

Q&A with Hagai Tal

Following is a Q&A manuscript that describes the business models, technology, metrics, data and GDPR topics that affect and underpin Taptica's business in order for all investors to have access to the same information. All of the information is already within the public domain.

1. What is happening with the business?

We entered 2018 in a stronger position than at the same point in the prior year and are seeing sustained demand for our technology. Our performance-based division continues to grow. This is supported by strong industry trends as the use of apps by consumers shows no sign of abating and global mobile ad spend is growing. Our brand advertising division also continues to grow and gain new clients. As a result, we are confident of delivering solid year-on-year growth for 2018 in line with market expectations.

2. Does the Company know why its share price has gone down so dramatically?

Usually when the share price goes down it stems from one of two possible causes, either internal or external. We can safely say that we are not aware of any internal problems that would cause the share price to come down. We are aware of our obligations to the market and would announce anything of a price sensitive nature in line with the AIM Rules.

3. What is the Company going to do to reassure investors?

We are focussing on delivering our strategy and growing our business and are confident that each set of results should be sufficiently robust to reassure investors. We will also update the market on progress as and when appropriate/required, and intend to hold a Capital Markets Day in the summer to help investors better understand our business.

4. What is the impact of Facebook and GDPR on the business?

We follow events in the segment very closely and feel comfortable about our long-term growth. The issues concerning Facebook do not directly affect our business model. Furthermore, only a small part of our business comes from social media. As mentioned, we are closely monitoring developments in the industry, however, we do not envisage the issues concerning Facebook and GDPR to impact our business model. As an AIM regulated company, if something changes that means we are no longer in line with analysts' expectations, or if there is an industry change that affects Taptica, we will update the market without delay.

5. What data are you collecting?

We are focusing on what the user does with the ad that is shown. We do not use any tool that remains in the mobile device (i.e. cookies), nor do we collect data that is outside the context of the ad. Advertisers and consumers can be sure that we are not misusing their data given that no personal data concerning users - such as name, identification number, social group, ethnic origin, email, phone peers, etc. - are collected or stored.

In the brand advertising division, targeting particular audiences (based on demographics) is required by the advertiser. In such circumstances, we buy segmental data from reputable, regulatory-compliant third parties such as Nielsen, Oracle and IBM.

6. What do you do with the data?

Our machine-learning technology captures real-time data, and is focused on key behavioural sources to help target the right audience for a particular ad.

The data is used to predict ad interactions. The simplest example is trend forecasting - if we detect a trend of clicking gaming ads, we will buy more gaming ads for that device.

7. What are your sources of data?

- Attribution platforms
- RTB request
- Web requests (ad serving)
- DMPs
- Advertiser data (mostly for retargeting)
- Player data (Tremor only)
- Third parties e.g. Nielsen, Oracle, IBM, Alfonso

8. What is the quality of the data?

We leverage both internal and external data quality tools aiming to distill inaccurate, inadequate, fraudulent or unneeded data. This includes anti-fraud tools, brand safety tools, bot detectors, etc. We also have a back-office team that handles data quality and constantly ensures it.

9. How unique is the data?

The data is very much common to the industry, capturing user behavior on the displayed ad. The uniqueness comes down to the optimization and algorithms that work on the data.

10. How is data stored and how long does it last?

Taptica is focused on keeping raw (unique) data on ad behavior for as limited a period as necessary, which is then discarded. This is fully compliant with GDPR and all other relevant legislation. To reiterate, we do not collect or store personal data on users, such as names, identification numbers, social group, ethnic origin, email and phone. We do not use any tool that stays on the user's mobile device after the campaign nor does it monitor outside of the ad.

11. Does GDPR affect any other parts of the business? If not, why is Taptica protected?

GDPR relates to data protection and as such does not impact our business model. We are committed to data protection compliance throughout our offering and we are taking all steps necessary to ensure a structured approach to managing our business. All relevant aspects have been reviewed by our legal counsels, including in the UK, and we will continue to update and review our processes and policies in order to remain compliant with industry developments.

12. Can you see any further legislative changes on the horizon and how can you protect the business model from this?

The recent changes to our industry have been implemented by Facebook, Google and Apple rather than government legislation, and have not impacted our business model. The only recent government legislation has been GDPR, which is regarding data protection.

Taptica welcomes any legislative change that improves the way that the industry stores, uses and manages individuals' private data.

13. What is the vision for Tremor?

Tremor Video is currently focused on the US and we have plans to take that business global. We made Tremor profitable ahead of schedule and we will continue to implement cost efficiencies. The post-acquisition period of establishing infrastructure and optimizing operations was successful and this will enable further global expansion.

Tremor will continue to function as a separate business unit that will focus on brand advertising while Taptica will continue to focus on performance advertising. Each division will be focused on ensuring current business is growing, while looking at possible synergies as they arise.

14. What is the vision for Adinnovation?

The acquisition of Adinnovation gives the company a broader footprint in the Asia-Pacific region. In particular it has accelerated the raising of the Company's brand awareness in Japan, which we believe will be the next key growth market for mobile advertising due to its developed mobile networks and strong proliferation of smartphones.

