

TREMOR VIDEO INC.  
Form 10-K  
March 16, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number 001-35982

**TREMOR VIDEO, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of incorporation or organization)

**20-5480343**  
(I.R.S. Employer Identification Number)

**53 West 23rd Street, New York, NY**  
(Address of principal executive offices)

**10010**  
(Zip Code)

Registrant's telephone number, including area code: **(646) 723-5300**

Securities registered pursuant to Section 12(b) of the Act:

**Title of each class:**  
Common Stock, \$0.0001 par value per share

**Name of each exchange on which registered:**  
The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

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The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$198.4 million as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on The New York Stock Exchange reported for such date.

As of March 10, 2015, there were 51,375,071 shares of the registrant's common stock \$0.0001 par value per share outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the information called for by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, are incorporated herein by reference from the definitive proxy statement relating to our 2015 annual meeting of stockholders. The proxy statement will be filed with the U.S. Securities and Exchange Commission not later than 120 days after December 31, 2014.

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### **Form 10-K**

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The Tremor Video logo and names Tremor Video, Tremor Video Network, VideoHub, and other trademarks or service marks of Tremor Video, Inc. appearing in this report are the property of Tremor Video, Inc. and its consolidated subsidiaries. This report contains additional trade names, trademarks and service marks of others, which are the property of their respective owners.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words anticipate, believe, continue, could, estimate, expect, intend, may, might, object, plan, predict, project, potential, should, will, or would, and or the negative of these terms, or other comparable terminology intended to state statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- the expansion of the online video advertising market;
- the adoption of brand-centric metrics, advanced ad formats and performance-based pricing models;
- our ability to increase revenue from new and existing advertisers with respect to the Tremor Video Network;
- the adoption of our programmatic solutions for advertisers and publishers, including our DSP and SSP;
- the adoption of our all-screen optimization solution for in-stream video advertising;
- our ability to ensure a high level of brand safety for our clients;
- our ability to acquire an adequate supply of premium video advertising inventory from publishers on terms that are favorable to us;
- the effects of increased competition as well as innovations by new and existing competitors in our market;
- our ability to effectively innovate and scale our technology and to continue to address the rapidly evolving requirements of advertisers in the online video market;
- our ability to effectively manage our growth;
- the increase in broadband speed, sales of internet-connected devices and time spent viewing online videos;
- our ability to successfully expand our reach beyond current core verticals and manage our international expansion;
- our ability to protect viewers' information and adequately address privacy concerns;
- the effect of regulatory developments and industry standards regarding internet privacy and other matters;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to effectively deliver video ad campaigns with a guaranteed demographic reach;

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- costs associated with defending intellectual property infringement, securities and other claims;
- potential acquisition and integration of complementary business and technologies;
- our expected use of proceeds from our initial public offering;
- statements regarding future revenue or the sources of such revenue, gross margins, net income, hiring plans, expenses, capital expenditures, capital requirements and stock performance;
- our ability to detect bot traffic and other fraudulent or malicious activity; and
- our ability to attract and retain qualified employees and key personnel.

You should refer to Part I, Item 1A, Risk Factors of this Annual Report on Form 10-K for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this report and the documents that we reference in this report and have filed or incorporated by reference as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

Tremor Video, Inc., which we refer to as we or us, is an advertising technology company elevating brand performance across all screens for the world's leading brands and publishers. We offer brand advertisers and publishers complete programmatic solutions to reach and engage consumers while providing transparency into what drives the success of brand advertising performance across multiple devices, including computers, smartphones, tablets and connected TVs. Our proprietary technology, VideoHub, analyzes in-stream video content, detects viewer and system attributes, and leverages our large repository of stored data to optimize video ad campaigns across screens to achieve brand performance goals, while providing access to advanced analytics and measurement tools in real-time. Our relationships with leading brand advertisers and their agencies have helped us create a robust video marketplace of premium digital media properties, or publishers, many of which partner with us on an exclusive basis.

