TREMOR VIDEO INC.
Form 10-K
March 15, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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, 2015

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)

Delaware	**20-5480343**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1501 Broadway, Suite 801, New York, NY	**10036**
(Address of principal executive offices)	(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:	**Name of each exchange on which registered:**
Common Stock, $0.0001 par value per share	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 x

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 x

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 x 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 x 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. x

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	o		Accelerated filer	x
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $124.7 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 8, 2016, there were 52,563,181 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 2016 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, 2015.

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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, obj plan, predict, project, potential, should, will, or would, and or the negative of these terms, or other comparable terminology intended t 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 outcome-based pricing models;
- our ability to increase revenue from new and existing buyers;
- the adoption of our programmatic solutions for buyers and sellers;
- 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 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 our clients;
- 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;

- costs associated with defending intellectual property infringement, securities and other claims;
- potential acquisition and integration of complementary business and technologies;
- expected investments or expenditures;
- 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., we or us, provides software for video advertising effectiveness. Our buyer and seller platforms enable seamless transactions in a premium video marketplace by offering control and transparency to our clients. Our technology optimizes performance of video ad campaigns across all screens, including computers, smartphones, tablets and connected TVs, to make advertising more relevant for consumers and deliver maximum results for buyers and sellers of video advertising.

Our buyer platform enables advertisers, agencies and other buyers of advertising, which we collectively refer to as buyers, to discover, buy, optimize and measure the effectiveness of their video ad campaigns. Our proprietary technology analyzes video content, detects viewer and system attributes, and leverages our large repository of stored and integrated third-party data to optimize and target the delivery of ad campaigns to achieve a broad spectrum of marketing goals from audience reach to more sophisticated goals such as engagement, brand lift and viewability. Through our All-Screen optimization solution, buyers are able to choose a single campaign goal and our technology will optimize delivery of the campaign across a broad inventory pool to find the right viewer wherever they may be watching video, eliminating the need to allocate campaign budgets to a specific screen or device. Our advanced analytics suite enables buyers to gain a deep understanding of the drivers of campaign performance and obtain reporting on key brand performance metrics such as viewability, as well as TV-like metrics that measure reach and frequency of viewing by a particular audience.

We empower video ad buying however a buyer wants to transact through. Buyers can purchase advertising on our buyer platform on a guaranteed and fully managed basis through the use of insertion orders. For these campaigns, our team of specialists manages the delivery of the campaign according to an agreed set of objectives at a pre-negotiated fixed price and we are required to secure all inventory to fulfill the campaign. In addition, buyers can transact directly on our buyer platform through the Tremor Video DSP, an intuitive and customizable user interface that allows them to actively manage the execution of their campaigns on a programmatic basis. Campaigns run through the Tremor Video DSP are typically non-guaranteed and utilize our real-time bidding and optimization technology to maximize a buyer s campaign spend for delivery against a given campaign objective. The Tremor Video DSP is directly integrated with a number of video inventory sources, enabling buyers to dynamically purchase ad impressions through a robust auction environment as well as through private marketplaces that connect buyers directly to selected sellers. The Tremor Video DSP can be accessed on a self-service basis or at varying levels of managed service, depending on the preferences of the buyer.

To better align our solutions with the specific needs of buyers on a given campaign, we offer a number of different pricing models through our buyer platform, including proprietary outcome-based pricing models such as cost per-engagement, or CPE, pricing where we are compensated only when viewers actively engage with buyers campaigns, or 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. Our outcome-based pricing models typically generate higher gross margins than other campaigns running through our buyer platform that are based on more traditional CPM (cost per thousand impressions) pricing models because we are often able to serve our clients outcome-based goals with a lower number of purchased impressions.

We also offer a seller platform, the Tremor Video SSP, which helps suppliers of video advertising inventory, or sellers, improve yield and maximize the value of their inventory by enabling their programmatic sales efforts. Sellers on the Tremor Video SSP can make inventory available to buyers through an open exchange, where buyers bid on inventory in a robust auction environment, or through private marketplaces so that only selected buyers have the opportunity to purchase video ad inventory. Through the Tremor Video SSP, we provide sellers with tools to manage their supply hierarchies and demand tiers, and offer real-time reporting that allows sellers to effectively monitor bidding activity on their inventory. Buyers connect to sellers on the Tremor Video SSP through third-party demand side platforms, or third party DSPs, that are integrated directly with our seller platform. In addition, the Tremor Video SSP is one of many inventory sources that is connected to the Tremor Video DSP; accordingly, buyers on the Tremor Video DSP are able to dynamically purchase advertising inventory on the Tremor Video SSP.

Industry Background

Online video advertising is among the fastest growing advertising formats worldwide. 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 across screens. We believe this growth will continue to accelerate as traditional television content migrates online.

Online video advertising offers brand advertisers a number of advantages over more traditional advertising solutions, such as the ability to measure and analyze large repositories of data in real-time and optimize the delivery of an ad campaign for a specific campaign objective or target audience. Online video provides buyers with unprecedented control over the direction and targeting of their ad campaigns and offers transparency into what is driving performance, giving marketers the ability to effectively measure the return on their brand advertising dollars. We believe that online video is a highly effective channel for brand advertisers to meet their advertising 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.

As online video advertising continues to scale and evolve, the need for software solutions that automate the process for planning, buying and measuring video advertising across screens has become more pronounced. Recently, an increasing amount of online video advertising is being transacted programmatically. Programmatic buying refers to the automated purchase of digital advertising through technology, including the use of real-time bidding technology that allows for the dynamic purchase and sale of advertising inventory on an impression-by-impression basis. This technology enables buyers and sellers to efficiently transact in an open auction environment or through private marketplaces that seamlessly connect buyers and sellers of video advertising.

Despite the tremendous growth opportunity for the online video advertising market, there are a number of 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 screens; ensuring that video ads are viewable to viewers; the absence of performance transparency; scarcity of premium inventory; reliance on multiple technology providers and intermediaries; challenges combatting fraudulent activities and brand safety issues; and the lack of consistent and standard measurements.

Tremor Video Technology and Solutions

We provide software for video advertising effectiveness. Our buyer and seller platforms enable seamless transactions between buyers and sellers of advertising in a premium video marketplace.

Buyer Platform

Our buyer platform enables buyers to efficiently discover buy, optimize and measure the effectiveness of their video ad campaigns. Through our buyer platform we deliver:

- *Advanced optimization for brand performance*. We have developed a suite of brand-centric key performance indicators, or KPIs, such as engagement, viewability and brand preference (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 and designed specifically for video. Before the launch of a video advertising campaign, a buyer selects the KPI against which it wants to optimize the performance of its campaign. Using a proprietary algorithm, our technology 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, content category, length of video and viewer data, including demographic information and viewing history. Our technology 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, our technology will continuously track and analyze the signals described above to determine which are most correlated with achieving a high engagement rate and direct campaign spend towards video ad inventory that meet these criteria.

- *All-screen optimization.* Our all-screen optimization solution for in-stream video advertising enables buyers to select a single KPI and our technology will optimize delivery of the campaign across screens 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.

- *Precision targeting*. In addition to offering optimization against a suite of brand-centric KPIs, our technology enables precise targeting across specific signals such as demographics, geography and player-size. We also enable buyers to target consumers using first-party data or data from integrated third party data management platforms.

