

# 2Q 2019

OTELLO CORPORATION ASA

# Agenda

- **Executive Summary (CEO, Lars Boilesen)**
- Operational Review AdColony (CEO, Lars Boilesen)
- Operational Review Bemobi (CEO Bemobi, Pedro Ripper)
- Financial Review (CFO, Petter Lade)
- Q&A (CEO, Lars Boilesen, CEO Bemobi, Pedro Ripper & CFO, Petter Lade)

# Executive Summary

# Quarterly highlights

Financial metric (USD million)	2Q19	1Q19	2Q18
Total revenue	56.2	51.5	72.2
Adj. EBITDA*	3.9	1.4	1.7

- Revenue in AdColony and Bemobi both up ~ 10% vs 1Q19
- Strong gross margins and focus on costs drives stronger Adj. EBITDA compared to last quarter and last year

\*For further information regarding Adjusted EBITDA and other alternative performance measures used by Otello, see Note 9 of the interim financial statements

# Operational Review

# AdColony – Turnaround starting to show results

- **Revenue**

- Performance is leveling out and is expected to get back to growth in 2H19
- Brand business had very strong 2Q19, up over 20% vs 1Q19

- **Cost**

- OPEX reduced by over 50% last 2 years, now targeting \$60m annual run-rate
- Cost savings on ad delivery (programmatic) enables us to invest in our sales force and our Istanbul office while keeping overall cost flat

# AdColony – Status

- Programmatic revenue with strong start to 2H19
- Expecting ~10% revenue growth in 3Q19 vs 2Q19
- Expecting to be Adj. EBITDA positive in 3Q19 and cash flow positive before end of year

# AdColony

**Global Brand Business**





# AdColony

**Global Brand Business**

# Results: Brand Advertising



Revenue Source	Q2 2019	Q1 to Q2 growth
Brand (incl. IO and PMP)	\$15.5M	+ 32.5%
Brand Performance	\$5.7M	+ 7.6%
Programmatic Open Marketplace	\$5.1M	+ 21.4%
<b>TOTAL</b>	<b>\$26.3M</b>	<b>+ 24.1%</b>

- Global Brand revenue increased by 24% quarter-over-quarter due to consistent and healthy growth across all 3 business units
- The tremendous work and momentum we built in Q2 has us experiencing a very strong start to Q3 where we're forecasting another 10%+ quarter-over-quarter growth despite Q3 not historically being a large growth quarter for Brand

# Successful Shift to Programmatic Continues



- Like Q1, we saw tremendous growth in our global programmatic PMP business in Q2 2019
- Compared to the same time last year (Q2 2018) we had:
  - +60% more active PMP deals spending within our exchange
  - +22% higher global CPM's
  - +32% growth specifically on our core AdColony video product
- When looking quarter-over-quarter, global programmatic PMP revenue is up 84% in Q2 2019 vs. Q1 2019
- All of this quarter-over-quarter and year-over-year progress has been accomplished responsibly with strategic vision and execution, not through spending or growing team sizes.

	Total PMP Deals	Display	Video	CPM
Q2 2018	424	50%	50%	\$4.74
Q2 2019	677	35%	65%	\$5.78



# Things We Accomplished in Q2 That Drove Revenue

## Supply / Demand Alignment

- Automation of QPS optimization for all regions, reducing cost
- Opened IPX publishers to PMPs, increasing revenue
- Continued optimization of both supply and demand with the removal of unprofitable partners, increasing revenue and margin

## Header Bidding / Advanced Mediation

- Integration of supply through 4rd party platform, such as Amazon and Applovin
- Publishers sign contracts directly with AdColony and are paid directly by us



# Things We Accomplished in Q2 That Drove Revenue cont.

## **International Endpoints**

- APAC endpoint live with select partners, decentralized server structure, reduces latency and improves delivery
- Full transition to APAC planned for Q3

## **Automation**

- Automated IVT (Invalid Traffic) Blocking through GeoEdge
- Supply Side Fraud pre bid filtering through Pixalate

## **Optimization & Growth**

- Continued optimization of supply & demand

# AdColony

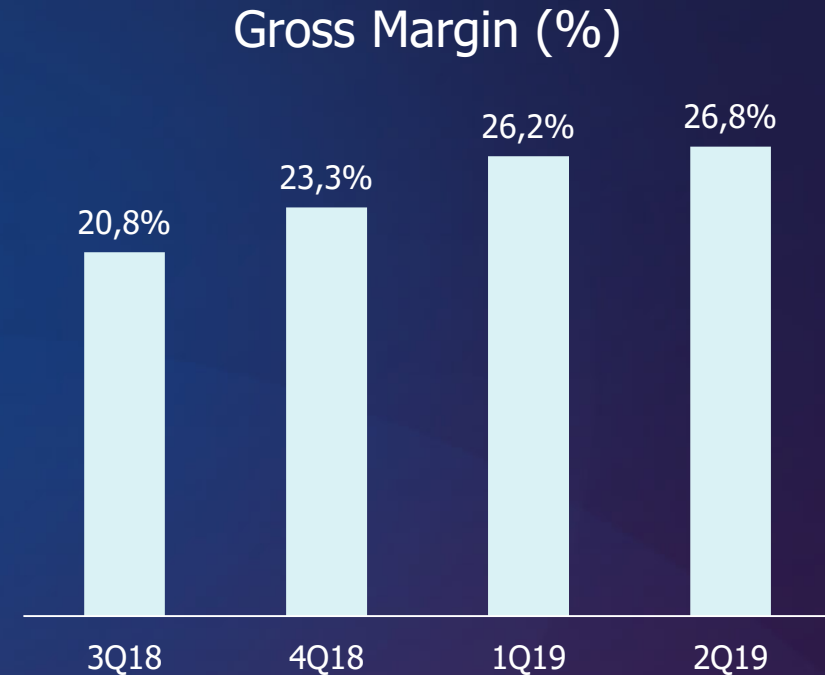
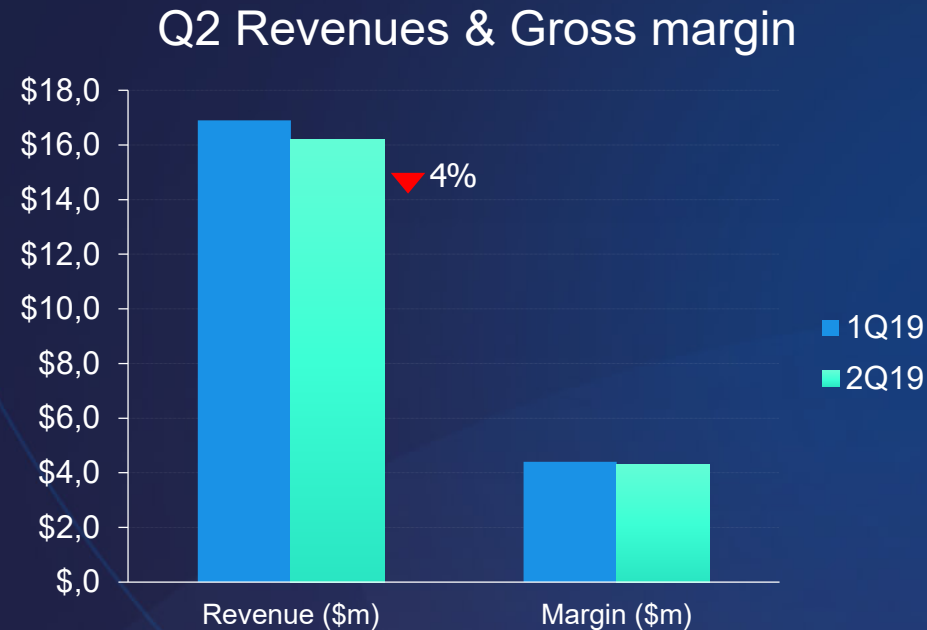
## Global Performance





