Exhibit 10

Response to Report of Jeff Anderson and Analysis of Economic Value Derived by Gawker Media As a Result of Publishing the Bollea Video

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Rebuttal: Analysis of Revenue and Value that Gawker Derived from Publishing the Bollea Video

This document has been prepared at the request of Levine Sullivan Koch & Schulz, LLP. The objective of this report is to analyze and respond to the report dated March 5, 2015, prepared by Mr. Jeff Anderson of Consor, Intellectual Asset Management, with regard to the question of what, if any, revenue was derived or value was created for Gawker Media as a result of running a 101 second video of excerpts of a sex tape involving Mr. Terry Bollea, known professionally as "Hulk Hogan" (the "Bollea video").

Summary of Findings

Having carefully reviewed Mr. Anderson's report, I find that there are four major (and many minor) problems with his conclusions.

1. **The biographical information presented by Mr. Anderson suggests that his expertise is primarily in valuing intellectual property rather than ongoing media businesses.**

2. **Mr. Anderson's approach to valuing Gawker.com based on unique visitors is outdated and completely outside the realm of current industry valuation methods.**

3. **Mr. Anderson's supporting data fails to validate his own assertions.**

4. **Mr. Anderson's estimate of the increase in Gawker's enterprise value is off by 50-150x the real world impact of the video on Gawker's revenue or value.**

Contrary to Mr. Anderson's estimates that running the Bollea video created $5,000,000 to $15,000,000 of value for Gawker, the actual revenue Gawker received as a result of its publication of the Bollea video, was, at most, about $11,000. And based on standard industry metrics, such revenue would, at most, translate into no more than about $40,000 in increased value for the company.

As with most assets, there is an established market for Internet media properties and accepted methodologies for valuing these businesses. The approach offered by Mr. Anderson bears little resemblance to valuation methods used in the normal course of business.

Part I: Flaws in Mr. Anderson's Analysis.

Issue 1: Mr. Anderson's expertise.

Mr. Anderson's detailed presentation of his background indicates that his expertise is the valuation of intellectual property, intangible assets and celebrity endorsements. The valuation of those assets is tangential at best to the valuation of a web media business. A website, such as Gawker, is valued as a running business and competes for investment with other media business on the basis of its revenues, profits and growth. The focus is not on the value of intellectual property owned by an online news business, but on the ability of that business to leverage that content into revenues, profits and growth, typically accomplished through advertising. Thus Mr. Anderson's experience in valuing intellectual property, rather than on valuing businesses, is not on point.

Background of Peter Horan

I have spent my entire career running advertising and media businesses including Internet media businesses. I am currently an active investor, board member and consultant to web media companies from startups to public companies. In those capacities, I regularly look at revenue models and valuation methods for web media businesses. I meet weekly with investment bankers and discuss drivers of valuations of Internet media businesses. I have been in an executive or board role in web media businesses that have been sold in M&A transactions for $1.8 billion over the past ten years. The ability to understand the dynamics of valuation for Internet media businesses is central to my career.

I have been an advertising and publishing professional since 1975. As a practitioner, I have held executive positions in a wide range of advertising agencies and publishing companies. I have been CEO or COO of a number of Internet publishing businesses including IAC Search and Media, About.com, Answers.com, AllBusiness, and DevX. I have served on the board of directors of the Interactive Advertising Bureau and the Online Publishers Association (now Digital Content Next), both of which are organizations representing the most respected news and publishing brands in America, such as The New York Times, AOL, Conde Nast, Bloomberg, and many others.

Issue 2: Mr. Anderson's approach to valuing Gawker.com based on unique visitors is outdated and completely outside the realm of current industry valuation methods.

In Section V of his report, Mr. Anderson describes three potential methods for valuing a business: Income; Cost; and Market. With relatively little explanation, he dismisses the income and cost approaches and launches into what he describes as a market-based approach. While I agree that a cost-based approach is not commonly used to value Internet media businesses, contrary to what Mr. Anderson has said, revenue and revenue growth are the two primary measures that investors and acquirers use to value web media businesses. The third core measure, profits, is never even considered by Mr. Anderson. After discussing why Mr. Anderson's approach is ill-suited to the task at hand, I will suggest the correct way to evaluate the possible impact on revenue and enterprise valuation, both generally and from the Bollea video.

There are several specific problems with the approach cited by Mr. Anderson, most notably his assumption that the unique visitors count is a core driver of enterprise value. To support his analysis based on this approach, Mr. Anderson identified an article from 1999, which is several lifetimes ago in the evolution of the Internet.[1] It was certainly common to value internet businesses this way during the first internet bubble (1995—2000); however after that euphoric phase came crashing down in the nuclear winter of 2000-2001, investors and acquirers recognized that looking only at unique visitors was not a reliable predictor of long-term success. In the late 1990s, Internet advertising was unproven and highly experimental. Twenty years later, digital advertising is roughly a $170 billion business worldwide. In the intervening time, valuation methods have evolved commensurately.

Achieving a significant base of users is now viewed as a necessary but not sufficient condition for achieving a premium valuation of an Internet media business. **Mr. Anderson glides over the core point. It is not the unique visitor that matters—rather it is the publisher's ability to derive revenue from that visitor.** In my experience, I have not seen or heard of an established web media business being valued primarily on unique users in fifteen years.

The second article that Mr. Anderson cites in support of his analysis confirms that revenue is a primary driver of Internet valuations, however he failed to acknowledge this in his report.[2] The other method cited in that article does reference cost per user, but with the caveat that it applies to sites without much revenue. Gawker Media has been in business long enough and has enough revenue that this is not an appropriate measure. **Most importantly, no one in the industry would value Gawker or any similar business based on unique users.** Instead, investors and acquirers look at how well those users are monetized in the form of revenues and profits.

