IAB/PwC Internet Advertising Revenue Report

First Half Year 2016 and Q2 2016

November 1, 2016

IAB/PwC Internet Ad Revenue Report: First Half Year 2016 and Q2 2016
Agenda

- **Welcome**
  Kristina Sruoginis, Research Director, IAB

- **Half Year and Q2 2016 Digital Ad Revenue Highlights**
  David Doty, EVP and CMO, IAB
  Kristina Sruoginis, Research Director, IAB

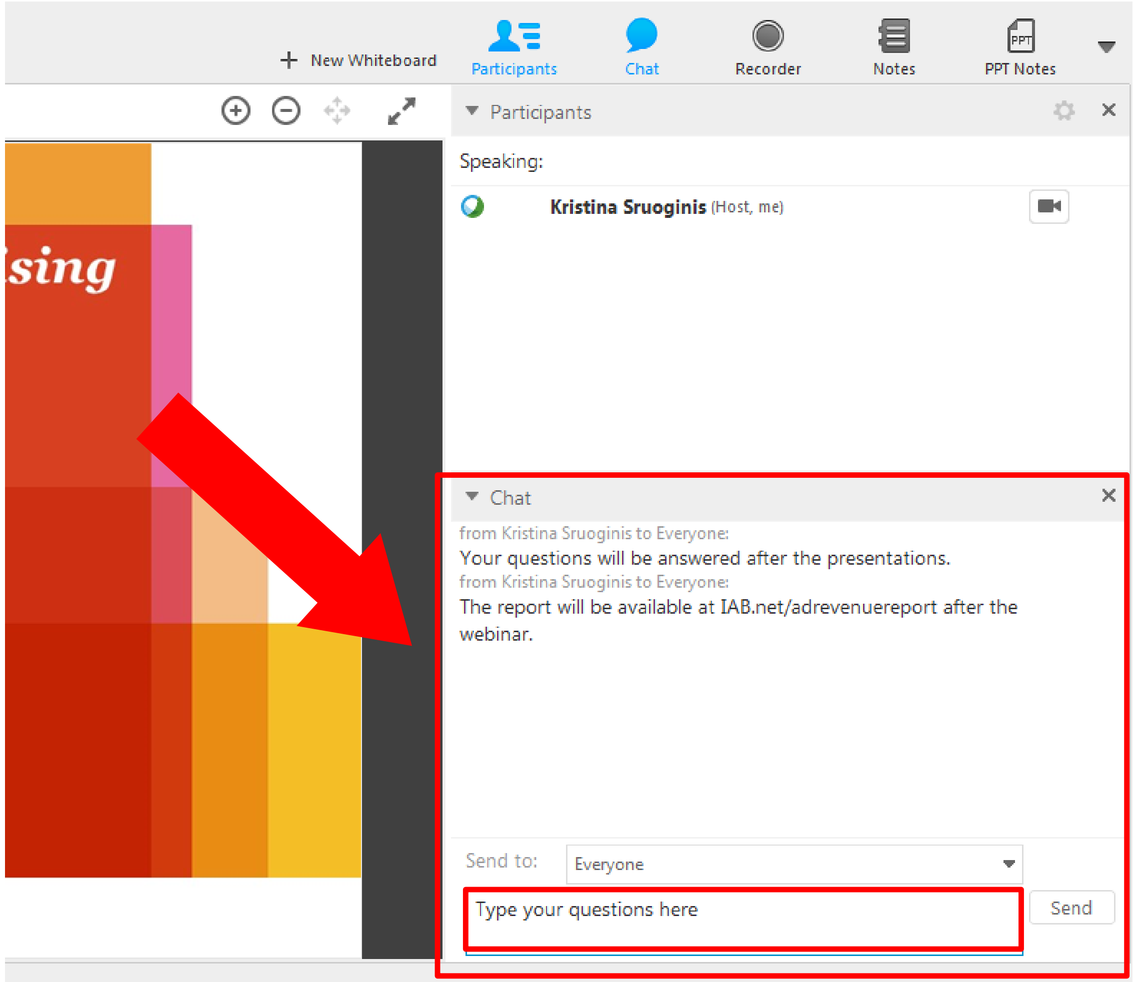
- **Detailed Analysis of IAB PwC First Half Year 2016 and Q2 2016 Report**
  David Silverman, Partner, PwC

- **Global Entertainment and Media Outlook 2016 - 2020**
  Gregory Boyer, Partner, Entertainment, Media and Communications, PwC

- **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 webinar 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: https://www.iab.com/adrevenuereport



First Half Year 2016 and Q2 2016

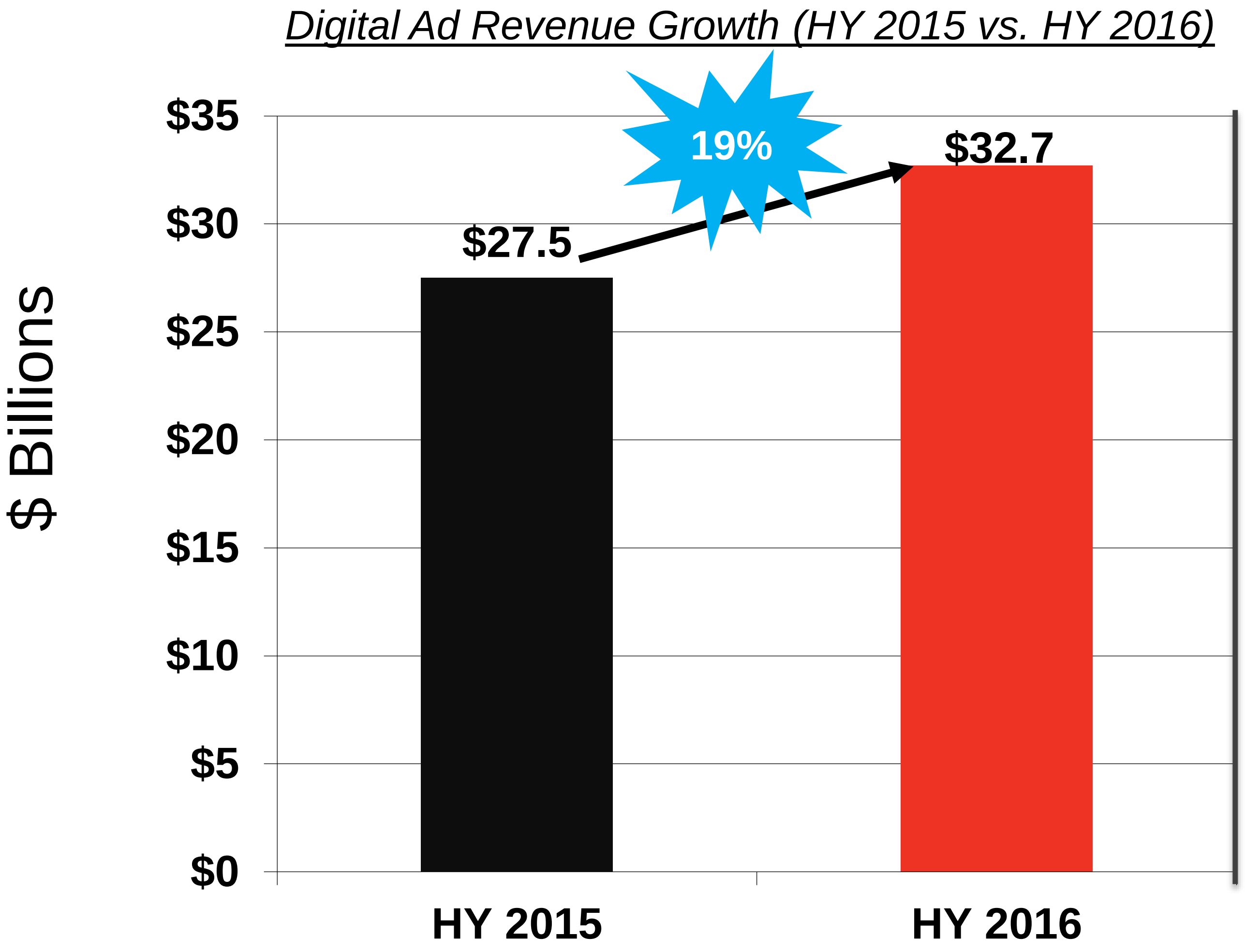
IAB/PwC Internet Advertising Revenue Report
Highlights

