Adtheorent Recognized for

2021

Product Leadership

North American
Digital Advertising Industry
Excellence in Best Practices

FROST & SULLIVAN

Best Practices Criteria for World-class Performance

Industry Overview and Growth Drivers

Despite COVD-19 economic impacts, the US digital advertising market has maintained its growth momentum. Frost & Sullivan research indicates that digital advertising revenues in the United States totaled approximately $140 billion in 2020, representing a year-over-year (YoY) growth rate of 13%. By 2026, digital advertising is expected to capture more than 75% of the total advertising spend in the United States. The key drivers for the growth of the US digital advertising market include the increased consumption of digital media, which generates more advertising inventory; a well-developed digital advertising ecosystem that supports performance-centric ad campaigns; programmatic advertising technologies with improved targeting and real-time measurement capabilities; and brand preference for cross-channel advertising to engage with consumers across all touchpoints in the customer journey.

Industry Challenges

The key challenges in the digital advertising industry include the following:

Advertising in a world without cookies: As the digital content environment faces the end of cookies, the traditional mechanisms of ad targeting (and retargeting) and assumptions-based audiences will lose effectiveness. Disabling access to third-party cookies could lead to publishers losing 40 to 70% of their programmatic ad revenues.[1] Digital advertising industry participants, therefore, must explore other options for optimal ad targeting while respecting consumer privacy. As more brands and advertisers become aware of emerging privacy concerns and pay closer attention to the data used for targeting, they must evaluate newer approaches, such as statistical modeling based on specific business key performance indicators (KPIs) for targeting and performance.

Driving measurable, real-world outcomes: The real value of digital advertising lies in driving tangible business outcomes, such as increased in-store visits, elevated purchasing activity, deep-funnel website actions (e.g., new patient registrations), and/or enhanced customer satisfaction levels. These types of objectives are best achieved by using advanced artificial intelligence (AI) and machine learning (ML)-based solutions that optimize the ad campaign toward a clearly-defined end goal. Traditional campaign performance indicators, such as clicks and impressions, present limited insights into campaign performance and can be woefully inadequate in determining the return on investment (ROI) for ad spending. The value proposition and business models for digital advertising solution providers, therefore, must be predicated on attaining measurable business goals. Frost & Sullivan firmly believes that providers with a proven record of offering tangible business benefits have a clear competitive advantage in the North American digital advertising market.

Quality over quantity: While reach and media coverage are important, digital advertising solution providers must ensure that they can identify and bid on the right type of ad impression that has a higher probability of achieving media campaign goals. Avoiding fraudulent ad impressions, maintaining brand safety, and ensuring ad viewability must be prioritized for superior performance. Digital advertising

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[1] Please see the UK Competition and Markets Authority (CMA) note on the role of data in digital advertising; "Appendix F: the role of data in digital advertising"

solution providers that command a share of media spend may not have strong incentives to drive efficient spending, which could lead to sub-optimal performance for ad campaigns because the focus is on execution rather than on ensuring high-quality ad operations.

Managing successful cross-channel campaigns: Consumers spread their activities across devices, browsers, and engagement platforms, making it important for brands and advertisers to engage consumers in relevant conversations across their digital journeys. A critical requirement for successful cross-channel initiatives is retargeting across different environments, where consumer intent captured in one medium can be used to deliver optimized ads in another medium. Currently, advertisers are forced to utilize different partners for tracking, serving, and gaining audience insights, often leading to inaccurate tracking and diminished efficiency. Providers that can capture a consistent picture of consumer behavior by leveraging customer data from all relevant interaction points, including offline interactions, and that can optimize campaigns based on deep analytics capabilities are likely to succeed in the digital advertising market.

AWARD CRITERIA

Product Portfolio Attributes	Business Impact
Match to Needs	Financial Performance
Reliability and Quality	Customer Acquisition
Product/Service Value	Operational Efficiency
Positioning	Growth Potential
Design	Human Capital

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. AdTheorent excels in all of the criteria in the digital advertising space.

Match to Needs

New York-based AdTheorent is the leading provider of machine learning-optimized data science-driven advertising. Since 2012, the company's advanced ML technology, media buying platform, and custom solutions have delivered measurable, real-world value for advertisers. AdTheorent has maintained and expanded its leadership position in the North American digital advertising market based on its excellent track record in delivering technology-led digital advertising solutions for achieving advertiser-specified business objectives in a privacy-forward manner.

AdTheorent's core differentiation comes from its unique ability to use machine learning and advanced data science to organize, analyze and operationalize non-sensitive data (in real-time as embedded within its platform bidding capability) to deliver real-world value for customers. Central to its ad-targeting and campaign optimization methods, the company builds custom machine learning models for each campaign using historic and real-time data to predict future consumer conversion actions for every digital ad impression. On top of this, AdTheorent provides customized vertical solutions to address the needs of advertisers in specialized industries. These specialized solutions feature vertical-specific capabilities related to targeting, measurement and audience validation. This product suite allows advertisers to identify the individuals most likely to engage with a given ad campaign, who are then served with optimal creative experiences to drive campaign performance and deliver on advertiser KPIs at scale.

