

Q1, 2020

DIGITAL MEDIA & ADVERTISING PAYMENTS REPORT

PREPARED BY

**OAREX CAPITAL
MARKETS, INC.**

April, 2020

INTRODUCTION & BASIS

In line with the industry-wide push for transparency, we began releasing quarterly payment data in May, 2018. Our quarterly report includes data on payments OAREX has received from companies across the digital media & advertising eco-system, including: ad networks and exchanges, Supply Side Platforms (SSPs), Demand Side Platforms (DSPs), media buyers and ad agencies (all what we refer to as "debtors" in this report). See the full list on page 14 for Q1 debtor data.

Factors Analyzed in this Report: Timing & Amount

Across the entire eco-system, pain points from payments are felt for two main reasons: late payments or under-payments. That is what we focus on for this quarterly report.

Timing of Payment. This inquiry asks, "How early or late does a debtor pay, relative to their stated net-terms under which the invoice should be paid?". We call this factor the "Net Terms Differential".

Amount of Payment. This inquiry asks, "How much did the collected amount vary from the amount billed 30, 60 or 90 days ago?". This inquiry takes into consideration any type of advertiser offsets (i.e. robotic traffic, fake installs) or disputes (brand awareness, sequential liability, etc.). Given that a missed payment could crush a digital media firm (especially if they have debt), we focus on this metric as the 2nd core pillar to be analyzed and refer to it as the "Paid Differential".

Data from 6100+ invoices, 211 Debtors

For this report covering October through December, 2019, we analyzed 6,136 invoices, for which we received payment from 211 different debtors. The debtor data included on Page 14 is only that data for which we collected 6+ invoices.

How we obtain the data: first hand

We get this information first hand because we collect payments from debtors. Debtors are liable to pay OAREX directly because we take ownership in the invoice under a Purchase & Sale Agreement with our clients. ***All of the data contained in this report is obtained first hand.***

Author Word of Caution on Individual Debtor Data

On page 14, we report historical payment performance for each debtor in Q1 for which we received 6+ receipts. Some of the payment data performance we report on may not represent that there is a true underlying credit concern. Rather, a debtor may consistently pay us late for any number of non-credit reasons. Or a debtor may pay us early, but have underlying credit issues. That said, please take the data with a grain of salt and read our full disclaimer at the end of this report. Also, we further note that ***if you see a debtor listed on those pages, that means they are approved or once were approved for credit internally***, despite what their pay history performance is in this or other reports.

April, 2020

KEY HIGHLIGHTS OF Q1, 2020 DATA

Some key highlights of the Q1 report worth noting:

The Good

- The number of payments paid within 5 days before stated net terms increased 500% for Q1 2020, versus prior 12 months. On-time payments fell by more than 50% (see page 7).
- On a single debtor basis, the amount of debtors paying late half the time or less increased almost 27.5% (see page 9).
- The percentage of payments that were offset (i.e. less than the stated amount) fell by 39% between February and March, after a steady month over month increase from September to February.
- Overpayments (above stated amount to be paid) increased slightly, putting more money into the hands of publishers. Advertisers seem more willing to credit back money for certain CPMs.

The Bad

- The percentage of debtors that paid us late at least once in Q1 jumped 14.6%, from 48% in Q4, 2019 to 55% in Q1, 2020. The number of companies paying late has steadily been on the rise. Bottoming in June, 2019 at 40%, peaking in February at 57% and settling at 55% in March (see page 4).
- Payments received earlier than stated net terms fell to a 26 month low (see page 5).
- Payments more than 30 days late out-number payments less than 30 days late by 3-6X (page 6).
- The percentage of late payments more than 30 days late has held steady at 27% (see page 6).

KEY DEBTOR HIGHLIGHTS

Apple, AppLovin, Conversant and Google Play (App Store) paid early 100% of the time. Dictionary.com, Freewheel, OATH/AOL, PubMatic, RhythmOne, Rubicon, TapJoy, Toyota Motors and Underdog Media paid early 70% of the time or more. Unity Technologies paid exactly on time 75% of the time (see page 14 for full breakdown by debtor).

