

Q4, 2020

**DIGITAL MEDIA  
& ADVERTISING  
PAYMENTS  
REPORT**

**PREPARED BY**

**OAREX CAPITAL  
MARKETS, INC.**

December, 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 ecosystem, 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 Q4 2020 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".

## How we obtain the data: first hand

We get this information first hand because we collect payments from hundreds of different debtors. Those debtors are then 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 Q4 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.

December, 2020

## KEY HIGHLIGHTS OF Q4, 2020 DATA

Some key highlights of the Q4 report worth noting:

### The Good

- Payments are coming in earlier and earlier -- the overall number of early payments during the prior 12 months increased by 68% and early payments more than 30 days increased by 63% during the past 6 months.
- On average, payments more than 15 days late fell by 21.4% verse the prior quarter.
- Underpayments continue to decline -- at 9%, negative offsets (i.e. payments less than the stated amount) reached their lowest quarterly average since Q4 of 2017 and are 31% below the historical mean.
- Individual debtor pay performance continues to improve -- the percentage of actual debtors (not invoices) that *paid late half the time or less* decreased by 19% from the prior study, while those that *never paid late* rose by 243% and those that *always paid late* fell by 53%.

### The Bad

- Volatility of pay timing is rising -- on-time payments fell by 54%, while both early and late payments increased.
- With a 3% increase, average late payments over the prior 3 months showed their first sign of a breakout from the downward trend that began in Q1 of 2020.
- At 22%, payments more than 30 days late out number those less than 30 days late by 2-3X (page 6).
- Longer "pandemic" pay terms are here to stay -- some partners began reinstating original terms, while others are requiring increased revenue shares to pay under faster terms. There is increasing concern on what impact these pay term extensions had on our 2020 data (i.e. skewing actual number of late payments/payors) as well as the effect it will have on margins going forward.

## KEY DEBTOR HIGHLIGHTS

AAA Club Alliance, Inc., American Medical Association, Apple, AppLovin, Google Play (App Store), Kindred Healthcare, LLC, Mutual of Omaha Insurance Company, N.V. Perricone LLC, Stash Financial, Inc. and Toll Brothers, Inc. all paid early 100% of the time. Comcast Corporation, Even Financial, Inc., Facebook, Inc., Mopub, Inc., Oath Inc. (Verizon / AOL), Pubmatic, Inc., QuinStreet, Inc., RhythmOne, LLC, SheMedia, LLC and Tapjoy, Inc. all paid early 70% of the time or more (see page 14 for full breakdown by debtor).

## Timing of Payments

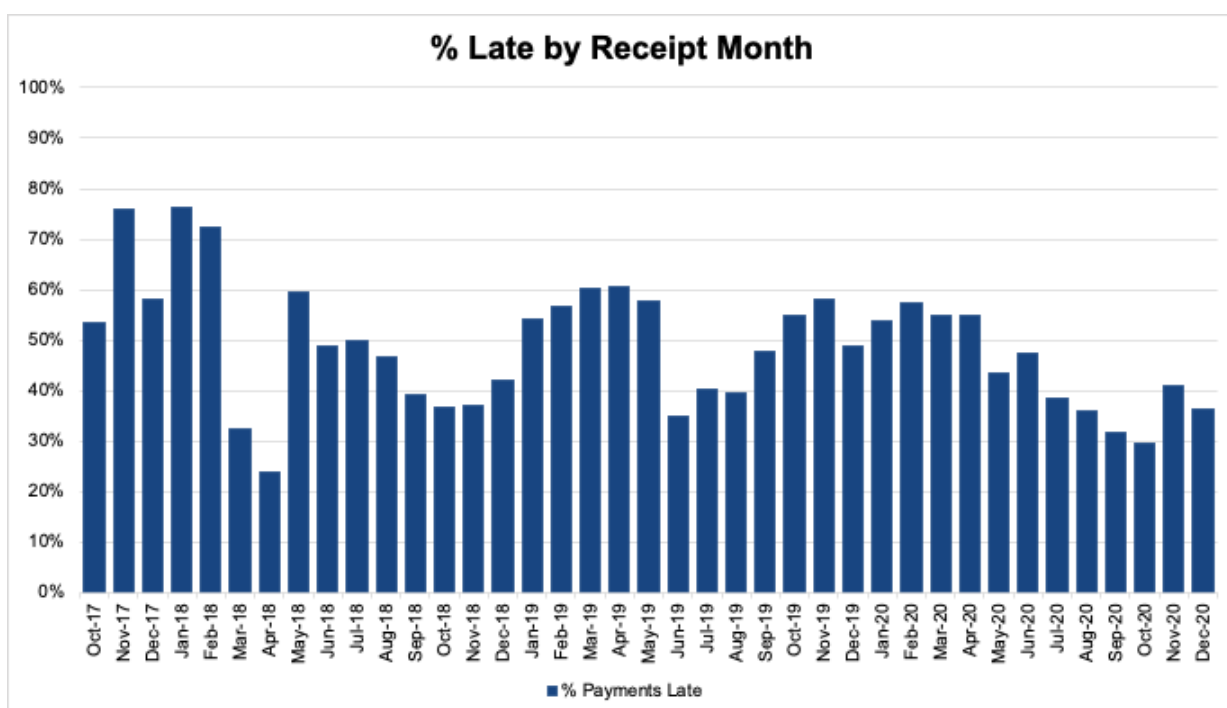
# LATE PAYMENTS %, BY MONTH

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 Q4 debtors on page 14).

