2014 Full Year and Q4 2014

IAB/PwC Digital Advertising Revenue Report

April 2015

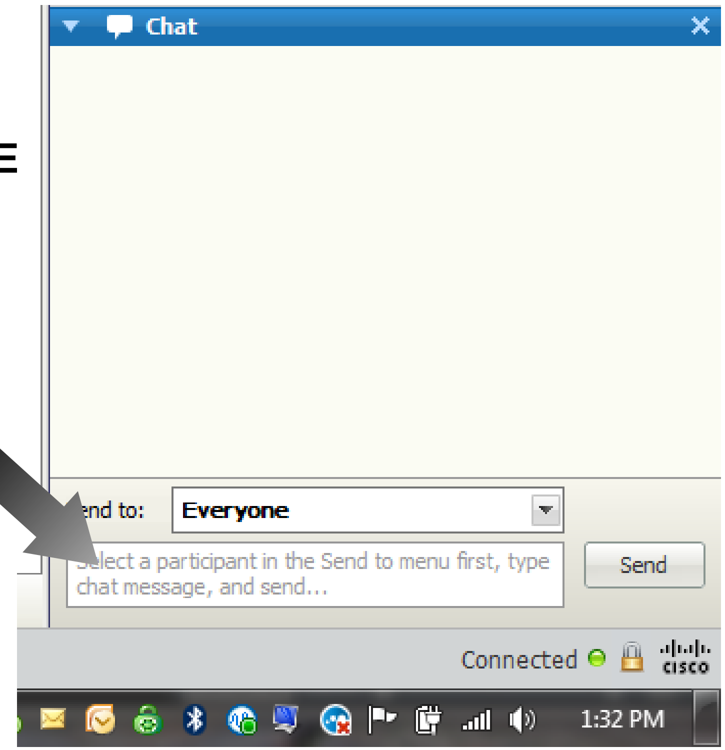
Agenda

- **Welcome**
- **2014 Full Year and Q4 Digital Ad Revenue Highlights**
  Sherrill Mane, SVP Research, Analytics & Measurement, IAB
- **Detailed Analysis of IAB PWC 2014 Full Year and Q4 Report**

  David Silverman, Partner, PriceWaterhouseCoopers
- **POV from Magna Global on US Digital Media**
  Vincent Letang, EVP Director of Global Forecasting, Magna Global
- **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 WebE 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.**



2014 Full Year and Q4 2014

IAB/PwC Digital Ad Revenue Report Highlights

April 2015

Sherrill Mane
SVP, Research, Analytics and Measurement, IAB

2014 Interactive Advertising Sets New Revenue Records

- **2014 annual US interactive ad revenues broke $49 billion, marking the fifth consecutive year of double-digit annual growth.**
  - This represents a 16% (or $6.7 billion) increase from 2013's $42.8 billion.
- **Mobile closes 2014 with stellar growth and substantial share of total digital ad dollars.**
  - Mobile at $12.5 billion now accounts for 25% of digital ad revenue, making it the second largest format measured.
  - Annual ad revenue grew $5.4 billion or 76% over YAG.
  - Fairly even split between search (48%) and display-related (49%) indicates that both are driving the growth.

