



# Opera + AdColony

# Opera has chosen to boost its efforts in the mobile video space with the acquisition of AdColony

## **Video is the single largest medium for ad spend globally**

- TV \$300B Global Market
- Digital is around \$120B, of which approximately \$18B in Mobile (15%)

## **Video will move from TV to mobile much faster than TV to desktop**

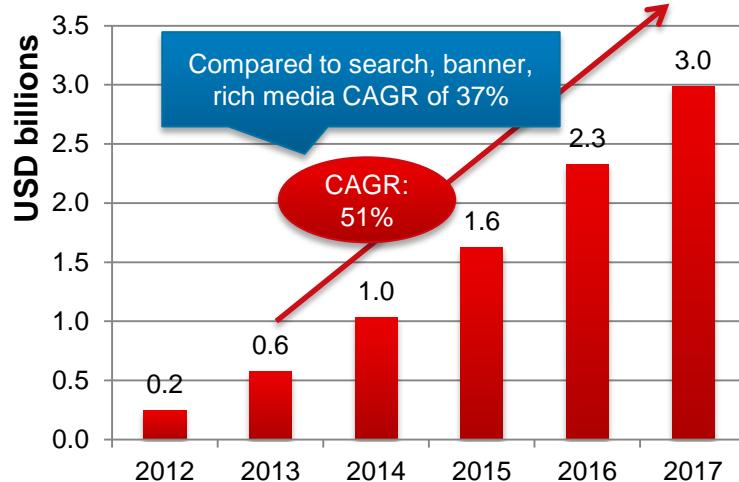
- Tablets have re-defined how consumers watch video content
- Full screen, TV-like experiences + interactivity
- Largely immune to “PVR” effect

## **Advertisers will follow the eyeballs**

- February study from Millward Brown – More time spent on mobile screen than TV screen (155 minutes/day vs. 147 minutes/day) in U.S.
  - The advertiser spend has yet to catch up
- Video is the #1 mobile content format consumed globally, including emerging markets

# Video is the fastest growing mobile advertising segment and is highly effective

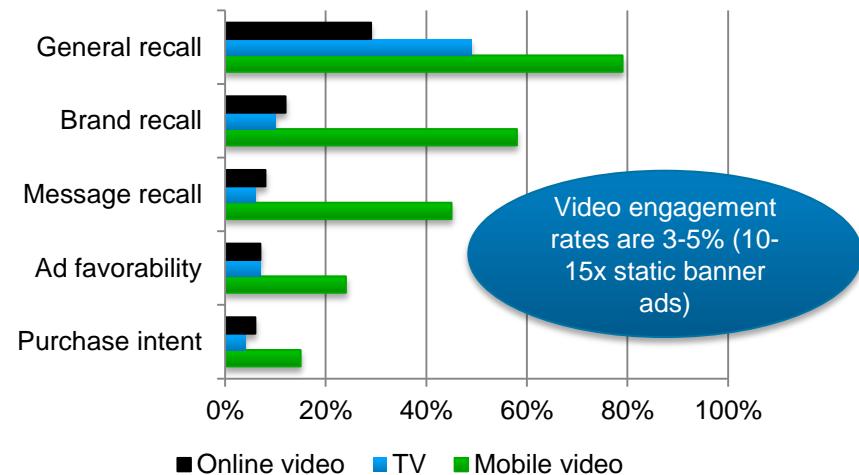
US mobile video ad spend



*"Growth rates for mobile video ad spending will be far greater than for any other related channel—television, online or total digital"*

eMarketer

Ad effectiveness  
(% of exposed respondents)



# AdColony: Quick Facts

## Scale: A Leading Player in the Mobile Video Space

- 2013 revenues of \$53 million with strong growth and profitability
- Audience reach of more than 340 million consumers

## Technology: Market-leading Instant-Play™ HD video ads

- Full-screen HD TV-like experience
- Video ads shown “anywhere” – not only as part of video content

## Engagement: Dynamic End Cards that drive post-viewing interaction with consumers

- Deliver immersive brand experiences, location, social media sharing, app installs
- Strong traction with both brand advertisers and performance advertisers

## Team: Strong management and 100-person team

- Leadership from Apple, Yahoo!, AT&T, Activision etc.
- Based in LA, other offices in SF, NYC, Seattle, Chicago, Detroit and London



# AdColony delivers a video advertising product with massive traction among both advertisers and publishers

## Instant-Play™ HD Video

- Razor sharp quality
- Lightning fast speed; never buffers
- Full-screen experience
- Superior audio quality



