IAB/PwC Internet Advertising Revenue Report

2015 Half Year and Q2 2015

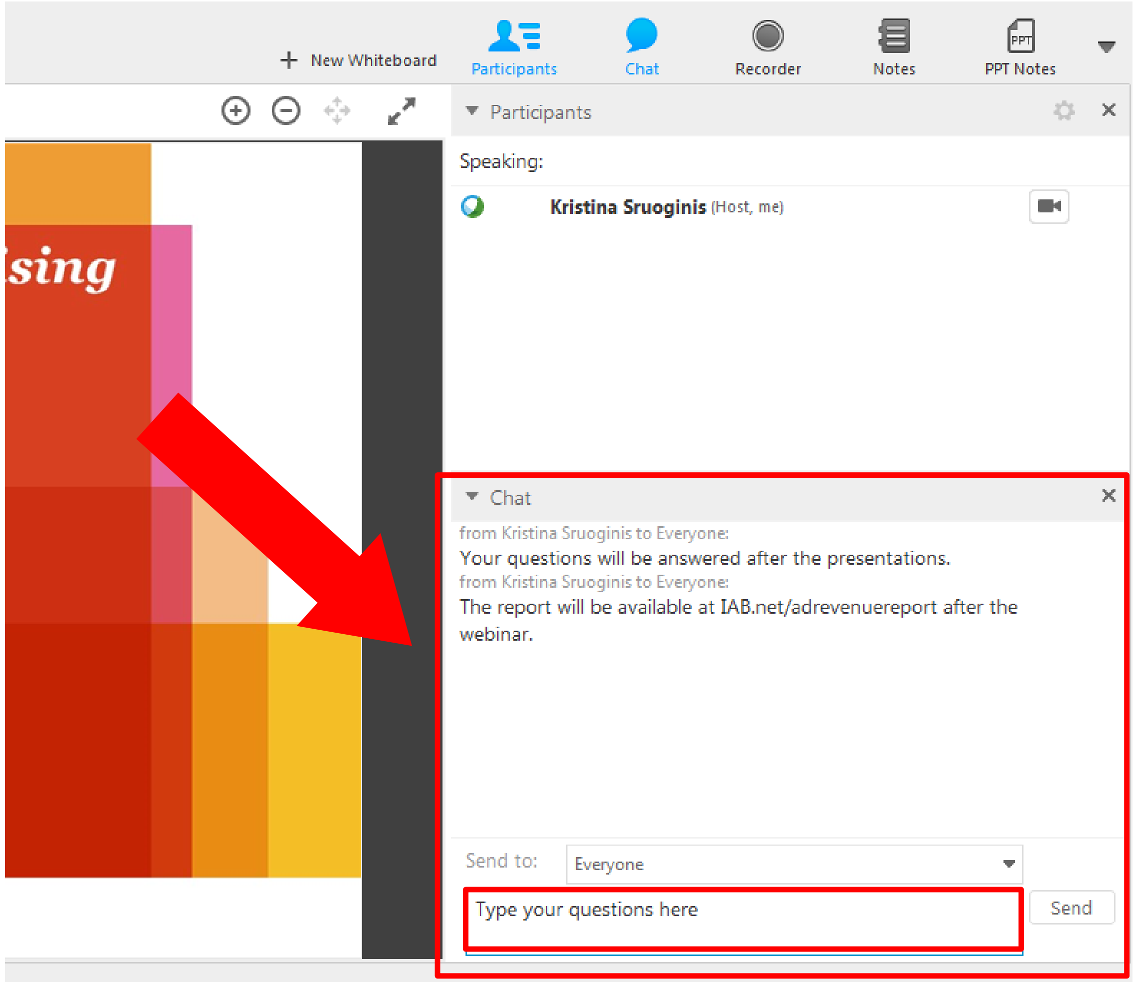
Oct. 2015

Agenda

- **Welcome**
- **Half Year and Q2 2015 Digital Ad Revenue Highlights**
  Sherrill Mane, SVP Research, Analytics & Measurement, IAB
- **Detailed Analysis of IAB PWC Half Year and Q2 2015 Report**
  David Silverman, Partner, PriceWaterhouseCoopers
- **A Look at Digital Spend Drivers**
  Peter Stabler, Managing Director, Internet/Advertising Equity Research, Wells Fargo Securities LLC
- **Q & A**

Important Note on Q&A

- Journalists and IAB members can ask questions at any time during the presentations. Please type questions into the Chat box on the WebEx user interface.
  - We will create a queue and answer as many questions as possible following the presentations.
  - Additional press questions can be directed to Laura Goldberg: Laura.Goldberg@iab.com
  - Additional questions from IAB members can be directed to Kristina Sruoginis: Kristina@iab.com
- The presentations and report will be available for download after the webinar at: http://www.iab.com/adrevenuereport



2015 Half Year and Q2 2015

IAB/PwC Digital Ad Revenue Report Highlights

Oct. 2015

Sherrill Mane

SVP, Research, Analytics and Measurement, IAB

2015 First Half Year Digital Ad Revenue Highlights

“It’s not what you look at that matters, it’s what you see.”

-- Henry David Thoreau

Half Year 2015 Interactive Advertising Outpaces the Market

- **2015 first half US interactive ad revenues total $27.5 billion, marking the sixth consecutive year of double-digit first half year growth.**
  - **This represents a 19% (or $4.4 billion) increase from 2014 first half of $23.1billion**

- **Stellar revenue picture for digital ad revenue contrasts with small overall ad market declines reported by both Nielsen (-5%) and Kantar(-4%) over same time last year**

Half Year 2015 Interactive Advertising Outpaces the Market

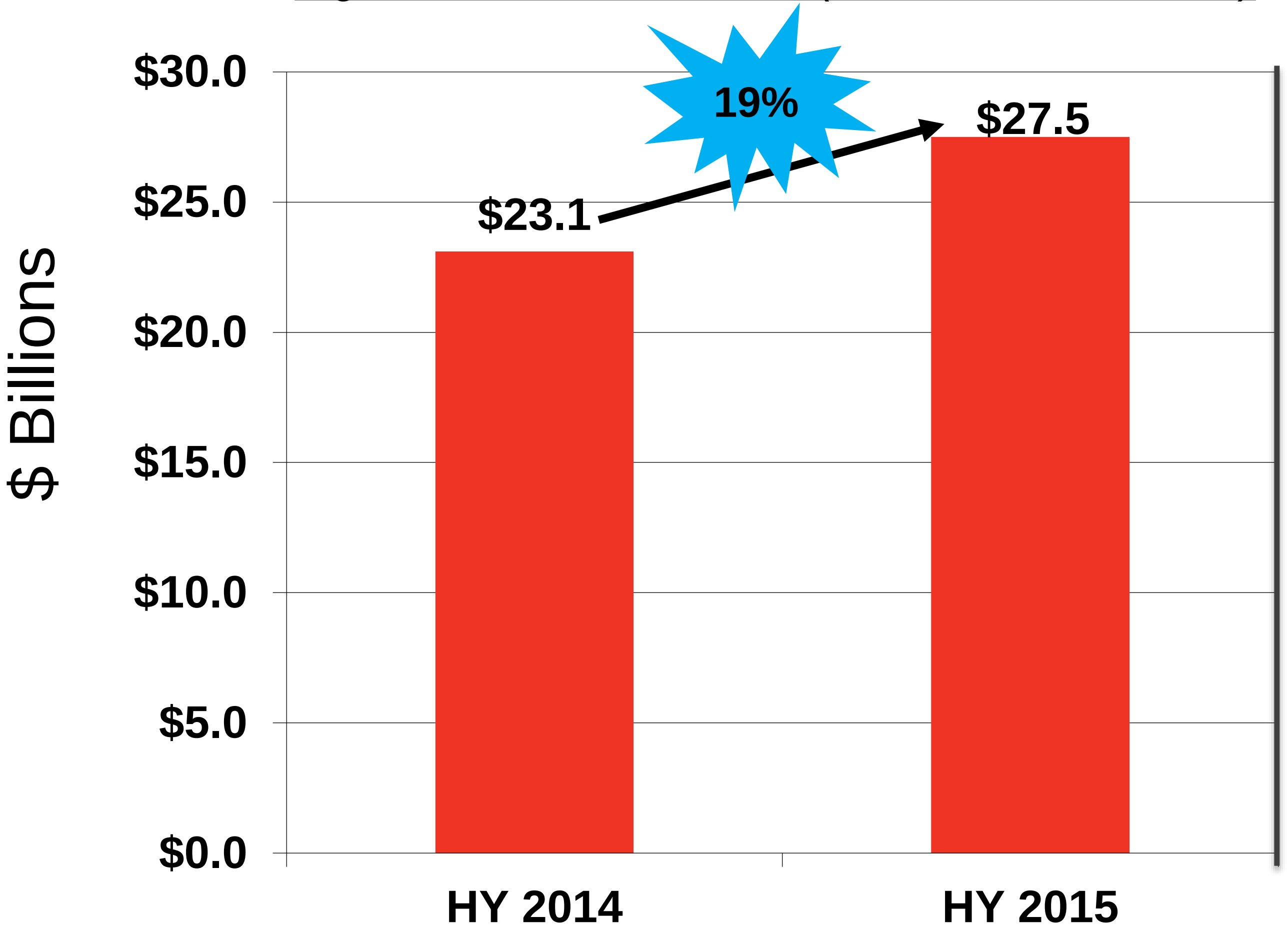
- **Key drivers of revenue growth**
  - Mobile soars, with 54% uptick to $8.2 billion total, now accounting for 30% of total interactive ad revenue
  - Digital video continues double digit growth, up 35% since same time last year for a total of $2.0 billion
  - Across measured platforms and formats, the aggregate social advertising revenue now stands at $4.5 billion, up 51% over first half 2014

- **Some softness in display and sponsorships (-4%), with display at $3.9 billion and sponsorships now at $366 million**

- **Similar patterns prevail for 2nd quarter 2015 internet ad revenue, up 23% over same time in 2014, to a total of $14.3 billion**

HY 2015 Year Over Year Revenue Growth

Digital Ad Revenue Growth (HY 2014 vs. HY 2015)

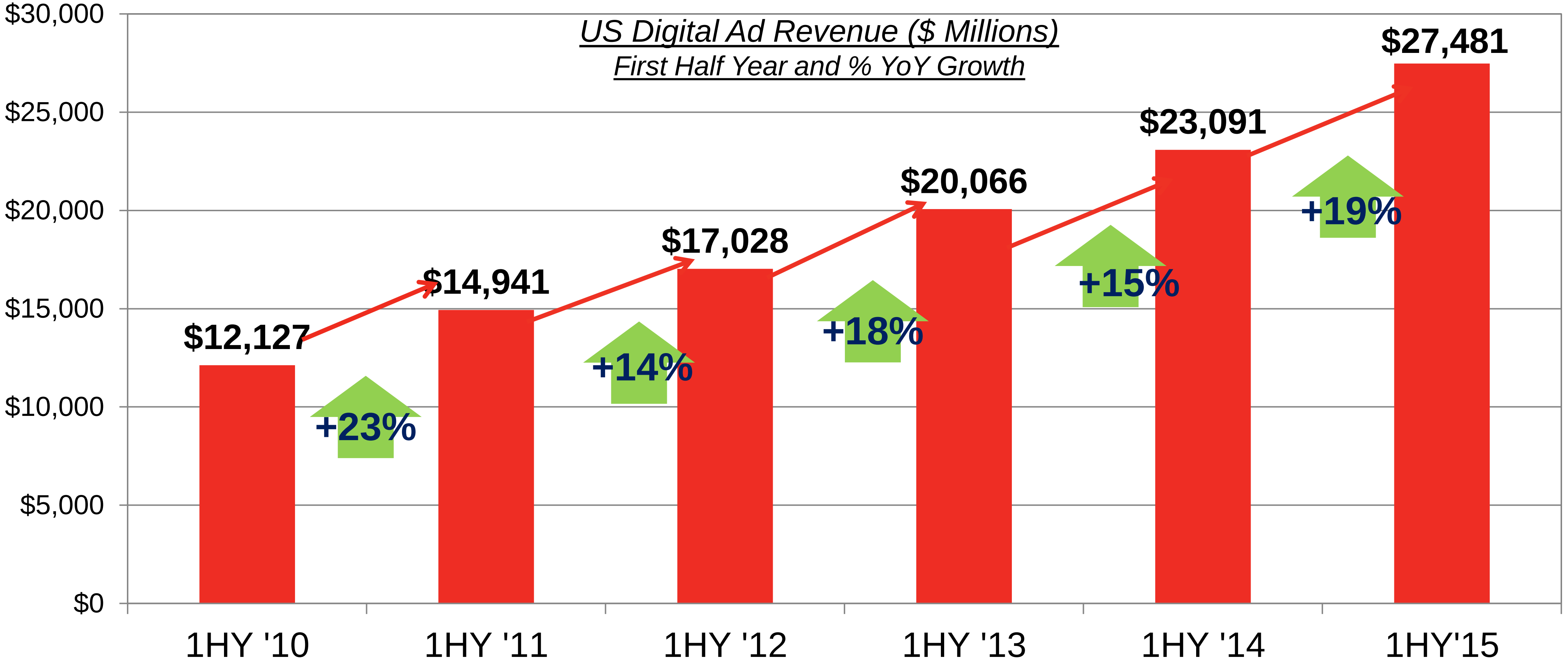


Total Media Ad Revenue Growth (HY 2014 vs. HY 2015)

The Nielsen Company estimates *total* media revenues ***decreased*** **5%** over First Half **2015** to **$59.1B**; Kantar Media estimates a **4%** ***decrease.***