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

**Timeframe:** Month-by-Month

**Metric:** Net Terms Differential



### Quick Analysis & Commentary

- Q3's trend of decreasing late payments continued into October, dipping below 30% for the first time since April of 2018, but then sharply reversed (increasing by 39.8%) and stayed elevated for the remainder of the year.
- Q4 2020 had a slight increase in average late payments when compared to Q3 - rising from 35% to 36%. However, November's spike to 41% was the first time, since the beginning of the pandemic, where late payments showed a breakout from their downward trend.
- Throughout 2020, we saw a big push to extend pay terms. New pay terms have been more indicative of actual payments, which are often late. This is reflected in the data via the steady decrease in late payments by month and the continued transition from late to on-time or early (see page 5).

## Timing of Payments

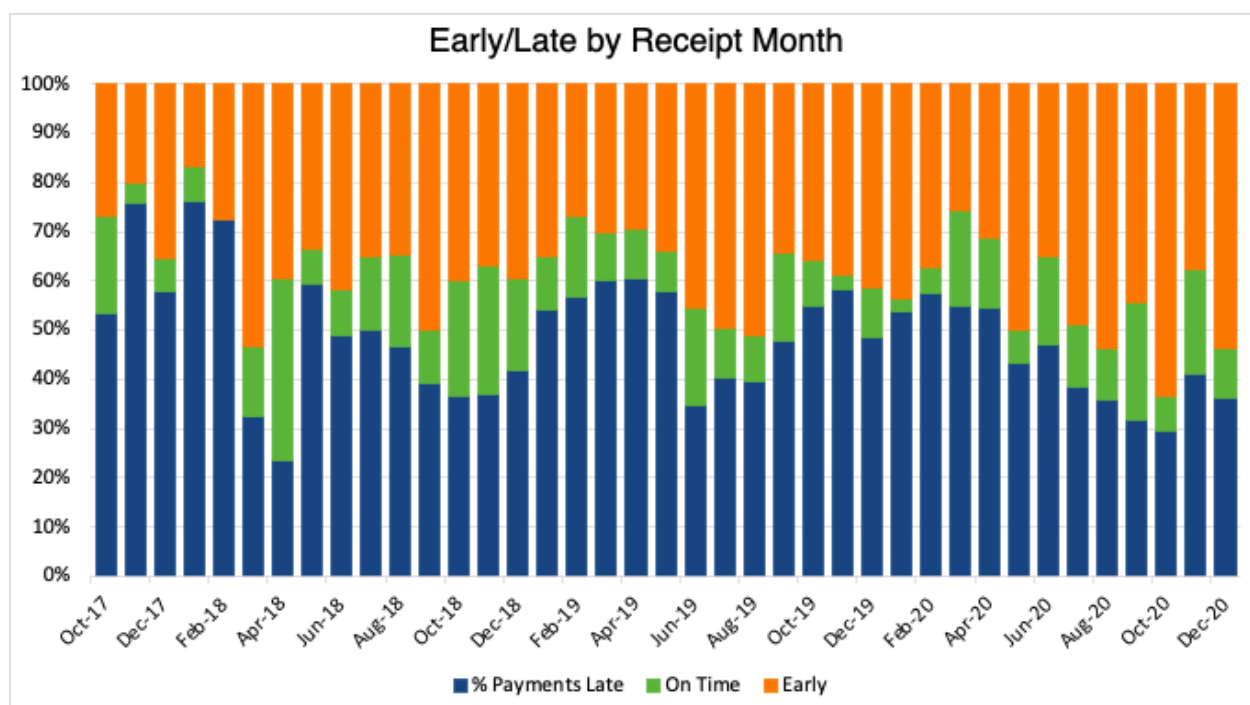
# EARLY VS. LATE VS. ON-TIME PAYMENTS, BY MONTH

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.
- At 64%, early payments reached an all-time high in October.
- On average, *early payments* (orange) increased 6% from the previous quarter, while *on-time payments* (green) decreased 19% and *late payments* (blue) increased by 3%.
- During Q4, the average *on-time payment* fell to its historical mean (13%). While *late payments* (36%) rose slightly off of their all-time low.