November 2016

David Doty, EVP and CMO, IAB

Kristina Sruoginis, Research Director, IAB

First Half 2016 Year-Over-Year Ad Revenue Growth



Total Media Ad Revenue Growth (HY 2015 vs. HY 2016)

The Nielsen Company estimates *total* media revenues for HY 2016 ***decreased*** by **-2%** from HY'15 to **$57.9B***

**The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Oct. 2016*

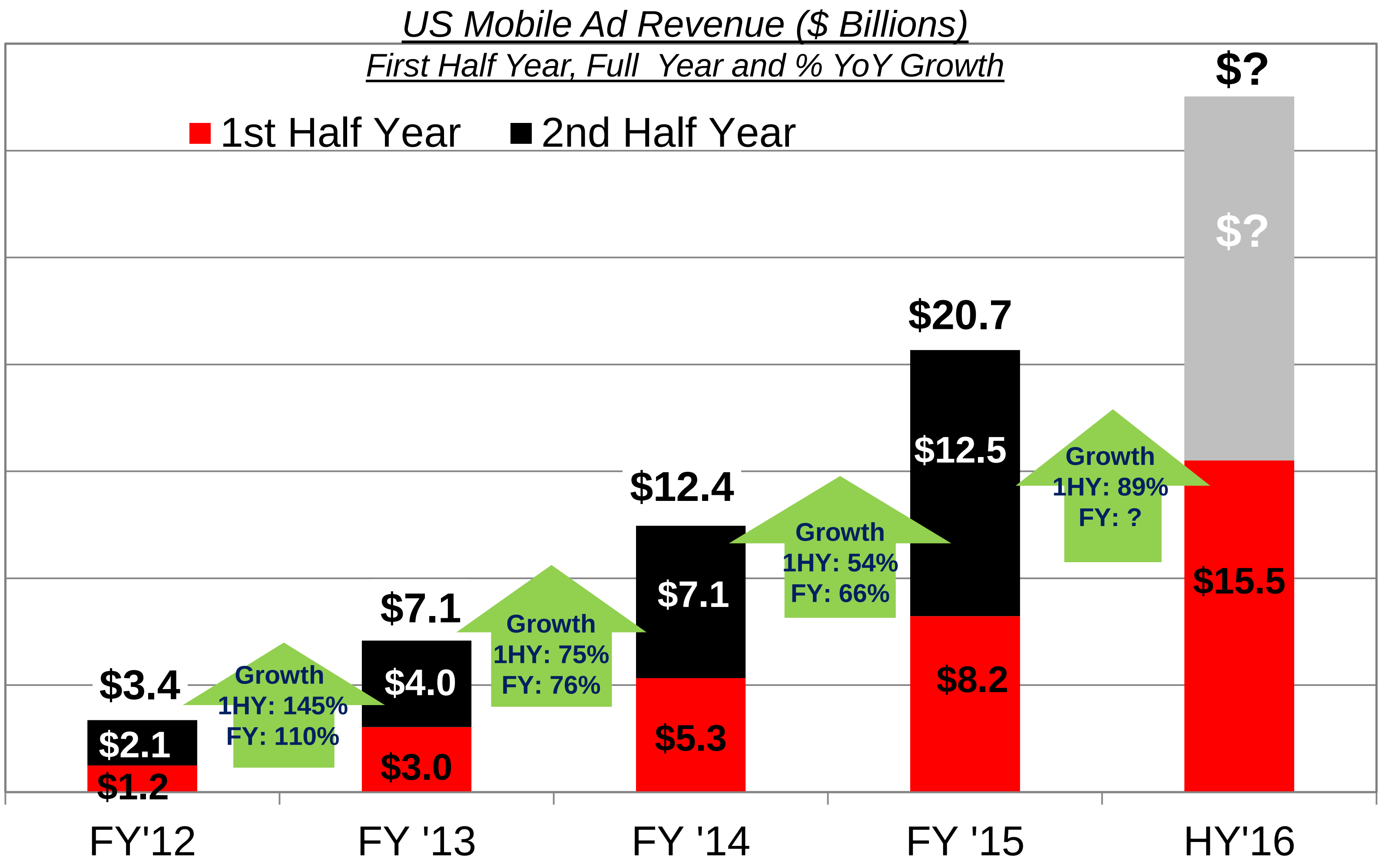
Highlights: Mobile Surges to Nearly Half All Revenue… Video and Social Also Up

- **Mobile ad revenue**, up 89% to $15.5 billion, now accounts for nearly half (47%) of internet ad revenue for the first half of 2016
- **Total video ad revenue** (mobile + desktop) is up 51% to $3.9 billion
- **Total social media revenue** (mobile + desktop), across all formats and platforms, is up 57% to $7 billion, growing by over 50% every half year since 2012

Mobile Search… Mobile Video… Mobile Banner: All Up

- **Mobile Search up 105% to $7.4 billion**
- **Mobile Video up 178% to $1.6 billion**
- **Mobile Banner up 62% to $6 billion**

Mobile Advertising Revenue Growth: First Half Year 2016 Revenue Nearly Double that of First Half 2015



Note: Half Year totals accurately reflect the sum of half year totals as rounded to two decimal places.

Video, Display, and Search Grow Across Screens; Triple-Digit Growth for Video and Search on Mobile

Video:

- Total digital video ad revenue (mobile + desktop) is up 51% to $3.9 billion
- Video now accounts for 12% of internet ad revenue for the first half of 2016, up from 9% in HY 2015
  - Mobile video has nearly tripled (178%) to $1.6 billion in HY 2016 from $0.6 billion in the previous year
  - Desktop video is up 13% to $2.3 billion in HY 2016 from $2 billion a year ago

Display:

