

Setting the Record Straight

Zeta Provides the Facts on Its Robust Accounting Processes and Controls, Data Collection Policies, and Privacy Oversight

November 20, 2024

Introduction

- On November 13, 2024, a short-seller published a self-serving “report” that purported to expose issues with Zeta Global, when in fact all it did was mislead its readers.
- The “report” was fraught with errors, falsehoods, and highly misleading claims, and reflected a fundamental misunderstanding of Zeta’s business. It relies heavily on questionable sources that get basic facts wrong – it doesn’t even correctly identify the Company’s Big Four auditor.
- The “report” does not even stand behind its own claims. It states:
 - *“[The author] makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information [in this report] or with regard to the results to be obtained from its use.”*
- The author of the “report” refuses to say that the claims are accurate.
- Zeta stands by its financial statements – which are complete, accurate and reviewed by Zeta’s external auditing firm – and its data collection policies and privacy oversight, which are reviewed by external legal counsel.
- This document dissects and corrects the most egregious falsehoods contained within the “report” and provides the facts about Zeta.

Zeta correctly accounts for its revenue.

1

False Assertion: Zeta misleads investors about its revenue by using “round trip” transactions in “two-way” contracts.

ZETA’S RESPONSE:

- The Company provides accurate financial statements and factual disclosure of its practices. The results of a forensic accounting review conducted in 2022 and 2023 and announced this week makes this clear.
- The “report” fundamentally misunderstands Zeta’s business and provides grossly misleading claims.
- Zeta evaluates relationships with customers who are also vendors and ensures such services being bought and sold are distinct from one another and are priced at their fair value. These are not round-tripping transactions. For example, Zeta has a large airline client that spends a large amount on marketing with Zeta. Zeta also buys plane tickets from this airline.
- These transactions are subject to strong oversight and governance practices and strict accounting processes and effective internal controls.
- The Company uses an extensive process to analyze and report these transactions correctly and in accordance with GAAP. Zeta disclosed the nature of the revenue transactions in our accounting policies, which are reviewed in detail by the Audit Committee of the Board.
- The “report” also suggested that Zeta hid its third-party contracts and did not disclose them until the 2023 10-K. This is also false and misleading.
- Public Company Accounting Oversight Board (PCAOB) rules required disclosure of Zeta's critical audit matters (CAM) for the first time in our annual report on form 10-K for the fiscal year ended December 31, 2023. CAM disclosure is intended to provide information arising from the financial statement audit process. CAM disclosures are common for publicly traded companies.
- The “report” deliberately misconstrues what CAMs represent. As the PCAOB has stated, and contrary to insinuations in the “report,” CAM disclosure does not reflect negatively on the company, does not indicate control deficiencies, and does not alter the auditor’s opinion on the financial statements. Moreover, “revenue from customer contracts is the number one most common CAM topic among all public companies,” according to a January 2024 survey by Audit Analytics¹.

Zeta's Data Cloud is powered by a diverse array of trusted sources.

2

False Assertion: The Company “quietly spun up its own network of consent farms” to wrongfully harvest data.

ZETA'S RESPONSE (1 of 2):

- Zeta's Data Cloud is powered by a diverse array of trusted sources, ensuring quality, resilience, and compliance to deliver actionable insights.
- Zeta gathers data lawfully. Zeta does not operate “consent farms,” often defined as sites that deceptively acquire personal information from people, often with the promises of jobs or contest prizes.
- Zeta performs compliance reviews of websites from which it collects data, including sites that are owned by Zeta or by a Zeta partner. Zeta uses only fair, lawful, and legitimate means to attract traffic to its websites.
- The screen shots in the “report” present false and misleading claims about Zeta's data gathering practices.
- Zeta's data sources contribute to its ability to deliver actionable insights through a combination of Identities, Identifiers, and Signals (See descriptions of each on slide 6).
- A significant portion of the data originates from Zeta's proprietary platforms, including:
 - the Zeta DSP (Demand-Side Platform), which provides identifiers and signals and contributes an estimated 15-20% to the total graph,
 - the Zeta SSP (Supply-Side Platform), which adds Identifiers and Signals, accounting for 3-5%.
- Similarly, the Zeta MTA system focuses on Identity data, contributing 10-15%.
- Disqus, a wholly-owned subsidiary, contributes across all three categories—Identities, Identifiers, and Signals—making up another 15-20%.
- LiveIntent delivers Identities, Identifiers, and Signals, contributing the largest share at 20-25%.
- Third-party sources, including partnerships with many public companies, enrich the Zeta Data Cloud accounting for another 10-15%.
- *Continued on slide 5*

Zeta's Data Cloud is powered by a diverse array of trusted sources.

2

False Assertion: The Company "quietly spun up its own network of consent farms" to wrongfully harvest data.