## Timing of Payments

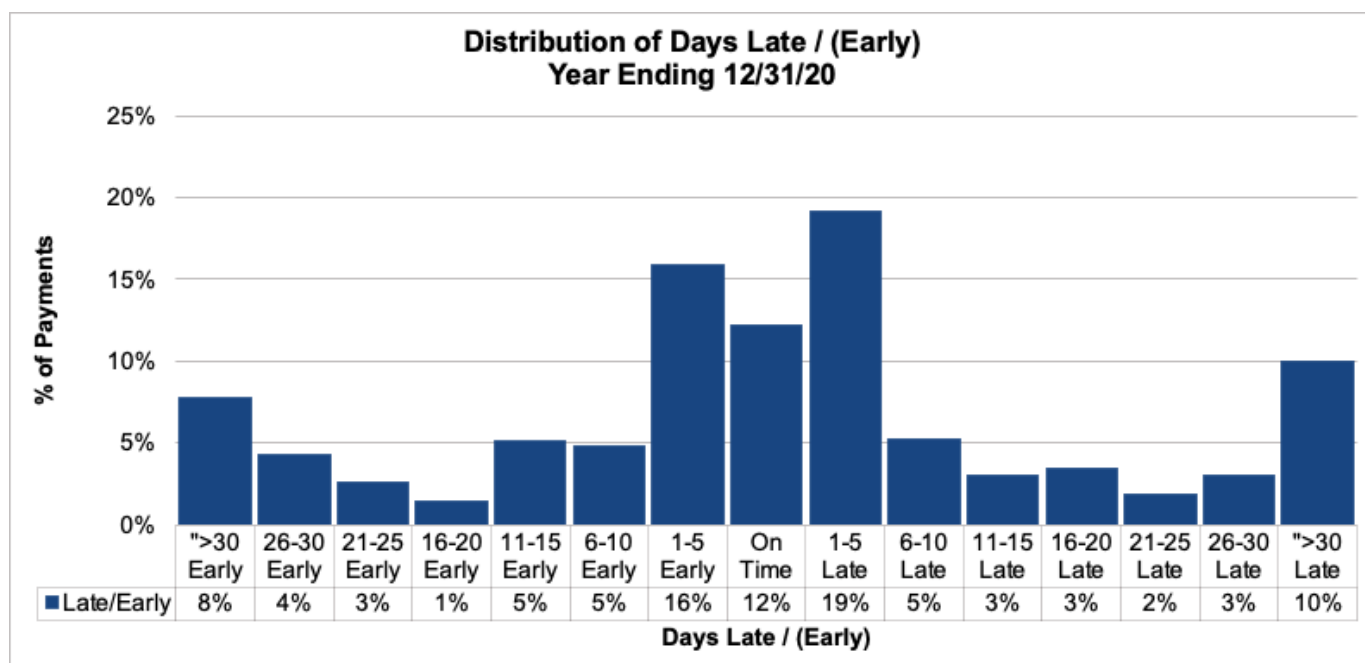
# DISTRIBUTION OF LATE DAYS BY MONTH, IN 5-DAY LATE BUCKETS

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

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

**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

- 22% of all *late payments* were paid more than 30 days late, representing a decrease of 13.6% since our last pay study. At the same time, on-time payments decreased by 54%, falling to only 12% of the total.
- If payments are late, they're late by a lot. Payments that are more than 30 days late outnumber those that aren't by 2-3x, depending on which "late bucket" the payment falls into (excluding 1-5 days late).

