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IAB internet advertising revenue report

2014 first six-months results

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Agenda

Survey Methodology

Survey Scope

The IAB Internet Advertising Revenue Report is part of an ongoing IAB mission to provide an accurate barometer of Internet advertising growth.

To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the survey include:

- Obtaining historical data directly from companies generating Internet/online/mobile advertising revenues;
- Making the survey as inclusive as possible, encompassing all forms of internet/online advertising, including websites, consumer online services, ad networks, mobile devices and e-mail providers; and
- Ensuring and maintaining a confidential process, only releasing aggregate data.

Methodology

Throughout the reporting process, PwC:

- Compiles a database of industry participants selling internet/online and mobile advertising revenues.
- Conducts a quantitative mailing survey with leading industry players, including web publishers, ad networks, commercial online service providers, mobile providers, e-mail providers and other online media companies.
- Acquires supplemental data through the use of publicly disclosed information.
- Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by industry category and transaction.
- Identifies non-participating companies and applies a conservative revenue estimate based on available public sources.
- Analyzes the findings, identifies and reports key trends.

Half year revenues totaled $23.1 billion in 2014

Online advertising revenue increased 15.1% in HY 2014.

Source: IAB Internet Advertising Revenue Report, HY 2014

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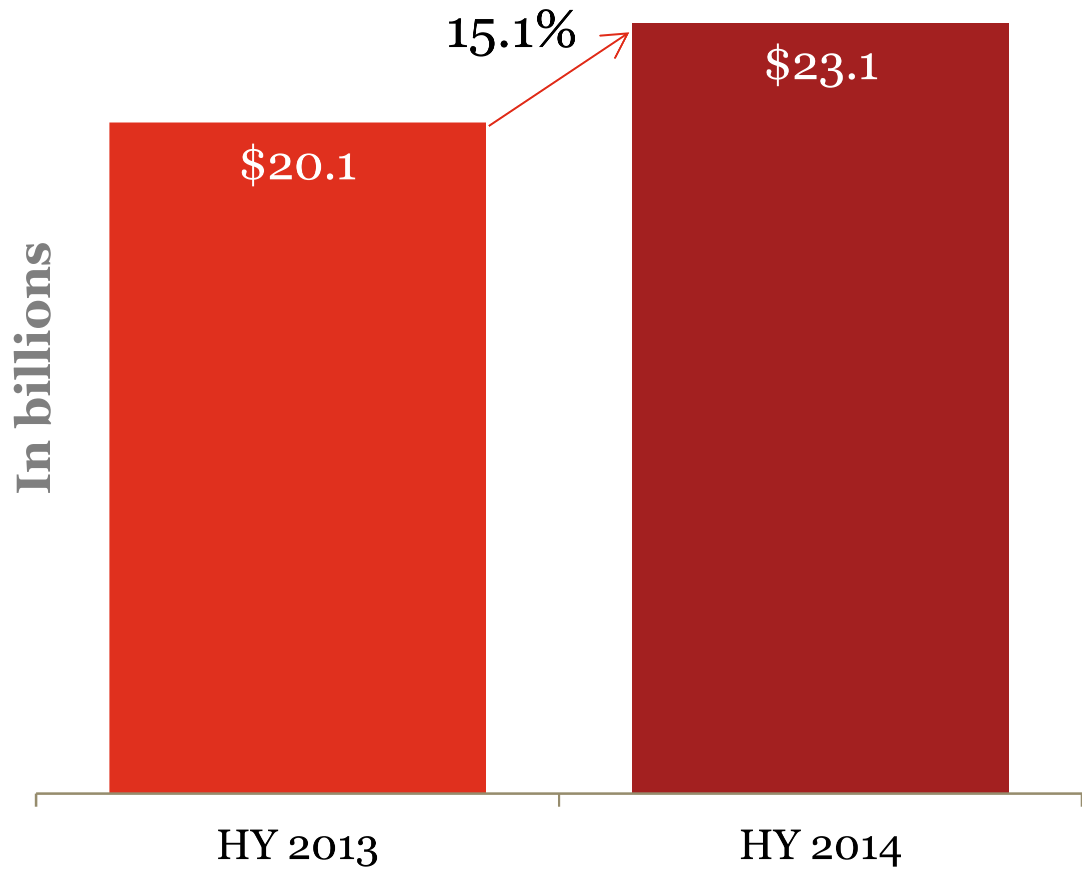
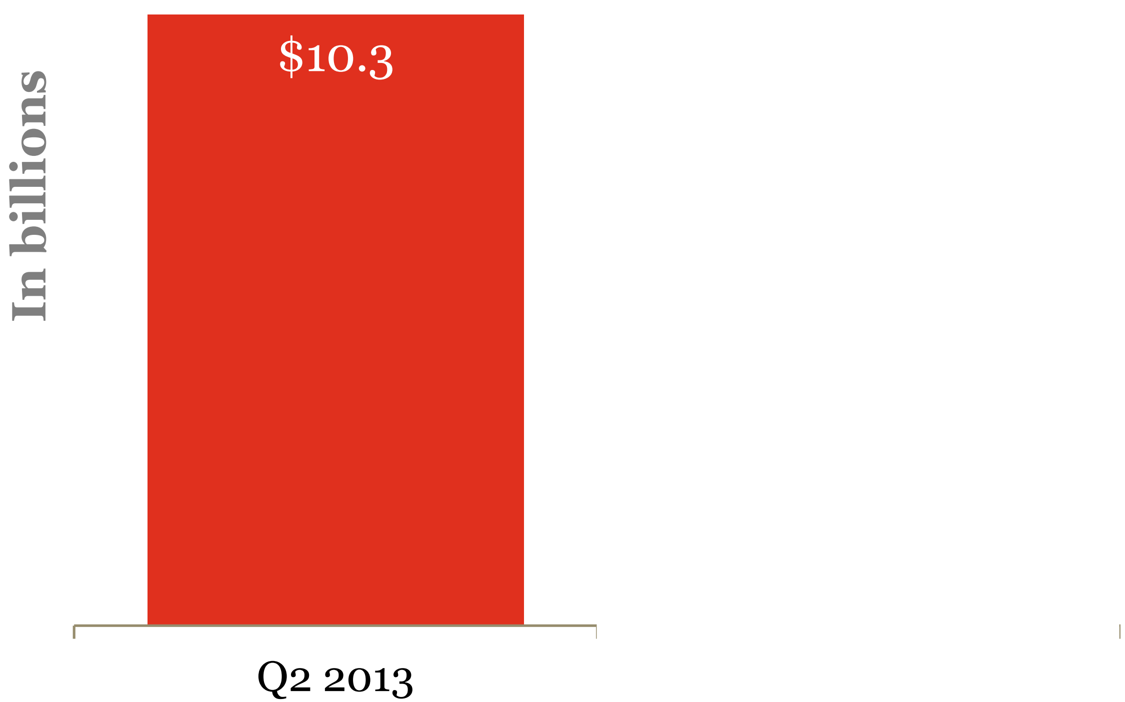


Source: IAB Internet Advertising Revenue Report, HY 2014

Second quarter revenues totaled $11.68 billion in HY 2014



Revenue in Q2 2014 was 13.8% higher than in Q2 2013.