# AdColony: Featured Advertising Partners



# AdColony: Featured Publishing Partners



Dailymotion



People



mailOnline



Chicago Tribune

Los Angeles Times

SKOUT™

G! GameInsight

digitalfirst  
MEDIA



CRACKED.COM

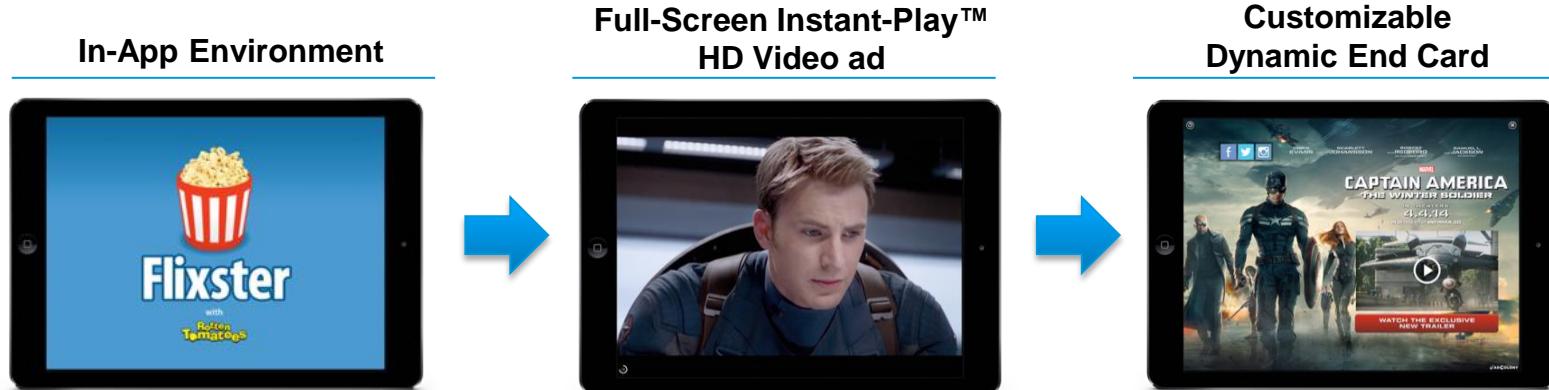


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# AdColony combines the power of TV with the engagement of digital, at scale



User engaged in a native app on their smartphone or tablet – typically long session-time apps where users are highly engaged and in a state of “want” (vs. “need”) – entertainment, news, music, games and social

## Full-Screen Instant-Play™ HD Video ad



Superior-quality HD video ad plays at normal breaks in the experience, full screen with no buffering

## Customizable Dynamic End Card



Video resolves to completely customizable Dynamic End Card to accomplish multiple calls-to-action



# AdColony is an excellent strategic fit for Opera

Industry Leader in  
Mobile Video  
Advertising

- Establishes Opera as the leader in mobile video advertising
- Highly differentiated combined platform – leading the innovation curve
- Addresses huge demand for mobile video inventory from our brand advertisers
- Very attractive market with strong underlying growth

Expands Publisher  
Base

- Highly complementary addition of a broad range of top-tier mobile publishers
- Attractive new inventory for rich media and banner ads

Strong Brand &  
Performance  
Offering

- Strengthens Opera's portfolio in high growth mobile ad market

Global Opportunity

- Opera can take AdColony beyond U.S. footprint and expand to international markets (starting with a solid foothold in the U.K., Germany, Brazil and Mexico)

# Overview of transaction terms

Component	Maximum consideration and earn-out drivers	Form of consideration	Total estimated purchase price at expected performance
<b>Upfront consideration</b>	\$75m, plus payment for excess cash	Cash	\$75m, plus payment for excess cash
<b>Performance based consideration</b>	<ul style="list-style-type: none"> <li>Escrow: \$25m total, both revenue and adj. EBITDA targets, of which <ul style="list-style-type: none"> <li>2014: \$10m total escrow pool</li> <li>2015: \$15m total escrow pool</li> </ul> </li> <li>2014 earn-out: \$75m total pool <ul style="list-style-type: none"> <li>30% revenue<sup>1</sup>, 70% adj. EBITDA</li> </ul> </li> <li>2015 earn-out: \$135m total pool <ul style="list-style-type: none"> <li>22% revenue<sup>1</sup>, 78% adj. EBITDA</li> </ul> </li> <li>2016 earn-out: \$40m total pool <ul style="list-style-type: none"> <li>19% revenue<sup>1</sup>, 81% adj. EBITDA</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Escrow: Cash</li> <li>Earn-outs: Cash or stock, largely at Opera's discretion</li> <li>Up to \$15m of the potential EBITDA-driven earn-out payments are dedicated to employees, \$7.5m in each of 2015 and 2016, and will be paid in cash</li> </ul>	<ul style="list-style-type: none"> <li>Escrow: \$25m</li> <li>2014 earn-out: \$50m</li> <li>2015 earn-out: \$75m</li> <li>2016 earn-out: \$20m</li> </ul>
<b>Total</b>	<b>\$350m</b>		<b>\$245m</b>

<sup>1</sup> Revenue targets also include minimum adj. EBITDA targets

# Updated 2014 Financial Guidance and 2015 Financial Aspirations in light of the AdColony acquisition

## 2014 guidance

	<u>Revenue</u>	<u>Adj. EBITDA</u>
<b>Existing guidance</b>	\$390-410m	\$108-116m
 <b>Opera AdColony expectation<sup>1</sup></b>	\$45-50m	\$7-9m
 <b>Add'l investments<sup>2</sup> in Consumer and Operator businesses</b>	–	(\$5m)
 <b>Updated guidance</b>	\$435-460m	\$110-120m

## 2015 Financial Aspirations

	<u>Revenue</u>	<u>Adj. EBITDA</u>
<b>Existing Aspirations</b>	\$500m	\$150m
 <b>Opera AdColony estimate</b>	\$170m	\$30m
 <b>Updated aspirations</b>	\$670m	\$180m

1: AdColony represents 15 August – 31 December in 2014

2: Marketing and R&D



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