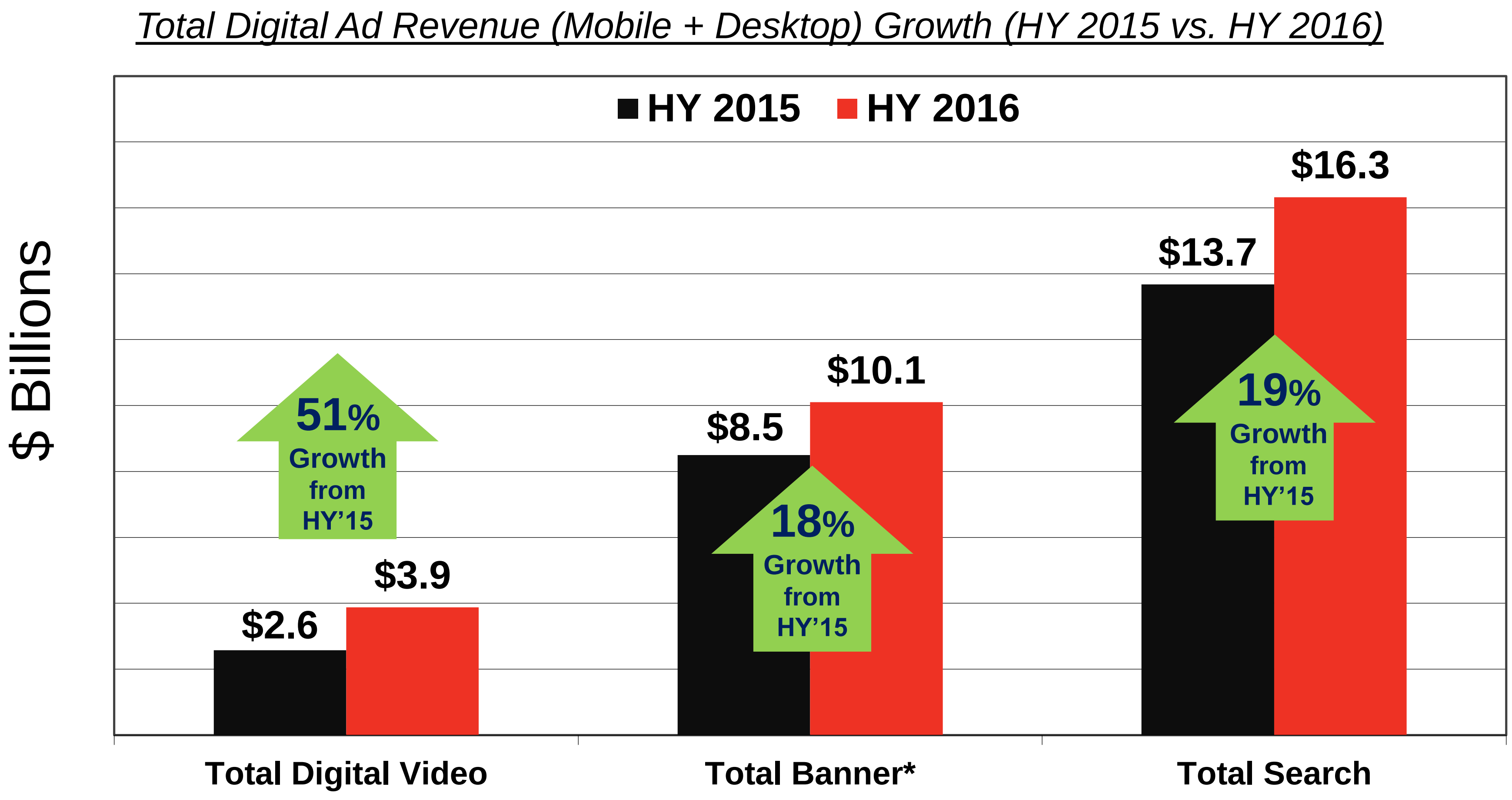
- Total display-related advertising* (mobile + desktop) is up 26% to $13.9 billion and accounts for 43% of all internet ad revenue
  - Total banner ads, specifically, are up 18% to $10 billion in HY 2016 and account for nearly 1 in 3 (31%) internet ad dollars
- Display-related dollars are also shifting to mobile: Mobile display is up 78% to $7.6 billion while desktop display is down 7% to $6.3 billion
  - Total banner ads show a similar pattern, up 62% to $6 billion in mobile but down 15% to $4 billion in desktop

Search:

- Total search revenue (mobile + desktop) is up 19% to $16.3 billion and accounts for half (50%) of all internet ad revenue
- Search revenue is shifting to mobile: Mobile search grows 105% to $7.4 billion while desktop search is down 12% to $8.9 billion in HY 2016

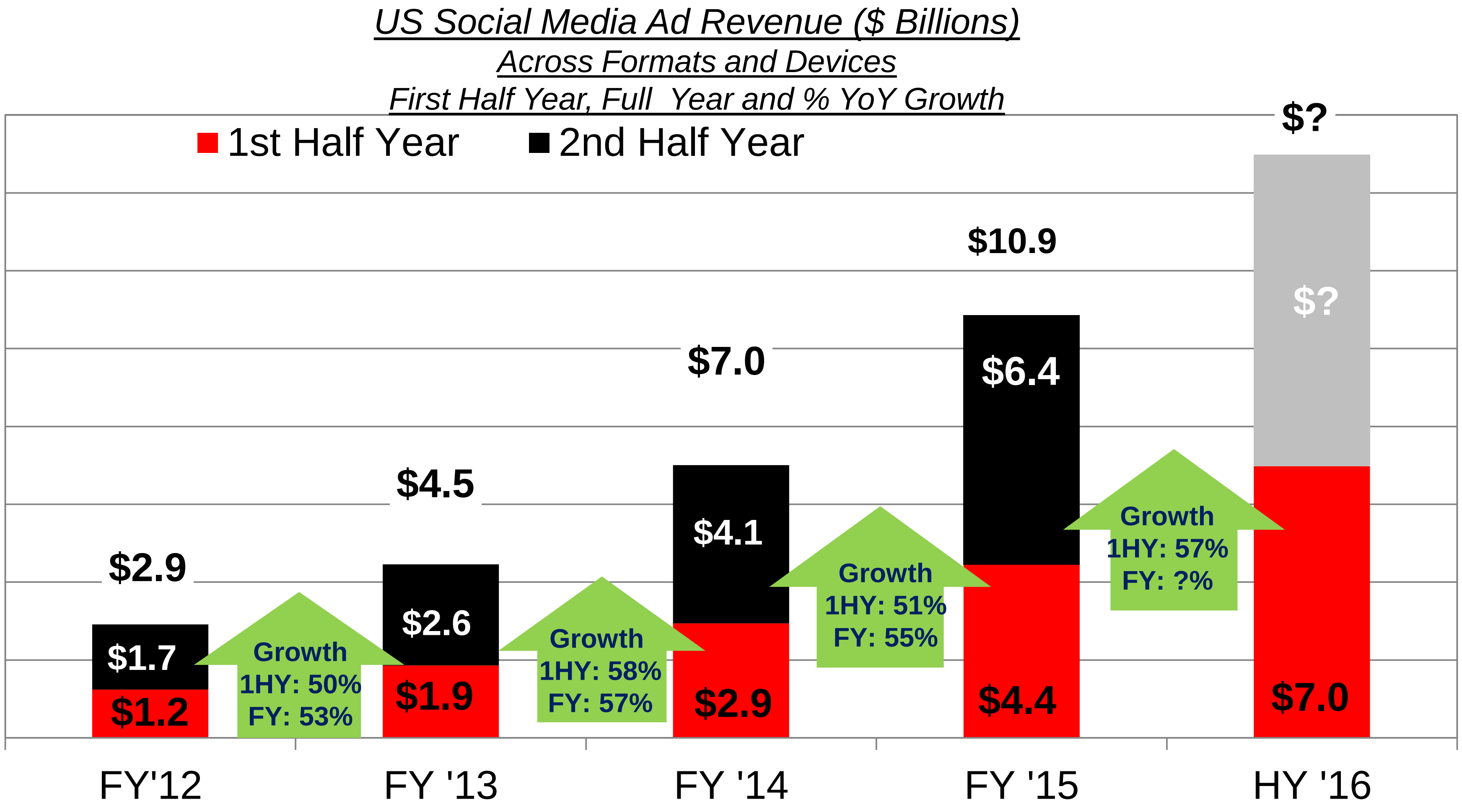
*Display-related advertising refers to banners (banners, rich media, and sponsorships) and video.