- *Scale and reach.* Our buyer platform delivers scale and reach across multiple internet-connected devices, including computers, smartphones, tablets, and connected TVs, enabling buyers to use our solutions to address their online video advertising needs across screens. We continuously evaluate and refine our network of sellers to ensure that

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buyers have access to high performing content in a brand safe environment. We often partner with sellers on an exclusive basis, meaning that only we and the sellers direct sales force are able to sell their video ad inventory.

- *Tremor Video DSP*. Buyers are able to directly access our buyer platform through the Tremor Video DSP user interface, which allows them to actively manage the execution of their campaigns. Buyers are able to manage settings from account level, advertiser level, campaign level or placement level to create workflow efficiency. The Tremor Video DSP utilizes our proprietary real-time bidding and optimization technology to maximize a buyer s campaign spend for delivery against a given campaign objective. The Tremor Video DSP is a fully automated solution that can be accessed on a self-service basis, or at varying levels of managed service depending on the buyer s preference.

The Tremor Video DSP is directly integrated with the largest video supply side platforms, enabling the dynamic purchase of individual ad impressions utilizing real-time bidding technology in an open exchange as well as through private marketplaces that connect buyers directly to selected sellers of video advertising inventory. Our Deal Manager solution allows buyers on the Tremor Video DSP to discover, activate and analyze all of their private market place deals through one central console. Buyers can explore and purchase pre-approved packages of inventory that have been curated for performance against a given metric or seamlessly execute direct buys with specific sellers, while monitoring performance in real time.

- *Advanced Analytics.* We provide buyers with advanced analytics and measurement tools so that they can understand the true performance of their ad campaigns, relieving them from the need to integrate and support multiple, disparate technologies, including:

- *Ad performance transparency.* We provide buyers with transparency into the workings of our 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.* Our technology analyzes whether a video ad placement is fully, partially, or not visible to a viewer. Our platform is also integrated with third party technology providers that provide independent metrics for measuring and validating viewability. Buyers are able to optimize delivery of their video campaigns to maximize viewability and we offer pricing models where a buyer only pays for viewable impressions.

- *Cross-site measurement.* Our proprietary measurement tools enable buyers to compare video inventory quality across sellers by measuring attributes such as viewability, the size of the video player and ad completion rate. When coupled with pricing information, these insights help buyers compare the relative value of video inventory across sellers.

• *TV-like buying and measurement.* Our buyer platform enables advertisers to buy and measure video advertising in a manner consistent with the television industry, using metrics such as gross rating points, or GRPs, which are a measure of reach and frequency among a target audience, and verify the audience they reach using Nielsen reporting. These functions help buyers unify the planning and measurement of TV and online video advertising campaigns.

• *Brand safety*. Our buyer platform offers advanced solutions for combating fraudulent or objectionable ad placements. Through server-to-server integrations with third party technology providers, our platform preemptively and in real-time prevents the placement of advertising to inventory that is identified as being potentially fraudulent. We also offer solutions that block placements of advertising to brand conflicting properties or page content that is identified as being inappropriate or unsafe for the brand.

• *Advanced ad formats.* Our proprietary ad formats give buyers 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. Our creative team often works with buyers to create custom ad units prior to the launch of an advertising campaign.

• *Integrated data and technology partners.* In addition to our proprietary technology, our buyer platform is integrated with a suite of third-party technologies, including data management platforms to enhance audience targeting. For instance, our ProximityPlus targeting solution, which uses third party geo-behavioral data from smartphones to create advanced audience segments around consumer intent and behavior, and our SocialAffinity targeting solution, which relies on a panel of third party social data to target consumers who have a higher propensity to like a brand

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based on their affinities. We are also integrated with a number of third-party technologies that offer placement verification and reporting services. By offering access to these integrated technologies through a single platform, we reduce complexities faced by buyers utilizing multiple technology providers.

- *Full spectrum buying options.* Our buyer platform empowers video ad buying however a buyer wants to transact. We offer varying levels of client service, from fully managed to self-service, based on the individual preference of a buyer. Buyers can purchase advertising through guaranteed pricing models as well as non-guaranteed pricing, and can transact through open auction or private marketplaces with specific sellers. Our deal-manager allows buyers to actively track all of their campaigns from one central platform console.

- *Proprietary pricing models.* We offer innovative brand outcome-based pricing for in-stream video advertising that allow buyers to purchase measurable brand results, such as:

- CPE pricing, where we are compensated only when viewers actively engage with buyers 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 buyers are attracted to our outcome-based pricing models because these models more closely tie advertising spend to actual campaign performance.

Seller Platform

Our seller platform, the Tremor Video SSP helps sellers improve yield and maximize the value of their video inventory by enabling their programmatic sales efforts.

- *Robust auction environment*. The Tremor Video SSP is directly integrated with the leading video demand side platforms, including the Tremor Video DSP, creating a robust marketplace through which sellers are able to efficiently monetize their advertising inventory in an open auction real-time bidding environment. Server-to-server integrations with third party DSPs are multi-faceted and often require several months of testing and technical trouble-shooting to ensure that the third party DSP is able to access the full functionality of our platform. These server-to-server integrations significantly reduce latency and response time.

- *Private marketplaces*. The Tremor Video SSP enables sellers to establish private marketplaces with buyers. Private marketplaces can be transacted through invite only auctions, where select buyers are given the opportunity to bid on a curated set of publisher inventory at a pre-negotiated price on a non-guaranteed basis. For instance, a buyer can access a private marketplace on the Tremor Video SSP that consists of sellers that have been specifically selected because they are likely to have a high number of viewable impressions. In addition, private marketplaces can directly connect a given buyer to a seller on our Tremor Video SSP, allowing them to efficiently transact on a guaranteed or non-guaranteed basis without the need for manual insertion orders.

- *Inventory management tools*. We provide sellers with the tools and controls to manage their inventory across multiple devices and platforms. These tools enable sellers to establish supply hierarchies and demand tiers, set minimum price floors, and define advertiser and category level black and white lists to manage potential sales channel conflicts.

- *Advanced real-time reporting*. Real-time reporting provides up-to-the-second data, allowing sellers to effectively monitor buyers buying patterns and make instant changes to take advantage of market dynamics and maximize their yield.

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Clients

Buyers

We maintain close relationships directly with brand advertisers and we consider them to be our clients, as the video ad campaigns we run are ultimately those of the advertiser and we work closely with them to execute their campaigns. However, we primarily market and sell our buyer platform to advertising agencies, including agency trading desks, which often plan and execute programmatic transactions on behalf of an agency.

Buyers are able to access our buyer platform 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 addition, buyers can transact directly on our buyer platform through the Tremor Video DSP. The Tremor Video DSP can be accessed on a self-service basis or at varying levels of managed service, depending on the preferences of the buyer. Typically, the Tremor Video DSP is utilized by agency trading desks on behalf of brand advertisers.

Buyers are also able to connect to inventory on the Tremor Video SSP through third party DSPs. Third party DSPs purchase advertising inventory on the Tremor Video SSP through server-to-server integrations, in an open auction environment or through private marketplaces. Campaigns running through third-party DSPs do not utilize our technology for optimizing campaign delivery or making bidding decisions; rather, the DSP will bid on inventory using its own decision engine. While the third-party DSP is responsible for bidding decisions, the overall direction of the advertising spend is typically determined by the advertiser or advertising agency.

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 2015, 2014 or 2013.