*

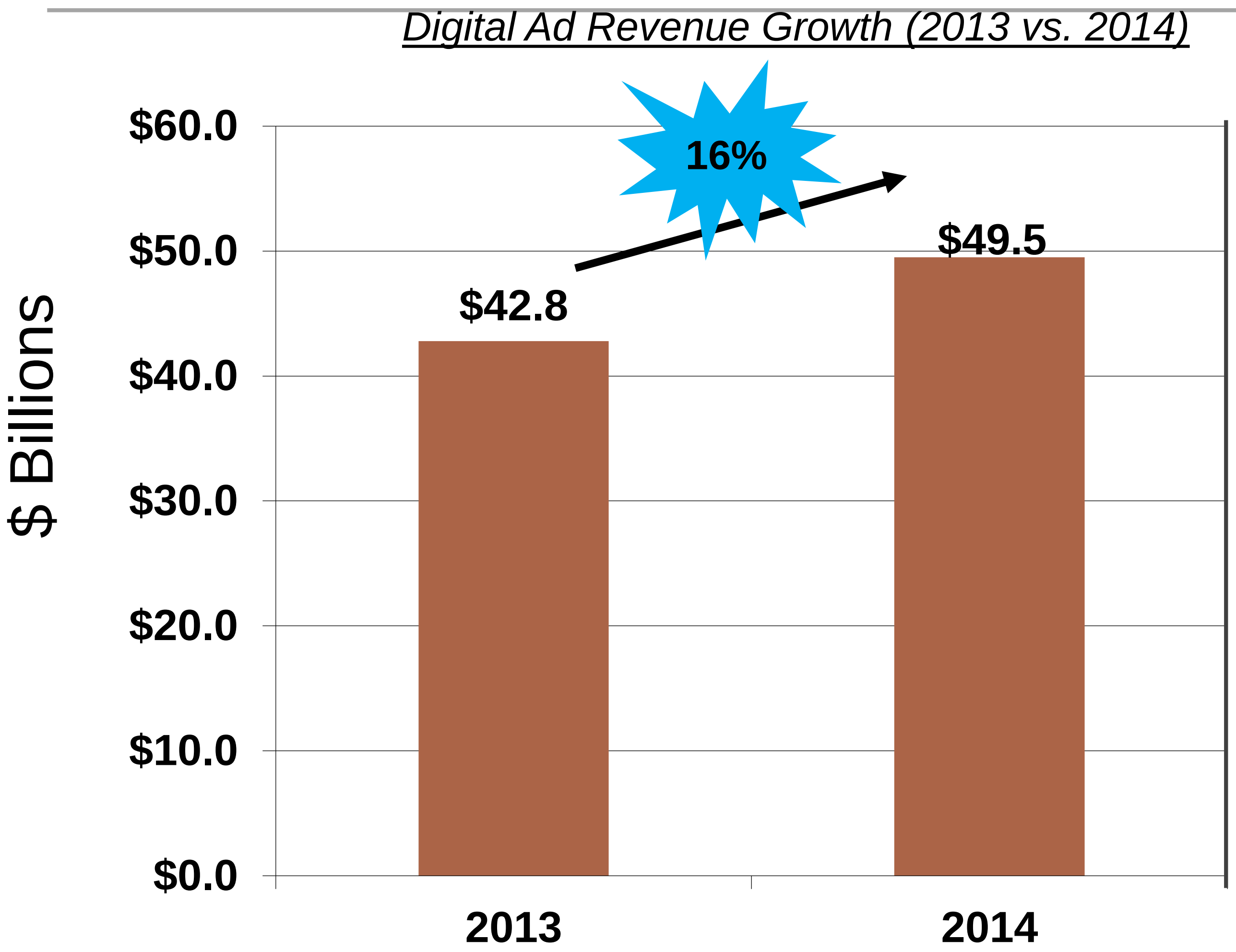
Fifth Consecutive Record Breaking Year

- Digital video remains the fastest growing format of the non-mobile display-related market, climbing 17% to $3.3 billion from $2.8 billion in 2013.
- And, with a nominal 1% growth rate, banners garnered $8.1 billion for a 16% share of interactive ad dollars.
- Search, at 38% of total digital ad revenue, grows 3%, earning $19.0 billion.
- With growth of 57% over 2013, social media ended 2014 with $7.0 billion in ad revenue

Fourth Quarter 2014 Interactive Advertising Sets More Records

- **Fourth quarter 2014 revenue of $14.2 billion represents the best quarterly result ever for US interactive advertising.**
  - This is a 16.9% increase over same time last year ($12.1 billion in Q4 2013)
- **Interactive advertising growth continues to outperform the total media market based on both Nielsen and Kantar estimates for Fourth Quarter and Full Year 2014**