Timing of Payments

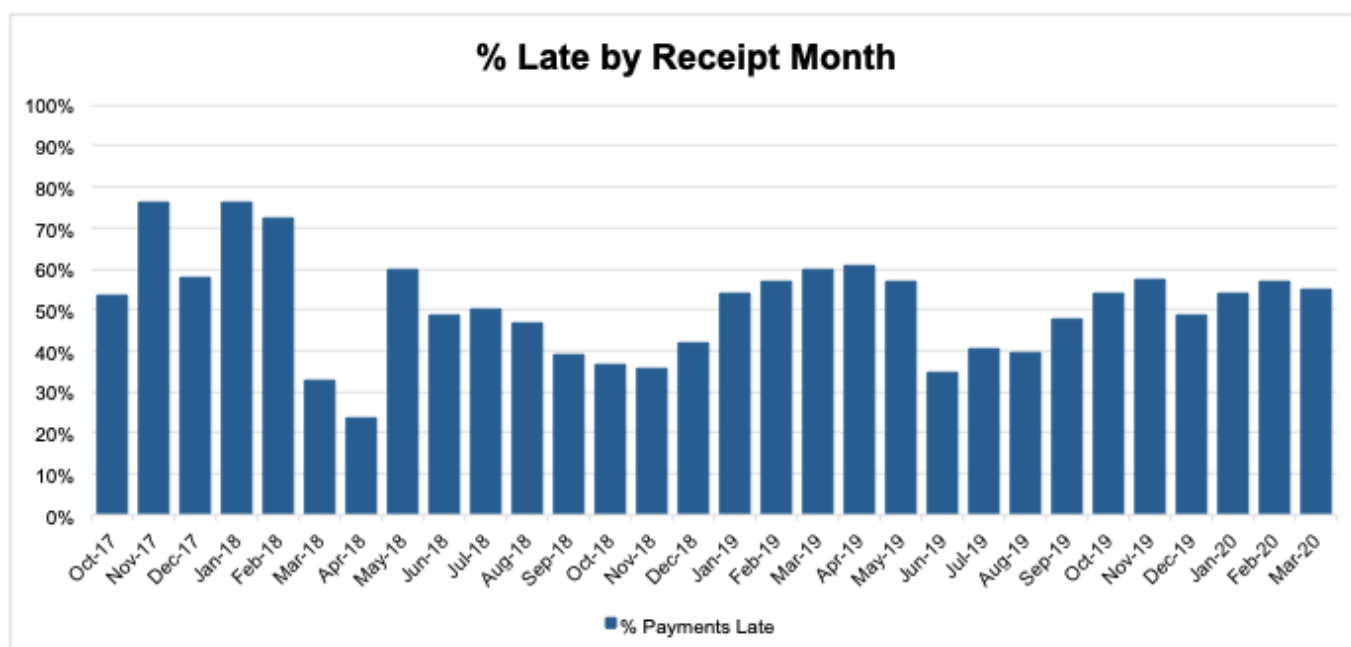
LATE PAYMENTS %, BY MONTH

Payment delays - receipts of invoices beyond the stated net terms - are endemic across the industry, so our analysis focuses heavily on this metric. We compare this timing data across time and debtors, identifying trends in digital media payments including late / early debtors (see the full list of Q1 debtors on page 14).

Chart: The percentage of all payments we received that were paid late.

Timeframe: Month-by-Month

Metric: Net Terms Differential



Quick Analysis & Commentary

- In March, 55% of all debtors paid us late beyond stated terms, up from the Q4 low of 48% in December. In February, 57% of debtors paid late.
- Late paying companies have been on the rise. In June and August of 2019, 35% and 40%, respectively. In December, 48%. In February, 57% and in March 55%.
- In March we saw a big push to extend pay terms. New pay terms are becoming more in line with actual payments, which are often late.

Timing of Payments

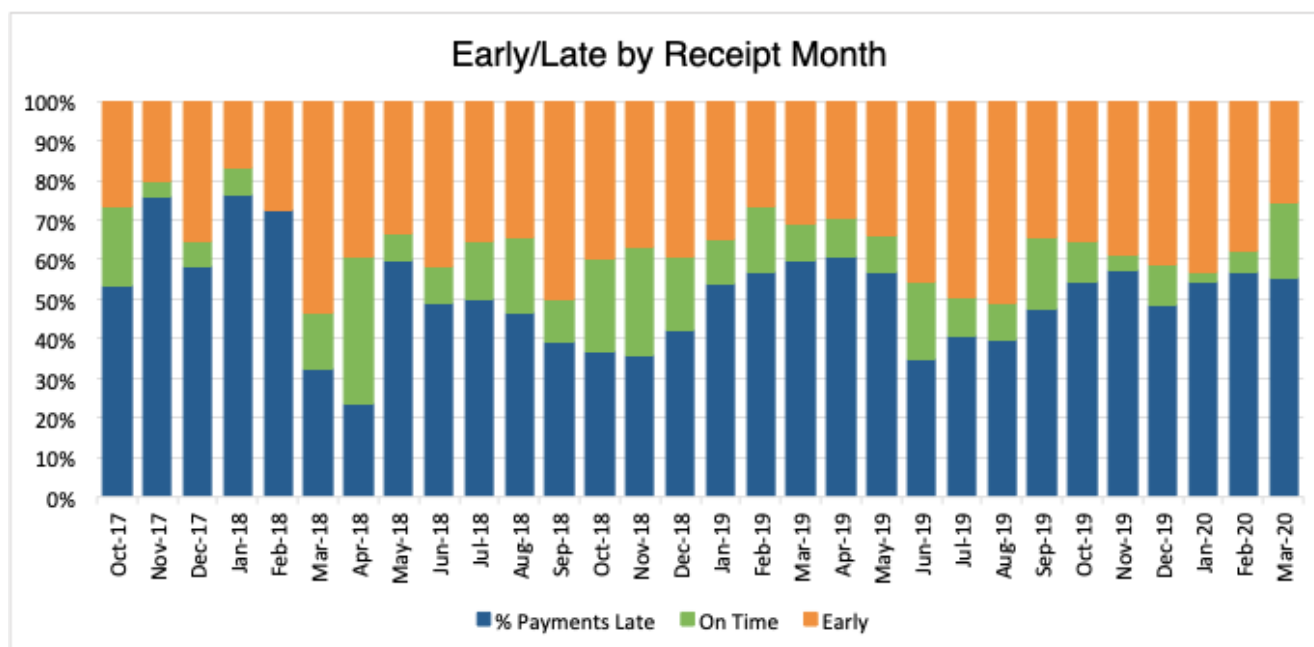
EARLY VS. LATE VS. ON-TIME PAYMENTS, BY MONTH

Below is the same chart as above, but in direct comparison with the percentage of payments that we received on-time or prior to stated terms, i.e. stated terms are net 60, we collected net 59.

