21 March 2016

Matomy Media Group | 2015 Final Results

Final results for the year ended 31 December 2015

Matomy Media Group Ltd., one of the world's leading digital performance-based advertising companies, announces its final results for the year ended 31 December 2015.

Strong operational and financial performance — poised for further growth

Non-GAAP Financial Highlights

Overview of results ($ millions)	**2015**	**2014**	**Change**
Revenue	**271.0**	**237.4**	**14%**
Adjusted gross profit	**76.5**	**67.6**	**13%**
Adjusted EBITDA	**25.7**	**20.3**	**27%**
Adjusted net income	**8.2**	**7.2**	**14%**

Non-GAAP related Definitions

Adjusted gross profit

Adjusted gross profit is a non-GAAP financial measure that Matomy defines as revenues less direct media costs, which are the direct costs associated with the purchase of digital media. These costs include: payments for digital media based on the revenues Matomy generates from its customers on a revenue-sharing basis; payments for digital media on a non-revenue-sharing basis (CPC or CPM); and serving fees for third-party platforms.

Matomy believes that adjusted gross profit is a meaningful measure of operating performance because it is frequently used for internal management purposes, indicates the performance of Matomy's solutions in balancing the goals of delivering results to its customers whilst meeting margin objectives, and facilitates a more complete understanding of factors and trends affecting Matomy's underlying revenues performance.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that Matomy defines as net income before taxes on income, financial expenses (income), net, equity losses of affiliated companies, net, depreciation and amortisation, share-based compensation expenses and exceptional items. Adjusted EBITDA is a key measure Matomy uses to understand and evaluate its core operating performance and trends, to prepare and approve its annual budget, to develop short- and long-term operating plans and to determine bonus payments to management. In particular, Matomy believes that by excluding share-based compensation expenses, adjusted EBITDA provides a useful measure for period-to-period comparisons of Matomy's core business.

Adjusted net income

Adjusted net income is a non-GAAP financial measure that Matomy defines as net income before share based compensation expenses and any non-recurring items.

GAAP Financial Highlights

Overview of results ($ millions except EPS)	2015 GAAP	2014 GAAP	Change GAAP
Revenue	271.0	237.4	14%
Gross profit	62.1	59.0	5%
Operating profit	12.1	8.6	40%
Pre-tax profit	9.9	4.6	117%
Net income	7.2	9.8	(26%)
Earnings per share	$0.07	$0.10	(29%)

*** GAAP financial data in 2014 included a one-time accounting gain of $7.3 million attributable to the acquisition of Team Internet. In addition, the 2014 and 2015 results include amortisation charges attributable to the acquisitions of Team Internet, MobFox, Avenlo and Optimatic which occurred from 2014 onwards. Without the effect of these adjustments, the results would have been as follows:*

($ millions)	2015	2014	Change
Gross profit	66.6	60.0	11%
Operating profit	21.5	12.3	75%
Pre-tax profit	19.3	8.2	135%
Net income	14.0	3.3	325%
Earnings per share	$0.15	$0.04	268%

Business highlights

- Revenues generated from aggregate mobile activity increased to $78.2 million (2014: $39.1 million), accounting for approximately 30% of the Company's revenues in 2015;
- Revenues generated through Mobfox, Matomy's Mobile SSP, increased approximately 200% in Q4 2015 vs. Q4 2014 following its acquisition in October 2014 (Q4 2015 $7.12 million; Q4 2014 $2.37 million);
- Revenues generated from aggregate video activity increased 84% to $72.3 million (2014: $39.7 million; 2015 video results include $12.3 million revenues from the acquisition of Optimatic);
- Revenues generated from aggregate programmatic advertising activity across all media channels increased 33% and accounted for approximately 60% of Matomy's revenues in 2015;
- Revenues generated from domain monetisation increased 23% to $54.3 million (2014: $44.1 million on a pro-forma basis, assuming Team Internet was acquired in January 2014);
- Adjusted EBITDA* increased by 27% to drive an adjusted EBITDA margin of 9.5%, representing a 100 basis point improvement in margin;

- Adjusted net income* increased by 14%, mainly attributable to improved efficiency measures through enhanced programmatic capabilities and streamlined cost structure;
- Acquired Avenlo, a data-driven performance email marketing and ad targeting company in Q2 2015;
- Matomy's CEO, Ofer Druker, relocated to the Company’s New York office as part of the Group's increased focus on the large and growing North American digital advertising market.
- Acquired Optimatic, a unique programmatic video advertising platform in Q4 2015, further strengthening Matomy’s programmatic offering and mobile video capabilities, and confirming Matomy’s position as a leader in the video space;
- Strong balance sheet maintained, with total cash, net of bank loans, of $13.5 million (2014: $28.9 million), after self-funding a payment of $20 million in connection with the acquisition of Optimatic, reflecting a positive operational cash flow;
- Net assets increased by 9% to $108.2 million.