# Results: Performance Advertising

Summary: Q2 2019 Performance Revenues = US\$16.2 million



- Marginal decline in revenue of 4%
- Gross margin revenue trend positive continues in 2Q19
- Improvements in underlying health of the platform, stability in demand and supply



# Key Highlights

Stable Demand, New Business Publishing and Creative ad units

1. Better revenue stability with growth in key advertiser accounts, arrested decline in several others
  - Double digit growth in Peak, Playtika, Kabam and Vizor
2. Significant wins with AdColony SDK with new publishers
3. Launch of Supply-side Deal tool to improve the quality of the supply for performance business
  - Introduced only towards end of Q2 and product is in beta phase with several publishers
4. New Creative ad units such as Overlays and 'Suggested Apps' to improve IR and performance
5. Stronger momentum in Q3 on the back of several underlying improvements in the platform to make it competitive and deliver better outcomes for our advertisers and publishers





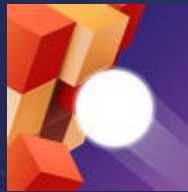
# AdColony SDK wins with New Publishers



Creative APPS

**tastypill**

**CUEIC.GAMES**



Rollic Games



POPCORE

**Great momentum with launch of Advanced Monetization Program and dedicated push beyond top 500 apps**



# What to Expect in Q3

- Focus on execution to drive revenue growth in Q3 vs. Q2 while keeping margins stable
- Continued improvements in platform and existing products to make it more competitive and drive superior results
- New Core™ Models that are designed with fresh approach, leveraging comprehensive & richer data sets and designed to train with more recent data
- Launch of new AdColony SDK with Display to expand reach for performance advertisers
- New business momentum with publishers to grow supply for Performance and overall business

# Opera TV (Vewd)

- As previously communicated, there is an ongoing legal dispute with majority shareholder (MFC)
- Favorable verdict granted on liability, not appealed by MFC
- MFC ordered by the Court to pay a substantial portion of Otello's legal costs to date, all cash received
- Otello has now restored the proceedings in order to pursue alternative remedies, including (1) have the Court require MFC to buy Otello's shares (and loan note) at the higher of the current valuation of those shares and the price that the buyer was prepared to pay, and (2) if MFC is unable to purchase the shares at such price, require that all shares in the company be sold and Otello be paid the sum found to be due to it out of the proceeds of such sale.

# Bemobi

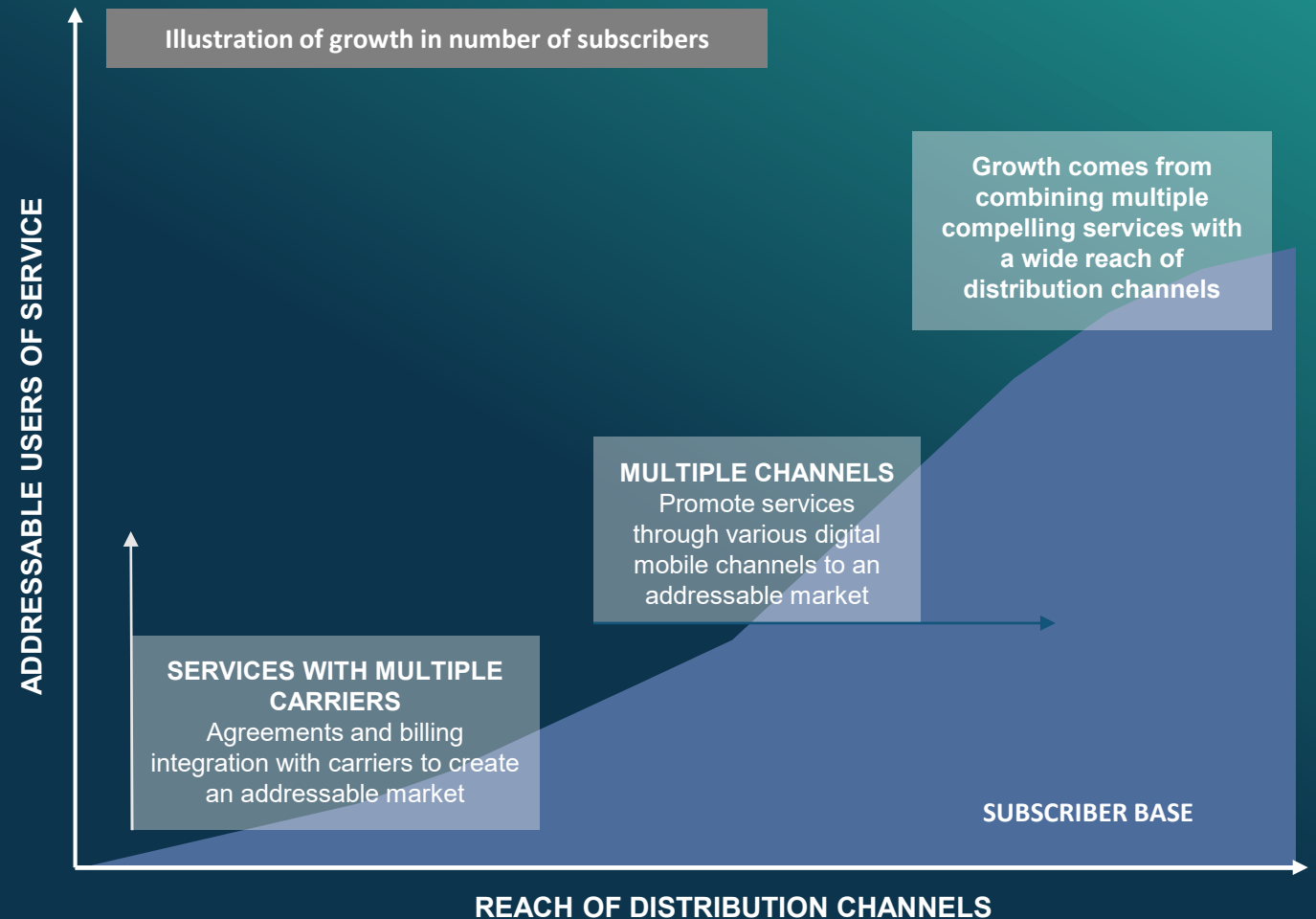
# Bemobi's two pillars for sustainable profitable growth in emerging markets makes us unique

