

www.pwc.com
www.iab.net

IAB Internet Advertising Revenue Report

2012 Full Year Results



pwc

Agenda

Survey methodology

2012 full year results

Full year and quarterly trends

Advertising formats

Pricing models

Industry category spending

Advertising market share by media

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 Web sites, consumer online services, ad networks, mobile devices and e-mail providers; and
- Ensuring and maintaining a confidential process, only releasing aggregate data.

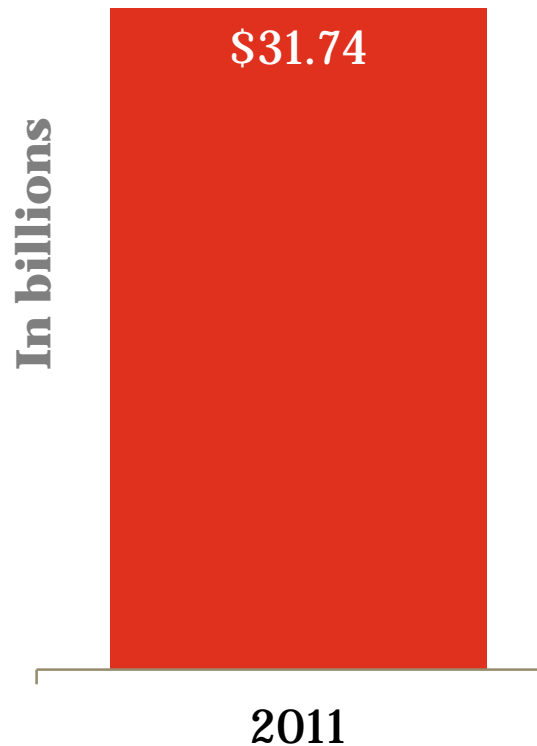
Methodology

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.

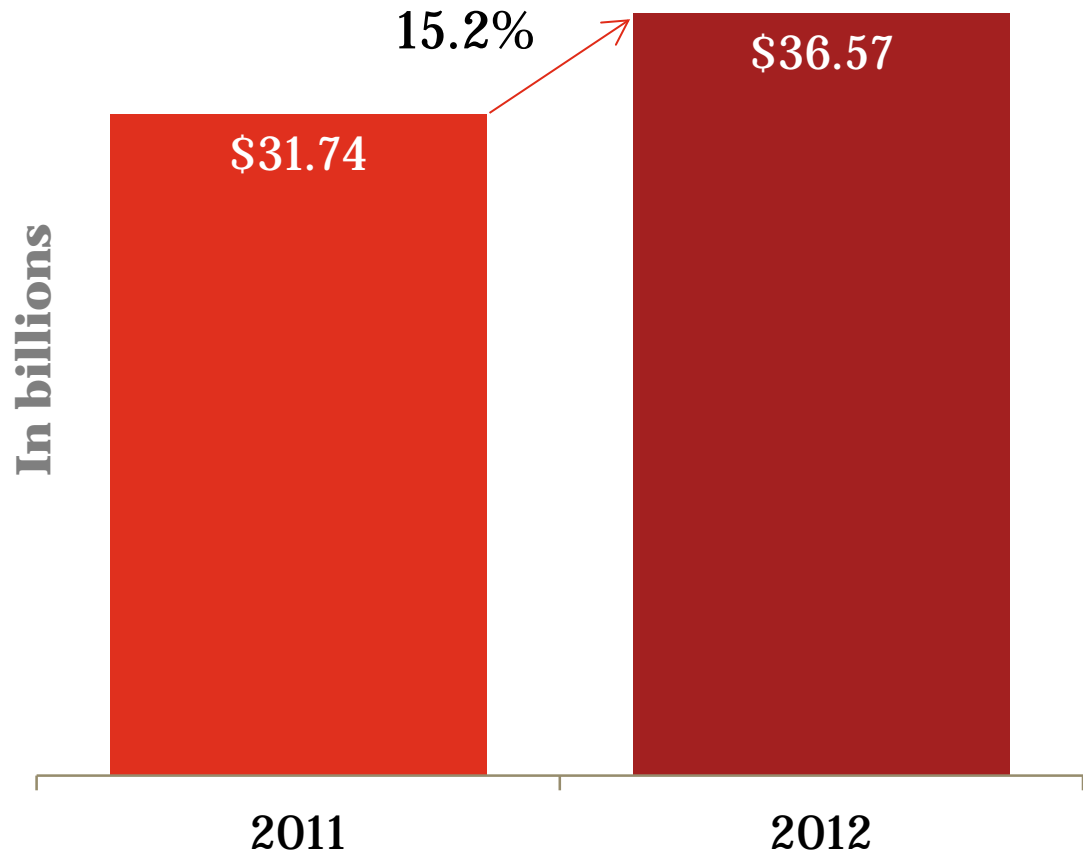
Annual revenues totaled \$36.6 billion in 2012

Online advertising revenue increased 15.2% in 2012.

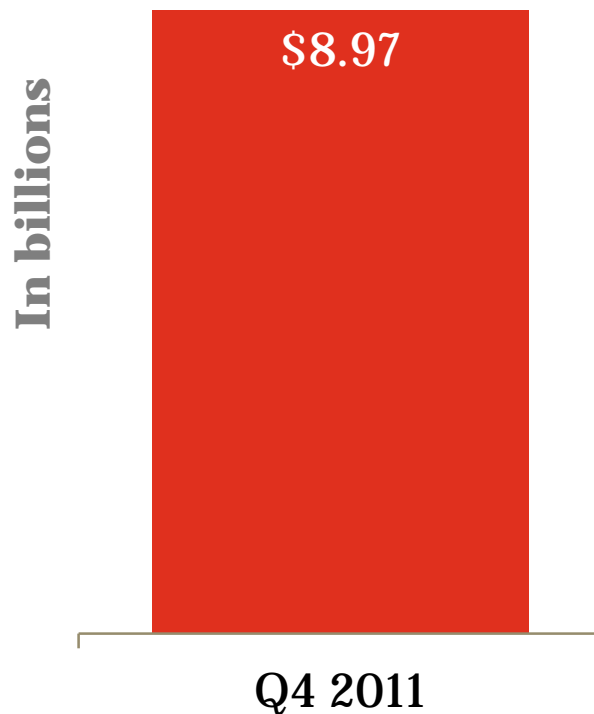


Annual revenues totaled \$36.6 billion in 2012

Online advertising revenue increased 15.2% in 2012.