Ofer Druker, Chief Executive Officer of Matomy, said:

“2015 was a transitional year for Matomy as the company shifted its focus to mobile and video, which are widely considered to be the strongest growth engines in the digital industry. This transition was achieved through a combination of developing an effective set of programmatic tools, strong growth and the acquisitions of MobFox (mobile SSP) in late 2014 and Optimatic (video advertising platform that also offers SSP services) in late 2015.

We are starting 2016 with a broad set of complementary tools for mobile and video advertising and publishing. Consumers are increasingly connected through their mobile devices and video has become one of the most effective formats to deliver messages and build engagement. We strongly believe that we have the right capabilities to support our growth and market leadership.

Our investments in programmatic capabilities enabled us to improve efficiencies, contributing to lower operating expenses, improving our capability to generate scale.

We ended the year with a strong balance sheet, and an excellent set of technological capabilities to fuel our future growth. 2015 was a year of achievement for Matomy and we are enthusiastic about 2016 and beyond.”

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A copy of this announcement will be available on the Matomy website, www.Matomy.com, today from 7.00am GMT.

Matomy will host an analyst conference call at 14:00 BST / 10:00 EDT Monday March 21, 2016 to discuss these results. For more information visit on http://investors.matomy.com/rns.aspx

CHAIRMAN and CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

2015 was yet another year of favourable progress for Matomy, after a challenging first half of the year. We grew revenues and profits, ended the year with a strong balance sheet and implemented several strategic initiatives that will accelerate our growth in 2016 and position Matomy for long term success.

In particular, we made significant headway growing our mobile offering, which is one of our key strategic growth channels. This success was spearheaded by the acquisition of MobFox in late 2014, which delivers a complete package of results-driven, mobile marketing strategies that increase our customers' return on investment. Partially as a result of the integration of MobFox, mobile revenues increased 100% year over year and now account for approximately 30% of Matomy's total revenues. We are proud of this result and expect this contribution to increase significantly over the next few years as the mobile segment continues to evolve into one of Matomy's core revenue drivers.

In video, another core growth channel, we also saw significantly improved results driving top line growth and contributing to our improved EBITDA. Our acquisition of Optimatic, which occurred in November 2015, brings a unique video platform to Matomy, and confirms Matomy's position as a leader in the video space.

Underpinning these enhancements to our technology platform is our commitment to forging ahead as leaders in programmatic advertising, which we believe is the future of advertising due to the unparalleled efficiencies and improved results that it brings customers. Matomy is constantly innovating to improve productivity and efficiency in its digital advertising offering.

As one of the leading companies to offer the full suite of digital advertising services via a single gateway platform we are well positioned to capitalise on the significant market opportunities we see before us. Offering such a wide breadth of digital media services, with comprehensive end-managed solutions, makes Matomy a leading choice for companies when selecting a digital advertising partner.

2015 Trading performance

Our business offerings have continued to deliver a solid performance and, in some cases, such as our mobile and video activity, exceeded expectations, helping us grow our worldwide market share.

Furthermore, we maintained tight controls over costs as we streamlined processes and improved operational efficiency. Our efforts to prioritize cost control contributed to lower operating expenses for the year 2015, notwithstanding our investments in our long term strategy.

For 2015 we reported a 14% increase in revenue to $271.0 million on a GAAP basis (FY2014: $237.4 million), driven primarily by our identified strategic growth areas of mobile, video, domain monetisation and email activity. Adjusted EBITDA increased by 27%, delivering a 9.5% adjusted EBITDA margin. Excluding the effects of amortisation of new acquisitions and the one-time $7.3 million gain recorded in 2014 from the Team Internet acquisition, earnings per share increased to $0.15 (2014: $0.04), while on a GAAP basis, EPS decreased to $0.07. (2014: $0.10)

Geographically, Matomy is seeing the strongest growth in the Americas, which is Matomy's largest market, with revenue in that region increasing 21% ($31.7 million) to $180.8 million (FY2014: $149.1 million). This was driven by our increased focus on the U.S. market, due to the ongoing industry-wide shift towards real-time bidding and programmatic advertising, as well as increased video advertiser demand. Our European business saw challenging conditions which led to a decrease in revenues of 19%, or $12.7 million, to $54.5 million as we shifted our focus toward the U.S. and Asia.

Revenues in Asia climbed 34% ($2.9 million) to $11.5 million for the year ended 31 December 2015 as we initiated our expansion into Asia. We have recently completed the first stage of our expansion into Asia, which indicates very encouraging preliminary results. This is a market that we believe holds great promise - and we are continuing to direct resources toward further increasing our presence there in the near future.