## APPSCLUB SERVICES

Compelling subscription services with best of breed apps & games priced for each emerging market. Once services are live with mobile carrier, it increases Bemobi's addressable market

## DISTRIBUTION CHANNELS

A unique mix of distribution channels are needed to promote services to the addressable market at a sustainable low cost of acquisition given the APRU and LTV of this market segment



# Bemobi's key subscription service offerings

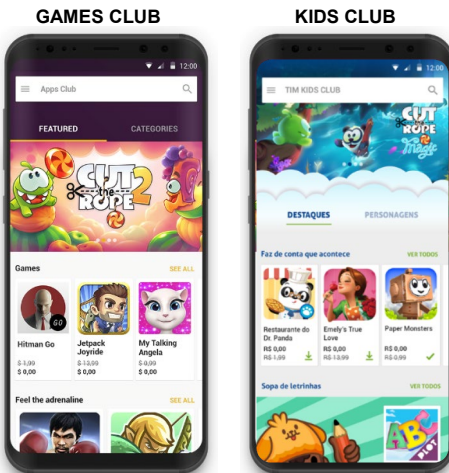
## APPS & GAMES SUBSCRIPTION SERVICES

1

### APPSCLUB SERVICES

Bundles of top apps & games in a low price point subscription model

EXAMPLES:



2

### STANDALONE SUBSCRIPTION APPS

Distribution of standalone subscription apps

EXAMPLES:

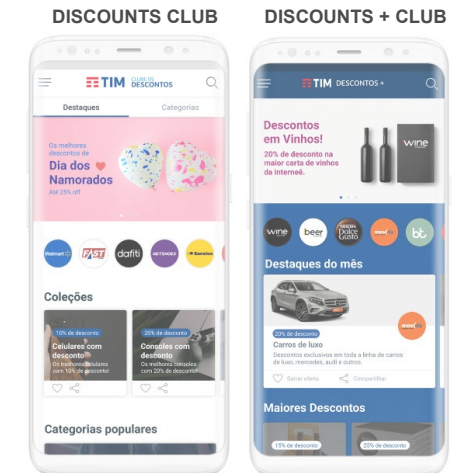


3

### MOBILE COUPONING

Market-leading mobile couponing subscription service in Brazil

EXAMPLES:



Integrate people and mobile content through technology and subscription-based models



# Bemobi's distribution channels

## DISTRIBUTION CHANNELS

### 1 MOBILE CARRIERS PROMOTIONS

When a deal is signed, the mobile carrier commits to doing marketing and promotion of the new service

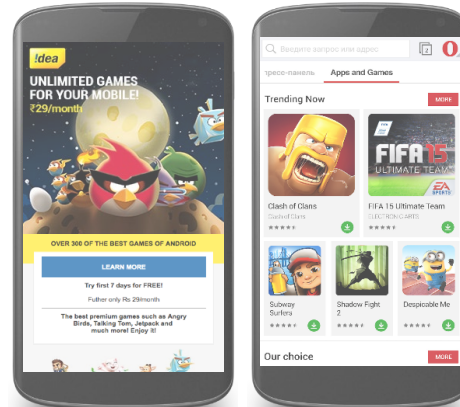
- SMS/MMS/RCS/ messages campaigns
- App Push Notifications
- Billing insert campaigns
- Store promotions and bundles
- Magazine inserts and TV spots



### 2 PAID ONLINE CAMPAIGNS

Partnering with leading apps and web properties in emerging markets to promote Bemobi's service offering.

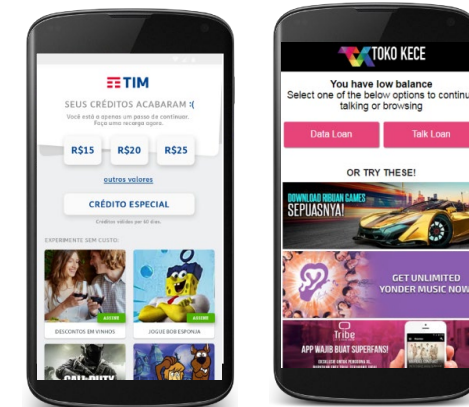
- Revenue share based (e.g. Opera Mini)
- Paid per acquisition - CPA



### 3 CO-OWNED CHANNELS WITH MOBILE CARRIERS

Bemobi's turnkey platform for mobile carriers captures users browsing and voice sessions when they are out of credit/data to promote its services