Sellers

Sellers own or operate websites and applications through which video advertisements can be delivered to consumers as they navigate across screens, including computers, smartphones, tablets and connected TVs. Sellers provide us with the content, or video advertising inventory, within which video advertising campaigns are delivered on our buyer platform. Sellers also utilize the Tremor Video SSP as a yield-optimization and supply management tool to improve their selling efforts.

One of the primary factors on which buyers judge our buyer platform offering is the ability to provide access to premium and unique advertising inventory at scale. We judge the quality of advertising inventory based on a number of factors, including whether content has been professionally produced, the quality of the video viewing experience, including size and placement of the video player, and its performance results against key brand performance objectives. In order to secure premium video inventory, we sometimes partner with sellers on an exclusive basis. These arrangements typically have a one year term and provide for a minimum fill rate, or a percentage of video ad inventory made available by the seller, that we must purchase in a given month.

The Tremor Video SSP helps sellers improve their yield and maximize the value of their video inventory by enabling their programmatic sales efforts. Sellers 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 a selected buyer or buyers have the opportunity to purchase video ad inventory. We provide sellers with the tools and controls to manage their inventory across multiple devices and platforms. These tools enable sellers to establish supply hierarchies and demand tiers, set minimum price floors, and define advertiser and category level black and white lists to manage potential sales channel conflicts. Real-time reporting provides up-to-the-second data, allowing sellers to effectively monitor buyers buying patterns and make instant changes to take advantage of market dynamics and maximize their yield.

In addition to our direct relationships with sellers of premium video inventory, we have also partnered with third-party video supply side platforms, networks and exchanges that represent video inventory from multiple sellers in order to provide our buyer clients with access to a broad and diverse inventory pool. Our buyer platform is directly integrated with the largest third-party supply side platforms enabling buyers to purchase video inventory through a robust auction environment as well as through private marketplaces.

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Technology and Development

We have incurred substantial technology and development expenses developing, maintaining and improving the technology that underlies our buyer and seller platforms. We believe that technology innovation is key to our success and we intend to continue to invest in the development of new feature sets and functionalities as well as enhancements to our existing product suite. As of December 31, 2015, we had a total of 102 employees engaged in technology and development functions. For 2015, 2014, and 2013, our total technology and development expenses were $20.2 million, $17.0 million, and $11.6 million, respectively, reflecting our continued investments in technology and the launch of new products and offerings.

Sales

As of December 31, 2015, we had total sales and marketing staff of 195 employees. For 2015, 2014, and 2013, our total sales and marketing expenses were $48.9 million, $42.6 million, and $38.5 million, respectively.

Buyer Platform Sales

Our sales strategy is focused on targeting the most video ready brand advertisers, including those advertisers that are large traditional television advertising spenders. We 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 brand advertisers, advertising agencies and agency trading desks.

Our buyer focused sales force is generally structured around core vertical markets, including automotive, CPG, entertainment, technology and telecommunications, retail and financial services. In addition, certain members of our sales team are focused on establishing relationships with key decision makers within the largest advertising agencies and agency trading desks, in particular as relates to the Tremor Video DSP offering. Our sales team is supported by engineers with deep technical expertise.

Sales executives and account managers are assigned to specific advertisers to oversee relationships. For managed service campaigns, 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.

We generally locate sales and marketing personnel across the United States to align with the geographies of buyers and the vertical markets that we serve.

Seller Platform Sales

Our seller initiatives utilize a full-service development and support strategy. Our seller focused sales team is responsible for ensuring that we are meeting the ongoing needs of our sellers throughout the duration of the relationship, and is supported by engineers with deep technical expertise. We invest significant time in identifying and cultivating relationships with sellers to ensure they understand the potential benefits of monetizing their inventory with us, and in order to secure access to premium advertising inventory for buyers.

Our seller team is focused on fostering adoption and overall market awareness of the Tremor Video SSP solution. We also maintain a sales team that is focused on identifying and increasing spend from third-party DSPs that transact on the Tremor Video SSP. Our team of technical account managers monitors third-party DSP bidding activities and provides recommendations that inform their trading practices, including insights around bidding behaviors and forecasting tools that assist in media planning. Our sales team also collaborates with DSPs to create private marketplaces with select sellers on the Tremor Video SSP through custom deal configurations.

The relationship building process can be time consuming and we have invested significant resources in establishing relationships with our seller 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

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development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations. We compete with large online video publishers such as Google, Inc., Facebook, Inc., AOL Inc. and Yahoo! Inc. that offer video advertising services as part of a larger solution for digital media buying, as well as advertising technology companies, advertising networks, demand side platforms, supply side platforms and exchanges. We also compete for advertiser spending with large sellers who rely on their own sales organizations to attract buyers across their properties. In the traditional media space, our primary competitors for advertising spend are mainly TV broadcasters, radio broadcasters and print media publishers. Many of these competitors have significant client relationships, much larger financial resources and longer operating histories than we have.

With respect to our buyer platform, we believe that we compete for advertising spend primarily on the basis of proven technology and optimization capabilities, pricing, quality and scale of online video inventory, depth and breadth of relationships with buyers and sellers, all-screen capabilities, brand-centric measurement, and ability to ensure brand safety and transparency into ad performance and placement. With respect to our seller platform, we believe that we compete primarily on the basis of the speed and ease of use of our platform, the quality of tools that we provide to sellers to control their inventory and maximize yield, our ability to provide demand to sellers at scale, and our ability to provide real-time reporting and analytics.

We believe that we compete favorably with respect to all of these factors and that we are well positioned as a leading provider of software solutions for video advertising effectiveness.

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 five pending U.S. patent applications that we are currently prosecuting with the U.S. Patent and Trademark Office, 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.

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.

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.

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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, there are laws that govern activities such as the collection, use and disclosure of data by companies like us. Online advertising activities in the United States have primarily been subject to regulation by the Federal Trade Commission, or the FTC, which has regularly relied upon Section 5 of the Federal Trade Commission Act, or Section 5, to enforce against unfair and deceptive trade practices. Section 5 has been the primary regulatory tool used to enforce against alleged violations of consumer privacy interests. In addition, our solutions reach devices and users throughout the world, including in Australia, North America, South America, Europe and Asia. As a result, some of our activities may also be subject to the laws of foreign jurisdictions. In particular, European data protection laws can be more restrictive regarding the collection, use, and disclosure of data than those in the United States. As we continue to expand into other foreign countries and jurisdictions, we may be subject to additional laws and regulations that may affect how we conduct business.

Additionally, U.S. and foreign governments and relevant self-regulatory bodies have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tools to track people online or by redefining the types of information that constitute personal information and non- personal information. The European Union, or EU, and some EU member states have already implemented legislation and regulations requiring advertisers to obtain specific types of notice and consent from individuals before using cookies or other technologies to track individuals and their online behavior and deliver targeted advertisements. We sometimes use precise location information for the purpose of better targeting online or mobile advertisements. The use of precise location information is of significant interest to regulators and legislators and new regulations or legislation may impose additional restrictions and/or costs upon us in the future. It remains a possibility that additional legislation and regulations may be passed or otherwise issued other than in relation to precise location information in the future. We also participate in industry self-regulatory programs under which, in addition to other compliance obligations, we provide consumers with notice about our use of cookies and our collection and use of data in connection with the delivery of targeted advertising and allow them to opt-out from the use of data we collect for the delivery of targeted advertising. The rules and policies of the self-regulatory programs that we participate in are updated from time to time and may impose additional restrictions upon us in the future.