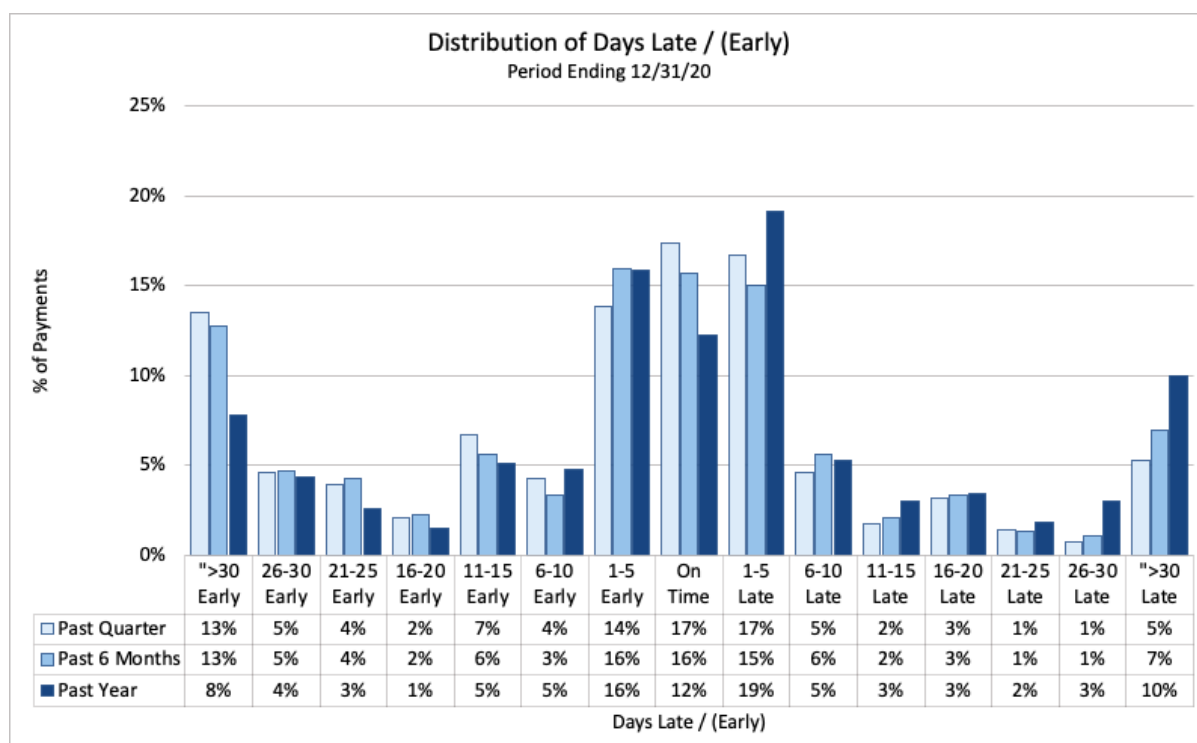
## Timing of Payments

# 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 12/31/2020.

**Metric:** Net Terms Differential



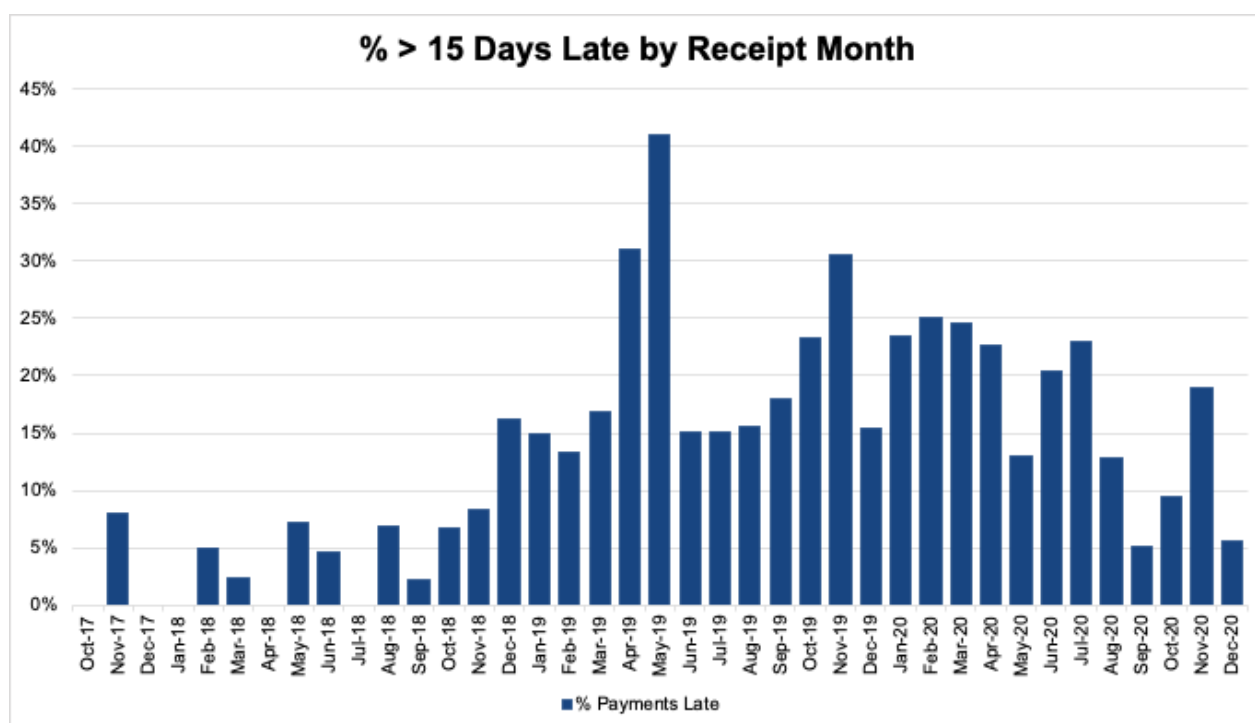
## Quick Analysis & Commentary

- Note that payments more than 30 days late has steadily declined throughout the year. In the prior 12 months, 10% of all payments were more than 30 days late but, in the prior 3 months, that number fell to 5% -- a decrease of 50%. During our last pay study, those numbers were 12% and 8% respectively.
- The trend in rising early payments continued from Q3's report. The number of payments more than 30 days early during the past 6 months showed a 63% increase over the prior 6 month period.

