AMENDED Exhibit 701

PLAINTIFFS' OMNIBUS OPPOSITION TO DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

2018 Strategy Offsite Two Pagers

CONFIDENTIAL

go/ytstrategybook-2018

EXHIBIT 9
WIT: YouTube-Gilbert
DATE: 2-2025
C. Campbell, RDR CRR CSR #13921

DAVs // MAIN APP

DAV Growth

Strategic two-pager: Core DAV Growth go/dav-growth-2018

Beyond notifications, what are the best levers we have to drive DAV growth in 2018? Can we grow DAVs by increasing the frequency (weekly, daily) that users visit YT and if so, what are the use cases that will drive that? Please consider and advocate for a few solutions across various dimensions ex. Gender, Age, Geo, YT Everywhere, Messaging Apps, Casual viewers, etc.

Owners: [redacted] *Contributors:* [redacted]

Opportunity statement

YouTube DAVs continue to grow, 7DA DAVs are at [redacted] as of 9/26. We expect DAVs to grow to more than [redacted] in 2018 (exact OKR TBD). With the efforts described in this paper, we have the opportunity to drive [redacted] of the DAV growth in 2018 ([redacted] from DAV growth and embed initiatives and [redacted] from Emerging Market initiatives) beyond our normal course of business growth. This means that the efforts described in this 2-pager aim to contribute about [redacted]% of the target growth in 2018. In order to continue our growth trajectory, we recommend three new efforts for 2018:

- Recruit users where they are: We will start to increase the YouTube footprint, with efforts both for increasing the scope of embeds and new ways to use public Messaging app APIs to make YT easier to use from those apps. This needs to be coordinated carefully with our partner teams in Google.
- Increase habitual users (10+/14 days active[20]): Similar to S&D for Watchtime, we plan to make progress on this by trying different ideas with rapid experimentation. We will focus on making YouTube a daily habit by driving habitual interests, contextual use cases and optimizing for intra-day usage.
- Focus on underserved audiences: Identify particular groups of underserved users, and implement specific product changes to increase our DAVs for these groups. We plan to focus on Emerging Markets, Japan, and EMEA with targeted initiatives. We will also have special focus on female users, older users (35+), and iOS users.

Additionally, we will continue to focus on Notifications/Daily Notifications Openers (DNOs), which increased from 40M to 92M y/y. We set a target of 200M DNOs and [redacted] DAVs by EOY 2018 (further info).

Proposed solution

1) Recruit users where they are

While we can't expect every internet user to be a DAV, we can reach users where they are, give them a taste of the native experience and build a path to make YT a destination. Scaled, this could lead to an additional [redacted] incremental DAV.

In order to reach users outside of YouTube we propose to do three things:

1. **Messaging apps as growth platforms** (further info): Messaging platforms like WhatsApp are often used to share videos and have a higher degree of engagement than YouTube does - with users returning to them almost 10x more per week than YouTube. We can leverage these behaviors to increase YouTube usage in two ways:
   a. Reduce friction in finding and sending a video natively within the messaging apps so that videos are shared more often (by integrating with public bot APIs on the most popular messaging apps and making inline search easier)
   b. Improve the watch experience so that people can continue watching YouTube while they are in their conversation (support a mini-player)
2. **Embeds beyond single videos** (further info): We can make the pie larger by introducing new tools for publishers that expose more links back to YouTube. We will do this by expanding our embeds to go beyond just videos and incorporate other aspects of YouTube like recommendations and channels embedded throughout the web on publisher sites and blogs. Content publishers want exposure of their YouTube content because it leads them to

[20] 10+/14 users are users that are active 10 days or more out of 14

make money and could lead to a higher ROI over existing solutions. Further, a focus on the brand/entity of YouTube creators rather than a specific videos provides a low cost marketing opportunity that lends itself well to articles where they are the subject or mentioned.

3. **Marketing:** With deeper research into the needs and habitual use cases of F25s+ (our target audience in JP, EMEA, US), we will first build an experimentation program to connect these users with habit forming experiences, testing off-platform hooks which drive DAV (including offsite ads in Q4, email, co-marketing, partnerships). We will assess barriers to usage including content awareness and perception to determine additional marketing needs in 2018.

