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IAB Internet Advertising Revenue Report

2013 full year results



Agenda

Survey methodology

2013 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.

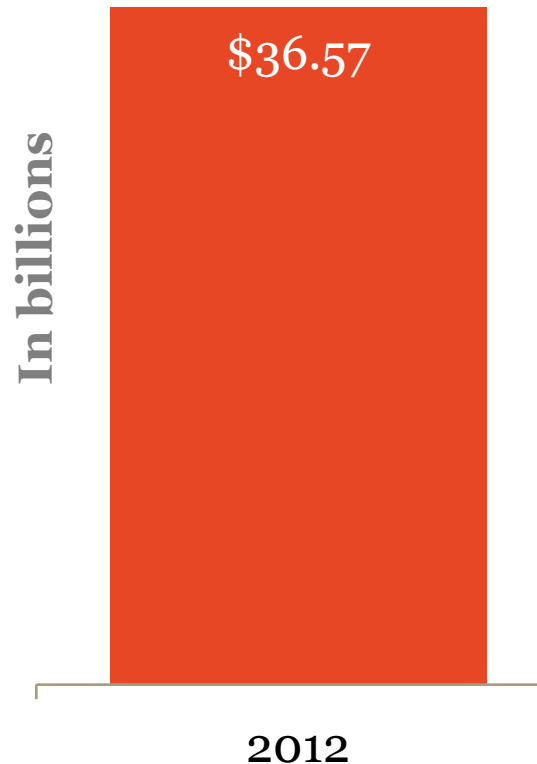
Methodology

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 \$42.8 billion in 2013

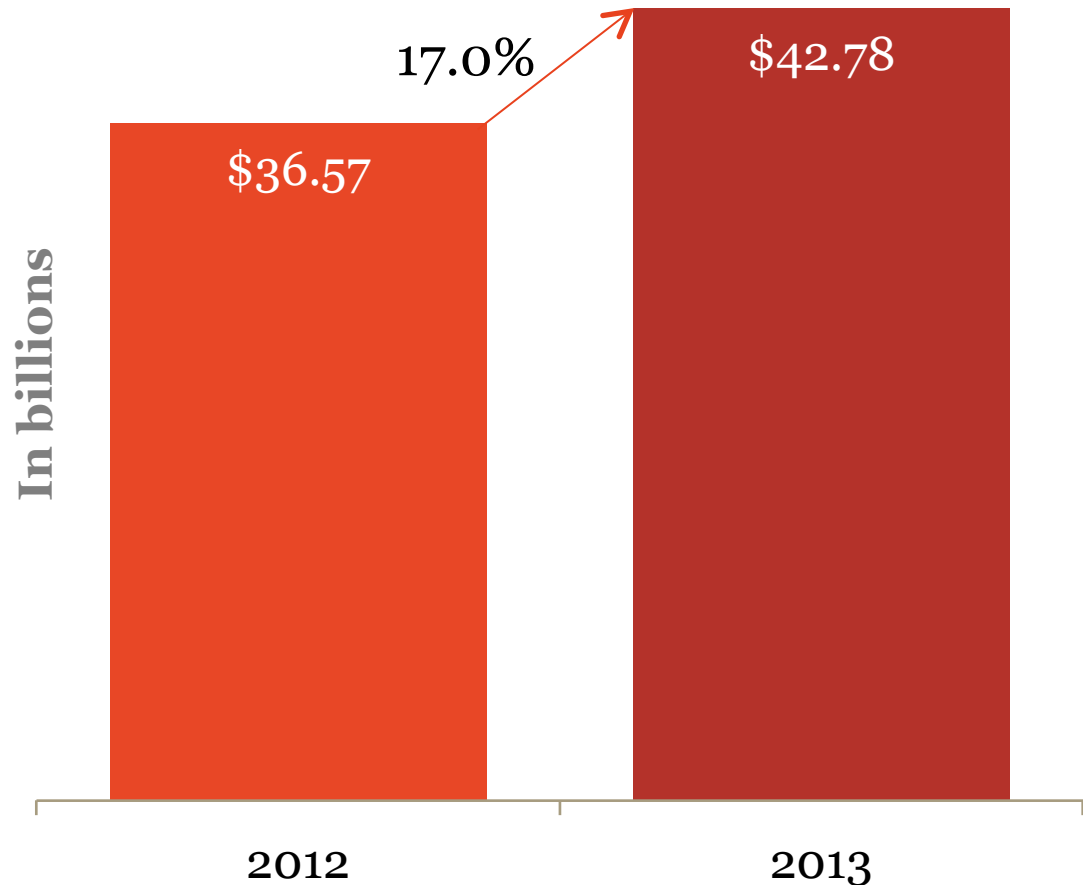
Online advertising revenue increased 17.0% in 2013.