Matomy's display and video activity continued to contribute the largest portion of the Group's overall global revenue, at 49%. The Group's domain monetisation segment experienced the largest percentage revenue growth in 2015, increasing by $31.7 million, or 140%, to $54.3 million. This increase was partially driven by the inclusion in 2015 of a full year of revenues from Team Internet, and by advertiser and publisher growth, the acquisition of the NameDrive domain parking business as well as the introduction of new ad types to DNTX. On a pro-forma basis, assuming Team Internet had been acquired in January 2014, revenue generated from domain monetisation increased 23% from $44.1 million in 2014. Email also saw significant growth, rising 67% to $34.4 million (2014: $20.5 million) as we saw, *inter alia,* the enhancement of direct CPMs budgets towards existing email activity.

Group operating profit increased 40% in the period on a GAAP basis to $12.1 million from $8.6 million in 2014.

2016 Priorities

Our key priorities for 2016 are as follows:

- Increase MobFox and Optimatic activity and exploit key features that differentiate these platforms and their offering from competitors thereby driving a broader market reach, to become recognised as a global leader in mobile and video advertising.
- Focus R&D on programmatic capabilities, to support growth through innovation, significantly improve efficiencies and increase value to customers and media partners.
- Further develop Matomy's mobile performance offering to provide a complete set of results-driven marketing strategies to a wider range of customers.
- Increased focus on the North American advertising market, with emphasis on investments and resource allocation in mobile, social and video to help drive growth.
- Following the initial successful entry into China and South Korea, accelerate Asia expansion strategy by building strong local teams with unique offerings for these markets.
- Leverage recent dual listing on the Tel-Aviv Stock Exchange to enhance our share liquidity, trading volumes, and the number of our shareholders.
- Continue to work to identify strategic acquisition targets which can complement Matomy's existing offering and enhance value to customers.
- Continue to invest in technological innovation and human capital, while maintaining control over costs.

Outlook

As we enter 2016, we are encouraged by our ongoing progress and increasingly confident about both our short-term and long-term prospects. The series of strategic and operational changes which we implemented in 2015 have enabled the business to come through a challenging first half of the year and report encouraging year-end results.

In 2016 our focus will be to build on our previous success with MobFox to establish Matomy among the global leaders in mobile performance-based advertising. Our MobFox investment will drive future revenue growth and propel forward our mobile segment, with the aim of 50% of revenues being generated by mobile by the end of 2017.

We will also leverage the Optimatic acquisition and Matomy's existing video activity to become among the global leaders in programmatic advertising. Accordingly, as we continue to grow and generate the increasing majority of our revenues from programmatic advertising, we expect our business to evolve and follow the prevailing industry practice and trends for programmatic.

We continue to invest constantly in new product innovation to support our proprietary technological offering and unique selling points. We also seek complementary acquisitions that further strengthen these capabilities. Our solutions continue to evolve as we remain committed to providing our customers and media partners with our unique multi-channel digital advertising solution supported by high levels of service and an in-depth understanding of the market.

There is still a significant, untapped global market where our services can be utilised. 2016 will mark our continued expansion into the Asia-Pacific market, as we look to launch our first two Asian offices in China and South Korea later this year. Furthermore, the U.S. continues to represent a major opportunity for us and we have already taken steps to grow our presence in the North American market, including relocating members of senior management to New York.

On behalf of our Board of Directors and the entire management team, I want to thank our customers, media partners, employees and shareholders for their continued confidence and support during this exciting period in Matomy's evolution.

Rupert Howell
Non-executive Chairman

Ofer Druker
Chief Executive Officer

KEY PERFORMANCE INDICATORS

Definitions

Active customers

Matomy defines an 'active customer' as a customer from whom Matomy has recognised revenues during the previous 12 months. Matomy defines a customer as a legal entity and/or an entity that has a unique invoicing relationship with Matomy, expressly excluding direct with advertising exchanges. Where Matomy has separate invoicing relationships with multiple brands, branches or divisions within an organisation, Matomy typically counts all such entities as a single customer. Matomy also counts a customer who runs campaigns in multiple media channels or geographic regions as a single customer. Matomy considers each advertising agency as a single customer, although such agency may have multiple clients for whom Matomy manages digital marketing campaigns. Matomy believes these criteria best identify customers that are actively using its solutions. Matomy believes that the growth of its active customers is an important indicator of its ability to grow its business overall, and that reporting its active customers based on the previous twelve-month period is more representative of its business because it takes into account seasonality.