My research failed to uncover any recent mention of web media businesses being valued on the basis of unique users. Conversely there are many reports and analyst

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[1] Christopher Kim, Ryan Esposto, and Frank Wang, The Pricing of Online Media, Cogent Valuation (Anderson Rep. at 9).

[2] Nicholson, James, Valuation Metrics of Large vs. Small Website Acquisitions, http://seekingalpha.com/article/92809-valuation-metrics-of-large-vs-small-website-acquisitions (Anderson Rep. at 9).

opinions discussing valuations of Internet media businesses based on revenue, profits and growth.[3] This is consistent with my experience, as described above.

Issue 3: Mr. Anderson's data does not support his conclusions and methodologies.

Mr. Anderson's approach entails identifying comparable companies and inferring Gawker's valuation based on those comparisons.

Issue 3.1: The companies cited are not—for the most part—public or comparable.

The underlying premise of regulation by the SEC is that public companies must honestly report financial information and relevant business data in formats that are comprehensible by the average investor. Mr. Anderson based his analysis on news coverage of mostly private market transactions without access to audited financials. In other words, Mr. Anderson's analysis was based on just two pieces of data – reported sales price (or valuation) and reported uniques. He did not look deeply at the companies' financials, which any responsible investor or purchaser would do. In addition, in many instances, I do not believe the companies he cited are comparable in any meaningful respect.

It is more reliable to look at the valuation metrics of truly comparable companies, and companies that are public so that the full range of their finances are available for review. As I have said in a prior section and will show, Internet content companies are typically valued on the basis of their revenue, profits and growth rates.

To properly asses the economic impact of Gawker running the Bollea video, one must determine how much revenue may have been generated by this video and apply industry standard metrics for doing so.

BuzzFeed, for example, is still private. We know very little about the true performance of the business or the terms of investment. The same applies to BleacherReport. Yelp and Grandparents.com are fundamentally different and unrelated businesses—local directory and niche site for senior citizens. And if Mr. Anderson was only interested in comparing Gawker to other web-based content companies,[4] he should at least have looked at public companies whose finances are publicly available, such as The Knot (XOXO) or the Street.com (TST) or even EveryDayHealth.com (EVDY). According to Yahoo Finance on April 2, 2015, each of these publicly traded online content businesses trades for less than 2.5x revenue.[5]

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[3] *See, e.g.,* Exhibit 1 (reports and analysts opinions).

[4] *See* Anderson Dep. at 194:15-17.

[5] *See* Exhibit 2 (screenshots from Yahoo! Finance).

Issue 3.2: Even assuming that valuing a media company based on unique visitors was proper, and that the comparables chosen by Mr. Anderson were actually comparable to Gawker.com, the methodology Mr. Anderson uses to reach his ultimate conclusion does not make sense.

Mr. Anderson conflates "unique page views" of a specific web page (here, the page with the Bollea video) with monthly "unique visitors" to an entire website (here, Gawker.com). "Unique page views" refers to the number of people who viewed a specific web page. So, for example, if you view a web page, and then hit "refresh" to reload the webpage, that counts as two "page views," but only one "unique page view."

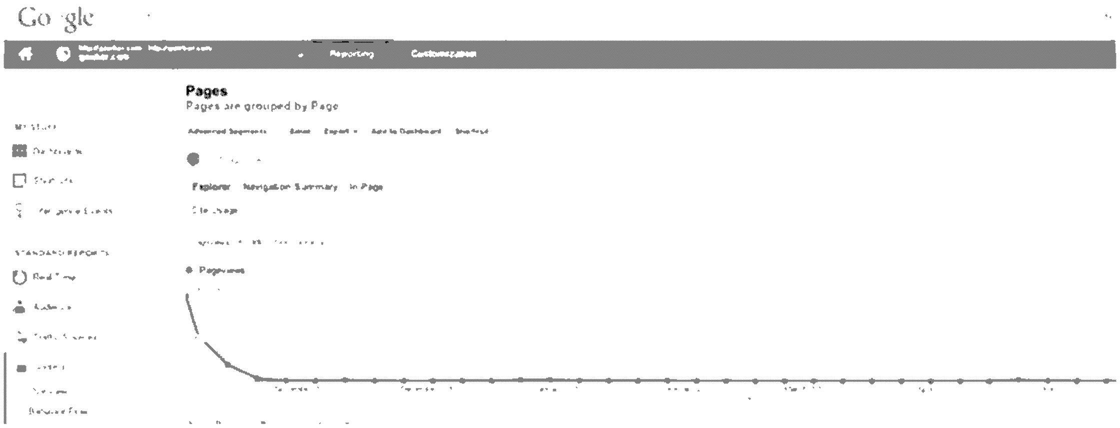
In contrast, "unique visitors" to a website refers to the number of people who visit any page within a website in a one-month period. So, for example, if you go to any story on Gawker.com on September 15, you are counted as a "unique visitor" to Gawker that day, and you will not be counted again as a "unique visitor" until October 15. Thus, if you also visited the page with the Bollea video on October 4, your visit to that page will count as a "unique page view," but you will **not** be counted as a "unique visitor." By conflating these two measures, Mr. Anderson is comparing apples to oranges. He is suggesting that the 5 million people who viewed the webpage (the "unique page views") were also necessarily counted as "unique visitors" to Gawker. That is simply not the case. In reality, only a fraction of the people who viewed the webpage would have been counted among Gawker's "unique viewers" for an entire month.

Issue 3.3: Mr. Anderson's analysis assumes that the Bollea Video drove an increase in traffic that never occurred.