Source: IAB Internet Advertising Revenue Report, HY 2014

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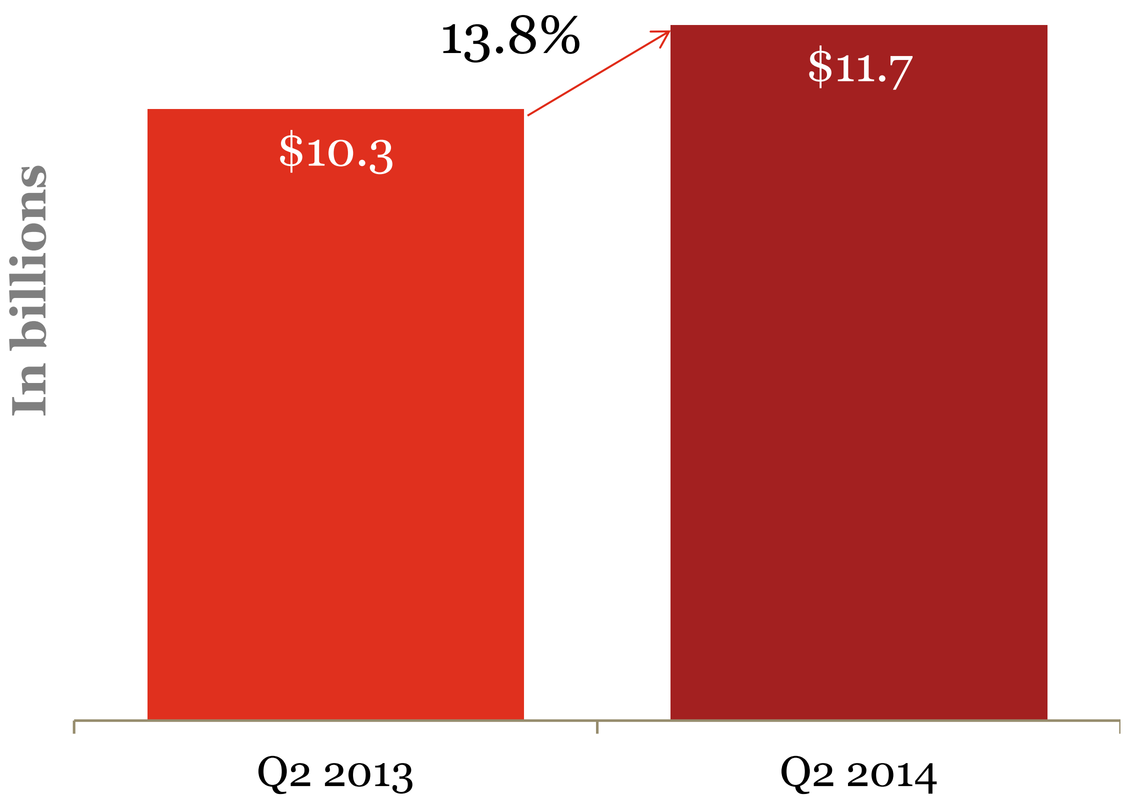
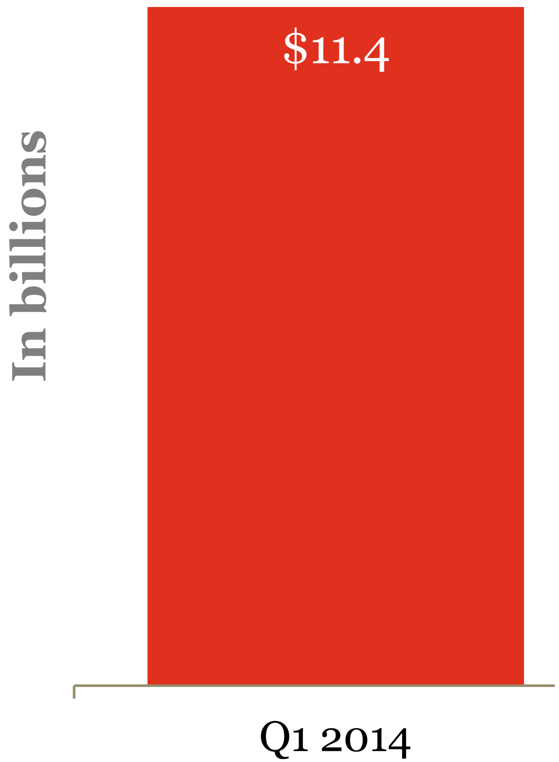


Revenue in Q2 2014 was 13.8% higher than in Q2 2013.

Source: IAB Internet Advertising Revenue Report, HY 2014

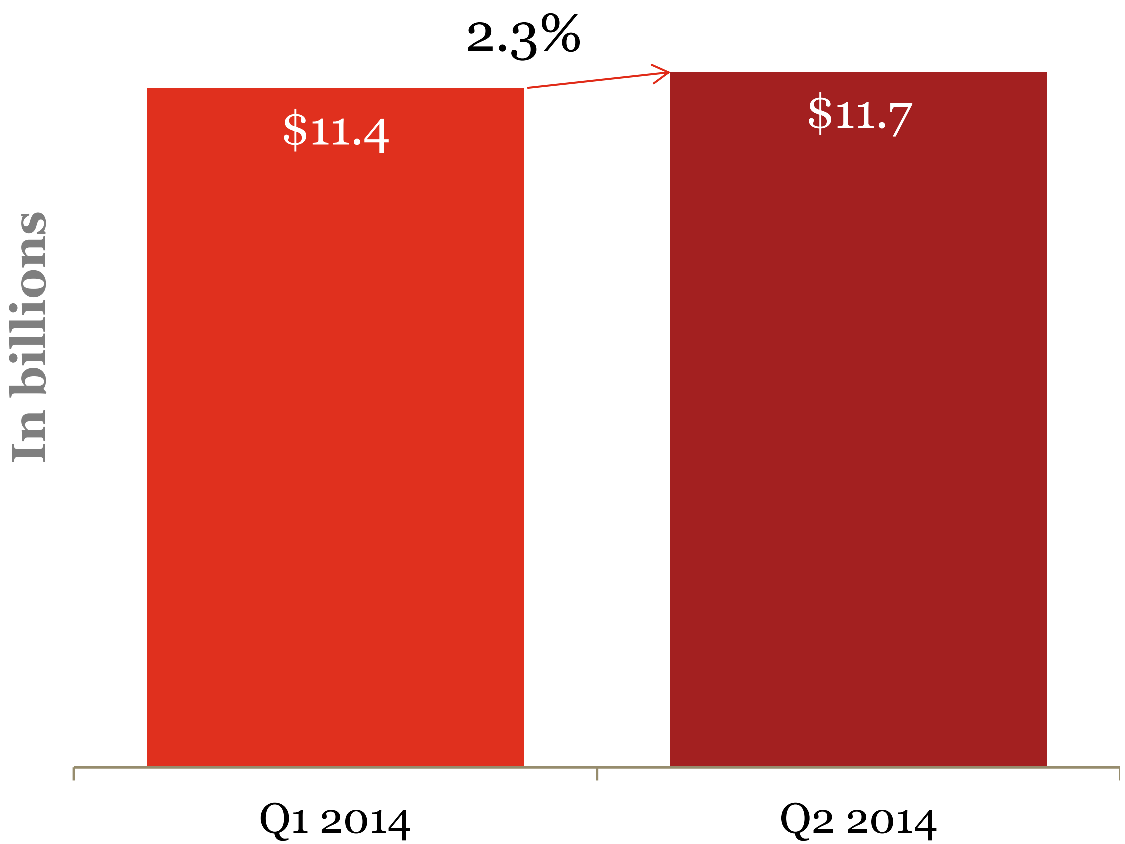
Strong Growth between Q1 2014 and Q2 2014



Revenue in Q2 2014 was $264 million higher than in Q1 2014.