Any failure, or perceived failure, by us to comply with U.S. federal, state, or international laws or regulations pertaining to privacy or data protection, or other policies, self-regulatory requirements or legal obligations could result in proceedings or actions against us by governmental entities or others.

In December 2011, the FTC issued an order in connection with the resolution of allegations that from April 2007 until September 2009, before we acquired ScanScout, Inc., or ScanScout, ScanScout s privacy policy was deceptive with respect to cookies and consumers ability to opt-out from data collection. The order requires that we do not misrepresent the extent to which data from or about a particular user or the user s online activities is collected, used, disclosed, or shared, or the extent to which users may exercise control over the collection, use, disclosure, or sharing of data collected from or about them, their computers or devices, or their online activities. It also requires that we: (1) notify users that our websites collect information for the purpose of sending targeted advertisements, along with a hyperlink to an opt-out mechanism, (2) include a hyperlink to such opt-out mechanism within or immediately adjacent to display advertisements; (3) undertake reasonable efforts to develop and implement a hyperlink to such opt out mechanism within or immediately adjacent to video advertisements; and (4) engage in recordkeeping and reporting obligations. The obligations under the order remain in effect until the latter of December 14, 2031, or the date 20 years after the date, if any, on which the U.S. government or the FTC files a complaint in federal court alleging any violation of the order. A violation of the order could lead to an FTC action for civil penalties. In addition, ScanScout was subject to a putative class action legal proceeding regarding its use of Flash cookies, which was settled in March 2012 and dismissed with prejudice.

Advertising

Even though we generally receive certain contractual protections from our buyers with respect to their video ads, we may nevertheless be subject to regulations concerning the content of ads. Federal and state laws governing intellectual property or other third-party rights could apply to the content of ads we place. Laws and regulations regarding unfair and deceptive advertising, sweepstakes, advertising to children, and other consumer protection regulations, may also apply to the ads we place on behalf of clients.

Industry Alliances

Given the developmental stage of video advertising, industry practices are rapidly evolving. We are participating members of the Digital Advertising Alliance, or DAA, including the DAA Principles and Communications Advisory Committee, which oversees the

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DAA and its working groups. We also participate in a wide range of Interactive Advertising Bureau (IAB) committees, councils and working groups, as well as other industry groups that are focused on establishing best practices for the online video advertising industry.

Employees

As of December 31, 2015, we had 335 employees, of which 102 were primarily engaged in technology and development functions, 195 were engaged in sales and marketing functions, and 38 were engaged in general and administrative functions. Substantially all of these employees are located in the United States. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Note 18 Segment and Geographic Information in the notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Corporate Information

Tremor Video, Inc. was originally organized as Tremor Media, LLC in November 2005 and converted into a corporation named Tremor Media, Inc. under the laws of the State of Delaware in September 2006. We changed our name to Tremor Video, Inc. in June 2011.

Available Information

Our website is located at www.tremorvideo.com, and our investor relations website is located at http://investor.tremorvideo.com. The contents of our website are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the U.S. Securities and Exchange Commission, or SEC, and any references to our websites are intended to be inactive textual references only. The following filings are available for download free of charge through our investor relations website as soon as reasonably practicable after we file them with the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, as well as any amendments to such reports and all other filings pursuant to Section 13(a) or 15(d) of the Securities Act. Additionally, copies of materials filed by us with the SEC may be accessed at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. For information about the SEC s Public Reference Room, contact 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

The following is a summary description of some of the material risks and uncertainties that may affect our business, including our future financial and operational results. In addition to the other information in this Annual Report on Form 10-K, the following statements should be carefully considered in evaluating us.

Risks Relating to Our Business and Industry

Because our business model is continuing to develop, our past operating results may not be indicative of future performance, and our future operating results may fluctuate materially and may increase your investment risk.

We were formed in November 2005 and have a limited operating history. For fiscal years 2015, 2014 and 2013, our total revenue was $173.8 million, $159.5 million and $131.8 million, respectively. Although we have experienced significant growth in revenue generation in recent periods, our relatively short operating history and developing business model make it difficult to assess our future prospects. The success of our business faces a number of challenges, including:

- continuing to innovate and improve the technologies that enable us to provide our solutions;
- maintaining and expanding our existing relationships, and developing new relationships with buyers and sellers;
- increasing the level of spending through our buyer and seller platforms;

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- developing market acceptance for our programmatic solutions, including the Tremor Video DSP and the Tremor Video SSP;
- the growth, evolution and rate of adoption of industry standards;
- offering competitive pricing to buyers;
- offering competitive rates to sellers;
- delivering online video advertising campaign performance results that are superior to competing providers or technologies;
- competing effectively against traditional and online media companies to increase our share of brand advertising spend;
- ensuring that our clients video ads are shown in brand-safe environments;
- maintaining and increasing the value of our brand and goodwill with buyers and sellers;
- effectively controlling our costs as we grow our business;
- responding to evolving government regulations relating to the internet, telecommunications, privacy, marketing and advertising aspects of our business; and
- identifying, attracting, retaining and motivating qualified personnel.

Our ability to meet these challenges will help determine whether we can successfully leverage our business model to achieve profitability and growth in the future. We cannot assure our ability to achieve this goal, to generate consistent and improving operating results, or even to maintain the same level of success that we have had to date. If we fail to meet these challenges, our operating results may fluctuate materially and may increase your investment risk.

We have incurred significant net losses since inception, and we expect our operating expenses to increase in the foreseeable future. Accordingly, we may never achieve or sustain profitability.

We have incurred operating losses since we were formed and expect to incur operating losses in the future. We incurred net losses of $43.2 million, $23.5 million, and $13.5 million in fiscal years 2015, 2014, and 2013, respectively, and we had an accumulated deficit of $177.7 million and $134.4 million as of December 31, 2015 and 2014, respectively, which included a $20.9 million goodwill impairment charge in fiscal 2015 and a $15.8 million deemed dividend related to the conversion of our Series F preferred stock in fiscal 2013 in connection with the closing of our initial public offering, or IPO. We do not know if we will be able to achieve profitability or maintain profitability on a continued basis. Although our revenue has increased substantially in recent periods, we may not be able to maintain this rate of revenue growth. We anticipate that our operating expenses will continue to increase as we scale our business and expand our operations. In particular, we plan to continue to invest in our technology and development efforts and sales and marketing efforts. Our ability to achieve or sustain profitability is based on numerous factors, many of which are beyond our control. We may never be able to generate sufficient revenue to achieve or sustain profitability.

Unfavorable conditions in the global economy or the vertical markets we serve could limit our ability to grow our business and negatively affect our operating results.

General worldwide economic conditions have experienced significant instability in recent years. These conditions make it extremely difficult for advertisers and us to accurately forecast and plan future business activities, and could cause buyers to reduce or delay their advertising spending. Historically, economic downturns have resulted in overall reductions in advertising spending. If macroeconomic conditions deteriorate, buyers may curtail or freeze spending on advertising in general and for solutions such as ours specifically, which would impact the amount of spend transacted through both our buyer and seller platforms. Furthermore, our contracts and relationships with advertising agencies on behalf of advertisers generally do not include long-term obligations requiring them to purchase our solutions and are cancelable upon short or no notice and without penalty. Any reduction in advertising spending could limit our ability to grow our business and negatively affect our operating results. In addition, our business may be materially and adversely affected by weak economic conditions in the specific vertical markets that we serve.

