ROSENBLATT SECURITIES

Industry Update
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Internet

Top Takes From Our 3rd Annual OTT/CTV Fireside

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Related Companies:	Share Price:
CRTO.O	$18.90
FB	$275.55
MGNI.O	$18.55
RAMP.K	$72.07
ROKU	$320.14
TTD	$933.13

Summary

Below are our top takes from yesterday's 3rd Annual OTT/CTV virtual fireside with two expert panels discussing OTT/CTV and a post cookies/IDFA world, including UID 2.0. The video replay can be found **here**.

- **CTV "effective" CPMs less than a third of comparable video ads; buyer awareness in inning #1.** The future buyer is not linear or digital, it's a video buyer that takes a holistic view across all video options. Comparing social video vs. CTV today, or Facebook (FB: Buy $325) and Roku (ROKU: Buy $260) video CPMs of $18 and $30, respectively. Both offer strong 1-to-1 marketing, however, given only about 15% of Facebook video ads are watched more than 5 seconds vs. 90% of Roku ads are viewed thru the entire 30 second slot, the effective, or eCPMs are $120 and $33, respectively. Net-net, given still the large dichotomy between linear vs. digital buying mindsight, awareness of the incredibly low effective CTV prices is moot, however our expert panelist suggests this tide is beginning to turn.

- **Despite anticipated SVOD viewership growth near-term, hard to not see CTV ad pricing more than double long-term.** Recently added all-in movie slates to SVOD services like Disney Plus and HBO Max suggests more non ad-supported listenership on CTV platforms like Roku, perhaps intuitively suggesting less viewership of ad-supported content. However, considering average linear TV viewing in an ad-supported environment generates ~$0.06/hour of revenue and there are 75% less ads/hour in a streaming ad-supported environment, a network needs to grow CPMs by 300% to break even. This growth is contemplated in network's ad supported investment as they move the buyer to much more granular and highly measurable CTV targeting. Further, as we see buyers adopting the more holistic approach to video described above, additional upward pricing produces *scarcity* value similar in scope to linear today. Net-net, it's hard not to see CTV pricing grow at a pace modestly below the network level.

- **Apple makes clear, will require "email IDs" used in ad targeting to prompt user for consent to tracking.** Apple (AAPL: NR) pulled no punches in a blog Tuesday last week effectively stating if an email address on a mobile iOS device is used for ad targeting --like any other app under its soon mandatory ATT (App Tracking Transparency) framework-- the user must be prompted to consent. This includes "sharing a list of emails, advertising IDs, or other IDs with a third-party advertising network that uses that information to retarget those users in other developers' apps or to find similar users." The implication for UID 2.0, or any hashed email strategy for ad targeting, is that it will be hindered by a consent dialog box asking for "permission to track you across other apps and websites owned by other companies".

- **UID 2.0 is a stop-gap, not full replacement, to cookies/IDFA.** While public markets appear satisfied with The Trade Desk's (TTD: Neutral, $730) UID 2.0/hashed email cure for a cookie-less and app ID-less world –needed inside the next 15 months-- our panelists with 40 years combined data ID/intelligence experience are not in this camp. Aside from the above-mentioned ATT obstacles to an ad strategy utilizing email IDs, ID graphs broadly could see deterioration from IDFA restrictions. Long-tail apps with logged-in identity (including news, weather and dating) have long been the core underpinnings of ID graphs, and will most likely face a tough battle ahead convincing users to consent to tracking. On the other end of the spectrum, we likely see new emerging walled gardens at different levels of scale, as well as expanding contextual targeting alternatives.

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