Source: IAB Internet Advertising Revenue Report, HY 2014

Strong Growth between Q1 2014 and Q2 2014

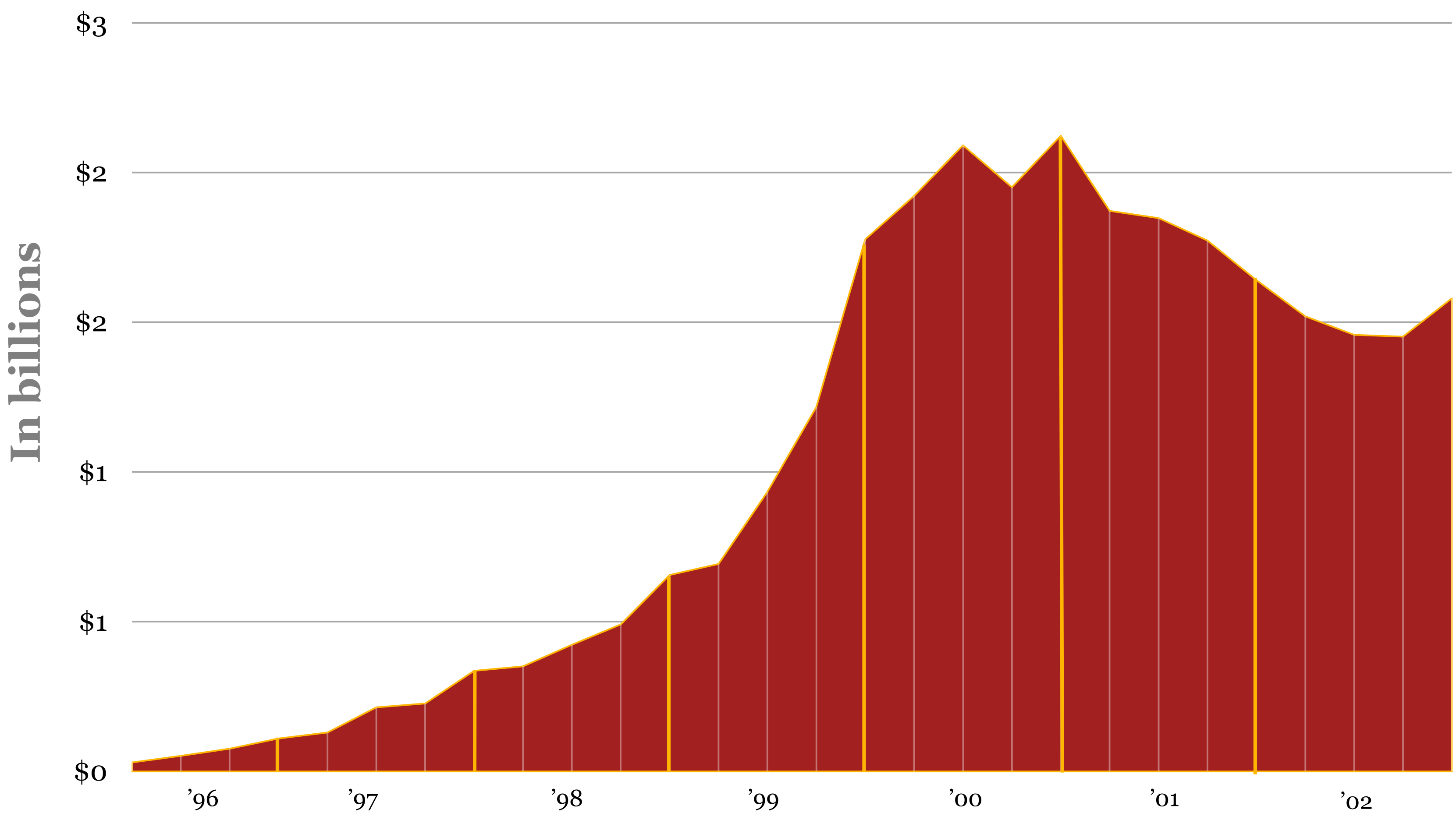


Revenue in Q2 2014 was $264 million higher than in Q1 2014.

Source: IAB Internet Advertising Revenue Report, HY 2014

In the early 2000s, internet advertising hit a bubble

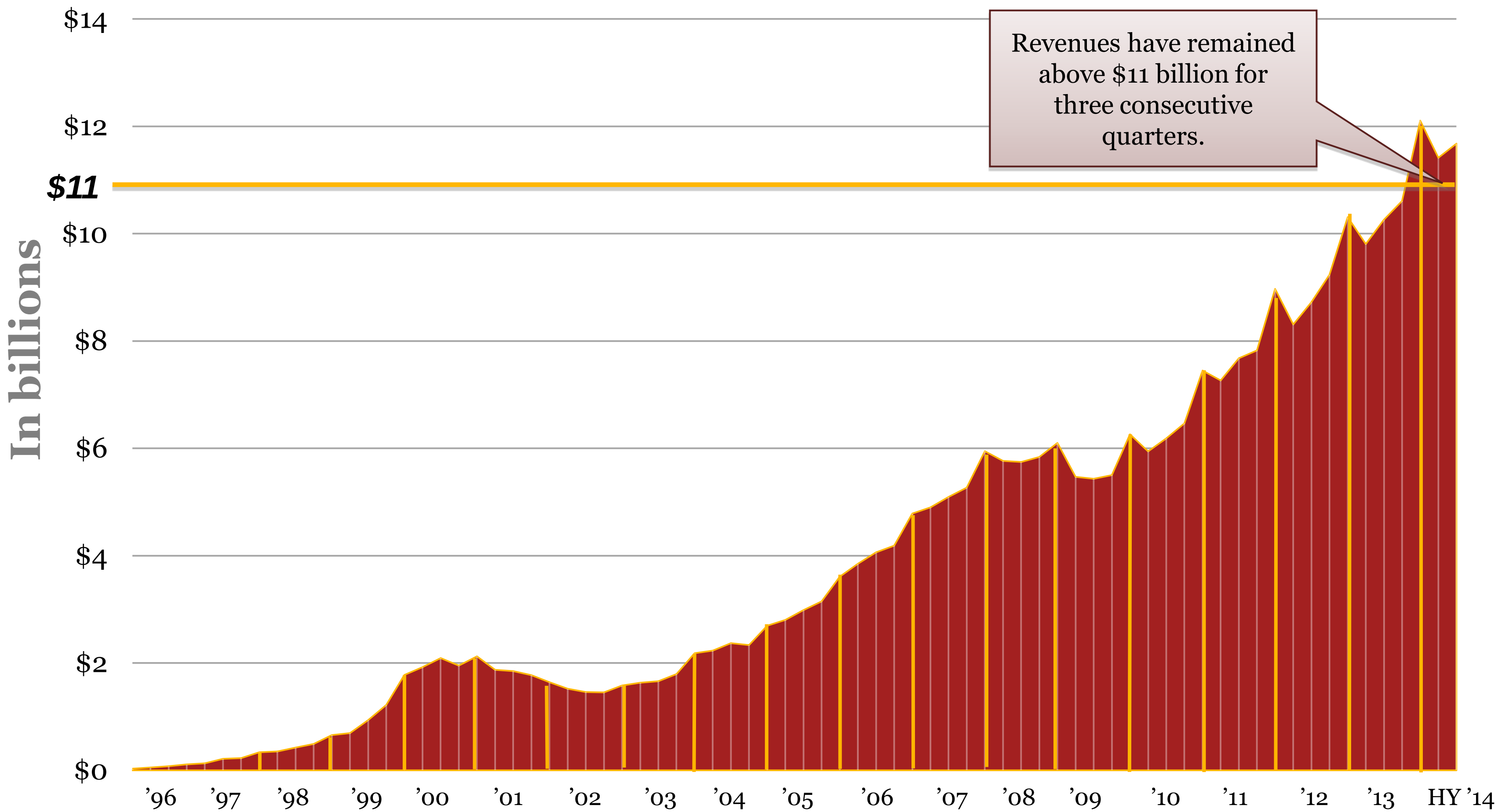
Quarterly growth comparison, 1996-2002



Source: IAB Internet Advertising Revenue Report, HY 2014

Since 2003, 78% of quarters have experienced positive growth over the prior quarter

