

Quarterly Study of Volatility in Ad-Tech Payments

9/13/2018

Predicting when a media invoice will be paid and how much you will receive is no easy task. Ad-tech partners – what we refer to as “Demand Partners” – may claim to pay on net 60, but what we have found is that they often do not pay on time. This encouraged us to analyze data from tens of thousands of invoices purchased from companies in the digital media ecosystem. The results are alarming.

The findings of the most recent analysis signal an increase in the total number of late payments and the amount of days that payments are late. Read on for a complete analyses including which companies pay early, which pay late, and how early or late they pay.

Key Findings

- 55% of Demand Partners pay late, 31% pay early, consistent with earlier findings.
- 20% of Demand Partners are always late and 27% pay late more than half of the time.
- 80% of Demand Partners have paid late at least once in the last 12 months.
- 61% of all payments were late during Q4 2017.
- Late payments are getting later. The average late payment was 7.7 days vs. 6.5 historically.
- Apple and Google Play pay well before their stated terms and are paying earlier than ever. Connatix pays 9 days early on average (see Exhibit A for more details).

Actual Timing of Payments vs. Stated Timing of Payments:

Paid	Past Quarter	Past 6 Months	Past Year
Early	31%	36%	31%
On Time	14%	15%	14%
Late	55%	49%	55%
Total	100%	100%	100%

Expected payment amounts are often underpaid. That’s because many Demand Partners give “estimated” revenues rather than exact numbers within their dashboards (i.e. prior to any offsets). Despite 73% of all payments being within 1% of the reported number, this doesn’t bring any certainty to the equation.

Breakdown of Actual Payment Amount vs. Stated Payment Amount:

Paid	Past Quarter	Past 6 Months	Past Year
Underpaid	9%	12%	11%
+/- 1%	76%	70%	73%
Overpaid	15%	18%	17%
Total	100%	100%	100%

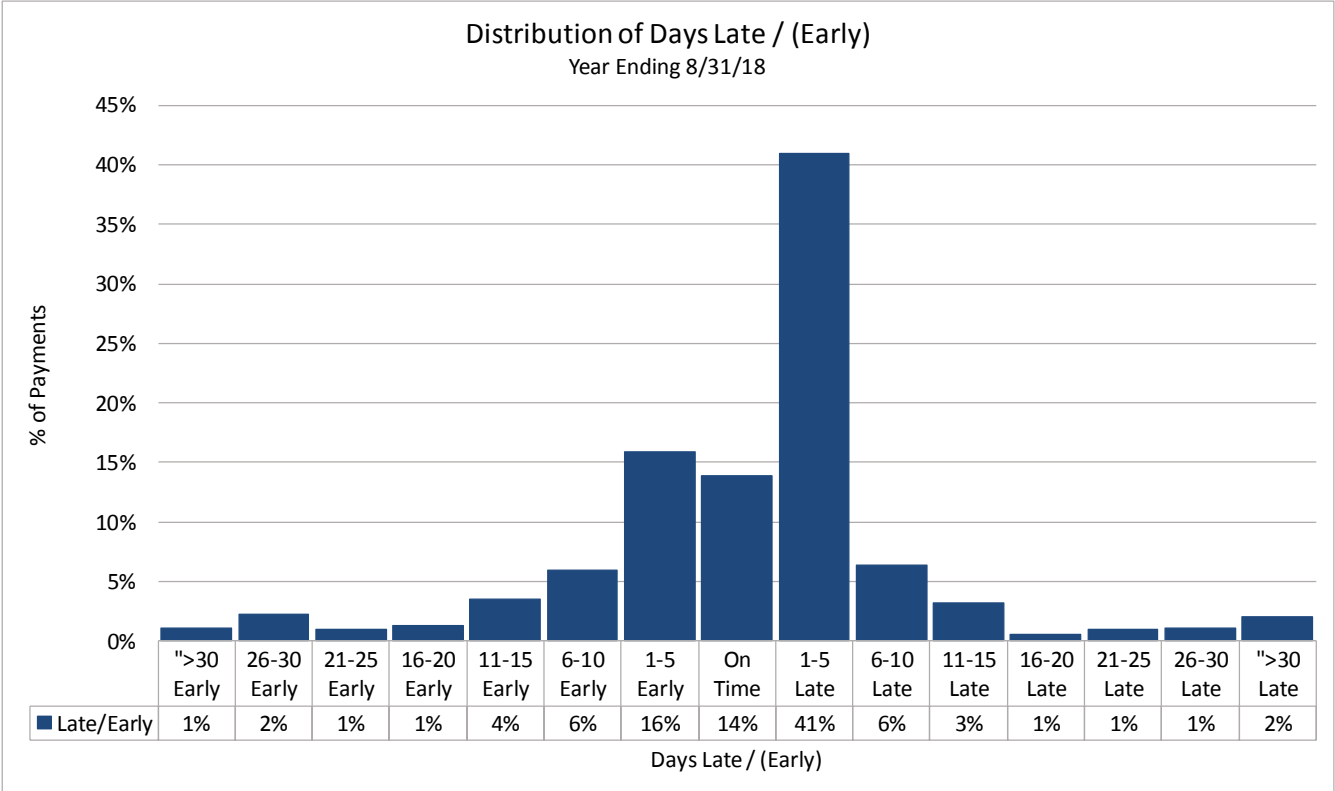
Over the past quarter, 9% of the invoices reviewed were underpaid by more than 1% and 15% were over paid by more than 1%. This is consistent with the entire year.