Chart: The percentage of all payments we received that were late, early or on-time.

Timeframe: Month-by-Month

Metric: Net Terms Differential



Quick Analysis & Commentary

- Rule of thumb: the more green and orange you see on this chart, the better.
- On-Time payments in Green (i.e. paid when expected) hit a low in January, to increase dramatically into March when 19% were paid when expected.
- 24% of all payments received in March were paid early, before stated net terms, a 26 month low (January, 2018, early payments hit 17%)

Timing of Payments

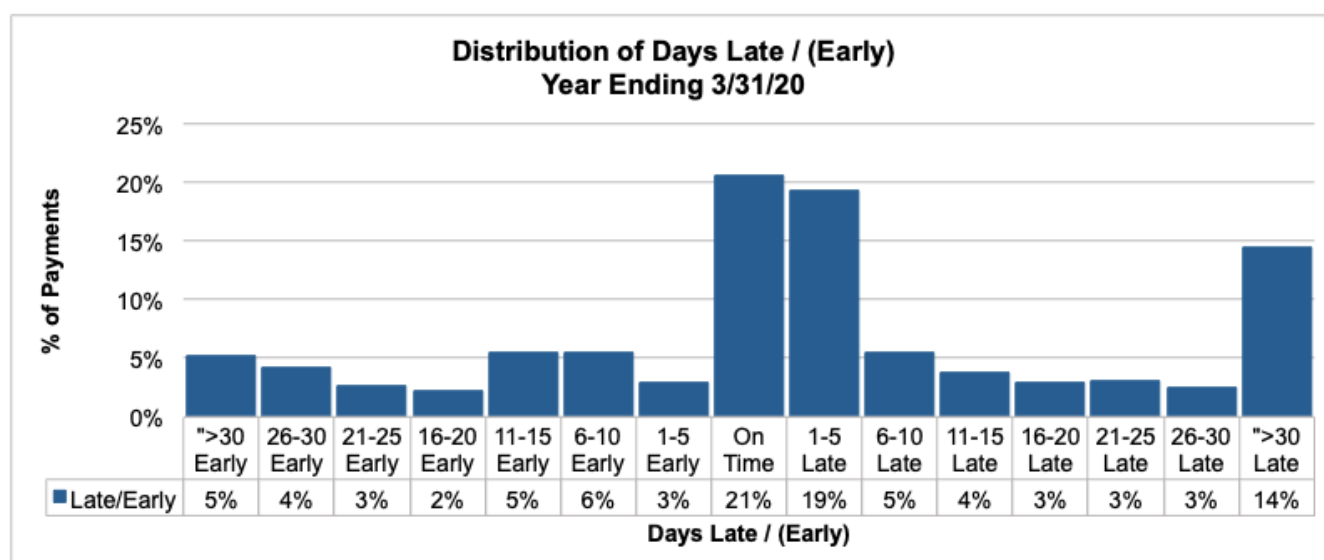
DISTRIBUTION OF LATE DAYS BY MONTH, IN 5-DAY LATE BUCKETS

Chart: This shows the distribution of late payments, in 5-day buckets (i.e. 6-10 days late).

Timeframe: Last 12 months ending 3/31/2020.

Metric: Net Terms Differential

Example: Here you can see the breakdown of the % of all payments that were late or early, in the last 12 months



Quick Analysis & Commentary

- Consistent with the 12 months ended 12/31/2019, 27% of all *late payments* were paid more than 30 days late.
- If payments are late, they're late by a lot. Payments that are more than 30 days late outnumber those that aren't by 3-6x, depending on which "late bucket" the payment falls into (except those late payments received within 5 days late).