Non-GAAP measures

	Year ended 31 December	
	2015	**2014**
Active customers (#)	5,163	5,157
Adjusted gross profit ($ million)	76.5	67.6
Adjusted gross margin (%)	28.2%	28.5%
Adjusted EBITDA ($ million)	25.7	20.3
Adjusted EBITDA margin (%)	9.5%	8.5%
Adjusted EBITDA less capex ($ million)	24.6	18.9
Adjusted net income ($ million)	8.2	7.2

GAAP measures (audited)

	Year ended 31 December	
Audited, $ million	**2015**	**2014**
Revenues ($ million)	271.0	237.4
Gross profit ($ million)	62.1	59.0
Gross margin (%)	22.9%	24.8%
Net income ($ million)	7.2	9.8
Basic EPS ($)	0.07	0.10

Reconciliation of GAAP measures to non-GAAP measures

The following table presents a reconciliation of adjusted gross profit to gross profit and to revenues, the most directly comparable financial measures calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December	
$ million	**2015**	**2014**
Revenues	271.0	237.4
Direct media costs..................................	(194.5)	(169.8)
Adjusted gross profit	**76.5**	**67.6**
Adjusted gross margin (%)	28.2%	28.5%
Other cost of revenues............................	(14.4)	(8.6)
Gross profit...	62.1	59.0

The following table presents a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December	
$ million	**2015**	**2014**
Net income..	7.2	9.8
Taxes on income..	2.7	1.8
Financial expenses (income), net.............................	2.2	4.1
Equity (gains)/ losses of affiliated companies, net	—	(7.0)
Depreciation and amortisation	12.6	6.9
Share-based compensation expenses.......................	0.8	1.4
Exceptional items	0.2	3.3
Adjusted EBITDA..	**25.7**	**20.3**

The following table presents a reconciliation of adjusted EBITDA less capex to adjusted EBITDA for the periods indicated:

	Year ended 31 December	
$ million	**2015**	**2014**
Adjusted EBITDA...	25.7	20.3
Purchase of property and equipment.......................	(1.1)	(1.4)
Adjusted EBITDA less capex..................................	**24.6**	**18.9**

The following table presents a reconciliation of adjusted net income to net income, the most directly comparable financial measure calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December	
$ million	**2015**	**2014**
Net income	7.2	9.8
Gain on re-measurement to fair value	—	(7.3)
Exceptional items	0.2	3.3
Share-based compensation expenses	0.8	1.4
Adjusted net income	**8.2**	**7.2**

OPERATIONAL REVIEW*

Revenues by Media Channel

The following table sets out Matomy's revenues by media channel for the years ended 31 December 2015 and 2014.

	Year ended 31 December		
($ millions)	**2015**	**2014**	
Display and video	133.4	139.3	(4.2%)
Email	34.4	20.5	67%
Mobile (web & in-app) (1)	26.4	25.7	2.8%
Social	12.8	13.5	(5.3%)
Domain monetisation	54.3	22.6	140%
Other(2)	9.7	15.8	(39%)
Total	**271.0**	**237.4**	

(1) Aggregate mobile traffic across all media channels contributed approximately 30% of Matomy's revenues in 2015.

(2) Primarily comprised of revenues from the search and virtual currency media channels.

*based on consolidated GAAP financial data

Display and video

Display and video media channel revenues decreased by $5.9 million, or 4.2%, to $133.4 million for the year ended 31 December 2015 (FY2014: $139.3 million), reflecting a shift away from traditional direct media buying through ad networks to programmatic direct buying from DSPs, offset by the increased demand for video ads. Video activity alone contributed $72.3 million in revenues, an increase of 84% year-on-year.

Email

Email media channel revenues increased by $13.9 million, or 67%, to $34.4 million for the year ended 31 December 2015 (FY2014: $20.5 million), partly attributable to the acquisition of the Avenlo business. Matomy benefited from synergies between the acquired business and its existing email activity, and also from higher direct CPMs budgets for email advertising.

Mobile (web & in-app)

Mobile media channel revenues*increased by $0.7 million, or 2.8%, to $26.4 million for the year ended 31 December 2015 (FY2014: $25.7 million). This reflects infrastructural and quality improvements, which included banning and taking out low quality traffic. Following these improvements the Company is experiencing a constant growth in MobFox revenues.

*Mobile media channel revenues relate solely to revenues generated from mobile web and in-app activities as opposed to aggregate mobile traffic which refers to traffic from mobile devices across all media channels.

Social

Social media channel revenues decreased by $0.7 million, or 5.3%, to $12.8 million for the year ended 31 December 2015 (FY2014: $13.5 million). This decrease reflects the global trend of certain direct advertisers reallocating resources toward in-house social media buying teams.

In addition, driven by Facebook's agency policy, advertisers increasingly make direct payment of media costs.

Domain monetisation

Domain monetisation media channel revenues increased by $31.7 million, or 140%, to $54.3 million for the year ended 31 December 2015 (FY2014: $22.6 million). About two thirds of this increase was due to the inclusion in 2015 of a full year of revenues from Team Internet, which was acquired in June 2014. In addition, three key factors supported the media channel’s organic growth: advertiser and publisher growth, the acquisition of the NameDrive domain parking business in June 2015 and the introduction of new ad types to DNTX.

Other media channels

Other media channel revenues decreased by $6.1 million, or 39%, to $9.7 million for the year ended 31 December 2015 (FY2014: $15.8 million). This decrease reflects Matomy's focus on its growth engines, such as mobile and video, and decreasing focus on less strategic activities such as virtual currency.