Total Ad Revenue (Mobile + Desktop) Has Grown by Double-Digit Percentages in Video, Banner, and Search



*Total Banner includes banners, rich media, and sponsorships

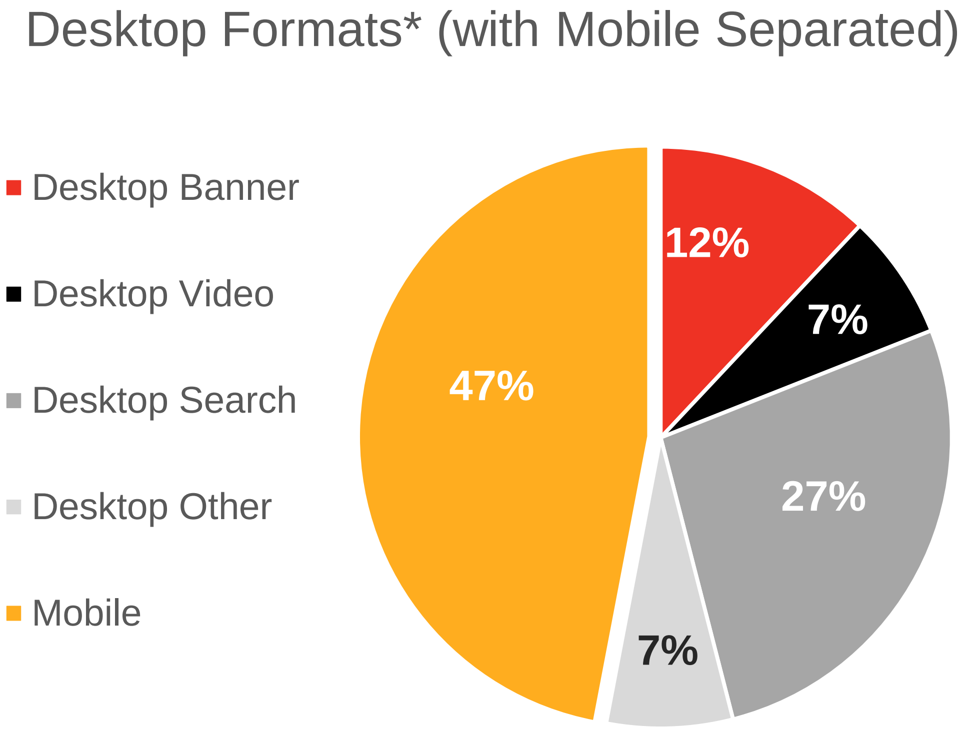
Social Media Advertising Revenue, Lifted by Mobile, Has Grown Over 50% in Every Half Year Since 2012

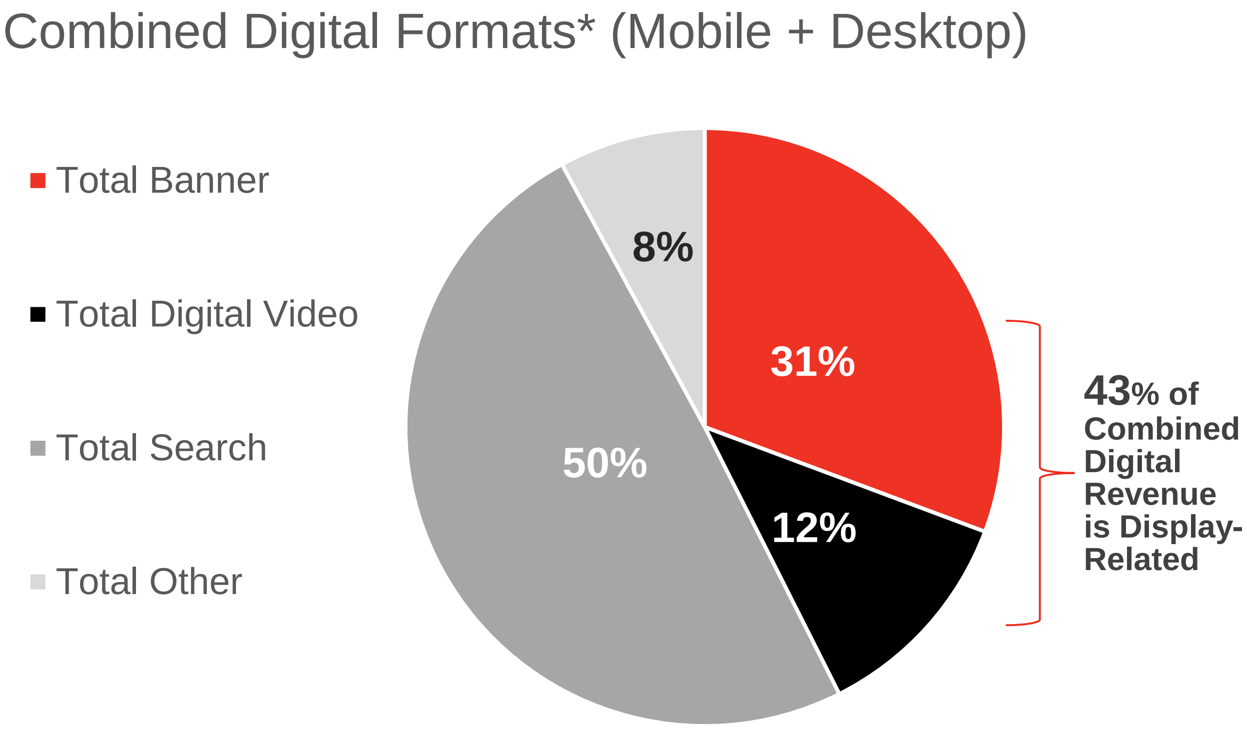


Note: Half Year totals accurately reflect the sum of half year totals as rounded to two decimal places.