Quarterly growth comparison, 1996–HY 2014



Source: IAB Internet Advertising Revenue Report, HY 2014
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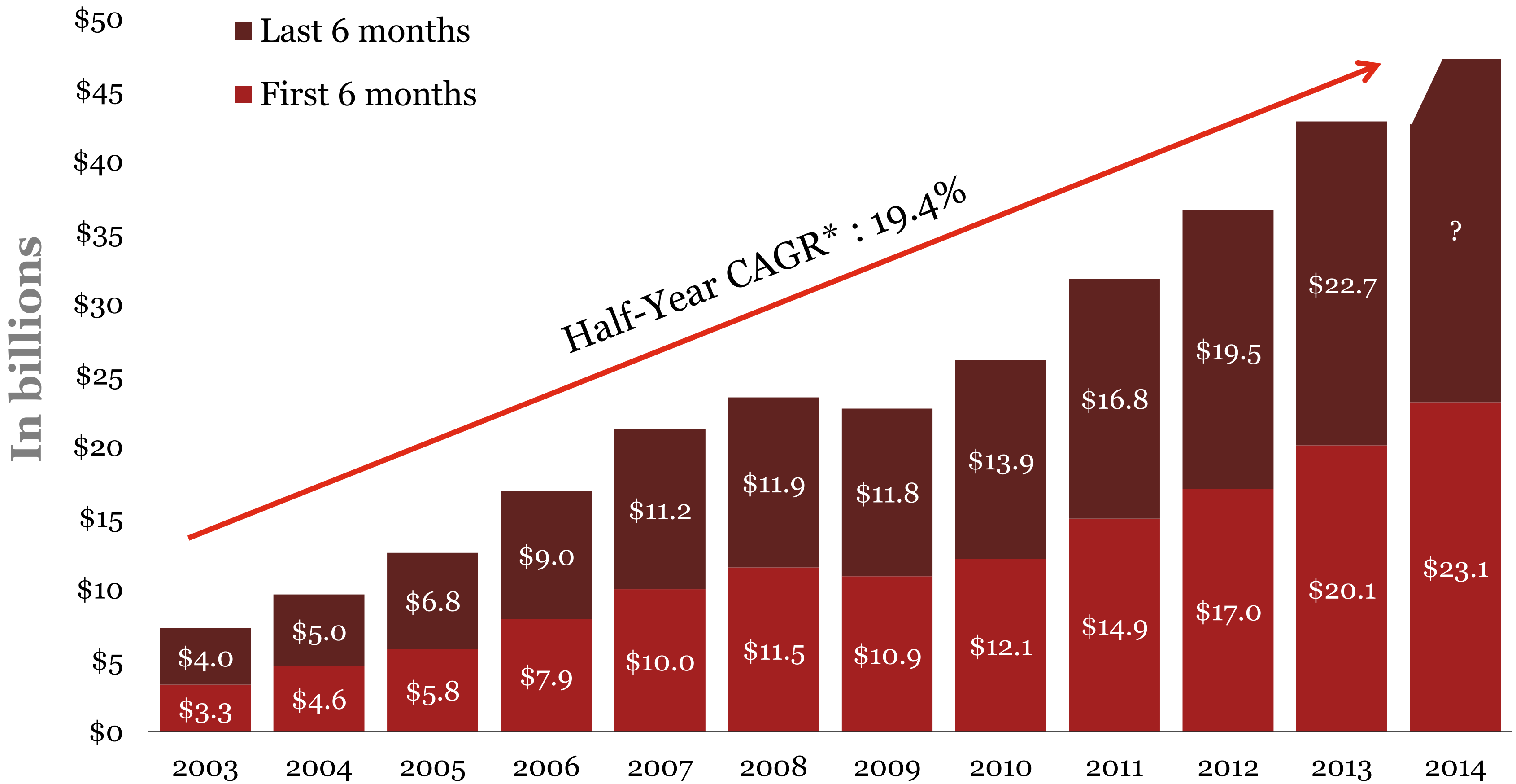
First six-months 2014 shows record revenues