Our VideoHub technology is the backbone of the Tremor Video Network through which we offer advertisers access to engaged consumers at scale in brand safe environments across multiple devices. We provide the Tremor Video Network as a managed service, with our team of specialists managing the execution and delivery of an advertising campaign, from advising on pre-campaign planning through post-campaign reporting and analysis. Through our all-screen optimization solution, advertisers are able to choose a single brand performance goal and VideoHub will optimize delivery of the campaign across the Tremor Video Network to find the right viewer wherever they may be watching video, eliminating the need to allocate campaign budgets to a specific screen or device. To further align our solutions with the needs of brand advertisers, we offer a number of performance-based pricing models for in-stream video advertisements where we are compensated only when certain measurable brand results are achieved, such as CPE pricing, where we are paid only when a viewer engages with an ad, or CPV&C pricing, where we are paid only when a video ad is both completed and viewable by the viewer for the duration of the ad. In 2014, we derived substantially all of our revenue by delivering in-stream video advertising through the Tremor Video Network on a managed service basis.

Through VideoHub, we offer complete programmatic solutions for brand advertisers and premium publishers. In 2014, we introduced to market a demand side platform, or DSP, for brand performance that enables advertisers and agencies to efficiently plan, buy, optimize and measure video ad campaigns through an intuitive and customizable user interface. Our DSP is able to optimize programmatic video buys across a broad spectrum of brand marketing goals from audience reach to more sophisticated goals such as engagement, brand lift and viewability. Our DSP is directly integrated with a number of video ad inventory sources, enabling the dynamic purchase of individual ad impressions utilizing real-time bidding technology, or RTB, as well as through private marketplaces that connect advertisers directly to publishers. In the first quarter of 2015, we also introduced to market a supply side platform, or SSP, for premium publishers, which helps publishers maximize the value of their video inventory by enabling their programmatic sales efforts and automating workflow. Publishers using our SSP can make inventory available to advertisers through an open exchange, where demand sources bid on inventory in a robust auction environment, or through private marketplaces so that only selected advertisers have the opportunity to purchase video ad inventory. Our SSP connects advertisers with publishers through our DSP as well as third-party demand side platforms that are integrated with our technology. We are continuing to invest in the development of our programmatic solutions.

In addition, we provide advertisers, agencies and publishers with advanced analytics and measurement tools through an intuitive and customizable user interface, relieving them from the need to integrate and support multiple, disparate technologies. These tools enable our clients to gain a deep understanding of the drivers of campaign performance and obtain reporting on key brand performance metrics such as

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viewability as well as TV-like metrics that measure audience reach and frequency of viewing by a particular audience. These functions help brand advertisers unify the planning and measurement of TV and online video advertising campaigns.

### **Industry Background**

Advertisers often view the advertising market as a funnel that maps a potential consumer's purchase decision process from the moment he or she is introduced to a brand to the point of purchase. At the top of the marketing funnel, advertisers are focused on building brand awareness amongst the largest possible number of potential consumers and use reach as the primary metric to measure success. Traditionally, advertisers have preferred national television and outdoor media, such as a Super Bowl commercial or Times Square billboard, to achieve brand awareness. At the bottom of the marketing funnel, advertisers are focused on generating specific actions by a consumer in a short period of time. At this stage of the funnel, advertisers have generally relied on direct response



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marketing, such as newspaper inserts and coupons, as well as online search and display advertising, where conversions are used to measure campaign success.

In the middle of the marketing funnel, advertisers seek to engage consumers and educate them about their brand in order to differentiate themselves from competitors and drive consumer preferences toward a particular branded product to influence future purchase decisions, which we refer to as brand lift. Historically, advertisers have sought to achieve middle of the funnel objectives through print, which can tell a deeper story about a product and its benefits, and allows the reader to linger as long as he or she likes, and to a lesser extent through local and cable television, which offers a more targeted audience for a product's message than national television.