2014 Annual Revenue Growth

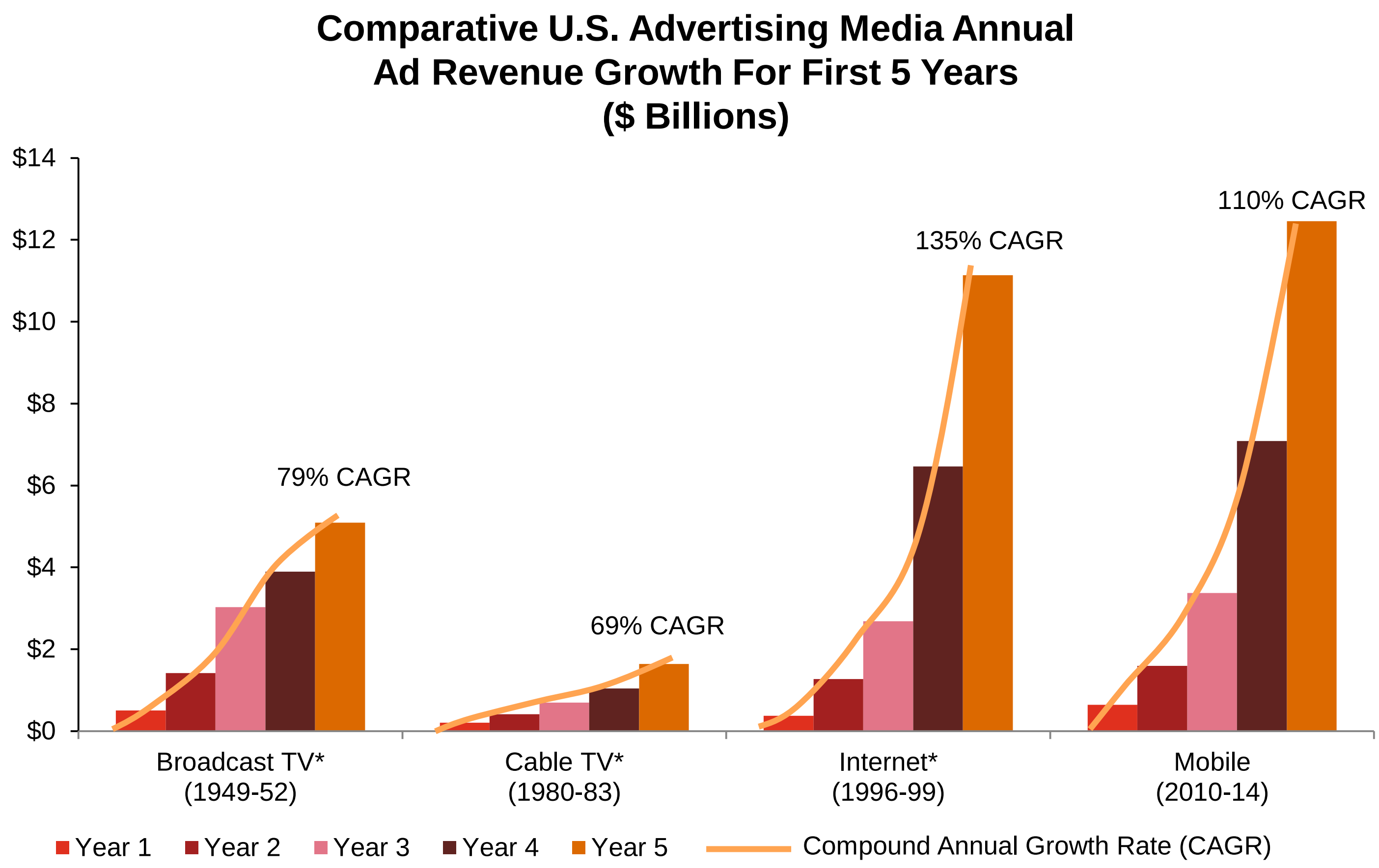


Total Media Ad Revenue Growth (2013 vs. 2014)

The Nielsen Company estimates *total* media revenues grew **1%** over 2013 to **$124.8 B**; Kantar Media estimates a **0.7%** increase to **$141.2B**

Sources: IAB Digital Advertising Revenue Report, 2014 Full Year and 4th Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2014; Kantar Press Release Apr. 2014 2014

