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backstage

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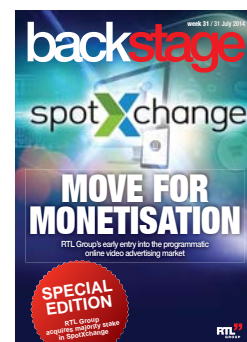
MOVE FOR MONETISATION

RTL Group's early entry into the programmatic
online video advertising market

**SPECIAL
EDITION**

RTL Group
acquires majority stake
in SpotXchange

RTL
GROUP



Cover

Montage with SpotXchange logo

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RTL Group announced that it has signed a binding agreement with the shareholders of SpotXchange, Inc. to acquire a 65 per cent majority stake in the Denver-based video advertising monetisation company.

“THE LOGICAL NEXT STEP IN OUR STRATEGY”

Luxembourg/Denver – 31 July 2014
RTL Group



Guillaume de Posch and Anke Schäferkordt, Co-CEOs of RTL Group

In addition to RTL Group's initial investment of US-\$144 million (€107 million), the parties agreed on an earn-out component that might increase the initial consideration subject to the future performance of SpotXchange. Under the terms of the deal, RTL Group also has the opportunity to acquire the remaining shareholding in the future. The deal is subject to US competition authority approval and is expected to close by the end of August 2014.

Founded in 2007, SpotXchange was the first online advertising marketplace with an exclusive focus on video. Today, SpotXchange provides a comprehensive video advertising monetisation platform to hundreds of publishers around the globe such as The Atlantic, Hearst Corporation, Meredith Video Studios, Mail Online, NDN and Adaptive Media who use the platform to maximise revenue for their desktop, mobile and connected TV video advertising inventory while driving down operational costs.

SpotXchange empowers publishers and their sales teams to operate in an ever increasingly complex digital ecosystem by providing innovative and industry-leading programmatic technologies that yield unprecedented transparency, insights and control over the buying behaviour of today's leading brands. Over one billion auctions for video advertising impressions are transacted through the SpotXchange platform daily, with ads delivered to 335 million people in over 100 countries per month. The company currently has 180 employees with headquarters in Denver, Colorado, and offices in several US and international locations.

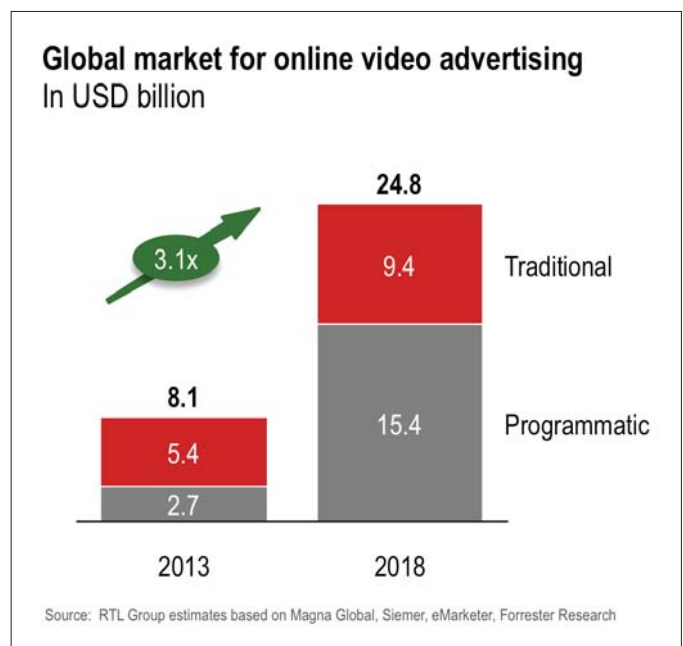
Online video advertising is currently the fastest growing digital advertising segment, expected to grow globally at a Compound Annual Growth Rate (CAGR) of 24 per cent between 2014 and 2018. This growth is driven particularly by programmatic video advertising which is estimated to increase from US-\$2.7 billion in 2013 to US-\$15.4 billion in 2018 worldwide (CAGR: +42 per cent).