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We cannot predict the timing, strength or duration of any economic slowdown or recovery. In addition, even if the overall economy improves, we cannot assure you that the market for online video advertising solutions will experience growth or that we will experience growth.

If we fail to adapt and respond effectively to rapidly changing technology and client needs, our solutions may become less competitive or obsolete.

Our future success will depend on our ability to adapt and innovate. To attract new buyers, sellers and increase spend transacted through our platforms, we will need to expand and enhance our solutions to meet client needs, add functionality and address technological advancements. If we fail to develop new solutions that address the client s needs, or enhance and improve our solutions in a timely manner or conform to industry standards, we may not be able to achieve or maintain adequate market acceptance of our solutions, and our solutions may become less competitive or obsolete.

Our ability to grow is also subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver video advertising solutions at lower prices or more efficiently or effectively than our solutions, such technologies could adversely impact our ability to compete. For example, the online video advertising industry is shifting, in part, towards programmatic buying solutions. 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. If our programmatic solutions are not considered effective, or if there is a delay or failure of the market to adopt our solutions, our business and growth prospects could be harmed as buyers may increasingly rely on programmatic channels to transact online video advertising spend. Moreover, even if our programmatic solutions experience significant adoption, such adoption may occur at the expense of our traditional non-programmatic managed service model.

The market in which we participate is intensely competitive and fragmented, and we may not be able to compete successfully with our current or future competitors.

The online video advertising market is highly competitive. We compete with large online video publishers such as Google Inc., Facebook, Inc., AOL Inc. and Yahoo! Inc. that offer video advertising services as part of a larger solution for digital media buying, as well as advertising technology companies, advertising networks, demand side platforms, supply side platforms and exchanges. In the traditional media space, our primary competitors are mainly TV networks, radio broadcasters and print media publishers, many of which also have a digital presence.

Many of these competitors and potential competitors have significant client relationships, much larger financial resources and longer operating histories than we have and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the online video advertising industry as a whole. They, or other companies that offer competing advertising solutions, may establish or strengthen cooperative relationships with buyers or sellers, thereby limiting our ability to promote our solutions and generate revenue. Competitive pressures could require us to reduce the prices we charge buyers or increase the prices we pay to sellers. For example, the online video advertising industry may experience price erosion due to increased adoption of automated ad buying.

Our business may suffer to the extent that buyers and sellers purchase and sell online video advertising directly from each other or through other companies that are able to become intermediaries between buyers and sellers. New technologies and methods of buying advertising present a dynamic competitive challenge, as market participants offer multiple new products and services aimed at capturing advertising spend such as analytics, programmatic buying and bundled offline and online video advertising. If the market shifts towards such new technologies and we are unable to either provide such solutions in a compelling manner or otherwise compete with such shift in ad spending, we may incur increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share. If there is a failure to adopt our programmatic solutions our business and growth prospects could be harmed.

For our buyer platform, we believe that we compete for advertising spend primarily on the basis of proven technology and optimization capabilities, pricing, quality and scale of online video inventory, depth and breadth of relationships with buyers and sellers, all-screen capabilities, brand-centric measurement, ability to ensure brand safety and transparency into ad performance and placement. For our seller platform, we believe that we compete primarily on the basis of the speed and ease of use of our platform, the quality of tools that we provide to sellers to control their inventory and maximize yield, our ability to provide demand to sellers at scale and our ability to provide real-time reporting and analytics.

Our competitors or potential competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our solutions. As market dynamics change, or as new and existing competitors introduce more competitive pricing or

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new or disruptive technologies, we may be unable to maintain or attract new buyers or sellers or increase spend transacted through our platforms. As a result, we may be required to change our business model and incur additional expenses in response to competitive pressures, which could harm our revenue, profitability and operating results. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

We operate in a new and rapidly evolving industry. If the online video advertising industry does not develop or develops more slowly than we expect, our operating results and growth prospects could be harmed.

Online video advertising is an emerging industry, and future demand and market acceptance for online video advertising is uncertain. Many buyers have limited experience with online brand advertising, generally, and online video advertising specifically, and may continue to devote more significant portions of their advertising budgets to traditional, offline-based advertising, such as television and print, and may not shift or devote significant portions of their advertising budgets to online video advertising. Additionally, we compete for online advertising spend with other products and technologies such as search, display and in-banner video as well as advertising networks and exchanges.

We believe that the continued growth and acceptance of online video ad spending by buyers generally will depend on the perceived effectiveness and the acceptance of our solutions, which are still emerging and evolving, and the continued growth in commercial use of online media, as well as other factors. Additionally, buyers may find online video advertising to be less effective than traditional offline channels, such as television, newspapers, radio and billboards, or other online methods for promoting their products and services, and they may reduce their spending on online video advertising from current levels as a result. Accordingly, if the market for online video advertising deteriorates, or develops more slowly than we expect, our operating results and growth prospects could be harmed.

If the market for our programmatic solutions develops more slowly than we expect then our operating results and growth prospects may be adversely affected.

In 2014, we introduced to market the Tremor Video DSP, a programmatic solution, which enables advertisers to transact directly on our platform through an intuitive and customizable user interface. Campaigns on the Tremor Video DSP are purchased using real-time bidding technology to dynamically purchase individual ad impressions on a real-time basis through integrated inventory pools in an open exchange as well as through private marketplaces that connect buyers directly to selected sellers. The Tremor Video DSP can be accessed on a self-service basis or at varying levels of managed service, depending on the preferences of the buyer.

In 2015, we introduced to market a seller platform, the Tremor Video SSP, which helps sellers maximize the value of their video inventory by enabling their programmatic sales efforts and automating workflow. Sellers on the Tremor Video SSP can make inventory available to buyers that are integrated with our technology through a robust auction environment or through private marketplaces so that only selected buyers have the opportunity to purchase video ad inventory.

These solutions are still developing, and the future demand and acceptance for these solutions is uncertain and will likely depend on their perceived effectiveness by buyers and sellers. If the market for our programmatic solutions develops more slowly than we expect, or fails to develop, our operating results and growth prospects could be harmed.

Our business depends in part on the success of our strategic relationships with third parties.

Our business depends in part on our ability to continue to successfully manage and enter into successful strategic relationships with third parties. We currently have and are seeking to establish new relationships with third parties to develop integrations with complementary technologies and data vendors. Our ability to target, verify and measure campaigns is in part dependent on the data that we receive through third party integrations.

In addition, the success of our programmatic solutions is dependent, in part, on our ability to integrate our technology with third-party programmatic sources of inventory and demand. The Tremor Video DSP is directly integrated with the largest third party video SSPs, enabling the dynamic purchase ad impressions in an open exchange as well as through private marketplaces. If we fail to maintain existing integrations or attract new supply partners, it could negatively impact the effectiveness of and market for our Tremor Video DSP. We do not have exclusive relationships with these third party SSPs and they are generally under no obligation to provide inventory to the Tremor Video DSP.

Buyers connect to the Tremor Video SSP through third party DSPs that are directly integrated with our platform. We are reliant on these third party DSPs to increase the amount of spend that is transacted through our seller platform. We do not have exclusive relationships with these third party DSPs and they are generally free to stop transacting on the Tremor Video SSP with little or no notice.

