



AdAdapted

Investor Update
August 2016

AA Situation Assessment: Strengths & Assets

- Market Focus: High growth; Mobile display ads, served in mobile apps
- Performance: High Click-Thru-Rate (CTR) on ads and other stats
 - Ability to match ads to app context
 - Add-to-List functionality
- Team liked
- Brand names in trials
 - Via agencies
 - And directly to brands (P&G, Nestle, Chobani)
- Unique Tech: “Add to List” ad widget
- Insertion order sizes (~\$100K)

AA: Situation Assessment - Issues/ Opportunities

- Value proposition and go-to-market broad and confusing
 - Technology platform
 - Agency I/Os for various value propositions
 - Enterprise support from brands but contracts with agency
- Cost & Time of Sale vs LTV of contracts sold
 - Deals took 9 months to sign; Average initial deal =\$100k of value
 - Deals need to be resold; After initial trials, no ongoing contract value
 - **Net: Cost of Acquisition too high to scale**

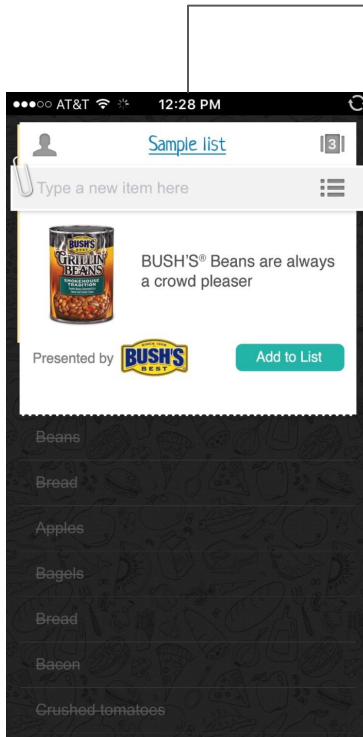
New Opportunity:

Audience extension on our most popular product: "Add To List"

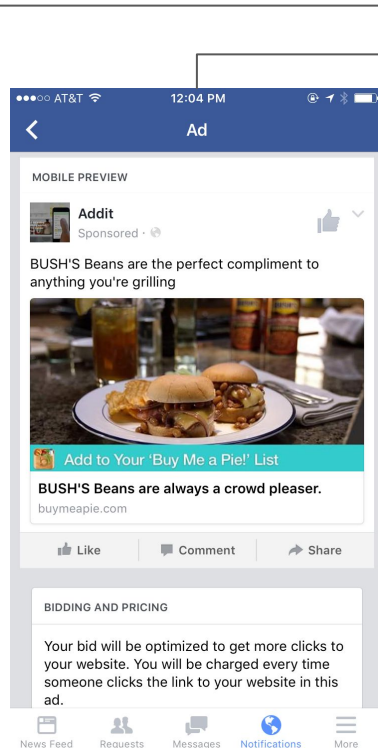
Meet Add-It...

50MM people use their phones to create and manage grocery lists.

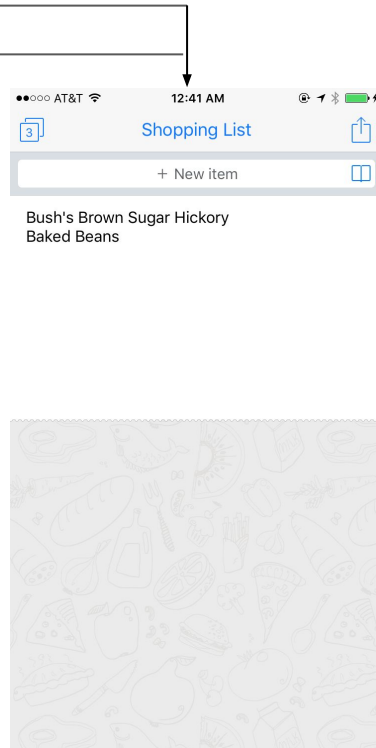
With Add-It, we can reach consumers across the mobile landscape and still let them add promoted items to the grocery list installed on their phone.