Mobile, At 47% of All Digital Revenue, Changes Formats Distribution

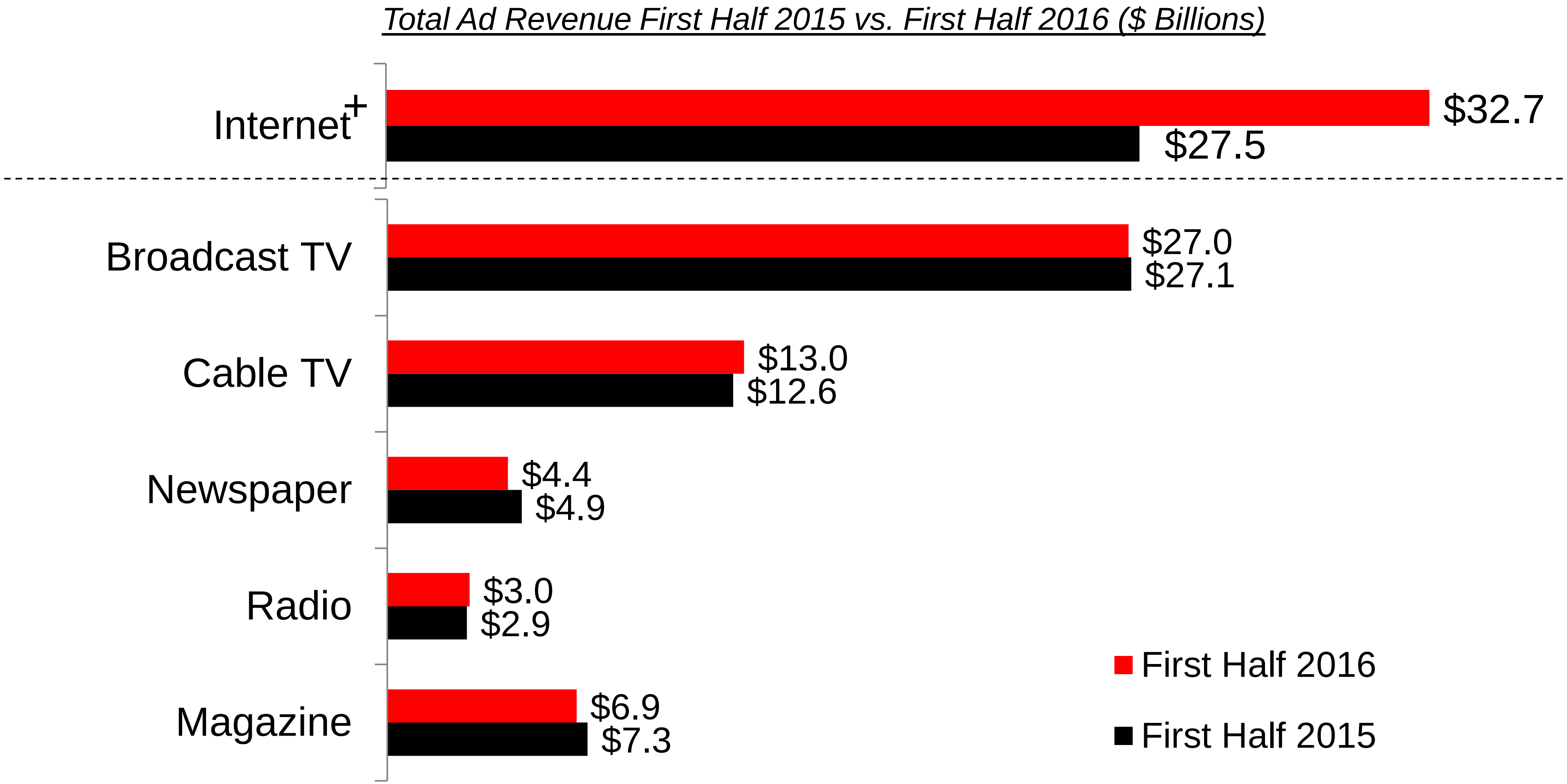
First Half 2016 Ad Revenue by Format: New Distribution with Total Digital Revenues





*Display-related formats include banners (banners, rich media, and sponsorships) and video. Banner includes banner, sponsorship, and rich media advertising. Other includes lead gen, classifieds, and unspecified other. Amounts may not equal 100% due to rounding.

First Half 2016 Ad Revenue Growth: Digital vs. Top Non-Digital Media



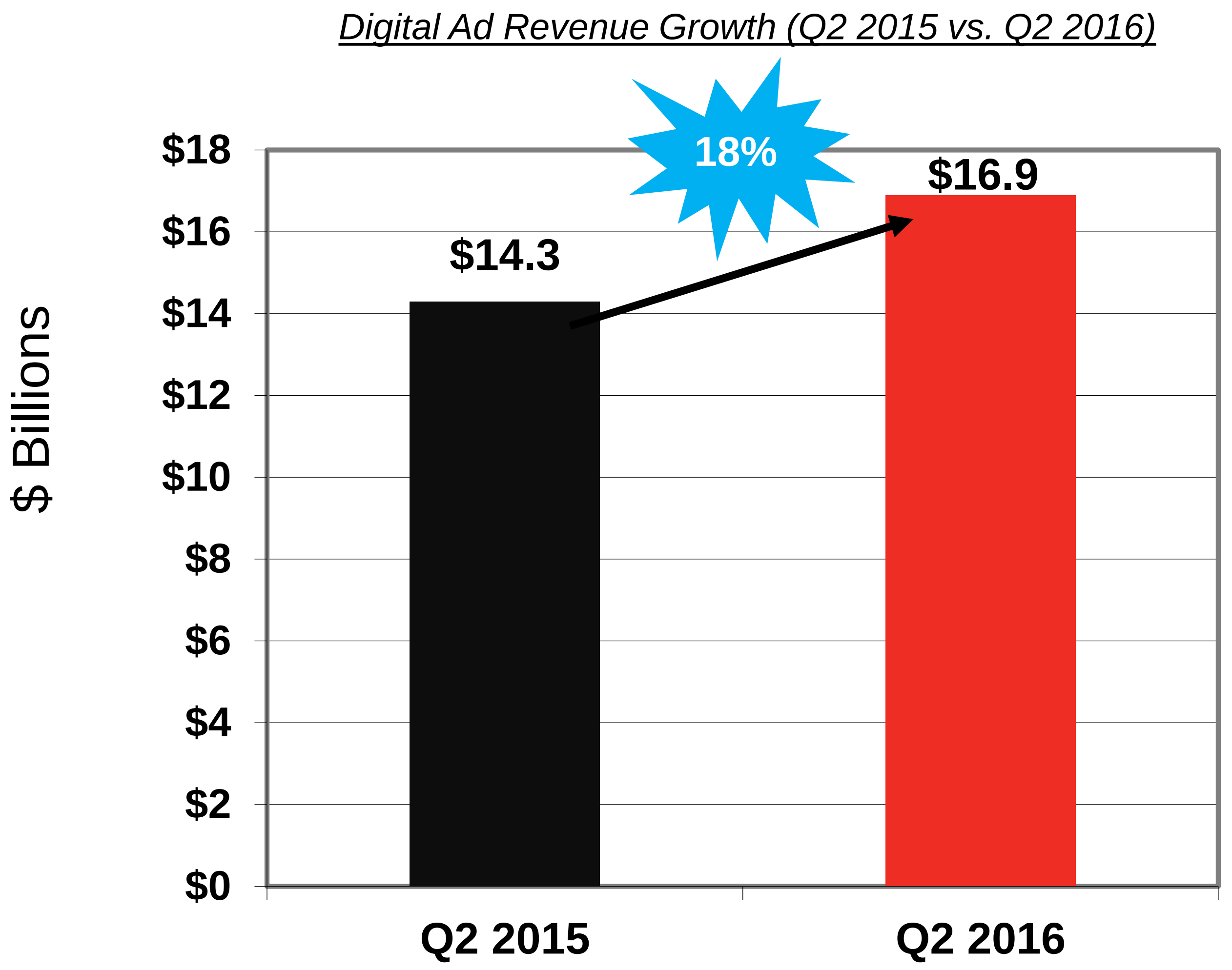
Percent YoY Change
19%
-1%
4%
-10%
3%
-5%

Note: The total US advertising market includes other segments not charted here. Broadcast TV includes Network, Syndicated, Spot, and Spanish Language Network TV advertising revenue. Cable TV includes National Cable Networks, Local Cable, and Spanish Language Cable TV advertising revenue. Radio includes Network, and Spot Radio advertising revenue. Newspaper includes Local, National, and Sunday Supplement. Magazine includes Local and National.

