IAB/PwC Internet Advertising Revenue Report

2015 Full Year and Q4 2015

April 21, 2016

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IAB/PwC Digital Ad Revenue Report
Highlights

Apr. 2016

Sherrill Mane
SVP, Research, Analytics and Measurement, IAB

2015 Full Year Digital Ad Revenue Highlights

**"To improve is to change;
to be perfect is to change often."**

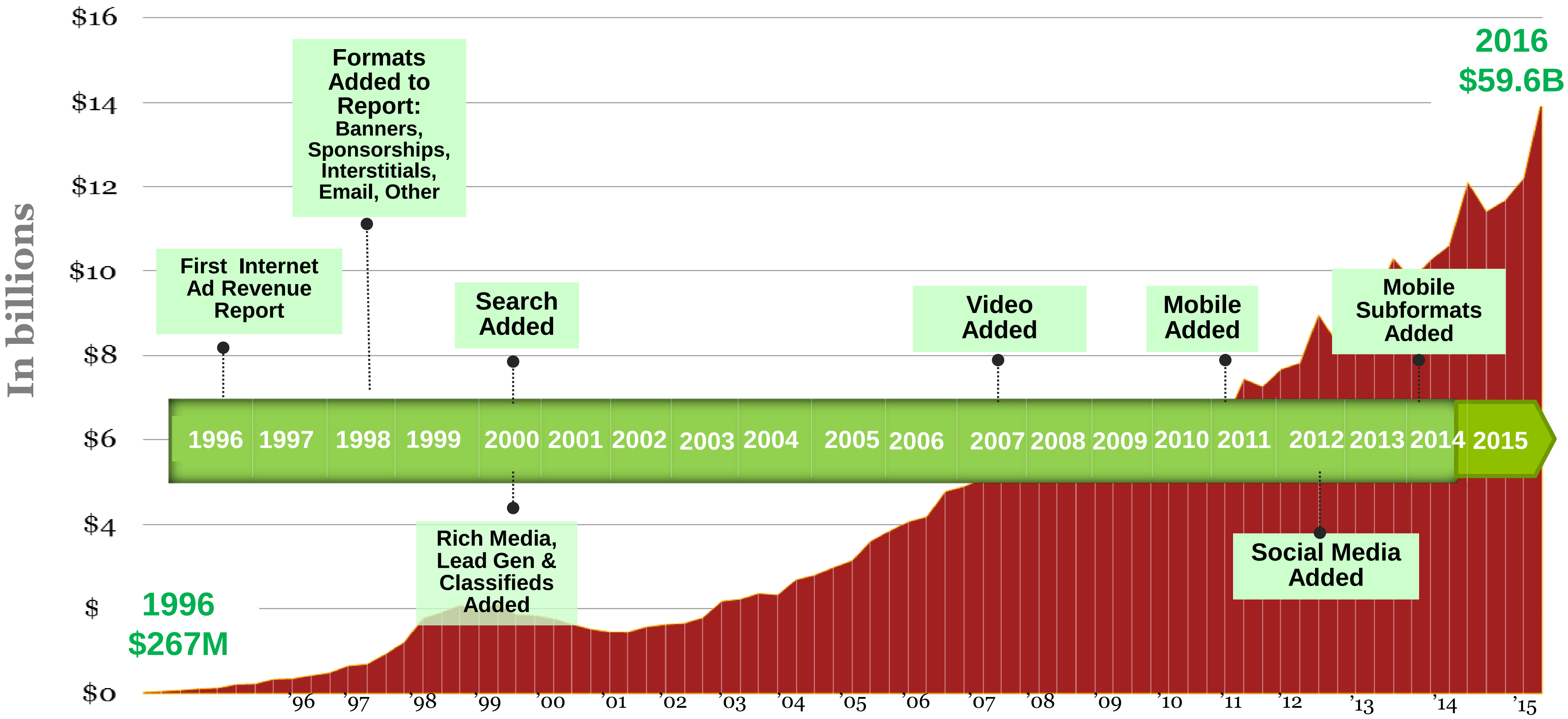
-- Winston Churchill

1996 – 2016: 20 Years of IAB Internet Ad Revenue Reporting

Happy 20th Birthday!!!