## 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

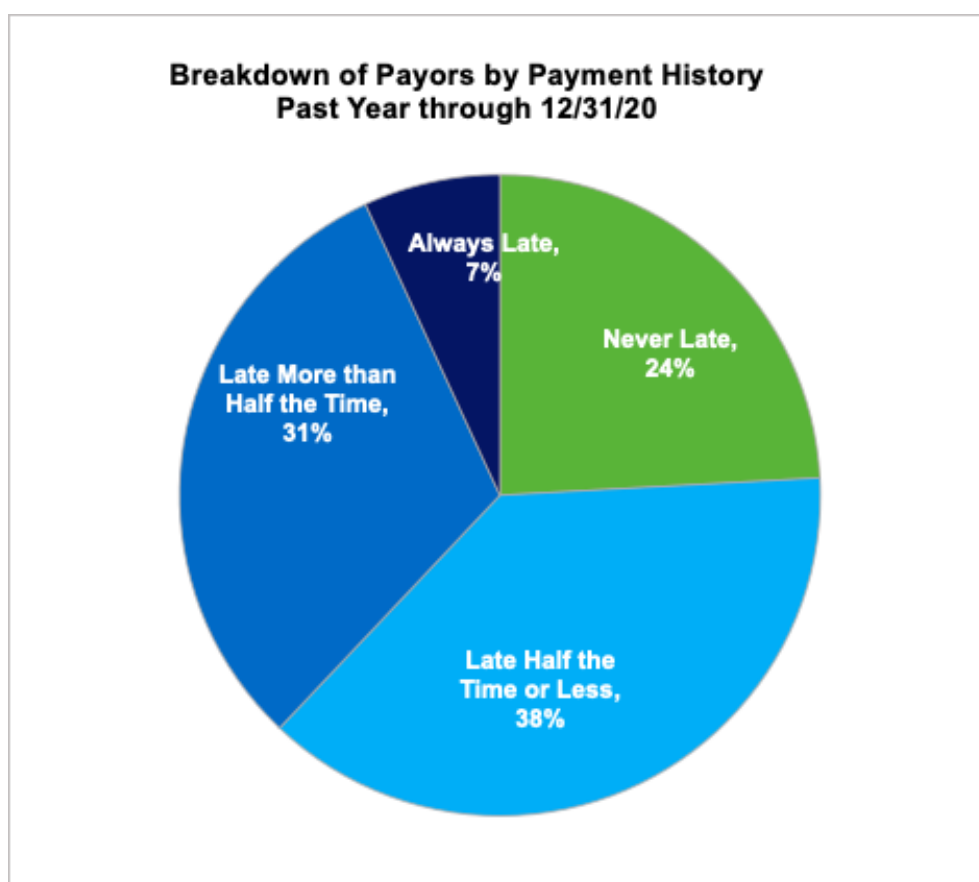
- The number of payments by more than 15 days late increased dramatically during October (9%) and November (19%) but then revisited their 27 month low in December (5%).
- On average, payments more than 15 days late fell by 21.4% in Q4 verse the prior quarter.
- Part of the dramatic reduction in late payments is due to the changing of terms (i.e. see page 4). However we attribute this in part for two other reasons: Proactive tightening of our credit approvals which reduced exposure to several late paying debtors. Secondly, improved responsiveness/pay performance from debtors due to our purchasing power and industry status (i.e. the "OAREX effect").



## 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 December 31st, 2020.



### Quick Analysis & Commentary

- In the past 12 months, the percentage of actual debtors (not invoices) that *paid late half the time or less* was 38%, a decrease of 19% from the prior study.
- During that same period debtors that *never paid late* rose by 243%, those that *always paid late* fell by 53% and those that *paid late more than half the time* stayed constant.
- Although the data is likely skewed due to tightening credit initiatives and the broad extension of pay terms within the industry, most metrics improved drastically -- suggesting that payment performance, as a whole, has continued to improved.

## Amount of Payments

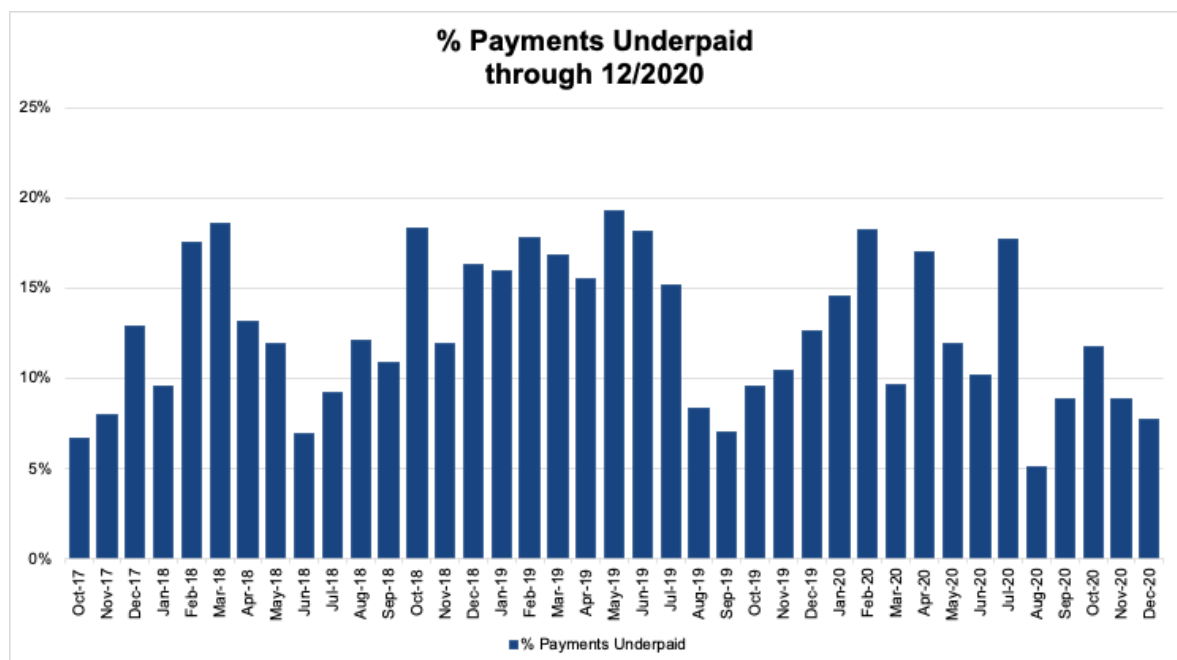
# UNDERPAYMENT PERCENTAGES BY MONTH

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

- Payment fluctuations between billed amounts and collected amounts still remain extremely volatile. However, on average, underpayments during Q4 decreased 18% versus the prior quarter.
- At 9%, quarterly averaged underpayments reached their lowest point since Q4 of 2017 and are 31% below the historical mean.
- As stated in prior reports, we feel this decrease does not accurately represent what the industry is experiencing as a whole and we will continue to closely monitor this going into 2021. With that said, we do expect the data to continue trending positively as there are signs that an economic recovery is underway.

