2014 Full Year and Q4 2014

IAB/PwC Digital Advertising Revenue Report

April 2015
2014 IAB/PwC Digital Ad Revenue Report

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 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
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

Digital 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.

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

Comparative U.S. Advertising Media Annual Ad Revenue Growth For First 5 Years ($ Billions)

Broadcast TV* (1949-52)  79% CAGR
Cable TV* (1980-83)  69% CAGR
Internet* (1996-99)  135% CAGR
Mobile (2010-14)  110% CAGR

Sources: IAB/PwC Internet Ad Revenue Report, FY 2014; McCann-Erickson
*Adjusted for Inflation
According to Nielsen, total media revenues grew 2% from Q4 2013 to Q4 2014. Kantar Media estimates a 1.6% decrease.

Display: Eight Category Avg. CPM Trend
Weighted Average of all Buys in WebCosts Placed within the Quarter
2012 – 2014 (as of March 2015)
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

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

IAB 2014 Full Year and Q4 2014 Digital Advertising Revenue Report
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