Payment Timing Detailed Analysis

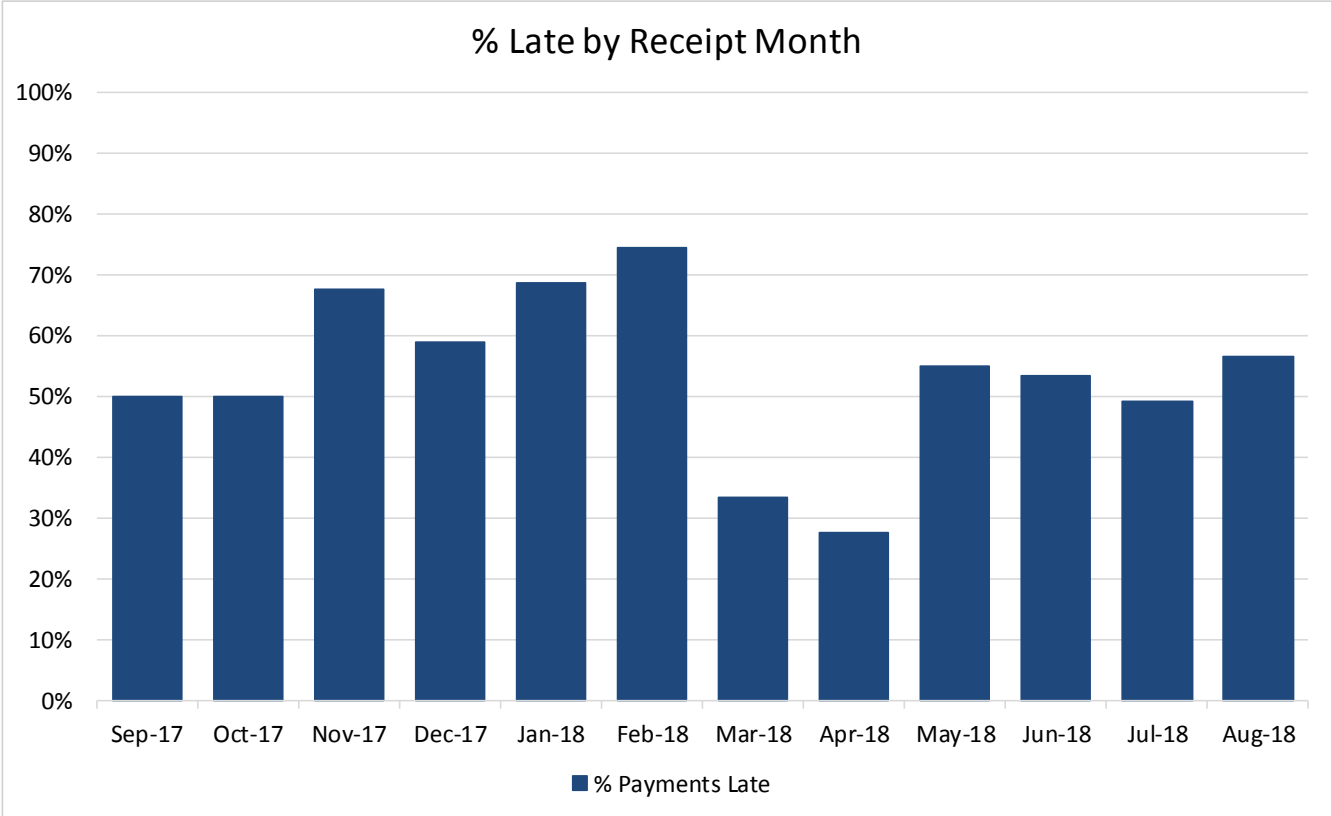
Late Demand Partners are paying later than they have in the past. Invoices paid late were 6.5 days late in the prior 12 months. Yet in the prior 3 months, it was 7.7 days.

