



Cantor Fitzgerald's Youssef Squali on Ad Technology and 2016 Trends

BY JAY SEARS

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Jay Sears, Senior Vice President Marketplace Development of Rubicon Project discusses ad technology and 2016 trends with Cantor Fitzgerald's Internet analyst and Managing Director Youssef Squali.

(Editor's Note: This is the second installment of a three-part series. Go [here](#) to read what BMO Capital Markets' Dan Salmon has to say about ad technology and 2016 trends.)

YOUR NAME: Youssef Squali

YOUR COMPANY: Cantor Fitzgerald

YOUR TITLE: Managing Director

SEARS: What do you read to keep up with politics, art and culture?

SQUALI: Anything that could help!

SEARS: What do you read to keep up with friends?

SQUALI: E-mail, Facebook, WhatsApp

SEARS: What do you read to keep up with the advertising technology industry?

SQUALI: Very varied. Mostly companies' and general blogs including Google, FB, AOL, RUBI, MediaPost, Business Insider and IAB.

SEARS: With regards to advertising automation, what are the three biggest trends you expect to impact companies in 2016?

SQUALI:

1. Programmatic taking over premium inventory online
2. TV ad buying going programmatic
3. Improved measurement/greater transparency in ad effectiveness to minimize fraud/waste

SEARS: With regards to advertising automation, what are the three most overblown topics that you wish would just go away?

SQUALI:

1. That it devalues ad inventory or applies only to remnant inventory.
2. Shouldn't be used for publishers' most premium ad inventory.

SEARS: Tell us your coverage universe.

SQUALI:

Company Name	Ticker	Rating / Price Target	Year Initiated
Amazon	AMZN	Buy/\$750	2012
Alibaba	BABA	Buy/\$90	2014
Cimpress	CMPR	Buy/\$90	2012
DHX	DHX	Hold/\$9	2012
eBay	EBAY	Hold/\$24	2012
Expedia	EXPE	Buy/\$180	2013
facebook	FB	Buy/\$140	2013
Google	GOOGL	Buy/\$880	2012
LinkedIn	LNKD	Buy/\$300	2012
Netflix	NFLX	Buy/\$140	2012
Priceline	PCLN	Buy/\$1,550	2013
CafePress	PRSS	Hold/\$4.2	2012
Paypal	PYPL	Buy/\$47	2015
comScore	SCOR	Buy/\$60	2012
Shutterfly	SFLY	Buy/\$58	2012
Shutterstock	SSTK	Buy/\$65	2012
TripAdvisor	TRIP	Hold/\$80	2013
Twitter	TWTR	Buy/\$45	2014
Yelp	YELP	Buy/\$45	2012
Yahoo	YHOO	Buy/\$51	2012

SEARS: The majority of ad technology companies has not performed well in the public markets. Of the poor performers, what are the commonalities between them that have contributed to this weakness?

SQUALI:

- Disappointing quarterly performance post-IPO out of several of them, so the whole group (with a few exceptions) is in the penalty box.
- This is a convoluted segment of the industry, which remains difficult to understand for most on Wall Street.
- The belief that the largest online advertising providers, Google and Facebook, with extensive adtech stack will ultimately dominate.

SEARS: A smaller handful of ad technology companies has performed better than the rest. What are the commonalities between them that have contributed to this relative strength?

SQUALI:

- They delivered what they said they were going to deliver and performed to or better than expectations since IPO.
- Being perceived as very focused on a particular niche or functionality of this segment, and doing it well.
- Being ultimately an acquisition target if they continue to outperform.

SEARS: Do we live in a “tale of two cities” where Google and Facebook win almost everything, advertisers are dictated to and other media companies fight for the scraps?

SQUALI: That is still generally the belief among investors and analysts. The acquisition of AOL by Verizon at 8x EBITDA speaks positively for those that are perceived to have scale and a brand like AOL within adtech. The acquisition of Millennium Media for \$250M (well below its IPO valuation) speaks to the opposite.

SEARS: Please answer the following statements yes or no.

SQUALI:

Statement	Yes or No	Optional
Google will remain a dominant company for the next 10 years	Yes	For search, yes.
Google will remain a dominant company for the next 20 years	No	Too long a horizon to know.
Amazon is a data company	Yes	
Facebook will remain a dominant company for the next 10 years	Yes	As the largest social platform and largest recipient of noon search ad dollars.
Facebook will remain a dominant company for the next 20 years	No	Too long a horizon to know.
Chinese internet companies such as Alibaba will become active buyers and/or investors in US based internet companies in the next two years	No	Other than maybe some tech acquisitions, I think the local/regional opportunities are too great, and competition is too high in the US, for them to be very aggressive here.
Yahoo! is dead	No	Will continue to live in various forms given its user scale and reach.
Less than 20 companies on the "Lumascap" are of a material size and these companies will behave as the consolidators of the group.	Yes	
Ad technology is not well understood by investors	Yes	
The impact of ad automation to date has largely been in digitally traded media, however impacts of automation will be felt across the entire \$600 billion worldwide media market over the next five years including the out of home and television markets.	Yes	
Ad automation will start to materially impact media trading in the \$70 billion US television market in the next two years.	Yes	
Ad automation improves (or can improve) the direct trading relationship between a media company and an advertiser—by improving efficiency (workflow) and effectiveness (leveraging data).	Yes	

SEARS: If you could go to the airport *right now* with friends or family and fly anywhere in the world for vacation, who would you take and where would you go?

SQUALI: Safari in East Africa with family.

SEARS: If you could create an endowment to fund any existing non-profit you designated, what lucky non-profit organization would that be?

SQUALI: Medecins sans Frontiere

SEARS: What is your favorite restaurant in the world?

SQUALI: La Tour d'Argent in Paris!

SEARS: Thanks, Youssef!

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Jay Sears

Jay Sears was Senior Vice President Marketplace Development for Rubicon Project, where he worked with management and business unit heads across the company to expand Rubicon Project's market – and across the media owner and adver... [read more](#)

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