15. Are there any CPM, CPC/PPC, CPA/Revshare, or CPI metrics available?

At the start of a campaign, Taptica decides with the advertiser what metric or KPI will be used to measure success. This covers the whole range from CPI (cost per install) to CPM (cost per thousand impressions). For the performance division, the majority of the revenue is being generated via a CPI model. Moving forward, the trend is veering towards CPE (E=engagement) or CPA (A=action). For the brand advertising division, it is mainly CPM and there are different metrics measured for each campaign, such as video completion rate, % viewability etc.

16. What are the various revenue streams and profit?

There are two revenue streams: the performance division which is the original Taptica business, and the brand advertising division, Tremor Video.

17. Why does the moving around of costs and people between areas (i.e. performance to branding) of the business mean that organic growth cannot be tracked at least on the top line?

The revenue of the two divisions can be tracked, but the profit cannot as we keep costs below each division fluid, i.e. we constantly move staff between the two divisions to create operational efficiencies.

18. How much revenue is derived from/dependent on social media and Facebook in particular?

We do not report a breakdown of our results channel by channel and unfortunately, we cannot brief you selectively on that. All we can say is what was said at the time of the results: that the issues concerning Facebook do not affect our business model, and we do not purchase any data from Facebook.

19. Do we have any metrics for LinkedIn, Facebook, Twitter, and Google?

In terms of revenue, social is small. Also, the success of a campaign and how we get paid does not depend on which channel is used. We decide the KPIs with the client and then choose the individual channels best suited for the campaign.

20. What is DMP and SSP? Where do they get their data from and what kind of data is retained?

DMP - Data Management Platform - the DMP manages the data that is made available to other platforms such as DSP, SSP and ad exchanges, for the purpose of performing media buying.

The SSP – Supply Side Platform – is a platform that enables publishers to manage and sell their inventory through one single interface.

A DSP – Demand Side Platform – is a platform that automates media buying across multiple sources including ad networks and exchanges.

Only the DMP collects and stores data (see above data answers).

21. The performance in Europe did not grow. Why?

The European business expanded, however there appears to be a decline due to two reasons. Firstly, EU revenue now only represents what is handled by our new UK office. Secondly, the geographic revenue split is shown by where the customer is invoiced and not where the action takes place.

22. In January the Company raised capital with the intention to fund future acquisitions. Is the Company looking for new acquisitions with this cash in the near future?

Yes. We are pursuing opportunities that will give us a foothold in a particular territory or add a technology to enhance our competitive advantage. We are having advanced discussions with a number of companies however to date have not progressed to a stage where anything needs to be announced. We will maintain our discipline around acquisitions with the aim of delivering shareholder value.

23. Can you go into more detail about the decline in EBITDA margins?

EBITDA margins for the performance-based division improved. Tremor was EBITDA-negative when we acquired it. This improved under us, but as Tremor accounts for a material proportion of our revenue within the group, it had decreased the average EBITDA margin to 16.2%.

24. Is the branding division increasing? If so, by how much? And why?

The revenue and EBITDA margin of the brand advertising division are expected to increase as the market continues to grow and we continue to drive cost efficiencies and savings, particularly in data acquisition costs.

25. What is the uniqueness of Taptica?

- Proprietary technology
- Unique data partnerships (exclusive partners)
- Meeting local demand with global supply – facilitated by global presence
- Analytical-based support and optimization
- Customer service and performance delivery

26. What were the key technology enhancements in 2017?

In our performance division, we improved our platform to add more automation and analytical-based support. We improved our algorithms to enhance bidding and targeting capabilities in order to increase efficiency and margins. We also redesigned parts of the systems to support our increasingly global activity.

A major highlight was the introduction of a leading brand-advertising technology platform with the acquisition of Tremor.

27. What technology enhancements do you plan for 2018?

In our performance division, we will continue to improve our algorithms to enhance efficiency – enabling the system to make even better decisions and therefore increase margins.

In the brand-advertising division, we are focusing on delivery-based algorithms to ensure more campaigns are working at higher margins as well as introducing new data partners and focusing on how to maximize their incorporation.

In 2018, we will also consolidate part of the physical infrastructure of the performance division and brand-advertising division to generate efficiency in operating costs.

28. Explain the organic growth – video/social and shift to mobile.

In 2017 we consolidated Taptica’s video department with the acquisition of Tremor Video DSP. From that point on we invested in building efficiencies and optimizing the business which resulted in Tremor hitting profitability ahead of schedule.

The Display (desktop) channel is stable but not the Company’s focus, and therefore growth does not come from there. Mobile continued to grow, by more than 30% in 2017, as expected in most regions. The significant revenue growth is driven by the contribution of new international offices and the continued expansion and strengthening of our global presence.

29. What is the Company’s dividend policy?

The Company has a policy of paying a minimum of 25% of net profit as dividends.