Source: IAB/PwC Internet Advertising Revenue Report, 2013

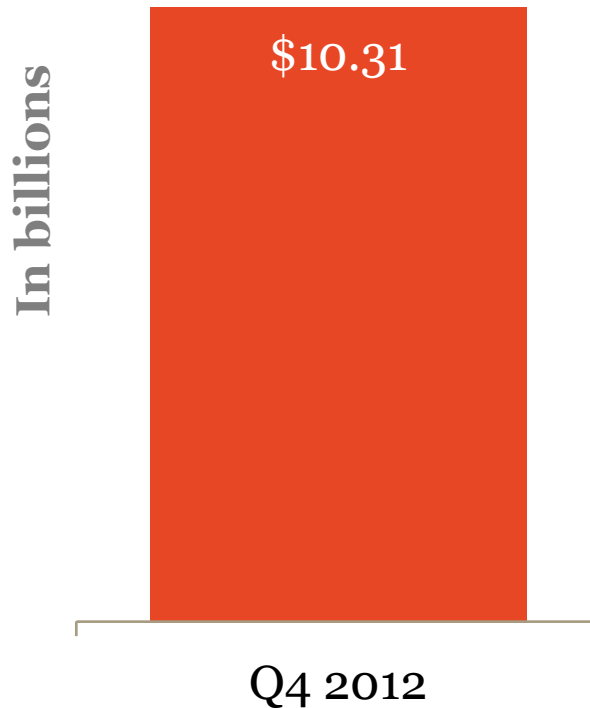
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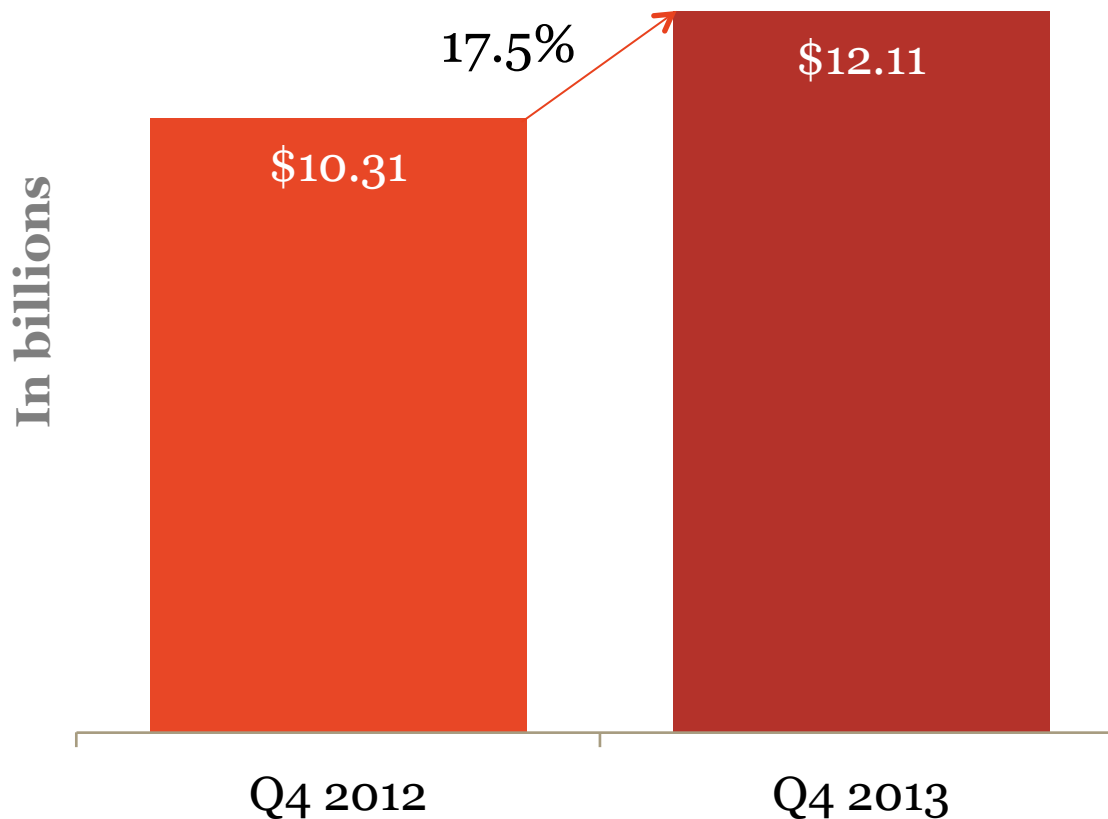
***Fourth quarter revenues totaled
\$12.11 billion in 2013***