Joint statement of **Anke Schäferkordt** and **Guillaume de Posch**, Co-CEOs of RTL Group: "Following our investments in non-linear TV services and in multi-channel networks on Youtube, RTL Group has already become the leading European media company in terms of online video views. The logical next step in our strategy is a structural move into the area of digital monetisation – improving our skills by adding innovative data- and technology-based competencies. SpotXchange is the perfect fit for RTL Group for such a move: it has a first-class management team that has built a leading, state-of-the-art platform for programmatic selling of

online video advertising. With its impressive growth story and strong positioning in the United States, SpotXchange also represents a unique opportunity to enhance RTL Group's presence in the world's biggest and most advanced media market."

Joint statement from the two co-founders of SpotXchange, **Michael Shehan** (CEO) and **Steve Swoboda** (COO and CFO): "We are thrilled to be joining the RTL Group, a global leader in media and entertainment, and believe they are the ideal partner to help SpotXchange expand the reach of our comprehensive video ad monetisation services. This investment demonstrates RTL Group's progressive vision and embrace of programmatic trading, ad serving and yield optimisation in the digital arena. The companies comprising RTL Group operate in a decentralised fashion which will allow SpotXchange to thrive and grow as the last independent digital video ad monetisation platform while providing significant opportunities through partnership with RTL Group's leading European broadcast companies and top tier global content producers. Joining RTL Group will present incredible benefits and opportunities for SpotXchange's publishers, buyers and people."

Under the terms of the transaction, RTL Group will appoint three of five members of the Board of SpotXchange. Michael Shehan, CEO and Steve Swoboda, COO and CFO, will continue to manage the day-to-day operations of the company, reporting to its Board.



“The acquisition brings technology and margins in-house”

Backstage wanted to find out more about the investment and interviewed Guillaume de Posch, Co-CEO of RTL Group and Michael Shehan, co-founder and CEO, of SpotXchange.

How does this deal fit in RTL Group’s digital strategy?

Guillaume de Posch: First of all, online video is at the heart of RTL Group’s digital strategy. Our goal is to become a leading player in all segments of online video and online video advertising. In this strategy, the acquisition of SpotXchange is the next logical step. In fact, our ultimate aim is to create a business with global scale and significantly increase audience reach online. First our broadcasters have built and expanded their highly popular catch-up TV services such as 6Replay, RTL Now or RTL XL. Then, following investments in BroadbandTV, Style Haul and Divimove, RTL Group has become the leading European media company in online video and a top three player in the Youtube ecosystem.

The rapid progress is reflected by the “big jump” in our online viewing figures: in 2011, we generated 1.9 billion online video views. In 2013, this figure was 16.8 billion – and we currently expect that this figure will double this year to more than 35 billion online video views. Following up to this we now decided to initiate a structural move to improve monetisation. This means: to enhance our skills by adding data- and technology-based competencies. The technology of SpotXchange will strengthen and expand RTL Group’s ability to keep control of inventory, revenue streams and advertiser relationships, reducing also dependency on third-party providers. In other words: the acquisition brings technology and margins in-house.

Why SpotXchange and not another company?

Guillaume de Posch: SpotXchange is one of the largest global marketplaces of video ad inventory. With state-of-the-art technology, first class management and an impressive growth story, SpotXchange is the perfect fit for RTL Group to enter the programmatic market early and with scale. Launched in 2007, the company was already breakeven in 2010. Its growth trajectory has been even more stellar in recent months: in the first half of 2014, SpotXchange’s net revenue grew more than 100 per cent compared to the same period in 2013. We expect that rate of growth to continue into the

second half of 2014 – and also strong double-digit growth rates going forward. This demonstrates that the management team is very capable and has a tenacious drive in achieving goals and creating meaningful results. Thanks to its strong and growing position in the US, SpotXchange also represents a strategic opportunity to enhance RTL Group’s presence in the world’s biggest and most advanced media market.

Why does RTL Group enter the programmatic video market?

Guillaume de Posch: Programmatic is probably the fastest growing segment in digital advertising. The strategic entry of RTL Group into this market provides the opportunity to actively shape it in an early stage. We aim to gain a competitive advantage by defining publisher-friendly rules and market standards before others do. As the market is developing fast, publishers and broadcasters need to act now. RTL Group is the first major broadcaster to invest in programmatic online video advertising. In addition, the acquisition will help RTL Group offer advertising clients more automated buying tools, serving campaigns more efficiently on multiple platforms: from online, mobile and potentially to the TV screen. To sum it up: SpotXchange is the next digital cornerstone investment for RTL Group to push into new growth markets and to strategically prepare for convergent online and TV sales.