2) Increase habitual users (10+/14 days) (further info)

This new initiative focuses on making YouTube a daily habit. We typically have been optimizing the product for single-session watchtime and DAVs, and not for repeat, regular usage. We increased our logged-in DAV/MAV from [redacted]% last year to [redacted]% today but FB is at 66% with many intraday visits.

We have substantial opportunity to enable more use cases for increasing the frequency of visits. If we drive an additional 1% to DAV/MAV, this would represent [redacted] DAV. Reaching parity with FB would add [redacted] DAVs.

The keys to habit formation are content, context, and intra-day optimizations. In 2018, we will invest in those areas, including projects like:

- Habitual interests: identify diverse interests that drive frequent, regular usage on YouTube and introduce more users to this content, e.g., we'll learn which creators or content clusters are likely to increase your engagement, and build the optimal UX to introduce that content and provide relevant information about why you'll love it.
- Contextual use cases: build experiences that piggyback on recurring user habits to drive regular engagement, e.g., personalized digests catering your context (catch up on news at the end of the day, playing music at work, or watching funny videos when relaxing before sleep)
- Feed refresh: build an optimal experience for visiting YouTube multiple times a day, e.g., user controls to see more new uploads, client and user-based models to predict optimal refresh rate

3) Focus on underserved audiences

Our emphasis on iOS this year drove [redacted] installs (5% of all iOS installs) and [redacted] incremental iOS DAVs YTD. We want to continue that effort in partnership with main app (further info) and tackle other audiences as well. The key process we follow for each of these audiences is: 1) Identify the size of the opportunity, for DAV and revenue; 2) Identify gaps in our current product for the group 3) Implement and test product changes to fix the gaps. This includes marketing and content initiatives.

Demographics:

- **Female DAV -** fDAV (further info): [redacted]% of our declared users are female. Gender parity is a [redacted] DAV opportunity. In 2017, launches increased declared fDAVs by [redacted]%.
    - Increase on-platform retention via further content, S&D and notif investment
    - Shift users off-platform to on-platform via marketing and content partnerships
    - Make YouTube a safe, welcome place via creator and comment safety
- **35+** (further info): assuming the reach of 35+ users would be the same as our reach of younger users, we would gain [redacted] DAV, we want to validate our hypotheses to do it and build on that.

Geography:

- **Developed markets**:
    - Japan (further info): Japan has the lowest reach out of all developed markets, and has the largest DAV and revenue opportunity (2.5x larger than no.2 market opportunity Germany). JP is close to unlocking TV spend on YT, and with more content, marketing and product investment we can accelerate growth.
    - EMEA (further info): support the cross functional effort led by the business organization
- **Emerging Markets** (further info): in 2017 we've seen great success by enabling access and driving engagement. In 2018 we believe that we can drive [redacted] DAV by furthering that strategy:
    - YouTube Go ([redacted] DAV): in 2017, we launched YouTube Go Beta in India, Nigeria and Indonesia. These

launches gave us valuable learnings about product market fit and highlighted key features that drive growth. In India the price of data has fallen 30x over the last year bringing cheaper data to millions of users who became active users of YouTube. Still, there are ~500M users who are unable to access YouTube because they are either on feature phones or low end smartphones (<=1GB RAM) with poor connections. As device costs continue to be a barrier, we anticipate a strong growth in low end smartphones in India. In 2018, we plan to extend YouTube Go by:

  - Preloading on Android Go in all non-developed countries. (130M shipments by end of 2018)
  - Amplifying the launch with marketing spend in priority markets: Indonesia, Philippines and Sub-Saharan Africa.
  - Driving retention and growth through product improvements

- Video Data Plans (+15M DAV): while data costs are trending down in many markets, data continues to be expensive for majority of existing internet users in EM. VDPs make YouTube more affordable on cellular network through partnership with mobile operators. In 2018, we plan to expand VDP to top 20 EM markets by primarily investing in partnership and marketing.
- Optimizing Offline (+7.5M/10M DAV): download and watch is a key user behavior in EM and growing at 260% YoY (*60% YoY growth in streaming WT*) and the primary driver of WT & DAVs in YT Go contributing ~40%. In 2018, we should continue to focus on download and watch in both the main app and YouTube Go.