***Revenue in Q4
2013 was \$1.8
billion higher
than in Q4 2012.***

Source: IAB/PwC Internet Advertising Revenue Report, 2013

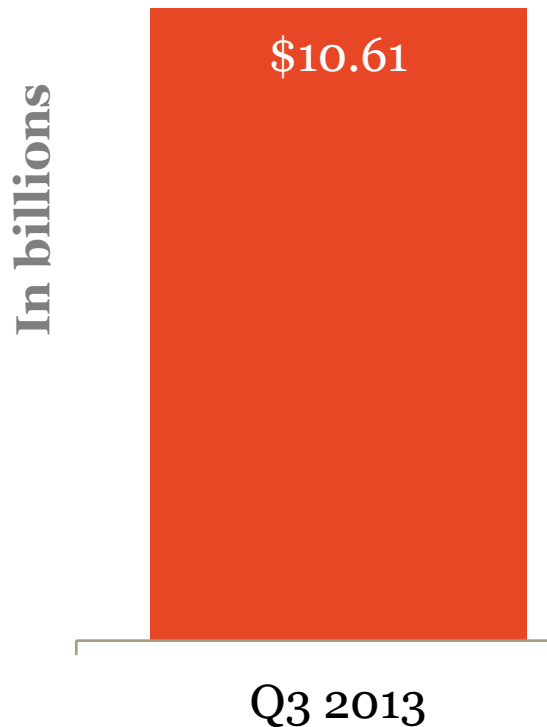
Fourth quarter revenues totaled \$12.11 billion in 2013



Revenue in Q4 2013 was \$1.8 billion higher than in Q4 2012.

Source: IAB/PwC Internet Advertising Revenue Report, 2013

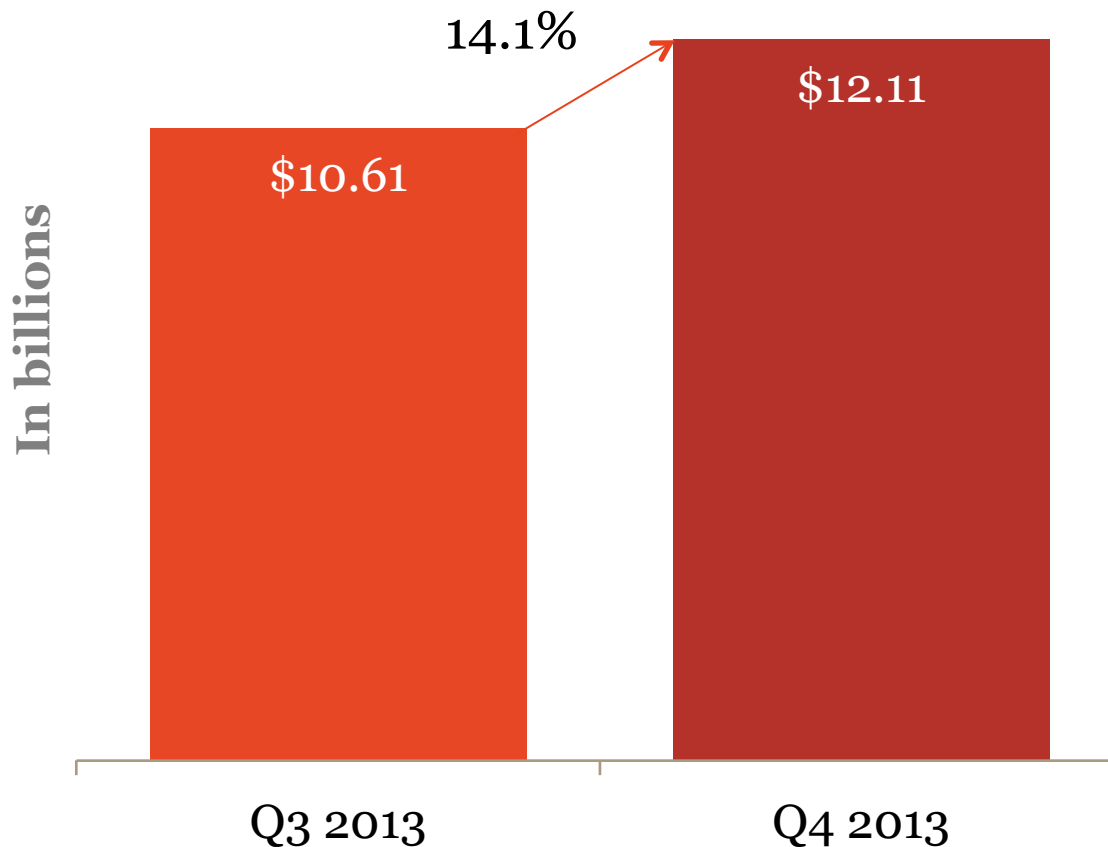
Strong Growth between Q3 2013 and Q4 2013