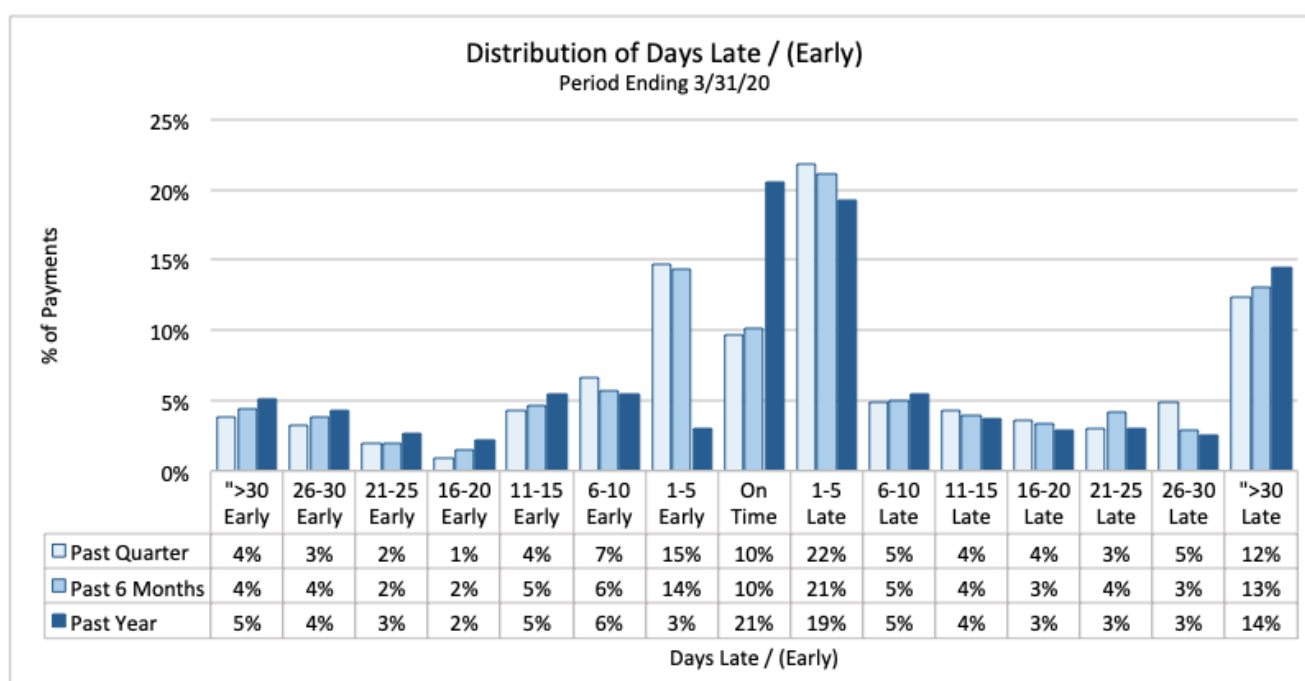
Timing of Payments

LATE DAYS, SHOWN IN 5-DAY BUCKETS, ACROSS TIME

Chart: This shows the same data as the above chart, but also compares the data from the last 12 months against the last 6 months and quarter.

Timeframe: The past 12 months, 6 months and 3 months ending 3/31/2020.

Metric: Net Terms Differential



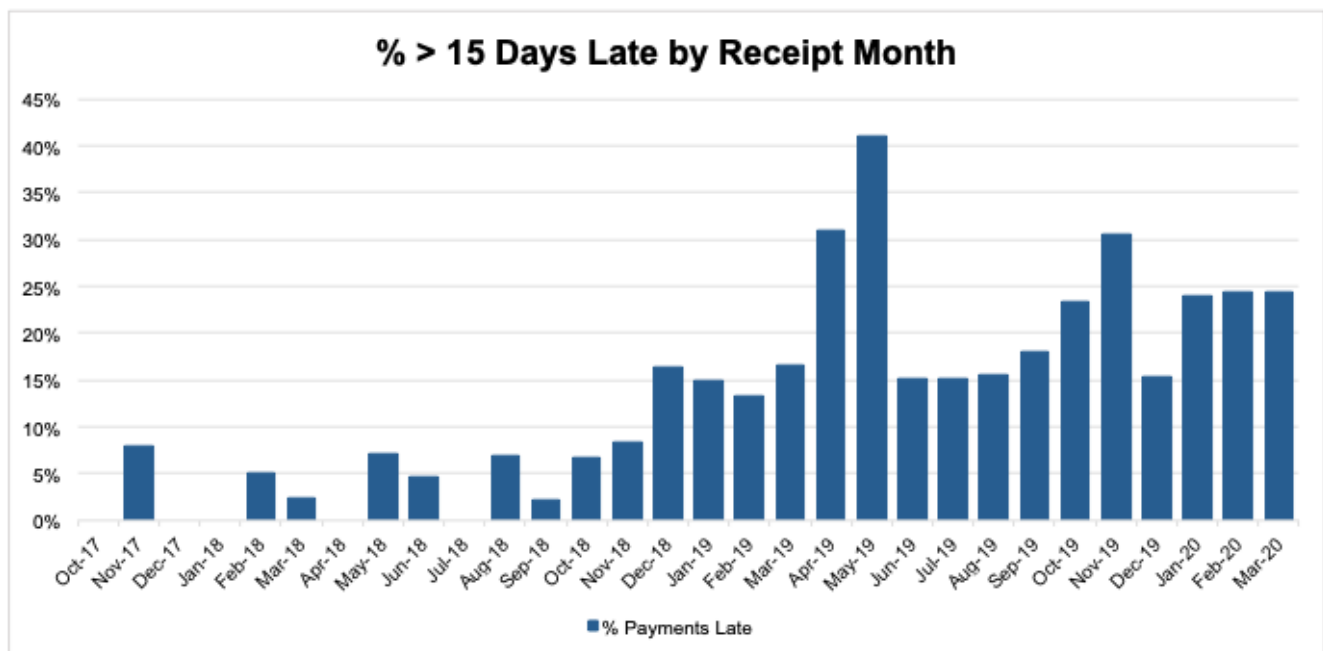
Quick Analysis & Commentary

- Note that in the prior 12 months, 14% of all payments were more than 30 days late, but in the prior 3 months, 12% were late - a slight improvement.
- As noted on page 5, there was a dramatic decrease in the number of on-time payments, averaging 10% for the Q1 2020.
- The number of payments paid within 5 days before stated net terms increased 500% for Q1 2020, versus prior 12 months. On-time payments fell by more than 50%.

Timing of Payments

PAYMENTS 15+ DAYS LATE BY MONTH

This is an important metric we focus on. The reason why is that payment delays less than 2 weeks are common, and really not indicative of any potential credit concern. However payments consistently late beyond 15 days tell us two things. First, at the individual debtor level, there might be some cash flow issues. Second, when viewed collectively, it gives us a reading of industry as a whole.