How will we know we have succeeded in 2018

Metrics: we will continue to focus on DAV (or DAU when available) and DAV lift from experiments but with special attention to some segments, particularly browse DAV and the tracked slices.

Discussion questions

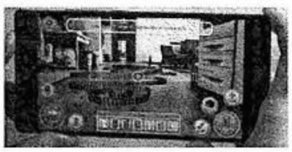
- Should our techniques be different to acquire DAU instead of DAV?
- Are there strategic concerns with enabling YouTube to be better on non-Google messaging app platforms?
- How do we feel about growing off-platform reach? (i.e. messaging and embeds)

AR

YouTube Augmented Reality (AR)
(Owners: [redacted] Shimrit Ben-Yair, [redacted])
The camera and advances in computer vision technology unlock new possibilities in mobile content creation and AR. What investment should we make into the camera, to bring the next generation of mobile-first creators onto YouTube and explore new AR based experiences for creators and viewers?

Problem statement and Background
How Augmented Reality differs from Virtual Reality:

Virtual Reality (VR): Immerses you in a digital world and requires a specialized viewer (Google cardboard, headset, etc.). Your physical location doesn't matter. VR makes you feel like you are there.

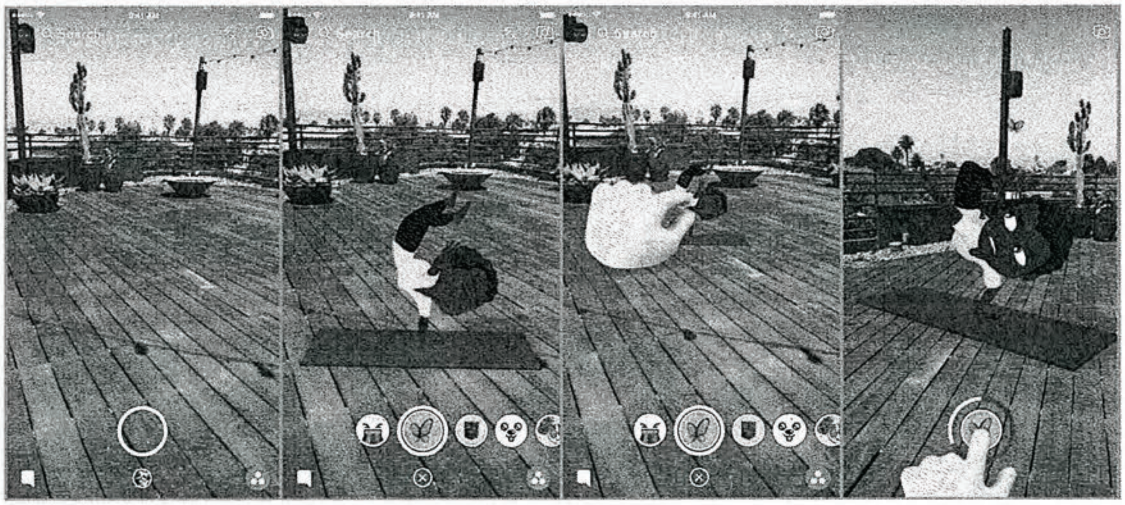


Augmented Reality (AR): Adds pixels to your real world whether on a phone or with glasses/headset. Your physical location matters. AR makes you feel like the digital object is there with you.

Consumer AR today:
While the mention of AR may conjure images of people wearing head-mounted devices, like most early technologies, the most technically advanced is not the same as the most widely adopted. Smartphones provide the largest addressable market, with the rear camera capturing the real world and the screen showing the pixels added into the scene. The most well-known AR apps are Pokémon Go (which adds Pokémon to the real world scene) and Snapchat (which adds accessories and enhancements to faces and places). Instagram also just released Snapchat-like filters. More pragmatic uses include Google Translate, which overlays translations on top of text in the scene, and Yelp, which overlays ratings over storefronts in the scene. In the advertising world, Layar and ROAR, allow consumers to access more content associated with physical packages and paper ads.