Source: Nielsen HY 2016, Oct. 2016

Q2 2016 Highlights

Q2 2016 Revenue Compared With Q2 2015

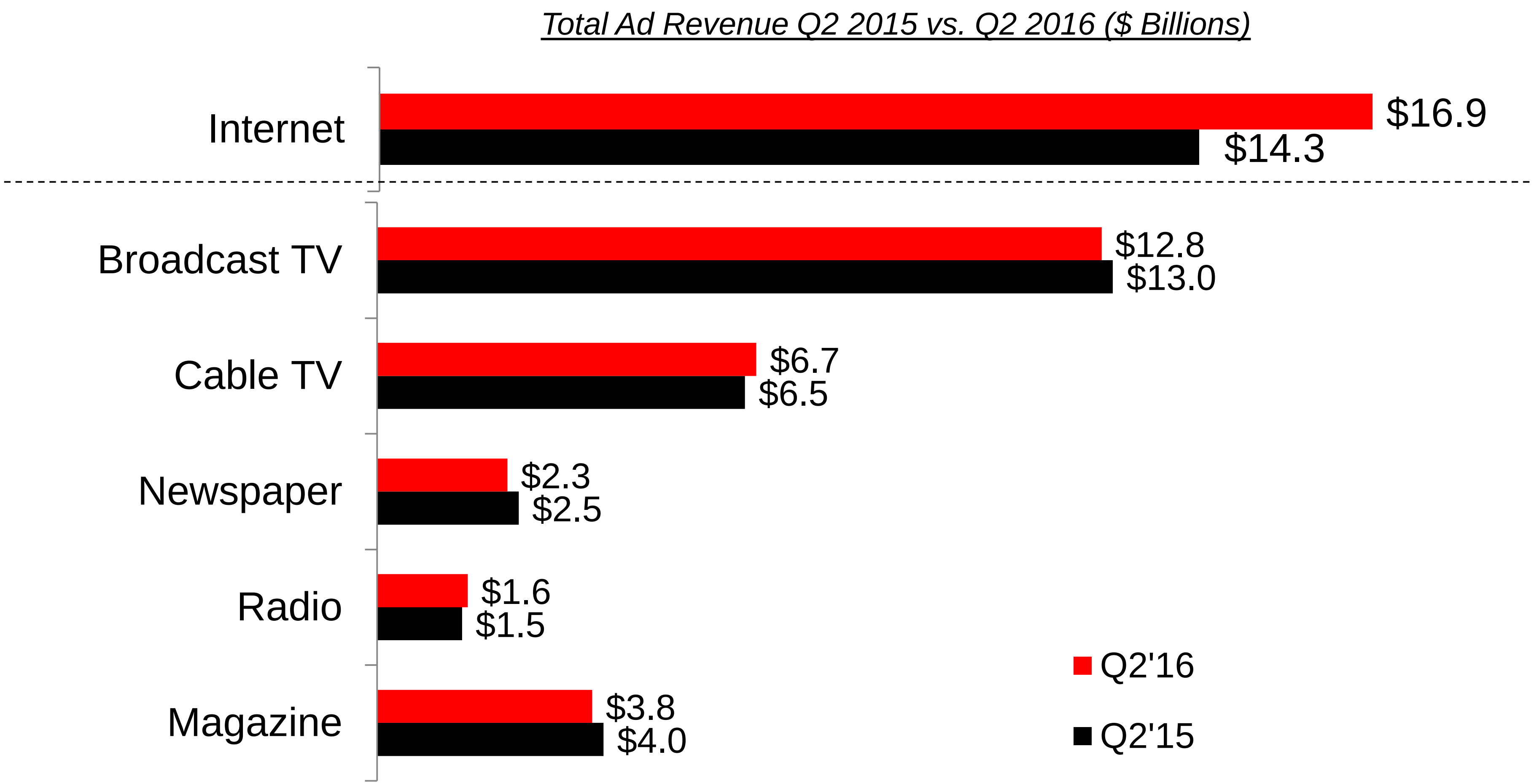


Total Media Ad Revenue Change
(Q2 2015 vs. Q2 2016)

According to Nielsen, *total* media revenues ***decreased by -3%*** from Q2 2015 to Q2 2016 to **$29B***

**The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Oct. 2016*

Q2 2016 Ad Revenue Growth: Digital vs. Top Non-Digital Media



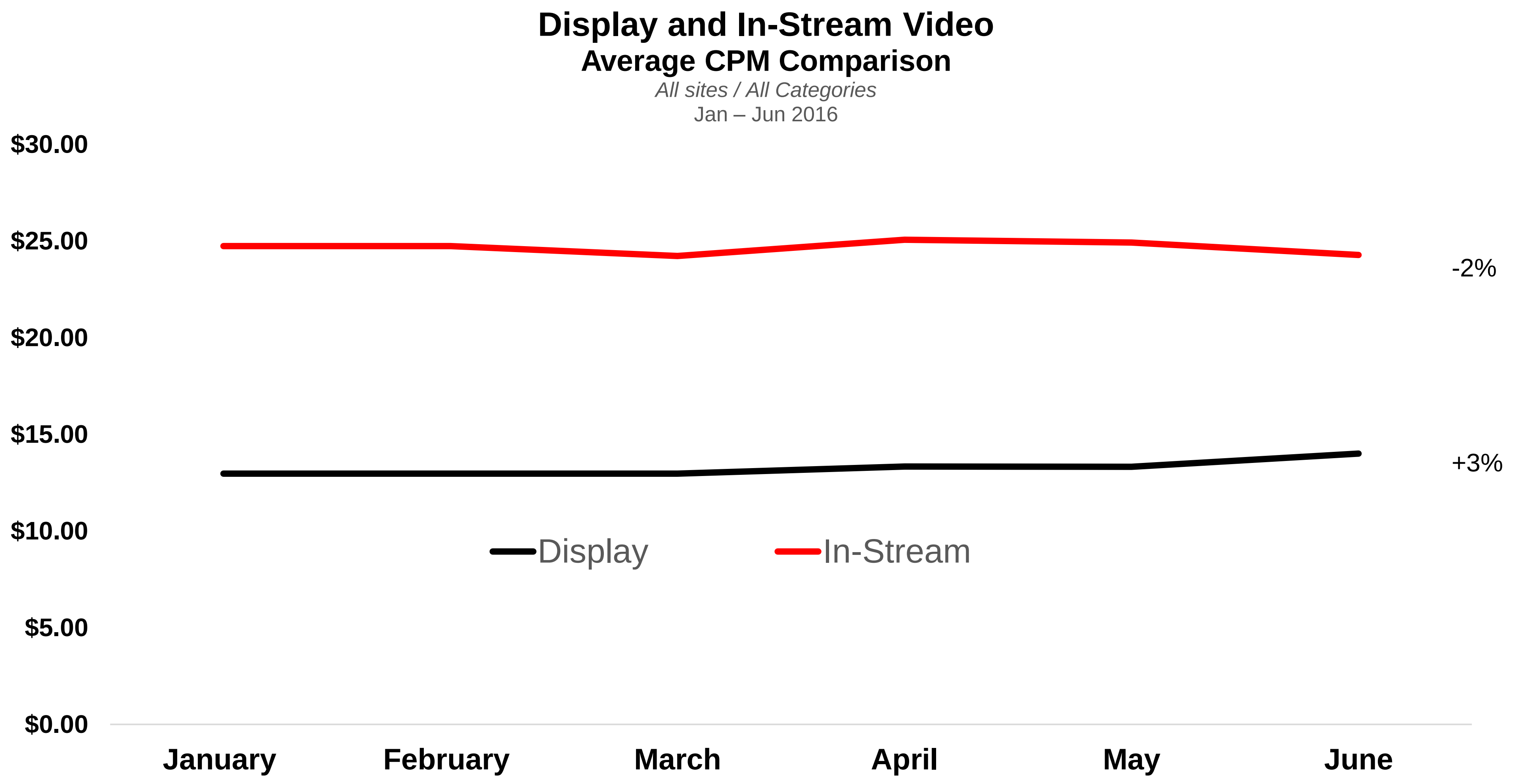
Percent YoY Change
18%
-2%
4%
-9%
3%
-5%