20 Years of Tracking Internet Ad Revenue

Quarterly Internet Ad Revenue Growth Trends, in Billions 1996–2015



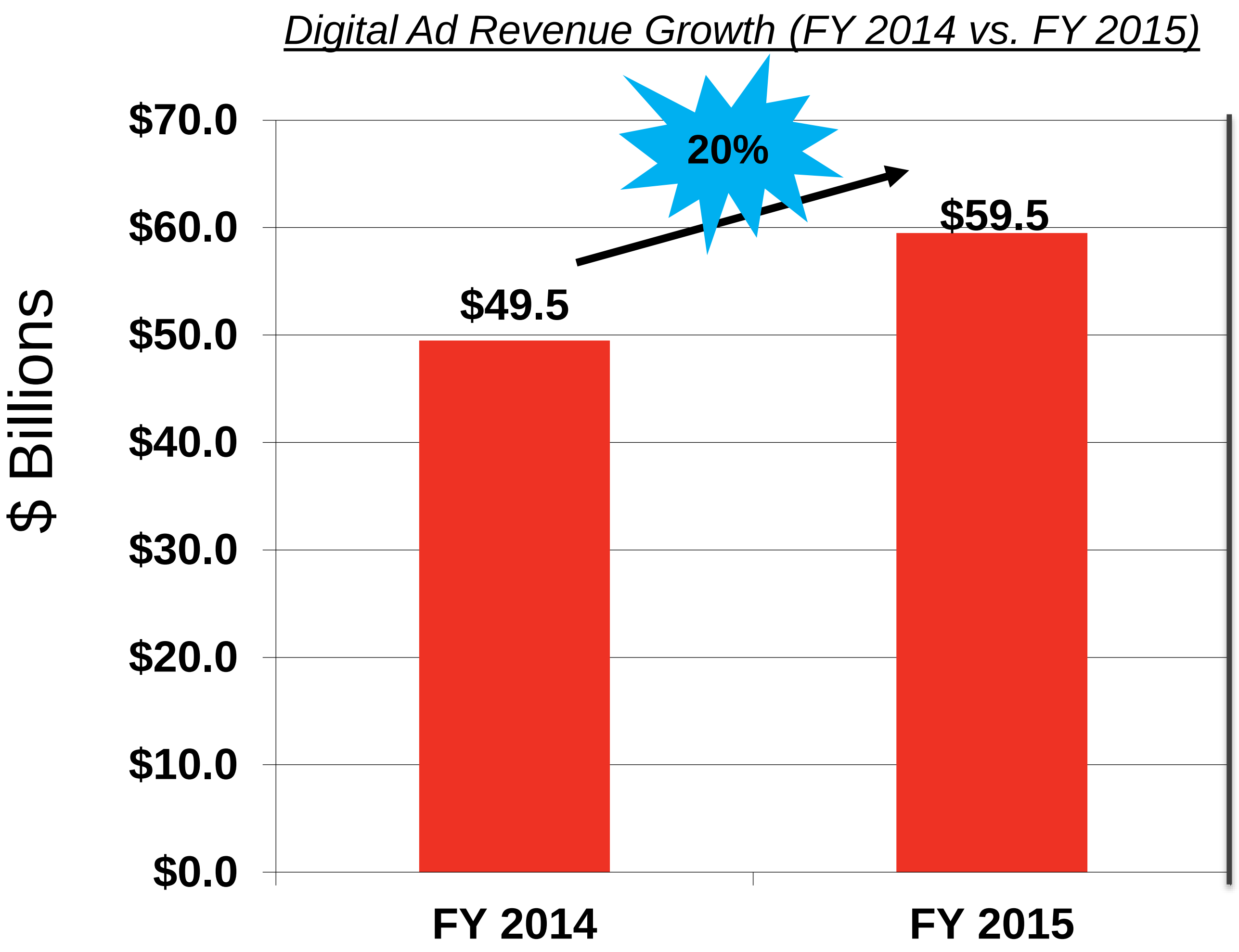
Annual Interactive Ad Revenue Exhibits Double Digit Growth for the Sixth Consecutive Year

- 2015 US interactive ad revenue totals $59.6 billion
- This represents an increase of 20.4% over last year and equals $10.1 billion
- Stellar annual revenue picture for digital advertising contrasts with small overall ad market declines reported by Nielsen (-5 %)
- Key drivers of revenue growth:
  - Mobile exceeds $20 ($20.7) billion, up 66% and now accounting for 35% of total interactive ad revenue
  - Digital video continues double digit growth, up 30% since last year for a total of $4.2 billion, an increase of nearly $1 billion
  - Across measured platforms and formats, aggregate social media advertising revenue closed the year at $10.9 billion, up 55% from 2014

Full Year 2015 Interactive Advertising Outpaces the Market

- Softness in (desktop) display, sponsorships and rich media: Display/Banners now at $7.7 billion (-4%), and sponsorships at $649 million, rich media at $1.3 billion
- Migration to mobile is further supported by 80% growth in all mobile display related advertising including mobile video, banners, etc., closing the year at $11 billion
- Similar patterns prevail for 4th quarter 2015 internet ad revenue, up 23% overall from same time in 2014, to a total of $17.4 billion