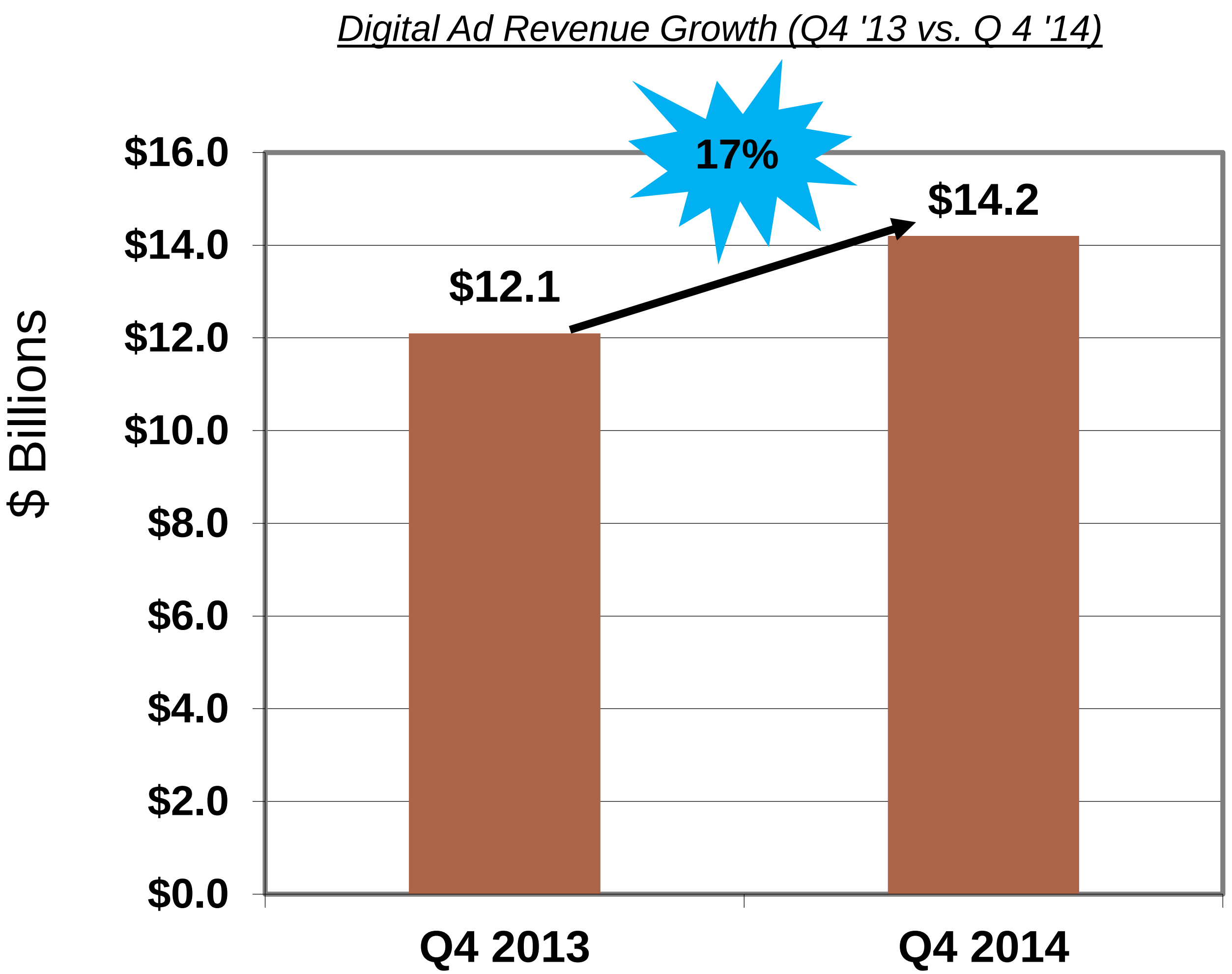
Early Internet and Mobile Ad Revenue Growth Rates Outpace Cable and Broadcast TV



Sources: IAB/PwC Internet Ad Revenue Report, FY 2014; McCann-Erickson

*Adjusted for Inflation

Q4 2014 Revenue Compared With Q4 2013



Total Media Ad Revenue Change (Q4 '13 vs. Q4 '14)