The chart that Mr. Anderson cites at the top of his page 7 is problematic in three respects. First, it is not a measure of traffic at all. It is a measure of relative Internet searches. Second, even if searches were used as a proxy for traffic, the chart clearly shows that, following a brief spike in interest around the launch of the video on October 4, 2012, traffic immediately returned to normal. There is no basis for Mr. Anderson's assumption that he can take the traffic spike from mid-October and assume that it continues for six months forward, as he does, for example, by assuming that traffic continued to grow for seven months (see report page 14). The data show that this is not the case. Third, this focuses on traffic to the post rather than traffic to the video, and Mr. Anderson's report appears to treat the two things as the same. The data, however, shows that the video generated roughly half as many views as the post, with a substantial number of viewers not watching the full minute and 41 seconds.[6]

[6] Gawker 01185.

Image 1: Traffic to Bollea Post Over Time



This chart, taken from Google Analytics, shows that the traffic to the post dropped almost immediately.[7] By November 1, 2012 there was virtually no traffic to the post.

The chart below, taken from Alexa (a division of Amazon.com) shows Gawker.com's traffic from July 2012 to July 2013. It likewise shows that, while there was a brief traffic spike in October (and other spikes corresponding to other popular stories), traffic was flat to down over the whole period. The Bollea video simply did not contribute to a long-term uplift in traffic to Gawker.com or Gawker Media.

Image 2: Gawker Reach over time

[7] Gawker 01148.

The following charts from Gawker's Google Analytics reports present essentially the same story. They show Gawker's traffic patterns during 2012 and 2013. While there was a brief bump in traffic and page views when the story initially ran (and, again, occasional bumps in traffic and page views related to specific other stories), there was no inflection point nor any longer term uplift in overall traffic (and thereby revenue).[8]

Image 3: Gawker.com page views for 2012 from Google Analytics

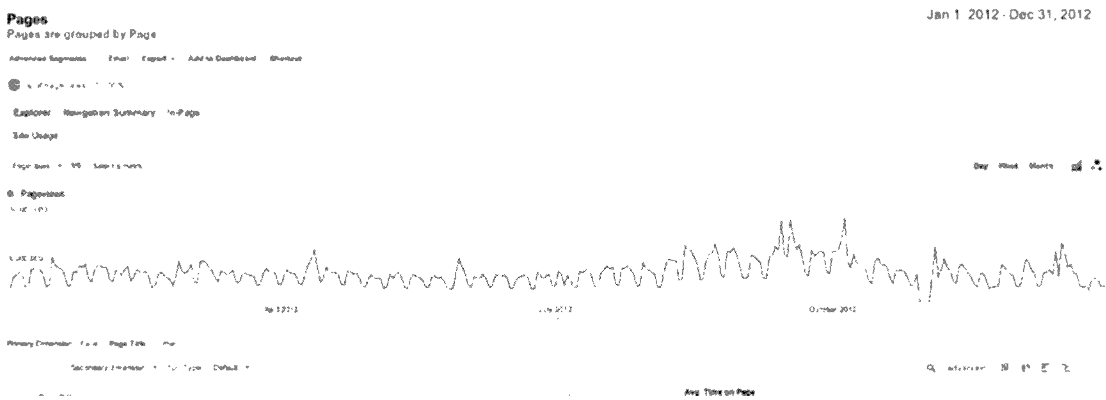
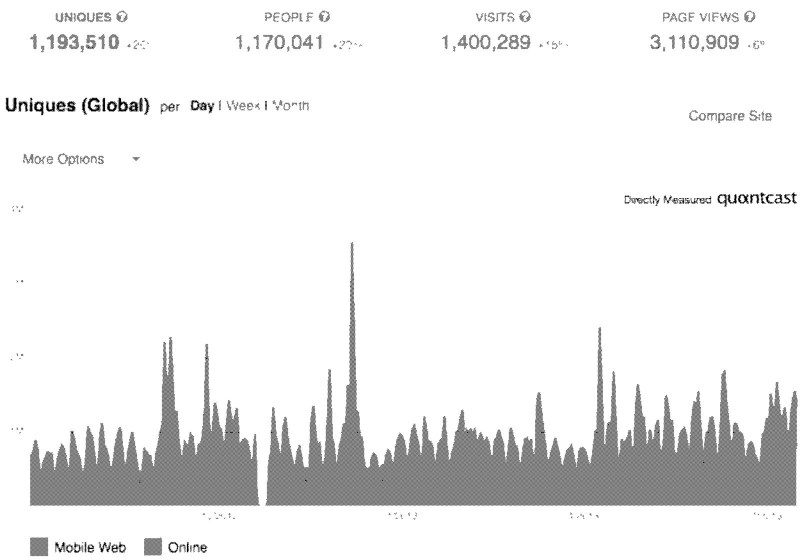


Image 4: Gawker.com page views for 2013 from Google Analytics

Quantcast data likewise shows no long-term, sustained, uplift in visitors following the posting of the Bollea video:

[8] Gawker 01149; Gawker 18331.

Image 5: Gawker.com traffic from July 2012 to July 2013 from Quantcast



Issue 4: Mr. Anderson overstates any increase in value.

Mr. Anderson opines that there has been an overall increase in traffic from publishing the Bollea video, which in turn has resulted in an increase in value of the company attributed to that video. As an initial matter, as explained above, assessing value based on traffic, without regard to revenue, is not a method that anyone evaluating the value of Gawker, as a company, would use (i.e., if the company were to be sold, what price it would fetch).

But there is a related flaw in Mr. Anderson's analysis. People typically value a company as a whole. Gawker, for example, has writers and editors, advertising sales operations, technology infrastructure, office space, and the like. Trying to segregate the value attributable to one post, out of something like 100,000 posts a year, is an artificial exercise since no one would purchase just the Bollea video portion of the company. Moreover, if one wanted to engage in that inherently artificial exercise, then it is appropriate to use established methods of valuing companies – namely, to focus on their ability to generate revenue and profit.