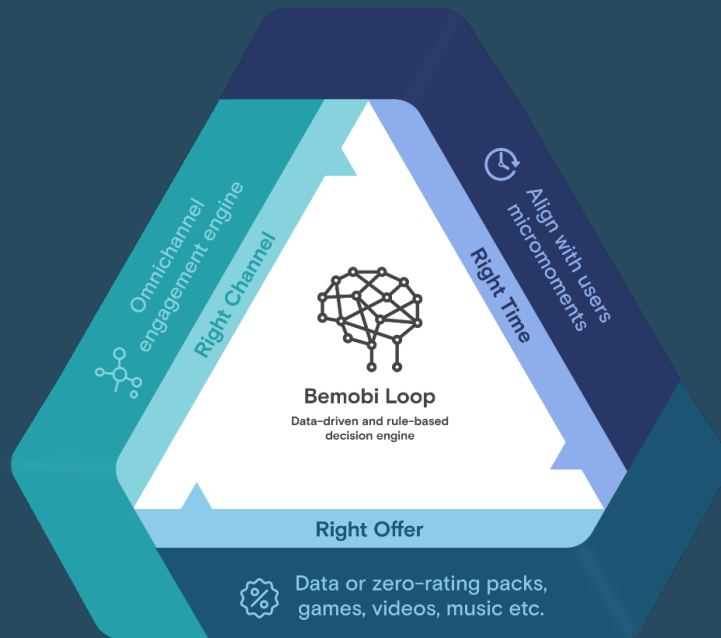
- NCND portals and interactive voice response



Control increases

# Co-owned Channels & Omnichannel Orchestration

## BEMOBI LOOP (NEW) – OMNICHANNEL ORCHESTRATION



- Every engagement with a user with any channel generates insights on what is to be offered in other channels
- Rule-Based and Data-Driven decision engine
- The platform continuously analyses offer conversion rates, subscriber profiles, and network activity, in order to more accurately **create and place offers that are tailored and relevant to each subscriber**

User Behavior Knowledge = Best Offering

## CHANNEL PLATFORMS SOLUTIONS

- No Credit and No Data web captive portals live in over 17 carriers (LatAm and International)
- No Credit interactive voice platform live in 3 out of Brazil's largest carriers, with the opportunity to expand and scale globally **(NEW)**
- Missed calls messages and voice mail notifications triggers platform live in 3 **(NEW)**
- Integrated cloud platform to scale globally in final stages of development **(NEW)**

Extended control over massive traffic channels



# Bemobi

Strong revenue and Adj. EBITDA growth ex FX

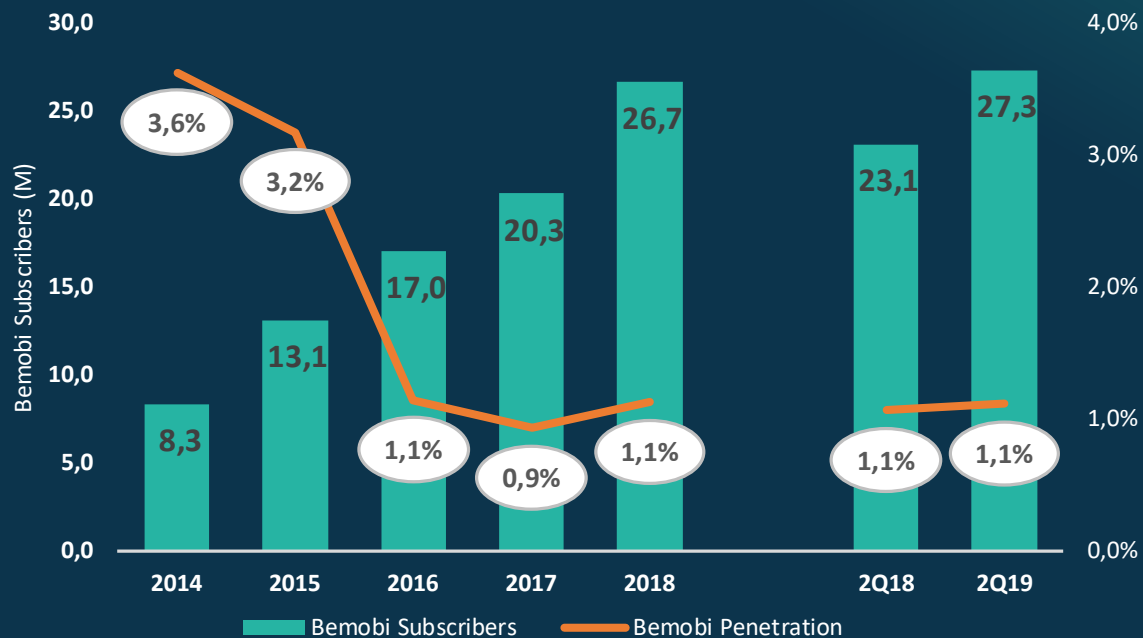
			Δ (%)
Bemobi	2Q19	2Q18	Y-o-Y
Revenue (USD M)	13,9	13,7	1%
EBITDA (USD M)	6,0	5,3	14%

			Δ (%)
Bemobi - Ex-FX Rate	2Q19	2Q18	Y-o-Y
Revenue (USD M)	15,0	13,7	10%
EBITDA (USD M)	6,6	5,3	24%

FX Rate impact YoY (2Q19 vs. 2Q18)

- INTL basket: - 6.0%
- LATAM BRL: - 8.9%

# Bemobi – Subscriber growth driving revenue and scale



- 18% YoY subscriber growth
- Overall service penetration on served addressable market stable at 1.1%.
- 65 operators live
  - 21 operators in LATAM
  - 9 operators in South Asia
  - 17 operators in South-East Asia
  - 11 operators in CIS
  - 7 operators in Africa
- Plan is to launch 3 more in 3Q19

# Bemobi - Channel mix keeps improving

## Co-owned Channels

### No Credit No Data web captive Portals

- 13 portals live in Bemobi outside of Latam:
  - Idea India
  - Vodafone India
  - Vodafone Ukraine
  - Telenor Pakistan
  - Jazz Pakistan
  - Tele2 Russia
  - Vodacom Tanzania
  - Grameenphone Bangladesh
  - Banglalink Bangladesh
  - Robi Bangladesh
  - Ncell Nepal
  - MTS Belarus
  - Telenor Myanmar

### New NC Voice Portal

- Claro Brazil – rollout phase completed
- VIVO Brazil - rollout phase completed
- Long sales cycle, but very large potential i.e. 2-3x times the distribution capacity as NCND portals

### Bemobi Loop orchestration platform

- Investing in new cloud based voice & web platform. 1<sup>st</sup> version expected by Q4 2019.