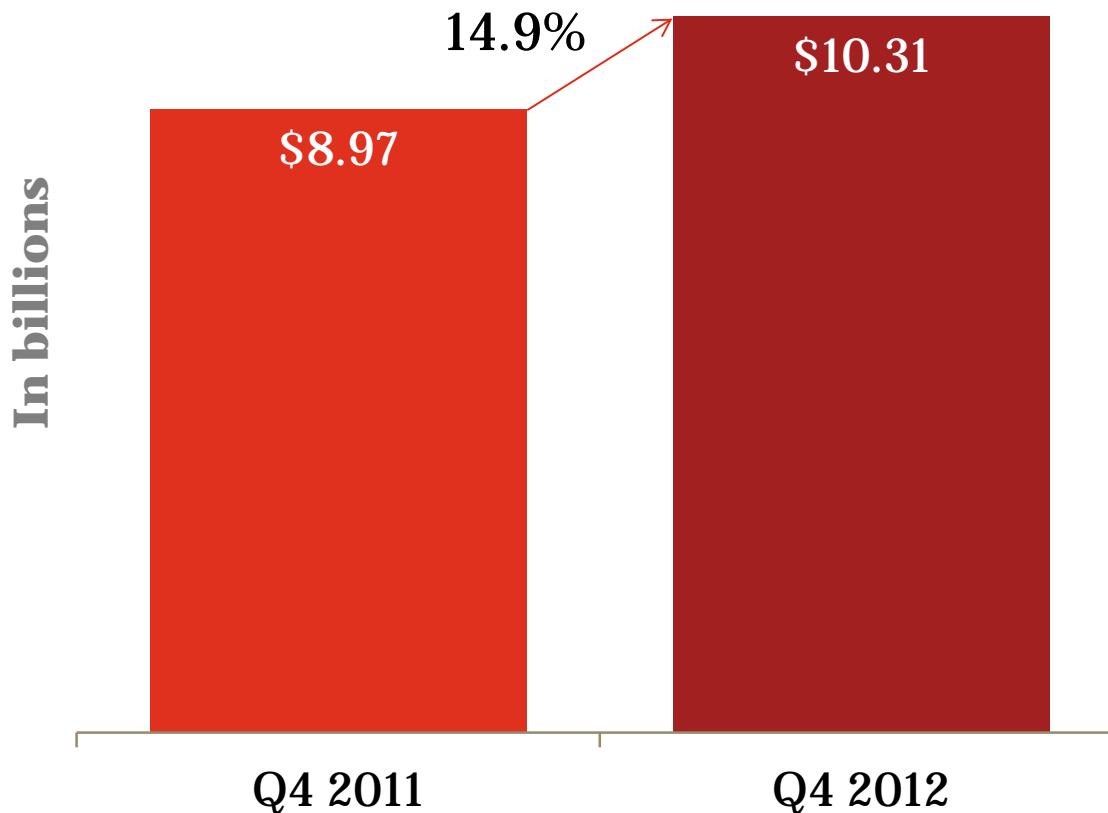


***Fourth quarter revenues totaled
\$10.31 billion in 2012***



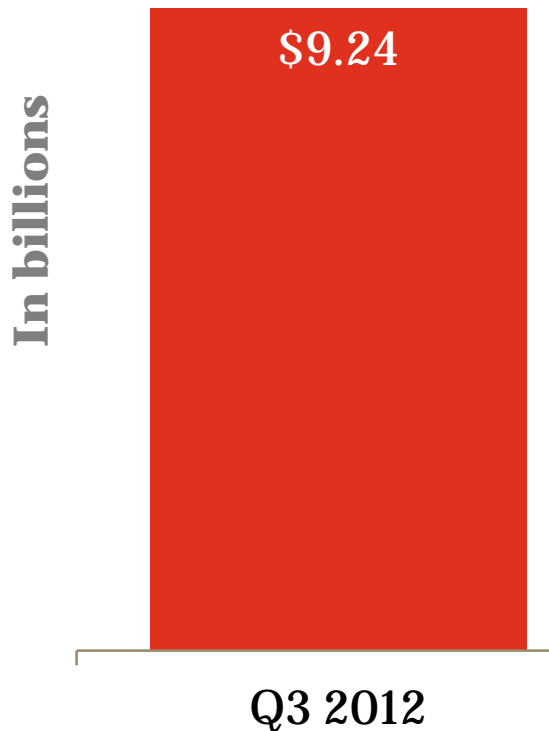
***Revenue in Q4
2012 was 14.9%
higher than in
Q4 2011.***

Fourth quarter revenues totaled \$10.31 billion in 2012



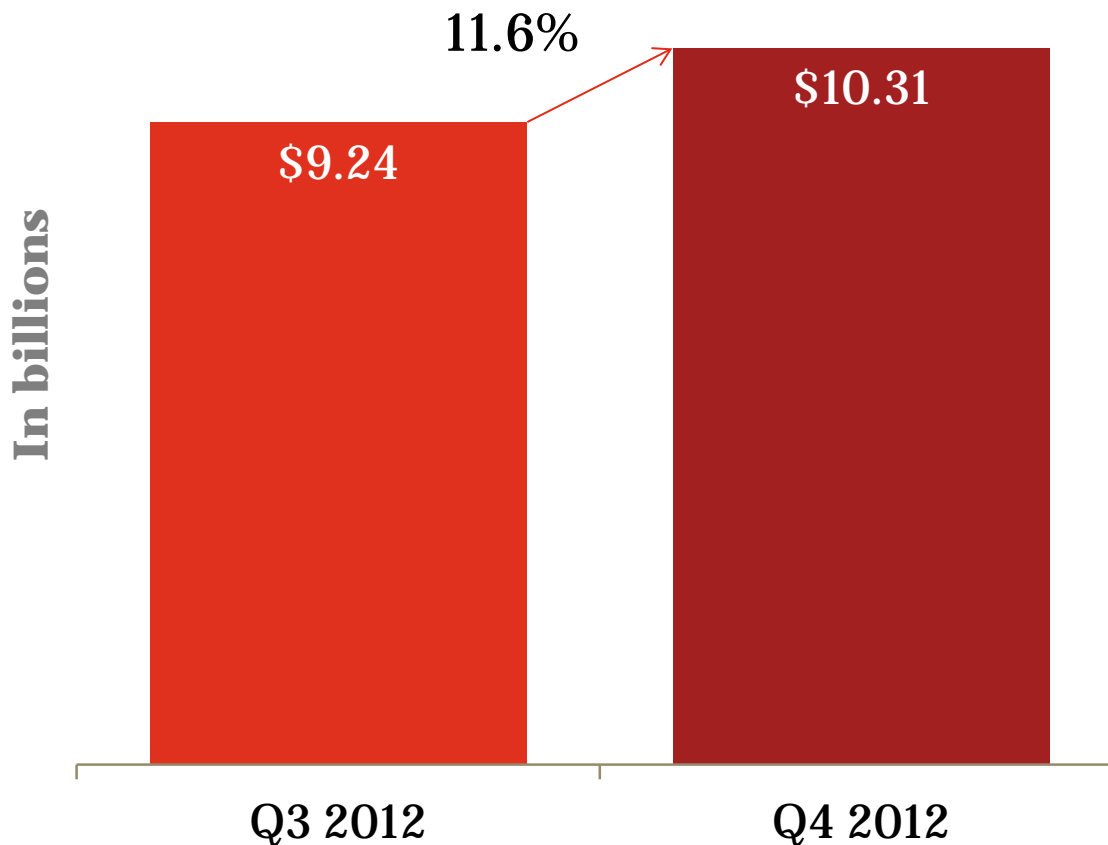
Revenue in Q4 2012 was 14.9% higher than in Q4 2011.