Part II: How The Revenue and Valuation Impact of the Bollea Video Can Best Be Calculated

The industry approach to calculating the Gawker revenue uplift is basically the same approach that I use as an executive, investor and board member. Rather than pick and choose numbers from various data sources and patch them together, I determined that it was important to use a service that provided a comprehensive look at the flow of traffic to Gawker and its affiliates throughout the period in question. From this, it is possible to estimate revenue derived from that traffic as well as the valuation of the company based on that revenue. Using this analysis, it is also possible to assess traffic generated by the Bollea video, any revenue derived from that posting, and (subject to the caveat above that assessing valuation increase derived from one post is inherently artificial) any effect on the company's valuation resulting from that added revenue.

The revenue and valuation are related in that the industry standard approach would be to value Gawker based on a multiple of revenue. To do this, I will estimate the revenue generated as a result of this video and determine the appropriate industry standard multiple.

A. Analysis of Revenue Uplift

Traffic: The key issue is not the traffic but the revenue generated from that traffic, which is discussed below. But I first begin by reviewing traffic data. When working with web traffic data, it is common to have multiple data sources offer slightly different estimates of audience size and behavior. This is typically due to slightly different methodologies and slightly different audience samples. The information sources that are consulted typically include Google Analytics; web server data; ad server data such as Google's DART for Publishers; Alexa; and Quantcast.

My general approach is to choose one tool as the primary tool based on its suitability for the job at hand and then cross-check it against other available sources.

For the purposes of this analysis, I have chosen to primarily use data from Alexa, a division of Amazon.com. Alexa has been providing independent web analytics since 1996 and offers a comprehensive view of traffic flows to and from Gawker.com. It is a source of data that I regularly consult in my business decisions. In addition, this analysis can be easily verified by anyone with an Alexa account.

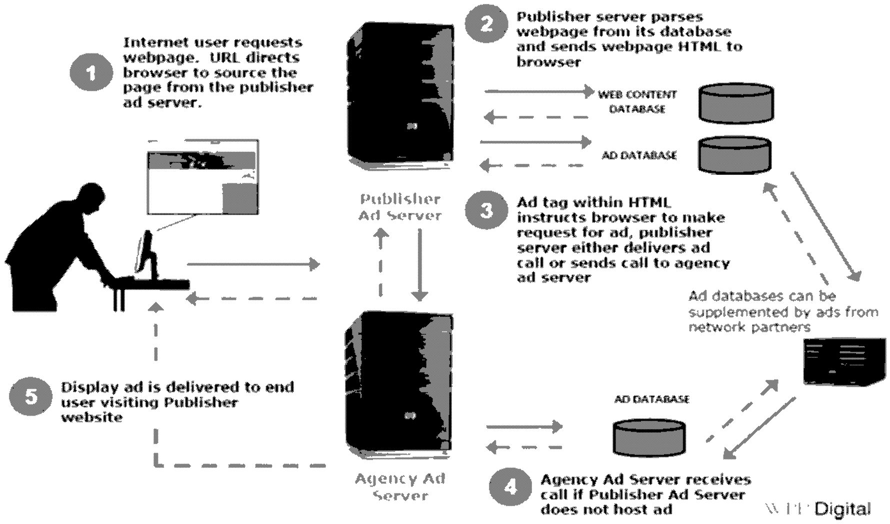
According to the Alexa website : "Alexa's traffic estimates are based on data from our global traffic panel, which is a sample of millions of Internet users using one of over 25,000 different browser extensions."

I have also consulted data from Google Analytics, another industry standard web metrics service, and other industry data, including Quantcast, to confirm the Gawker metrics.

Revenue Model for Web Publishing Businesses: Simply put, the primary source of revenue for Internet media companies is advertising. Advertising units are placed (served) onto web pages dynamically as the consumer reads content. A typical web media page has multiple ads appearing on it.

The graphic element below (from ad agency holding company WPP) shows the mechanism by which Internet advertising is delivered:

Image 6: Illustration of Internet ad serving



When analyzing the amount of revenue received by a publisher, four factors are typically considered:

1. The number of unique individuals who visit a website;
2. The number of times that they visit that site during a given month;
3. The number of pages that the individual reads during each visit;
4. The amount of money that the publisher receives for each page.

Advertising is typically priced based on a cost per thousand impressions (CPM) served basis. One can also determine revenue per page by dividing all of the revenue received by the total number of pages. This metric is customarily referred to as revenue per thousand or RPM. As I use these terms here, CPM focuses on the cost per *impression* while RPM focuses on the revenue per *page*.

At the most fundamental level, one can calculate the advertising revenue for a website, or a piece of content on that website, by multiplying these factors.

For example, a site with:

1. 1M unique visitors *and*
2. 1.5 visits per month *and*
3. 3 pages per visit *and*
4. $6 average RPM

would thereby generate $27,000 in monthly revenue. While this is simply an example intended to demonstrate how these four factors interact to drive revenue, they are fairly typical of consumer Internet sites.[9]

Method of Calculating Gawker Revenue Uplift from Bollea Video:

Because Gawker chose not to run ads on the pages featuring the video in question (as is its policy for NSFW content) there was no direct revenue.[10] Any additional economic benefit would be negligible and would come as a result of increased traffic, incremental page views as a result of visitors seeing the video, visiting other pages and the ad revenue generated thereby, and potential revenue from repeat visitors to Gawker because of the Bollea video.