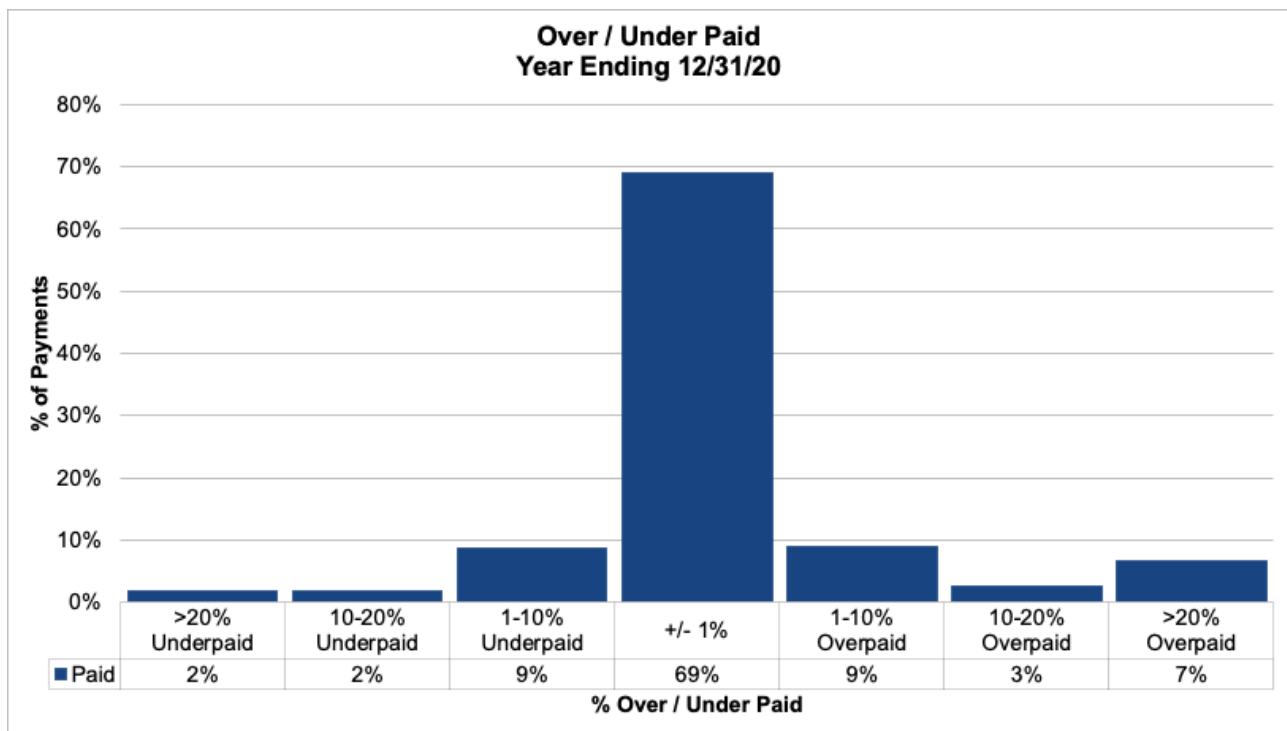
## Amount of Payments

# 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 12/31/2021.

**Metric:** Paid Differential



## Quick Analysis & Commentary

- While the amount of payments within +/- 1% of stated terms fell by 2.9%, the data here is largely consistent with the prior pay study.
- During the prior 12 months, the amount of underpayments remained constant from Q3 to Q4. During that same time, overpayments greater than 10% of the stated amount increased by 25%.