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>
> **- Vikrant Gandhi, VP of Research**

The company places a strong emphasis on protecting consumers' privacy and ensures that it adheres to industry best practices in privacy protection. AdTheorent's targeting approach is statistical, not individualized, and as a result the company does not need to compile or maintain user profiles, and it does not rely on cookies or user profiles for targeting. Because AdTheorent's data is anonymized and leverages the power of statistics and aggregated data sets rather than relying on individual, user-focused targeting strategies, it offers privacy-forward digital advertisers unique advantages.

Reliability and Quality

AdTheorent's ML-based approach to digital advertising relies on predictive targeting by using statistical models and does not rely on 1:1 profile-based advertising or cookie-based retargeting, which can limit advertising scale and create privacy issues. The company offers custom ML-based campaign models as part of its service, in addition to a multitude of network-wide models that AdTheorent leverages to eliminate digital advertising inefficiencies, such as fraud, unsafe content, poor viewability, and impression discrepancies. Moreover, AdTheorent bids on less than 0.1% of the impressions it scores because most available impressions do not meet performance criteria, do not have a high enough score, and lack predictive value (meaning they are unlikely to yield conversion lift). The company evaluates and assigns predictive scores to more than a million impressions per second, or more than 87 billion impressions per day. Performing bid-stream analysis at this scale enables AdTheorent to generate high volumes of data to optimize ad campaigns based on performance and price and to deliver the best value to its advertising customers.

AdTheorent places a special emphasis on working directly with media owners and publishers to obtain access to the best premium inventory and to generate higher performance for ad campaigns. With a deep understanding of the media mix and supply, AdTheorent can fulfill campaign promises by applying the best advertising techniques across different inventory types, with full transparency and visibility into campaign performance. Frost & Sullivan believes that AdTheorent's continued expansion of its strategic content partnerships has enabled it to become truly cross-screen, cross-device, and omni-channel,

which are important requirements for market success.

Unlike competing solutions with data science offerings limited to providing algorithms and models for use by untrained resources, AdTheorent's service delivery model incorporates full data-science-as-a-service capabilities. As noted, all AdTheorent models are custom and optimized by its data science team, offering sophisticated campaign optimizations beyond basic price optimization models. AdTheorent's growth sustainability, capabilities, and platform-based services are all validated by long-standing business relationships with leading brands and agencies, in addition to the expansion into new industry verticals and media types.

Product Value

A results-driven, programmatic advertising approach has enabled AdTheorent to deliver higher value more consistently than with standalone programmatic solutions. Unlike organizations that focus most on the scale of their media buying capabilities, AdTheorent is focused on customers' campaign goals, thus developing advertising campaigns that achieve measurable real-world business outcomes. These campaigns include the drive toward visitation, online and offline sales, prescription fills, credit card signups, travel bookings, and deep-funnel site actions. One of AdTheorent's major growth drivers is its ability to handle and pursue the types of complex campaign goals that trading desks -- designed more for scale than performance -- cannot manage. The company has maintained its focus on increased verticalization and has demonstrated a proven ability to expand into new verticals. For example, AdTheorent has specific offerings for the highly regulated financial services and pharmaceuticals verticals, sharing with clients' compliance best practices as another value-added benefit.

AdTheorent's strong differentiator in the industry includes a well-thought-out approach to data use that acknowledges all privacy and compliance considerations by vertical and enables AdTheorent to deliver both vertical-specific and client-specific measurement, validation, and analytics capabilities. AdTheorent's competitors focus on less exacting digital advertising opportunities and are constrained by the inadequate technical capabilities of their digital advertising platforms or targeting approaches, based on black-box audience segments or privacy-challenged, profile-based, or cookie-based, retargeting techniques. Competitors' ability to offer vertical-specific solutions to support the more complex advertising requirements aimed at driving specific outcomes remains relatively unproven.

Frost & Sullivan expects AdTheorent to continue scaling its vertical offerings and establish deep partnerships with data providers to deliver robust campaign analysis and results-oriented KPIs across growing industry verticals.

Financial Performance

AdTheorent continues to see its predictive advertising outperform classic segments and has always surpassed the target customer acquisition or cost-per-action goals by significant margins. For financial year 2020, AdTheorent reported growth in annual revenues, despite unprecedented challenges faced in the digital advertising industry. A strong percentage of repeat business and healthy client retention rates, which were not disrupted by the 2020 economic crisis, are a clear testament to the effectiveness of AdTheorent's solutions and support abilities. With its vertical depth and variety of offerings, AdTheorent thrived even during the turbulent marketplace of 2020, emphasizing different

solutions/verticals with platform ML-based bidding optimizers, allowing the company to drive maximum efficiency and flexibility for customers.