Traditional solutions for middle of the funnel marketing have significant limitations because they lack interactivity, the ability to measure and analyze the results of brand-centric ad campaigns in real-time and the ability to adjust campaigns in real-time to optimize for desired performance. We believe in-stream video is a highly effective channel for brand advertisers to meet their middle of the funnel objectives by combining the rich sight, sound and motion of television, the opt-in engagement of print and the real-time measurement and optimization capabilities of online.

Several factors, including the availability of high-speed broadband and mobile network infrastructure, growth of internet-connected devices capable of video consumption, an increase in online video content and a behavioral shift towards online video viewing, are driving robust growth in online video consumption. As a result, online video advertising is amongst the fastest growing advertising formats in the United States.

Within online video advertising, more recently, brand advertisers have begun to adopt programmatic solutions for purchasing video advertising campaigns. Programmatic buying is the automated purchase of digital advertising inventory through technology, including real time bidding technology, which allows for the dynamic purchase and sale of advertising inventory on an impression-by-impression basis.

Despite the tremendous growth opportunity for the online video advertising market, brand advertisers face several challenges to the adoption of online video advertising that require sophisticated technology to solve: audience and device fragmentation, the complexity of analyzing video and optimizing campaigns across multiple devices, ensuring that video ads are viewable to viewers, the absence of performance transparency, scarcity of premium inventory, reliance on multiple technology providers, brand safety challenges, challenges combatting fraudulent activities, and the lack of consistent and standard measurements.

**Tremor Video Technology and Solutions**

Our VideoHub technology powers our video advertising solutions to effectively address the challenges faced by advertisers to achieve their brand performance objectives.

Through VideoHub we deliver:

- *Brand-centric key performance indicators.* We have developed a suite of brand-centric key performance indicators, or KPIs, such as engagement, viewability and brand lift (i.e., a positive shift in preference towards a brand or branded product driven by exposure to a video ad and brand education), which are tailored to the needs of brand advertisers. Before the launch of a video advertising campaign, a brand advertiser selects the KPI against which it wants to optimize the performance of its campaign. Throughout a campaign, VideoHub analyzes and stores data for all KPIs in our suite, not only the KPI selected by the advertiser for optimization. As a result, an advertiser can understand what signals enhance a specific performance objective even if it has not chosen to optimize a campaign against that KPI.
- *Brand-centric optimization.* Using a proprietary algorithm, VideoHub builds a decision tree that predicts performance of the video ad campaign for the chosen KPI based on its analysis of a series of signals, such as video player size, geography, publisher, content category, length of video, browser type and viewer data. VideoHub performs an analysis on every video stream, including the ability to scan and categorize content by analyzing the audio track and certain visual elements, and optimizes delivery of the campaign for the selected KPI by directing advertising spend towards video ad inventory that is more likely to perform. For instance, if a client chooses to optimize a video ad campaign for engagement, VideoHub will continuously track and analyze the signals described above to determine which signals are most correlated with achieving a high engagement rate and direct campaign spend towards video ad inventory that meet these criteria.