***Revenue in Q4
2013 was \$1.5
billion higher
than in Q3 2013.***

Source: IAB/PwC Internet Advertising Revenue Report, 2013

Strong Growth between Q3 2013 and Q4 2013

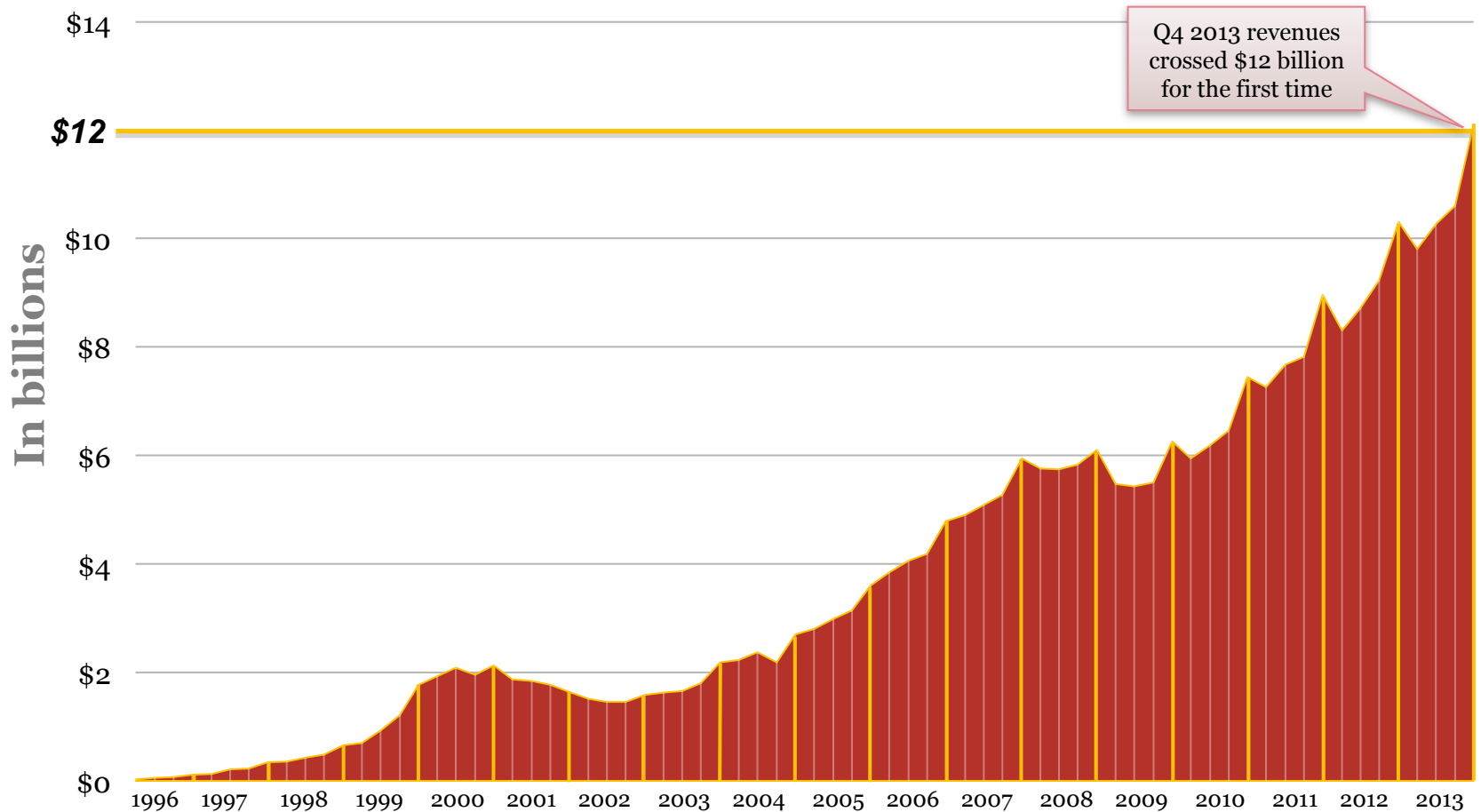


Revenue in Q4 2013 was \$1.5 billion higher than in Q3 2013.