## International markets continue subscriber growth 2Q18 vs. 2Q19

CHANNEL	FROM	TO	Comments
NCND Portals	17%	37%	Growth due to launch of new portals. Strategic: predictable and no incremental cost
Operator Promo	5%	8%	Growth due to new operators in SEA
OVI / OMS/ IVR	2%	1%	New IVR own channel, focus area
Opera Mini	29%	15%	Long term agreement
Digital acquisition (CPA)	47%	39%	Controlling quality of acquisitions to decrease churn

- Solid revenue growth in 2Q19 with a very strong end to the quarter
- Bemobi distribution channel becoming more strategic with the new voice portals and “Loop” orchestration platform
- Plan to offer several new services beyond the Apps Club in 2019
- Expecting ~10% revenue growth in 3Q19 vs 2Q19 and over 20% YoY
- Groundwork for a potential separate listing of Bemobi underway

# Financial Review

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# Otello Corporation 2Q19

(USD million)	2Q 2019	1Q 2019	2Q 2018
<b>Revenue</b>	<b>56.2</b>	<b>51.5</b>	72.2
Publisher and revenue share cost	(31.9)	(29.6)	(42.6)
Payroll and related expenses	(12.1)	(12.5)	(15.8)
Stock-based compensation expenses	(1.0)	(1.1)	(0.1)
Depreciation and amortization expenses	(6.4)	(7.0)	(7.5)
Other operating expenses	(8.3)	(8.0)	(12.2)
<b>Total operating expenses</b>	<b>(59.7)</b>	<b>(58.2)</b>	(78.1)
<b>Adjusted EBITDA*</b>	<b>3.9</b>	<b>1.4</b>	1.7
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	(3.5)	(6.7)	(5.9)
Restructuring and impairment expenses	(0.6)	(0.7)	(1.6)
Operating profit (loss), (EBIT)	(4.2)	(7.4)	(7.5)
Net financial items	(2.5)	(1.9)	5.3
Provision for taxes	(0.3)	(0.6)	(2.2)
Profit (loss)	(7.0)	(9.8)	(2.1)

Revenue up 9% vs 1Q19

Overall cost cost down YoY  
and flat vs 1Q19

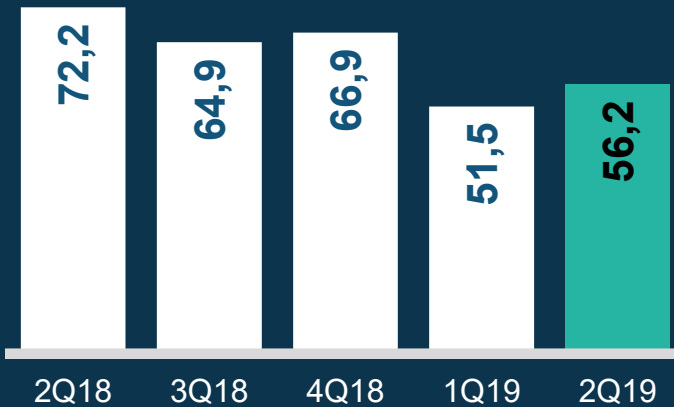
Adj. EBITDA up vs last year  
and vs last quarter

IFRS 16 impacted Adj. EBITDA  
positively by USD 0.8 million in  
2Q19

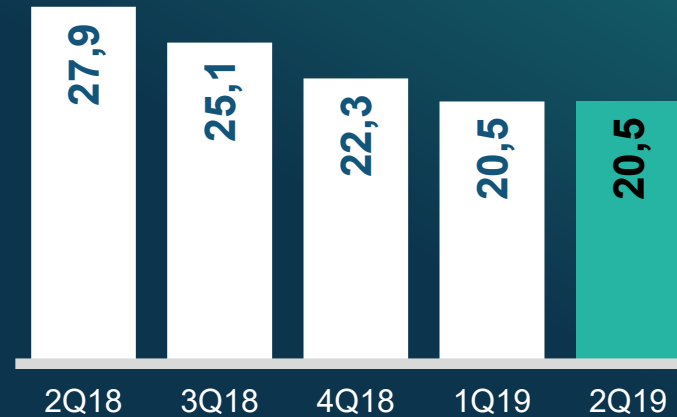
Negative Net financial items  
due to weaker USD vs NOK

# Otello Corporation 2Q19

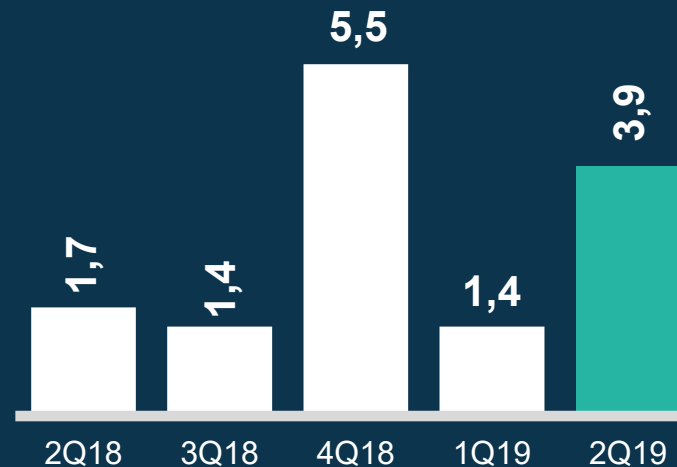
Revenue (USD million)



OPEX (USD million)



Adj. EBITDA (USD million)