Guillaume de Posch, Co-CEO of RTL Group

“Our goals are aligned with RTL Group’s goals and vision”

Why do you believe that RTL Group, as a Europe-based company, is the right partner for SpotXchange?

Michael Shehan: RTL Group companies operate in a decentralised fashion, which will enable SpotXchange to operate independently. This was an important consideration as we weighed our strategic options. Even more important to us was that this deal reaffirms our commitment to serving publishers’ needs. We intentionally avoided becoming a feature within another ad tech player’s stack.

The entire SpotXchange team will remain in place and will continue to be as motivated as ever to achieve our goals with our same “can do” culture and unwavering commitment to the highest possible level of service and transparency. I would say it’s almost business as usual. The only difference being that we have just poured gasoline on the fire and expect to accelerate our global growth even more.

All of us have experienced over the past several years broadcast, digital and content converging into one another, as consumers demand to view their video content where and when they want. With this deal, RTL Group affirms their commitment to the above ideal by being the first major broadcaster and content producer to invest in programmatic video advertising and we’re excited join forces with a company that shares our vision for a better way to buy and sell video.

How do you think this deal will benefit your business partners?

Michael Shehan: We believe the deal provides many advantages to SpotXchange and our buy side – the brand advertisers and media buyers – and our supply side, the publishers.

SpotXchange publishers will benefit greatly from the increased investment in the development of our platform, helping them to better optimise yield and reduce operational costs across the entire spectrum of devices including mobile, tablet and connected TV. Furthermore, SpotXchange’s global footprint will greatly expand, especially in enormous markets found throughout the European and Asian-Pacific regions in which our business to date has been more limited than in the United States.

For SpotXchange buyers, this deal will offer access to one of the largest online video marketplaces with a growing number of premium publishers offering



Michael Shehan, co-founder and CEO of SpotXchange

attractive audience opportunities. Together with RTL Group we see tremendous opportunities to further develop and deepen our relationships with key brands and media buyers, helping to achieve their campaign goals.

To sum it up: Our goals are aligned with RTL Group’s goals and vision, which are in turn well aligned with our customers’ goals.

You mention international expansion, what are the plans here?

Michael Shehan: SpotXchange is headquartered in Denver and has offices in New York, San Francisco, London and Sydney. Our corporate headquarter will remain in Denver. Over the coming years we plan to gradually increase the headcount in the headquarters and internationally.

Part of the growth plan set up between RTL Group and our management team is to increase the international presence in key markets by providing a higher level of localisation and customisation that is required for local publishers. In order to be closer to the local demand and supply side customers, the plan is to expand business development and sales structures especially in key markets such as Germany and France.

With the help of RTL Group and its many global assets, business interests and partnerships, SpotXchange will be able to connect our publishers with even more buyers all over the globe, thereby helping publishers increase yield for their inventory.

Programmatic explained

What is programmatic?

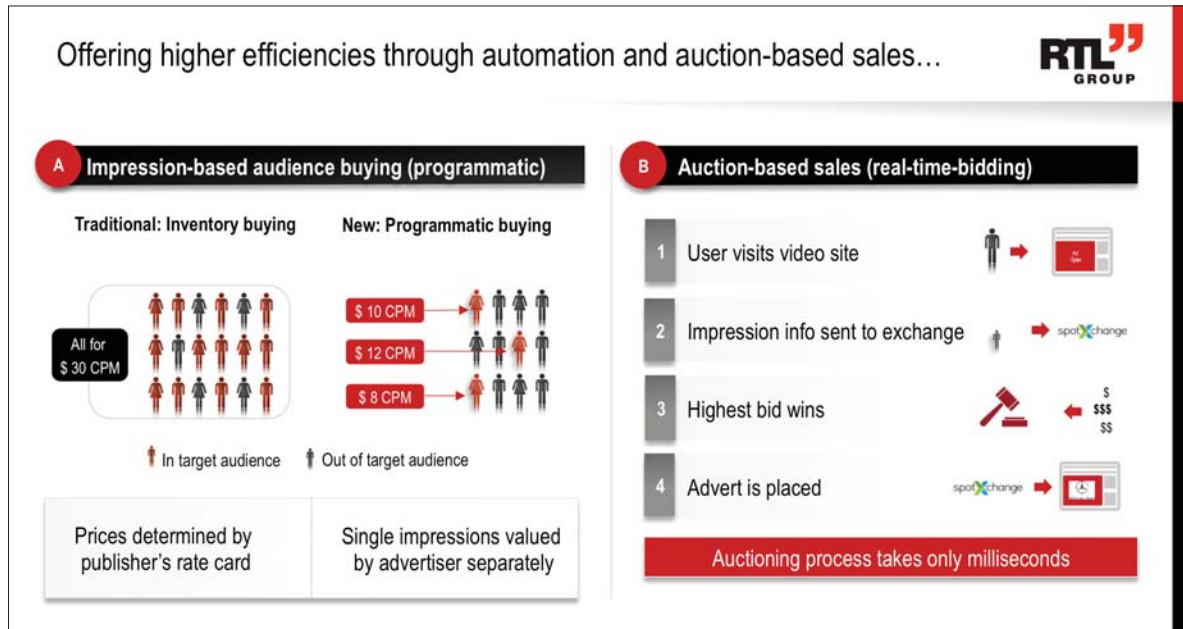
“Programmatic” can be described as the application of data and automation to the buying and selling of digital advertising – which can be done in real time, for example via so-called “ad exchanges”. In a similar fashion to stock exchanges, ad exchanges are able to handle bids from multiple buyers at the same time and at high speed.