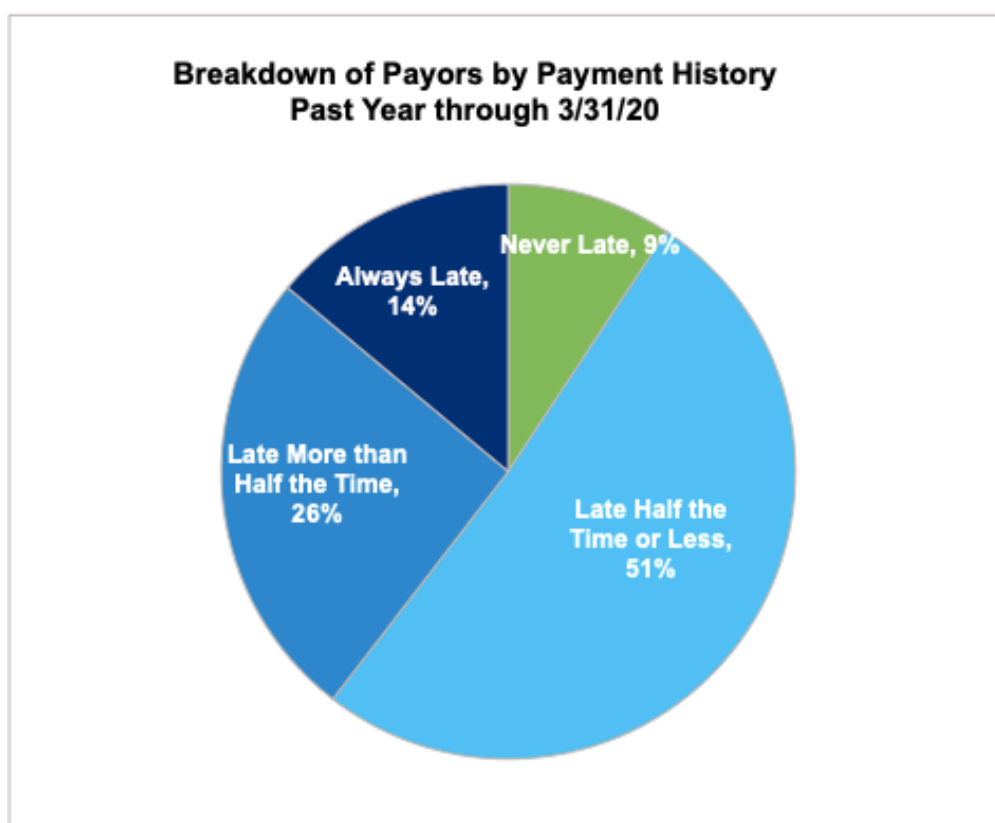
Quick Analysis & Commentary

- After a dramatic decline in December of the number of payments more than 15 days late, they spiked again in January 24%.
- Payments more than 15 days late held steady throughout all of Q1, at around 24-25% each month.
- We expect this metric to rise dramatically in Q2 due to the effect of COVID-19 on the CPMs and the eco-system as a whole.

Timing of Payments

TIMING OF PAYMENTS BY DEBTOR

With collection data on over 300 digital media & advertising debtors, we like to analyze what percentage of them pay late, versus on time. Here is a breakdown of the most recent 12 months ending March 31st, 2020.



Quick Analysis & Commentary

- In the past 12 months, the percentage of actual debtors (not invoices) that paid us late half the time or less was 51%, a nice increase from the prior study.
- In the 12 months ended December 31st, 2019, that number was 43%.
- On a single debtor basis, the amount of debtors paying late *half the time or less* increased almost 27.5%, consistent with the 500% surge in payments paid within 5 days prior to stated net terms.