Strong Growth between Q3 FY12 and Q4 FY 12



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

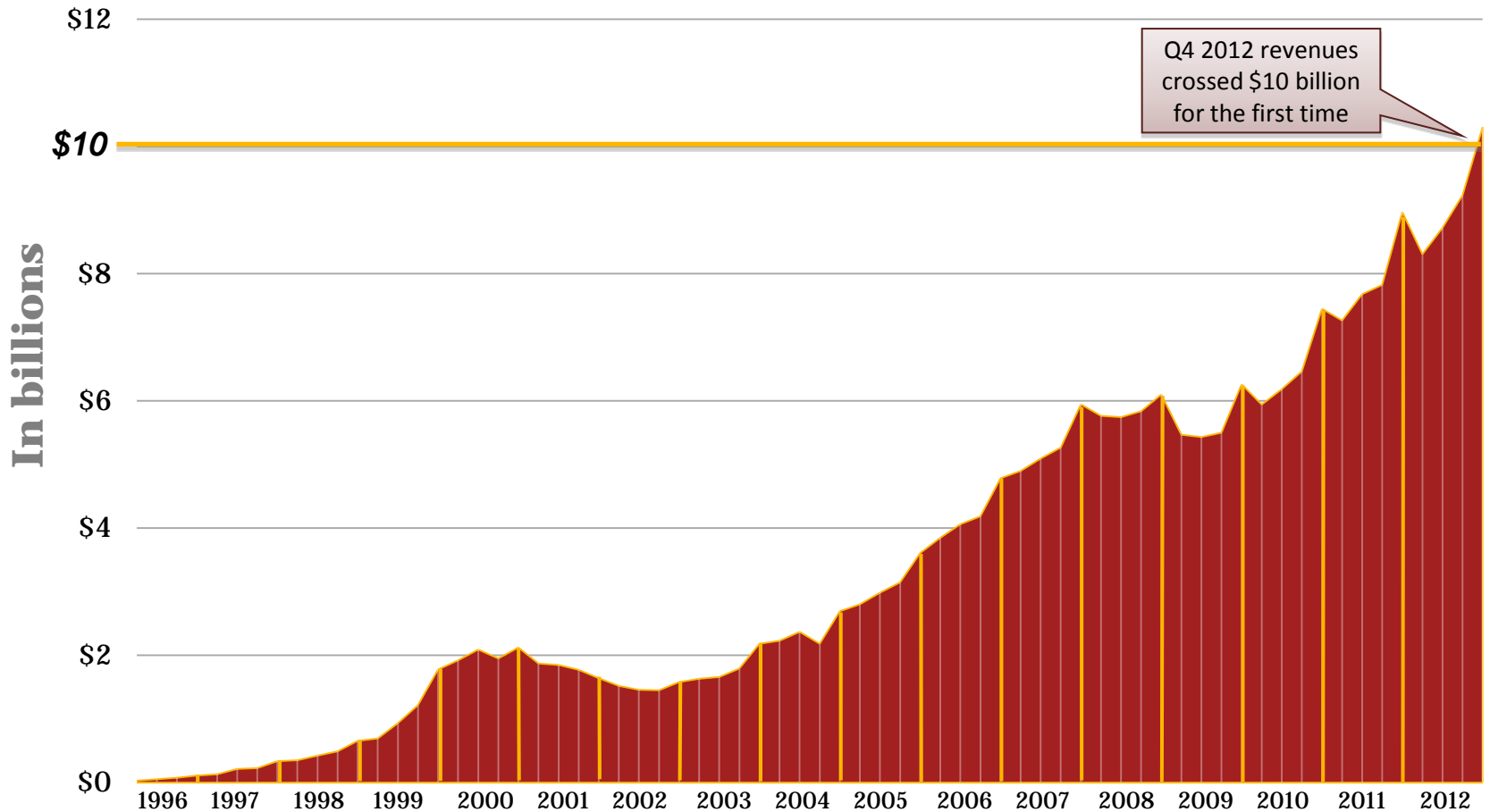
Strong Growth between Q3 FY12 and Q4 FY 12