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AdTheorent has reported a record H1 2021 revenue performance and expects positive business trends for the balance of the year.[2] Notably, AdTheorent has reported an accelerated increase in emerging, next-generation growth opportunities, such as connected TV (CTV) and video, which are already fully integrated into verticalized and full-funnel offerings, accompanied by industry-leading metrics for growth in bookings and brand-direct sales. A strong financial performance underscores AdTheorent's ability to deliver a measurable ROI reliably, further establishing the company as a preferred vendor when advertiser budgets are pressured.

Customer Acquisition

AdTheorent works with the most sophisticated advertisers from across several verticals, including healthcare and pharma; banking, financial services, and insurance (BFSI); government; education; non-profit; retail; dining and quick service restaurant (QSR); and travel and hospitality. AdTheorent, however, has one of the highest customer retention rates in digital advertising and has consistently seen an increase in average client spending. Advertisers choose, and will continue to favor, AdTheorent over its competitors based on its ability to drive complex KPIs, unique solutions that offer clear outcomes specific to each industry vertical, and the industry's best data sciences expertise.

AdTheorent offers a full suite of ML-powered programmatic advertising tools to meet its customers varying needs. In addition to its managed programmatic service offering, AdTheorent Direct Access is a next-generation digital advertising solution that offers the benefits of transparency, advanced data science capabilities, pricing, and KPI performance optimization, in addition to a level of service not typically available with legacy self-serve solutions. AdTheorent is accelerating the rollout of Direct Access to address the elevated performance requirements of media buyers and to drive net-new growth opportunities for the company.

The net cash provided by the recently announced merger with MCAP Acquisition Corporation is expected to help AdTheorent with a merger and acquisition (M&A) and international expansion strategy, complementing its robust organic growth profile.[3]

Operational Efficiency

AdTheorent is a Rule of 50 entity,[4] which is a highly impressive accomplishment. The company's greater automation, accuracy, and efficiency of ad operations are a direct result of the close coordination between the company's Yield and Data Sciences teams. Other AdTheorent teams, such as the Strategy

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2 AdTheorent Press Release; August 24, 2021; "AdTheorent Holding Company, LLC Announces Second Quarter 2021 Results"
3 AdTheorent Press Release; July 27, 2021; "AdTheorent, a Leader in Data Science and Machine Learning Optimized Advertising, to List on NASDAQ via Merger with MCAP Acquisition Corporation"
4 A Rule of 50 company is one that posts annual revenue growth plus EBITDA equal to or greater than 50% of total revenue.

team, Products and Partnerships team, Analytics Team, and in-house Creative Team (Studio A/T), are all fully committed to achieving the company's goal of providing differentiated customer experiences. Unlike competitors that are forced to reinvent operations to function in an environment characterized by increased privacy trends, AdTheorent has been delivering high-performance advertising campaigns that are supported by strong privacy protection approaches and mechanisms for nearly a decade.

Conclusion

Fundamental elements of AdTheorent's success include a transformative approach to ML-based and privacy-forward programmatic ad-targeting, innovative product capabilities, highly proven implementations, and a dedication to new product enhancements. This differentiation includes a well-thought-out approach to data use that acknowledges all privacy and compliance considerations by vertical and enables AdTheorent to deliver both vertical-specific and client-specific measurement, validation, and analytics capabilities. AdTheorent has maintained and broadened its leadership position based on its excellent track record in delivering technology-led digital advertising solutions for achieving advertiser-specified business objectives.

With its strong overall performance, AdTheorent earns Frost & Sullivan's 2021 Product Leadership Award in the North American digital advertising industry.

What You Need to Know about the Product Leadership Recognition

Frost & Sullivan's Product Leadership Award recognizes the company that offers a product or solution with attributes that deliver the best quality, reliability, and performance in the industry.

Best Practices Award Analysis

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Product Portfolio Attributes

Match to Needs: Customer needs directly influence and inspire the product portfolio's design and positioning

Reliability and Quality: Products consistently meet or exceed customer expectations for performance and length of service

Product/Service Value: Products or services offer the best value for the price compared to similar market offerings

Positioning: Products serve a unique, unmet need that competitors cannot easily replicate

Design: Products feature innovative designs, enhancing both visual appeal and ease of use

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at http://www.frost.com.

The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.
Learn more.

Key Impacts:

- **Growth Pipeline:** *Continuous Flow of Growth Opportunities*
- **Growth Strategies:** *Proven Best Practices*
- **Innovation Culture:** *Optimized Customer Experience*
- **ROI & Margin:** *Implementation Excellence*
- **Transformational Growth:** *Industry Leadership*

The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**