Pokemon Go | Snapchat | Instagram | Google Translate | Yelp Monocle | Layar | Roar

Snapchat's recently launched 3D Bitmoji AR shows how AR is currently simply incorporated into video. To see what's could be possible with AR creation, check out this quick video featuring a-ha's "Take on Me"..



Normal camera view of a real place | Choose a 3D AR person to add | Place the AR person where you want | Record the video of the person's animation

Big companies (Apple, Facebook, Google, Microsoft) are heavily investing in building AR platforms and devices to bring these scenarios to market, betting that AR will become as big a disruptor as mobile has been. Apple ARKit is now available on 500M+ iOS devices and Google's ARCore will soon launch to 300M+ Android devices. Both Google and YouTube are behind in AR content creation.

While the Daydream team has shifted significant focus from VR to AR, their VR investment is now focusing primarily on VR Video, and depends on continued VR Video investment from YouTube. The VR team is enabling viewing of YouTube content on millions of devices that would not be possible without our investment. Accelerating investment in AR should be treated as a **separate, concurrent investment**.

YouTube has two core initiatives that are relevant to our overall AR strategy: First, we've invested in lightweight capture and creation with Reels which allows easily adding stickers and filters to the video. Reels will launch to trusted tester starting in Q4 2017. Second, we've started to build the foundation of advanced future AR viewer and creator experiences through our investments in VR. Much of this design and technical work will be relevant and applicable to both near-term phone-based AR as well as further-out headset-based AR. In 2018, we'll extend both of these initiatives to take advantage of the AR platforms spinning up from Google, Apple, and others. We'll deliver compelling AR creation tools, integrate with platform-level AR S & D experiences, and invest in enabling new forms of creation and remixing on our own platform.

Proposed solution

Already planned work for 2018:

> **Video effects for mobile lightweight creation** : We plan to integrate on-device background replacement (so you can look like you are in front of the Eiffel Tower when you are really in a phone room in San Bruno, without using a green screen), face effects (smoothing the skin, adding some makeup, and optionally add sunglasses and other props that move as the face moves), and optionally enable users to place 3D AR objects and effects in the video (so, as in the Snapchat example, you can place the AR yoga person on the deck and you can walk around and see him from all angles) into Reels and potentially mobile Live. (VideoFX 2018 2 pager)
>
> **Support YouTube as a video serving platform for AR platforms:** AR discovery of content around you will primarily happen through centralized platform-level discovery experiences. Ex: Use Google Lens to look at a coffee maker on a store shelf and Lens may offer you reviews and YouTube videos of the coffee maker. Because of this, we do not propose creating our own camera-based Search & Discovery within the YouTube app. However, we will need to support query-based requests from AR discovery platforms. This should be little added work..

Areas we think it's too early to invest in 2018– Search & Discovery, Ads, Devices:

The potential for AR ads is limited mostly to nascent video-ad formats, where we think it's too early for YouTube to invest. Google invested ~$600M in the Magic Leap AR headset and is funding a Daydream AR headset. Neither device is yet in market, and it's unclear when they'd reach broad adoption so we are not planning to ship custom YouTube apps for them in 2018.

Possible areas for new investment for 2018 (in priority order):

Let people place AR objects into traditional VOD videos:
In addition to Reels and Mobile Live, we could establish a convenient flow for creators to directly use YouTube to add AR elements into the longer VOD videos that are YouTube's differentiator. We'd also partner with Daydream's Zandria team to leverage their library of 3D assets. YouTube creators would be able to summon a 3D object from Zandria, place it into their scene and record the experience for upload to YouTube.

Let others build effects for YouTube: Effects (like the dog ears in Snapchat) are some of the most fun and used AR features. If Snapchat and Instagram are any indication, creation follows new effects. While they are likely too complex for everyday end users to create, we do want to enable artists and developers to create them for people to use on YouTube. Facebook's AR studio platform is ahead of us here.