How Late	Past Quarter		Past 6 Months		Past Year	
	% of All Payments	% of Late Payments	% of All Payments	% of Late Payments	% of All Payments	% of Late Payments
Late 0-5 days	42%	77%	37%	76%	41%	74%
Late 6-15 days	7%	14%	6%	12%	10%	17%
>15 days late	5%	9%	6%	12%	5%	8%
All Late	55%	100%	49%	100%	55%	100%
Avg Days Late	7.7		7.3		6.5	

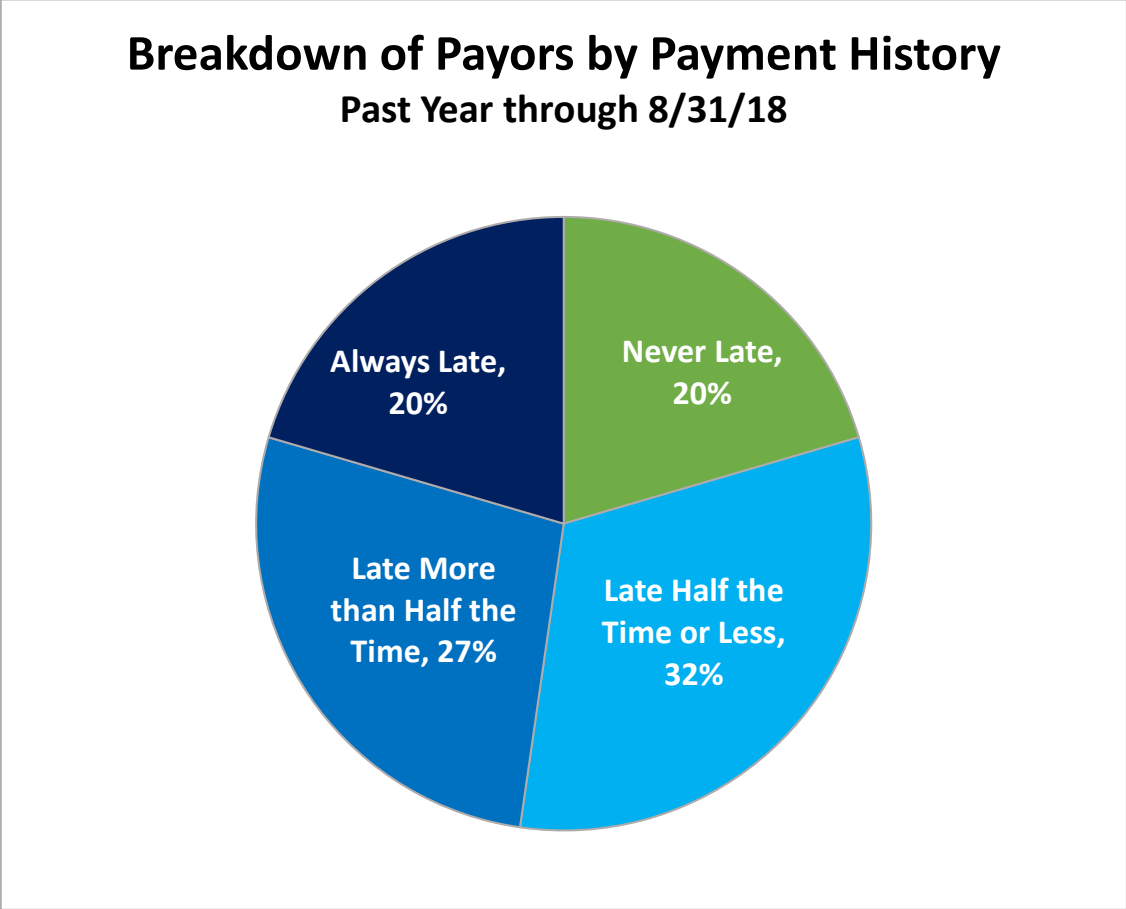
The bulk of late payments over the past year have been 0-5 days late, yet 5% were paid more than 15 days late, and 2% were paid more than 30 days. It seems small, but if you were monetized with a Demand Partner comprising a significant portion of your demand stack, it could have been catastrophic to your business. We’ve seen it happen before.