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In some instances, the third party DSPs that transact on the Tremor Video SSP are also our competitors. As a result, they may be more likely to decrease or eliminate their spending on our platform. Some third party DSPs control significant amounts of advertising spend across a broad spectrum of buyers; therefore, any determination by a third party DSP to materially decrease their spending on our platform could impair our operating results. If we experience connectivity or other technical problems with our integrations with third party DSPs they may be unable to transact on our platform, and any such technical difficulties could lead to a negative perception of our product that could impact future spend decisions.

Integrations with third parties are often costly and time consuming, and can present technological challenges. If we experience any delays in our integration efforts or are unable to attract new strategic third parties with whom to integrate our technology, it could impact the efficacy of our solutions and hurt our ability to compete in the marketplace.

We may be unable to retain key buyers, attract new buyers or replace departing buyers with buyers that can provide comparable revenue to us.

Our success requires us to maintain and expand our relationships with our existing brand advertisers, including the ad agencies that represent them, and to develop new relationships with other brand advertisers and ad agencies. Our contracts and relationships with advertising agencies on behalf of advertisers generally do not include long-term obligations requiring them to purchase our solutions and are cancelable upon short or no notice and without penalty. As a result, we have limited visibility as to our future advertising revenue streams from our buyers.

Our buyers usage may decline or fluctuate as a result of a number of factors, including, but not limited to:

- the performance of their video ad campaigns and their perception of the efficacy and efficiency of their advertising spend through our solutions;

- changes in the economic prospects of buyers or the economy generally, which could alter current or prospective spending priorities;

- our access to premium inventory;

- our access to multiple channels and screens;

- our ability to serve video ad campaigns in brand safe environments;
- our ability to deliver video ad campaigns in full, i.e., our ability to serve each requested impression;
- their satisfaction with our solutions and our client support;
- our ability to offer a complete programmatic solution for buying advertising;
- the ability of our optimization algorithms underlying our solutions to deliver better rates of return on video ad spend dollars than competing solutions;
- seasonal patterns in buyers spending, which tend to be discretionary;
- the pricing of our or competing solutions; and
- reductions in spending levels or changes in strategies regarding video advertising spending.

If a major buyer decides to materially reduce its advertising spend with us it could do so on short or no notice, which could impair our operating results. We cannot assure that our buyers will continue to use our platforms or that we will be able to replace in a timely or effective manner departing buyers with new buyers from whom we generate comparable revenue. Any non-renewal, cancellation or deferral of large advertising contracts, or a number of contracts that in the aggregate account for a significant amount of revenue, could cause an immediate and significant decline in our revenue and harm our business.

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We may be unable to deliver advertising in a brand safe environment, which could harm our reputation and cause our business to suffer.

It is important to buyers that advertisements not be placed in or near content that is unlawful or would be deemed offensive or inappropriate by their customers. Unlike advertising on other mediums, online content can be more unpredictable, and we cannot guarantee that advertisements will appear in a brand safe environment. If we are not successful in delivering ads in a brand safe environment, our reputation could suffer and our ability to attract potential buyers and retain and expand business with existing buyers could be harmed, or our customers may seek to avoid payment or demand refunds, any of which could harm our business and operating results.

Activities of our advertising clients with which we do business could damage our reputation or give rise to legal claims against us.

Failure of our advertising clients to comply with federal, state, local or foreign laws or our policies could damage our reputation and expose us to liability under these laws. We may also be liable to third-parties for content in the ads we deliver if the content violates intellectual property rights of third-parties or if the content is in violation of applicable laws. A third-party or regulatory authority may file a claim against us even if our advertising client has represented that its ads are lawful and that they have the right to use any intellectual property included in an ad. Any of these claims could be costly and time-consuming to defend and could also hurt our reputation. Further, if we are exposed to legal liability, we could be required to pay substantial fines or penalties, redesign our business methods, discontinue some of our solutions or otherwise expend significant resources.

If a buyer fails to pay for ad requests that we have fulfilled, we would still be required to pay the seller for its ad inventory.

Sellers provide the video ad inventory on which we run advertising campaigns for buyers through our buyer platform. If a buyer fails to pay for ad requests we have filled, we would generally still be required to pay the seller for its ad inventory. Any significant failure by buyers to pay us could adversely affect our operating results.

We are highly dependent on advertising agencies, including agency trading desks, and their holding companies as intermediaries, and this may adversely affect our ability to attract and retain business.

We are highly dependent on brand advertisers that rely upon advertising agencies, including agency trading desks, in planning and purchasing advertising. Although we maintain relationships with the owners of brands, we do not contract with them directly. Instead, we sell to advertising agencies that utilize our solutions on behalf of their clients. Each advertising agency allocates advertising spend from brand advertisers across numerous channels. We do not have exclusive relationships with advertising agencies and we depend on agencies to work with us as they embark on marketing campaigns for brands.

If we fail to maintain satisfactory relationships with an advertising agency, we risk losing business from the brand advertisers represented by that agency. If the advertising agency is owned by a holding company, this risk is magnified because we also risk losing business from the other agencies owned by such holding company and the brand advertisers those agencies represent. Consolidation among agency holding companies could increase this risk. Because advertising agencies act as intermediaries for multiple brand advertisers, our client base is more concentrated than might be reflected by the number of brand advertisers that run campaigns through our solutions.

Further, our revenue could be adversely impacted by industry changes relating to the use of advertising agencies. For example, if brand advertisers seek to bring their marketing campaigns in-house rather than using an advertising agency, we would need to enter agreements with the brand advertisers directly, which we might not be able to do and which could increase our sales and marketing expense. Moreover, as a result of dealing primarily with advertising agencies, advertisers may attribute the value we provide to the advertising agency rather than to us, further limiting our ability to develop long term relationships directly with brand advertisers. Brand advertisers may move from one advertising agency to another, and, accordingly, even if we have a positive relationship with an advertising agency, we may lose the underlying business when an advertiser switches to a new agency. The presence of advertising agencies as intermediaries between us and the advertisers thus creates a challenge to building our own brand awareness and affinity with the advertisers that are the ultimate source of our revenue.

In addition, advertising agencies that are our clients also offer or may offer some of the components of our solutions, including selling ad inventory through their own trading desks. As such, these advertising agencies are, or may become, our competitors. If they further develop their capabilities, they may be more likely to offer their own solutions to advertisers, and our ability to compete effectively could be compromised.

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We must provide value to both buyers and sellers of video advertising without being perceived as favoring one over the other or being perceived as competing with them through offerings.

Buyers and sellers have different interests, with each trying to maximize its value in their transactions. We are interposed between buyers and sellers, and to be successful, we must continue to find ways of providing value to both without being perceived as favoring one at the expense of the other. Because new business models continue to emerge, we must constantly adapt our relationship with buyers and sellers and how we market ourselves to each. If we fail to balance our clients interests appropriately, our ability to provide a full suite of services and our growth prospects may be compromised.

If buyers do not perceive meaningful benefits from outcome-based advertising solutions, then our revenue and gross margins may be adversely affected.

Our outcome-based pricing models enable buyers to only pay for advertising that performed . Under outcome-based pricing models, buyers only pay us if the applicable performance metrics are satisfied. For example, with our cost per engagement, or CPE, pricing model we are compensated only when viewers actively engage with buyers 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.