*Buy Me a Pie
In-App Add to List*



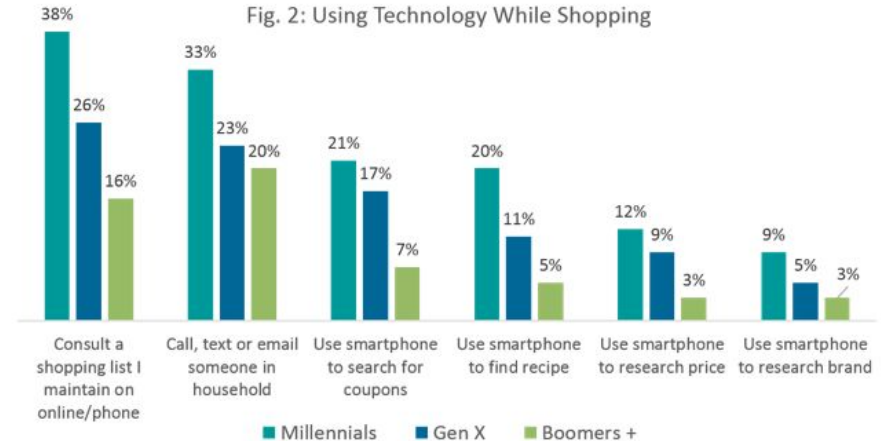
*Facebook
In-Feed Add to List*



*Buy Me a Pie
Item on the List*

Idea: Focus on Getting on “the list” (high-value proxy for brand conversion)

1. More list apps downloaded than people in US
2. Millennials are driving growth
 - 70% use a phone while shopping
 - 98% buy all or most of the items on their list



Source: Food Shopping in America 2014 report, The Hartman Group

¹ <http://supermarketnews.com/blog/millennials-grocery-store-are-they-really-much-different-older-generations>

² <http://www.santy.com/resources/whitepaper-insights-behind-millennials-grocery-behavior>

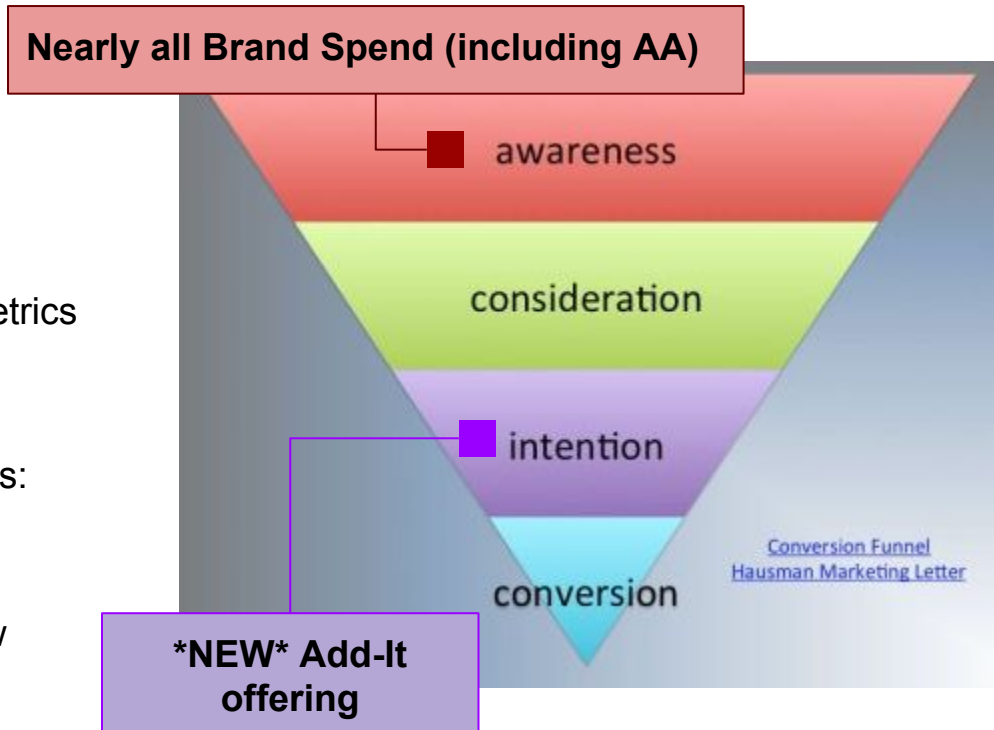
Ideas in Validation

1st “Lower Funnel” Mobile Ad offering for “Consumer Packaged Goods” brands (CPG)