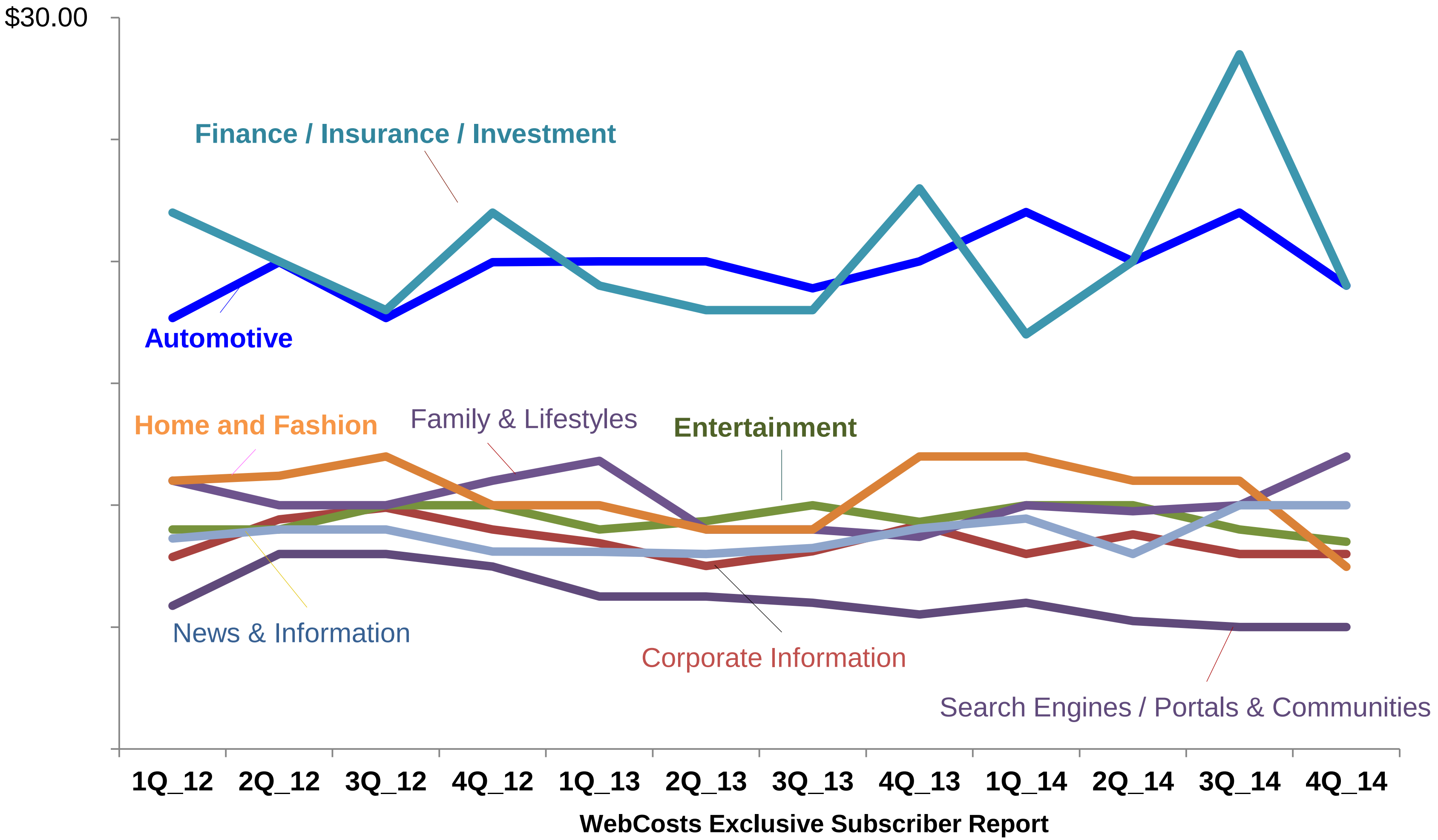
According to Nielsen, *total* media revenues grew **2%** from Q4 2013 to Q4 2014. Kantar Media estimates a **1.6%** decrease.

Sources: IAB Digital Advertising Revenue Report, 2014 Full Year and 4th Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2014; Kantar Press Release Apr. 2014