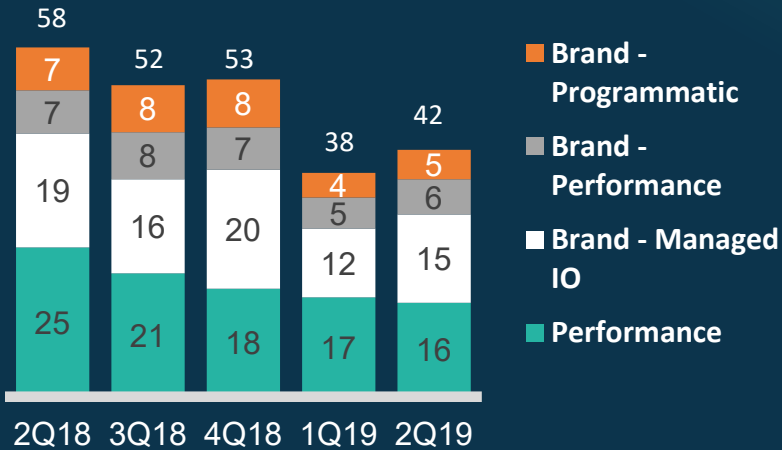


- Solid revenue growth vs 1Q19 for both AdColony and Bemobi
- OPEX significantly down vs 2Q18 and stable versus 1Q19
- Adj. EBITDA up both YoY and versus last quarter

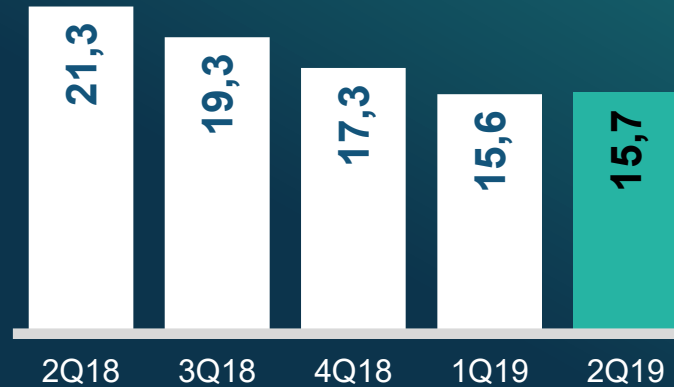


# AdColony

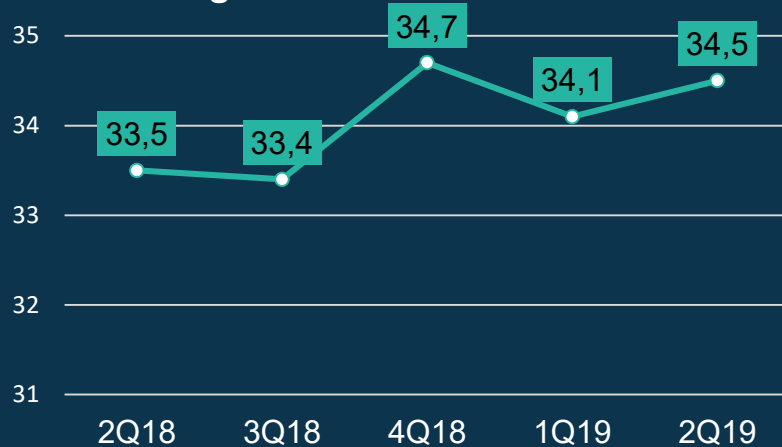
Revenue USD million)



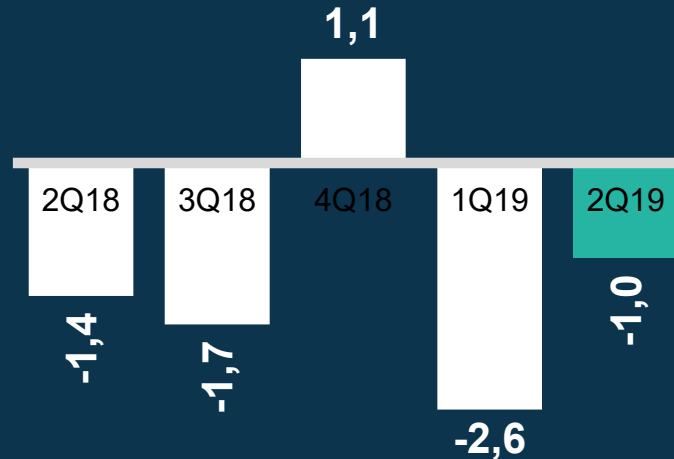
OPEX (USD million)



Gross Margin %

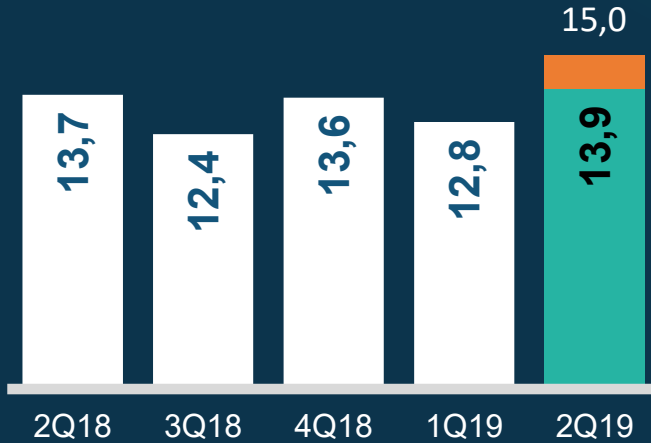


Adj. EBITDA (USD million)

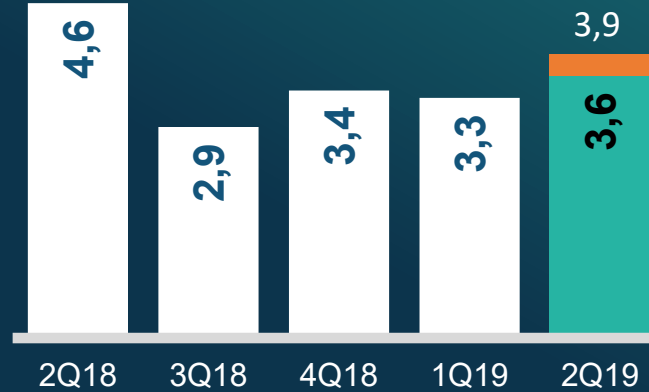


- Positive revenue trend for all 3 brand segments and across NA, EMEA and APAC
- Performance revenue leveling out after 7 consecutive quarters of decline
- On track for annualized OPEX target of \$60m
- Strong gross margin trend for both Brand and Performance
- Adj. EBITDA ahead of last year and last quarter