Revenues by Geography

The following table sets out Matomy’s revenues by geographical region for the years ended 31 December 2015 and 2014.

	Year ended 31 December	
($ millions)	**2015**	**2014**
Americas	180.8	149.1
Europe	54.5	67.2
Asia	11.5	8.6

Israel	0.3	0.3
Other	23.9	12.2
Total	**271.0**	**237.4**

Americas

Americas revenues increased by $31.7 million, or 21%, to $180.8 million for the year ended 31 December 2015 (FY2014: $149.1 million), representing 67% of global revenues, up from 63% in 2014. This increase reflects our increased focus and investment in the U.S. market due to the ongoing industry-wide shift towards real-time bidding and programmatic advertising, as well as increased video advertiser demand.

Europe

European revenues decreased by $12.7 million, or 19%, to $54.5 million for the year ended 31 December 2015 (FY2014: $67.2 million), mainly due to a shift of focus on high quality activities into the US and Asia.

Asia

Asia revenues increased by $2.9 million, or 34%, to $11.5 million for the year ended 31 December 2015 (FY2014: $8.6 million) due to Matomy's increased focus and investments in the Far East market, especially on the performance axis.

FINANCIAL REVIEW

Revenue

Revenue in 2015 increased by $33.6 million, or 14%, to $271.0 million (FY2014: $237.4 million). Several factors contributed to this growth, including the effect of the 2014 and 2015 acquisitions and a surge in the mobile and video media channels, mainly in the programmatic environment, offset by a decrease in web display revenues, which corresponded to the shift into increased mobile consumption.

Cost of revenues

$ millions, except as otherwise indicated	**2015**	**2014**
Direct media costs	194.5	169.8
Other cost of revenues	14.4	8.6
Cost of revenues	**208.9**	**178.4**
Gross margin (%)	23%	25%

Cost of revenues increased by $30.5 million, or 17%, to $208.9 million (77% of total revenues) for the year ended 31 December 2015 from $178.4 million (75% of total revenues) the year prior.

Matomy's cost of revenues primarily consists of direct media costs, and therefore the majority of the increase in cost of revenues in 2015 was driven by revenue growth, with adjusted gross margin remaining stable.

Cost of revenues also reflected an increase in allocated costs, in particular amortisation of technology assets from the 2014 and 2015 acquisitions, which contributed an additional $3.3 million in 2015, as well as server costs and other allocated expenses relating to the new acquisitions, all of which led to a decrease in gross margin.

Operating expenses

$ millions	2015	2014
Research and development	8.1	7.8
Sales and marketing	25.9	23.4
General and administrative	16.0	19.1
Total operating expenses	**50.0**	**50.3**
Total operating expenses as a percentage of revenues	18%	21%

Operating expenses decreased by $0.3 million or 0.6%, to $50.0 million for the year ended 31 December 2015 (FY2014: $50.3 million). Operating expenses as a percentage of revenues improved 3 percentage points to 18% for 2015 (FY2014: 21%) resulting in an operating margin of 4.5% (2014: 3.6%).

Operating expenses decreased both as a result of corporate restructuring which included decreasing headcount and increased business focus, and increase in automated programmatic technological tools which increase efficiency and reduce manual labour. In 2015 almost 60% of Matomy's activities were programmatic.

Research and development expenses increased by $0.3 million, or 3%, to $8.1 million (FY2014: $7.8 million). This reflects an increased investment in programmatic proprietary technologies leading to increased R&D headcount in 2015 compared to 2014, partly offset by the effect of R&D capitalisation during 2015.

Sales and marketing expenses increased by $2.5 million, or 11%, to $25.9 million (FY2014: $23.4 million). This increase primarily represents customer relationship amortisation costs which increased by $2.4 million in 2015 compared to 2014, due to the 2015 new acquisitions and the first full year of amortisation of the 2014 acquisitions. This was offset by reduced salary and related allocated costs after restructuring of the existing business units to leverage operational advantages and provide a unified media offering. In total, the 2015 acquisitions contributed sales and marketing expenses of $0.6 million.

General and administrative expenses decreased by $3.1 million, or 17%, to $16.0 million (FY2014: $19.1 million), primarily due to the one-time IPO bonuses of $3.1 million paid during 2014. While $0.7 million expenses were added by the 2015 acquisitions, these were offset by the efficiencies generated by the restructuring process and resulting reduction in headcount.

Financial expenses

Financial expenses, net, decreased by $1.9 million to $2.2 million for the year ended 31 December 2015 (FY2014: $4.1 million). This decrease reflects revaluations recorded on assets and liabilities not denominated in dollars, caused by movements in foreign exchange rates, which were much less significant than those recorded during 2014, in particular the USD–ILS and USD–EUR rates. In relation to these movements, Matomy recorded a decrease in financial expenses of $1.8 million arising from the use of hedging instruments. A further decrease of $0.2 million was due to the repayment of loans over the period, leading to a reduction in interest payable.