The market for outcome-based video advertising solutions is evolving and has not yet been widely adopted by buyers. A significant portion of our revenue is generated from ad campaigns that are priced on an outcome basis. We believe outcome-based pricing generally provides greater margins than CPM priced campaigns, because we are often able to serve our buyers performance goals with a lower number of purchased impressions. Historically, a larger portion of buyers online advertising budgets have been based on the number of impressions served, such as cost per thousand impressions, or CPM, without regard to performance, and such buyers may be reluctant or slow to adopt outcome-based pricing solutions. Additionally, we offer buyers the ability to purchase campaigns on a CPM-basis with a guaranteed demographic reach, or demo guarantees. These campaigns have generally had lower gross margins than our outcome-based pricing models as well as CPM-priced campaigns without demo guarantees. Campaigns priced on a performance-basis or a CPM-basis with demo guarantees are subject to the risk that we may purchase ad inventory that we are unable to monetize if the purchased inventory does not perform for our buyers. If buyers do not perceive meaningful benefits from our outcome-based advertising solutions, our revenue and gross margins may be adversely affected.

If we fail to maintain or increase our access to premium advertising inventory, our operating results may be harmed.

Our success requires us to maintain and expand our access to premium video advertising inventory. We do not own or control the video ad inventory upon which our business depends. Sellers are generally not required to provide us with a specified level of inventory, and we cannot be assured that our exclusive sellers will renew their agreements with us or continue to make their ad inventory available to us. Sellers may seek to change the terms on which they offer inventory to us, including seeking an increase in the price we pay for inventory, or may elect to make advertising inventory available to our competitors who offer more favorable economic terms. Furthermore, sellers may enter into exclusive relationships with our competitors, which preclude us from accessing their inventory. In addition, we review our sellers on an on-going basis and have ceased, and may in the future cease, doing business with sellers based on the quality of their inventory, the demographic reach of their inventory, viewer experience and our confidence in the integrity of their ad requests. Further, we may need to improve over time our processes for assessing the quality of seller ad requests. As a result of these factors, we may have limited visibility as to our future access to inventory from sellers or the terms on which such inventory will be made available. If a seller decides not to make video ad inventory available to us on acceptable terms, or if we decide to cease doing business with a seller, we may not be able to replace this ad inventory with comparable ad inventory quickly enough to fulfill our buyers requests. If sellers seek an increase in the price we pay for video ad inventory, it could negatively impact our gross margin. Additionally, with respect to CPM-priced campaigns sold with demo guarantees, if we are unable to access inventory targeted to the selected demographic on a cost-effective basis our margins could be adversely affected.

Sellers have a variety of channels in which to sell their video ad inventory, including direct sales forces and third party supply side platforms. Under our exclusive arrangements, a seller s direct sales force may sell their own video ad inventory, and many of our exclusive sellers maintain significant direct sales forces. Furthermore, the scope of exclusivity with respect to the third-party monetization of video ad inventory varies with sellers, with some sellers imposing geographical, device, or inventory type limitations. Any increase in a seller s direct sales efforts may negatively impact our access to that inventory.

If we are unable to maintain or increase our access to premium video ad inventory or if sellers seek to change the terms on which they offer us such inventory, our operating results may be harmed.

We may not be able to adequately satisfy the supply from our exclusive sellers with demand from our buyers.

In certain instances, we enter into exclusive relationships with sellers. Substantially all of our exclusive seller agreements obligate us to fill a specified percentage of the video ad inventory that they make available to us, which we refer to as an ad request. In some cases, there is no cap on our fill obligation. If we are unable to deliver ad campaigns to this inventory, we will bear the loss on those

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unfilled ad requests. This risk can be magnified during certain times of the year when we see increased ad requests from our exclusive sellers coupled with reduced purchase demand from our buyers.

Additionally, in order to satisfy our required fill obligations, we may have to serve less optimized inventory to our buyers. This may negatively impact the performance of an ad campaign, which could particularly impact us with respect to our campaigns that are priced on an outcome basis. As a result, our margins may be negatively impacted even if we are able to fully satisfy the fill obligation.

Any significant failure to adequately match demand from our buyers with supply from our sellers would harm our operating results.

If we fail to detect fraud or other actions that impact video ad campaign performance, we could lose the confidence of buyers, which would cause our business to suffer.

Our business relies on effectively and efficiently delivering video ad campaigns for buyers. We have in the past, and may in the future, be subject to fraudulent and malicious activities. An example of such activities would be the use of bots, non-human traffic delivered by machines that are designed to simulate human users and artificially inflate user traffic on websites. These activities could overstate the performance of any given video ad campaign and could harm our reputation. It may be difficult to detect fraudulent or malicious activity because we do not own content and rely in part on our seller partners for controls with respect to such activity. These risks become more pronounced when programmatic buying is in place. While we assess the campaign performance on our sellers   websites and have engaged third-parties to combat fraudulent and malicious activities, such assessments may not detect or prevent fraudulent or malicious activity. In addition, buyers increasingly rely on third party vendors to measure campaigns and detect fraud. If we are unable to successfully integrate our technology with such vendors, or our measurement and fraud detection differs from their findings, buyers could lose confidence in our solutions and our revenues could decrease. If fraudulent or other malicious activity is perpetrated by others, and we fail to detect or prevent it, the affected buyers may experience or perceive a reduced return on their investment and our reputation may be harmed. Fraudulent or malicious activity could lead to dissatisfaction with our solutions, refusals to pay, refund demands or withdrawal of future business. If we fail to detect fraud or other actions that impact the performance of our video ad campaigns, we could lose the confidence of our buyers, which could cause our business to suffer.

Our sales efforts with buyers and sellers require significant time and expense.

Attracting new buyers and sellers requires significant time and expense, and we may not be successful in establishing new relationships or in maintaining or advancing our current relationships. Our technology and online video brand advertising are relatively new and often require us to spend substantial time and effort educating potential buyers and sellers about our solutions, including providing demonstrations and comparisons against other available services.

The sales cycle for newer solutions, such as the Tremor Video DSP, can be particularly long and unpredictable and requires considerable time and effort. Sales efforts involve educating buyers about the use, technical capabilities and benefits of our platform, as many buyers have limited or no experience with programmatic buying. Some buyers undertake a significant evaluation process that frequently involves not only our platform but also the offerings of our competitors. This process can be costly and time-consuming. As a result, it is difficult to predict when we will obtain new customers and begin generating revenue from these new customers. As part of our sales cycle, we may incur significant expenses. We have no assurance that the substantial time and money spent on our sales efforts will generate significant revenue.

With respect to our sellers, we often seek to establish exclusive long-term relationships to ensure access to premium content for buyers. In addition, we are focused on increasing adoption by sellers of the Tremor Video SSP. As a result, we invest significant time in cultivating relationships with our sellers to ensure they understand the potential benefits of our platform and monetization of their inventory with us rather than with third-party media networks, exchanges and supply side platforms. The relationship building process can take many months and may not result in us winning an opportunity with any given buyer or seller.

Because of competitive market conditions and the negotiating leverage enjoyed by large advertises, agencies and publishers, we are sometimes forced to choose between losing the opportunity or contracting on terms that allocate more risk to us than or are otherwise less favorable than we prefer to accept.

If we are not successful in streamlining our sales processes with buyers and sellers, our ability to grow our business may be adversely affected.