Amount of Payments

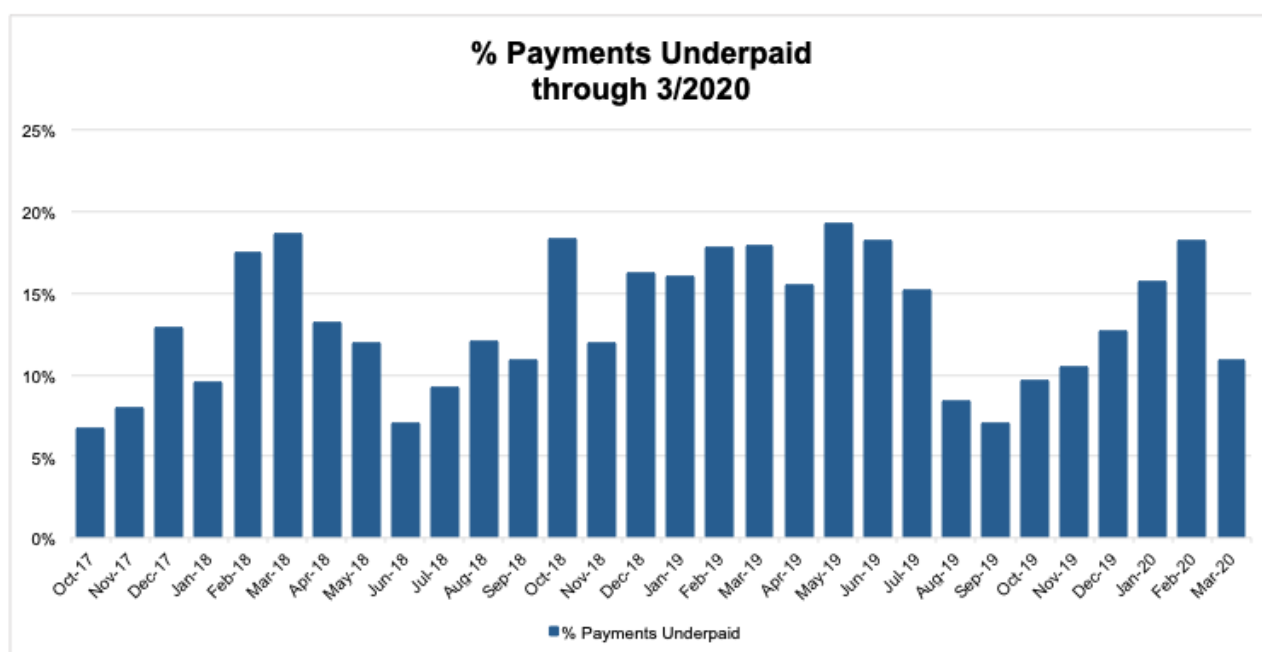
UNDERPAYMENT PERCENTAGES BY MONTH

Another major issue with payments is that the actual collected amount almost always varies from the stated invoice amount. Again, we call this the "Paid Differential".

Chart: This shows the percentage amount of all payments that were underpaid according to the billed or invoiced amount.

Timeframe: Month-by-Month

Metric: Paid Differential



Quick Analysis & Commentary

- The percentage of payments that were offset (i.e. less than the stated amount) steadily rose from September to February, more than 300%, only to revert back to the mean in March, settling at 11%, a 39% decrease.
- Payment fluctuations between billed amount and collected amounts steadily rose into Q1 as well. This could be due to demand side partners passing on offsets from the advertisers, though we can't know for sure. All we know is it dropped off dramatically in March, so we're watching to see if this holds.

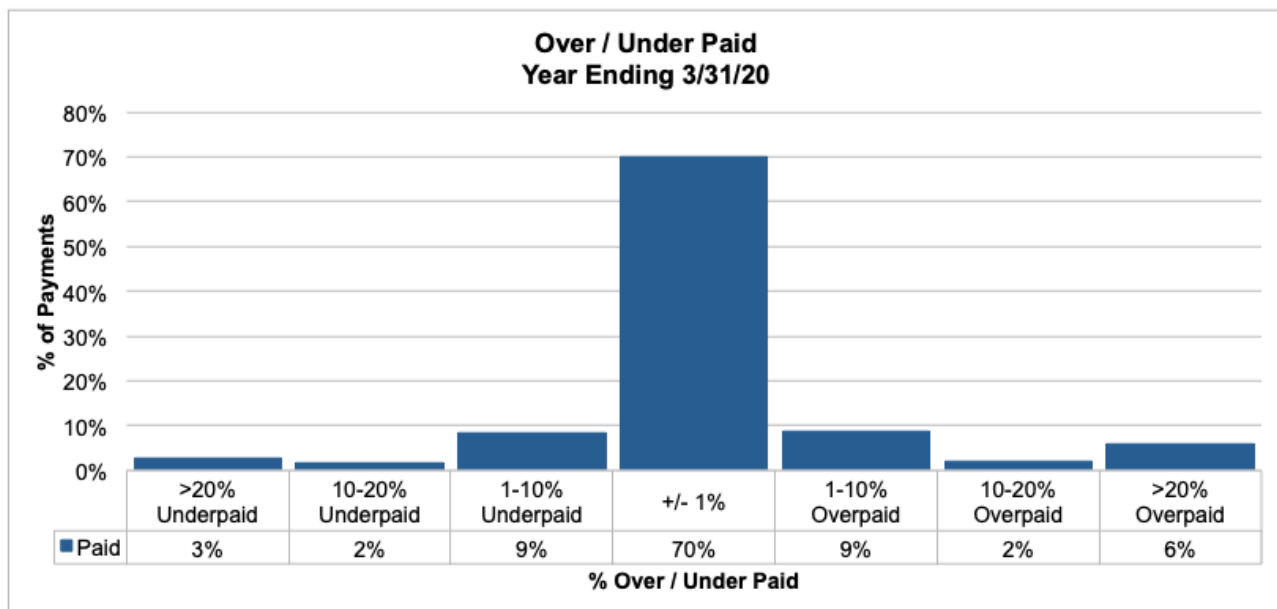
Amount of Payments

DISTRIBUTION OF PAYMENT AMOUNT BY VARIANCE

Chart: This shows the percentage amount of all payments that were underpaid according to the billed or invoiced amount, and the distribution by the amount of the negative offset.

Timeframe: The past 12 months ending 3/31/2020.

Metric: Paid Differential



Quick Analysis & Commentary

- The data here is fairly consistent with the prior study. The amount of underpayments by bucket held steady.
- The amount of overpayments slightly increased, with overpayments of 1-10% accounting for 9% of all payments received (a slight increase from 7% in the prior study)