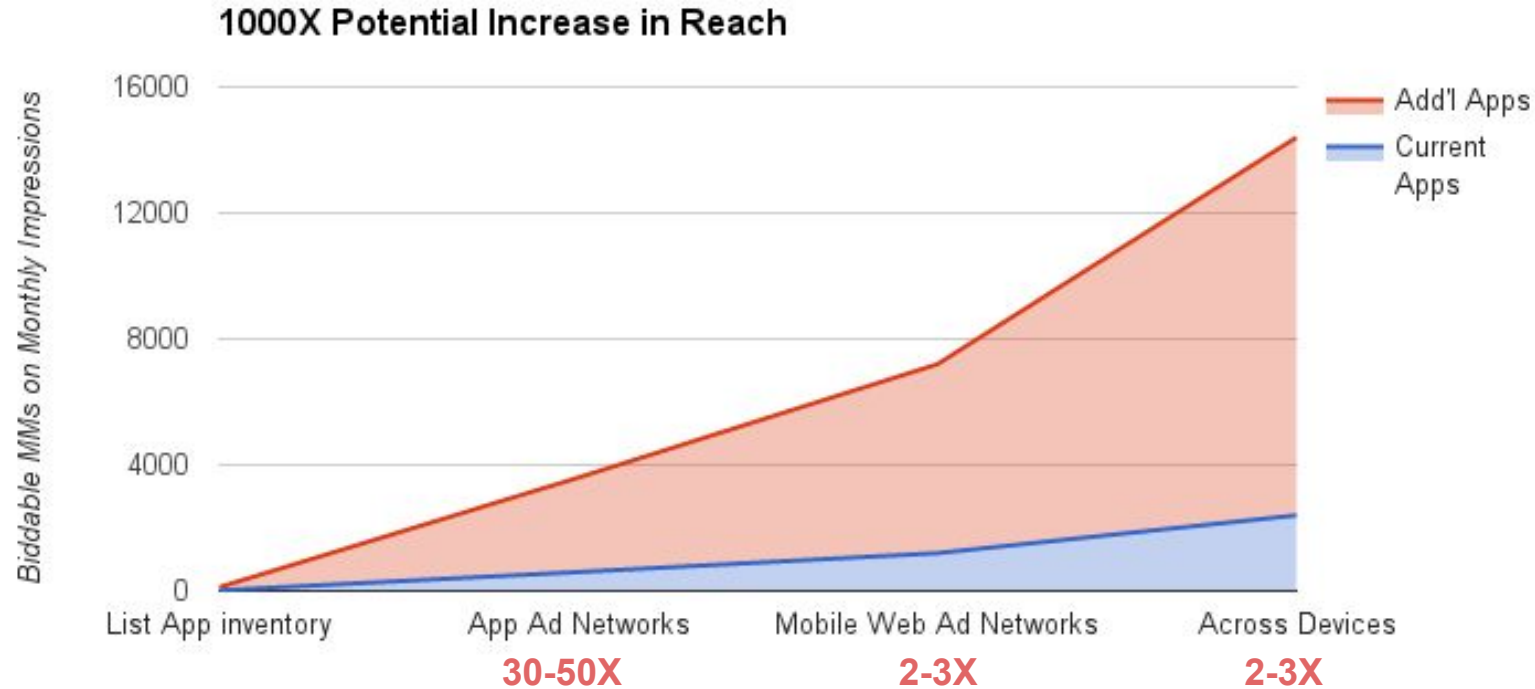
Potentially.....we could:

- Contract directly with brands
 - vs Agencies
- Charge on “Cost Per Add” (CPA)
 - vs Cost Per Mille Impressions (CPM)
- Nearly uncapped spend if we can hit CPA metrics
 - vs Capped contract
- Unbounded time contracts
 - vs 1-2 mo avg buys
- Monetizing beyond in-app ad unit impressions:
 - Mobile app ad networks
 - Across to mobile web
 - Across other devices
- Greatly expand apps under contract with new offerings

CPG Consumer Purchase Funnel



Relative TAM Improvement Opportunities



Potential to increase Potential Reachable Value from ~\$100k per month to \$50M+ in CPG/ Grocery Alone