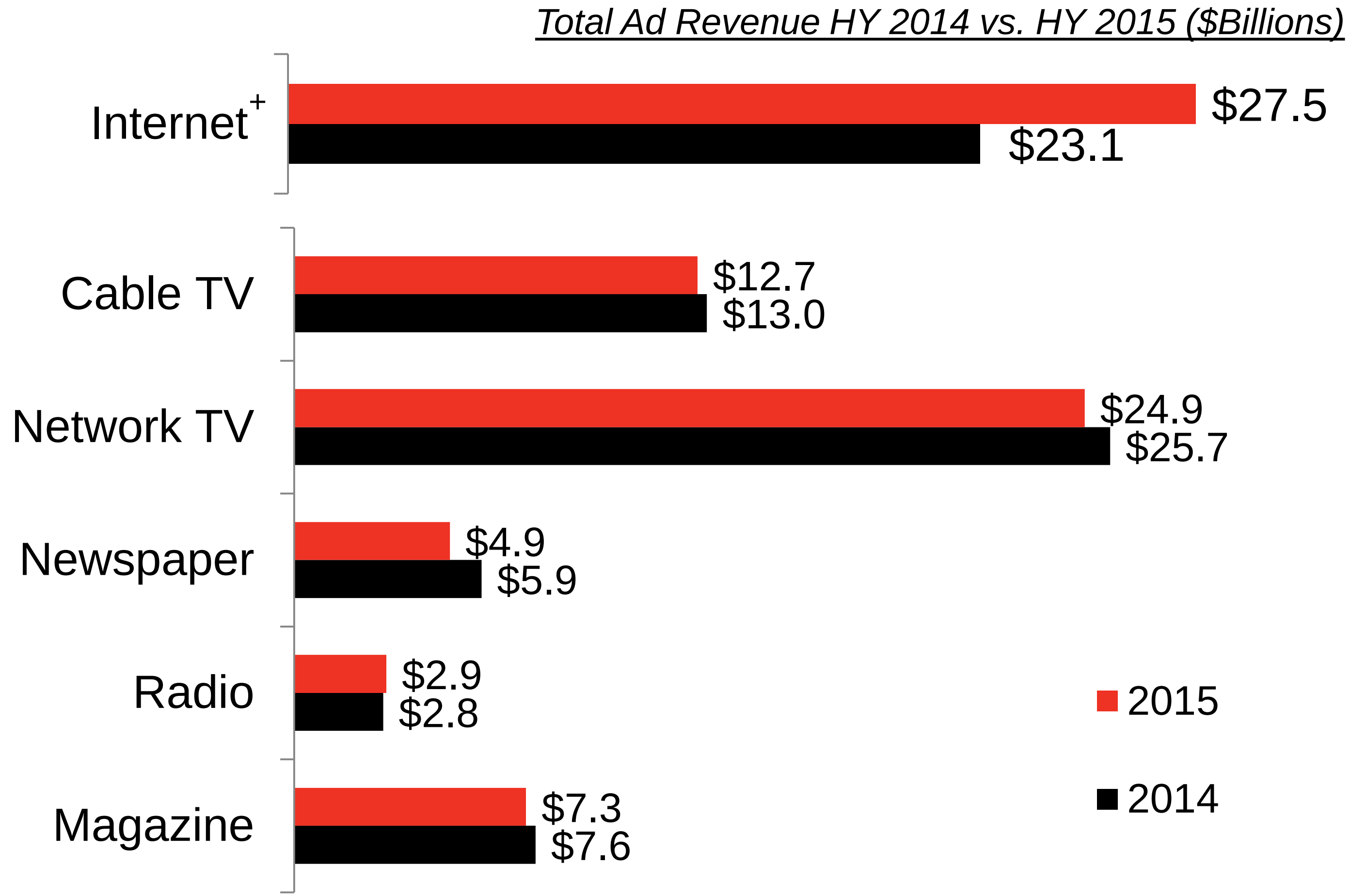
Sources: IAB Internet Advertising Revenue Report, 2015 First Half Year and 2nd Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Oct. 2015; Kantar Press Release Oct. 2015

First Half Year Revenue Track: Double-Digit Growth For 5 Years



Source: IAB Internet Advertising Revenue Reports, First Half Year 2010-2015

HY 2015 Ad Revenue Growth
Digital vs. Top Non-Digital Media



Percent YoY Change
19%
-7%
-3%
-16%
1%
-4%

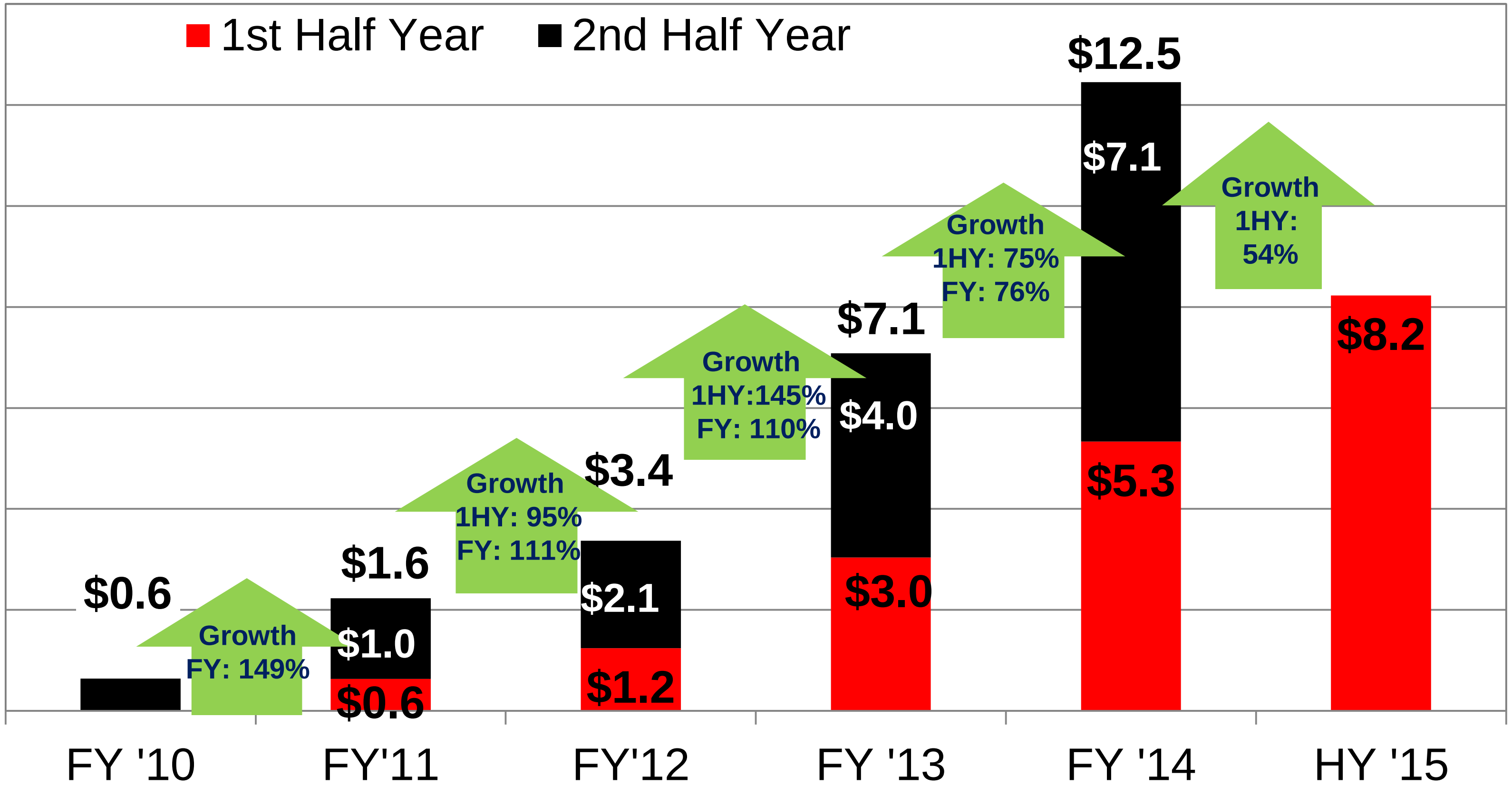
Source: Nielsen HY 2015 Oct. 2015
+Source: PWC IAB First Half Year and Q2 2015 Internet Advertising Revenue Report, Oct. 2015

The total U.S. advertising market includes other segments not charted here.
Broadcast Television includes Network and Syndicated and Spot television advertising revenue.
Cable Television includes National Cable Networks and Local Cable television advertising revenue.
Radio includes Network and Spot Radio advertising revenue. Newspaper includes Local, National, Sunday Supplement. Magazine includes Local, National.

Mobile Advertising Revenue Track Shows Explosive Growth

<u>*US Mobile Ad Revenue ($ Billions)*</u>

<u>*First Half Year, Full Year and % YoY Growth*</u>

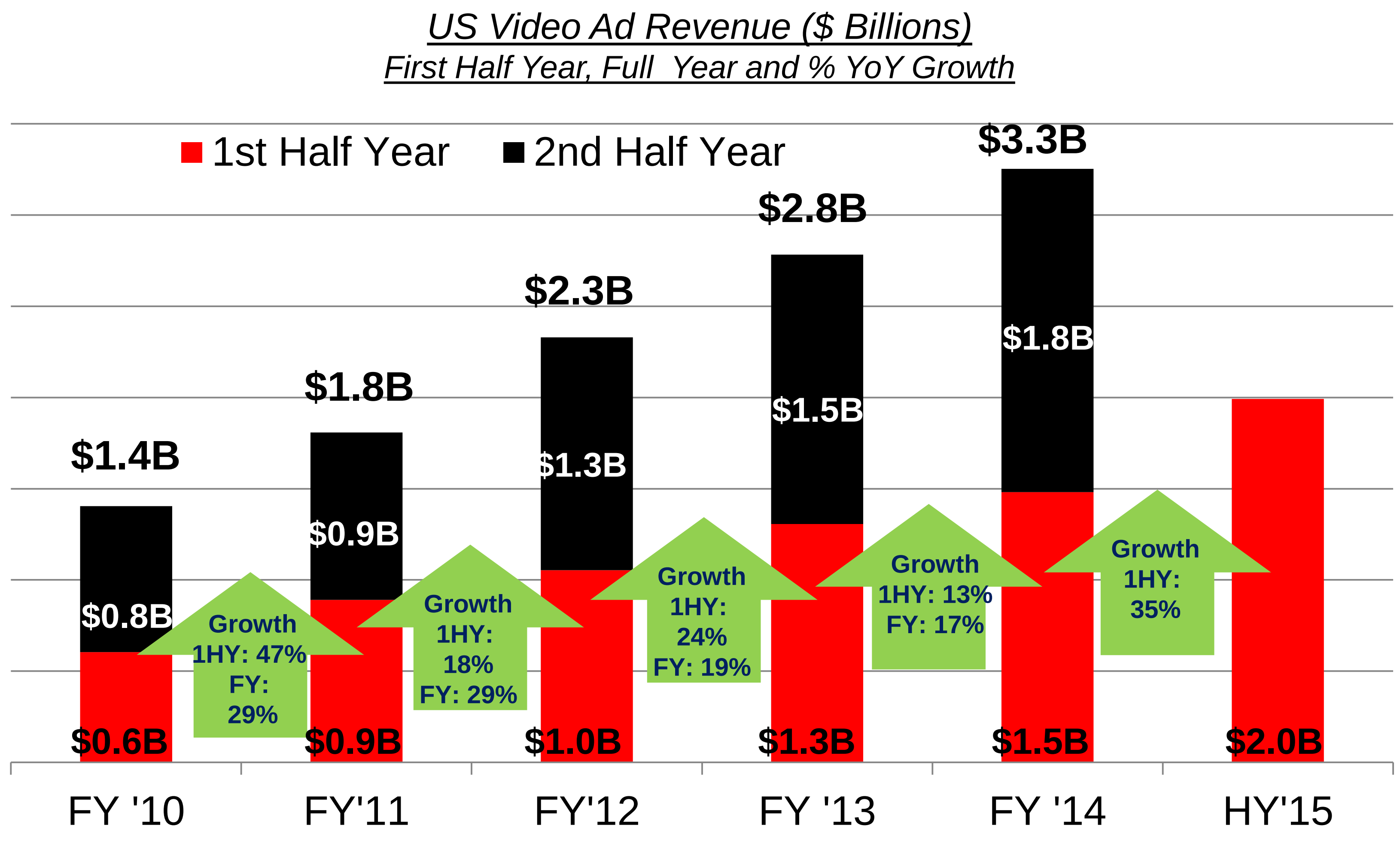


**Full year totals accurately reflect the sum of half year totals as rounded to two decimal places.*

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report

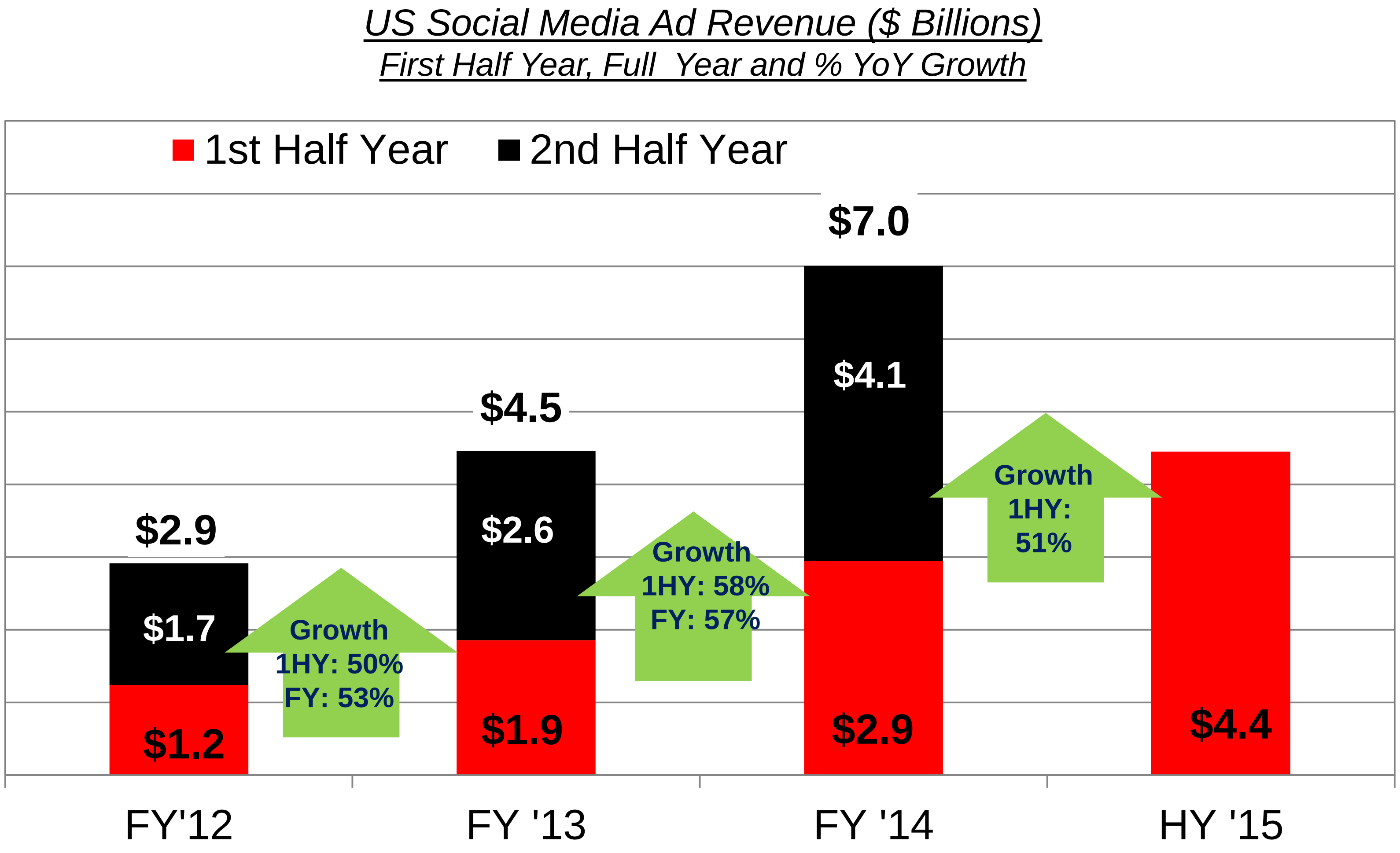
Digital Video Advertising on a Growth Trajectory, FH Year Revenue More than Tripled Since 2010



Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report

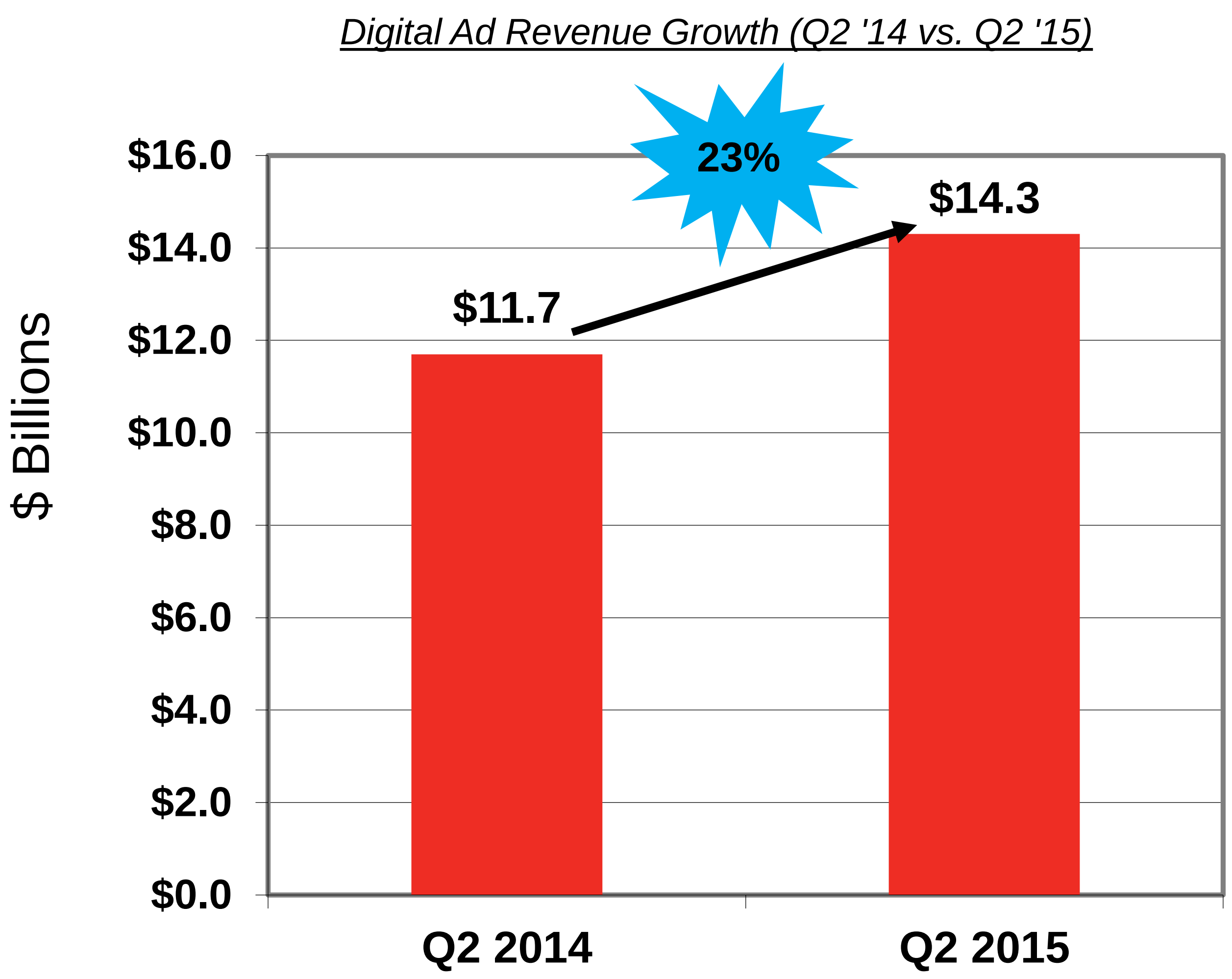
Social Media Advertising Revenue Grows Over 50% Every Half Year Measured



Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report

Q2 2015 Revenue Compared With Q2 2014



Total Media Ad Revenue Change (Q2 '14 vs. Q2 '15)

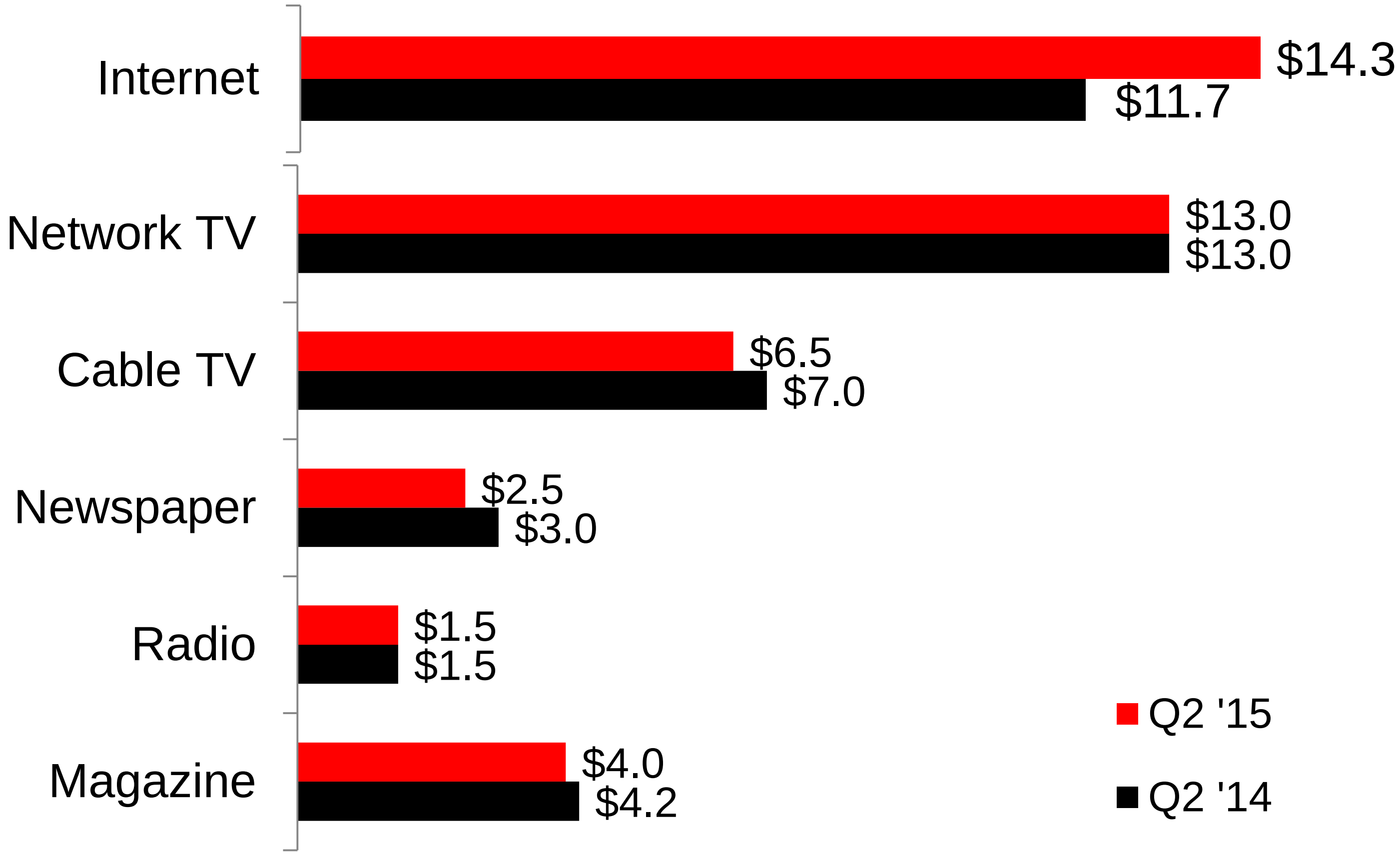
According to Nielsen, *total* media revenues ***decreased* 4%** from Q2 2014 to Q2 2015 to **29.7B**.

Kantar Media estimates a **4% *decrease*** to **$38.0B**.

Sources: IAB Internet Advertising Revenue Report, 2015 First Half Year and 2nd Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Oct. 2015; Kantar Press Release Oct. 2015

Q2 2015 Ad Revenue Growth
Digital vs. Top Non-Digital Media

Total Ad Revenue Q2 '14 vs. Q2 '15 ($Billions)



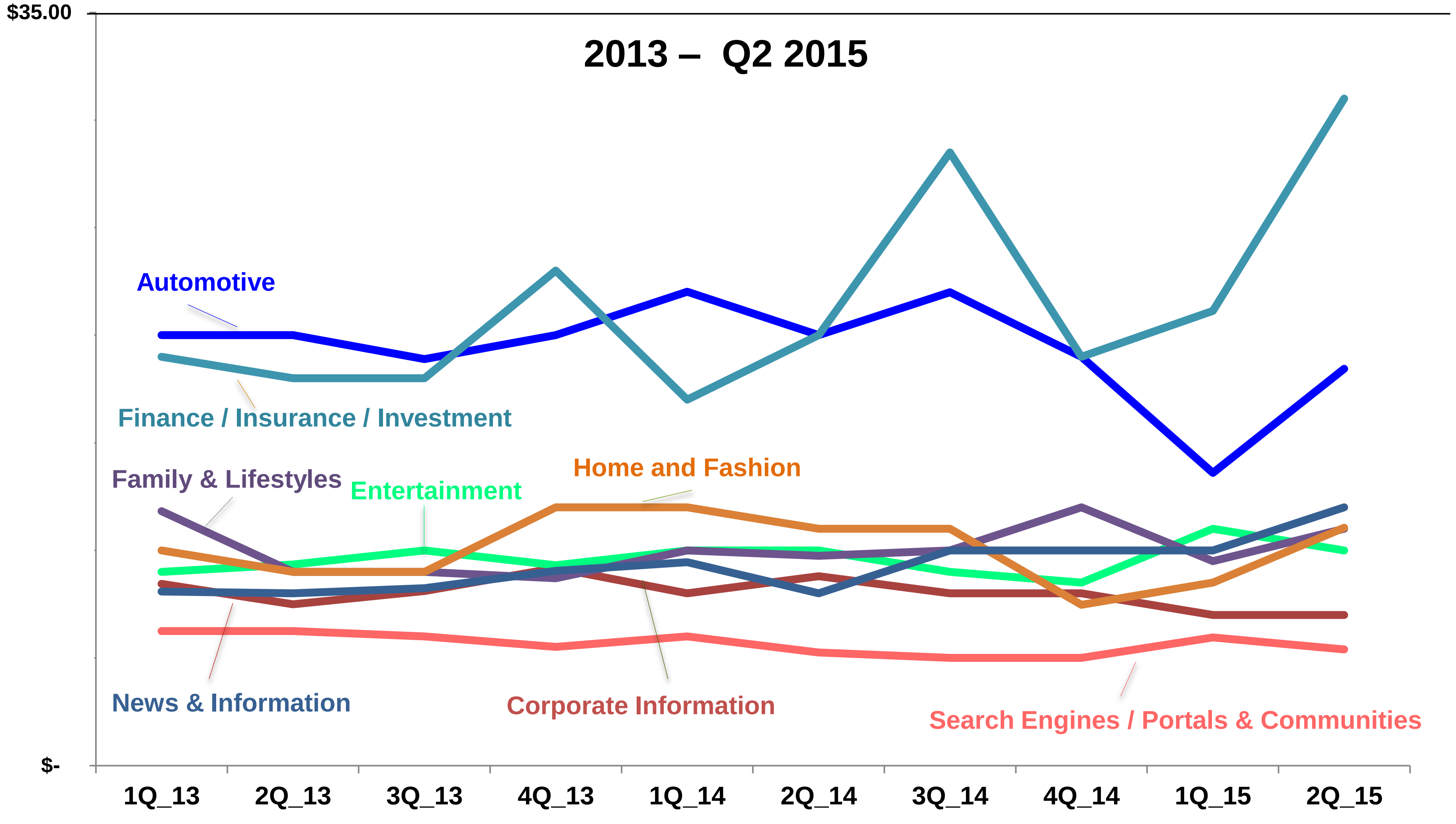
Percent YoY Change
23%
0%
-8%
-17%
1%
-4%

Source: PWC IAB Full Year and Q2 2015 Internet Advertising Revenue Report, Oct. 2015

†The total U.S. advertising market includes other segments not charted here.
*Broadcast Television includes Network and Syndicated and Spot television advertising revenue.
**Cable Television includes National Cable Networks and Local Cable television advertising revenue.