Historical revenue mix, first half vs. second half

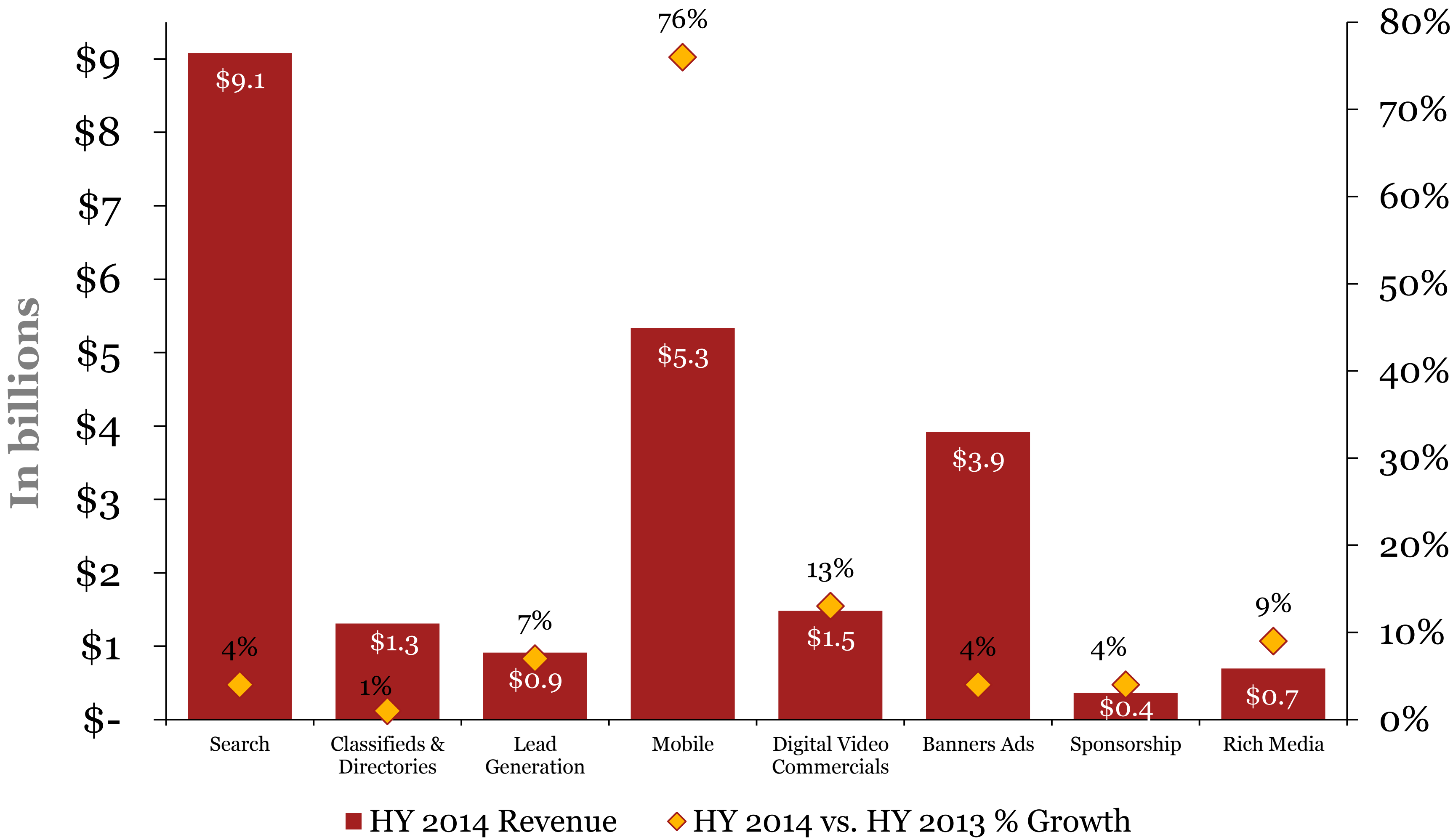


Source: IAB Internet Advertising Revenue Report, HY 2014

* *CAGR: Compound Annual Growth Rate*

Mobile shows the strongest growth

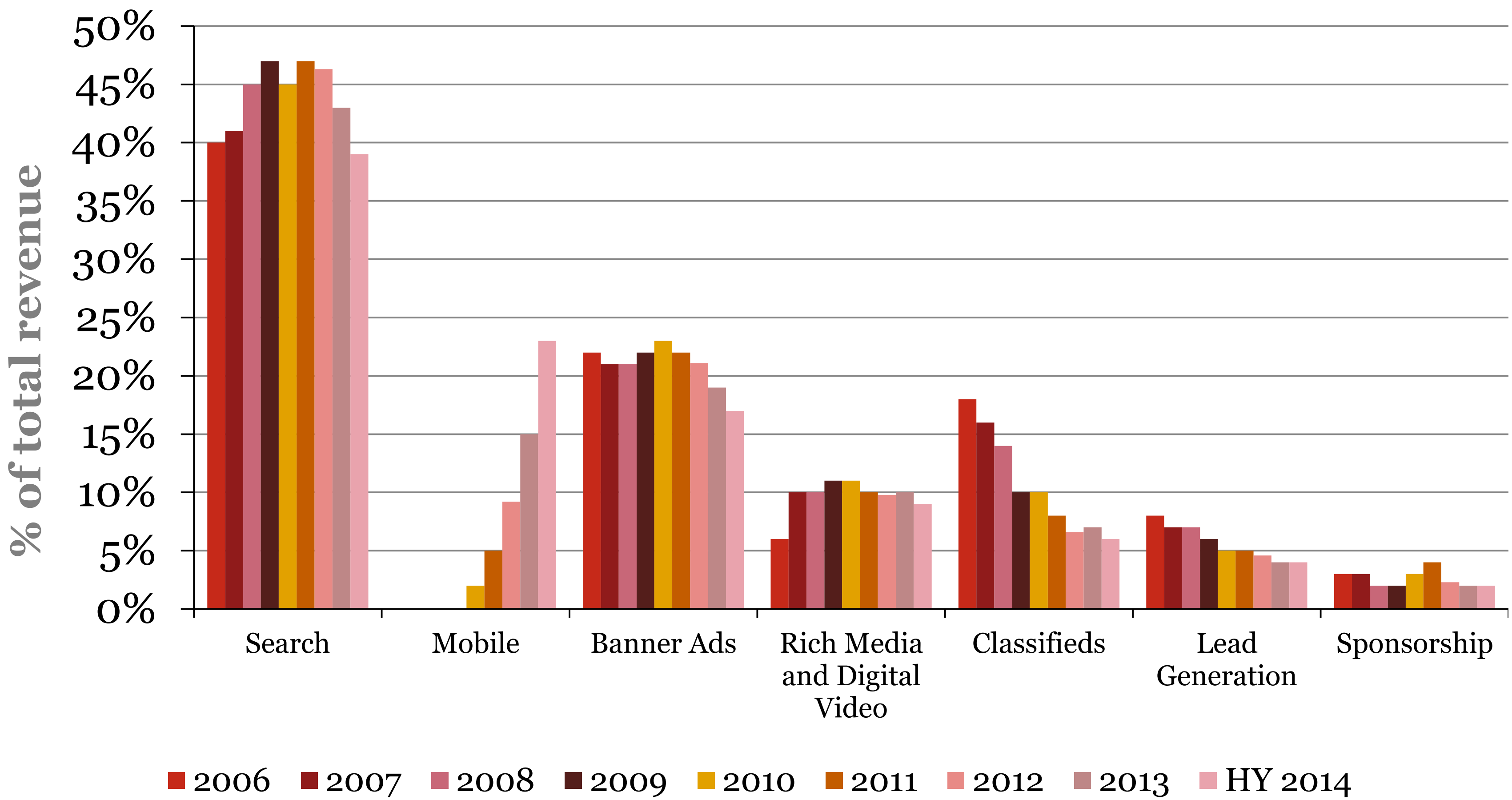
Advertising formats – HY 2014 results and growth rates



Source: IAB Internet Advertising Revenue Report, HY 2014

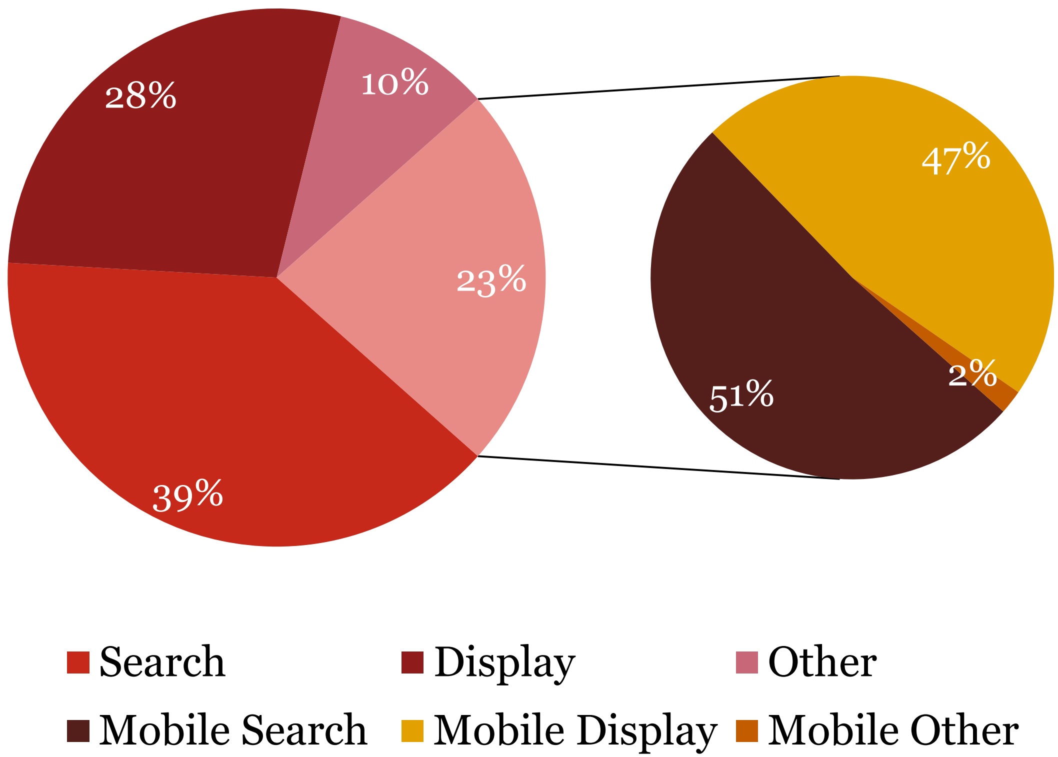
Historical trends in internet advertising formats

Revenue share by major ad formats, 2006–HY 2014



Source: IAB Internet Advertising Revenue Report, HY 2014

Mobile represents a significant percentage of advertising formats



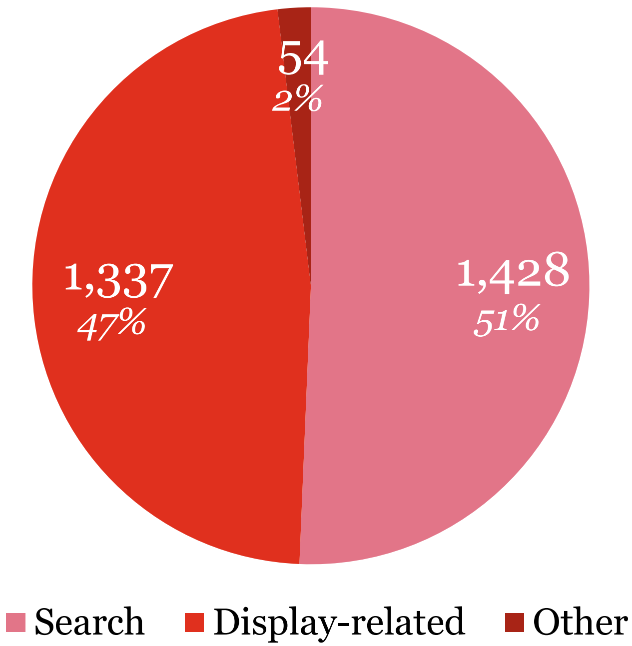
For the half year in 2014, Mobile revenue totaled $5.3 billion