Advertisers: **Add-It** Validation Summary - month 1

- Reached out to 80 stakeholders
- Spoke with 31 advertisers

Summary

- Overall Interest? 8-of-10
- Buyers? Both CPG brands & agencies
- Pricing Model? Validated Cost-Per-Add (CPA) is possible
- High Price Per Add? \$5-\$10 (vs \$2 Cost Per Click /current model)
- Contracts? Monthly, ongoing contracts estimated range: \$25K- \$100K/month
- Real Interest? 7 likely to buy in next 6 months

Testimonials

- *P&G: "100% behind this (getting on the list) feels like a win"*
- *Empower: "I love what you're doing. I talk to vendors all day every day and no one else is doing it"*
- *General Mills Agency: "Talked this thru with my client yesterday & they want to do something with this"*

Add-It Opportunities - First 6 Months

Add-It pipeline built over last month

- P&G Crest: 10/1 Launch, \$33K/month
- Campbell's V8 (Mars): 11/1 Launch, \$12K/month
- Clairol: 12/1 Launch, \$25K/month
- General Mills: 12/1 Launch, \$25K/month
- Next: Chobani, Tide and Olay

Re-sell above Q1 2017; Expand:

- Purina: Verbal for 2017 (2-4X last years spend)
- Bush's Beans: Verbal for 2017 (2X last years spend)

Advertisers: Add-It Validation Summary - (cont)

Prevailing Sentiments:

PRODUCT

- Getting on a shopping list is proxy for purchase; More valuable than other “clicks”
- No else is doing it

PRICING

- CPGs don't usually buy on a conversion basis, but “Cost per Add” makes sense to them
- Looking like \$5 - \$10+ per “Add-It” (add-to-list) depending on price, repeat rate, LTV assumptions

CONTRACTING

- Media and Shopper agencies want to represent it (ex: Rockfish, Mars, and MetaVision)
- Brands also want to buy directly (ex: Crest, Clairol, Purina)
- Initial trials likely a mix of direct CPG Buy and Agency Contracts
 - Budgets: Trying to get uncapped; likely starting at higher commitments w/ CPA monitoring
 - Terms: Unsure on auto-renewals, longer terms
- Independent apps interesting to CPGs; but Retailer apps open new budgets

Apps: Validation Summary - month 1

Validated with 7
INDEPENDENT APPS

3 ready to go

New App Example: Big Oven

Rejected us 4+ times in the past. Now
excited to move forward with the Add-It
product immediately

Pitched 2
RETAILERS

Example: Target

*“This is really smart. I don’t see any reason
not to move forward and start testing”*

Approached by Target CMO after a
presentation. Moving forward to setup a test.

List App Inventory: Need to Lock-Up List Apps

Lists we want to add to integrate into:

- Independent - 40MM downloads from Big Oven, Shopular, AnyList, Ibotta
- Retailer Apps - 60MM downloads from Target, Kroger, Walmart, Safeway
- Note Taking Apps - 250MM from Evernote, Wunderlist, ColorNote

Questions:

- Will we need to offer revenue in addition to increased usage to list apps to encourage them to integrate faster and to lock up exclusivity?
- What is the overlap/ optimization among apps as we see consumers across multiple apps?
- Will retailers or their service providers compete with us?
- How do we bundle various apps (retailer vs independent)?
- Beyond CPG, how do we expand into other products and services?

Validation Summary - Scaling Reach Beyond List Apps

The goal of the test was to:

- **Audience:** Find the overlap between the people IN the AdAdapted network and people we can reach OUTSIDE our network
- **Tech:** Confirm we could route people to our grocery list apps, from an outside network, while adding an item to their grocery list
- Validate reach, frequency, and performance assumptions

Results: Higher Click-Thru-Rate (CTR), Lower Cost-per-Click (CPC)

- We beat initial engagement assumptions of .15% CTR with a .34% CTR and an average cost of \$2.77
- At a \$10 CPC, this would result in a 72% margin
- At a \$5 CPC, this would result in a 45% margin

Test Summary

- Promoted product for Bush's Beans
- 3 apps as part of test
- Tested on Facebook and Twitter's mobile audience networks
- Sample data set of users the apps of 377,000 users
- CTR: .34%