There are **three** potential sources of this indirect revenue uplift for Gawker from the Bollea video:

- **Session Revenue**
    - Revenue from additional page views on Gawker.com on the same visit as when the visitor viewed the Bollea video. To determine session revenue, I look at the average pages viewed (less the pages without advertising on the Bollea video) and the average RPM for Gawker Media.
- **Network Revenue**
    - Revenue from traffic to other sites on the Gawker network as a result of visitors attracted by the Bollea video, who then visited other Gawker websites in the same session. To determine network revenue, I calculate the referrals to the other sites within the Gawker network, and then multiply the number of visitors by the average pages viewed and the average RPM for Gawker Media .
- **Repeat Revenue**
    - Revenue derived from those who viewed the Bollea video and then became regular readers of Gawker and viewed pages with ads. To determine repeat revenue, I analyze whether there was any material change in traffic patterns to Gawker as a result of publishing the Bollea video. This change would manifest itself as an inflection point in the growth rate of the site.

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[9] As a technical matter, revenue is generated by viewing ad impressions that appear on the pages viewed (factors 3 and 4) and is not dependent on the number of unique visitors or their average number of times they visit or the number of pages they view. For example, a website could have a large number of occasional visitors or a small number of more frequent visitors, both of which result in the same number of pages viewed and same number of advertising impressions viewed, and both of which would result in the same revenue. As a matter of evaluating a web business, however, the number of unique visitors reflects the extent of the overall audience, and has some impact on the ability to sell advertisements seeking a broad reach. As a result, most professionals in the industry would include this information in their analysis of revenue generation, and I have done so here.

[10] *See* Gawker Resp. to Interrog. No. 4; Kidder Dep. at 174:12-15.

To do this, I perform the following analysis:

- Identify the total number of unique visitors to the Bollea story.
- Net out all international visitors because most advertising campaigns only target US consumers. For Gawker, international traffic is typically about 20% of all visitors, according to data from Alexa.
- Estimate the portion of that audience who left the Gawker network after viewing only that story. These visitors did not generate any revenue for Gawker during that session. This is typically referred to as "bounce rate." According to Alexa, the typical bounce rate for Gawker.com is 55.7%.
- Estimate the portion of the audience that continued on to revenue-producing pages either on Gawker.com or one of the other Gawker Media websites.

Analysis of Visitors to the Bollea video

I began my analysis by accepting, for these purposes only, the number of visitors to the Bollea post as alleged by Bollea in his Interrogatory Responses (5.35 million). *See* Pl.'s 4th Supp. Resp. to Interrog. No. 12 at p. 5. I then netted out the international audience using information from Alexa that 20% of Gawker's visitors are from outside the US. This resulted in a net US audience of 4.28M people to the post at issue.

Image 7: Alexa data showing percentage of non-U.S. visitors

Data from other sources likewise confirms that roughly 20% of Gawker.com's visitors are from other countries.

Image 8: Quantcast data showing percentage of non-U.S. visitors

gawker.com
32 Subdomains — **12.8M** US — **17.4M** Global

Favorites — View Site — Share

Countries

The volume of traffic originating from individual countries in a 30 day period. Indexes are calculated by comparing the percentage of a site's traffic from a given country to the pattern of all Internet traffic measured by Quantcast - e.g. an index of 500 indicates that the site gets five times as much of its traffic from the given country than the average Internet site.

1 2 3 4 5 6 7 8 9 10 11 Next

COUNTRY	UNIQUES (COOKIES)	UNIQUES %	UNIQUES INDEX	IMPRESSIONS %	IMPRESSIONS INDEX
United States	15,585,418	73.80	144	82.69	165
Canada	1,386,652	6.57	171	7 37	163
United Kingdom	922,735	4.37	83	2 24	49
Australia	418,601	1.98	77	0.87	42
India	194,502	0.92	53	0 27	21
Singapore	150,218	0.71	189	0 21	61
Germany	142,514	0.67	32	0 48	24
Philippines	127,940	0.61	88	0.23	27
Malaysia	112,721	0.53	118	0 15	31

(Indeed, data from Quantcast – see Exhibit 3 – indicate that in October 2012, the number was closer to 30%. But for purposes of this analysis, I will use 20%, a number which is more favorable to Mr. Bollea's position.)

According to Alexa, approximately 55.7% of Gawker.com's audience leaves after viewing the page they first entered, see Exhibit 4.[11] As mentioned previously, the page on which the video appeared did not carry advertising. Based on Alexa data, I calculate that 2.38 million people left Gawker.com after going directly to the page with the video. Therefore, an estimated 1.9M viewers went on to view other potentially revenue-generating pages (i.e. pages with ads) on Gawker.com. This will provide the audience base for the calculation of **Session Revenue.**[12] I then compute

[11] Alexa data may vary very slightly from day to day, given traffic fluctuations. Thus, it may report a 55.7% bounce rate one day, and a 55.0% bounce rate the next. These minor variances have no discernible impact on the calculations at issue here.

[12] Data from Google Analytics indicates that for the page carrying the Bollea Video, the bounce rate was 48.41% (Gawker 1148). For purposes of consistency, I am using the Alexa data. But I note that even if one were to use the lower (48.41%) bounce rate, there would be no material difference in the ultimate conclusion about the revenue generated by the Bollea video. At most, using a 48% bounce rate would result in an increase in session revenue of a few thousand dollars.

the traffic that flowed from Gawker.com to other sites within the Gawker Media Network. Again, Alexa provides data on the top sites to which Gawker.com refers traffic. Referrals to other Gawker sites represent 1.7-4.6% of outbound referrals from Gawker.com. These referral rates are presented in the table below. Network referrals totaled 381,434 people. This is the audience base for **Network Revenue.**

Image 9: Outbound referrals from Gawker.com

Where do gawker.com's visitors go next?

Downstream Sites

Which sites did people visit immediately after this site?