Source: IAB/PwC Internet Advertising Revenue Report, 2013

A historical perspective of internet advertising

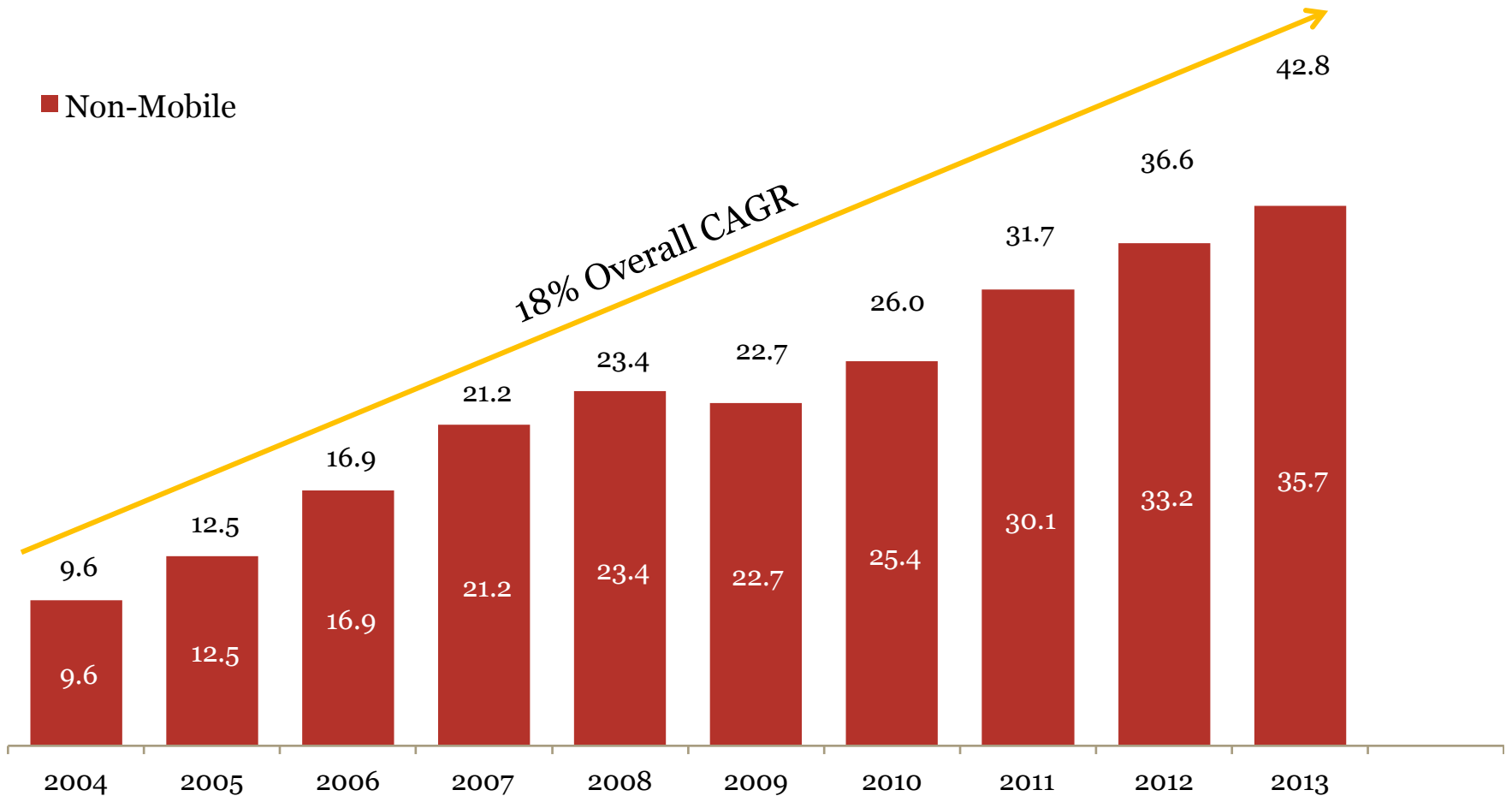
Quarterly growth comparison, 1996–2013



Source: IAB/PwC Internet Advertising Revenue Report, 2013

2013 shows record revenues