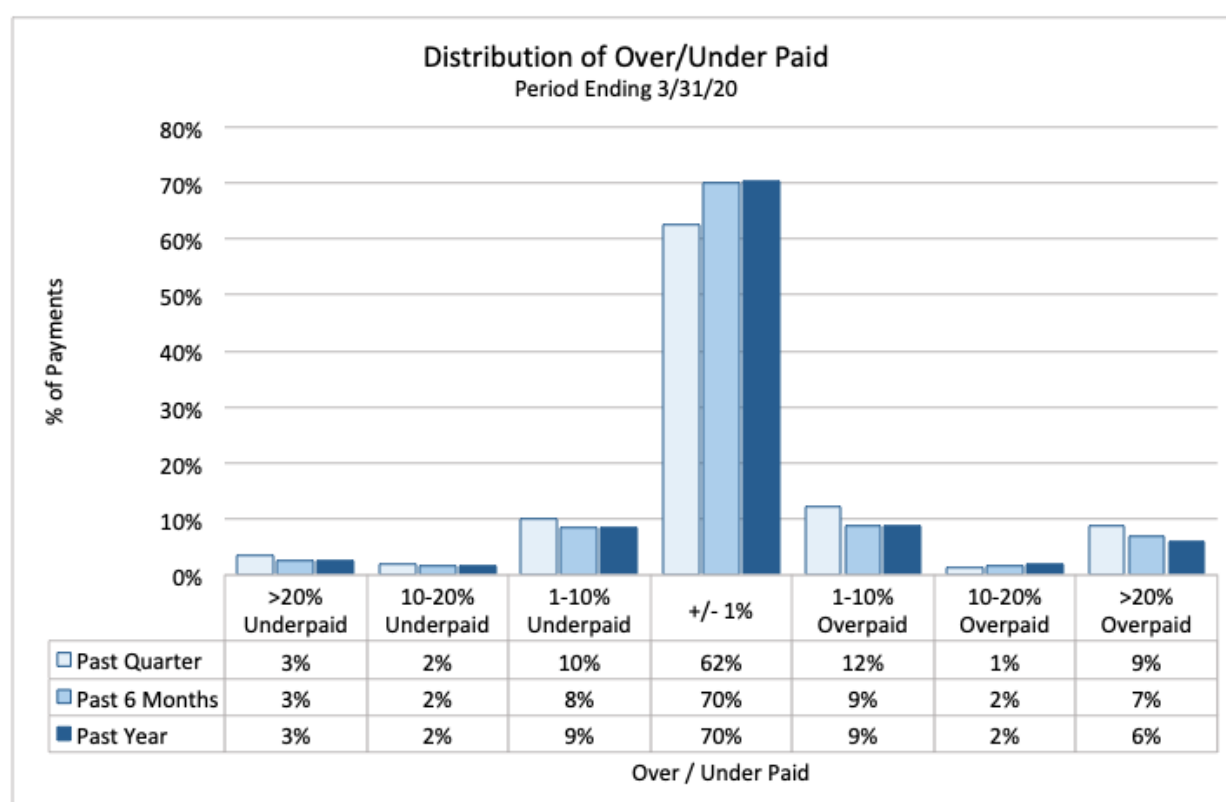
Amount of Payments

VARIATIONS OF AMOUNTS PAID VS. PRIOR PERIODS

Chart: This chart shows the same data as the above chart, but also compares the last 12 months of data across three timeframes.

Timeframe: The past 12, 6 and 3 months ending 3/31/2020.

Metric: Paid Differential



Quick Analysis & Commentary

- In the last 6 and 12 months, 70% of payments came in +/- 1%. In the last 3 months ending 3/31/2020, 62% were paid within 1%, high or low.
- Payments seemed to have stabilized in prior periods but it appears that there is an increase in volatility with payment offsets remaining steady and overpayments increasing slightly. In this data set for Q1, payment volatility isn't necessarily bad for the publisher, as they get paid more.