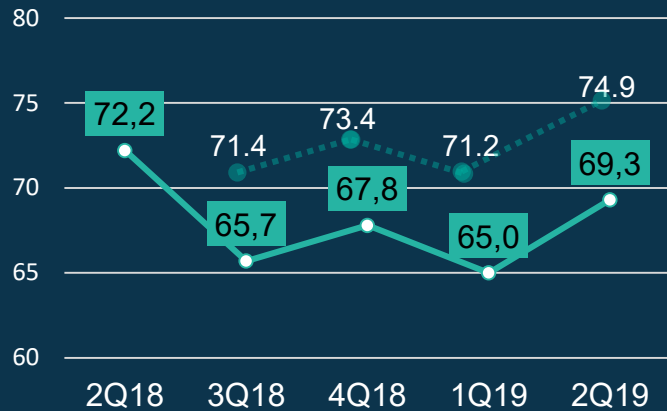
Revenue (USD million)



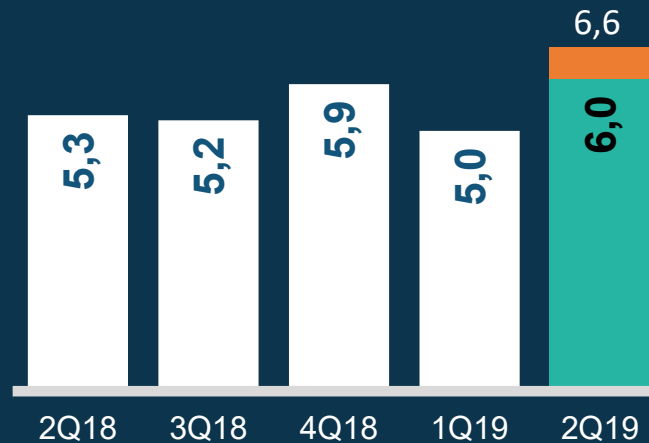
OPEX (USD million)




Gross Margin %



Adj. EBITDA (USD million)



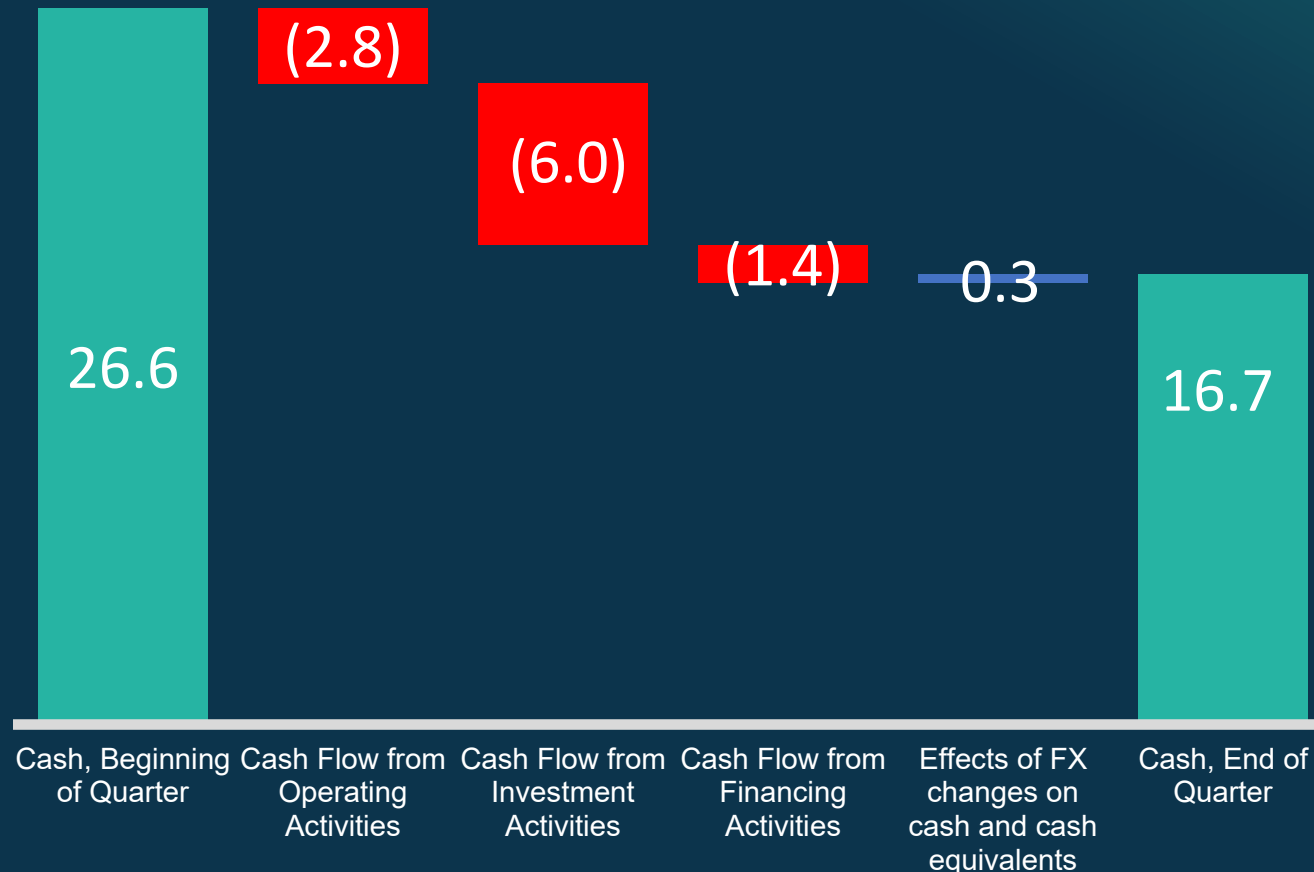
- Solid revenue in 2Q19 with nice ramp through the quarter
- Very strong gross margin in the quarter
- Record Adj. EBITDA in 2Q19

 FX impact  
2Q19 vs 2Q18

Note: from 3Q18 and moving forward, the Gross Margin includes CPA (cost of user acquisition), since this is now recognized as publisher and revenue share cost (COGS), instead of OPEX. COGS are increased and OPEX is reduced by the same amount