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

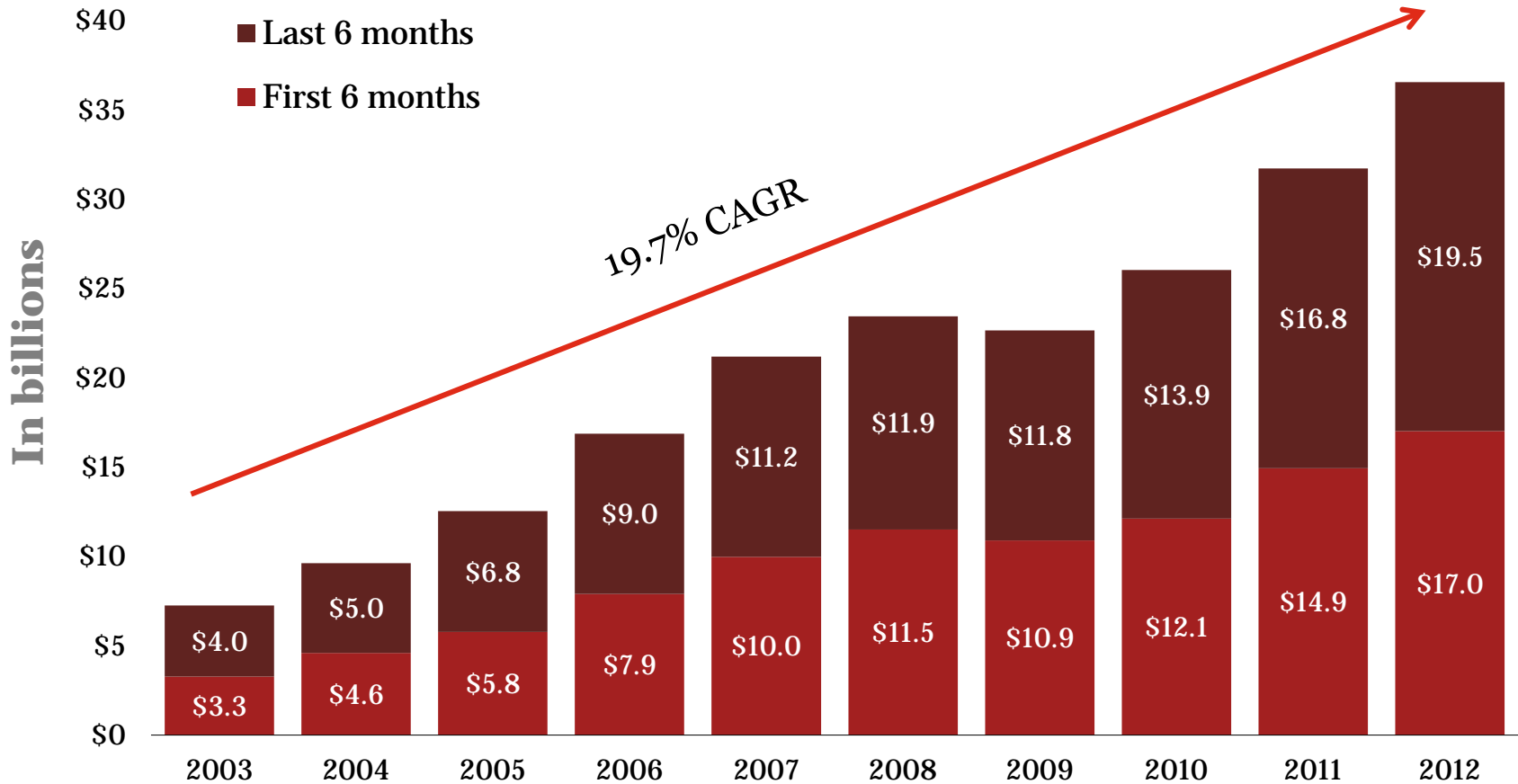
A historical perspective of internet advertising