Note: The total US advertising market includes other segments not charted here. Broadcast TV includes Network, Syndicated, Spot, and Spanish Language Network TV advertising revenue. Cable TV includes National Cable Networks, Local Cable, and Spanish Language Cable TV advertising revenue. Radio includes Network and Spot Radio advertising revenue. Newspaper includes Local, National, and Sunday Supplement. Magazine includes Local and National.

Source: Nielsen HY 2016, Oct. 2016

Average CPMs Six Month Trend: Display and In-Stream Video

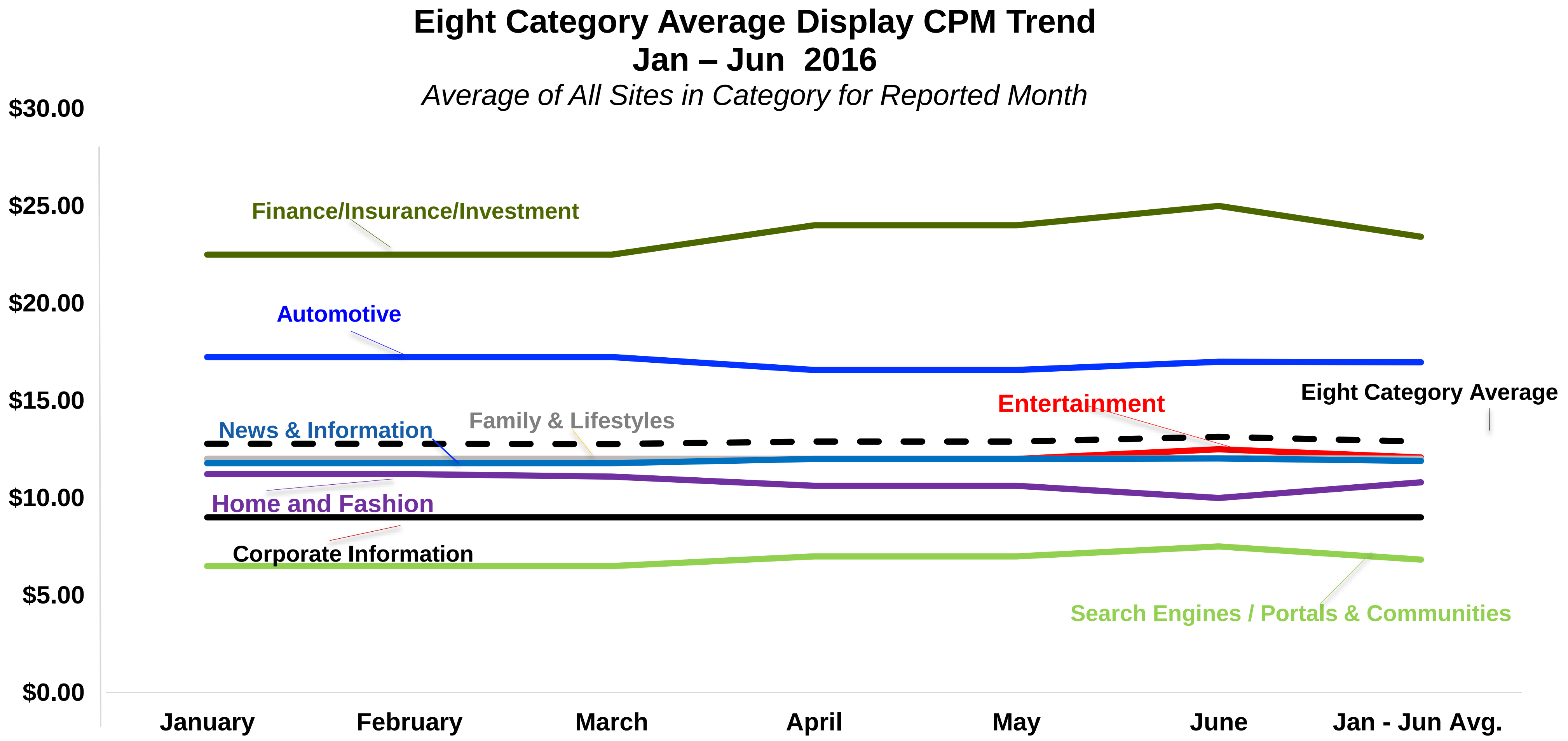
All sites / All Categories - CPM of All Buys Placed Within the Month (Jan – Jun 2016)



Source: WebCosts Database, SQAD.com

Average CPM Trend Across Eight Display Categories

Weighted Average - CPM of All Buys Placed Within the Month (Jan – Jun 2016)