Enable end-users to make their own AR assets: In addition to leveraging Zandria animated assets, we could enable the creation and sharing of AR video assets that can be overlaid into traditional video capture. This would enable to you easily create your own, more realistic AR yoga person by recording a video of a person doing yoga. You could then place your yoga person in any video or share it with someone else to use in theirs.

Build excitement with Top Creators: Enabling our top creators to make holograms would create enormous differentiation for using YouTube as the AR mixer. Imagine putting a dancing Lilly Singh in your living room and recording a new video of that. In addition to creating a new format, we would need to equip YouTube Spaces with special cameras from the Daydream team.

How will we know we have succeeded in 2018

- Usage of AR elements as a proportion of videos
- Reels - Upon launching Reels and launching AR effects in Reels, we will be able to measure:
  - % of videos with AR effects applied
  - Retention for creators who use AR effects vs those who do not, as well as viewer viewership metrics for videos with AR effects.

Discussion questions

- We are clearly behind Snapchat in the peer-to-peer space and Instagram in the public short form video space. Do we think that AR could be an important enough enhancement to YouTube's strengths in longer, public VOD that we'd want to invest where we already have strength?
- Do we want to invest now for an early mover advantage or wait for proof points? Note that Facebook and Snap are already ahead of us now.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

so this might seem like a content quality problem, but given that this is a fixed cost business, cost per subscriber is misleading. The appeal of our service will be tied to overall absolute investment.

Given our $480M budget for 2018, we've allocated $430M to originals and $50M to library. We've shifted most of the originals budget toward 9 big bets (and have discussed shifting more), but that funding still doesn't let us compete for the best projects. For library, we plan to pursue a traditional "license from studios" model and an innovative YouTube-esque "content pool", but with such a small library investment, the catalog will be thin.

What success looks like

Similar to our AVOD platform, we aim to be a broad premium content destination sustained by a large subscriber base. Given our fixed costs, we must achieve scale *as quickly as possible* in order to spread the content costs over many millions of users. A subscale business will continue to see negative returns because of the fixed cost of the content. That said, we believe the only way to achieve scale is via a surge of additional content investment to create an appealing catalog. More historical competitor data is in the appendix. Our ideal strategy would be:

1. Invest competitively in originals to raise the probability of multiple hits. Given current market conditions, this will be expensive
2. Sign up users as quickly as possible, using pricing as a lever (e.g. a $25 annual offer)
3. As we build large numbers of subscribers, deepen our library investment to retain them.
4. Expand internationally as content slate breadth and depth allows.

Key risks

1. <u>$430M Original content budget</u> : Partners are passing us over for projects due to our budget limitations (e.g. Apple spending ~$1B, Hulu ~$1B). Exclusive premium content is a popular way to attract users to products right now (see below), and others are snatching up the best projects.
2. <u>$50M Library content budget</u> : Competing video services spend most of their budget on library and our ratio is biased the other way. Our $50M is outmatched by Hulu's ~$1.5B on library (60% of total spend), Netflix's ~$4B on library ("vast majority" of total spend), and HBO's just under $1B.[48]
3. <u>Slow iteration cycles</u> : While we've made a predictive model of endemic show success, we don't have enough data points (it would have missed *The Thinning*) and have no data points for non-endemic shows. In 2018, library movies and smaller originals like Airables will help provide more data points.
4. <u>Distribution on YouTube</u>: A no-cost solution to drive on-platform viewership for premium content, especially non-endemic programming (70% of spend), is critical to the overall success of the program.

Our strategic advantage isn't content

You can't buy a differentiator. Our advantages are our data, our partner network, and our user base.

1. <u>Our Google and YouTube data</u> : Our interest data is rivaled by only Netflix and Facebook. We'll continue to use this to select originals and library movies that will resonate with our user base.
2. <u>Our strong partner network</u> : Having a large, diverse library will let us create a personalized experience. We can replicate our AVOD model with a Video SKU content pool that incentivizes partners to provide content behind the paywall by paying better-than-AVOD economics.
3. <u>Our existing user base</u> : Via Nitrate, we've been able to freely promote to our YT user base, and we're expanding into House Ads. This leads to lower overall SAC than otherwise possible.