FY 2015 Year Over Year Revenue Growth

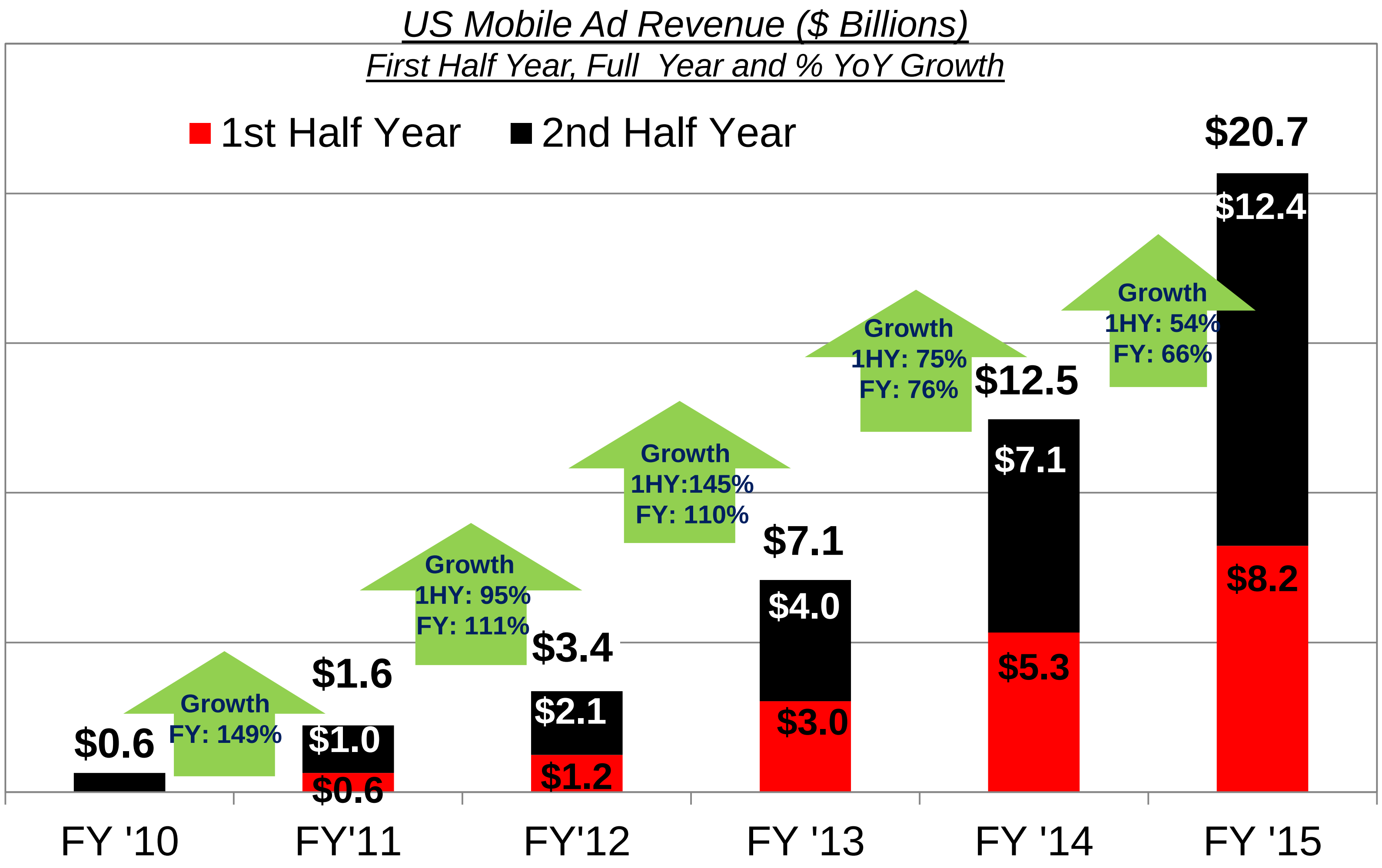


Total Media Ad Revenue Growth (FY 2014 vs. FY 2015)

The Nielsen Company estimates *total* media revenues ***decreased*** **5%** over **2015** to **$119.8B.**

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), Apr. 2016

Mobile Advertising Revenue Growth Continues



**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

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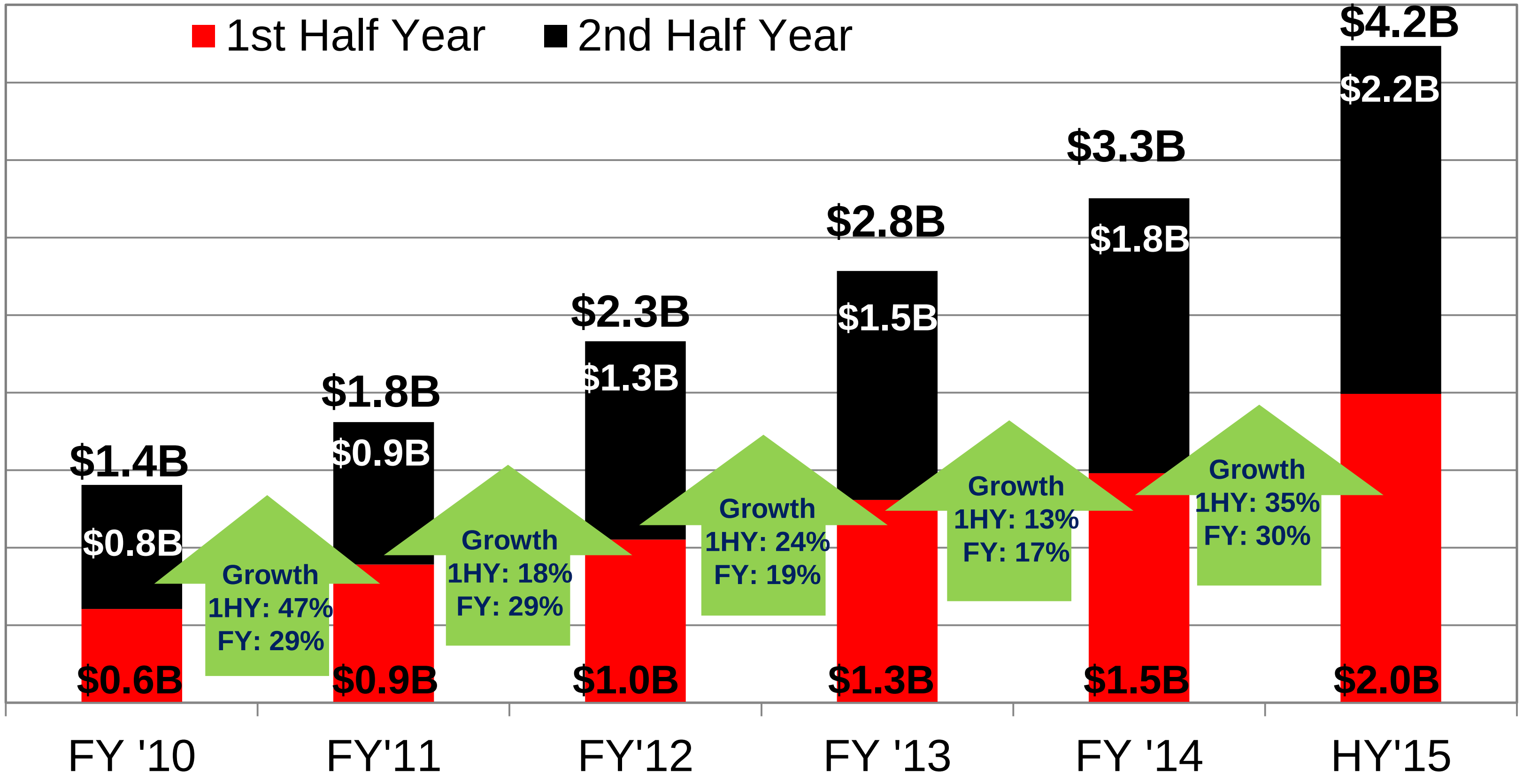
Digital Video Advertising on a Growth Trajectory, FH Year Revenue More than Tripled Since 2010