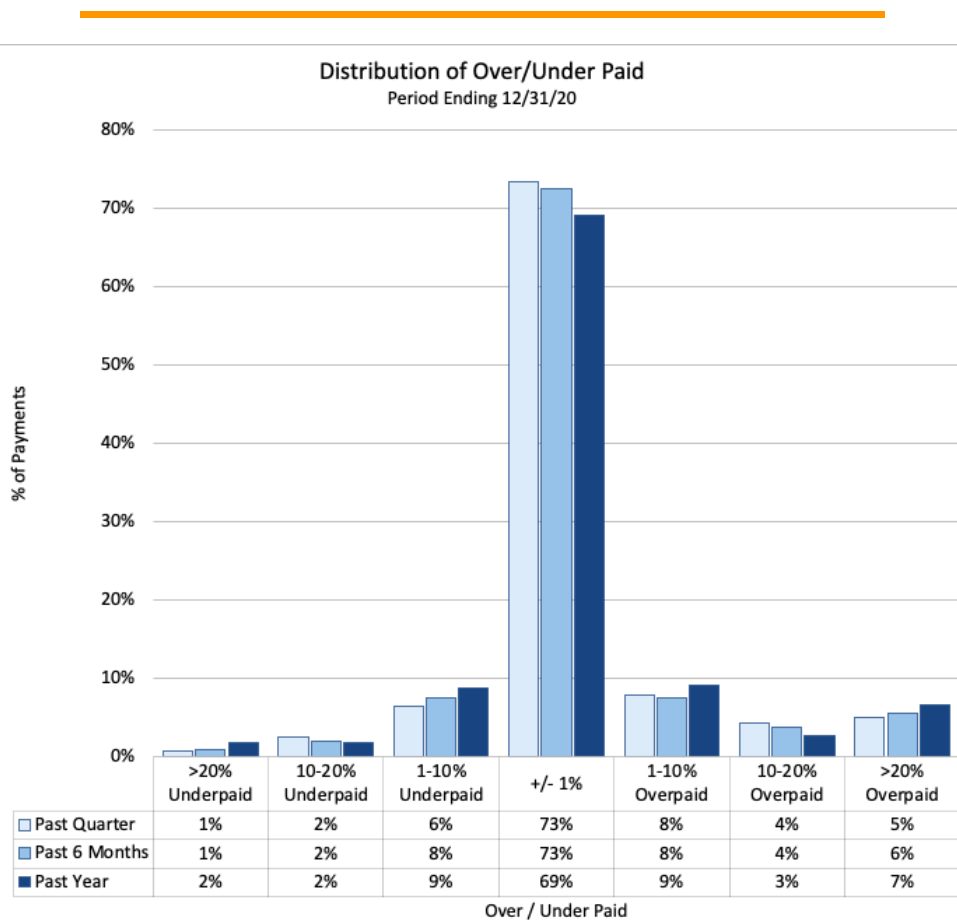
## Amount of Payments

# 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 12/31/2020.

**Metric:** Paid Differential



## Quick Analysis & Commentary

- Over a rolling 12 month basis, QoQ underpayments remained steady. However, when analyzing over a 3 month period they fell by 25% over.
- During Q4, payments that arrived within +/- 1% of the billed amounts rose by 1.4% when compared to the previous quarter, while overpayments as a whole rose 13.3% -- totaling 17%.

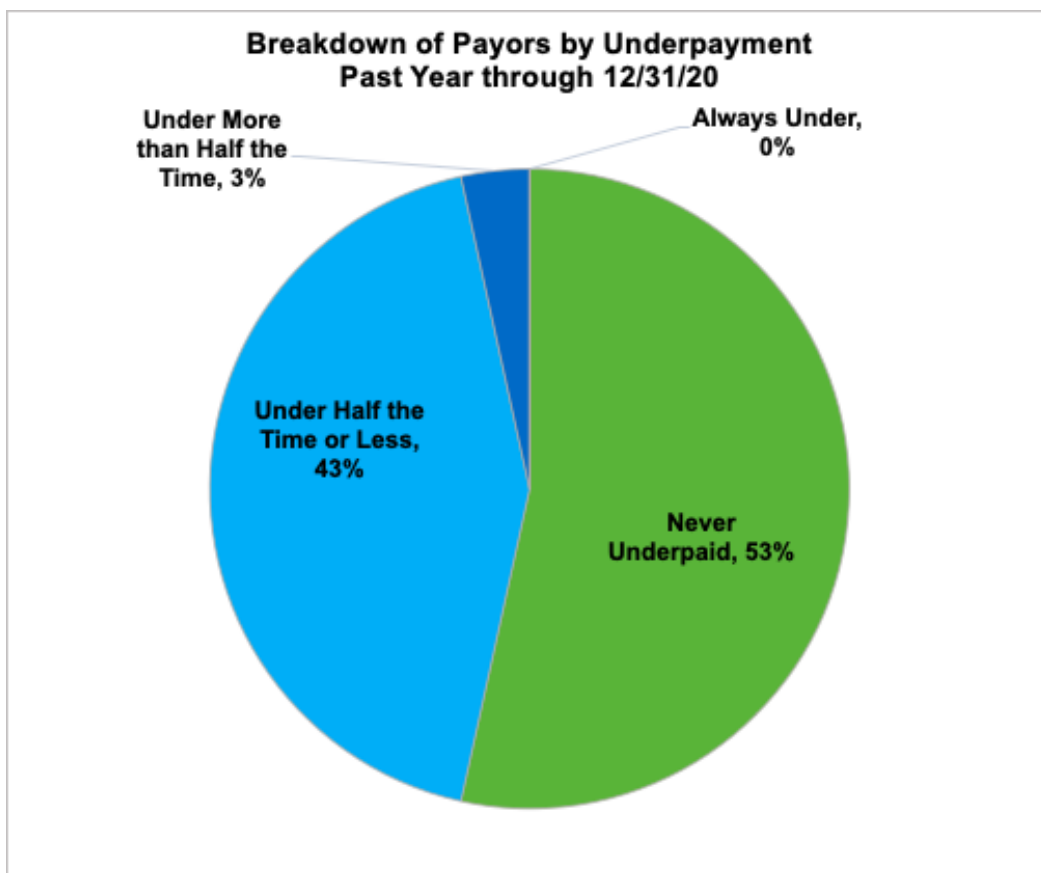
## Amount of Payments

# BREAKDOWN BY DEBTOR

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

**Timeframe** Prior 12 months ending 12/31/2020.

**Metric:** Paid Differential



### Quick Analysis & Commentary

- The metric we'd like to highlight here is the light green portion, showing debtors that *never underpaid* (i.e. never negatively offset the invoice when they paid it).
- When compared to Q3, the percentage of debtors that *never underpaid* rose to 53% (an increase of 12.8%), while those that *paid under more than half the time* fell to 3% (decreased by 66.7%) and those that always under paid fell to 0%.
- Consistent with our previous report, the trend of reduced offsets has continued in Q4.