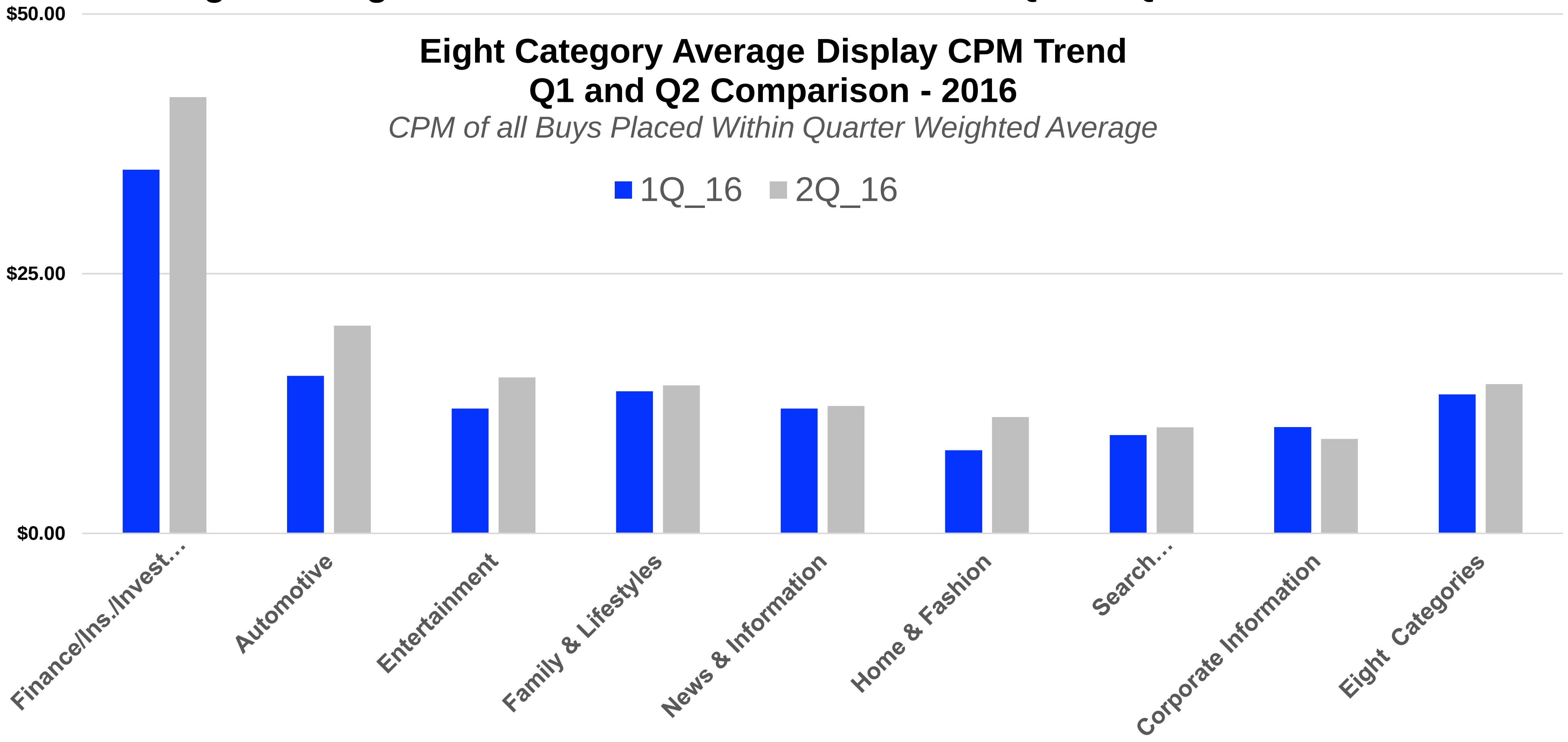


Note: Category titles refer to Nielsen dictionary. Corporate information includes primarily ad networks.

Source: WebCosts Database, SQAD.com

Average Display CPM Quarterly Comparison in Eight Categories
CPM of All Buys Placed Within Q1 and Q2 2016

- Seven Out of Eight Categories Showed an Increase From Q1 to Q2 2016



Note: Category titles refer to Nielsen dictionary. Corporate information includes primarily ad networks.

Source: WebCosts Database, SQAD.com

Key Takeaways

- **Consumer usage shift to mobile reflected in ad dollar shift to mobile**
  - **Nearly half of internet ad dollars in first half of 2016 were from mobile advertising**
- **Ongoing double-digit growth across formats and platforms in digital persists in an otherwise flat or declining media market**
- **Brand spend continues to rise:**
  - **Combined digital video (mobile + desktop) accounts for 12% of ad revenue, up from 9% a year ago**
    - **At $3.9 billion in HY 2016, up 51% from HY 2015**
  - **Combined display-related advertising* revenue (mobile + desktop) accounts for 43% of internet ad revenue, up from 40% in HY 2015**
    - **At $13.9 billion in HY 2016, up 26% from HY 2015**
  - **Impression-based revenue up to 34% from 32% of total internet revenue**
  - **CPMs have trended up over the last six months (according to SQAD's WebCosts data)**
- **And it's all about mobile… in video, in search, in social, in banners**

**Display-related advertising is defined as banner ads, video, rich media, and sponsorships.*

Questions?

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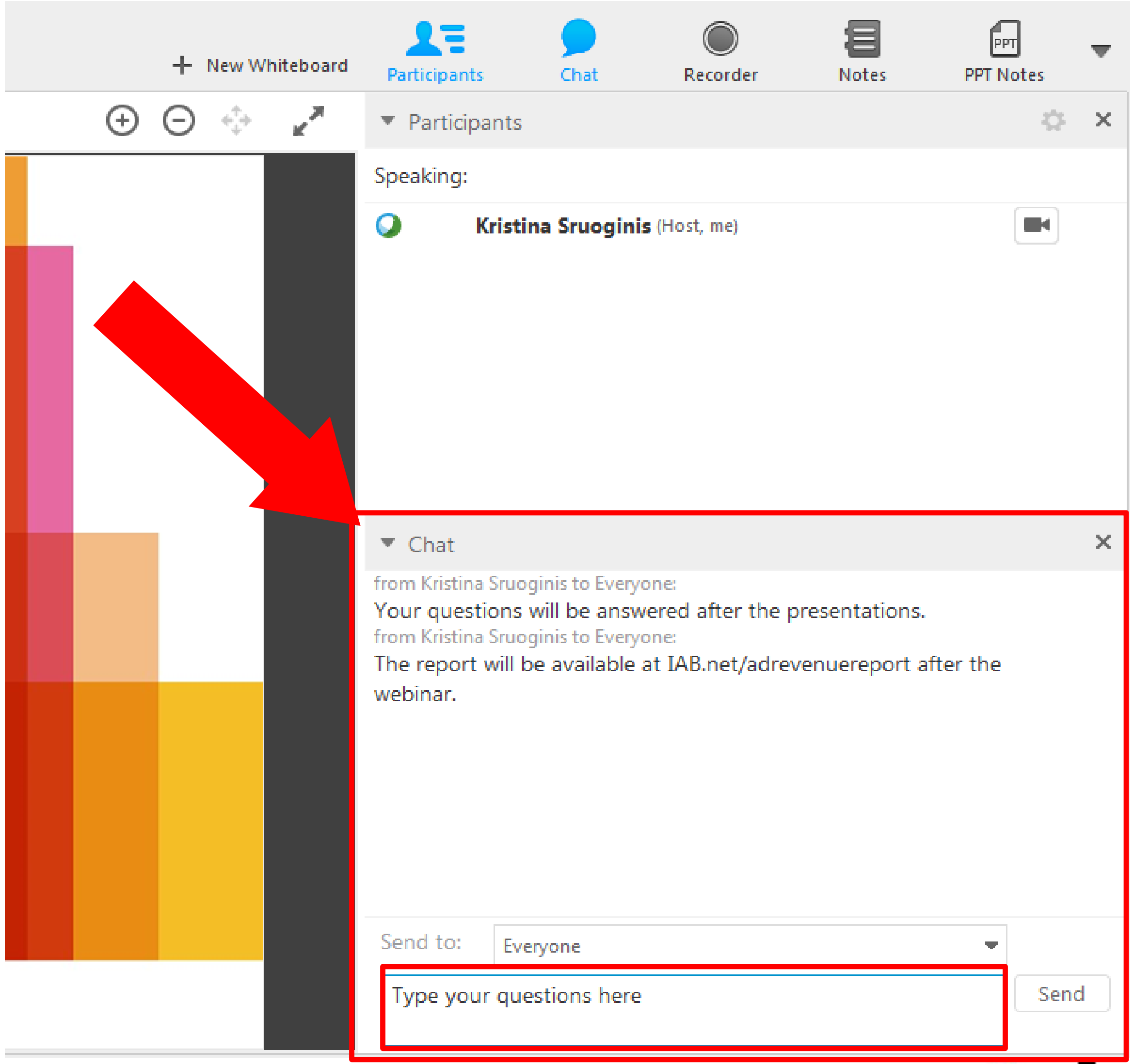

THANK YOU

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