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- *All-screen optimization.* Our all-screen optimization solution for in-stream video advertising enables brand advertisers to select a single campaign goal and VideoHub will optimize delivery of the campaign across the Tremor Video Network to find the right viewer wherever they may be watching video, whether on computers, tablets, smartphones or connected TVs, thus eliminating the need to allocate campaign budgets to a specific device.
- *Advanced Analytics.* We provide advertisers and agencies with advanced analytics and measurement tools through an intuitive and customizable user interface, relieving them from the need to integrate and support multiple, disparate technologies, including:
- *Ad performance transparency.* VideoHub offers advertisers transparency into the workings of its decision engine so that they can understand what signals are driving the performance of their video ad campaigns. These insights into campaign performance can not only inform future online advertising decisions but also influence offline advertising decisions.
- *Viewability.* VideoHub tracks the number of impressions served to a specific publisher site and whether a video ad placement is fully, partially, or not visible to a viewer, which we refer to as viewability. With this functionality, advertisers know where an ad campaign is running and can validate that their video ads are viewable.
- *Cross-site measurement.* Our proprietary measurement tools enable advertisers to compare video inventory quality across digital media properties by measuring attributes such as viewability, the size of the video player and ad completion rate. When coupled with pricing information, these insights help advertisers compare the relative value of video inventory across publishers.
- *TV buying and measurement.* VideoHub provides advertisers and agencies access to metrics that measure audience reach and frequency of viewing by a particular audience similar to what is used in the television industry, including integrated Nielsen reporting. These functions help brand advertisers unify the planning and measurement of TV and online video advertising campaigns.
- *Advanced ad formats.* Our proprietary ad formats give brand advertisers the ability to create a more engaging experience across multiple internet-connected devices, allowing viewers to interact with an ad and explore additional content within the ad itself, driving increased awareness and time spent with an ad.
- *Programmatic integrations.* Our technology is directly integrated with a number of third-party exchanges, supply side platforms and demand side platforms, creating a robust ecosystem of programmatic demand and inventory supply sources. These server-to-server integrations enable clients of our DSP to dynamically purchase individual ad impressions across a broad inventory pool utilizing RTB technology as well as through private marketplaces that connect advertisers directly to publishers. In addition, through integrated programmatic demand sources, advertisers are able to programmatically bid on and buy inventory on our SSP.

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- *Integrated Technology Partners.* In addition to our proprietary technology, VideoHub is integrated with a suite of third-party technologies, including data management platforms to enhance audience targeting and reporting, as well as third-party technologies that offer solutions to prevent objectionable or fraudulent ad placements and provide independent placement verification and reporting services. By offering access to these integrated technologies through a single platform, we reduce complexities faced by advertisers utilizing multiple technology providers.

We enable advertisers to achieve their brand performance goals through online video advertising in whatever manner they want to transact, whether through our Tremor Video Network as a managed service or through our programmatic solutions, including our DSP and SSP.

*Tremor Video Network.* We provide the Tremor Video Network as a managed service, with our team of specialists managing the execution of an advertising campaign, from advising on pre-flight planning through post-campaign reporting and analysis. Through the Tremor Video Network we deliver:

- *Optimization across screens at scale in brand safe environments.* The Tremor Video Network delivers scale and reach across multiple internet-connected devices, including computers, smartphones, tablets, and connected TVs,

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enabling our clients to use our solutions to address their online video advertising needs across screens. Brand advertisers using our all-screen optimization solution are able to choose a single campaign goal and VideoHub will optimize delivery of the campaign across the Tremor Video Network to find the right viewer wherever they may be watching video, thus eliminating the need to allocate campaign budgets to a specific device. We continuously evaluate and refine our publisher network to ensure that our advertisers have access to high performing content in a brand safe environment. We often partner with premium publishers on an exclusive basis, meaning that only we and the publisher's direct sales force are able to sell their video ad inventory.

- *Innovative pricing models.* We offer innovative brand performance-based pricing for in-stream video advertising that allow advertisers to purchase measurable brand results, such as:
  - CPE pricing, where we are compensated only when viewers actively engage with advertisers' campaigns, such as by interacting with the elements of the video ad through clicks or screen touches or by rolling over certain elements of the video ad for at least three seconds;
  - CPV&C pricing, where we are only compensated when a video ad is both completed and viewable by the viewer for the duration of the ad;
  - Cost per video completion, or CPVC, pricing, where we are compensated only when viewers complete the video ad;
  - Cost per brand-shift, or CPS, pricing, where we are compensated only when a campaign results in a positive shift in the consumer's favorability or intent towards a brand; and
  - Cost per conquest, or CPQ, pricing, where we are compensated only when a consumer's intent is shifted away from a competing brand.

We believe that advertisers are attracted to our performance-based pricing models because these models more closely tie advertising spend to actual campaign performance.