Quarterly growth comparison, 1996–2012



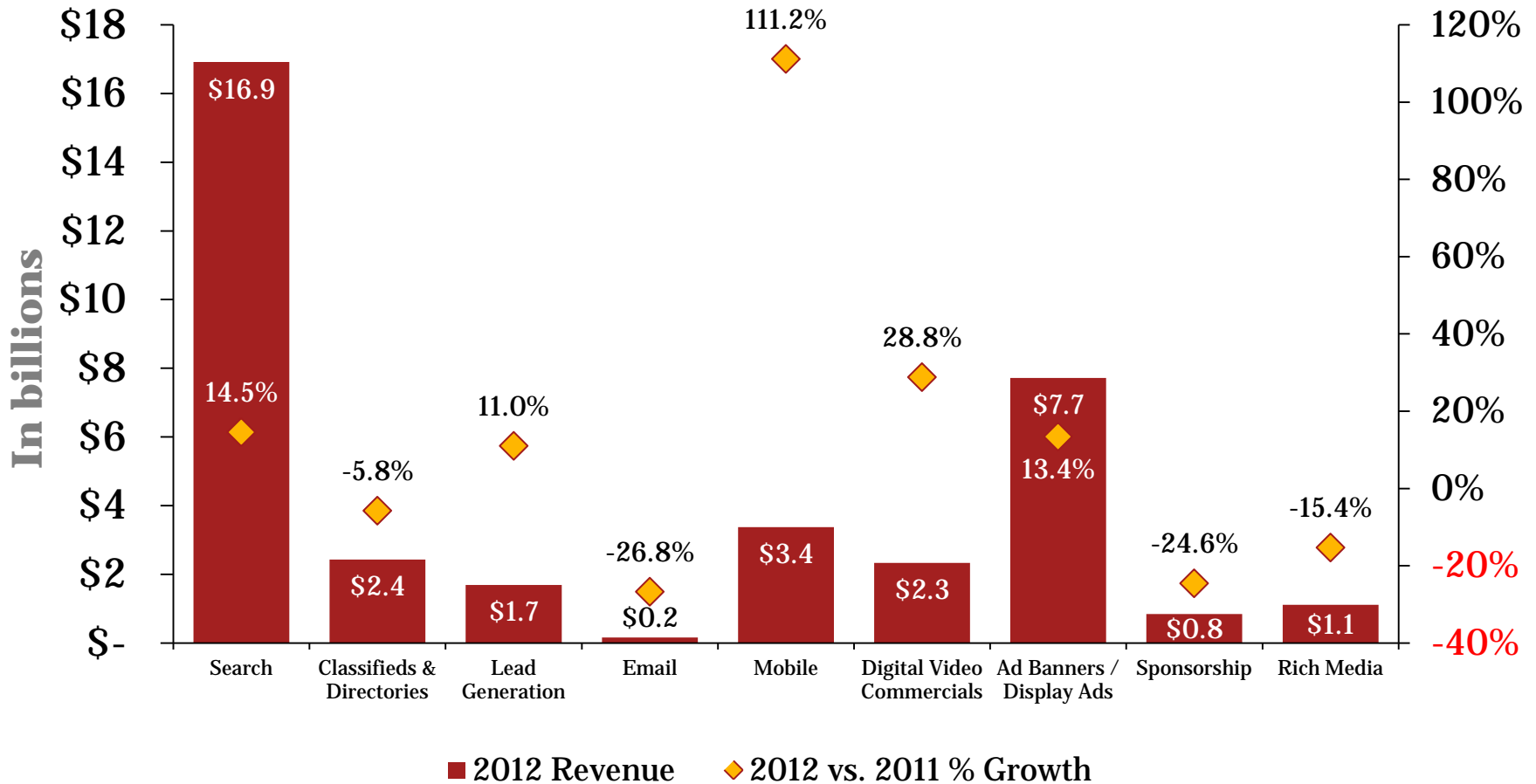
2012 shows record revenues

Historical revenue mix, first half vs. second half



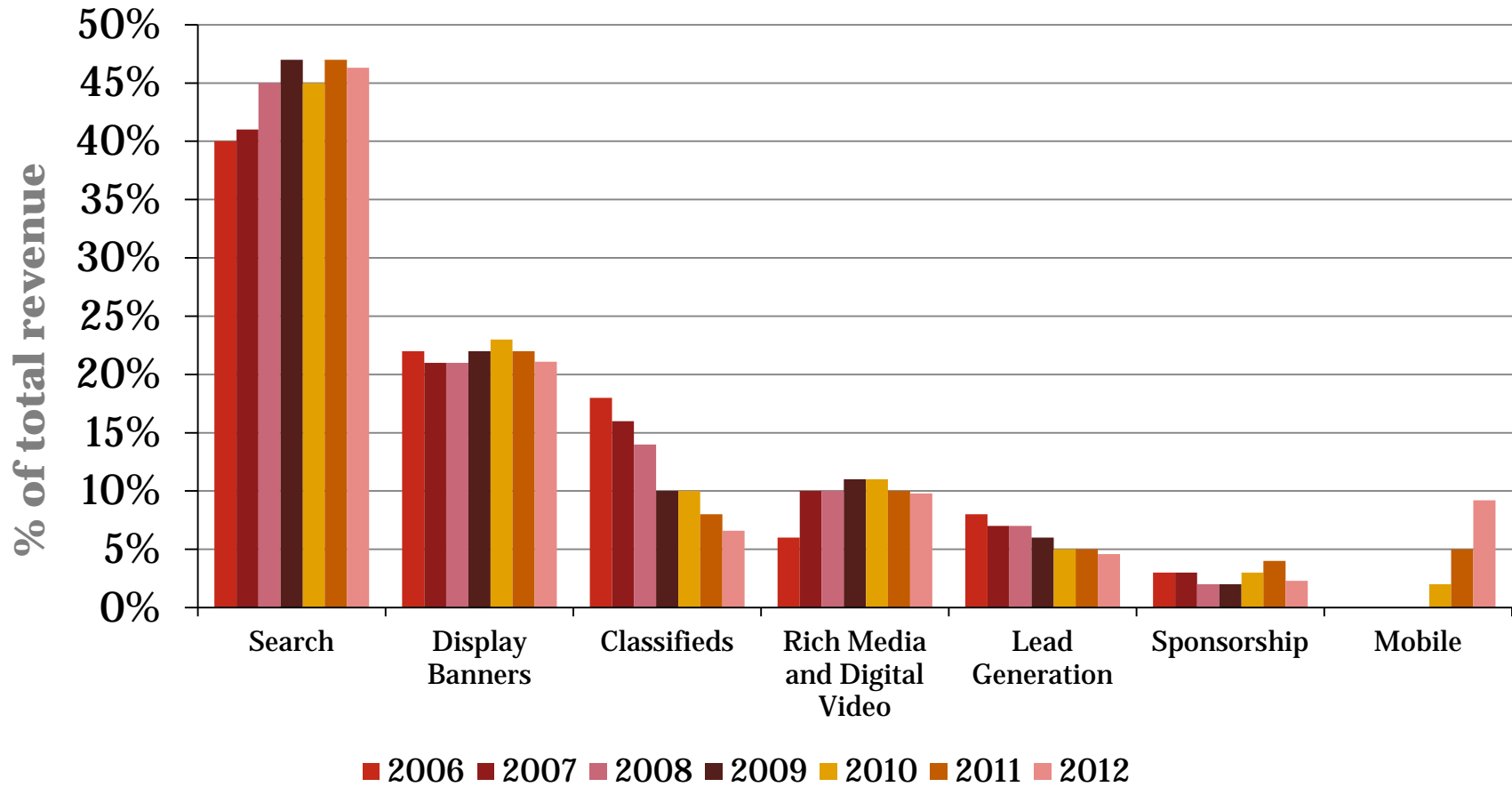
Mobile shows the strongest growth

Advertising formats - 2012 results and growth rates



Historical trends in internet advertising formats

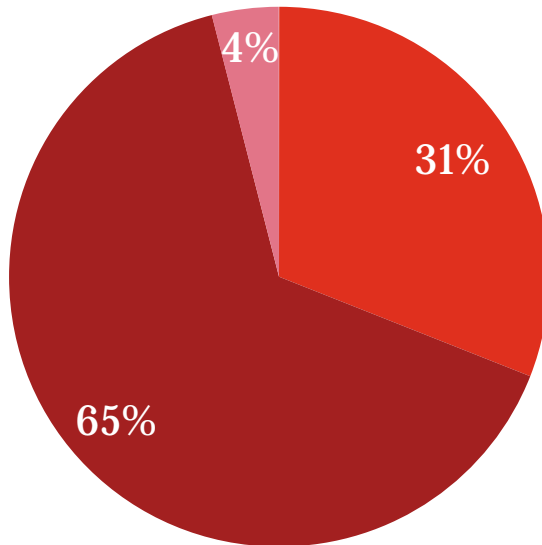
Revenue share by major ad formats, 2006–2012