Current Projections

Month	Oct-2016	Nov-2016	Dec-2016	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017
	1	1	2	2	2	2	2	3	4	5	5	6	7	7	8
Addit Revenue	\$20,000	\$40,000	\$60,000	\$60,000	\$60,000	\$60,000	\$95,000	\$128,250	\$159,838	\$189,846	\$218,353	\$245,436	\$271,164	\$295,606	\$318,825
Other Revenue	\$50,000	\$50,000	\$30,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenue	\$70,000	\$90,000	\$90,000	\$75,000	\$75,000	\$75,000	\$110,000	\$143,250	\$174,838	\$204,846	\$233,353	\$260,436	\$286,164	\$310,606	\$333,825
Total COGs	\$35,167	\$42,333	\$39,500	\$32,000	\$32,000	\$32,000	\$44,542	\$56,456	\$67,775	\$78,528	\$88,743	\$98,448	\$107,667	\$116,425	\$124,746
Gross Profit	\$34,833	\$47,667	\$50,500	\$43,000	\$43,000	\$43,000	\$65,458	\$86,794	\$107,062	\$126,318	\$144,610	\$161,988	\$178,497	\$194,180	\$209,080
Gross Margin	50%	53%	56%	57%	57%	57%	60%	61%	61%	62%	62%	62%	62%	63%	63%
SG&A	\$80,000	\$81,600	\$83,232	\$86,595	\$88,326	\$90,093	\$91,895	\$93,733	\$96,356	\$113,686	\$130,149	\$145,789	\$160,647	\$174,762	\$188,172
EBITDA	-\$45,167	-\$33,933	-\$32,732	-\$43,595	-\$45,326	-\$47,093	-\$26,437	-\$6,939	\$10,706	\$12,632	\$14,461	\$16,199	\$17,850	\$19,418	\$20,908
Cash balance	-\$45,167	-\$79,100	-\$111,832	-\$172,323	-\$217,650	-\$264,743	-\$291,179	-\$298,118	-\$287,412	-\$274,780	-\$260,319	-\$244,120	-\$226,271	-\$206,853	-\$185,945

Goals:

- Achieve consistent gross margin of 60% or higher on Add-It revenue
- Work to get to profitability. Operate profitably until next fundraise
- When Gross Profit > SG&A, then invest in SG&A to build offering, acquire lists, and sign clients

What VCs might see in AdAdapted in Q1'17

Revenue Growth of Add-It

- Q2 bookings of \$400-500K of Add-It
- Plan for \$3-5M annualized revenue rate by Dec 2017

Reach

- 3X List Size: 5MM to 15MM users, targetable by Add-It. Plan to attain 100M+ users by EOY
- Biddable Monthly Impressions: 20-100X (from 10MM to 200MM-1B)

Cost of Acquisition vs Value of Contracts

- Addit sales could be estimated to be \$MMs per FTE sales exec
- In line with strong venture companies

Value of Data

- Data ownership: User preferences, activities, and items on list as well as App data

Defensive plan

- Product plan to differentiate from potential entrants
- Patents pending
- List apps contract with exclusivity

Continued Validation Items - Q4'16

- Reach potential, cost of purchased inventory, and max impressions per user at scale
 - App ad network optimization
 - Bridge to mobile web ad networks
- Buying process: agencies, brands, budgets
- Product offering: bundling independent and retailers apps
- Pricing model (CPA, CPM with goal)
- Independent list expansion and defense options (exclusivity)
- Retailer integration rewards and risks
- Scaling estimates
- Operating plan for 2017

Options

1. Shut Down

- a. Cease operations by 9/02
- b. All debt paid off except: Note holders, Spark loan, attorneys

2. Pursue Add-It; Position for VC funding

- a. Invest ~\$300-400k; Should provide cashflow thru Q1
- b. “Clean-up” notes to look investor friendly to encourage new investors
- c. Recommend amending notes to include either:
 - i. Discount (15-20%) into next round, OR
 - ii. Light warrant coverage (15-25%)
- d. 3- Person Board (Carl, Bob, Founder)
- e. Company to:
 - i. Drive Add-It proposition
 - ii. Update familiar investors in Fall’16 to gauge new interest
 - iii. Pursues VC funding/ sale process in January

3. If poor reception from investors, begin sale process

- a. Additional bridge might be required depending on process timing and likelihood