Strategy Part I : Originals

The purpose of originals is to attract users to a service, ideally a sticky, profitable service. In our case, these will be the key acquisition driver for the Video SKU. Our 2018 plan for originals is as follows:

- <u>Big bets ($250M)</u>: Higher probability of hits. Broad, global appeal 18-34+ programming, featuring mainstream, non-endemic talent. 3 Dramas @ $45M ea, 3 Comedy @ $25M ea, and 3 Unscripted @ $15M ea. We will then spend ~$50M in marketing across 3 of the 9 big bets with greatest potential.
- <u>Focused bets ($200M):</u> Lower probability of mainstream hits. These are focused on a specific audience, have awards potential or are smaller mainstream projects we wouldn't invest in today, but had signed before deciding to unbundle.
    - <u>18 English</u>: Lower cost (<$15M ea), endemic and non-endemic, including uniquely YT projects like "Escape the Night"

[48] Variety articles (<u>Hulu</u>, <u>Netflix</u>, and <u>HBO</u>)

- 18 International: Non-english content for key markets: 5x JP, 5x LATAM, 3x KR, 3x DE, 2x FR. Focusing on endemic and non-endemic talent with global appeal (e.g. Anime, KPop)
- 6 Movies: $5M movies, some that we hope to drive large demand (e.g. The Thinning 2) and others that have awards potential (e.g.Vulture Club w/ Susan Sarandon)

Note that competition has never been hotter, so prices are rising, and we should be prepared to overpay. Some tech companies are investing in originals as a loss leader to attract users to other products (Facebook, Amazon, Apple). Only Netflix and HBO (100M+ subs each) use original content as part of their core business, optimizing for a mix of subscriber acquisition cost and cost per viewing hour.

Strategy Part II : Library

If we only have a small number of hit shows, we'll have high churn since users will watch and leave. To create a service worth paying for longer term, we'll need additional volume. Since we'll likely be an add-on to Netflix and have a lower price initially, we don't need as big of a catalog, but do want to be a frequent destination for users. For example, we can aim to be more like HBO Go (60% originals watchtime, 40% library, on desktop) versus Netflix (10% originals watchtime, 90% library, on desktop)[49].

While we'll start initially by licensing movies from major studios, we think over time we can leverage our network of creators and media partners to build a more diverse, digital-first catalog than competitors.

Library Hollywood movies: In 2018 we'll commit $40 million to non-exclusively license ~35 library movies at a time. This will quickly acquire volume and, while our big bets get off the ground, bolster perception by having visual density of known-titles. We've paired our search data with pricing information to identify good value titles.

Content pool: Where YouTube's AVOD platform attracts a variety of self-published content and pays for performance, SVOD can do the same. We plan to establish a content pool model to attract ~200 pieces of content to put behind the Video SKU paywall. We'll attract this content via an efficient submission/selection model that can pay materially higher-than-AVOD economics. In success, this will motivate endemic creators, digital publishers and media companies to increase production supply of content that (i) is of higher production cost than typical AVOD content and (ii) does not have an established exclusive SVOD buyers market (e.g. indie movies, classic catalogue TV, kids/anime, digital-first concepts not prioritized for Originals development). For 2018, the financial impact to launch this is ~$10m, funded by reallocating library movies funding (i.e. reducing the number of movies from ~50 to ~35). We aim to select a set of programming that offers breadth and diversity versus our originals and library movies. Viewership results will help inform future investments in library and originals

Product

High production quality tab: Building on our recent YTPR, we will push forward with creating a tab to serve as YouTube's home of shows (Video SKU + watercooler) with the aim of driving paid subscribers.