*Programmatic Solutions.* In 2014, we introduced to market our DSP, which enables advertisers and agencies to efficiently plan, buy, optimize and measure video ad campaigns through an intuitive and customizable user interface. Our DSP is able to optimize programmatic video buys across a broad spectrum of brand marketing goals – from audience reach to more sophisticated goals such as engagement, brand lift and viewability. Our DSP is directly integrated with a number of video ad inventory sources, enabling the dynamic purchase of individual ad impressions utilizing RTB technology as well as through private marketplaces that connect advertisers directly to publishers. In the first quarter of 2015, we also introduced to market our SSP, which helps publishers maximize the value of their video inventory by enabling their programmatic sales efforts and automating workflow. Publishers using our SSP can make inventory available to advertisers through an open exchange, where demand sources bid on inventory in a robust auction environment, or through private marketplaces so that only selected advertisers have the opportunity to purchase video ad inventory. Advertisers connect with publishers on our SSP through our DSP as well as third-party demand side platforms that are integrated with our technology.

**Clients**

*Advertisers and Agencies*

We have built relationships with advertisers and agencies of all sizes. Revenue contribution from individual brand advertisers varies from period to period. We do not believe our business is substantially dependent upon any individual advertiser as no individual advertiser represented more than 10% of our revenue in 2014, 2013 or 2012. We maintain close relationships directly with brand advertisers and we consider them to be our clients, as the video ad campaigns we run are those of the advertiser and we work closely with them to execute their video ad campaigns. However, we primarily market and sell our solutions to advertising agencies on behalf of their advertiser clients, including agency trading desks that often access our solutions programmatically. These agencies and agency trading desks either contract directly with us or act through intermediaries such as demand side platforms or exchanges.

We provide the Tremor Video Network as a managed service, with our team of specialists managing the execution of an advertising campaign, from advising on pre-flight planning through post-campaign reporting and analysis. In 2014, these managed campaigns accounted for substantially all of our video advertising revenue. For managed campaigns, we typically contract through insertion orders directly with the advertising agencies, agency trading desks or agency holding companies representing advertisers.

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However, brand advertisers are ultimately responsible to us for all contractual payment obligations. Insertion orders set forth campaign parameters such as size and duration of the campaign, type of video ad format, devices on which the campaign will run, the KPI for which to optimize performance and the desired pricing model. Prior to running a campaign, an advertiser and its agency often work with our creative team to provide the creative design and direction of the campaign.

More recently, as the online video advertising market has evolved, advertisers have begun to adopt programmatic solutions for purchasing video advertising campaigns. In 2014, we introduced to market a DSP that enables agencies to efficiently plan, buy, optimize and measure video ad campaigns. Clients of our DSP are able to set campaign goals and advertising spend parameters for a given campaign through an intuitive and customizable user interface, and our technology dynamically bids on and purchases inventory with the goal of optimizing campaign performance and maximizing return on spend. Typically, we enter into master services agreements with advertising agencies or agency trading desks that govern their use of our DSP. Prior to running campaigns on our DSP, an advertiser and its agency may also work with our creative team to provide the creative design and direction of the campaign.

We also offer advertisers the ability to purchase video advertising inventory through third-party demand side platforms that are integrated directly with our SSP. Prior to integrating our technology with a given demand side platform, we will generally enter into a master services agreement with the demand side platform that governs the purchasing of inventory on our SSP. Campaigns running through third-party demand side platforms do not utilize VideoHub technology for optimizing campaign delivery; rather, the demand side platform will bid on inventory using its own decision engine. While the third-party demand side platform is responsible for bidding decisions, the overall direction of the advertising spend, including the campaign parameters and eligible inventory sources, is typically determined by the advertiser or advertising agency. We generally bill third-party demand side platforms directly for any video inventory that they purchase on behalf of advertisers and agencies on our SSP.