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We experience fluctuations in our operating results due to a number of factors, which make our future results difficult to predict and could cause our operating results to fall below expectations.

Our operating results have historically fluctuated and our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. Period-to-period comparisons of our operating results should not be relied upon as an indication of our future performance. Given our relatively short operating history and the rapidly evolving online video advertising industry, our historical operating results may not be useful in predicting our future operating results.

Factors that may affect our operating results include the following:

- changes in the economic prospects of buyers, the industries we primarily serve, or the economy generally, which could alter current or prospective buyers spending priorities, or could increase the time it takes us to close sales with buyers;
- the addition of new buyers or the loss of existing buyers;
- changes in demand for our solutions, including the Tremor Video DSP and Tremor Video SSP;
- changes in the amount, price and quality of available video advertising inventory from sellers;
- the timing and amount of sales and marketing expenses incurred to attract new buyers and sellers;
- the cancellation or delay of campaigns by buyers;
- changes in our pricing policies, the pricing policies of our competitors or the pricing of online video advertising generally, including the relative mix of performance-priced campaigns, CPM-priced campaigns with demo guarantees, and CPM-priced campaigns without demo guarantees;

- timing differences at the end of each period between our payments to sellers for advertising inventory and our collection of advertising revenue related to that inventory; and

- costs related to acquisitions of other businesses.

Our operating results may fall below the expectations of market analysts and investors in some future periods. If this happens, even just temporarily, the market price of our common stock may fall.

Our revenue tends to be seasonal in nature.

Our revenue tends to be seasonal in nature and varies from quarter to quarter. During the first quarter, buyers generally devote less of their budgets to ad spending and our exclusive sellers generally make a larger proportion of their ad inventory available to us. Under the terms of our contracts with exclusive sellers we are typically required to pay for a percentage of the ad requests delivered by such sellers, even if we are unable to deliver an ad to that inventory. As a result, this combination may result in lower revenue and gross margins for us during the first quarter of each calendar year. Our operating cash flows could also fluctuate materially from period to period as a result of these seasonal fluctuations.

We have made and may make additional acquisitions that could entail significant execution, integration and operational risks.

As part of our business strategy, we have in the past acquired, and may in the future acquire, companies, technologies and solutions that we believe complement our business. Acquisitions involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the technologies, solutions, operations, existing contracts and personnel of a target company;

- difficulties in supporting and transitioning clients, if any, of a target company;

- diversion of financial and management resources from existing operations or alternative acquisition opportunities;

- failure to realize the anticipated benefits or synergies of a transaction;

- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;

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- risks of entering new markets, including international markets, in which we have limited or no experience;

- potential loss of key employees, customers or suppliers from either our current business or a target company s business;

- inability to generate sufficient revenue to offset acquisition costs; and

- possible write-offs or impairment charges relating to acquired businesses.

In addition, we may incur indebtedness to complete an acquisition, which may impose operational limitations, or issue equity securities, which would dilute our stockholders ownership. We may also unknowingly inherit liabilities from acquired businesses or assets that arise after the acquisition and are not adequately covered by indemnities. Additionally, acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairments in the future that could harm our financial results.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic political and regulatory risks associated with specific countries. The failure to successfully evaluate and execute acquisitions or investments or otherwise adequately address the risks described above could materially harm our business and financial results.

We have limited international operations and any future international expansion may expose us to several risks, such as difficulty adapting our solutions for international markets.

We have limited experience in marketing, selling and supporting our solutions abroad. During each of fiscal years 2015, 2014 and 2013, substantially all of our revenue was generated in the United States. While we have offices outside of North America in Australia, Brazil, Singapore, and the United Kingdom, substantially all of our operations are located in the United States.

Any future international expansion of our business will involve a variety of risks, including:

- localization of our solutions, including translation into foreign languages and adaptation for local practices;

- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;

- differing labor regulations where labor laws may be more advantageous to employees as compared to the United States;

- more stringent regulations relating to data security and the unauthorized use of, or access to, commercial and personal information, particularly in the European Union;

- reluctance to allow personally identifiable data related to non-U.S. citizens to be stored in databases within the United States, due to concerns over the U.S. government s right to access information in these databases or other concerns;

- changes in a specific country s or region s political or economic conditions;

- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;

- risks resulting from changes in currency exchange rates;

- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;

- different or lesser intellectual property protection; and

- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions.

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Operating internationally requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required in establishing and expanding our international operations will produce desired levels of revenue or profitability. If we invest substantial time and resources to establish and expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer.

We have not engaged in currency hedging activities to limit risk of exchange rate fluctuations. Changes in exchange rates affect our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our stockholders equity.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to expand our marketing and sales and technology development efforts or to make acquisitions. Additional financing may not be available on favorable terms, if at all. Our credit facility matures in December 2016, and we may be unable to renew the credit facility on terms that are acceptable to us. If adequate funds are not available on acceptable terms, we may be unable to fund the expansion of our marketing and sales and technology development efforts or take advantage of acquisition or other opportunities, which could harm our business and results of operations. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Provisions of our debt instruments may restrict our ability to pursue our business strategies.

Our credit facility requires us, and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur indebtedness;
- encumber assets;

- pay dividends or make other distributions to holders of our capital stock;
- make specified investments;
- change certain key management personnel; and
- engage in transactions with our affiliates.

These restrictions could inhibit our ability to pursue our business strategies. We are also subject to a financial covenant with respect to minimum monthly working capital levels. If we default under our credit facility, and such event of default is not cured or waived, the lender could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under other debt instruments.

Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon a default. We may incur additional indebtedness in the future. The debt instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness or force us into bankruptcy or liquidation.

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We have experienced rapid growth in recent periods. If we fail to manage our growth effectively, our financial performance may suffer.

We have expanded our revenue, solutions, scale, employee headcount and overall business operations in recent periods. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our managerial, operational, product development, sales and marketing, administrative, financial and other resources. For instance, we expect to be substantially dependent on our direct sales force to obtain new clients, and we plan to continue to expand our direct sales force both domestically and internationally. Newly hired sales personnel may not become productive as quickly as we would like, or at all, thus representing increased operating costs and lost opportunities which in turn would adversely affect our business, financial condition and operating results.

If we do not manage our growth effectively, successfully forecast demand for our solutions or manage our expected expenses accordingly, our operating results will be harmed. If we fail to manage our growth effectively, our financial performance may suffer.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

In addition to the continued services of William Day, our President and Chief Executive Officer, we believe that our future success is highly dependent on the contributions of our senior management, as well as our ability to attract and retain highly skilled and experienced technical and other personnel in the United States and abroad. We do not have key person insurance on any of our executives. All of our employees, including our senior management, are free to terminate their employment relationship with us at any time, and their knowledge of our business, technology and industry may be difficult to replace. In addition, we believe that our senior management has developed highly successful and effective working relationships. If one or more of these individuals leave, we may not be able to fully integrate new executives or replicate the current dynamic and working relationships that have developed among our executive officers and other key personnel, and our operations could suffer. Qualified technical personnel are in high demand, particularly in the digital media industry, and we may incur significant costs to attract them. Many of the companies with which we compete for experienced personnel also have greater resources than us. Additionally, volatility or lack of performance in our stock price may also affect our ability to attract employees and retain our key employees. If we are unable to attract and retain our senior management and key employees, our ability to develop and successfully grow our business could be harmed.