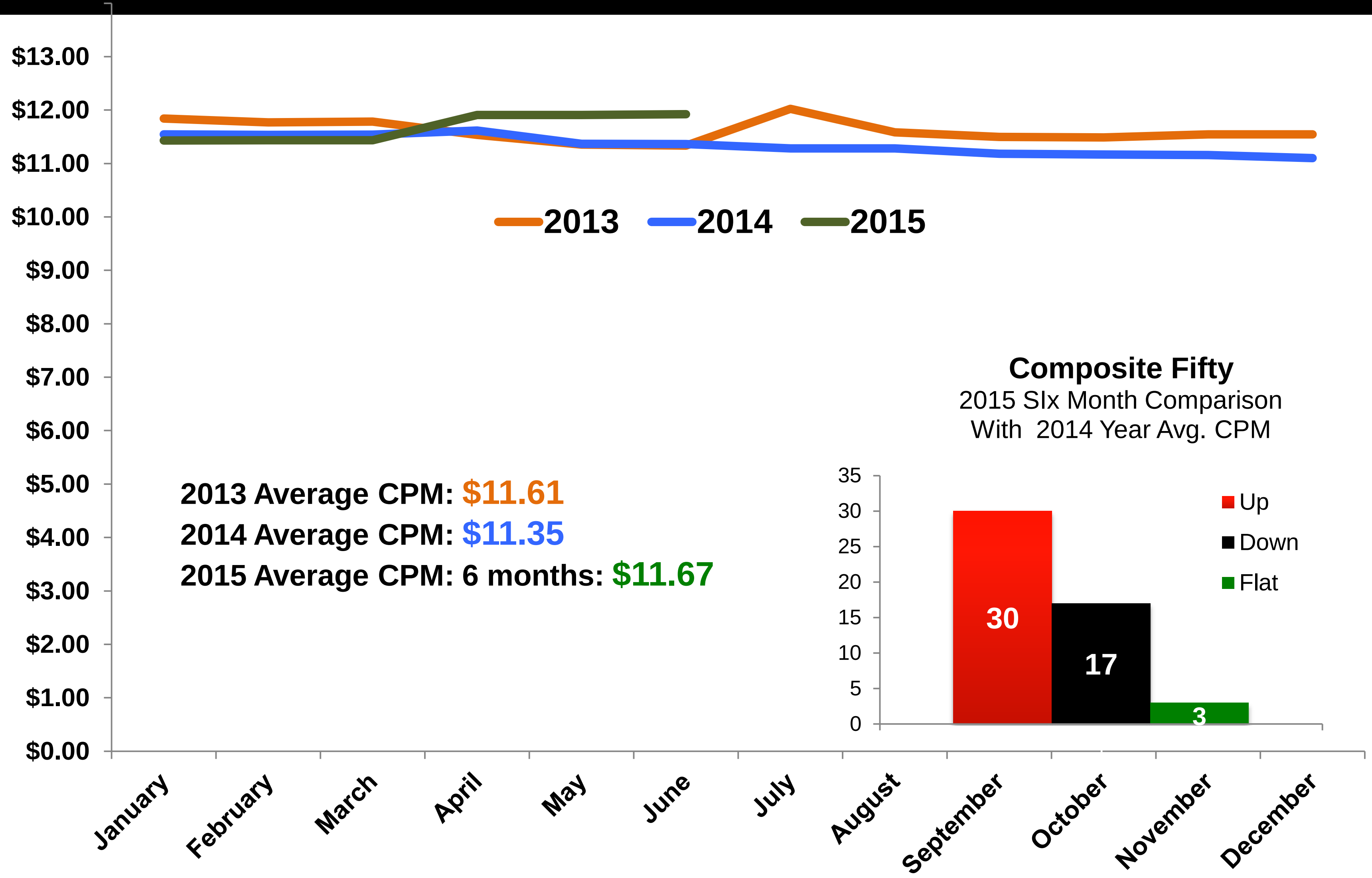
Display: Eight Category Avg. CPM Trend

Weighted Average - August 2015 Release - CPM of All buys Placed Within the Quarter



WebCosts Display Composite Fifty

Average CPM, Half Year 2015 - Fifty Same-Site Comparative Report



Key Takeaways

- **Brand spend continues to rise:**
  - **CPMs up**
  - **Digital video continues to grown significantly (+35%)**
  - **Revenue associated with impression based advertising up 13% and holding a one third share as it has for some time now**
  - **Hybrid (impression and performance based) advertising up 89% over same time last year**
  - **$4.3 billion of mobile revenue, more than half of its total, is coming from display and video**

- **Dollars moving from other media into digital, all forms of digital**
  - **Revenue growth way ahead of the overall market continues, unabated**
  - **Mobile likely garnering incremental spend from other media, digital media and "experimental" budgets**

- **Positive effects of improved measurement, viewable inventory and combatting fraud becoming noticeable**
  - **Rising CPMs likely offset inventory supply changes due to implementation of viewability, especially for display**

**Note: Display-related ad formats are defined as: banner ads, digital video commercials, rich media, and sponsorships.*

2015 Half Year and Q2 2015

IAB/PwC Internet Ad Revenue Report
Detailed Findings

Oct. 2015

David Silverman

Partner, PriceWaterhouseCoopers

www.pwc.com
www.iab.net

IAB internet advertising revenue report

2015 first six-months results

iab.

pwc

Agenda

Survey methodology

2015 first six-months results

First six-months and quarterly trends

Advertising formats

Social media

Pricing models

Industry category spending

About PwC

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:

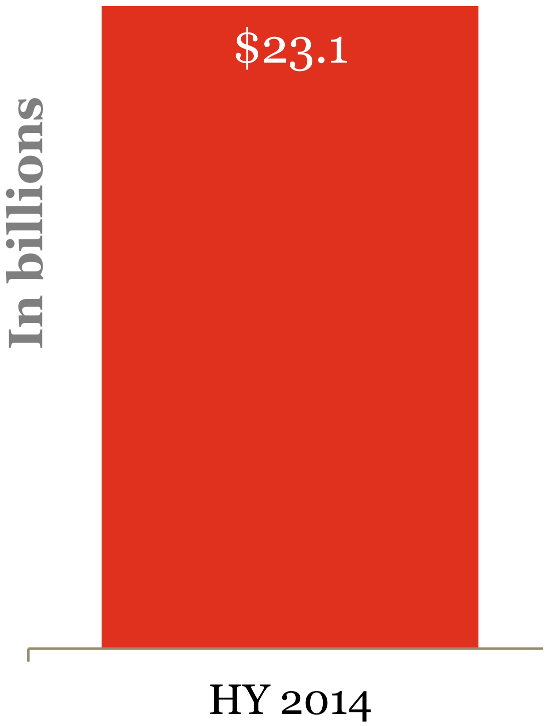
- Obtaining historical data directly from companies generating Internet/online/mobile advertising revenues;
- Making the survey as inclusive as possible, encompassing all forms of internet/online advertising, including websites, consumer online services, ad networks, mobile devices and e-mail providers;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

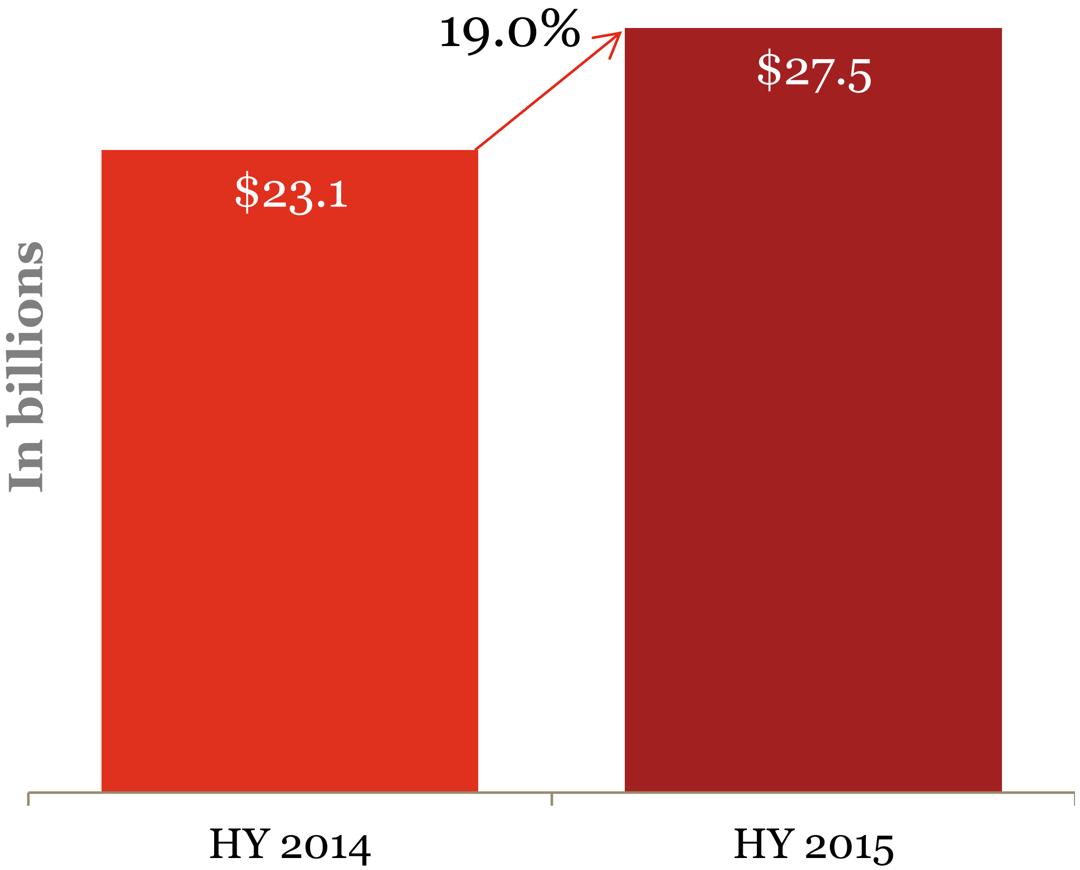
Half year revenues totaled …



Source: IAB Internet Advertising Revenue Report, HY 2015

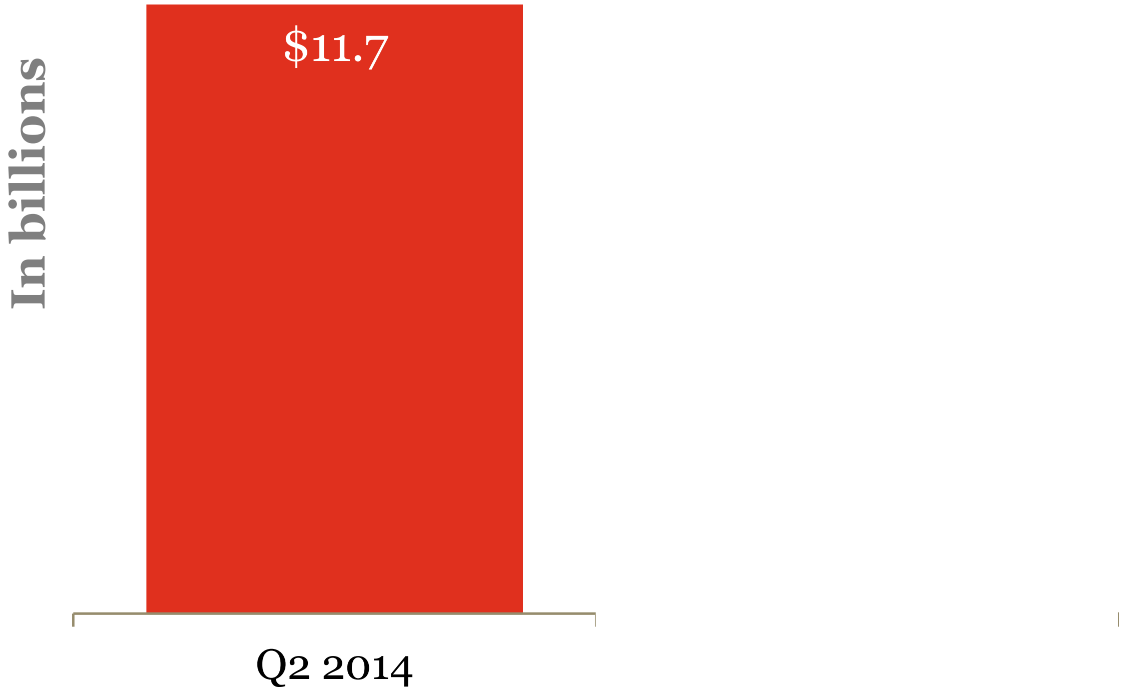
Half year revenues totaled $27.5 billion in 2015

Online advertising revenue increased 19.0% in HY 2015.



