web and so ten years ago video pages, publisher sites really resembled static magazine pages and publishers have slowly augmented that content with video and rich media to provide a more delightful user experience and also importantly to participate in the monetisation of that high value unit. So it's a perfect alignment of interests and again we're executing on this through syndication, you know through blinkx Video Advantage, the legacy Grab Media business and so forth.

Device proliferation, you know of everything I'm going to say right now this is one of the big takeaways. You know mobile is redefining the space, it's catalysing our own growth, it's cannibalising desktop, and that growth trajectory is clear. Ultimately what's so

compelling about mobile devices is that they are broadband enabled, they're untethered, they are hyper targetable to an audience of one and there are no prime time limitations. And so it kind of cracks that deadlock imposed by TV.

Last year for the first time mobile internet users eclipsed desktop users and that's a trend line that we only expect to grow steeper and from a brand effectiveness standpoint mobile actually ranks better than online advertising and TV advertising on a variety of brand metrics, including general recall, brand recall, message recall and so forth, which is why we're so excited about our prospects in mobile, the recent Rhythm acquisition. Mobile video growth in terms of data is virtually almost doubling every year, which is phenomenal. And if you breakdown mobile ad spend into its component parts, again search is the slowest growing of the bunch, video is the fastest with a 40% compound annual growth rate over five years, with a runner up banners rich media at 28%. And so the future is very bright for mobile.

Now where are budgets coming from, you know so in addition to organic growth we see a prospect looming on the horizon which is television. And if you super impose TV budgets on all of digital, TV still dwarfs digital but it's growing at a very slow rate, somewhere in the neighbourhood of 2.5% per year, whereas digital again is growing at 8% compound.

When you actually factor out a lot of the chat from digital and really focus on video which is where the most compelling combination of TV and video ad spend occurs, the opportunity to cannibalise or at least benefit from that budget is even more evident. And we're starting to see proof that that change is occurring in the way that agencies are structuring themselves, they're doing joint TV and video buys against a common KPI and we're starting to borrow from that budget set. And we frankly think that this is a \$100 billion industry that's ripe for disruption.

RTB, you know you've heard us talk about RTB and mobile RTB in the programmatic world there's a distinction between RTB and programmatic direct. RTB is the automated buying and selling of inventory in real time, through and auction on an exchange. RTB today constitutes approximately 22% of all ad spend as a buying channel or a buying modality, in mobile however that's truly the phoenix, the growth of mobile RTB is 94% compound annual growth rate and mobile RTB is expected to be one third of all RTB by 2017, so certainly keep your eyes on that.

Programmatic direct is different whereas RTB is really the domain of impression level inventory against a performance goal, programmatic direct is more for a brand goal and it's essentially using the programmatic channel within an agency to execute a direct buy. The combination of RTB and programmatic direct today constitutes over 50% of how media is bought and sold. And it's expected to go up to over 80 in the next five years. So being able to participate in that programmatic stack, having the requisite DNA in technology I think is going to be essential to playing in the landscape of the future.

And that's it, so the big key takeaways, digital is growing, video is growing faster, mobile video is growing fastest, mobile is cannibalising desktop, RTB and programmatic is growing and ultimately TV presents a massive pie from which to borrow budgets in the future. I'll pass it on to Brian.

Brian Mukherjee, Chief Executive Officer

Just to wrap this up pretty quickly. So just to wrap up the conversation for the first part of the morning, so some of you might have seen this slide before, where we have come from and where we are growing.

So there are three vectors of growth for us, scope, scale and reach. Scope represents to a certain extent product and in some instances the M&A investments that we've made to increase our footprint. We started with native search, meaning search on blinkx' site, once we'd perfected the model of finding the right kind and putting the right ad in front of it, we syndicated that search technology to some of our partners and then it became clear to us that video was going to be much bigger in a discovery mode, where you already have people visiting a site, we aggregated the eyeballs and can we insert a video experience into that. And that's where the concept of discovery came onboard and we ended up trying to increase our footprint on the supply side making the two acquisitions that the company made.

And then most recently - so most recently we have gone from search - native search to search indication, to discovery. And the latest thing that we've done from a product standpoint was to syndicate that discovery, which is what you've seen - you've seen some example of that BVA being one of them where any publisher can come in, submit some information about themselves and through one line of code becomes blinkx enabled if you will. So that represents the scope of what we are trying to do in terms of increasing our footprint.

The other thing that we're looking to do is repeat this process, you know really repeat this process across the different channels. Obviously we started with desktop and as the desktop audience move to mobile we've started to pick up on the mobile and the tablet trends and over time we expect as connected TV starts coming onboard and then even beyond that as any IP addressable device starts coming onboard obviously we want to try and impact those.

So in all of this construct at the end of the day what we're looking to do really if you look at our vision, our grand vision is to be able to fundamentally take that value exchange equation in advertising where we connect audiences with brands through some form of professionally generated content. And to do so across four screens, or any screens that come up down the road and do that anywhere in the world.

More importantly I think there is a real opportunity within the industry to build - just like there is a fairly large universe of user generated content built out. There is an opportunity to build a counterbalancing PGC super power that includes companies like us, like Yahoo, like the content providers like Condé Nast and the studios, the verification providers and so on and build a high end professionally generated universe to counterbalance the UGC universe, we'd love to obviously participate in something like that.

So that's our vision, that's where we think to really attract TV dollars you know we as an industry have to do two things, one we've got to make it simple to buy. You know

blinkx - Capital Markets Day - 31st March 2014

buying through programmatic direct, programmatic - it just complicates the way you buy media there are so many different partners, the exchange is kind of helping that process, but you've got to simplify the buying process number one and number two we've got to be able to verify very easily that - hey what you pay for this is what you get. And I think those are the two levers that we as an industry and a company need to work on, if we really want to go after that \$100m mark in a meaningful way.

And lastly just to set you up for the rest of the day, you know, we've invited partners from across the ecosystem to try and join us on the podium, hopefully all of the travel schedules worked out and everyone is here. But I know that one of them was unable to make it, we were looking to have Apnexus which is a DSP but there was a conflict in the travel schedule and they weren't able to make it, but it covers the supply side, it covers the demand side and it covers the verification side of the ecosystem and we'll pick up on that after lunch.

The afternoon section of the Capital Markets Day consisted of presentations from a number of blinkx third party partners, listed below. Due to certain confidentiality requirements of those partners, the presentations and the panel discussion Q&A section involving those parties have been omitted from this transcript and the associated webcast recording.

Third Party Presenters

Yahoo

Xaxis

MediaVest

Nielsen

comScore

END

DISCLAIMER

This transcription has been derived from a recording of the event. Every possible effort has been made to transcribe this event accurately; however, neither World Television nor the applicable company shall be liable for any inaccuracies, errors or omissions.