Equity gains

Equity gains (losses) of affiliated companies, net, were negligible in the year ended 31 December 2015 compared to a gain of $7.0 million in the prior year. This change primarily reflects the one-off gain of $7.3

million recorded in 2014, resulting from revaluing the prior equity interest in Team Internet held before Matomy acquired a controlling 70% stake in June of that year. In addition, an impairment of $0.5 million in the Uppsite investment was recognised in 2014 due to Uppsite's intention to enter liquidation, as well as various smaller gains and losses from the other affiliated companies.

Taxes on income

Taxes on income increased by $0.9 million to $2.7 million for the year ended 31 December 2015 (FY2014: $1.8 million), reflecting the increased pre-tax income.

Matomy is subject to corporation tax on its income, principally in Israel, the United States and Germany, as well as other jurisdictions in which Matomy has operations. Matomy's effective corporate tax rate was 27% in the year ended 31 December 2015, and 39% in the year ended 31 December 2014.

Matomy's effective corporate tax rate was lower in 2015 compared to 2014 primarily due to significant exchange rate movements between the Israeli shekel and other currencies during 2014, which increased finance expenses and reduced pre-tax income in the consolidated results when presented in the Group reporting currency of US dollars, but did not affect the results denominated in Israeli shekels on which Matomy's tax expenses in Israel are calculated. The effective corporate tax rate in 2014 without taking into account these finance expenses would have been 17.7%. The increase in 2015 to an effective corporate tax rate of 27% was due to increased profits in Germany and the US, where corporate tax rates are higher.

The Israeli statutory corporate tax rate was 26.5% in both 2015 and 2014. Matomy's effective corporate tax rate is lower than the Israeli statutory corporate tax rate because Matomy benefits from a reduced corporate tax rate under the Israeli privileged enterprise programme. Under this programme, a portion of Matomy's income is subject to reduced corporate tax rates in Israel as long as Matomy continues to meet various conditions.

Matomy's US operations (including Matomy USA, Inc. and Optimatic, Inc.) are subject to US federal, state and foreign income taxes. In 2015, Matomy's US operations had taxable income which was partially offset by brought forward losses, resulting in a liability for state tax only and a minimal foreign income tax liability, while in 2014, Matomy's US operations had net operating losses and incurred minimal state and foreign income tax liabilities. To date, Matomy has not been required to pay US federal income taxes since its US operations have accumulated net operating losses.

Team Internet is subject to German corporate and trade taxes. The effective tax rate of Team Internet on a standalone basis was 32% in 2015 (33% in 2014).

Net income

Net income decreased by $2.6 million to $7.2 million for the year ended 31 December 2015 (FY2014: $9.8 million), primarily due to the one-time accounting gain of $7.3 million recorded in 2014 which was attributable to the acquisition of Team Internet.

Revaluation of redeemable non-controlling interests

As of 31 December 2015, Matomy's $35.4 million in redeemable non-controlling interests consisted of:

- $1.1 million relating to Matomy Social;
- $33.0 million relating to Team Internet; and
- $1.3 million relating to Avenlo.

The statements of income for the years ended 31 December 2015 and 31 December 2014 also reflect the previously existing non-controlling interest in Matomy Mexico.

Redeemable non-controlling interests are classified as mezzanine equity, separate from permanent equity, on the consolidated balance sheets and measured at each reporting period at the higher of their redemption amount or the non-controlling interest book value.

Amortisation of intangible assets

Amortisation expenses amounted to $11.4 million for the year ended 31 December 2015, an increase of $5.6 million from amortisation expenses of $5.8 million for the year ended 31 December 2014. Of this increase, $1.9 million was due to amortisation of the intangible assets Matomy acquired in the Avenlo and Optimatic acquisitions, and a further $3.9 million increase reflected the first full year of amortisation of the Team Internet acquisition.

Exceptional items

Matomy views the following items, which were recorded in profit and loss, as exceptional as they are material to the financial statements and non-recurring and therefore were excluded from non-GAAP measures.

- Transaction costs associated with M&A activity amounting to $0.2 million in both 2015 and 2014;
- IPO-related bonuses amounting to $3.1 million, in 2014 only.

Liquidity and cash flows

The following table sets out selected cash flow information for Matomy for the years ended 31 December 2015 and 2014.

	Year ended 31 December	
$ millions	**2015**	**2014**
Net cash provided by (used in) operating activities..........	18.7	(0.4)
Net cash used in investing activities	(29.5)	(33.8)
Net cash provided by (used in) financing activities	(9.9)	71.2
Effect of exchange rate differences on cash.....................	-*	(0.6)
Increase (decrease) in cash and cash equivalents	(20.7)	36.4
Cash and cash equivalents at beginning of period	48.0	11.6
Cash and cash equivalents at end of period	27.3	48.0

-* Represents amounts less than $0.1 million.