ZETA'S RESPONSE (2 of 2):

- *Continued from slide 4*
- The "report" grossly overstates the significance of Apptness and ArcaMax to the Zeta's business.
- Apptness and ArcaMax gather data lawfully. They are not "consent farms."
- Zeta and its subsidiaries have never engaged in the practices described in Federal Trade Commission (FTC) enforcement against Fluent's practice of fraudulently enticing consumers to consent to having their data used for marketing purposes.
- Contrary to the "report," Apptness and ArcaMax provide users the benefits they seek.
 - Apptness job sites only display ads from paying advertisers – real employers – who are looking to hire. It does not make spurious claims or guarantees to job seekers, it simply provides job opportunities like Craigslist or newspaper classified advertising sections of 40 years ago.
 - ArcaMax offers conventional newsletters to which consumers subscribe on topics such as news digests, entertainment and comics.

Zeta's Data Cloud utilizes a combination of dynamic and static data.

3

False Assertion: Zeta's Data Cloud requires new data from sources with at-risk business models.

ZETA'S RESPONSE:

- Zeta's AI-powered Data Cloud combines identity-based behavioral signals, robust data governance, and real-time processing to deliver actionable insights and drive measurable marketing outcomes.
- Zeta's Data Cloud includes:
 - static data ("data at rest"), which does not change often (e.g., zip code), and
 - dynamic data ("data in motion"), indicating recent user actions and current user interests.
- The Data Cloud comprises three core components: Identity, Identifiers, and Signals, which taken together, enhance targeting precision, personalize experiences, and improve measurement accuracy.
 - Identity data: the linkage of personally identifiable information such as an email address, plain text or hashed, with a digital identifier such as a Zeta persistent ID, a Zeta or other cookie ID; and, with respect to obtaining permission to send email, a consent event consisting of a time/date stamp, URL, and metadata.
 - Signal data: the attributes, intents, and interests of an individual based on their online browsing activities; to also include data licensed from third party partners, including demographics, curated audiences, or recent past behavior data such as purchases, visits to certain locations (e.g. selected retailers), relocation, and similar data.
 - Identifier data: digital and offline identifiers associated with stored identities.

Zeta's growth has been powered by successful execution of its business strategy.

4

False Assertion: "Predatory consent farms" "have driven almost the entirety of Zeta's growth over the last 2+ years."

ZETA'S RESPONSE:

- Zeta's growth has been powered by strategic innovation, a commitment to delivering measurable value for clients, and the ability to lead in a rapidly evolving marketing landscape — not by reliance on any single subsidiary or data source.
- Zeta's doubling of revenue and tripling of Adj. EBITDA from 2021 through Q3 2024 is the direct result of Zeta capitalizing on the AI revolution and the continued evolution and adoption of the Zeta Marketing Platform (ZMP). Broader adoption of the ZMP has led to a significant increase in Scaled and Super Scaled Customers¹, driving 37% and 67% growth in these segments from Q3 2021 through Q3 2024. The platform's AI-powered audiences have enhanced effectiveness, resulting in both a higher number of products per customer and increased ARPU, up 74% and 61%, respectively from Q3 2021 through Q3 2024.
- Zeta gathers data lawfully and does not operate "consent farms."

¹) We define scaled customers as customers from which we generate at least \$100,000 of revenue on a trailing twelve-month (TTM) basis. We define super scaled customers, which is a subset of scaled customers, as customers from which we generate at least \$1,000,000 of revenue on a trailing twelve-month (TTM) basis.

Zeta's customer base is comprised of highly reputable and well-known brands.

5

False Assertion: Zeta's customer base is mostly composed of unknown third-party companies with shady data practices.

ZETA'S RESPONSE:

- Zeta's customers include approximately 40 of the Fortune 100.
- Zeta powers the marketing efforts for 475 scaled customers, demonstrating a customer base built on trust and credibility.

Zeta's business practices deliver real value for consumers.

6

False Assertion: Zeta engages in "almost identical schemes" as Fluent and therefore faces drastic regulatory risks.

ZETA'S RESPONSE:

- The websites Zeta operates deliver real value for consumers and are categorically different than the intentionally deceptive practices that prompted the FTC's enforcement action against Fluent.
- Zeta does not engage and has not engaged in the business practices that prompted the FTC to charge Fluent with unfair and deceptive trade. As a result, there is no basis for the "report's" assertion that "We expect Zeta to face intense FTC scrutiny."

The FTC charged Fluent with:	Despite the false claims of the "report," Zeta:
Operating a fraudulent "rewards" program that promised consumers cash payments that they never received.	Has never operated a rewards program.
Running ads on its job sites from companies that it had no relationship with.	Only runs ads from paying advertisers.
Using enticements that it knew to be fraudulent or non-existent to obtain data at its job sites that it then sold to marketers in other verticals.	Has helped hundreds of thousands of consumers apply for real jobs posted by real employers. As an example, tens of thousands of people have found work with one of our large public company clients through Zeta's services.