Display: Eight Category Avg. CPM Trend

Weighted Average of all Buys in WebCosts Placed within the Quarter

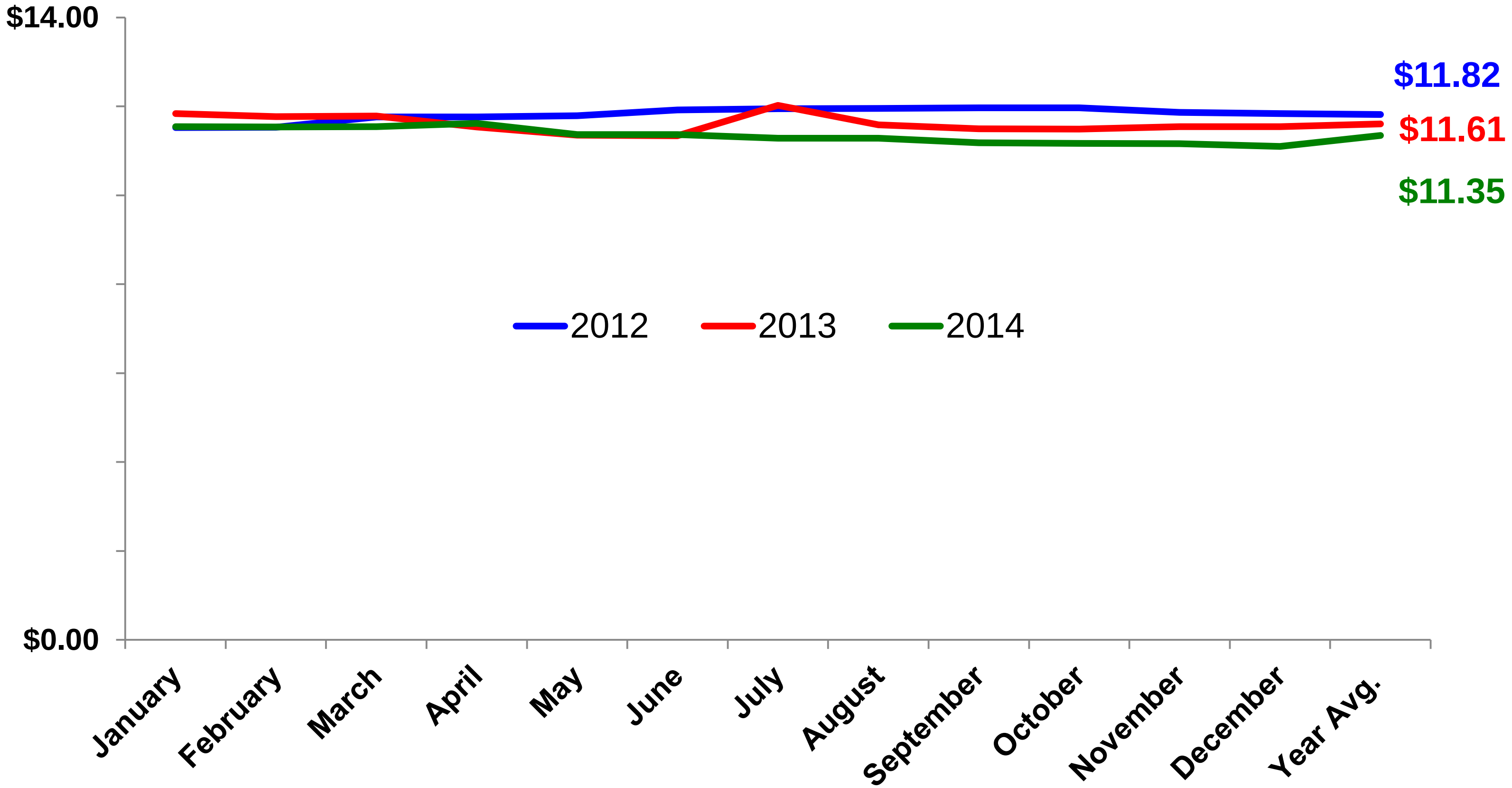
2012 – 2014 (as of March 2015)