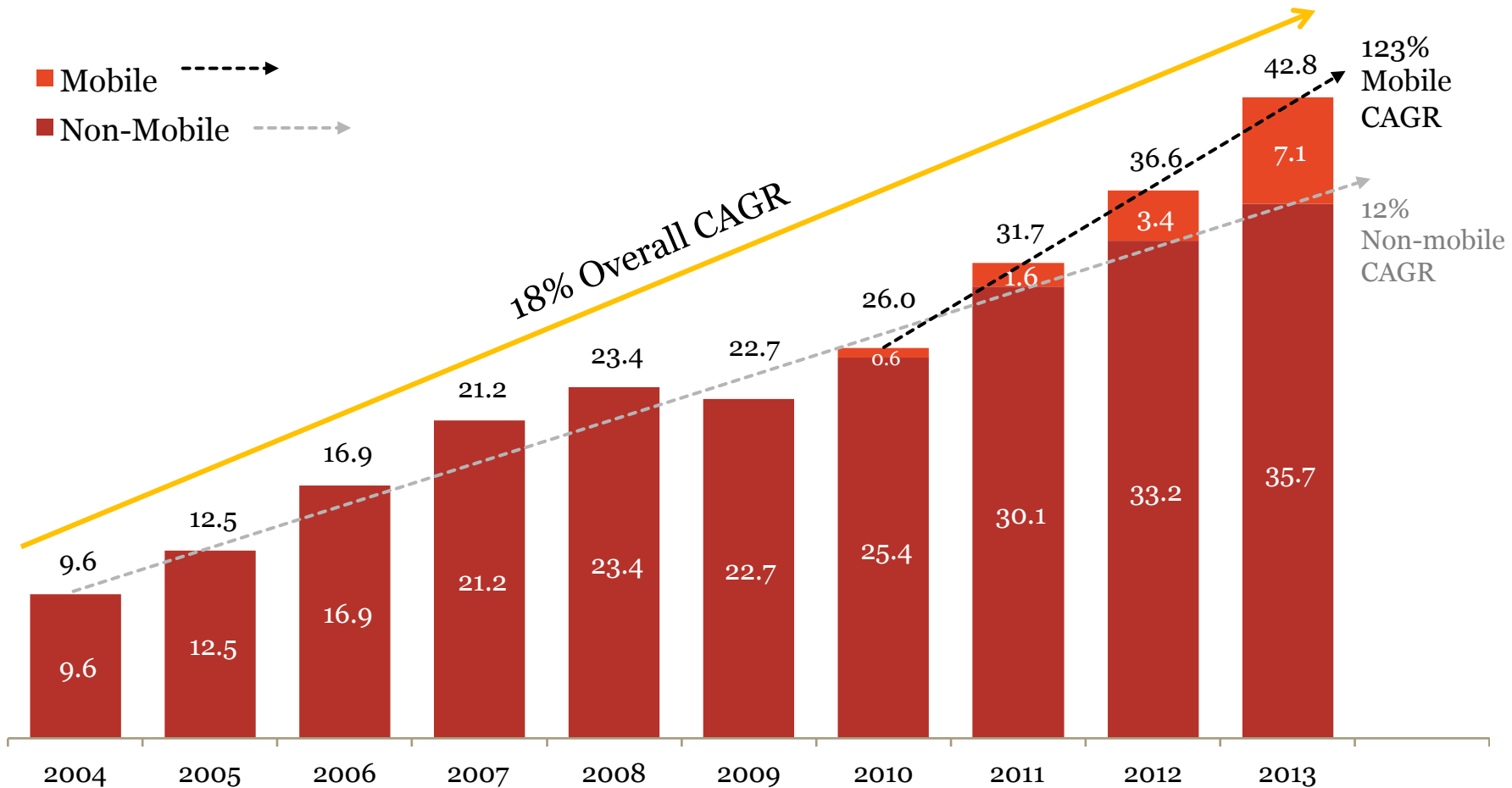
Annual revenue 2004–2013



Source: IAB/PwC Internet Advertising Revenue Report, 2013

2013 shows record revenues

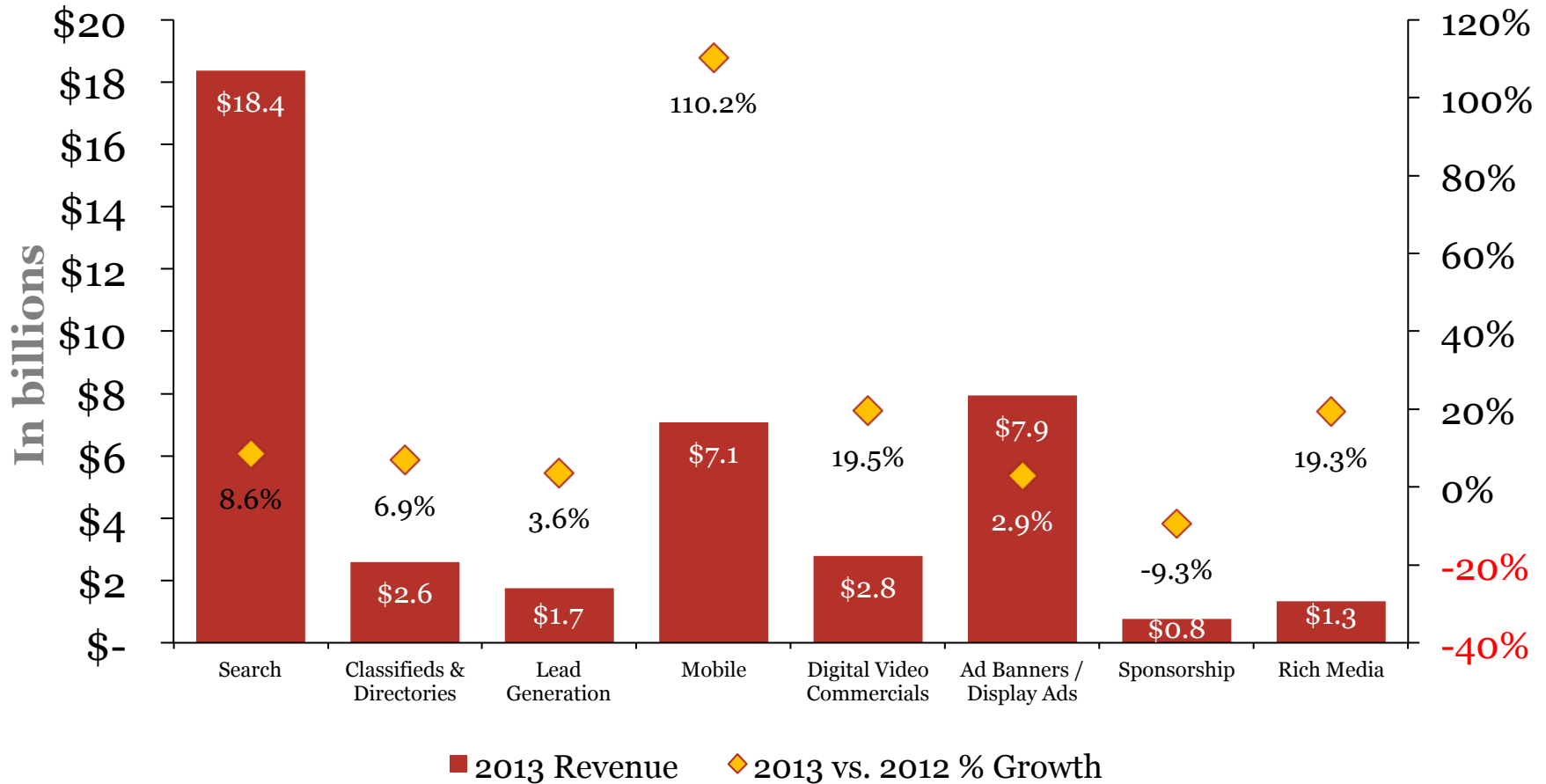
Annual revenue 2004–2013



Source: IAB/PwC Internet Advertising Revenue Report, 2013

Mobile shows the strongest YoY growth