What is programmatic online video advertising?

The programmatic video advertising market is a subset of the total online video advertising market (in-stream and in-banner video) and is defined by the way advertising inventory is bought and sold. The term “programmatic advertising” means technology- and software-based automation of processes between buyers and sellers of advertising inventory to the point where advertisers can buy single impressions instantly through a real-time bidding (RTB) auction mechanism.

How does programmatic online video advertising practically work?

Value distribution in traditional direct sales is simple: Advertiser and publisher meet face to face and discuss the prices according to a rate-card. The advertiser pays for a collective audience based on assumptions about the website or media property’s audience. In programmatic online trading, the process is run by computer algorithms. Advertisements are targeted at specific consumers – based on previously defined parameters. This makes the process more efficient. The price is determined by value of each consumer to the advertiser.



How the digital and sales experts from RTL Group's operations welcomed the news



"It is absolutely to be welcomed that with SpotXchange, control will be gained over part of the digital value chain. This move strengthens every one of RTL Group's ad sales houses. The Group's entry into the programmatic video market opens up a number of interesting options for us as well."

Matthias Dang,
Managing Director, IP Deutschland

"The SpotXchange founders have achieved rapid growth from their Colorado base and created an impressive platform in the growth market of programmatic video advertising. It will be exciting for us to learn from the US market and to work together successfully."

Thomas Duhr,
Deputy Director Interactive, IP Deutschland



"Today, our concern is more than ever the possibility of continuing to offer advertisers premium and high-quality broadcast environments through our programmes on Replay. Given the shortage of premium video inventory on the digital market, we see the acquisition of SpotXchange as a fantastic opportunity to optimise our yield management to high levels of CPM – cost per thousand contacts – in such a way that the rules of supply and demand are applied more automatically."

Even if there is no collaboration in the immediate future, we are happy to strengthen our position in the programmatic online video market with RTL Group's acquisition of a technology platform recognised in the area of real-time bidding."

Michèle Benzeno,
Director, M6 Publicité Digital



"After RTL Group's move to take a firm position in the global Digital Distribution arena through the MCN acquisitions last year, we are really excited to see the Group taking it to the next level with this strong entrance into the global digital sales arena through the acquisition of SpotXchange. The digital sales arena is rapidly becoming a global playing field and combining our local strength with a global platform makes perfect sense. In the Netherlands we already have a solid SSP business for display ads, which is currently being extended to our leading third-party video network, Videostrip. By cooperating closely with SpotXchange's global specialists and tech platform, we can potentially unlock dynamics that will further strengthen our position in the digital advertising market."

Arno Otto,
Managing Director Digital, RTL Nederland

How does this transaction fit in our overall digital strategy?

Build premium non-linear video services



Build scale in web original and short-form content



Build new sales competencies with cornerstone investment in digital advertising

spotXchange

- ✓ Continuing SpotXchange's impressive growth path
- ✓ Maintain independent/publisher friendly proposition
- ✓ Accelerate innovation in online video sales



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