- The "report" misstates how Apptness job sites operate. Apptness job sites only display advertisements from paying advertisers. When users click on ads on an Apptness site they are sent through to that company's site, where they can apply for a job. Apptness does not use fraudulent or unauthorized ads or other content at its sites.

Zeta's revenue mix is well-diversified.

7

False Assertion: Apptness, ArcaMax and Kubient are material to Zeta and its revenue growth.

ZETA'S RESPONSE:

- The "report" inflates and distorts the relevance of these three companies.
- Apptness and ArcaMax contributed less than 3% of Zeta's total revenue in the trailing twelve months ended September 30, 2024 – representing a decline on a percentage basis year-over-year.
- Zeta never did a material amount of business with Kubient – and ended that relationship well before Zeta's IPO in June 2021. Zeta recognized zero revenue from Kubient in 2020, a very immaterial amount in 2019, and no revenue prior to that.
- As disclosed more than a year ago, Zeta cooperated in the federal investigation involving Kubient.

ArcaMax is a legitimate news aggregation site that requires double opt-in.

8

False Assertion: In March 2022, Zeta doubled down on consent farming through its acquisition of ArcaMax.

ZETA'S RESPONSE:

- ArcaMax is a news aggregation website, where users can sign up for email newsletters, including for news digests, entertainment, and comics.
- ArcaMax utilizes a “double opt-in” verification which is generally recognized in the marketing industry as the highest confirmation of a consumer’s intent. In a double opt-in process, after the consumer opts in, they receive an email with a link to click that confirms their intent to opt in. If the user does not click, our engagement with the user stops. Only by taking the second action of confirming the opt-in does the user then receive their newsletter or other requested content.
- In the case of the user shown in the “report”, it is clear from the screenshots included that the user registered for and received an entertainment newsletter and others from ArcaMax.
- Zeta has confirmed that this user completed the double opt-in process and received the newsletters they registered for.

Zeta's employees, current and former, are not connected to any of the investigations referenced in the "report."

9a

Innuendo & Irrelevant Assertion: A former ArcaMax executive, who worked at Zeta following its acquisition of the company is now at Flatiron Media, which is a "fake" sweepstakes group that is facing a class action lawsuit.

ZETA'S RESPONSE:

- There is no current or former Zeta employee implicated in the Flatiron lawsuit.
- Scott Wolf, former President of ArcaMax, assisted with its integration into Zeta in 2022. After leaving Zeta, Wolf took a role at Flatiron Media. Flatiron Media is a defendant in a class-action that neither names Wolf as a defendant nor mentions him in the Complaint.

9b

Innuendo & Irrelevant Assertion: Apptness's Chief Revenue Officer Jonah Lovens was at Fluent during the time the FTC alleged Fluent's fraudulent data conduct occurred.

ZETA'S RESPONSE:

- There is no current or former Zeta employee implicated in the Fluent lawsuit.
- Jonah Lovens was in a client-facing, customer relationship role at Fluent and was not responsible for or involved in the company's data practices.

Zeta's highly qualified executives have deep experience at industry-leading companies.

10

False Assertion: Paul Roberts, Former Kubient CEO and Steven Gerber, Current President and COO at Zeta, previously worked together at TranzAct Media.

ZETA'S RESPONSE:

- Steven Gerber, Zeta's President and Chief Operating Officer, and Paul Roberts worked at **completely different** companies with confusingly similar names.
- There is absolutely no relationship between these two companies.
- Gerber served as Senior Vice President at **Tranzact LLC**, a leading private equity-backed marketing firm specializing in customer acquisition across sectors. Gerber led the Company's digital business and was instrumental in the Company's sale to Veronis Suhler in 2008. Gerber has also held management positions at Bain & Company and Digitas LLC. He holds a BA from Northwestern University and an MBA from Columbia University.
- Tranzact, LLC was acquired by Willis Towers Watson for \$1.2 billion in 2019. It was later spun out to the private equity firm GTCR.
- Roberts was a sales representative at **TranzAct Media Inc.**, a company that has been out of business for years, and is unrelated to and unaffiliated with Tranzact LLC.

DMS was immaterial to Zeta's revenue.

11

Misleading Assertion: Digital Media Solutions ("DMS") is a meaningful partner to Zeta.

ZETA'S RESPONSE:

- DMS is not a material customer of Zeta.
- DMS contributed significantly less than 0.1% to Zeta's revenue over the last twelve months ended September 30, 2024.
- DMS was also immaterial to Zeta's revenue in prior years.



ZETA