55% of payments are received late, and the data shows that there is significant seasonality as to when payments are late: Q4. As shown below, the amount of late payments drops dramatically during the slow season but rises significantly during Q4, just when media companies need money the most.



When volume increases for everyone during busy season, it appears Demand Partners are more and more stressed, causing delays to payments. Unfortunately this occurs when digital media companies needs funds the most: *during the peak November to January period, 61% of receipts are late*. Late payments seem to be endemic to the industry: 80% of Demand Partners examined paid late at least one time, and 20% were always late. Only 20% of Demand Partners were never late.

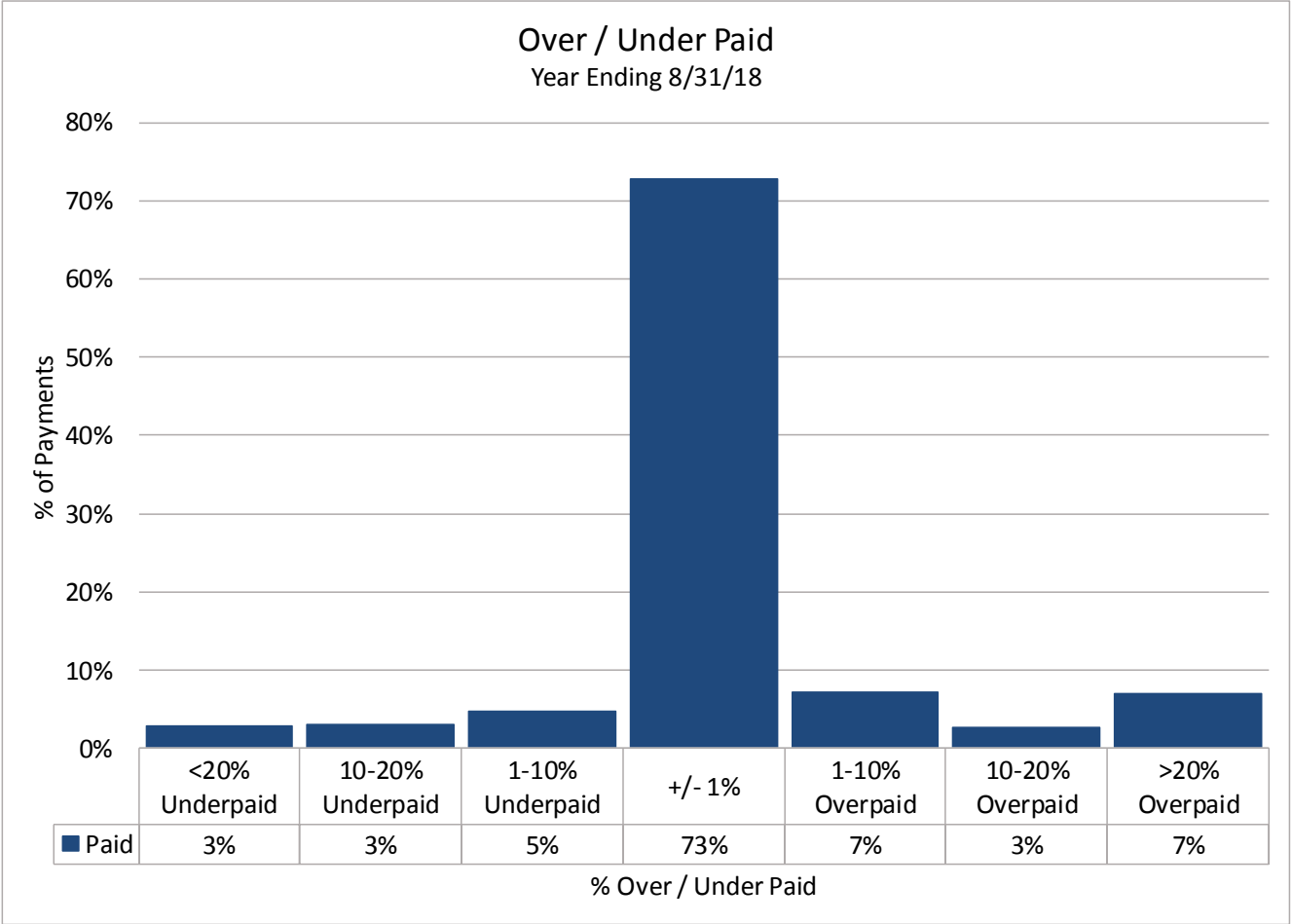


Payment Amounts Detailed Analysis

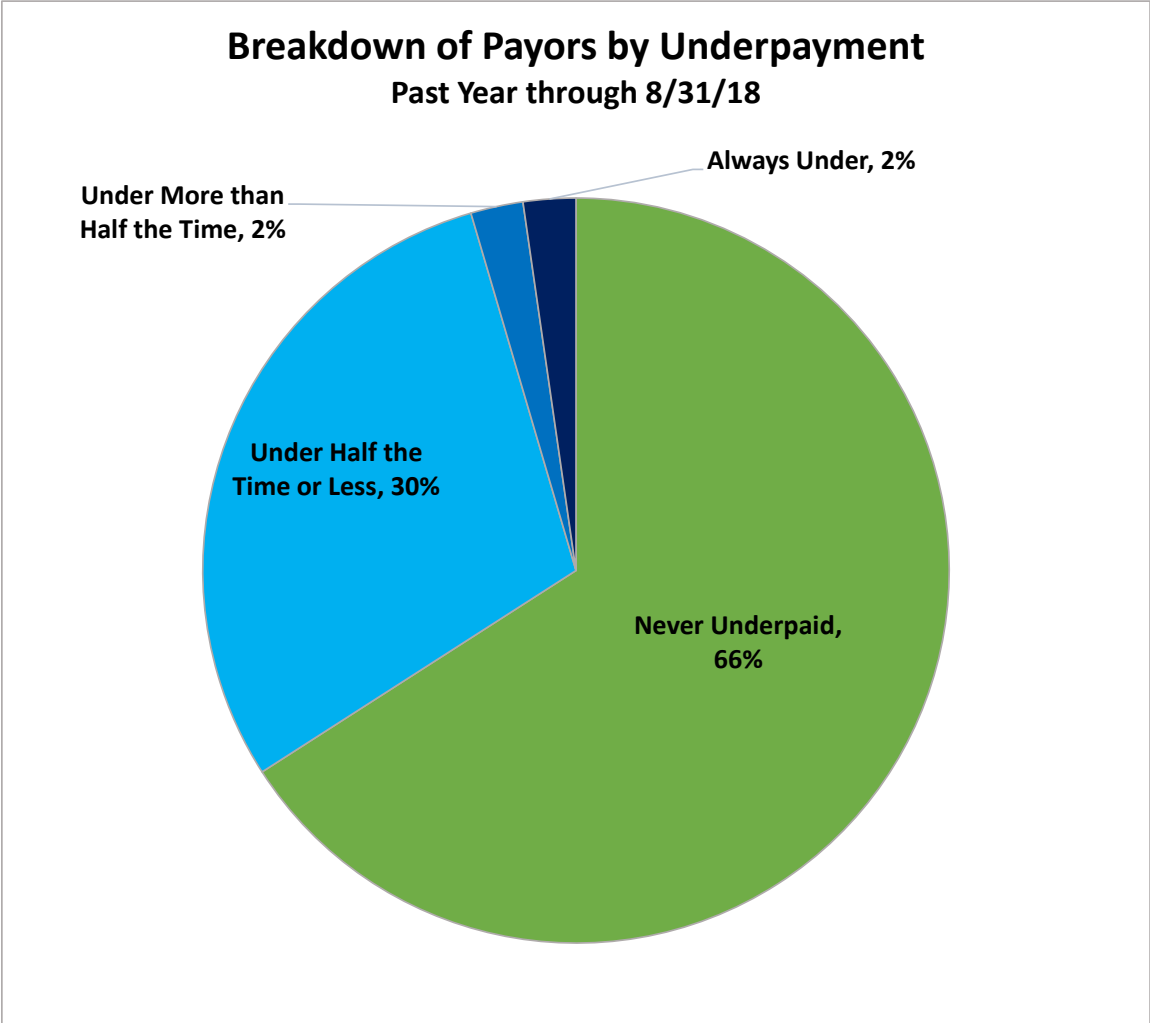
For the invoices that were underpaid, they were on average 4.5% underpaid for the year. Fortunately, this late performance improved in the past quarter to only 3.5% underpaid.