Source: IAB Internet Advertising Revenue Report, HY 2014

Search and display drive mobile advertising

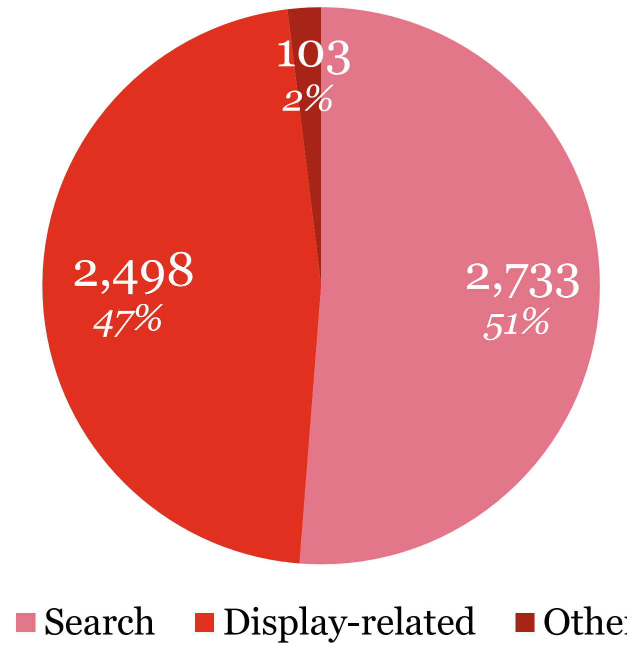
Mobile format ad revenue by category, Q2 2014 and HY 2014

Q2 2014



Total – $2.8 Billion

HY 2014

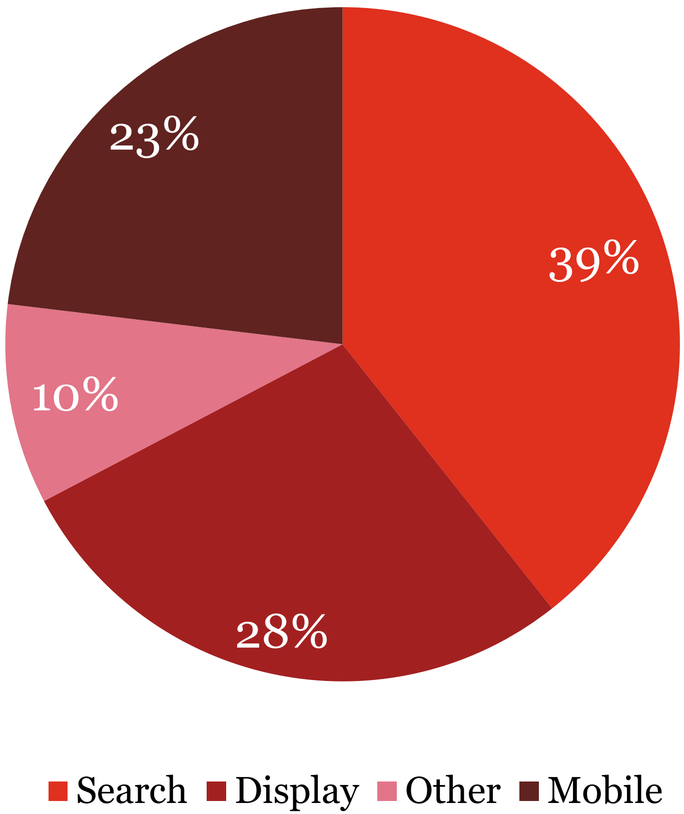


Total – $5.3 Billion

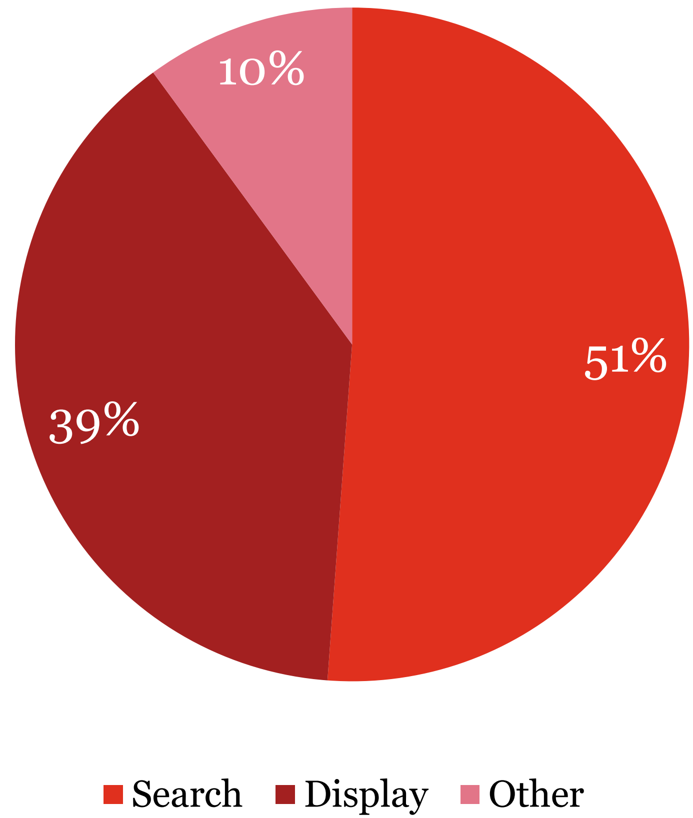
Source: IAB Internet Advertising Revenue Report, HY 2014

Distributing Mobile across formats demonstrates its importance to Search and Display

Formats – HY 2014
(Mobile separated)