(A) *Net cash used in / provided by operating activities*

Matomy's net cash used in / provided by operating activities increased by $19.1 million to an $18.7 million inflow for the year ended 31 December 2015 (FY2014: $0.4 million outflow).

In 2015, net cash provided by operating activities consisted of $7.2 million in net income and $10.8 million relating to non-cash expenses, and $0.6 million relating to net changes in working capital. Non-cash expenses were primarily depreciation and amortisation of $12.6 million, significantly higher than prior years due to amortisation related to the 2014 and 2015 acquisitions, stock-based compensation expense of $0.9 million, less decreases in deferred taxes of $2.4 million.

For the year ended 31 December 2014, Matomy's net cash used in operating activities consisted of $9.8 million in net income, less $1.0 million relating to non-cash expenses, less $9.2 million used to fund net changes in working capital. Non-cash expenses were primarily depreciation and amortisation of $6.9 million, stock-based compensation expense of $1.4 million, less decreases in deferred taxes of $2.4 million, as well as the gain on achieving a controlling stake in Team Internet of $7.3 million.

Net changes in working capital in 2015 were mainly driven by a decrease of $5.0 million in trade receivables, less the effects of an increase of $3.0 million in other receivables and a decrease of $1.5 million in trade payables. The remaining amount consisted of smaller movements in various other assets and liabilities. Trade receivables in 2015 were influenced by improved collection procedures implemented during the year, reducing the balance of video advertising customers, which typically have longer payment terms. Other receivables increased in 2015 primarily due to the acquisition of domains held for sale.

(B) *Net cash used in investing activities*

Net cash used in investing activities decreased by $4.3 million to $29.5 million for the year ended 31 December 2015 (FY2014: $33.8 million). In 2015, net cash used in investing activities included a $17.9 million investment in Optimatic, a $5.6 million investment in Avenlo, $2.7 million paid to acquire an advertiser list, and a $3.3 million investment in property and equipment including capitalised R&D costs.

For the year ended 31 December 2014, net cash used in investing activities included a $22.4 million investment in Team Internet, a $10.0 million investment in MobFox and a $1.6 million investment in property and equipment including capitalised R&D costs.

(C) *Net cash used in / provided by financing activities*

Net cash used in / provided by financing activities decreased by $81.1 million to a $9.9 million outflow for the year ended 31 December 2015 (FY2014: $71.2 million inflow).

In 2015, net cash used in / provided by financing activities related primarily to a $5.3 million net decrease in outstanding term loans, $5.8 million total payments to non-controlling interests and earnout payments, less $1.2 million of proceeds from option exercises during the year.

For the year ended 31 December 2014, net cash used in financing activities related to $61.5 million IPO proceeds, net of expenses, a $10.0 million net increase in outstanding term loans, and $1.7 million proceeds from sale of treasury shares, less $1.7 million of short-term bank credit repaid during the year.

As of 31 December 2015, Matomy had $13.8 million in term loans. Of those, $6.4 million are due within one year.

(D) *Effect of exchange rate differences in cash*

Effect of exchange rate differences derive from the differences between Matomy's functional currency of US dollars, and the foreign functional currency of euros used by certain of Matomy's affiliated companies. For the period under review, exchange rate differences did not have a material effect on Matomy's cash flow.

NOTES TO FINANCIAL STATEMENTS

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired.

Matomy's goodwill was acquired mainly through the 2013, 2014 and 2015 acquisitions.

Matomy performs an annual impairment test during the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine whether the net book value of a reporting unit exceeds its estimated fair value. During the years ended 31 December 2015 and 2014, no impairment losses were identified.

Segments

Our chief operating decision-maker is our Chief Executive Officer. On a monthly basis, the CEO reviews revenue and adjusted EBITDA at Group level, as well as revenue at the level of media channels, for the purposes of allocating resources and evaluating financial performance.

As a result, Matomy operates in a single reportable segment as a provider of marketing services.

Acquisitions

On 13 November 2015, Matomy completed the acquisition of 100% of the issued and outstanding shares of Optimatic Media Inc. ('Optimatic') for a total consideration of $33.6 million. Optimatic is a leading programmatic technological video platform company that enables top-tier publishers to manage their inventory programmatically and a full suite of digital video Supply Side Platform capabilities. Optimatic developed a unique proprietary video platform and is considered a leader in the video space.

On 15 April 2015, Matomy completed the acquisition of 70% of the issued and outstanding shares of a newly formed company, Avenlo Media Group Inc. ('Avenlo') that has purchased the principal business activity and operations of Maven Marketing Group Inc., for a total consideration of $22.9 million. On 8 March 2016, subsequent to the balance sheet date, Matomy signed an amendment to the purchase agreement, revising the total consideration to $10.8 million. Avenlo is a performance email marketing and ad targeting company, incorporated in Canada.