US Video Ad Revenue ($ Billions)

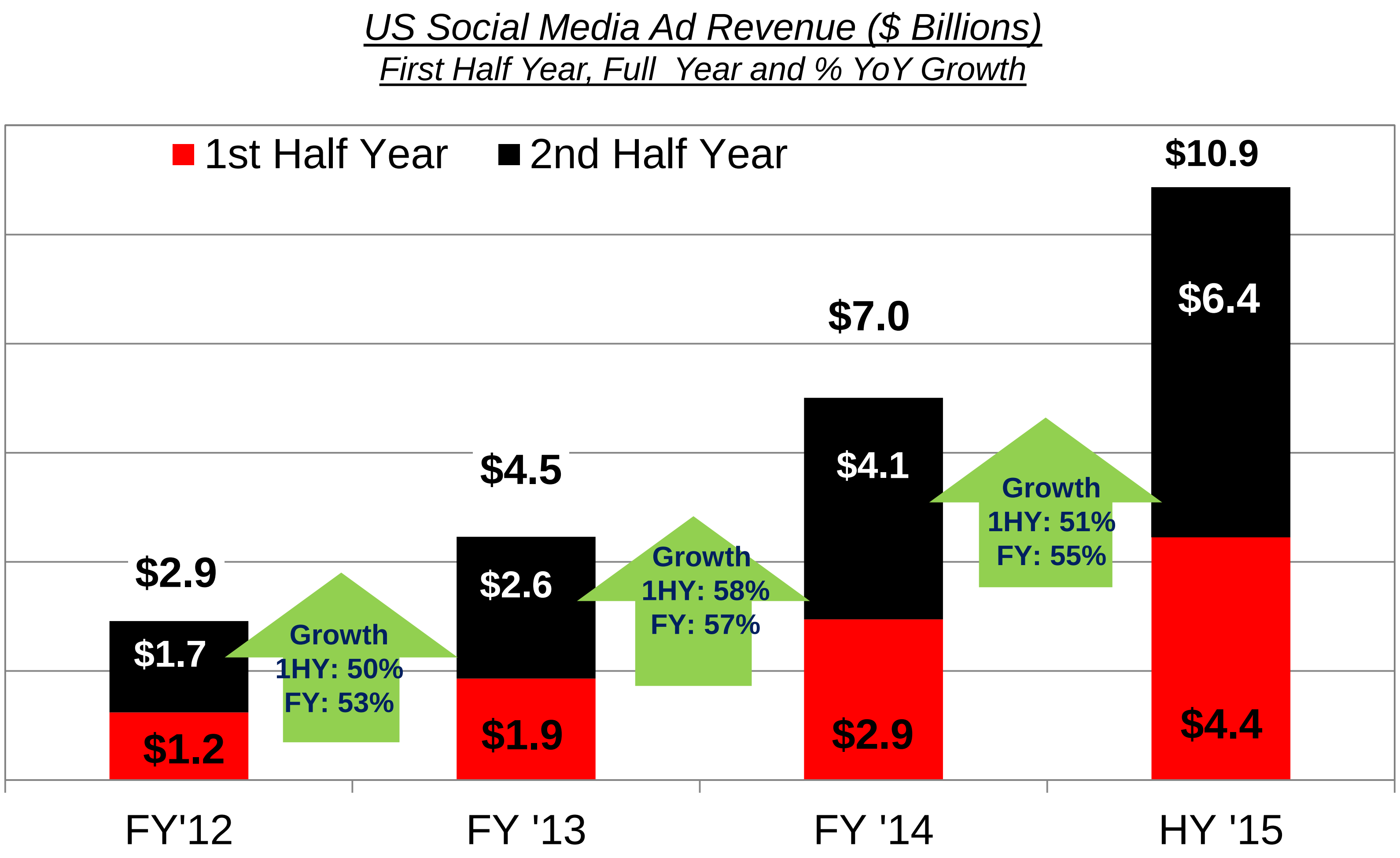
First Half Year, Full Year and % YoY Growth