Site	Percent of Unique Visits
1. [illegible]	18.6%
2. [illegible]	5.8%
3. [illegible]	4.6%
4. [illegible]	4.5%
5. [illegible]	3.2%
6. [illegible]	2.6%
7. [illegible]	2.3%
8. [illegible]	2.0%
9. [illegible]	1.7%
10. [illegible]	1.7%

Less

Finally, I wanted to see whether publishing the Bollea video provided any longer term uplift in traffic to Gawker.com or its affiliated sites that would have resulted in incremental **Repeat Revenue**.

As mentioned above, data from Alexa, Google Analytics, and Quantcast present a consistent picture. While there was a bump in traffic and page views when the story initially ran, there was no inflection point nor any longer term uplift in traffic (and thereby revenue) as a result of Gawker.com having run this video. I therefore conclude that Gawker.com did not receive any material **Repeat Revenue** as a result of posting the video.

This chart summarizes the traffic flow surrounding the Bollea video:

Image 10: Traffic Flow

Total visitors		5,350,000
International visitors		1,070,000
Net US visitors (less international traffic)		4,280,000
Visitors who left Gawker.com after seeing only Bollea post		2,383,960
Net US Visitors to revenue pages on Gawker.com		1,896,040
Session Audience		
Net US Visitors to revenue pages on Gawker.com	1,896,040	
Network Audience		
Jezebel		109,662
Deadspin		107,278
Gizmodo		76,287
io9		47,679
Kotaku		40,527
Total estimated network referrals	381,434	

Monetization of Traffic

As mentioned previously, advertising is typically priced on the basis of a cost per thousand impressions served. A web page will carry several advertising units that will be sold for a range of prices. This chart, from eMarketer, provides an overview of Internet ad pricing.

Image 11: Average CPMs for Internet Ads

US Online Display Ad CPM, by Inventory Tier, 2010-2017

	Indirect	Mid-tier	Premium	Average CPM
2010	$0.80	$3.00	$9.00	$1.70
2011	$0.90	$2.90	$9.50	$1.70
2012	$1.00	$2.90	$9.90	$1.80
2013	$1.10	$2.80	$10.40	$1.90
2014	$1.20	$2.80	$10.90	$2.00
2015	$1.30	$2.70	$11.50	$2.20
2016	$1.50	$2.70	$12.10	$2.30
2017	$1.60	$2.60	$12.70	$2.50

Note: excludes mobile display ad impressions; average CPM calculated using weighted average for online display ad impression share
Source: Credit Suisse, "Web 2.012," Feb 21, 2012

137412 www.eMarketer.com

I have calculated the average Revenue Per Thousand pages viewed (RPM) for 2012 and 2013 based on Gawker's advertising revenue for those years and its reported page views.[13] The table below shows page views by Gawker Media site and in total.

Image 12: Gawker Media Page Views by Site for 2012 and 2013

2012 pageviews	
Gawker	1,080,757,234
Gizmodo	1,526,527,552
Deadspin	691,332,576
Kotaku	1,089,841,071
Jezebel	909,920,421
Lifehacker	848,725,552
io9	564,671,953
Jalopnik	505,289,273
	7,217,065,632
2013 pageviews	
Gawker	1,051,145,639
Gizmodo	870,575,153
Deadspin	740,984,872
Kotaku	813,225,453
Jezebel	653,417,363
Lifehacker	645,216,341
io9	492,555,129
Jalopnik	358,449,122
	5,625,569,072

Dividing Gawker Media's 2012 advertising revenue of $22,823,620 by its total 2012 page views of 7,217,065,632 results in a calculated **RPM of $3.16 for the year 2012**. Running the same calculation for the next year, using ad revenue of $25,950,997 divided by page views of 5,625,569,072 results in **an average RPM of $4.61 for 2013**.[14] Because almost all of the page views were in 2012, that is the more appropriate RPM to use in calculating revenue (although even if the higher 2013 number were used, the effect on the overall revenue derived from running the Bollea video would be modest).

Gawker has made a management decision to be very selective about what advertisers it allows on its sites, and, unlike many online publishers, it does not work with outside ad networks.[15] As a result, Gawker often publishes pages without

[13] Exhibit 5 (information obtained from Gawker Media on total page views for 2012 and 2013).

[14] Gawker 18323_C.

[15] Dep. of M. Kuntz at 70:15-18.

any advertising at all, when the number of pages exceeds available ad inventory.[16] This means that Gawker's RPM during this period was on the lower end of the range of its peer group.[17]

Revenue Generated by Bollea Video

Using the methodology described above, I calculate that Gawker Media received roughly $11,000 in revenue as a result of running the Bollea video. To calculate session revenue, I take the number of US visitors who did not leave Gawker.com, multiply those visitors by the average number of page views per visit, to derive a total number of pages visited. That number times the average revenue per thousand page views divided by 1,000 yields the revenue.

Image 13: Table of Session Traffic and Revenue

	Net visitors	Avg Pages Per Visit[18]	Pages (000)	RPM	Revenue
Session Revenue	1,896,000	2.37, minus 1 to account for the page with the Bollea video = 1.37	2,598	$3.16	$8,208

In order to calculate network revenue, I used the traffic data set forth above and multiplied those audience numbers by the average pages per visit and the average RPM to calculate the **Network Revenue** that Gawker received.

[16] Dep. of M. Kuntz at 70:23 – 71:12.