***Publisher Partners***

Publishers provide us with the video content within which we deliver video advertising campaigns on behalf of our advertiser clients. We often partner with premium publishers on an exclusive basis. We consider a premium publisher to be a publisher that has professionally produced content, offers a quality video viewing experience, including size and placement of the video player, and delivers strong brand-centric performance results to brand advertisers. We enter into agreements with our exclusive publisher partners that typically have a one year term and provide for a minimum fill rate, or a percentage of video ad inventory made available by the publisher to the Tremor Video Network that we must utilize in a given month, at a fixed cost per thousand impressions, or CPM. The scope of these exclusive relationships varies, with some publishers imposing geographical, device or inventory type limitations. A publisher's direct sales force may continue to sell their video ad inventory to advertisers or agencies. With respect to our non-exclusive publishers, we purchase video ad inventory on an as needed basis at a fixed CPM.

Publishers also make inventory available to advertisers through our proprietary SSP. Our SSP helps publishers maximize the value of their video inventory by enabling their programmatic sales efforts and automating workflow. Publishers on our SSP can sell their video inventory through an open exchange, where demand sources bid on inventory in a robust auction environment, or through private marketplaces so that only selected advertisers have the opportunity to purchase video ad inventory. Advertisers connect with publishers on our SSP through our DSP as well as third-party demand side platforms and exchanges that are integrated with our technology.

In addition to our direct relationships with premium publishers, we have also partnered with third-party video supply side platforms, exchanges and networks in order to provide our advertiser clients with access to a broad and diverse inventory pool. Our DSP is directly integrated with

third-party supply side platforms, enabling the dynamic purchase of individual ad impressions utilizing RTB technology.

**Technology and Development**

Our technology and development efforts are focused on significant investments in VideoHub, which powers all of our solutions. As of December 31, 2014, we had a total of 105 employees engaged in technology and development functions. For 2014, 2013, and 2012, our total technology and development expenses were \$17.0 million, \$11.6 million, and \$8.1 million, respectively.



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**Sales**

As of December 31, 2014, we had total sales and marketing staff of 192 employees. For 2014, 2013, and 2012, our total sales and marketing expenses were \$42.6 million, \$38.5 million, and \$35.0 million, respectively.

*Advertiser Sales*

Our sales strategy is focused on targeting the most video ready brand advertisers, including those advertisers that are large television advertising spenders.

We also have developed and will continue to develop preferred relationships with key agency holding companies, advertising agencies and agency trading desks that position us to benefit from increased online video spending. Brand advertisers purchasing decisions typically are made and coordinated by their advertising agencies and require input from multiple constituencies and the sales process therefore can be time-consuming. We have invested significant resources in establishing relationships with our brand advertisers, agencies and agency holding companies.

Our Tremor Video Network focused sales force is structured around core vertical markets, including automotive, CPG, entertainment, technology and telecommunications, retail and financial services. Sales executives and account managers are assigned to specific advertisers to oversee relationships on a managed service basis. Our team of specialists provides guidance throughout the campaign process from launch to post campaign review, and our creative team will often work with advertisers to create innovative ad campaigns that are specifically suited for in-stream video viewing and optimizing viewer engagement.

Our DSP focused sales team is responsible for client acquisition, account management and overall market awareness of our DSP solution. We also maintain a sales team that is focused on increasing spend from advertisers through third-party demand side platforms that are integrated with our SSP.

We generally locate sales and marketing personnel across the United States to align with the geographies of our advertisers and agencies.

*Publisher Development*

Our publisher initiatives utilize a full-service development and support strategy. Our team of publisher development professionals is responsible for ensuring that we are meeting the ongoing needs of our publishers throughout the duration of the relationship, and is supported by engineers with deep technical expertise. We invest significant time in cultivating relationships with our publishers to ensure they understand the potential benefits of monetizing their inventory with us. More recently, our publisher team has focused on fostering adoption and overall market

awareness of our SSP solution. This relationship building process can be time consuming and we have invested significant resources in establishing relationships with our publisher partners.

### **Competition**

We operate in a dynamic and competitive market, influenced by trends in both the overall advertising market as well as the online video advertising industry. The competitive dynamics of our market are unpredictable because our market is in an early stage of development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations. We compete with large online video publishers such as Hulu, LLC and YouTube, LLC, which is owned by Google Inc., as well as advertising technology companies, advertising networks, demand side platforms, supply side platforms and exchanges, some of which transact programmatically. We also compete for advertiser spending with large publishers who rely on their own sales organizations to attract brand advertisers across their properties.