Pricing models shift towards performance

Internet ad revenues by pricing model, 2011 vs. 2012

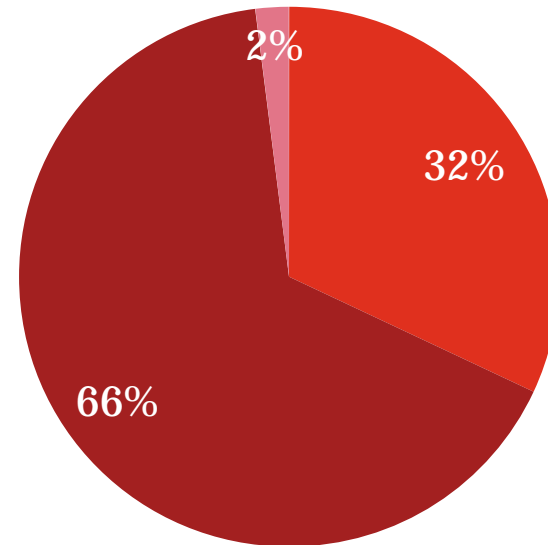
2011



■ Impression-based ■ Performance-based
■ Hybrid

Total – \$31.7 billion

2012

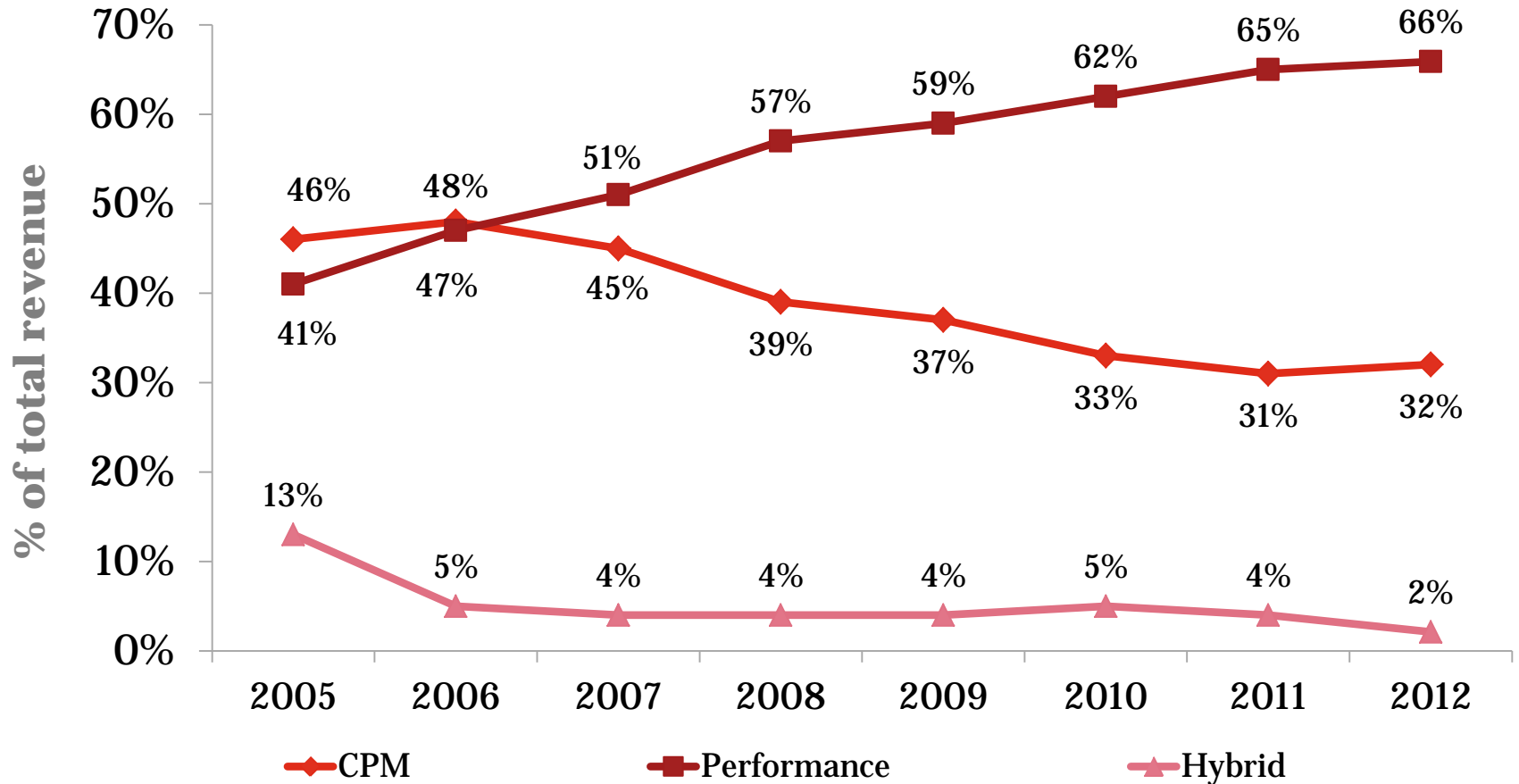


■ Impression-based ■ Performance-based
■ Hybrid

Total – \$36.6 billion

Historical pricing model trends

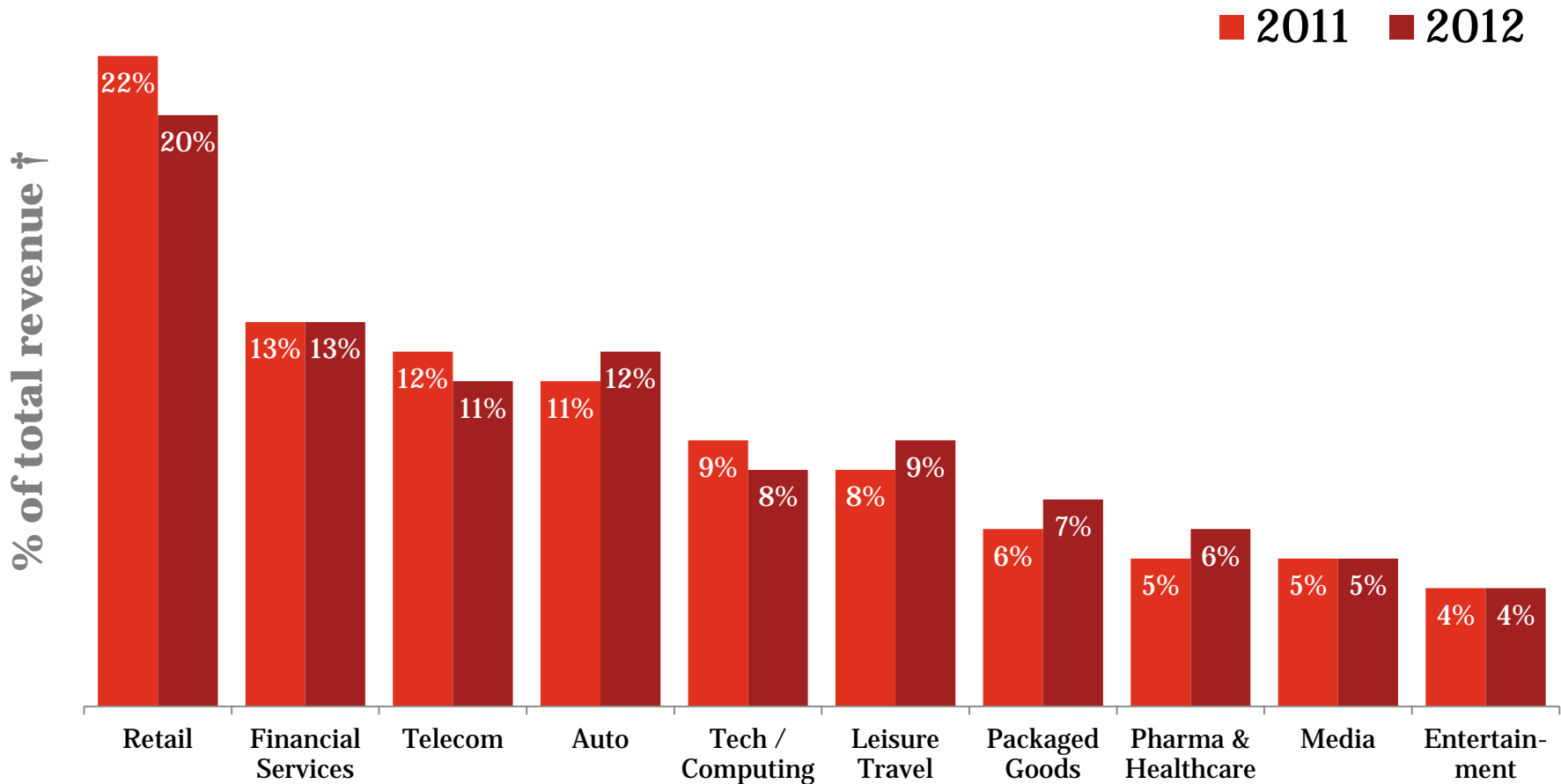
Internet ad revenues by pricing model, 2005–2012