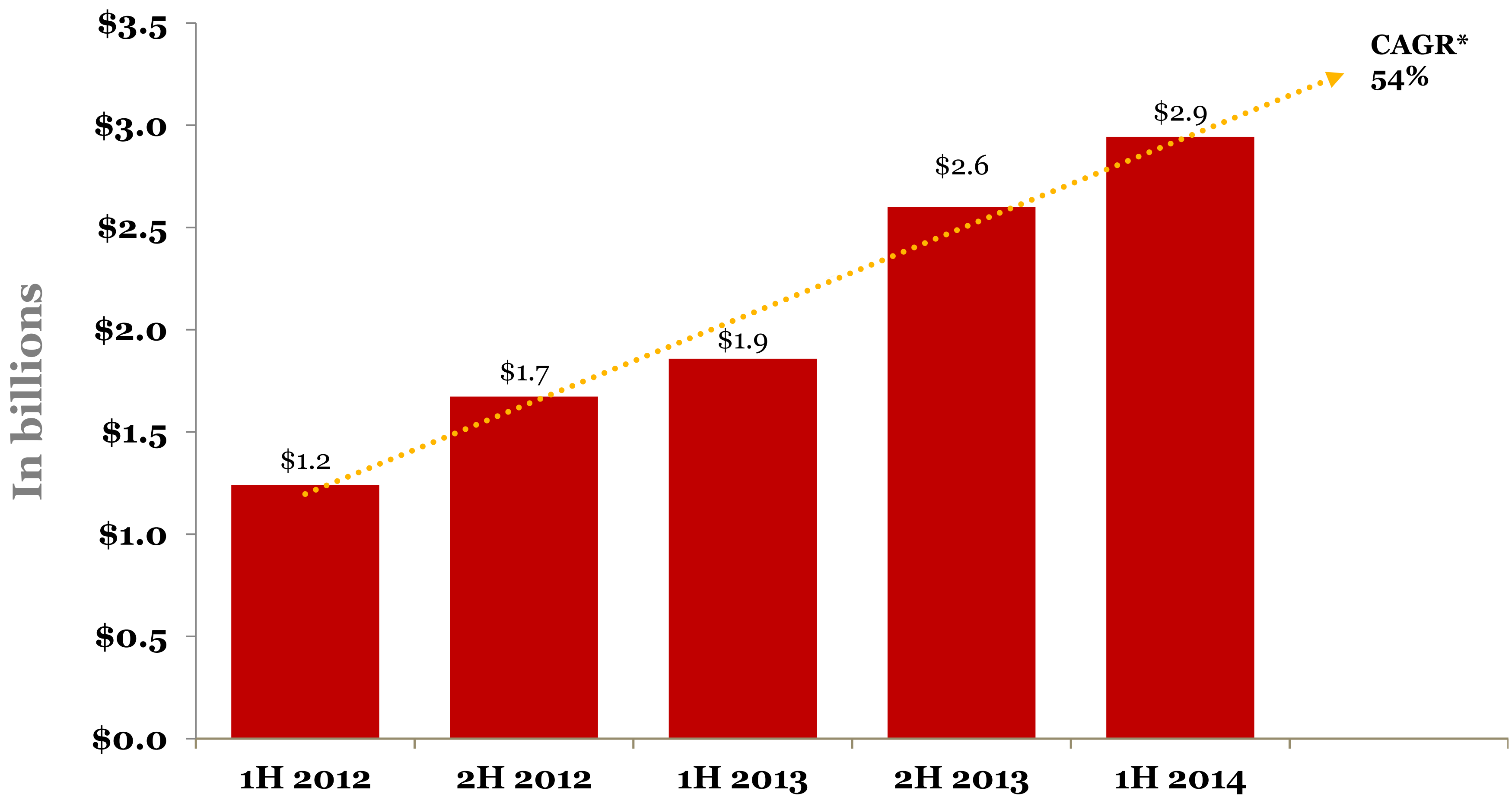
Formats – HY 2014
(Mobile included)