Show promotion: In 2018, we'll adapt our strategy as we move from endemic-only to mostly non-endemic

- **YT Search & Discovery**: We've learned that S&D is all about bootstrapping the algorithms.
  - For now, we'll continue uploading endemic content to host channels since this is a proven way to ensure they get an initial burst of traffic. For non-endemic content, we'll host shows on their own channels and experiment how to bootstrap (ads are too expensive to use for every launch).
  - We're also getting smarter about using trailers and teasers[1] to effectively promote shows.
  - We'll also keep pushing to make sure longform shows and movies are handled well on YouTube -- especially search optimization, debugging S&D, and enabling binge watching.
- **Cross-promotion & building equity**: We'll use all show metadata (genre, talent, etc) to find audiences. By owning channels where most content is hosted, we're gaining subscribers to whom we can promote future shows. Finally, we'll be able to merchandise shelves on the shows tab.

Show completion: Users will naturally complete shows they enjoy, but we can reduce friction further:

- **Continue watching notifications** to prompt users to finish watching a show where they left off
- **Binge:** We'll generally release seasons all at once, so we'll need to refine autoplay. As Netflix has shown, removing intro sequences and credits reduces friction when watching multiple episodes.

Scale

New infrastructure and organizational structures will be needed to scale in 2018:

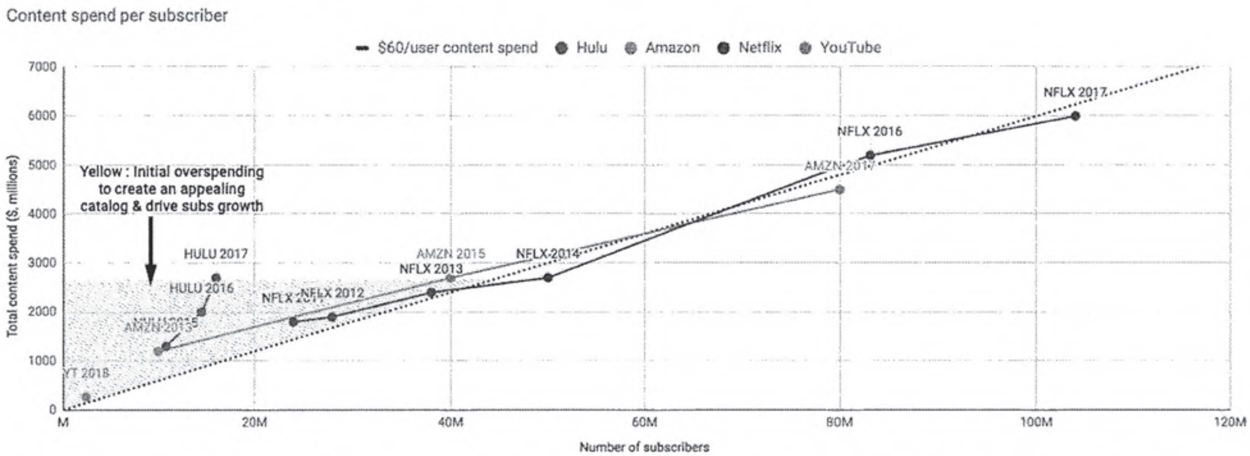
[49] Netflix and HBO panel data from strategy team

- YT Studios: Owning intellectual property will increase long-term profit participation for originals
- International: Complexity of ratings, metadata, subtitles, and dubbing increases with new geos
- Ingestion: Tools built in 2015 for the first YTOs need to be rebuilt. There's synergy with TVOD, but new eng/ops investment will be needed to support new geos, library movies, and content pool.

Discussion questions

- Are we investing enough in original content? Are we investing enough in library content?
- What should be the decision criteria for add'l investment? Content success? Data insights? Competition?
- Should we sprint for scale with an intro offer like $20/year in order to justify a larger content spend? (e.g. Aim for, say 50M subs, get them locked in, then spend on content up to ~$60/user)

Appendix : Content spend per subscriber



2.4M YouTube 2018 subscribers based on strategy team methodology of (Video SKU subscribers + 20% of Bundle SKU subscribers). Note that content costs have significantly risen from 2011-2013 so early Netflix and Amazon numbers are lower than they would be in today's dollars. Data from public reports & strategy team sources (subs #, investments)