

## About Perfect Audience

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### What is Perfect Audience?

Perfect Audience is an SMB-focused digital advertising platform that enables multi-channel retargeting of existing leads and targeted advertising to new leads via lookalike audience functionality. It enables marketers to create, manage and optimize their ad campaigns across thousands of sites on the web and mobile from a single interface. The platform leverages Google, Facebook, Instagram, leading ad exchanges and partner networks for maximum reach.

### What is the unique selling proposition?

*"One platform to rule them all."*

It's a self-serve platform that allows marketers to run retargeting campaigns across every major advertising network, including Google, Facebook, Yahoo!, AppNexus, Rubicon, and Smaato, from a single, easy-to-use interface. Ads can be seamlessly dispersed and measured across multiple channels at once, providing marketers with all the tools they need to drive incremental leads and sales, while easily tracking the ROI of their ad spend.

### Why is it for sale?

The previous parent company, Marin Software, is an enterprise-focused business. It acquired Perfect Audience in 2014, and the SMB-focused subsidiary has been running as a standalone business ever since. Marin has centered its strategic focus on its main enterprise offering and is divesting Perfect Audience to fund its business, while selling Perfect Audience to a business with a better strategic fit.

### What does the digital advertising market landscape look like?

The revenue of the global digital advertising market is forecasted to reach \$664.7 billion by 2026, representing a 2019-2026 CAGR of 11.29%. A few Perfect Audience competitors include AdRoll, Criteo, Basis, Choozle, and The Trade Desk. Although few are focused on the SMB audience, none have SharpSpring's singular focus on digital marketing agencies as a business strategy.

These ad management platforms are fueled by their partnerships with demand side platforms (DSPs) that process real-time bidding on ad placements. Key DSPs include Google, Verizon, Rubicon, and OpenX.

### How many employees are being added to SharpSpring?

The existing general manager of Perfect Audience is staying on staff, and six other employees will be temporarily contracted to help with the transition. Eric Stockton, previously the president of MarketingSherpa, a MECLabs company, is joining SharpSpring to lead and grow the Perfect Audience business. Eric will build a Gainesville and Atlanta based team to run Perfect Audience over the long term.

## Financials

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### Is it a cash flow positive business?

Yes. Perfect Audience has approximately \$3M in revenues over the past 12 months, 1,500 customers, and it has historically run as a profitable business unit of Marin Software. We expect to reinvest the majority of Perfect Audience's short term profits to drive longer term operational growth.

### What does this mean for SharpSpring's balance sheet?

In conjunction with this transaction, SharpSpring has entered into an agreement to raise \$5M from Greenhaven Road Investment Management, L.P. and other institutional stockholders of the company. Upon completion of the financing, SharpSpring's net cash position will be largely unaffected by the Perfect Audience acquisition.

### Will the acquisition effect SharpSpring's cash or EBITDA?

No. We expect the Perfect Audience segment will operate profitably, so we do not anticipate this transaction to have any negative effects on cash or EBITDA.

### What have the historical CAC, LTV and payback periods been on Perfect Audience?

Perfect Audience has enjoyed an estimated LTV:CAC ratio of >3:1, and a CAC payback period of less than eight months. SharpSpring believes it can further improve these already solid metrics as we apply our own management and processes over time.

### How does Perfect Audience make money?

Perfect Audience currently does not charge a minimum monthly fee to its customers for use of the platform. An additional margin is added to the prices Perfect Audience pays for ads purchased from each of its ad network partners, so Perfect Audience's profits scale in-line with the ad budgets of its customers. In this way, even customers with very small ad budgets can enjoy the benefits of an ad platform at very affordable rates.

## Go-Forward Strategy

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### Will Perfect Audience run as a standalone business?

Yes. It has been operating as a standalone entity from Marin since 2014, and SharpSpring will continue to run it as such. In addition, Perfect Audience will be offered to SharpSpring agency partners for resale to their clients – providing an entirely new channel for Perfect Audience, and an entirely new revenue stream for our partners.

### How does this strategically fit with SharpSpring's existing product offerings?

Providing digital and social media advertising to our users was already on the SharpSpring internal roadmap, and the acquisition of Perfect Audience allows us to expedite that goal. Perfect Audience adds powerful lead generation functionality that fuels top-of-the-funnel lead

generation efforts, and additional lead nurturing capabilities to maximize middle-of-the-funnel lead conversion. These features pair perfectly with SharpSpring's core feature set designed to track, nurture and convert those leads into sales.

This acquisition provides another competitive differentiator between SharpSpring and other marketing automation providers like Hubspot, Pardot, and Active Campaign, and further separates SharpSpring from more basic email service providers (ESPs) like Constant Contact, iContact, and MailChimp.

### What is Perfect Audience's addressable market with respect to current SharpSpring customers?

SharpSpring currently has ~2,000 digital agency partners that offer SharpSpring marketing automation to their clients. We estimate these agency partners have more than 35,000 customers collectively, and we believe the vast majority of these customers could benefit from the Perfect Audience advertising platform.

As part of our acquisition decision making process, we polled a segment of SharpSpring agency partners. According to that survey, ~80% are currently offering digital advertising services to at least some of their clients. Of those, 87% expect to add at least one client to Perfect Audience, with 34% planning to add five or more clients to the platform.

### What is the high-level go-forward strategy?

We're excited to cross-sell to both SharpSpring and Perfect Audience customers. The SMB platforms complement each other in a way that will immediately strengthen the martech stacks of both user bases.

SharpSpring's network of digital marketing agencies has shown strong interest in integrated advertising features to generate new leads, complementing SharpSpring's already strong lead nurturing and conversion capabilities. Adding single sign-on and unified billing between SharpSpring and Perfect Audience will provide a revolutionary solution to our agency partners and the clients they serve.

The acquisition also allows SharpSpring to become an official Facebook Marketing Partner. This in turn allows us to pursue adding Instagram to SharpSpring's existing social media management tool (not to be confused with the new social media advertising tool), which will fulfill a popular customer request.

Turning to Perfect Audience, the platform has suffered underinvestment as part of Marin Software based on Marin's overall focus on its enterprise business. This enterprise focus caused Marin to fund its enterprise business unit with Perfect Audience profits over the last several years rather than reinvesting those funds back into Perfect Audience. Perfect Audience will benefit from the added investment that SharpSpring is able to provide (by allowing reinvestment of the Perfect Audience profits).

Over time, we will add functionality to enhance the Perfect Audience platform in ways other digital advertising companies that do not offer marketing automation simply cannot. For these reasons, we believe we can be very competitive with companies like AdRoll, Choozle, and Criteo over the long term.