Source: IAB Internet Advertising Revenue Report, HY 2014

Social media demonstrates continued growth

Social media ad revenues, 2012 – HY 2014

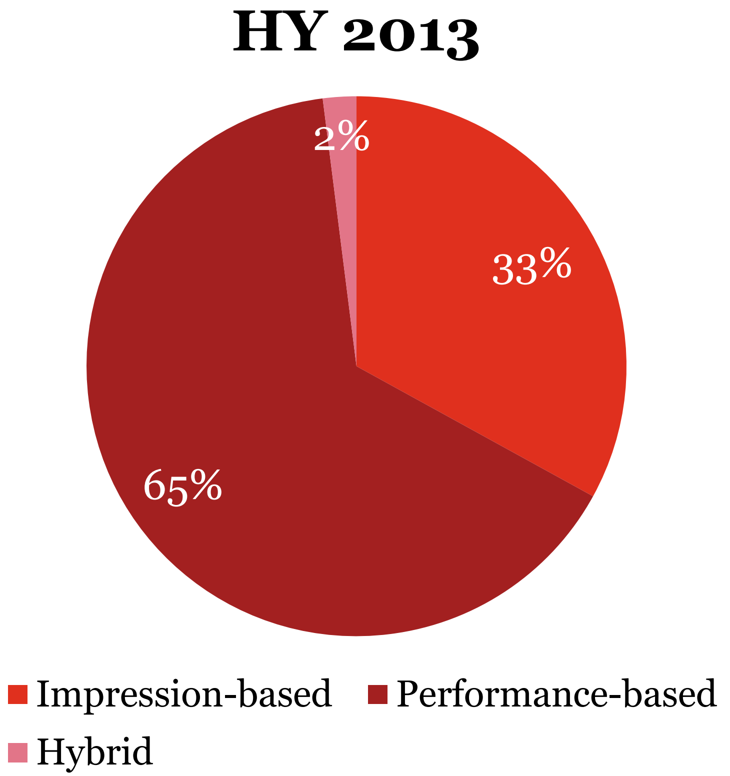


Source: IAB Internet Advertising Revenue Report, HY 2014

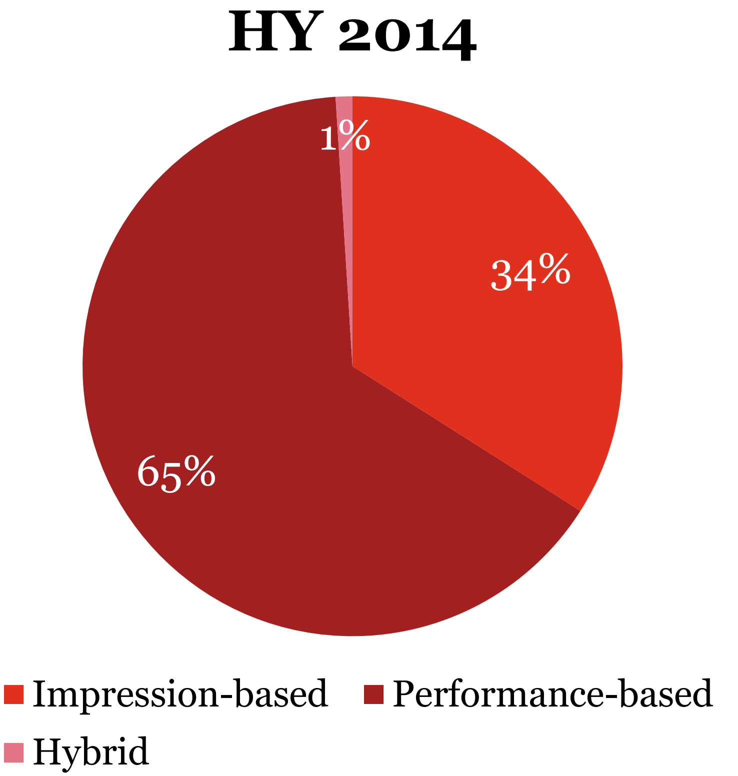
** CAGR: Compound Annual Growth Rate*

Pricing models

Internet ad revenues by pricing model, HY 2013 vs. HY 2014



Total – $20.1 billion

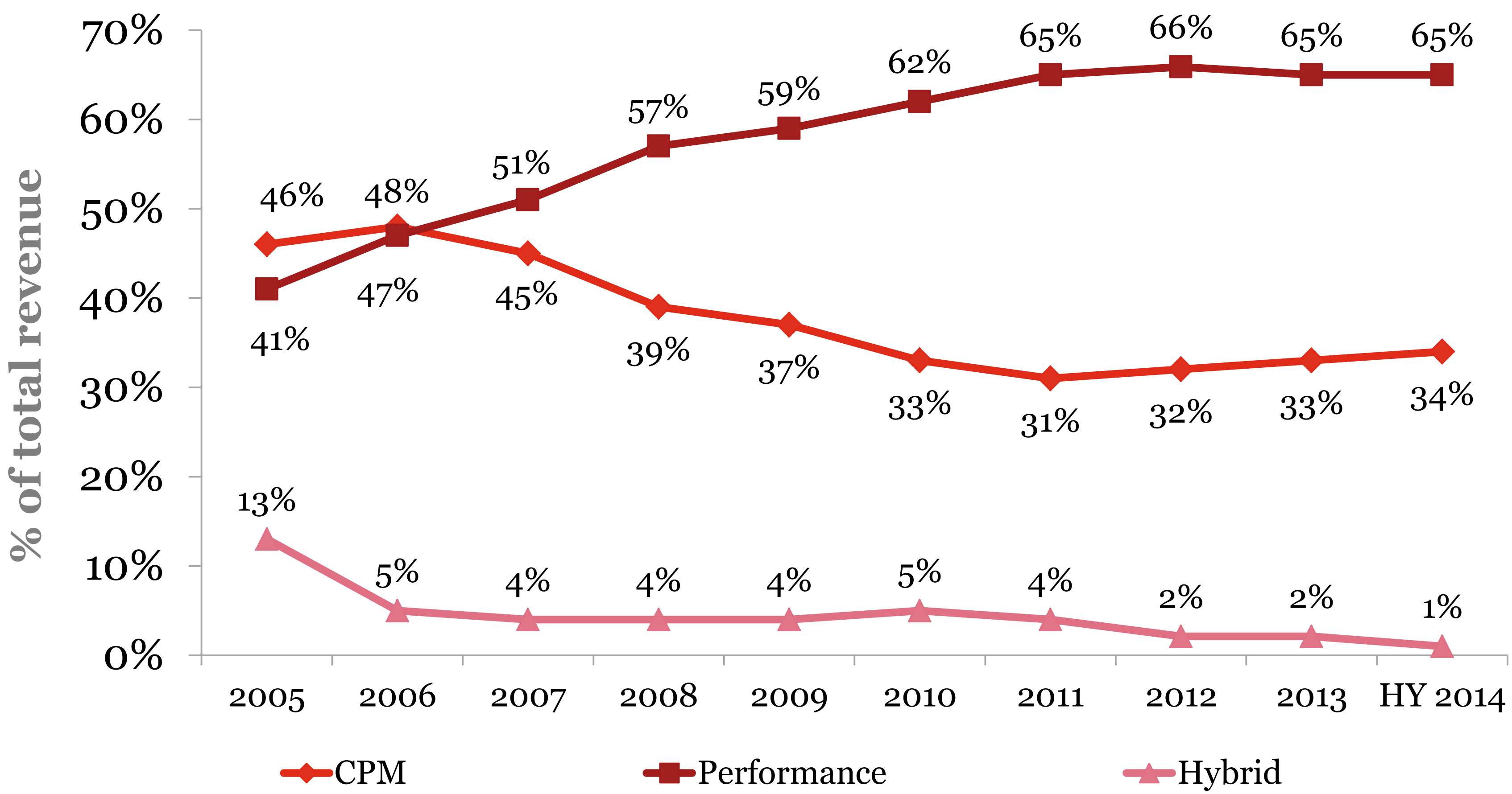


Total – $23.1 billion

Source: IAB Internet Advertising Revenue Report, HY 2014

Historical pricing model trends

Internet ad revenues by pricing model, 2005–HY 2014

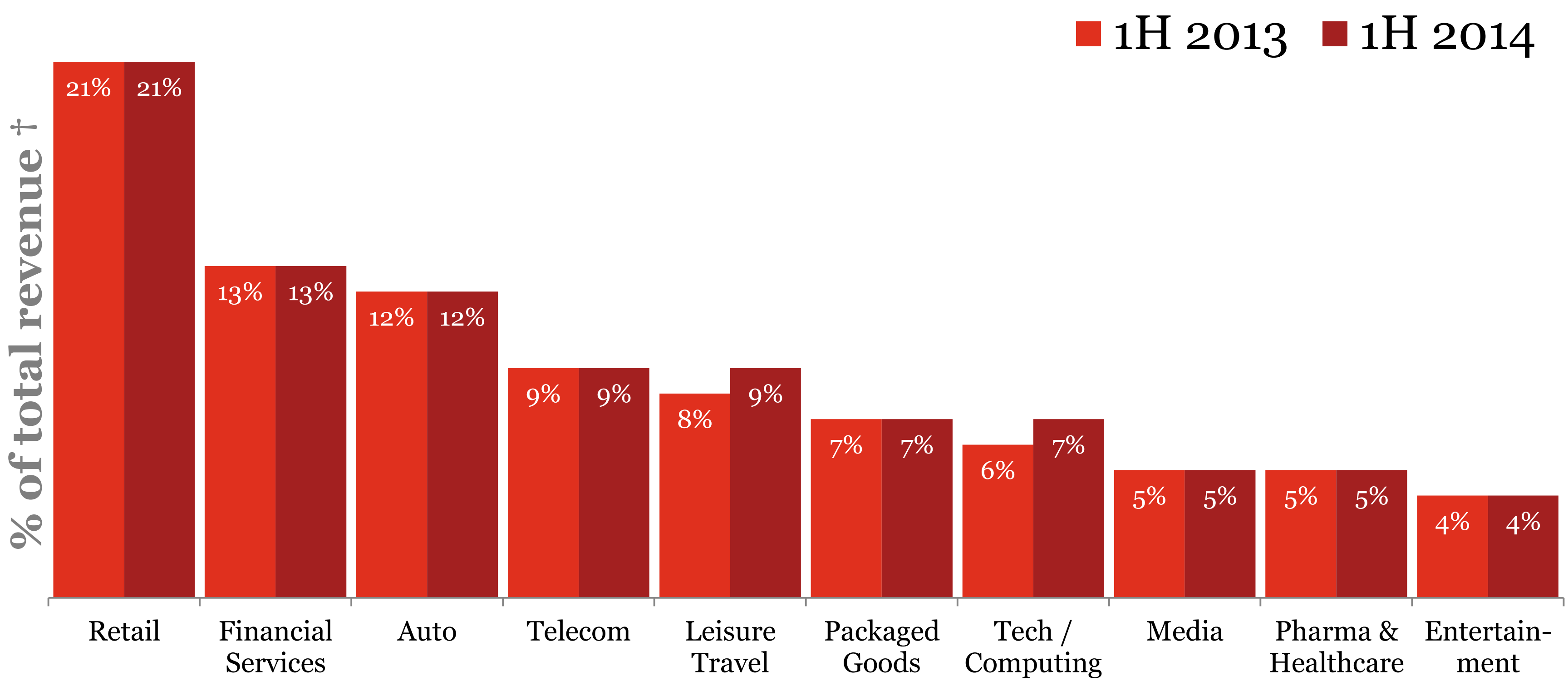


Note: Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by respondents

Source: IAB Internet Advertising Revenue Report, HY 2014

Internet ad revenues by major industry category

$20.01 B in HY 20123 vs. $23.1 in HY 2014



† Amounts do not total to 100% as minor categories are not displayed.

Source: IAB Internet Advertising Revenue Report, HY 2014

PwC New Media Group

As business, accounting, and tax advisors to many of the world's leading Entertainment, Media, and Communications (EMC) and Technology (Tech) companies, PwC (www.pwc.com) has an insider's view of trends and developments driving the industry. With approximately 1200 practitioners serving EMC and Tech clients in the United States, PwC is deeply committed to providing clients with industry expertise and resources. In recent years, our pioneering work in EMC and Tech has included developing strategies to leverage digital technology, identifying new sources of financing, and marketplace positioning in industries characterized by consolidation and transformation. Our experience reaches across all geographies and segments of the EMC and Tech sectors, including broadband, wireless, the Internet, music, film, television, publishing, advertising, gaming, theme parks, computers and networking, and software. With thousands of practitioners around the world, we are always close at hand to provide deep industry expertise and resources.

PwC's New Media Group was the first practice of its kind at a Big Four firm. Currently located in New York, Los Angeles, Boston, Seattle and the Bay Area, our New Media Group includes accounting, tax and consulting professionals who have broad and deep experience in the three areas that converge to form new media: advanced telecommunications, enabling software and content development/distribution.

Our services include:

- Business assurance services
- Web audience measurement and advertising delivery auditing and advisory
- IAB Measurement Certification Compliance auditing
- Privacy policy structuring, attestation and compliance advisory
- Mergers & Acquisition assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance

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