WebCosts Display Composite

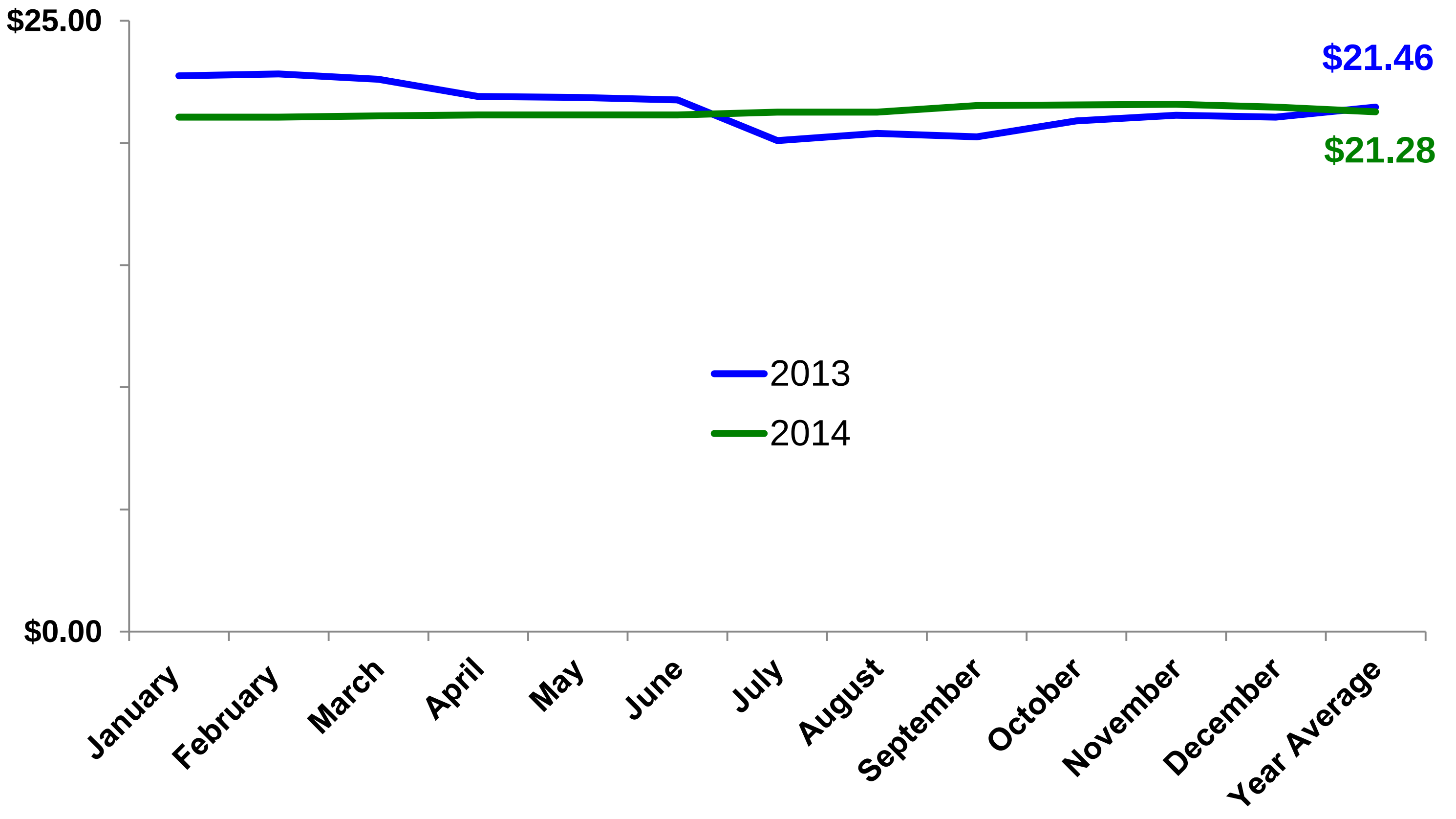
Average CPM

Fifty Same-Site Comparative Report



WebCosts In-Stream Video Composite

Average CPM
Fifteen, Same-Site, Comparative Report



Key Takeaways

- **Brand spend continues to rise**
  - In 2014, non-mobile display-related ad formats* increased 5% over year ago to $13.5 billion
  - Non-mobile display-related ad formats* revenue growth driven by:
    - Banners up 1% to $8.0 billion;
    - Digital video exhibits 17% increase, rising to $3.3 billion
  - With relatively flat CPMs in display including video, most likely garnering brand dollar shifts in spend from other media
- **Dollars shifting from other media into digital**
  - Revenue growth way ahead of the overall market and TV (national, spot and cable) continues, unabated, even in winter Olympics and mid term elections year
  - Mobile likely garnering incremental spend

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

Key Takeaways

- **Negligible change in advertising verticals' contribution to digital revenue with Retail still leading at 21%**
  - **Consumer Packaged Goods account for 6%, down from 7% in 2013**
- **Kantar Media notes that in 2014**
  - **Overall, across media, CPG spend declined – Personal Care Products down 2% and Food+Candy down 3.2%**
  - **Spending by Top 10 advertisers dropped 4.2%**
  - **Mid sized advertisers continue to grow spend, up 4.6% in 2014**