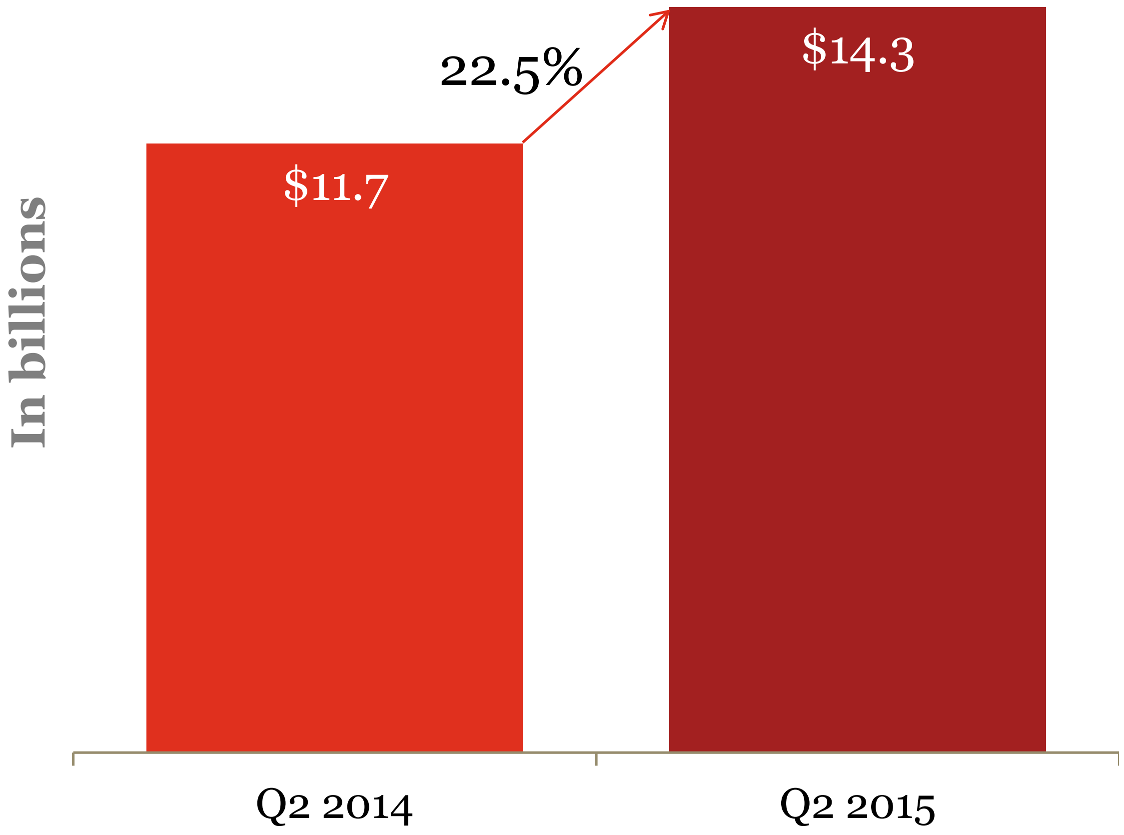
Source: IAB Internet Advertising Revenue Report, HY 2015

2015 second quarter revenues totaled ….



Source: IAB Internet Advertising Revenue Report, HY 2015

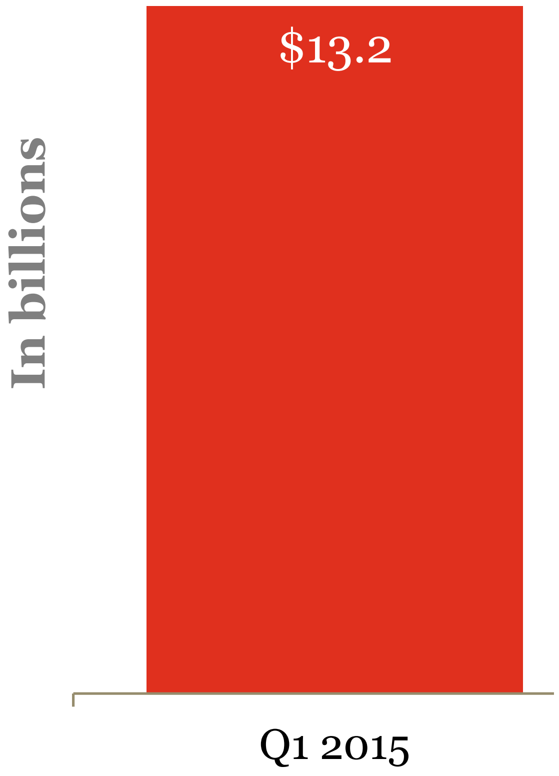
2015 second quarter revenues totaled $14.30 billion



Revenue in Q2 2015 was 22.5% higher than in Q2 2014.

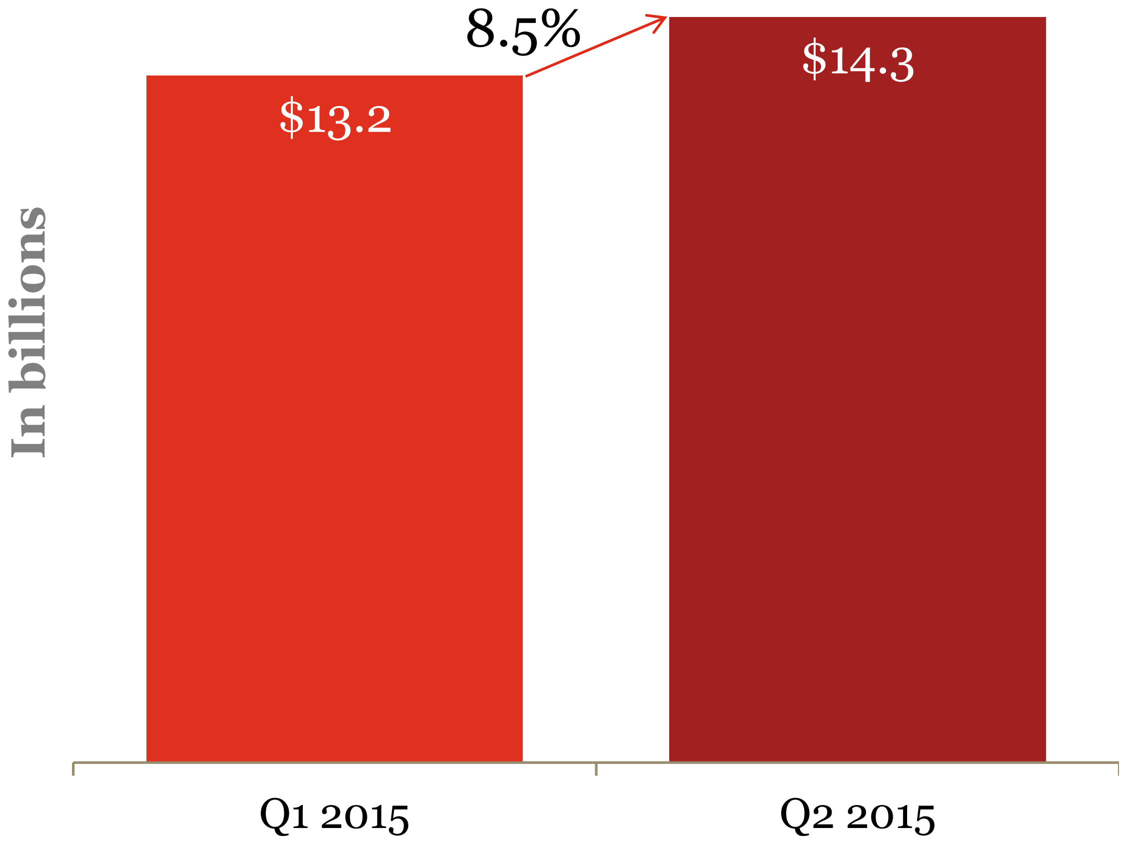
Source: IAB Internet Advertising Revenue Report, HY 2015

Strong Growth between Q1 2015 and Q2 2015



Source: IAB Internet Advertising Revenue Report, HY 2015

Strong Growth between Q1 2015 and Q2 2015

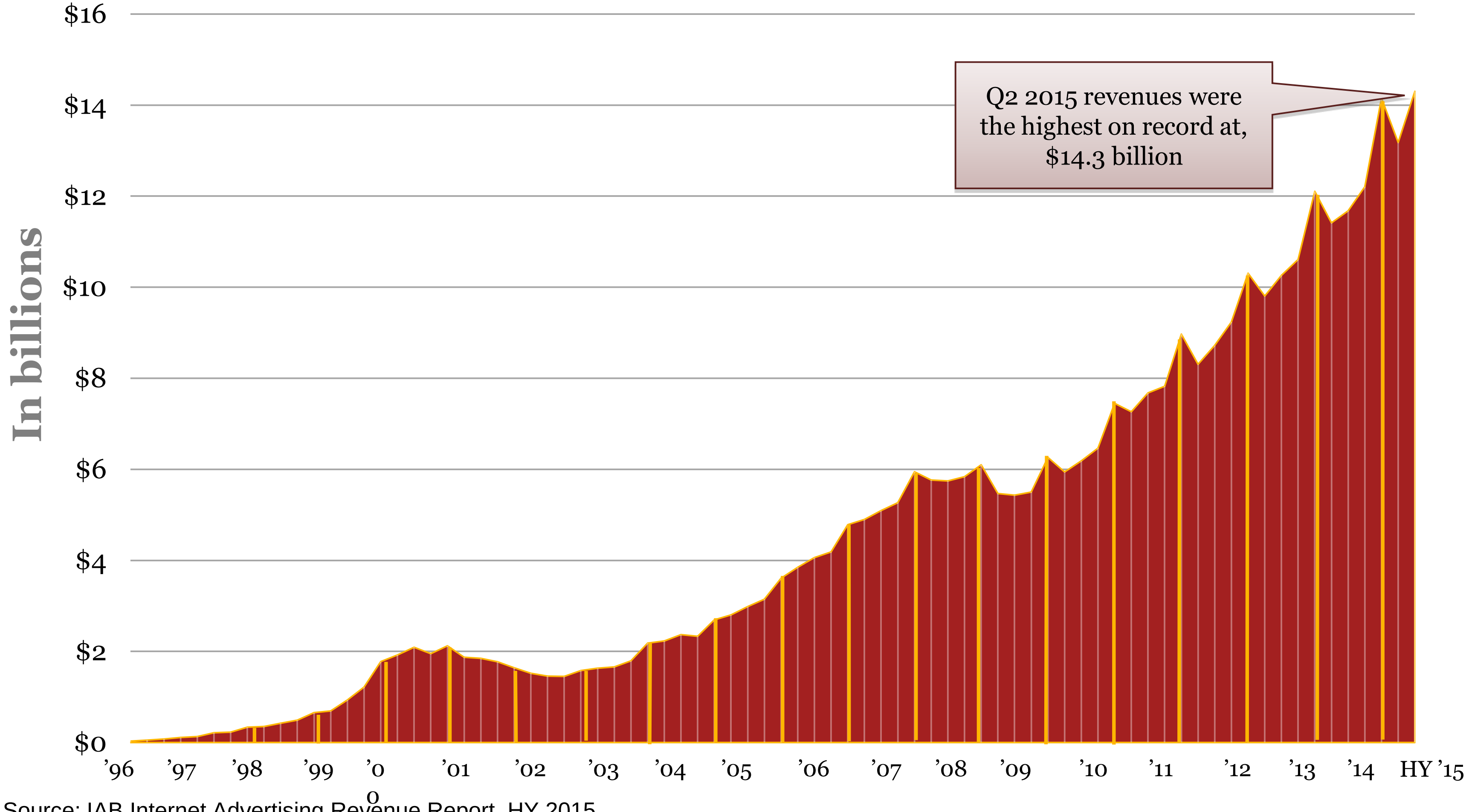


Revenue in Q2 2015 was $1.1 billion higher than in Q1 2015.

Source: IAB Internet Advertising Revenue Report, HY 2015

Since 2010, a strong seasonal trend has emerged for internet advertising revenues

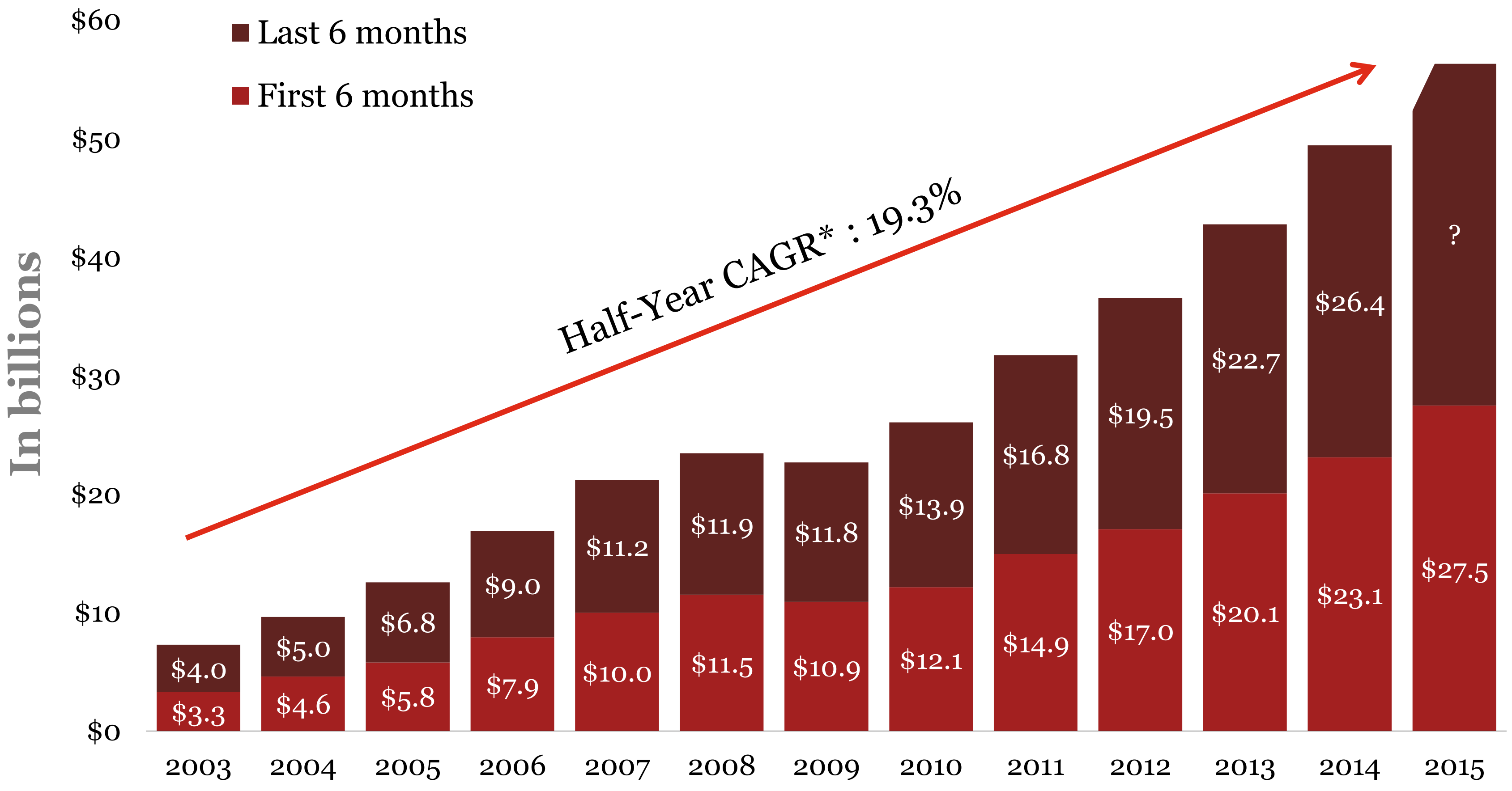
Quarterly growth comparison, 1996–HY 2015