[17] As I explained above, web media businesses like Gawker principally generate revenue based on ad impressions, and the cost is based on 1,000 impressions ("CPM," cost per thousand ad impressions). But using that metric requires consideration of a number of other factors, often pulling in opposite directions on the average CPM, including, for example, the number of impressions per page and the number of pages on which there is no ad impression displayed, either because the content is not appropriate for advertising (like the Bollea video page) or because the site does not have enough ad inventory to display ad impressions on every page. Relying on "CPM impressions" also potentially requires some distinction between display advertising and native advertising, which typically command different rates. Using a metric of RPM *page views* allows us to consider total revenue divided by the total page views, without having to factor in each of these other variables.

[18] The average number of pages per visit comes from Alexa data, see Exhibit 4. It is generally consistent with data from Google Analytics and Quantcast, see Exhibit 6.

Image 14: Table of Network Traffic and Revenue

Network referrals	Referred Visitors	Avg Pages Per Visit[19]	Pages (000)	Avg RPM	Revenue
Jezebel	**109,662**	**2.28**	**250**	**$3.16**	**$790**
Deadspin	107,278	2.70	290	$3.16	$915
Gizmodo	**76,287**	**1.96**	**150**	**$3.16**	**$472**
io9	47,679	1.97	94	$3.16	$297
kotaku	**40,527**	**2.25**	**91**	**$3.16**	**$288**
TOTAL NETWORK REVENUE					**$2,762**

Image 15: Summary Table of Total Revenue Generated by Bollea Video

	Revenue
Session Revenue	**$8,208**
Network Revenue	$2,762
Total	**$10,970**

Note that this estimate represents the very maximum amount that can be said to have derived from the Bollea Video, because it assumes that every visitor who visited the webpage containing the video who went to another site within the Gawker Network would not have gone there otherwise. In other words, it assumes that *none* of the visitors to the webpage containing the video were regular readers of gawker.com or affiliated sites. In reality, this is unlikely the case and therefore the revenue generated by the Bollea video was actually less.

B. Enterprise Value Created for Gawker by the Bollea Video

As stated above, I am actively involved in operating, investing in and advising web media businesses. I have been involved in web media since its inception in the mid-90s. During those two decades, I have participated in hundreds of conversations about valuation from both the company perspective and the investor/acquirer perspective. I am actively in the market at the time of writing this report and regularly meet with investment bankers regarding the current state of the market.

Principles of Web Media Company Valuations

The valuation of web media companies is an exercise in pure market economics. Investors and acquirers determine which companies have the greatest probability of increasing significantly in value and those investors and acquirers then compete to

[19] Again, this data comes from Alexa (see Exhibit 7), which fluctuates very slightly day-to-day. The Alexa data is generally consistent with data from Google Analytics (see Exhibit 8). Quantcast data, which is also generally consistent, can be determined by dividing the number of "page views" by the number of "visits."

own a share of the business. This process is well documented, discussed and transparent in public companies. The process for private companies is similar but less transparent.

With more mature businesses, the primary valuating metric is discounted cash flow—a forward looking estimate of how much cash a business will generate. In the case of Internet media businesses, and particularly early stage businesses, investors and acquirers make their decisions based on other more available information and often use revenue and profits as a proxy for cash flow.

Prices are commonly expressed as a multiple of revenue or profits. The primary predictor of whether a business is valued on revenue or profits (and of the multiple offered) is growth rate. Investors are willing to accept low or even no profits from rapidly growing businesses because they expect these businesses to create exceptional value over time. The expectation is that they will "grow into their valuation." A web media business probably needs the potential to grow revenue greater than 40% per year over time to be valued as a growth company.

If a web media business is growing at a slower rate—typically less than 20% per year—it is typically valued based on its profits. The most commonly used calculation of profit is EBITDA (earnings before interest, taxes, depreciation and amortization) because it is a fairly clean measure of operating profit.

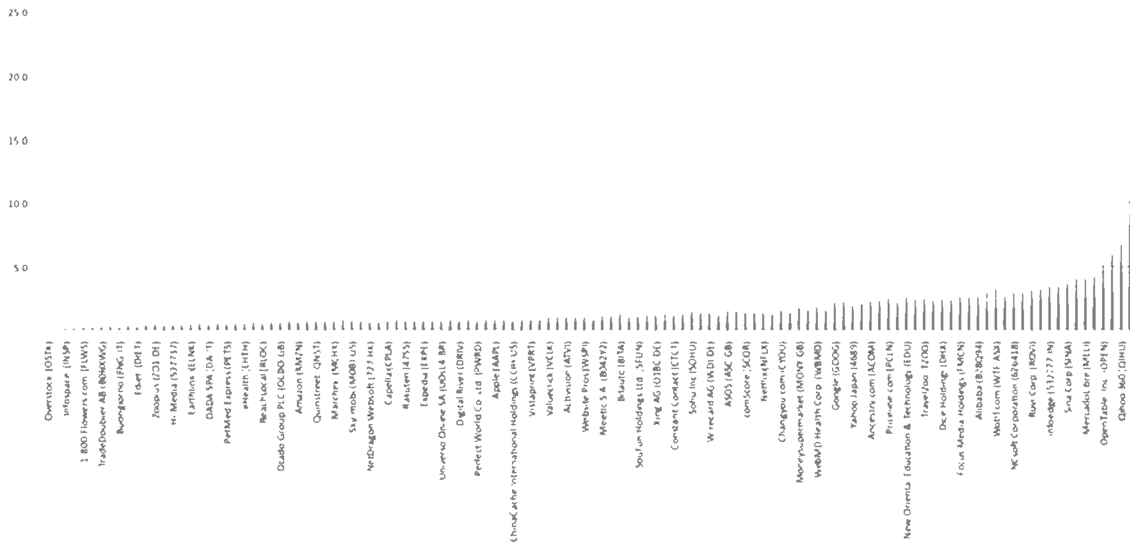
Beyond these basic measures of the economic health of the business, investors and acquirers try to assess the other factors that could affect the ongoing success of a business. These factors might include: competitive differentiation; ability to increase profits with growing revenue; customer loyalty, lock-in, and commitment; capital intensity of the business; and underlying growth rate of the segment in which the business participates. Taken as a whole, these factors inform the investor or acquirer's assessment of how sustainable the business it.