# Cash flow

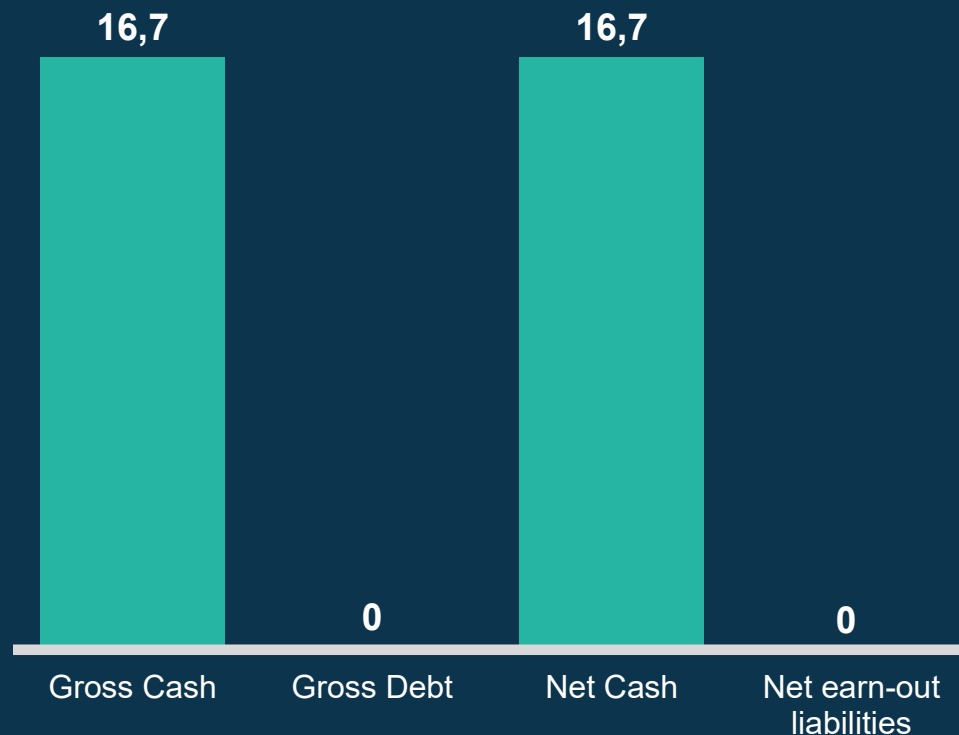
Cash flow (USD million)



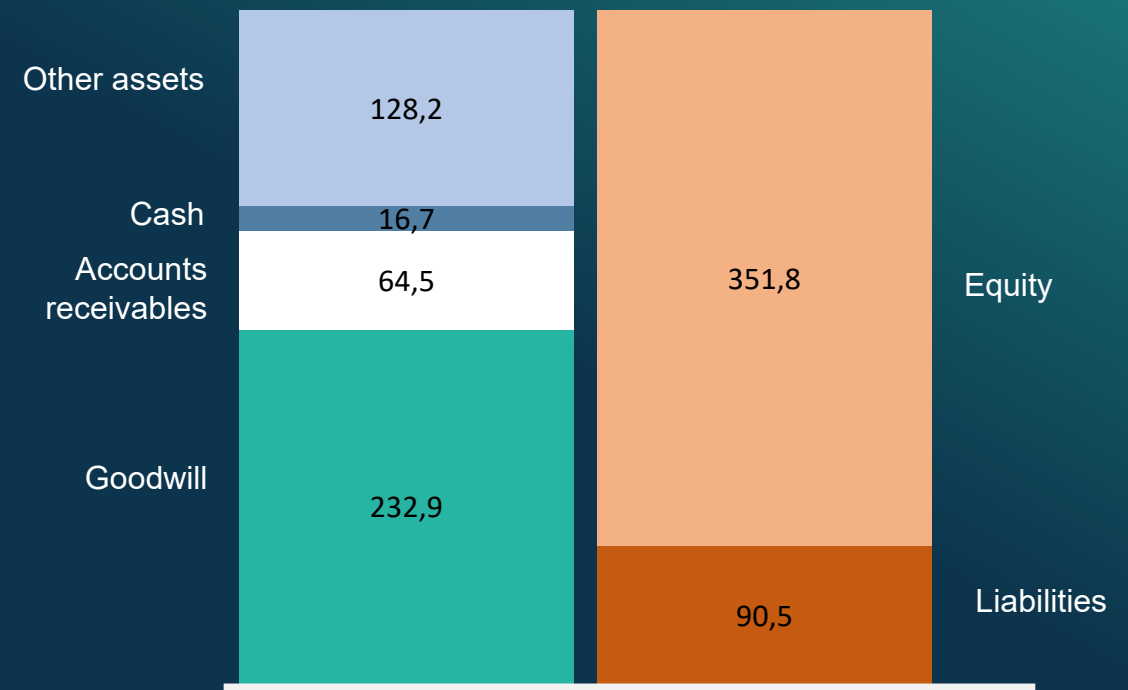
- Operating CF: USD (2.8) million
- Net cashflow from Investment Activities USD (6.0) million
  - Acquisition of voice interactive platforms and intellectual property by Bemobi of USD (3.6) million
  - CAPEX & Capitalized R&D: USD (2.5) million
- CF from Financing: USD (1.4) million in share repurchases and lease liabilities (IFRS 16)
- FX impact on cash position: USD 0.3 million
- Cash end of quarter: USD 16.7 million

# Financial position – Net cash position with no debt and no earn-outs

Financial Position (USD million)



Balance sheet (USD million)



# Outlook AdColony

## 3Q19\*

Revenue: Up ~10% versus 2Q19

Gross Margins: Flat YoY

Opex: Flat, continued cost focus

Adj. EBITDA: Up and positive

## 2019 (unchanged)

Adj. EBITDA: Positive

\* Vs 2Q19

# Outlook Bemobi

## 3Q19\*

Revenue up ~10% vs. 2Q19 and over 20% YoY

Adj. EBITDA up ~10% from 2Q19 and over 20% YoY

## 2019 (unchanged)

Revenue: Growth vs. 2018

Adj. EBITDA: Growth vs. 2018

\* Vs 2Q19

# Q&A