AdColony

(USD million)	4Q20	4Q19	YTD 2020	YTD 2019
Revenue	**73.9**	**55.2**	**211.4**	**183.9**
Performance	13.1	12.8	53.6	61.8
Brand-Managed IO	32.8	21.7	80.2	65.6
Brand-Performance	3.9	9.1	16.6	27.6
Brand-Programmatic	24.0	11.6	60.9	28.9
Gross Profit	24.0	19.0	69.1	63.4
Adj. EBITDA	**8.7**	**3.1**	**9.8**	**0.3**
EBITDA	8.5	2.7	10.6	(0.6)
EBIT	4.4	(2.5)	(7.2)	(21.8)

Business Overview

AdColony is a leading mobile advertising platform dedicated to delivering authentic advertising experiences across today's top apps. Originally founded in 2008, AdColony has been an innovation leader in mobile advertising and monetization since Apple first introduced the App Store. AdColony is committed to delivering an experience that makes monetizing a win for advertisers, developers, and users alike.

AdColony's mission is to deliver superior mobile in-app advertising outcomes for advertisers and publishers using its best-in-class mobile technology, the highest-quality mobile ad experiences and leveraging curated reach.

Despite economic headwinds in 2020 due to the Covid-19 pandemic, AdColony continued to deliver positive results. AdColony has been at the top of the conversation around advertisers reaching consumers at a time when digital out of home (DOOH) has dwindled to almost nothing, adblockers prevent widespread desktop web penetration, and connected TV (CTV/OTT) solutions fail to deliver the addressability and quality AdColony has become known for. Globally, downloads were up every successive quarter of 2020 compared to 2019, according to app store intelligence platforms Sensor Tower and App Annie.

AdColony was well-positioned to take advantage of this shift, with broad reach in mobile games and other top apps continuing to push the company forward during shelter-in-place, work-from-home, and circuit breaker advisories.

Financial Overview

Overall, AdColony's revenue for the quarter was USD 73.9 million, up by 34% compared to 4Q19. Adjusted EBITDA amounted to USD 8.7 million in the quarter, up 183% versus USD 3.1 million in 4Q19. The gross margin for the quarter was 32.5% versus 34.4% in 4Q19.

Brand/Exchange

AdColony has been giving brands like Toyota, Marvel, Coca-Cola, and many more well-known brands the opportunity to reach consumers in the fastest-growing consumer channel for years thanks to our SDK via both direct-sold and particularly open exchange programmatic channels.

Overall, AdColony's brand business brought in USD 60.8 million, up 43.2% YoY. Ongoing work-from-home and other Covid-19 precautions around the globe, and especially in North America, have continued to give AdColony's brand clients opportunities to reach their target audiences at scale via mobile apps, and a general industry warming to the popularity of gaming and ubiquity of mobile gamers within their target audience.

The primary source of growth was Programmatic both PMP and Open Exchange. AdColony's Open Exchange allowed access to a vetted, high-quality audience for advertisers.

During 2020, 30% of clients for AdColony's brand business were new clients, including well-known advertisers including Chase Bank, Sanofi, T-Mobile, Sony PlayStation, Amazon Shopping, General Mills, McDonald's, and many more.

Performance

At AdColony, the term "performance" encompasses our mobile gaming user acquisition (UA) business. For most mobile app developers, new users come from advertising in other apps, and monetizing those users comes from integrating ads.

During the fourth quarter of 2020, AdColony's performance business delivered revenue of USD 13.1 million globally, up 2.3% vs the same quarter in FY19. Although YTD revenue was down, this is a stabilization of revenue compared to the previous quarter. The unified commercial structure under a newly appointed Chief Revenue Officer and Chief Operating Officer has continued to pay fruit as the business needs have aligned behind a more unified vision.

Publishing

Publishing is AdColony's SDK monetization business and the heart of what distinguishes it from many competitors by directly supplying impressions via its SDK. In addition to managed demand from brand and performance advertisers alike, AdColony's SDK also allows programmatic demand access to its inventory, giving publishers the world over access to the highest possible demand mix via our open exchange and direct-sold campaigns.

AdColony released AdColony SDK 4.4, which fully supports Apple's upcoming App Tracking Transparency and SKAdNetwork privacy-focused frameworks. Combined with SDK version 4.3 (which includes basic support for the previously mentioned features), more than 62% of impressions, 68% of ad spend, and 66% of margin revenue as of December 31 are compatible with Apple's latest updates.

These numbers will continue to rise with additional support from a more focused publishing team, now separated from the performance team, allowing supply growth priorities to be set and

accomplished around the best thing for AdColony as a whole, rather than with a significant bias toward the performance advertising business.

AdColony continues to add new supply to support our growth. Key publishers added in Q4 include Scopely, The Chive, GSN, UNICO, EA Mobile, Badoo, and many others.

Product Update

The final quarter of 2020 continued AdColony's innovation and planning to ensure business continuity and growth in several key areas. Improvements to our advanced bidding support (referred to as Advanced Bidding 3.0, launched in 3Q20) delivered considerable gains in performance when bidding in advanced mediation zones thanks to new models to bid more efficiently in this inventory, resulting in improvements to margin.

The AdColony data science and engineering-focused office in Warsaw, Poland, contributed significant new targeting and optimization algorithms that contributed significantly to the stabilization of AdColony's performance business (see above).

In November, AdColony announced BidSheet, a campaign targeting and bidding manager that allows advertisers to set up and manage campaigns quickly and efficiently using a streamlined UI and bulk bid management design.

Work around Apple's privacy changes was a significant focus for AdColony's product and engineering teams, with iOS SDK 4.3 and 4.4 both released to address Apple's latest requirements. AdColony designed and began implementing SKAdNetwork support via BidSheet™ and plans to launch BidSheet™ for SkAdNetwork in Q1 2021.

Apple announced that it will require developers in "early Spring 2021" to use the App Tracking Transparency framework to obtain consent for tracking. If users do not consent, Apple's developer terms of service prohibit any tracking, and iOS itself will not send the device's Identifier for Advertisers (IDFA) to the developer, advertisers, or other advertising or measurement parties.

Apple's restrictions on targeting will impact demographic and audience-based targeting on iOS devices, but the change is not universal in scope. All iOS opted-in users will be able to be targeted and measured in the same way as today. The same is also true for almost all users using Google Android devices, which make up only a little less than half of US smartphone users, but three-quarters of global users.

Thanks to AdColony's SDK based supply system, access to many contextual signals competitive non-SDK-based competitors gives AdColony an advantage in this new landscape, even for opted-out users. AdColony's product team continues to work on BidSheet™, Composer™, and other products to allow clients and partners to achieve their KPIs and AdColony to maintain revenue in this new privacy-centric landscape.