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

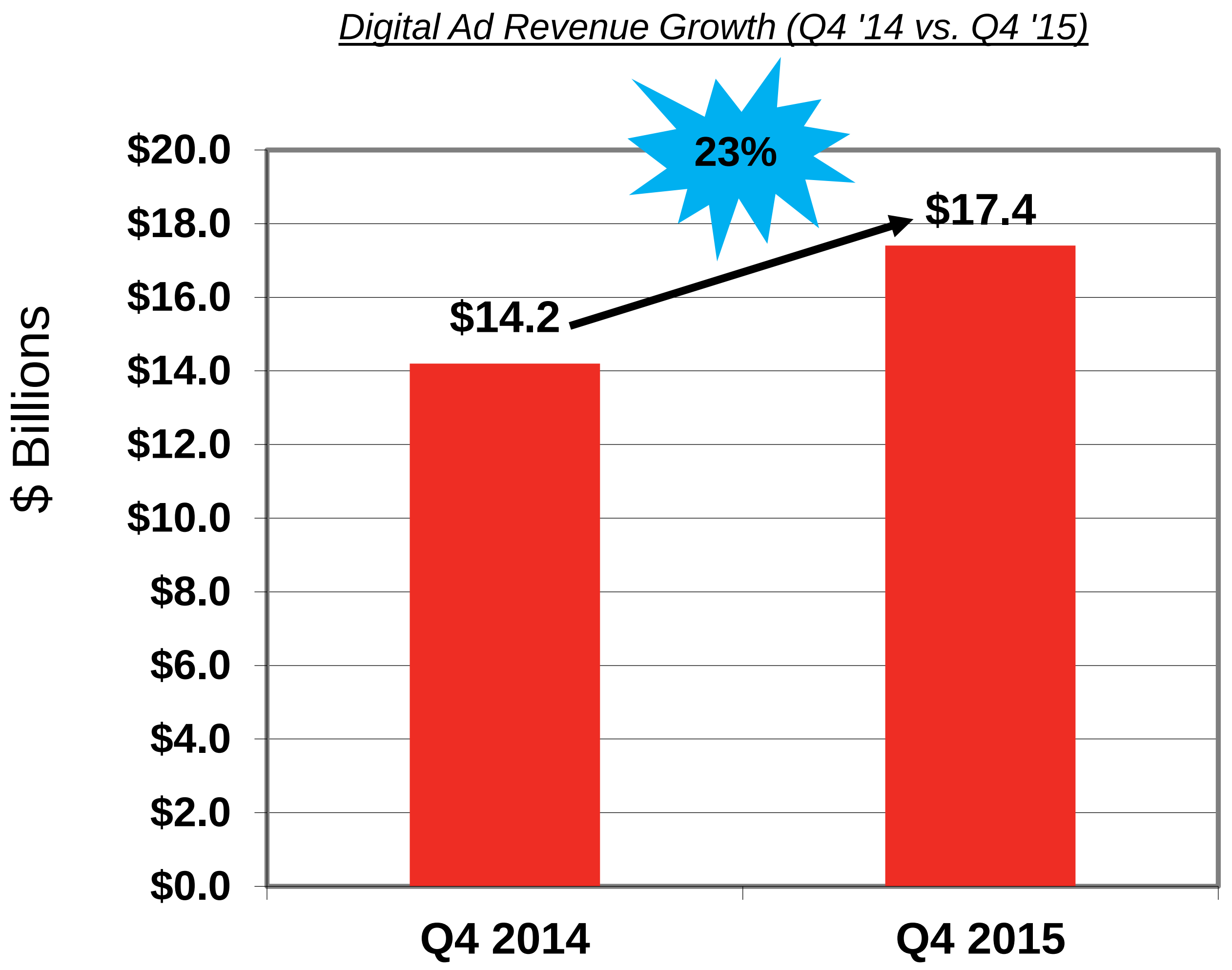
IAB 2015 Full Year and Q4 2015 Internet Advertising Revenue Report