Source: IAB Internet Advertising Revenue Report, HY 2015

First six-months 2015 shows record revenues

Historical revenue mix, first half vs. second half



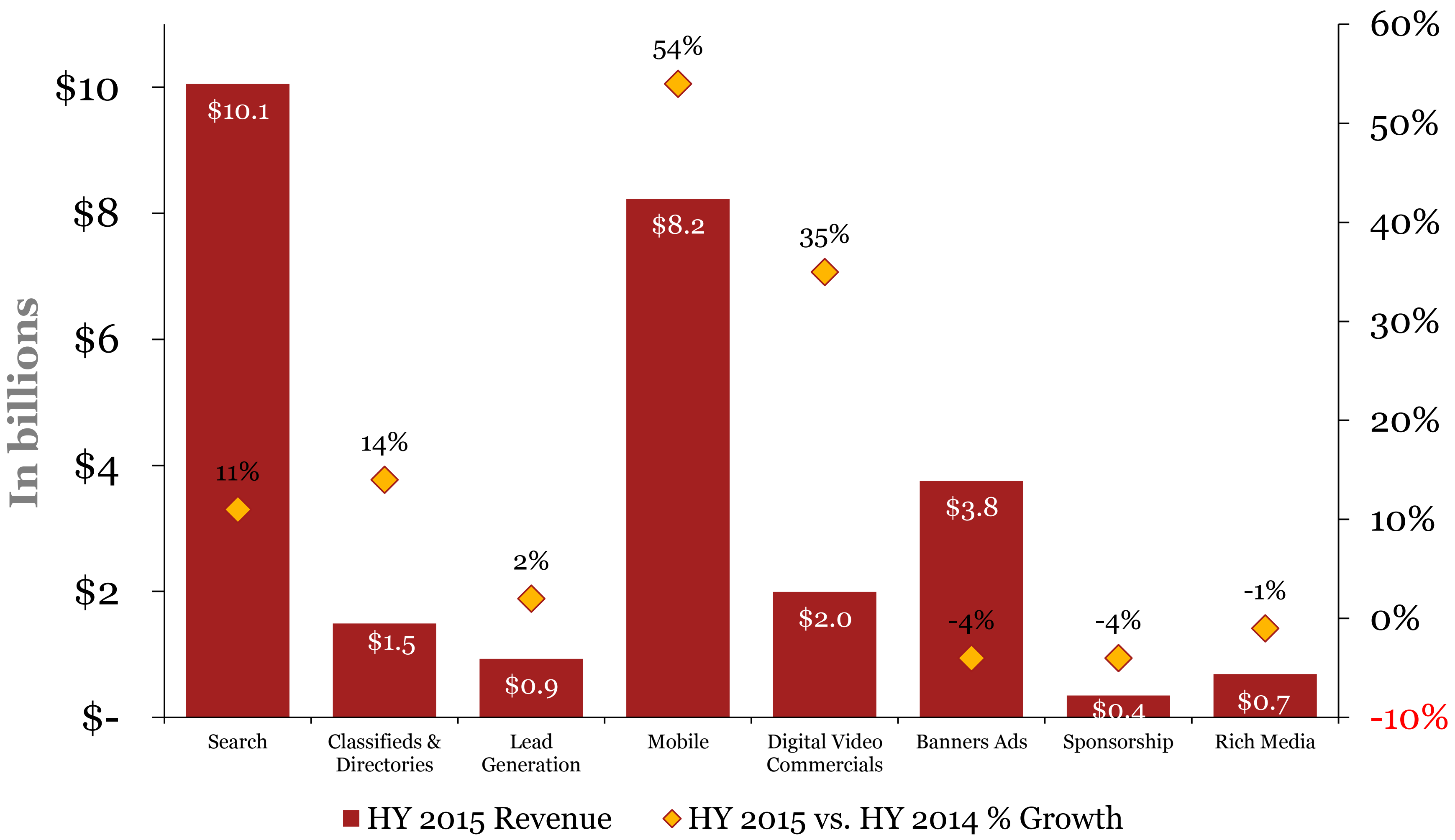
Source: IAB Internet Advertising Revenue Report, HY 2015

** CAGR: Compound Annual Growth Rate*

October 2015

Mobile shows the strongest growth

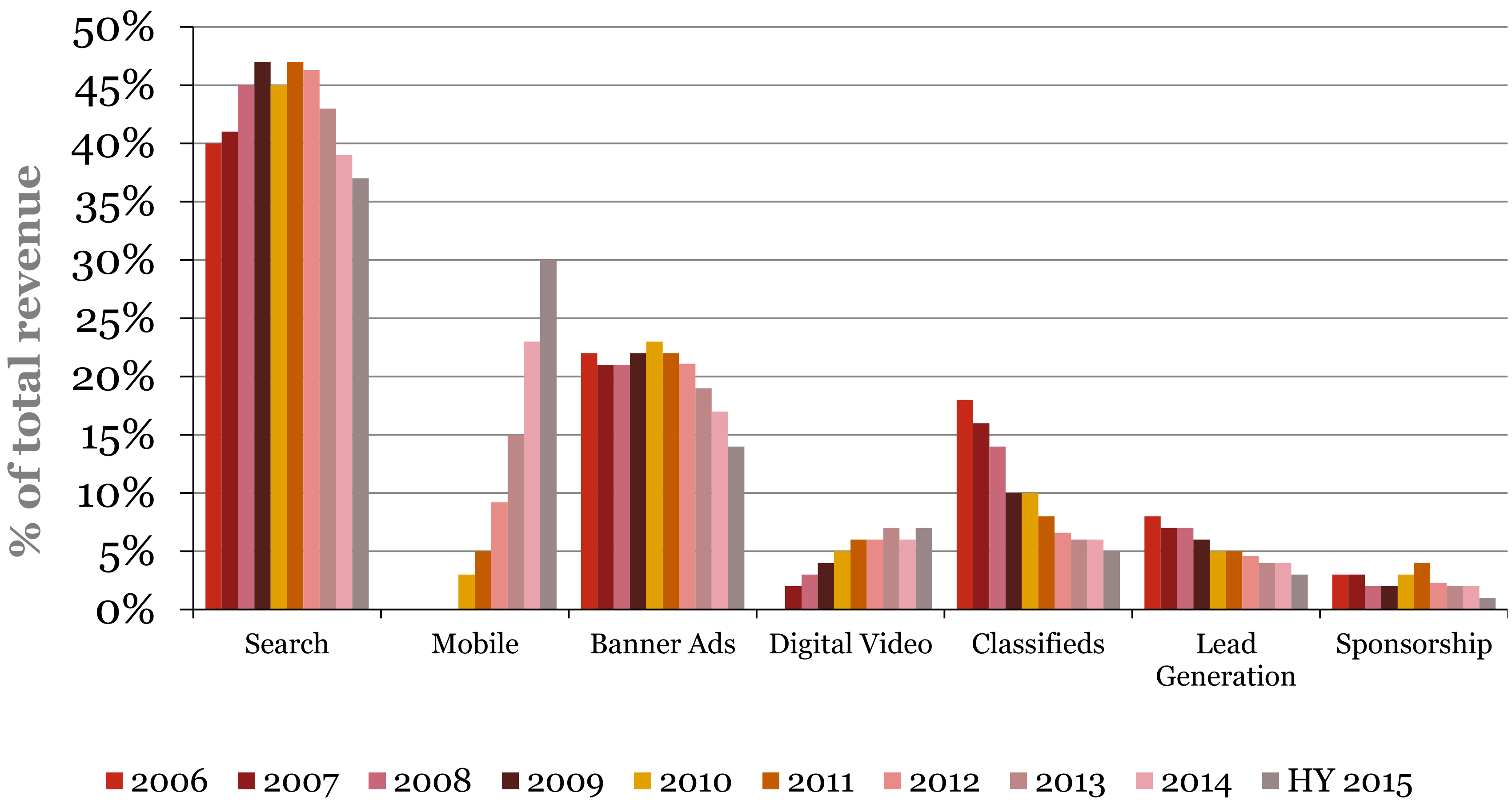
Advertising formats – HY 2015 results and growth rates



Source: IAB Internet Advertising Revenue Report, HY 2015

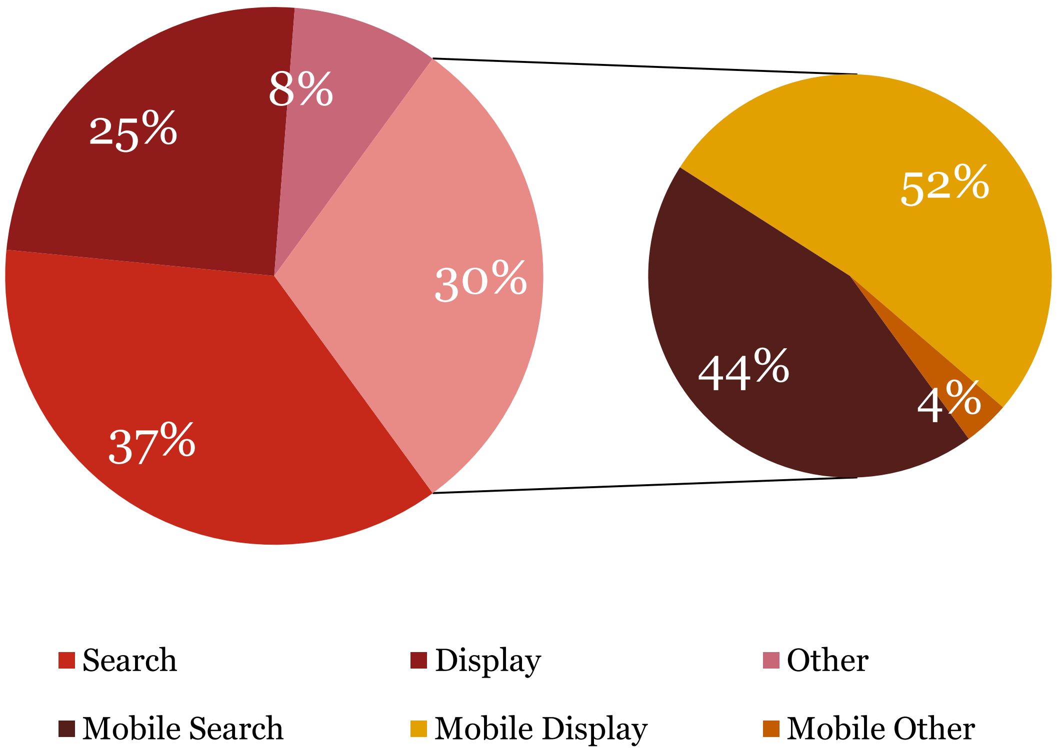
Historical trends in internet advertising formats