Amount of Payments

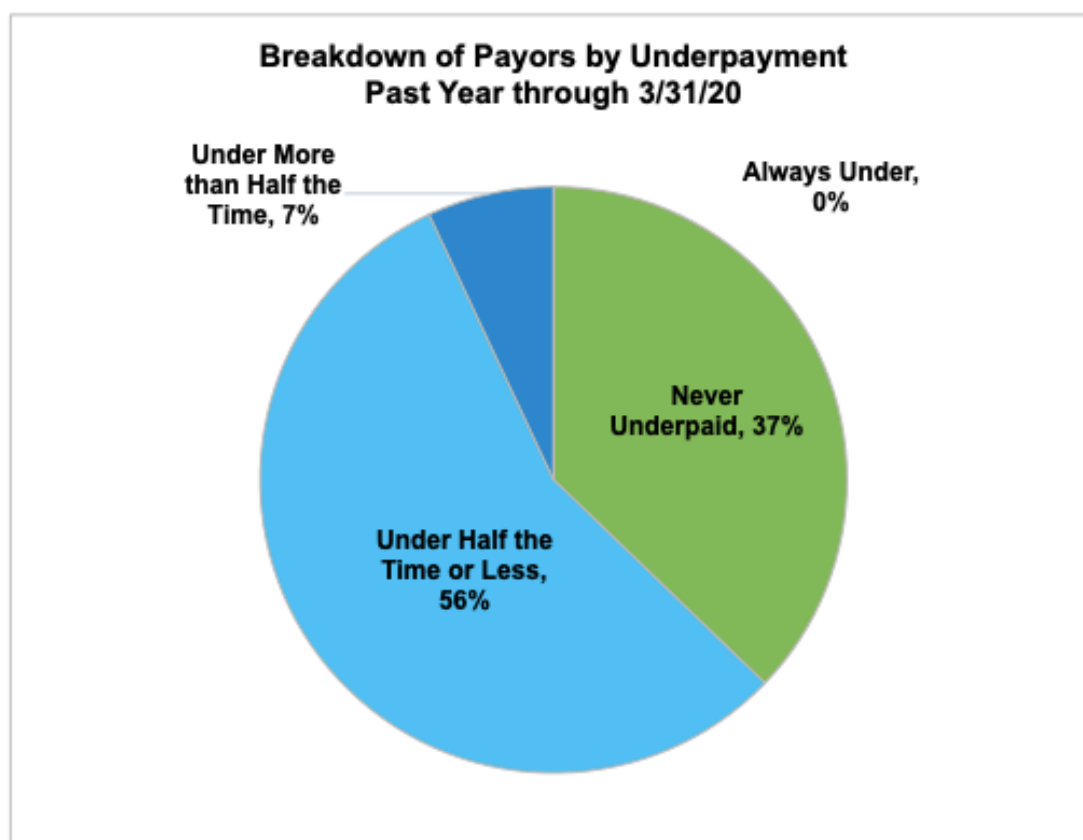
BREAKDOWN BY DEBTOR

Chart: This provides a breakdown of debtor offsets for the prior 12 month period.

Timeframe Prior 12 months ending 3/31/2020.

Metric: Paid Differential

Number of Debtors: 307



Quick Analysis & Commentary

- The metric we'd like to highlight here is the light green portion, showing debtors that *never underpaid* (i.e. negatively offset the invoice when they paid it).
- In the 12 months ending December 31st, 2019, the percentage of debtors that never underpaid us was 20%.
- The number of companies that underpay us half the time or less fell from 72% to 56%, a 22% decrease.

Appendix A - Payment Performance

BREAKDOWN BY DEBTOR

Below is a breakdown of individual debtor performance on debtors we received payments from in Q4. We no longer include debtor performance in this quarterly study unless we actually received 6+ payments from such debtor in the quarter being reported.

12 Months Ending 3/31/2020				Avg. Days vs. Terms		
Payor	Early	On Time	Late	Late/(Early)	Days Early	Days Late
33Across, Inc.	27%	19%	54%	8.72	-8.86	20.62
Adcolony, Inc.	8%	0%	92%	10.82	-12.00	12.89
Amazon, Inc.	47%	26%	26%	4.18	-3.84	22.62
Apple, Inc.	100%	0%	0%	-28.08	-28.08	
Applovin Corp.	100%	0%	0%	-40.71	-40.71	
Appnexus, Inc.	1%	0%	99%	6.41	-13.50	6.66
Audioboom Ltd	64%	27%	9%	-3.59	-5.71	0.50
Beachfront Media, LLC	31%	15%	54%	2.96	-17.00	15.21
Bidswitch, Inc.	0%	0%	100%	10.75		10.75
Bonnier Corporation	45%	0%	55%	-1.09	-47.40	37.50
Chartboost, Inc.	0%	13%	88%	7.83		8.95
Connatix Native Exchange, Inc.	14%	0%	86%	8.07	-17.71	12.20
Conversant, LLC	100%	0%	0%	-8.61	-8.61	
Criteo, Inc.	22%	22%	56%	20.44	-23.00	46.00
Dictionary.com, LLC	86%	0%	14%	-18.86	-40.67	112.00
District M, Inc.	38%	0%	62%	-4.66	-19.47	4.32
Freewheel Media, Inc.	71%	0%	29%	-6.38	-19.53	26.50
Google Play	100%	0%	0%	-29.82	-29.82	
Google, Inc.	50%	29%	21%	-0.43	-1.50	1.50
GumGum, Inc.	47%	23%	30%	5.41	-1.45	20.45
Katz Media Group, Inc.	9%	55%	36%	1.82	-5.00	6.25
Klarna, Inc.	40%	20%	40%	6.00	-5.00	20.00
MediaMath, Inc.	0%	0%	100%	11.46		11.46
Mopub, Inc.	58%	33%	8%	-1.96	-3.50	1.00
Nativo, Inc.	38%	31%	31%	8.81	-2.00	31.13
Oath Inc. (Verizon / AOL)	83%	0%	17%	-2.48	-10.62	36.38
Ogury Ltd.	67%	11%	22%	0.92	-4.33	17.15
OpenX Technologies, Inc.	65%	27%	8%	-0.37	-1.31	6.00
Perion Network Ltd.	33%	0%	67%	10.59	-16.00	23.88
Pubmatic, Inc.	70%	5%	25%	6.63	-7.43	47.30
Pulsepoint, Inc.	21%	55%	24%	-1.32	-13.48	6.35
RhythmOne, LLC	71%	0%	29%	-9.97	-23.41	23.64
RTK.io, Inc.	54%	0%	46%	-7.56	-21.83	9.08
Rubicon Project, Inc.	71%	23%	6%	-5.52	-8.82	12.75
Sharethrough, Inc.	0%	0%	100%	24.42		24.42
Sortlist, Inc.	68%	27%	5%	-17.83	-26.22	1.00
Sovrn Holdings, Inc.	0%	0%	100%	2.70		2.70
Taboola, Inc.	0%	0%	100%	44.46		44.46
Tapjoy, Inc.	73%	7%	20%	6.44	-3.21	44.00
Teads, Inc.	65%	5%	30%	-11.70	-20.54	5.50
Toyota Motors North America	80%	0%	20%	-22.60	-30.00	7.00
Triplelift, Inc.	10%	3%	87%	4.76	-2.56	5.79
Tubular Labs, Inc.	0%	0%	100%	32.20		32.20
Underdog Media, LLC	80%	20%	0%	-4.00	-5.00	
Unity Technologies, Inc.	13%	75%	13%	-0.06	-1.00	0.50

Check out our full list of approved companies at tinyurl.com/oarex-payors (click).

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