Social Media Advertising Revenue Grows Over 50% Every Year Measured



Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2012-2015

Q4 2015 Revenue Compared With Q4 2014



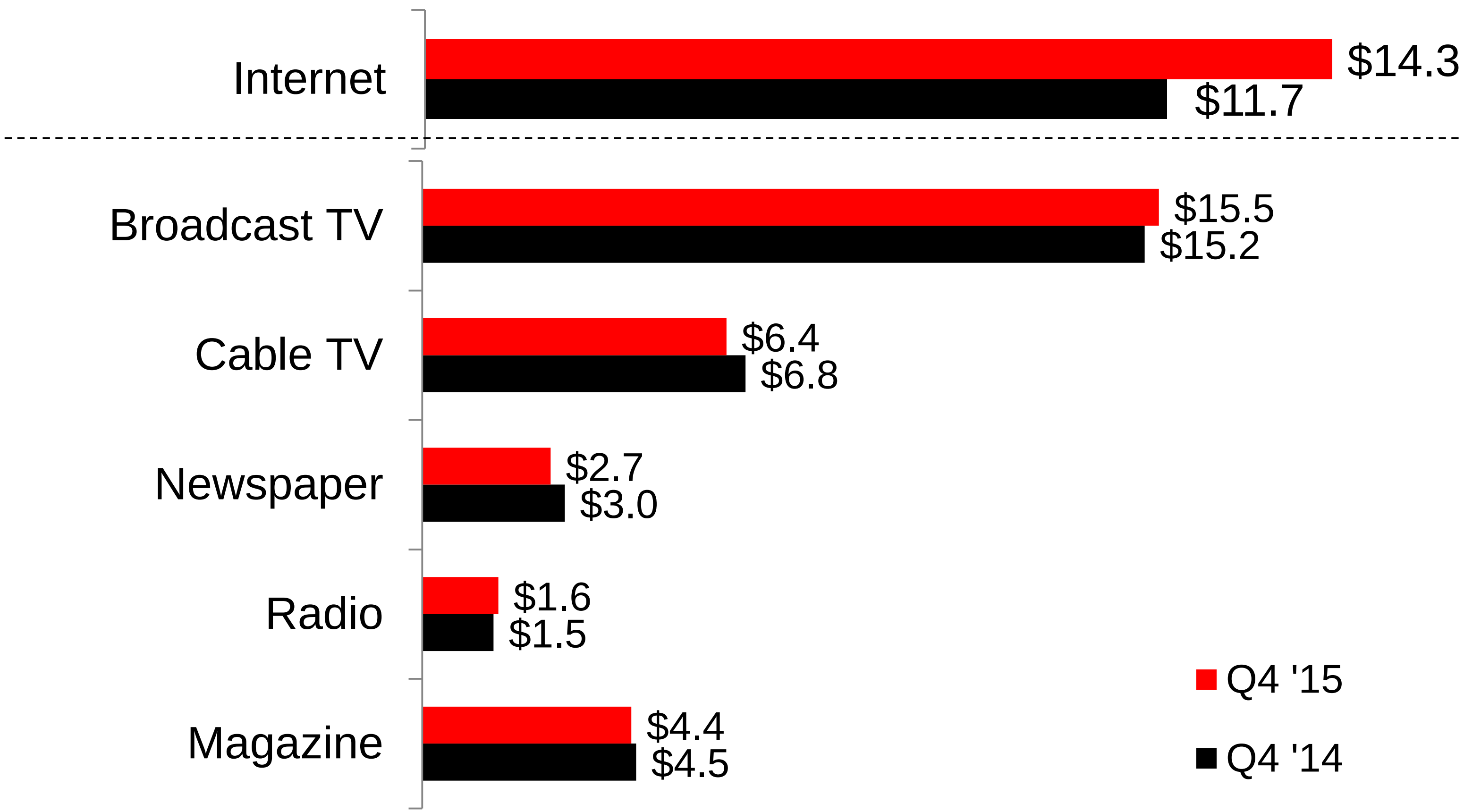
Total Media Ad Revenue Change (Q4 '14 vs. Q4 '15)

According to Nielsen, *total* media revenues ***decreased* 3%** from Q4 2014 to Q4 2015 to **33.9B**.

Sources: IAB Internet Advertising Revenue Report, 2015 First Half Year and Q4Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2016

Q4 2015 Ad Revenue Growth
Digital vs. Top Non-Digital Media

Total Ad Revenue Q4 ‘14 vs. Q4 ‘15 ($Billions)