Revenue share by major ad formats, 2006–HY 2015



Source: IAB Internet Advertising Revenue Report, HY 2015

Mobile represents a significant percentage of advertising formats

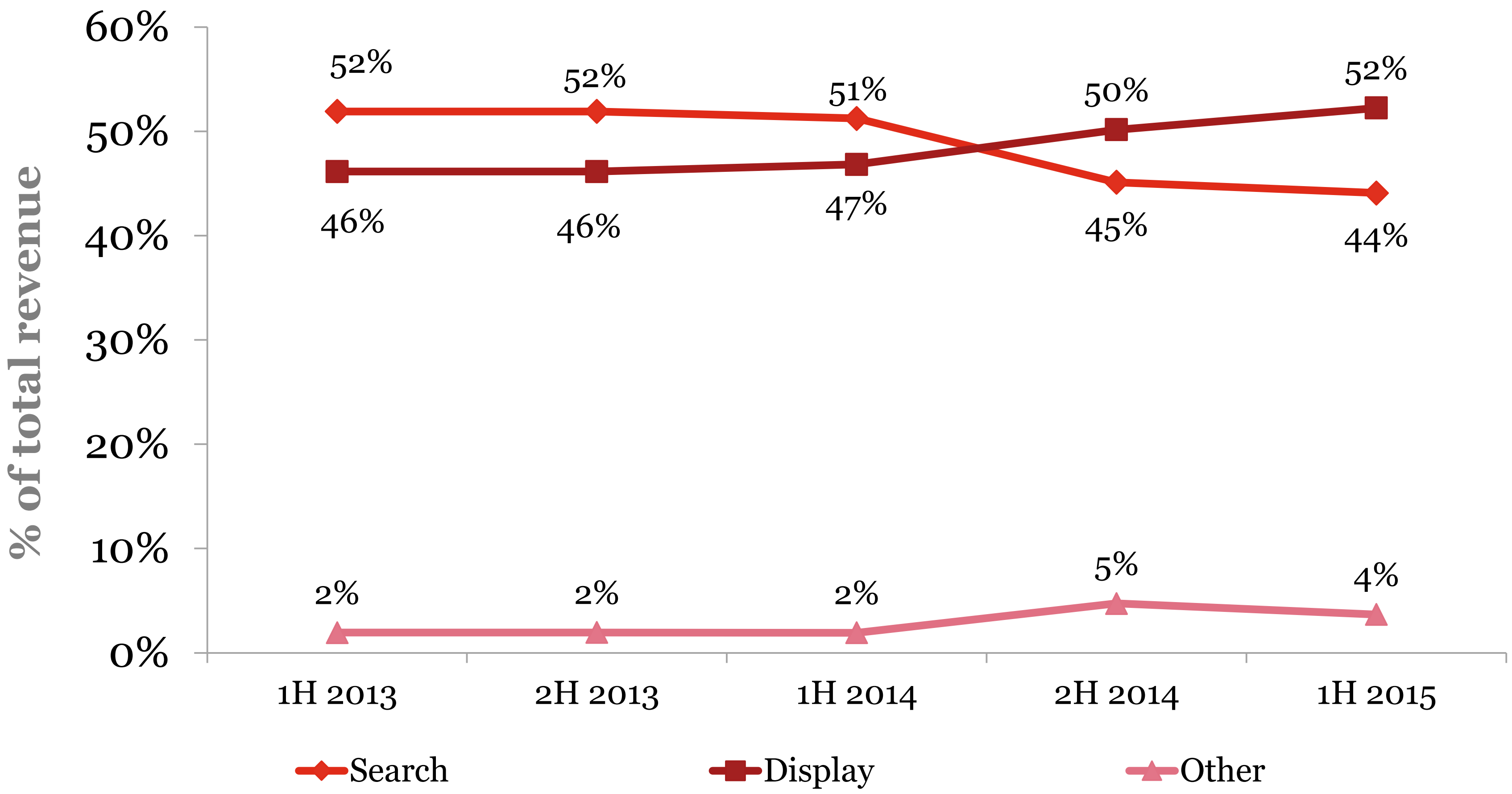


For the half year in 2015, Mobile revenue totaled $8.2 billion

Source: IAB Internet Advertising Revenue Report, HY 2015

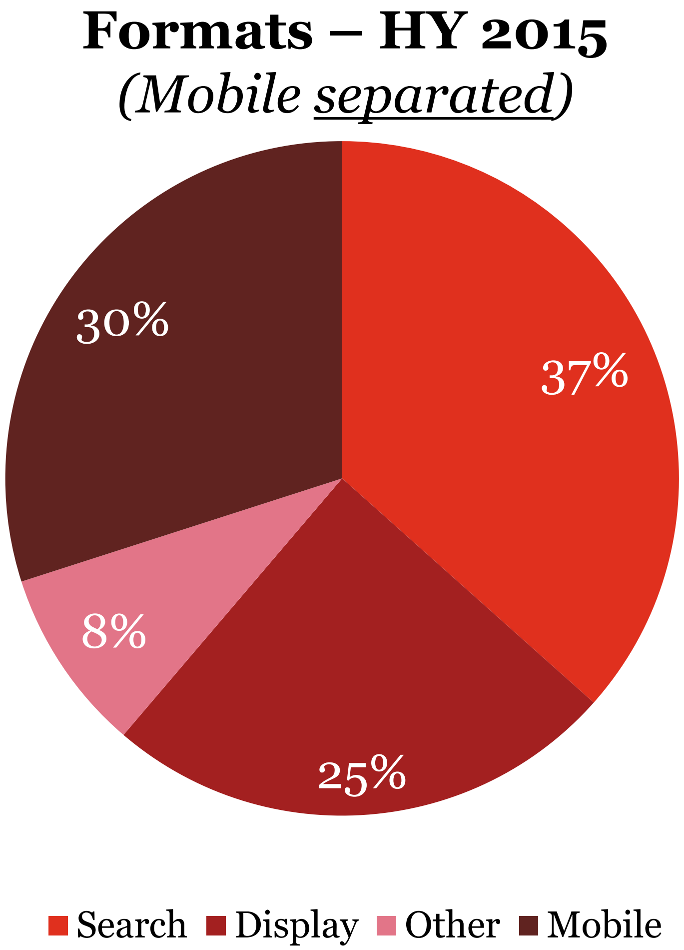
Historical Mobile format trends

Mobile format ad revenue by category, 2003–HY 2015



Source: IAB Internet Advertising Revenue Report, HY 2015

Distributing Mobile across formats demonstrates its importance to Search and Display

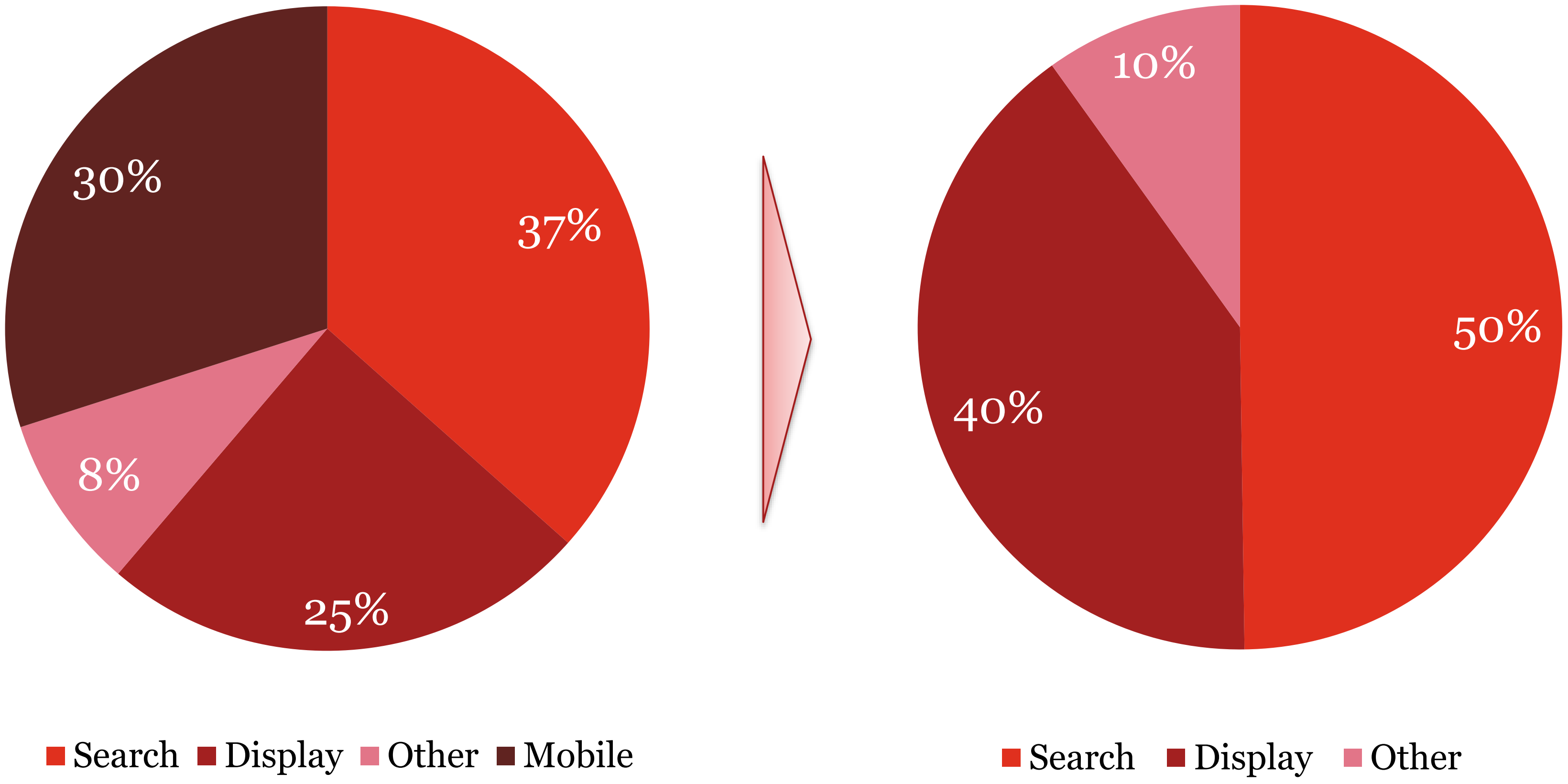


Source: IAB Internet Advertising Revenue Report, HY 2015

Distributing Mobile across formats demonstrates its importance to Search and Display

Formats – HY 2015
(Mobile separated)

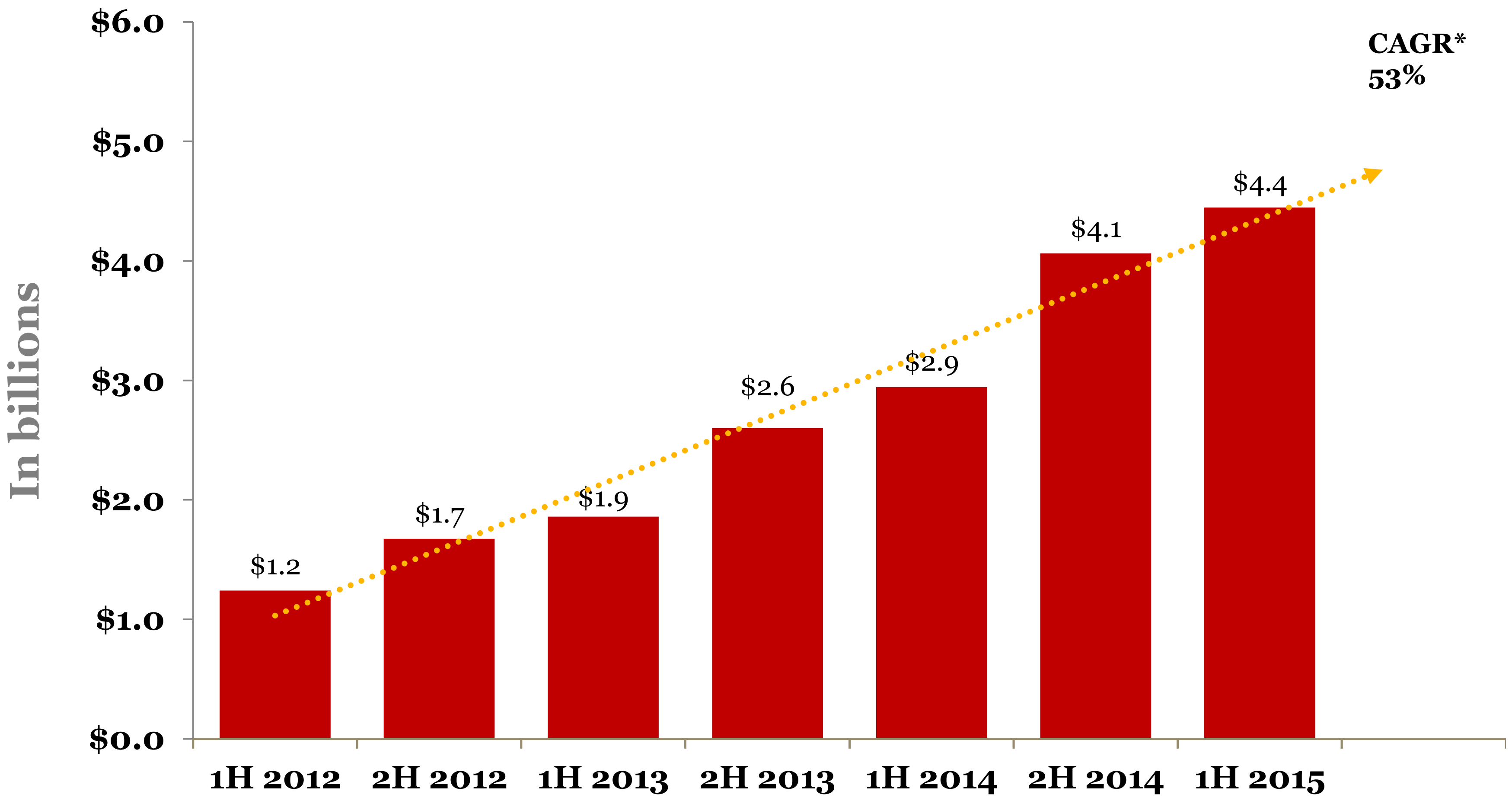
Formats – HY 2015
(Mobile included)



Source: IAB Internet Advertising Revenue Report, HY 2015

Social media demonstrates continued growth

Social media ad revenues, 2012 – HY 2014

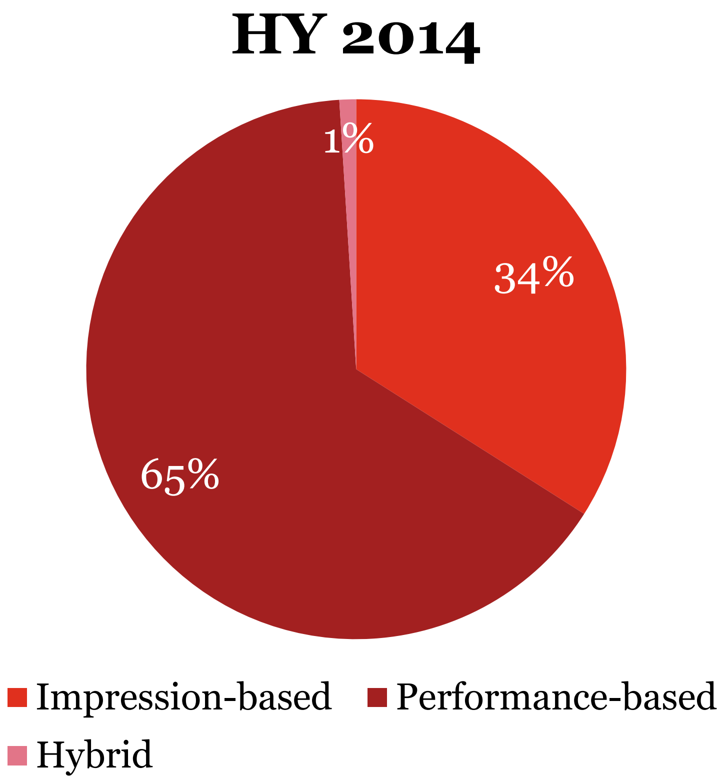


** CAGR: Compound Annual Growth Rate*

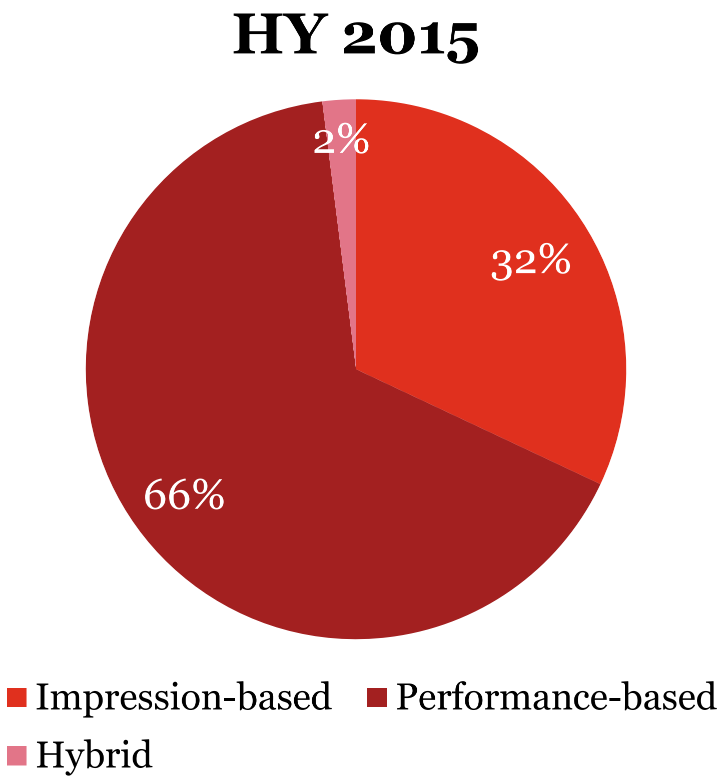
Source: IAB Internet Advertising Revenue Report, HY 2015