Venture investors have occasionally paid a premium for investments in certain properties because they expect these properties to grow exceptionally quickly for a long period and to be ultimately very attractive in an IPO or acquisition scenario. These examples are outliers in terms of valuation and are referred to in common parlance as "unicorns."

To place these exceptional companies in proper context, I looked at an analysis performed by Bill Gurley of Benchmark Capital, a respected investor and analyst. Gurley did a thorough analysis of Internet valuations in his "Above the Crowd" blog on May 24, 2011 and has subsequently updated it. (Exhibit 9.) He looked at 122 publicly traded Internet companies based on the multiples of their 2012 revenue.

Of the chart below he says "*Basically, there are many more low-price/revenue multiple companies than high. The following table shows this statistically. Over 72% of the companies have a 2012 price/revenue multiple below 4x.*

Image 16: EV/Revenue ratios of publicly traded Internet companies



He breaks out these companies in the following spreadsheet.

Image 17: Breakout of EV/Revenue Multiples

Multiple	Count	Percentage	Companies
Less that 1X	22	18.0%	
1-2X	32	26.2%	
2-3X	25	20.5%	
3-4X	9	7.4%	
4-5X	8	6.6%	
5-6X	10	8.2%	
6-7X	4	3.3%	
7-8X	2	**1.6%**	Rovi Corp, MakeMyTrip
8-9X	3	**2.5%**	Infoedge, Ctrip, Sina
9-10X	2	**1.6%**	Tencent MircadoLibre
10X+	5	**4.1%**	Rightmove, OpenTable, Baidu, Qihoo, Youku.com
	122	100.0%	

RBC Capital Markets Group recently ran a similar analysis that showed that valuation multiples for Internet content companies remained very steady. (Exhibit 1.) The four metrics are Enterprise Value (EV) divided by revenue and revenue growth rate.

Image 18: Current valuation multiples for Internet media companies

	2013A	2014E	2015E	2016E
Median EV/Revenue	3.6x	3.1x	2.9x	2.6x
Mean EV/Revenue	5.9x	4.8x	4.1x	3.7x
Median Growth		15.1%	11.0%	9.1%
Mean Growth		17.3%	14.7%	13.2%

Pacific Crest, another investment bank, ran a similar analysis across a similar (but not exact) cross section of public companies, and calculated almost the same multiples. (Exhibit 1.)

This has been the case for much of the past fifteen years. The notion of valuing media businesses on "eyeballs" or visitors was largely discredited during the first Internet collapse in 2000. Counter to the assertion of Mr. Anderson, no investor or acquirer has valued a web media business on visitor count in recent memory.

As discussed in my own analysis of the revenue derived by Gawker from the Bollea video, visitors *contribute* to revenue. However, viewed in isolation, investors and acquirers have determined that unique visitors as a metric is useful but standing alone is insufficient.

Estimating the Increase in Gawker's Enterprise Value

During the years 2012 and 2013, Gawker's advertising revenue increased more slowly than other Internet media companies. The chart below is calculated based on the advertising revenue of Gawker.com during the period relevant to this lawsuit.

Image 19: Gawker advertising revenue and growth[20]

	2011	2012	2013
Ad Revenue	$21,300,037	$22,823,620	$25,950,997
YOY Growth		7.15%	13.70%

Writing on media company valuations for the Poynter Institute, a media think tank, Rick Edmonds says *"They also confirm the truism that short term revenue growth prospects matter much more to those placing bets with their capital than longevity or even profitability." (Poynter.org 12/10/2014)* (Exhibit 10.)

[20] Gawker 18323_C.

Gawker would therefore command a multiple on revenue at the low end of the market range. For the purposes of this analysis, I will therefore use the median multiple computed by RBC Capital Markets of 3.6x revenue.

Based on the estimate of revenue received by Gawker of **$10,970** and the market multiple of 3.6 times revenue, **I calculate that publishing the Bollea video added at most $39,492 of enterprise value to Gawker Media.** This outcome is not surprising, given that, as noted, the total number of page views to Gawker Media sites in 2012 was 7.2 *billion* (Exhibit 5), and the total number of page views to the page containing the Hulk Hogan video was 8.6 *million* (Gawker 1148). Thus, the page views of the Hulk Hogan video represented well under one percent of page views to Gawker Media sites in 2012.

SUMMARY OF CONCLUSIONS:

In addition to the conclusions reached in Part I of my report (responding to Mr. Anderson's report), I have determined:

1. There was only nominal revenue uplift ($10,970) to Gawker as a result of its decision to publish the Bollea video. This estimate gives the plaintiff the benefit of the doubt on almost every conceivable metric.

2. In my experience, revenue is the most accurate predictor of enterprise value for a web media business such as Gawker Media.

3. Using a mid-range revenue multiple of 3.6x suggests that running the video in question would have resulted in an increase of enterprise value for Gawker Media of $39,492. Again, this gives the plaintiff the benefit of the doubt. To say that the enterprise value of a media business was changed by one story is a highly artificial construct. It's implausible that in any real world scenario an acquirer or investor would materially change the price that it would pay for Gawker media as a result of its decision to run any one story.

I reserve the right to revise and amend the conclusions reached herein if new information becomes available. I also reserve the right to respond to any further opinions offered by Mr. Anderson or other experts who the plaintiff has or will designate. In addition, I reserve the right to use demonstrative and/or other exhibits to present the opinions expressed in this report and any others that may be forthcoming.

Dated: April 3, 2015