Percent YoY Change
23%
2%
-6%
-13%
6%
-3%

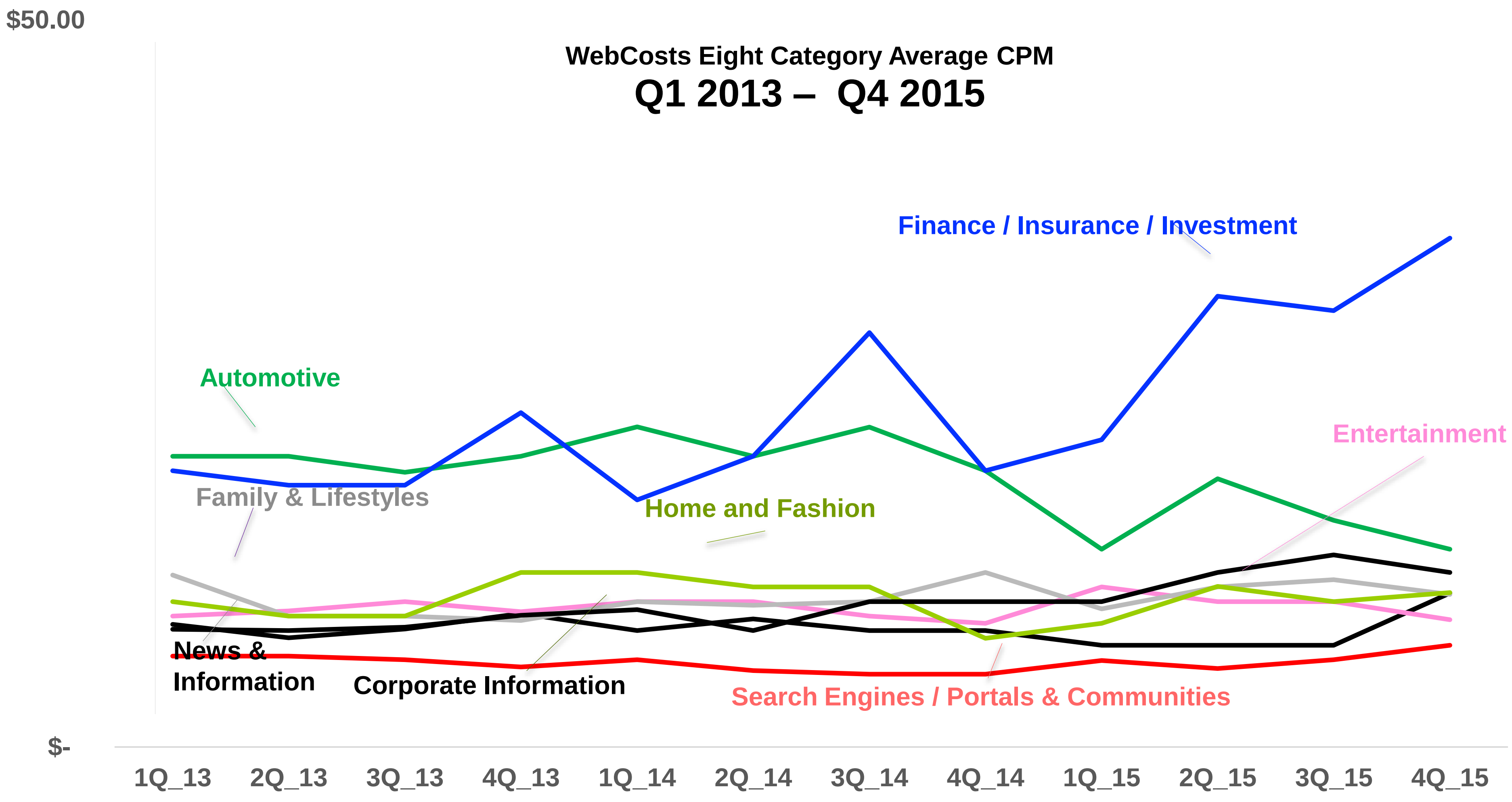
Source: Nielsen FY 2015, Apr. 2016

+Source: PWC IAB First Half Year and Q4 2015 Internet Advertising Revenue Report, Apr. 2016

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.