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

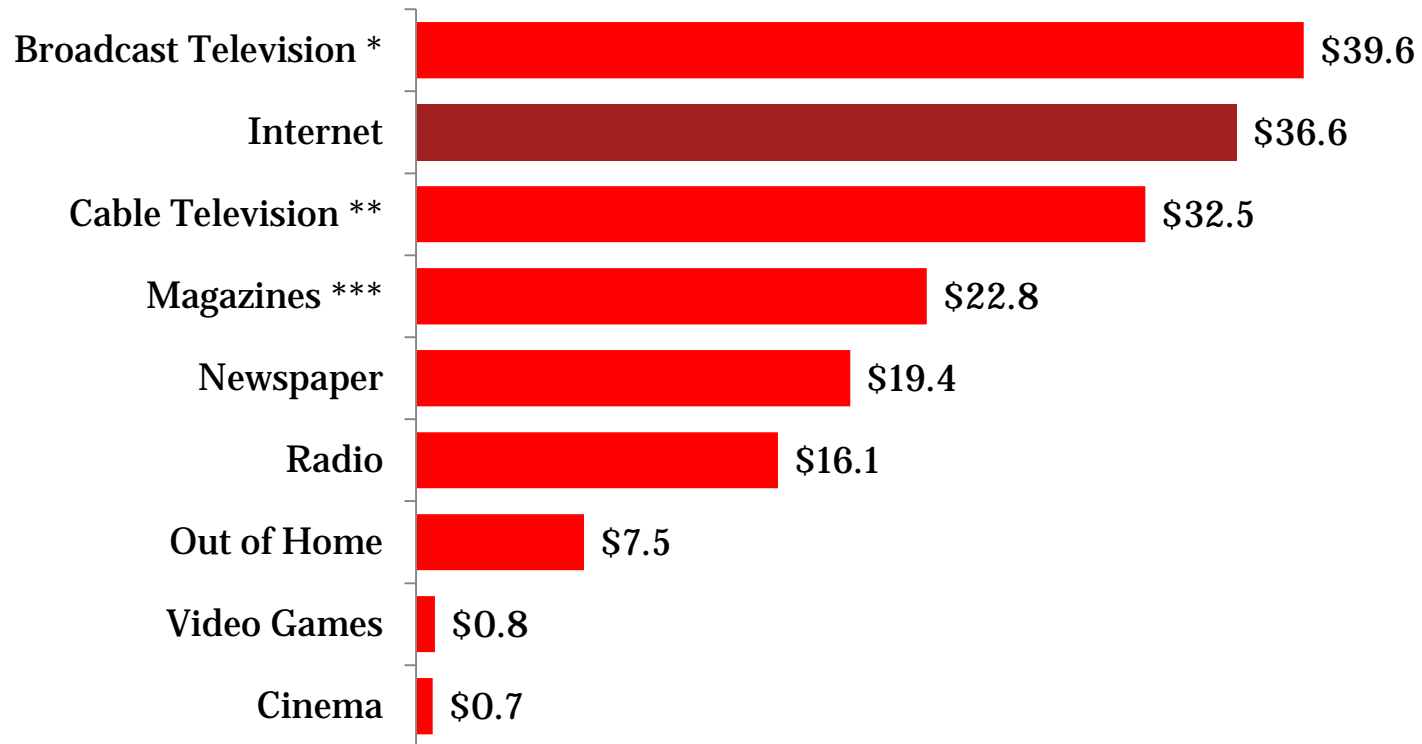
\$31.7 B in 2011 vs. \$36.6 B in 2012



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

Advertising market share by media

Advertising spend[†] of key media in 2012 (In billions)



† The total U.S. advertising market includes other segments not charted here.

* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

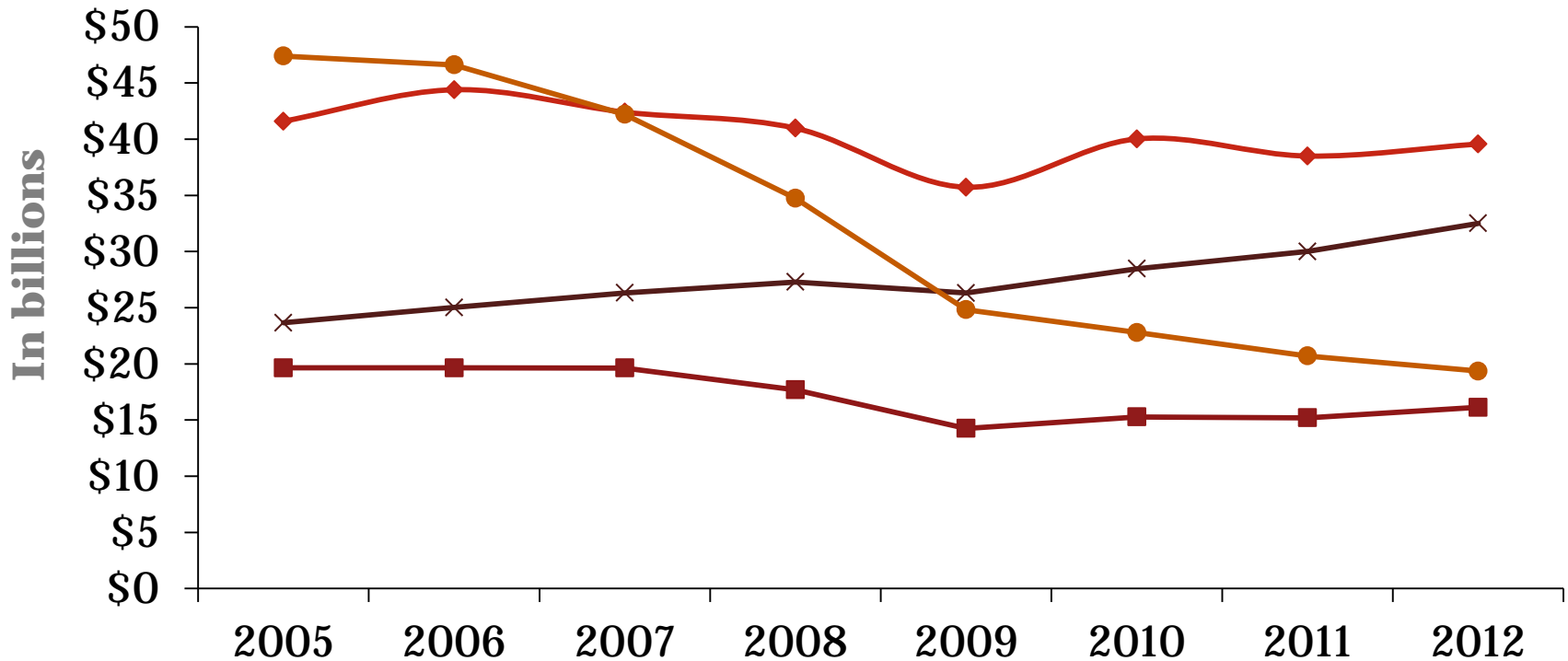
** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

*** 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



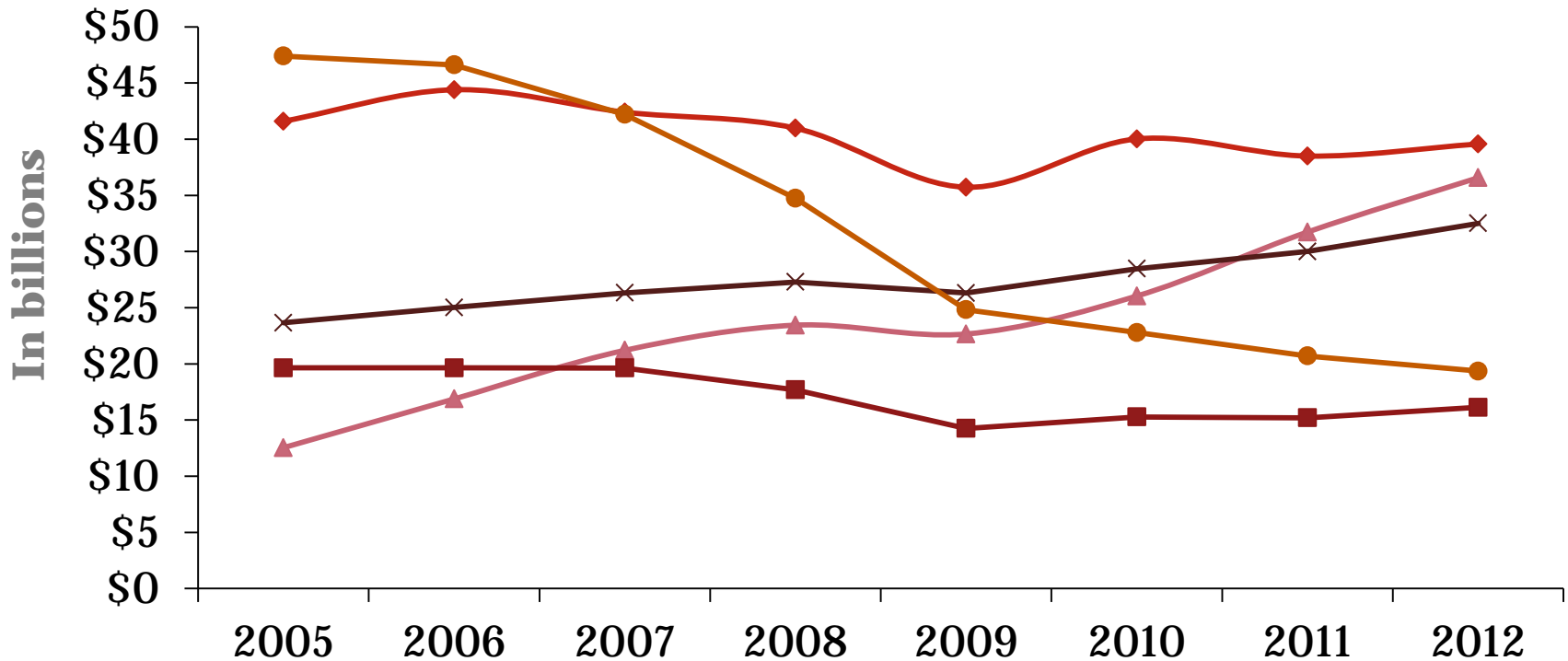
* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

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.

PwC New Media Group

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 **Contacts**

For information about our New Media Group, contact one of the following PwC professionals:

David Silverman

Partner, Assurance Services
646.471.5421
david.silverman@us.pwc.com

Russ Sapienza

Partner, Advisory Services
646.471.1517
russell.j.sapienza@us.pwc.com

Michael Altschul

Manager, Advisory Services
646.471.4903
michael.altschul@us.pwc.com

www.pwc.com/e&m

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2013 PwC. All rights reserved. "PwC" and "PwC US" refer to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.