1st Half Year 2013 and Q2 2013

IAB/PwC Digital Advertising Revenue Report

Oct. 2013
First Half Year 2013 IAB/PwC Digital Ad Revenue Report

Agenda

● Welcome

● Half Year and Q2 2013 Digital Ad Revenue Highlights
  Sherrill Mane, SVP Research, Analytics & Measurement, IAB

● Detailed Analysis of IAB/PWC 1st Half Year and Q2 2013 Report
  Michael Altschul, PriceWaterhouseCoopers

● What Advertisers Think: The Attitudes That Drive Digital Spending
  Randy Cohen, President, Advertiser Perceptions

● Q & A
Important Note on Q&A

- We will open a voice line for journalists to ask questions at the end of the presentations.

- IAB members should ask questions using the WebEx user interface—Please type questions into the Chat box on the WebEx user interface at any time during the presentations.
  
  - We will create a queue and answer as many questions as possible following the presentations.
  
  - Additional press questions should be directed to Laura Goldberg: Laura.Goldberg@iab.net
  
  - Additional questions from IAB members should be directed to Kristina Sruoginis: Kristina@iab.net.
Half Year 2013 and Q2 2013

IAB/PwC Digital Ad Revenue Report Highlights

Oct. 2013

Sherrill Mane
SVP, Research, Analytics and Measurement, IAB
2013 1st Half Year Digital Ad Revenue Highlights

“The Golden Age is before us, not behind us.”

William Shakespeare
First Half Year 2013 Interactive Advertising Continues Double Digit Growth Trajectory

- First Half 2013 US interactive ad revenues totaled $20.1 billion, marking the fourth consecutive mid year of double-digit growth.
  - This represents an 18% (or $3.0 billion) increase from 1HY 2012’s $17.0 billion.

- Mobile ad revenue more than doubled (145% growth) to $3.0 billion in the first half of 2013 from $1.2 billion a year ago.
  - Mobile now accounts for 15% of digital ad revenue.

- Display related advertising totaled $6.1 billion, up 9% from $5.6 billion a year ago
  - $6.1 billion accounts for 30% of half year revenues
  - Digital Video grew 24% over first half 2012 to $1.3 billion from $1.1 billion.
  - Banners show 4% growth, reaching $3.8 billion for a 19% share of interactive ad dollars
  - Rich media, at smaller base, increased 29% from $495 to $640 million
First Half Year Revenue Track: Double-Digit Growth For 5 Years

**US Digital Ad Revenue ($ Millions)**

**First Half Year and % YoY Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ Millions)</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1HY '09</td>
<td>$10,900</td>
<td>+11%</td>
</tr>
<tr>
<td>1HY '10</td>
<td>$12,127</td>
<td>+23%</td>
</tr>
<tr>
<td>1HY '11</td>
<td>$14,941</td>
<td>+14%</td>
</tr>
<tr>
<td>1HY '12</td>
<td>$17,028</td>
<td>+18%</td>
</tr>
<tr>
<td>1HY '13</td>
<td>$20,066</td>
<td></td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Reports, First Half Year 2009-2013
A Stellar Second Quarter 2013

- Second quarter 2013 revenue of $10.3 billion is also at 18% growth over same time last year.
- Interactive advertising growth continues to outperform the total media market based on both Nielsen and Kantar estimates for Half Year 2013 and the quarter.
1st HY 2013 Annual Revenue Growth

Digital Ad Revenue Growth (1st HY 2012 vs. 1st HY 2013)

Total Media Ad Revenue Growth (1HY 2012 vs. 1HY 2013)

The Nielsen Company estimates total media revenues grew 3% from 1HY ‘12 to 1HY ‘13; Kantar Media estimates a 2% increase.

First Half Year Ad Revenue Growth
Top US Media

**Total Ad Revenue 1HY 2012 vs. 1HY 2013 ($Billions)**

<table>
<thead>
<tr>
<th>Media Type</th>
<th>1HY 2013</th>
<th>1HY 2012</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet*</td>
<td>$20.1</td>
<td>$17.0</td>
<td>18%</td>
</tr>
<tr>
<td>National TV**</td>
<td>$38.3</td>
<td>$36.9</td>
<td>4%</td>
</tr>
<tr>
<td>Magazines</td>
<td>$7.9</td>
<td>$7.6</td>
<td>4%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>$6.5</td>
<td>$6.2</td>
<td>5%</td>
</tr>
</tbody>
</table>

**National TV includes Network, Spot, Cable, Hispanic**

Source: *PwC IAB First Half Year and Q2 2013 Internet Advertising Revenue Report, Oct. 2013
According to Nielsen, total media revenues grew 5% from Q2 2012 to Q2 2013. Kantar Media estimates a 3.5% increase.
Q2 Ad Revenue Growth
Top US Media

**Total Ad Revenue Q2’13 vs. Q2’12 ($Billions)**

<table>
<thead>
<tr>
<th>Media</th>
<th>Q2 ’13</th>
<th>Q2 ’12</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet*</td>
<td>$10.3</td>
<td>$8.7</td>
<td>18%</td>
</tr>
<tr>
<td>National TV**</td>
<td>$19.1</td>
<td>$18.0</td>
<td>6%</td>
</tr>
<tr>
<td>Magazines</td>
<td>$4.4</td>
<td>$4.3</td>
<td>4%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>$3.3</td>
<td>$3.1</td>
<td>6%</td>
</tr>
</tbody>
</table>

**National TV includes Network, Spot, Cable, Hispanic**

Source: *PwC IAB Half Year and Q2 2013 Internet Advertising Revenue Report, Oct. 2013
Display Composite Average CPM Index

109 Same Sites / Ad Networks
100 = 2010 Avg. CPM: $12.16

- June 2013 Avg. CPM below 2012 Avg. for year (-2%)
- Year-to-date Avg. CPM ($11.70) off by 1% from 2012 Avg.

Source: SQAD WebCosts
Display Eight Category Average CPM
Weighted Average - CPM of All Buys Placed Within the Quarter
June 2013 Release

Source: SQAD WebCosts
How the Market is Moving

- **Brand spend is on the rise**
  - Impression based revenue (CPM) is up 27% over first half 2012 (up 2 percentage points in share of revenue)
  - Display, particularly digital video and rich media, continues to climb
  - CPG and financial services revenue and share up
    - CPG to $1.4 billion from $900 million last year is at just 7% of total revenue (5% same time last year)
    - Financial services is now at $2.7 billion up from $2.2 billion and comprises 14% of total revenue (13% first half 2012)

- **Search continues to grow at above media market levels, up 7% over First Half 2012 to $8.7 billion**

- **Indications of share shifts within digital and across all media**
  - Flat CPM’s
  - Ongoing significantly above total market growth

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

FOLLOW-UP QUESTIONS:

Additional questions from IAB members should be directed to Kristina Sruoginis:
kristina@iab.net

Additional press questions should be directed to Laura Goldberg:
Laura.Goldberg@iab.net

Reports can be found at: http://www.iab.net/adrevenuereport