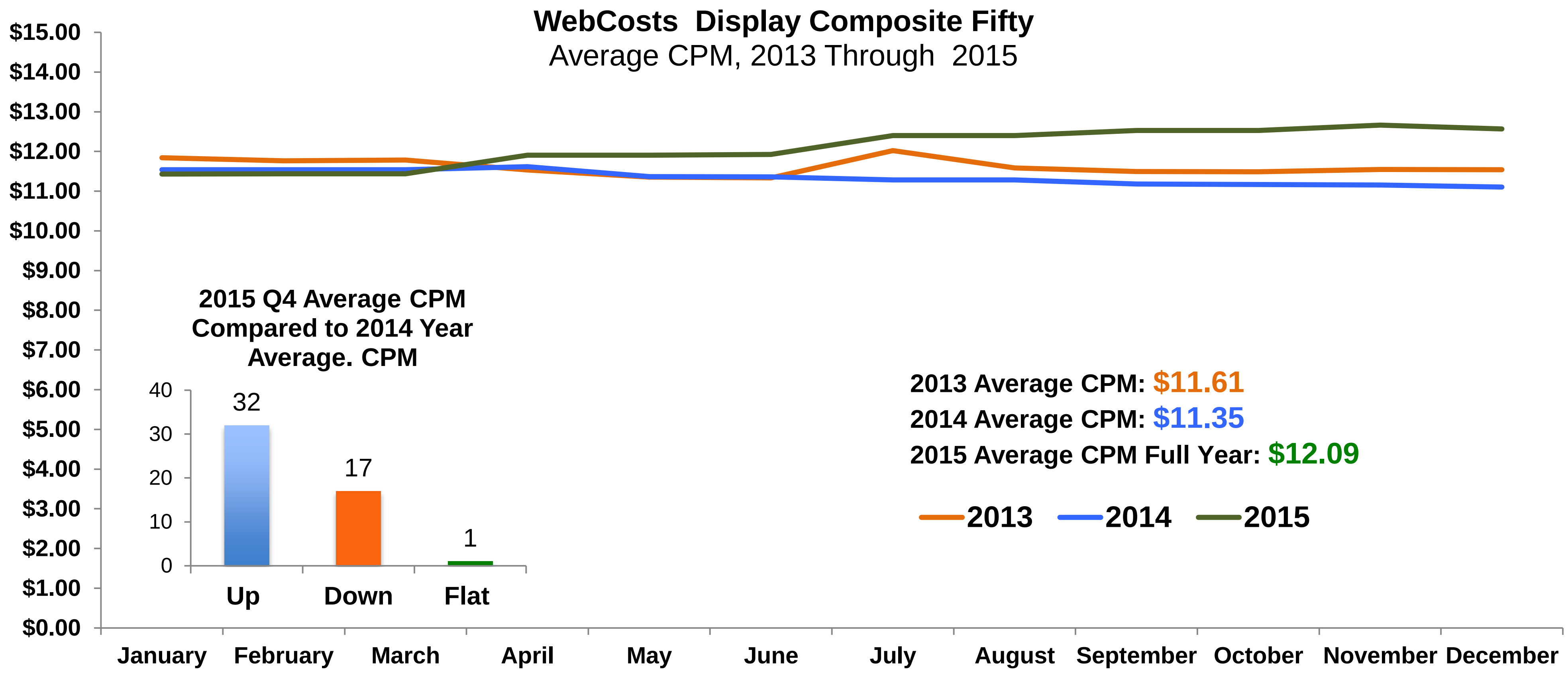
Display: Eight Category Avg. CPM Trend

Weighted Average - CPM of All buys Placed Within the Quarter - Dec. 2015

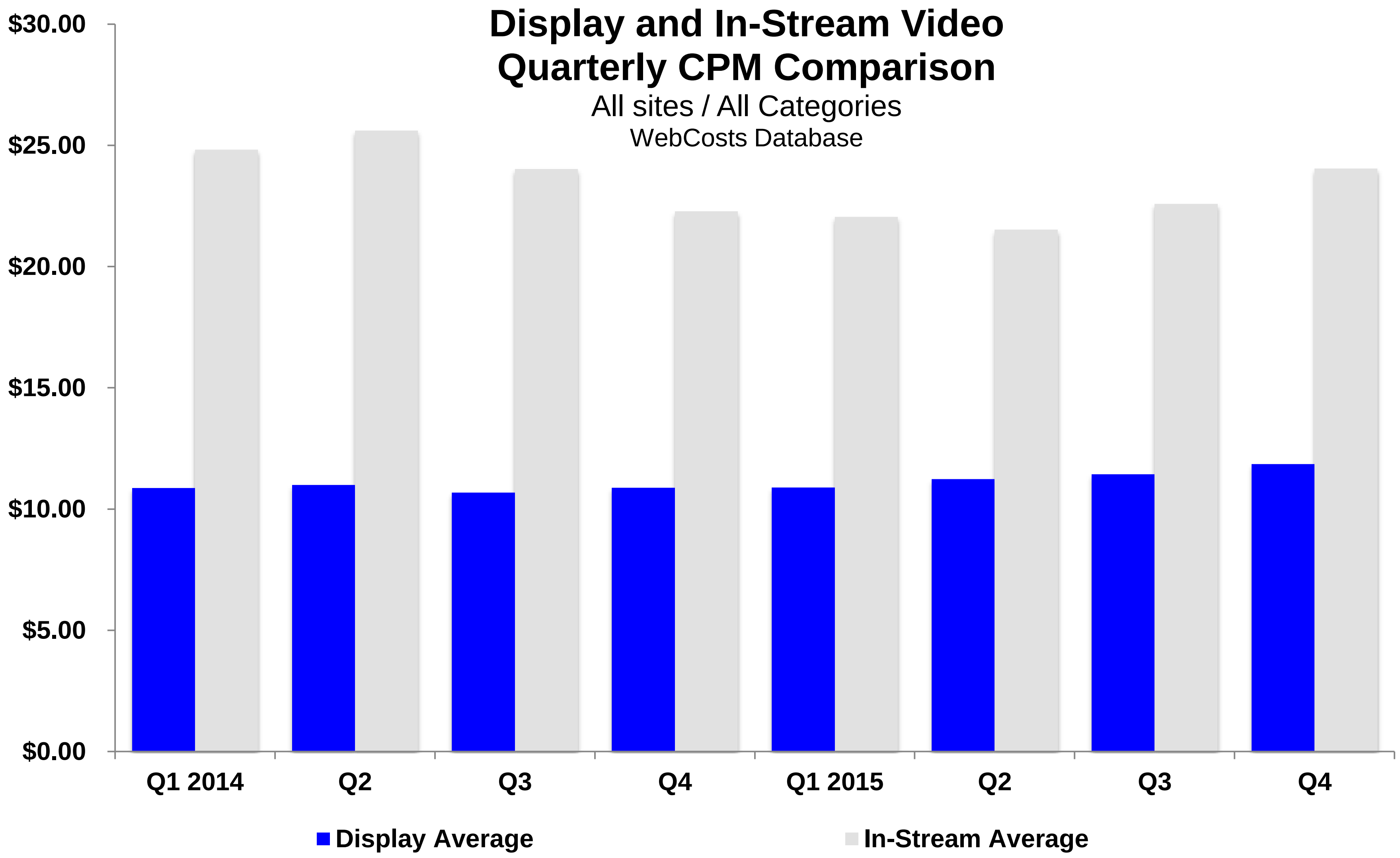


WebCosts Display Composite Fifty

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



Display and In-Stream Video Quarterly CPM Comparison
WebCosts Database, All sites / All Categories



Key Takeaways

- **Brand spend continues to rise:**
  - **CPMs up**
  - **Digital video continues to grown significantly (+30%)**
  - **Revenue associated with impression based advertising up 21% and holding a one third share as it has for some time now**
  - **$11 billion of mobile revenue, nearly half of its total, is coming from display-related mobile formats including video**

- **Dollars moving from other media into digital, all forms of digital**
  - **Unabated growth in a flat top media market**
  - **Mobile likely garnering incremental spend from other media, digital media and through “experimental” budgets**

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

Key Takeaways

- **Positive effects of improved measurement, viewable inventory and combatting fraud becoming noticeable**
  - **Rising CPMs along with demand likely offset inventory supply changes**

- **Programmatic buying contributing to new supply demand relationships**

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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