IAB Internet Advertising Revenue Report
2012 Full Year Results
Agenda

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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 Web sites, 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.
- Supplemental Data is acquired 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.
Annual revenues totaled $36.6 billion in 2012

Online advertising revenue increased 15.2% in 2012.
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Fourth quarter revenues totaled $10.31 billion in 2012.

Revenue in Q4 2012 was 14.9% higher than in Q4 2011.
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Strong Growth between Q3 FY12 and Q4 FY 12

Revenue in Q4 2012 was $1.07 billion higher than Q3 2012.
Strong Growth between Q3 FY12 and Q4 FY12

Revenue in Q4 2012 was $1.07 billion higher than Q3 2012.

In billions

Q3 2012 | Q4 2012
---|---
$9.24 | $10.31

11.6%
A historical perspective of internet advertising
Quarterly growth comparison, 1996–2012

Q4 2012 revenues crossed $10 billion for the first time
2012 shows record revenues
Historical revenue mix, first half vs. second half

In billions


-$3.3 $4.6 $5.8 $7.9 $10.0 $11.5 $11.8 $12.1 $14.9 $17.0

$4.0 $5.0 $6.8 $9.0 $11.2 $11.9 $11.8 $13.9 $16.8 $19.5

19.7% CAGR

Last 6 months
First 6 months

PwC
Source: IAB Internet Advertising Revenue Report, 2012

April 16, 2013
**Mobile shows the strongest growth**
Advertising formats - 2012 results and growth rates

<table>
<thead>
<tr>
<th>Format</th>
<th>2012 Revenue (in billions)</th>
<th>2012 vs. 2011 % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search</td>
<td>$16.9</td>
<td>14.5%</td>
</tr>
<tr>
<td>Classifieds &amp; Directories</td>
<td>$2.4</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Lead Generation</td>
<td>$1.7</td>
<td>11.0%</td>
</tr>
<tr>
<td>Email</td>
<td>$0.2</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Mobile</td>
<td>$3.4</td>
<td>111.2%</td>
</tr>
<tr>
<td>Digital Video Commercials</td>
<td>$7.7</td>
<td>28.8%</td>
</tr>
<tr>
<td>Ad Banners / Display Ads</td>
<td>$2.3</td>
<td>-40%</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>$0.8</td>
<td>-15.4%</td>
</tr>
<tr>
<td>Rich Media</td>
<td>$1.1</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Report, 2012
Historical trends in internet advertising formats
Revenue share by major ad formats, 2006–2012

Source: IAB Internet Advertising Revenue Report, 2012
Pricing models shift towards performance
Internet ad revenues by pricing model, 2011 vs. 2012

2011
- Impression-based: 65%
- Performance-based: 31%
- Hybrid: 4%

Total – $31.7 billion

2012
- Impression-based: 66%
- Performance-based: 32%
- Hybrid: 2%

Total – $36.6 billion
Historical pricing model trends
Internet ad revenues by pricing model, 2005–2012

Note: Pricing models definitions may have changed over time period depicted, both within the survey process and definitional by survey respondents.
Internet ad revenues by major industry category
$31.7 B in 2011 vs. $36.6 B in 2012

% of total revenue †

<table>
<thead>
<tr>
<th>Industry Category</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Telecom</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Auto</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Tech / Computing</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Leisure Travel</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Packaged Goods</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Pharma &amp; Healthcare</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Media</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

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

Source: IAB Internet Advertising Revenue Report, 2012
Advertising market share by media
Advertising spend† of key media in 2012 (In billions)

<table>
<thead>
<tr>
<th>Media</th>
<th>Advertising Spend (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcast TV *</td>
<td>$39.6</td>
</tr>
<tr>
<td>Internet</td>
<td>$36.6</td>
</tr>
<tr>
<td>Cable TV **</td>
<td>$32.5</td>
</tr>
<tr>
<td>Magazines ***</td>
<td>$22.8</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$19.4</td>
</tr>
<tr>
<td>Radio</td>
<td>$16.1</td>
</tr>
<tr>
<td>Out of Home</td>
<td>$7.5</td>
</tr>
<tr>
<td>Video Games</td>
<td>$0.8</td>
</tr>
<tr>
<td>Cinema</td>
<td>$0.7</td>
</tr>
</tbody>
</table>

† The total U.S. advertising market includes other segments not charted here.
* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.
** Cable Television includes National Cable Networks and Local Cable television advertising revenue.
*** Magazine includes Consumer and Trade magazines.
Historical advertising market share
Advertising spend of key media from 2005-2012 (In billions)

- Broadcast Television *
- Cable Television **
- Newspaper
- Radio

* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.
** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

PwC
Source: PwC; IAB Internet Advertising Revenue Report, 2012
Historical advertising market share
Advertising spend of key media from 2005-2012 (In billions)

- Broadcast Television *
- Internet
- Cable Television **
- Newspaper
- Radio

* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.
** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

Source: PwC; IAB Internet Advertising Revenue Report, 2012
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
PwC New Media Group
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