## Appendix A - Payment Performance

# BREAKDOWN BY DEBTOR

Below is a breakdown of individual debtor performance based on payments received in Q4 2020. Note that, to best represent accurate information, we limit our analysis to debtors with a sufficient sample size (i.e. # of invoices payed). Visit the link below to see the full list of approved debtors.

12 months ending 12/31/202 Payor	% of Payments			Avg. Days vs. Terms		
	Early	On Time	Late	Late/(Early)	Days Early	Days Late
33Across, Inc.	14%	57%	29%	3.30	-8.00	15.53
A&E Television Networks, LLC	20%	0%	80%	17.00	-3.00	22.00
AAA Club Alliance, Inc.	100%	0%	0%	-26.11	-26.11	
Adcolony, Inc.	0%	0%	100%	20.90		20.90
Amazon, Inc.	38%	33%	29%	5.16	-2.22	20.53
American Medical Association	100%	0%	0%	-48.40	-48.40	
Apple, Inc.	100%	0%	0%	-29.48	-29.48	
Applovin Corp.	100%	0%	0%	-46.13	-46.13	
Appnexus, Inc.	0%	3%	97%	4.14		4.25
Bidswitch, Inc.	0%	0%	100%	5.08		5.08
Charboost, Inc.	0%	0%	100%	16.52		16.52
Codewise Sp. z o.o.	9%	0%	91%	2.36	-3.00	2.90
Comcast Corporation	80%	0%	20%	-17.82	-30.28	32.00
Connatix Native Exchange, Inc.	36%	0%	64%	-6.69	-26.27	4.37
Conversant, LLC	60%	0%	40%	3.30	-8.83	21.50
Criteo, Inc.	6%	19%	75%	13.16	-23.00	19.46
CSG Systems International, Inc.	40%	0%	60%	7.35	-20.13	25.67
District M, Inc.	28%	0%	72%	-3.36	-22.20	3.88
Even Financial, Inc.	71%	0%	29%	-6.71	-11.20	4.50
Experian PLC	86%	0%	14%	-17.00	-21.00	7.00
Facebook, Inc.	90%	0%	10%	-27.50	-31.22	6.00
Google Play	100%	0%	0%	-30.27	-30.27	
Google, Inc.	69%	21%	10%	-1.27	-2.08	1.75
GumGum, Inc.	69%	19%	13%	-0.89	-1.82	2.85
Hashtag Paid, Inc.	0%	20%	80%	28.90		36.13
i-Health Inc.	29%	0%	71%	9.29	-3.00	14.20
Index Exchange USA, LLC	32%	29%	39%	4.57	-7.46	17.53
Immobli, Inc.	14%	0%	86%	33.14	-3.00	39.17
Katz Media Group, Inc.	0%	33%	67%	5.22		7.83
Kindred Healthcare, LLC	100%	0%	0%	-47.14	-47.14	
MediaMath, Inc.	8%	0%	92%	14.25	-3.00	15.82
Midmark Corporation	25%	0%	75%	8.63	-14.50	16.33
Mopub, Inc.	85%	15%	0%	-2.81	-3.32	
Mutual of Omaha Insurance Company	100%	0%	0%	-14.70	-14.70	
N.V. Paricon LLC	100%	0%	0%	-44.40	-44.40	
NetApp, Inc.	43%	0%	57%	13.00	-5.33	26.75
Next Millennium Media, Inc.	40%	60%	0%	-1.20	-3.00	
Oath Inc. (Verizon / AOL)	83%	6%	12%	-5.38	-8.92	17.23
Ogury Ltd.	60%	0%	40%	5.27	-4.17	19.42
OpenX Technologies, Inc.	65%	33%	2%	-0.87	-1.94	21.00
Perion Network Ltd.	8%	0%	92%	13.90	-5.00	15.62
Permutive, Inc.	20%	0%	80%	35.60	-14.00	48.00
Playbuzz LTD.	43%	26%	30%	-0.68	-2.19	0.88
PubMatic, Inc.	74%	4%	22%	1.31	-4.00	19.21
Pulsapoint, Inc.	22%	35%	43%	-0.88	-11.47	3.70
QuinStreet, Inc.	91%	9%	0%	-17.91	-19.70	
RhythmOne, LLC	74%	0%	26%	-11.86	-24.77	25.00
Rubicon Project, Inc.	55%	36%	9%	-4.68	-9.04	3.47
Shutterstock, LLC	83%	17%	0%	-4.00	-4.80	
Snap Inc.	50%	40%	10%	-10.30	-20.80	1.00
Sovm Holdings, Inc.	7%	7%	85%	2.22	-3.00	2.87
Stash Financial, Inc.	100%	0%	0%	-42.20	-42.20	
Tapjoy, Inc.	90%	0%	10%	-1.17	-2.70	12.64
Teads, Inc.	38%	15%	46%	-4.15	-16.80	5.00
Toll Brothers, Inc.	100%	0%	0%	-22.57	-22.57	
Triplift, Inc.	15%	0%	85%	4.12	-2.00	5.20
Unity Technologies, Inc.	8%	75%	17%	0.04	-1.00	0.75
Zemanta Inc	0%	0%	100%	3.50		3.50

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

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