On 31 October 2014, Matomy completed the acquisition of the assets and liabilities of MobFox Mobile Advertising GmbH ('MobFox') for a total consideration of $19.7 million. MobFox offers a one-stop, integrated mobile programmatic advertising solution for publishers and advertisers through its technology platform which facilitates online trading of advertising in multiple formats for mobile devices.

Matomy acquired an additional 50% of the issued and outstanding shares of Team Internet AG ('Team Internet') on 19 June 2014 for a consideration of €19.7 million ($26.8 million). Team Internet is a direct search navigation and domain monetisation company based in Munich, Germany. Following the acquisition, Matomy holds 70% of the issued and outstanding shares of Team Internet.

Earnings per share

Matomy's basic earnings per share decreased by $0.03, or 29%, to $0.07 for the year ended 31 December 2015 (FY2014: $0.10 EPS). This change was influenced by a 17% decrease in after-tax profit, which as noted above, was primarily due to the one-time $7.3 million accounting gain in 2014. In addition, there was a 16% increase in the weighted average number of outstanding shares mainly due to the inclusion of the shares issued in Matomy's IPO for a full financial year (compared to 6 months in 2014), as well as an increase in share option exercises in 2015 compared to 2014, and the share issue related to the Avenlo acquisition in Q2 2015.

Treasury shares

As part of the acquisition of Team Internet in 2014, 1,625,659 ordinary shares of Matomy, which were owned by Team Internet and acquired through the transaction, were reclassified as treasury shares. Team Internet's minority shareholders are entitled to an 80% share in gains derived from these shares, which is classified as a redeemable non-controlling interest.

In October 2014, 414,423 of these treasury shares were sold and 80% of the gain was allocated to Team Internet’s minority shareholders.

As of 31 December 2015 Team Internet holds 1,211,236 shares in Matomy.

Financial Obligations and Covenants

Matomy’s financial obligations and commitments as at 31 December 2015 were as follows:

$ million	Due within 1 year	Due >1 year	Total
Term loans..	6.4	7.4	13.8
Operating lease obligations	2.1	7.0	9.1
Total	8.5	14.4	22.9

In June 2014, Matomy entered into a $21.6 million term loan agreement with an Israeli bank. In relation to this loan, Matomy is required to comply with certain covenants, as defined in the loan agreement and its amendments. As of 31 December 2015, Matomy was in full compliance with the financial covenants.

Matomy also has access to a line of credit from the same bank. As of 31 December 2015, this credit line was not in use.

The line of credit and loans are secured by way of: (i) a fixed charge over Matomy’s unpaid equity; and (ii) a floating charge over certain of its assets of Matomy.

In August 2015, Matomy’s subsidiary Buyname entered into a term loan of $1.3 million from a German bank.

Financial reporting

This financial information has been prepared under US GAAP principles and in accordance with Matomy's accounting policies. There have been no material changes to Matomy's accounting policies during the year ended 31 December 2015.

Going concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits.

After making due enquiry, the Directors fully expect Matomy and its subsidiaries have adequate resources to continue operational existence for the foreseeable future and therefore adopt the going concern principle.

Principal risks

The Directors assess and monitor the key risks of the business on an ongoing basis. The principal risks and uncertainties that could have a material effect on the Group's performance as set out in detail in the section entitled ‘Risk Factors’ of the Group's IPO prospectus (the ‘Prospectus’) dated 9 July 2014 and updated from time to time. These include, *inter alia*, the following:

- Certain internet and technology companies may intentionally or unintentionally adversely affect Matomy’s operations, mainly due to announced or unannounced changes and restrictions by such companies.
- The delivery of digital ads and the recording of the performance of digital ads are subject to complex regulations, legal requirements and industry standards, including with respect to fraud, transparency, viewability and overall ad quality.
- Matomy relies partly on performance-based revenues.
- The digital advertising industry is highly competitive and fragmented and currently experiencing consolidation, resulting in increasing competition.
- Matomy is dependent on relationships with certain third parties with significant market positions.
- Matomy relies on the continued compatibility of the Matomy Performance Platform with third-party operating systems, software and content distribution channels, as well as newly-acquired systems.
- Matomy may be subject to third-party claims brought against it.
- Akey part of Matomy’s growth strategy relates to acquisitions and the ability to effectively integrate and manage them.
- Matomy is an Israeli-domiciled company having its shares admitted to trading on the High Growth Segment of the London Stock Exchange plc's Main Market and on the Tel Aviv Stock Exchange. As such the rights and obligations of shareholders are governed by Israeli law and differ in some respects from English law and share trading is subject to certain settlement mechanics between the UK and Israel.

Forward-looking statements

Certain statements in this full-year report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will be fulfilled. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Directors’ responsibility

The Directors confirm that to the best of their knowledge the condensed set of final audited financial statements, which has been prepared in accordance with US GAAP principles, gives a true and fair view of the assets, liabilities, financial position and profit of the undertakings included in the consolidation as a whole as required by DTR 4.2.4.

Sagi Niri
Chief Financial Officer