How Late	Past Quarter		Past 6 Months		Past Year	
	% of All Payments	% of Late Payments	% of All Payments	% of Late Payments	% of All Payments	% of Late Payments
1-10% Underpaid	7%	70%	6%	50%	5%	45%
10-20% Underpaid	1%	15%	3%	30%	3%	29%
<20% Underpaid	1%	15%	2%	20%	3%	27%
All Underpaid	9%	100%	12%	100%	11%	100%
Avg Underpaid	-3.5%		-4.3%		-4.5%	

The bulk of the under payments over the past year have been only 1-10% underpaid, and the far majority of payments (73) were within +/- 1% of the expected amount. We did not find as strong of seasonality in under or over payment of stated amounts.



Underpayment also appears to be concentrated in a relatively small number of Demand Partners. Two-thirds of Demand Partners never underpaid and 30% underpaid less than half the time. So only 4% underpaid consistently:



Final Thoughts

Payment volatility creates headaches and has associated economics costs. If a significant portion of receivables come in late or underpaid, the company must hold extra capital to be able to cover its expenses, or be forced into debt to maintain cash flow to keep operating.

If receivables come in 7.7 days late every 60 days, the company must hold almost 15% more capital to cover the cash shortfall. With venture capital unavailable or extremely expensive, setting aside an extra 15% more capital just to handle late payments is painful.

Even more painful is the need to hold additional capital during the peak months when payment volatility is at its greatest (i.e. September through December). When cash flow is tight, being able to predict exactly when payments should be received is very important. When margins are fattest, you may be waiting more often for the cash to come in. No one wants that.

Exhibit A – Historical Pay History by Demand Partner, 8/31/17 - 8/31/18:

12 Months Ending 8/31/18 Payor	Percentage of Payments			Average # of Days		
	Early	On Time	Late	Late / (Early)	When Early	When Late
Adcolony, Inc.	0%	0%	100%	9.0		9.0
Advertise.com, Inc.	0%	20%	80%	1.0		1.3
Apple, Inc.	100%	0%	0%	(24.3)	(24.3)	
AppNexus, Inc.	0%	0%	100%	3.5		3.5
Chartboost, Inc.	29%	43%	29%	0.4	(1.0)	2.5
Connatix Native Exchange, Inc.	33%	40%	27%	(8.9)	(28.2)	2.0
Conversant, LLC	80%	0%	20%	(2.7)	(8.8)	21.7
Criteo, Inc.	63%	13%	25%	4.6	(2.4)	24.5
District M, Inc.	4%	17%	79%	0.3	(29.5)	1.9
Fyber GmbH	0%	14%	86%	1.7		2.0
Glispa Global GmbH	25%	0%	75%	5.4	(2.0)	7.8
Google Play	100%	0%	0%	(27.5)	(27.5)	
Google, Inc.	62%	29%	9%	(0.9)	(1.9)	3.7
GumGum, Inc.	0%	50%	50%	1.0		2.0
Index Exchange USA, LLC	40%	0%	60%	(0.3)	(11.0)	6.8
Lijit Networks, Inc.	0%	0%	100%	6.8		6.8
Likqid Media, Inc.	25%	0%	75%	5.0	(6.0)	8.7
Lockerdome, LLC	25%	8%	67%	2.1	(5.3)	5.1
M&C Saatchi Mobile Ltd.	13%	0%	88%	16.3	(46.0)	25.1
Matomy Media Group, Ltd.	63%	6%	31%	(2.0)	(8.6)	10.8
Mopub, Inc.	43%	29%	29%	(0.6)	(3.0)	2.5
Oath Inc. (Verizon / AOL)	47%	0%	53%	1.3	(11.7)	12.9
OpenX Technologies, Inc.	30%	35%	35%	(0.2)	(2.5)	1.5
Pulsepoint, Inc.	23%	26%	52%	0.2	(3.4)	1.9
Rubicon Project, Inc.	60%	20%	20%	(1.1)	(2.3)	1.5
Sublime Skinz, Inc.	19%	9%	72%	3.8	(1.7)	5.8
Taboola, Inc.	24%	20%	56%	0.7	(3.0)	2.6
Tapjoy, Inc.	100%	0%	0%	(4.6)	(4.6)	
Teads, Inc.	50%	0%	50%	(0.3)	(9.0)	8.5
Team Internet AG	40%	40%	20%	(2.0)	(6.0)	2.0

About OAREX Capital Markets, Inc.

OAREX provides fast flexible funding for digital media companies including viral publishers, app developers/publishers, SSPs, DSPs and advertising networks/exchanges by purchasing their media invoices.

OAREX takes all collection risk, and completely removes payment volatility from the equation.

Learn more at www.oarex.com.