Pricing models

Internet ad revenues by pricing model, HY 2014 vs. HY 2015



Total – $23.1 billion

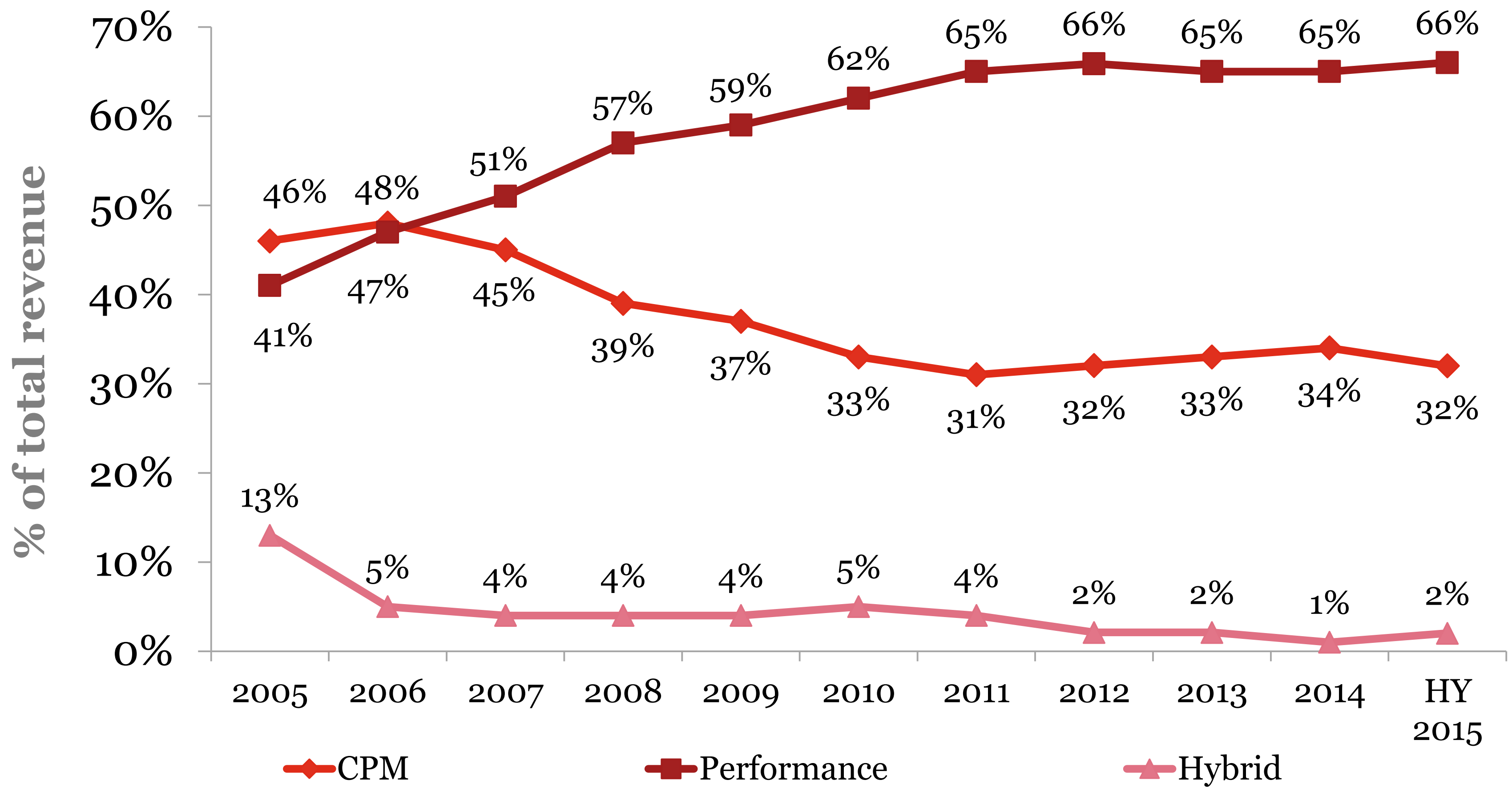


Total – $27.5 billion

Source: IAB Internet Advertising Revenue Report, HY 2015

Historical pricing model trends

Internet ad revenues by pricing model, 2005–HY 2015

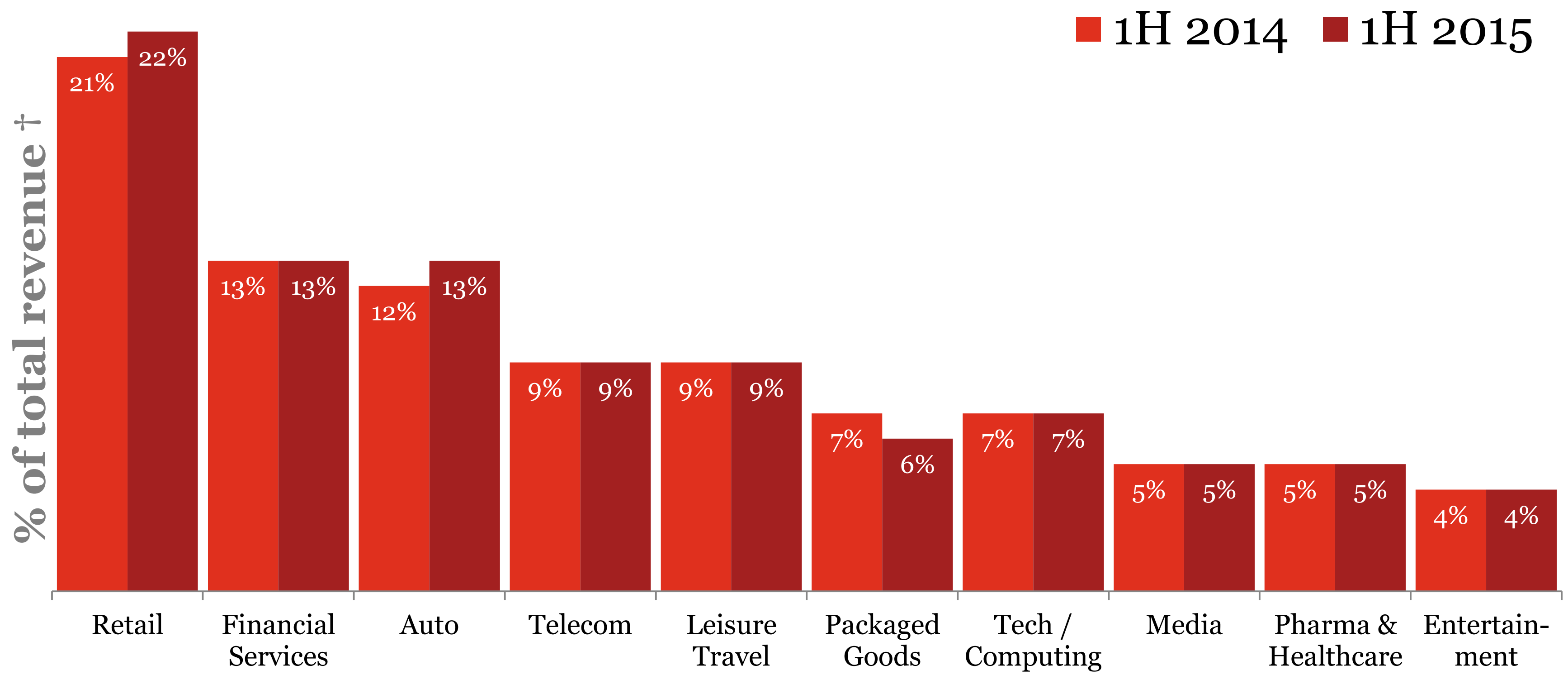


Note: Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by respondents

Source: IAB Internet Advertising Revenue Report, HY 2015

Internet ad revenues by major industry category

$23.1 B in HY 2014 vs. $27.5 in HY 2015



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

Source: IAB Internet Advertising Revenue Report, HY 2015

Technology and Entertainment, Media, and Communications practices
Contacts

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2015 Half Year and Q2 2015

IAB/PwC Internet Ad Revenue Report
A Look at Digital Spend Drivers

Oct. 2015

Peter Stabler

Managing Director, Internet/Advertising Equity Research,

Wells Fargo Securities LLC

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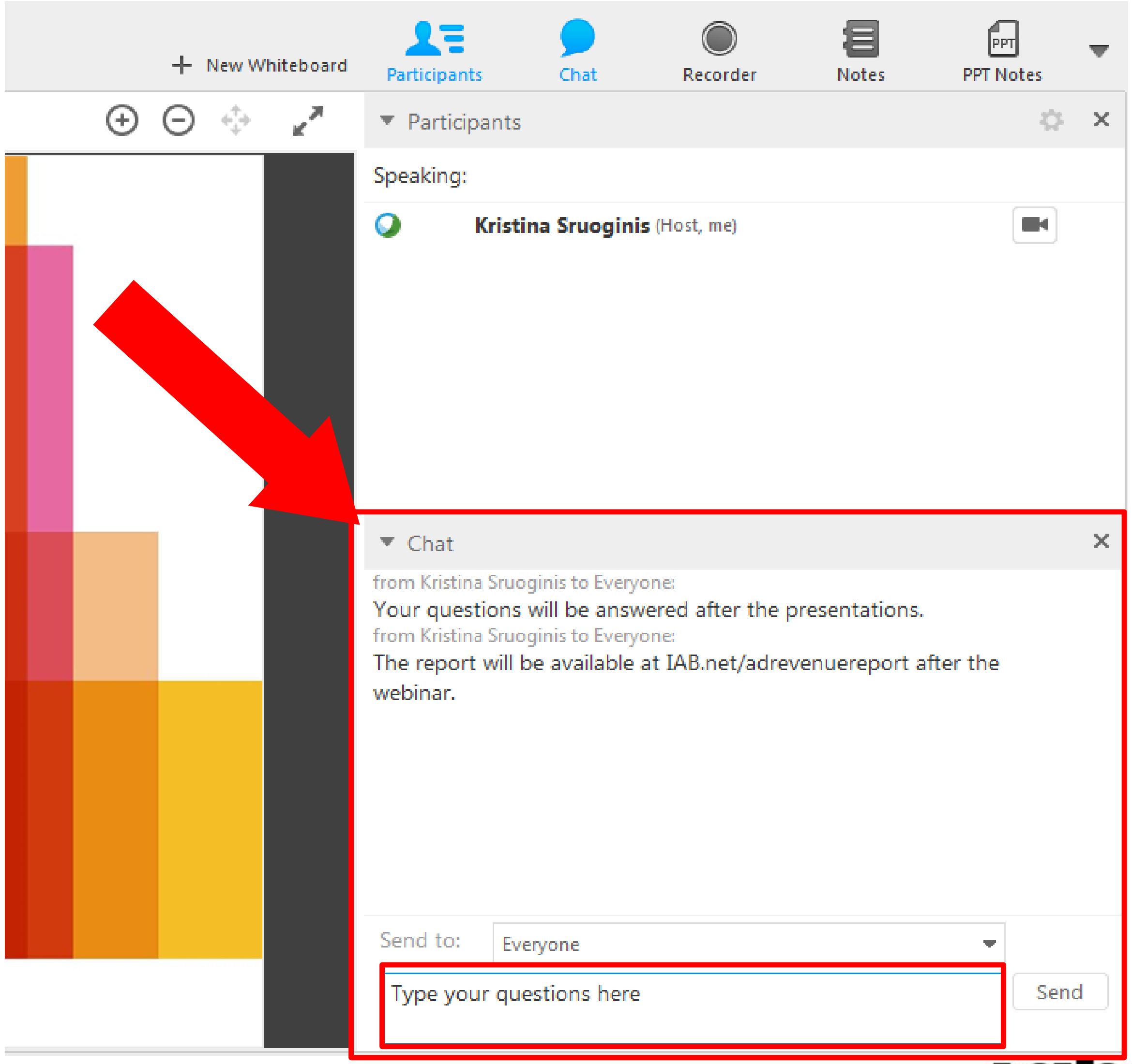

THANK YOU

FOLLOW-UP QUESTIONS:

- Additional questions from IAB members can be directed to Kristina Sruoginis:
  Kristina@IAB.com

- Additional press questions can be directed to Laura Goldberg:
  Laura.Goldberg@IAB.com

Reports (from 1996 to present) can be found at: http://www.iab.net/adrevenuereport