In the traditional media space, our primary competitors for advertising spend are mainly TV broadcasters, radio broadcasters and print media publishers. Across the digital media landscape, we compete for advertising spend with large entities such as Google Inc., Facebook, Inc., Microsoft Corporation, AOL Inc. and Yahoo! Inc. that offer video advertising services as part of a larger solution for digital media buying. Many of these competitors have significant client relationships, much larger financial resources and longer operating histories than we have.

We believe the principal competitive factors in our industry include the following:

- proven technology and optimization capabilities;

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- pricing;
- quality and scale of online video inventory;
- depth and breadth of relationships with brand advertisers and premium publishers;
- multi-channel capabilities;
- brand-centric measurement;
- ability to ensure brand safety; and
- transparency into ad performance and placement.

We believe that we compete favorably with respect to all of these factors and that we are well positioned as a leading provider of technology-driven video advertising solutions to brand advertisers.

**Intellectual Property**

Our ability to protect our intellectual property and our technology will be an important factor in the success and continued growth of our business. We rely on a combination of trade secrets, copyrights, patents and trademarks, as well as contractual protections, to establish and protect our intellectual property and protect our proprietary technology. We currently own two issued U.S. patents that expire in 2028 and 2031, respectively, and one granted European patent, which we registered in France, Germany and Great Britain, that expires in 2029. Additionally, we currently own seven pending U.S. patent applications that we are currently prosecuting with the U.S. Patent and Trademark Office and one pending PCT international application, although there can be no assurance that any of these patent applications will ultimately be issued a patent. We register certain domain names, trademarks and service marks in the United States and in certain locations outside the United States. We also rely upon common law protection for certain marks, such as Tremor Video. We generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties, with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. We also use measures designed to control access to our technology and proprietary information. We view our trade secrets and know-how as a significant component of our intellectual property assets, which we believe differentiate us from our competitors.

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Despite our efforts to preserve and protect our intellectual property, our efforts may not prevent the misappropriation of our intellectual property or technology, or deter independent development of similar intellectual property or technology by others. Policing unauthorized use of our technology and intellectual property is difficult. Third-parties may attempt to copy, reverse engineer or otherwise obtain our proprietary technology, or otherwise violate our intellectual property rights. Unauthorized disclosure by our employees, contractors or other third-parties could also occur. Effective intellectual property protection may not be available in the United States or other jurisdictions in which we operate and the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any impairment or loss of our intellectual property, or any inability to enforce our intellectual property rights effectively, could harm our business or our ability to compete. Also, protecting our technology and intellectual property is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property or technology could make it more expensive for us to do business and could harm our operating results.

Additionally, we expect that products in our industry may be subject to third-party infringement lawsuits as the number of competitors grows and the functionality of products in different industry segments overlaps. We have faced, and expect to face in the future claims by third-parties that we infringe upon or misappropriate their intellectual property rights, and we may be found to be infringing upon or to have misappropriated such rights. We cannot assure you that we are not infringing or violating any third-party intellectual property rights. Such claims may be made by competitors or other entities. In the future, we, or our clients, may be the subject of legal proceedings alleging that our solutions or underlying technology infringe or violate the intellectual property rights of others.

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**Governmental Regulation; Industry Alliances**

We are subject to numerous U.S. and foreign laws and regulations that are applicable to companies engaged in the online video advertising business, including video advertising on mobile devices. In addition, many areas of law that apply to our business are still evolving, and could potentially affect our business to the extent they restrict our business practices or impose a greater risk of liability. We are aware of several ongoing lawsuits filed against companies in our industry alleging various violations of privacy or data security related laws.

***Privacy***

Privacy and data protection laws and regulations play a significant role in our business. In the United States, at both the state and federal level,