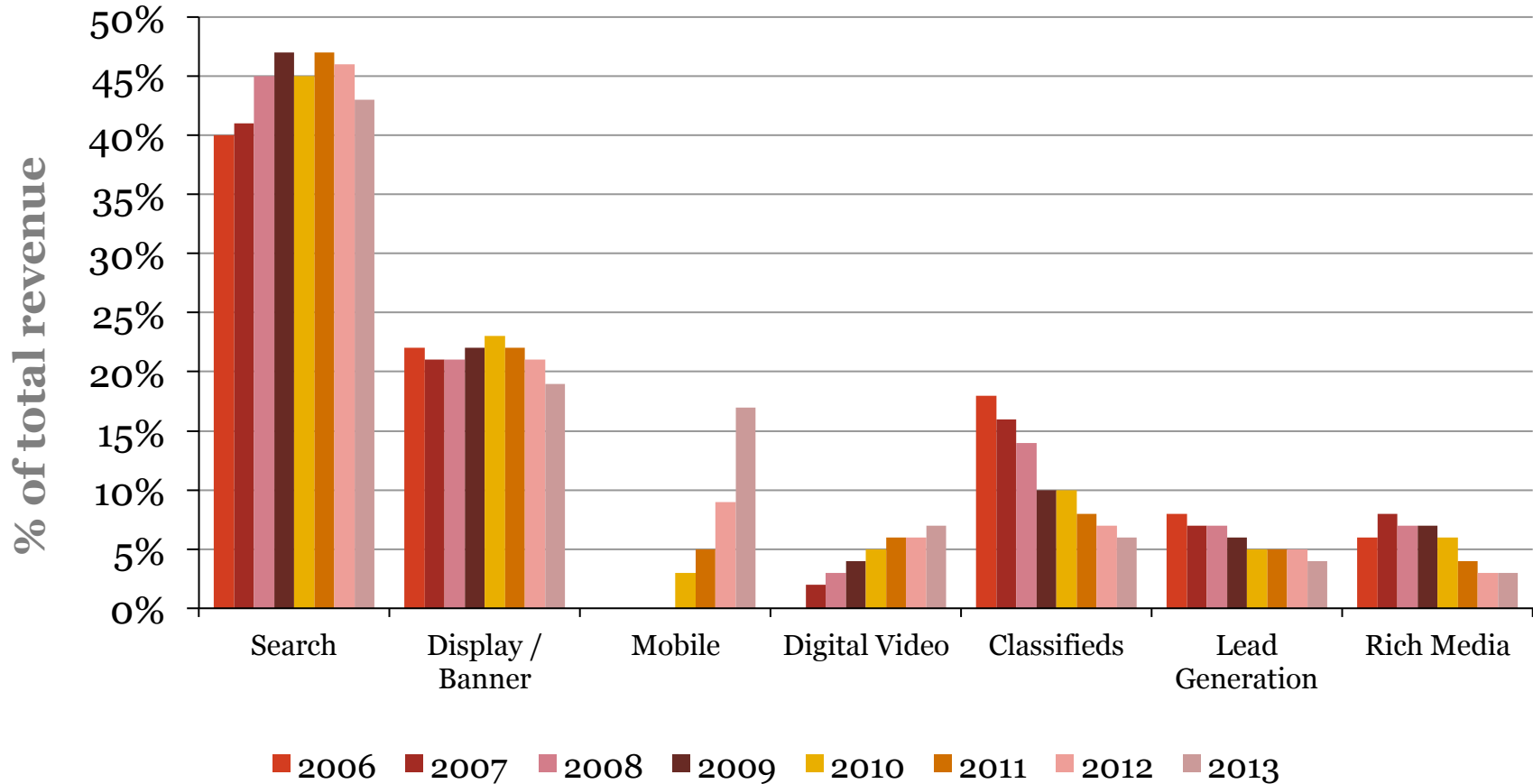
Advertising formats - 2013 results and growth rates



Source: IAB/PwC Internet Advertising Revenue Report, 2013

Historical trends in internet advertising formats

Revenue share by major ad formats, 2006–2013

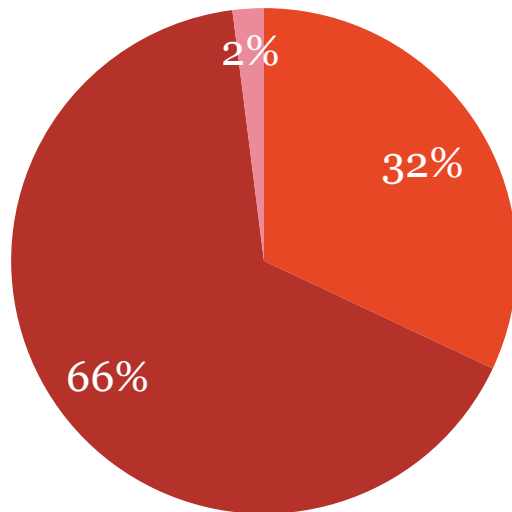


Source: IAB/PwC Internet Advertising Revenue Report, 2013

Impression-based pricing shows slight uptick

Internet ad revenues by pricing model, 2012 vs. 2013

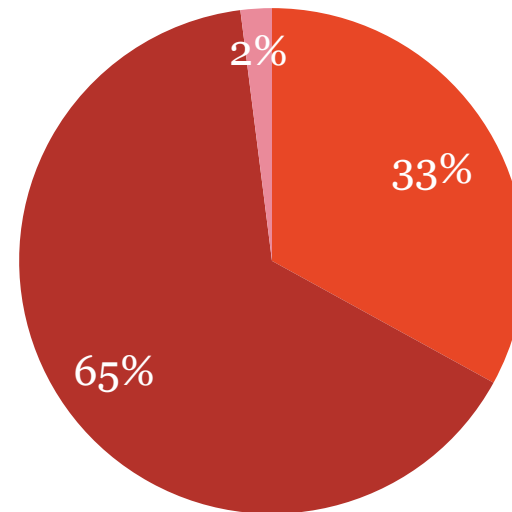
2012



■ Impression-based ■ Performance-based
■ Hybrid

Total – \$36.6 billion

2013



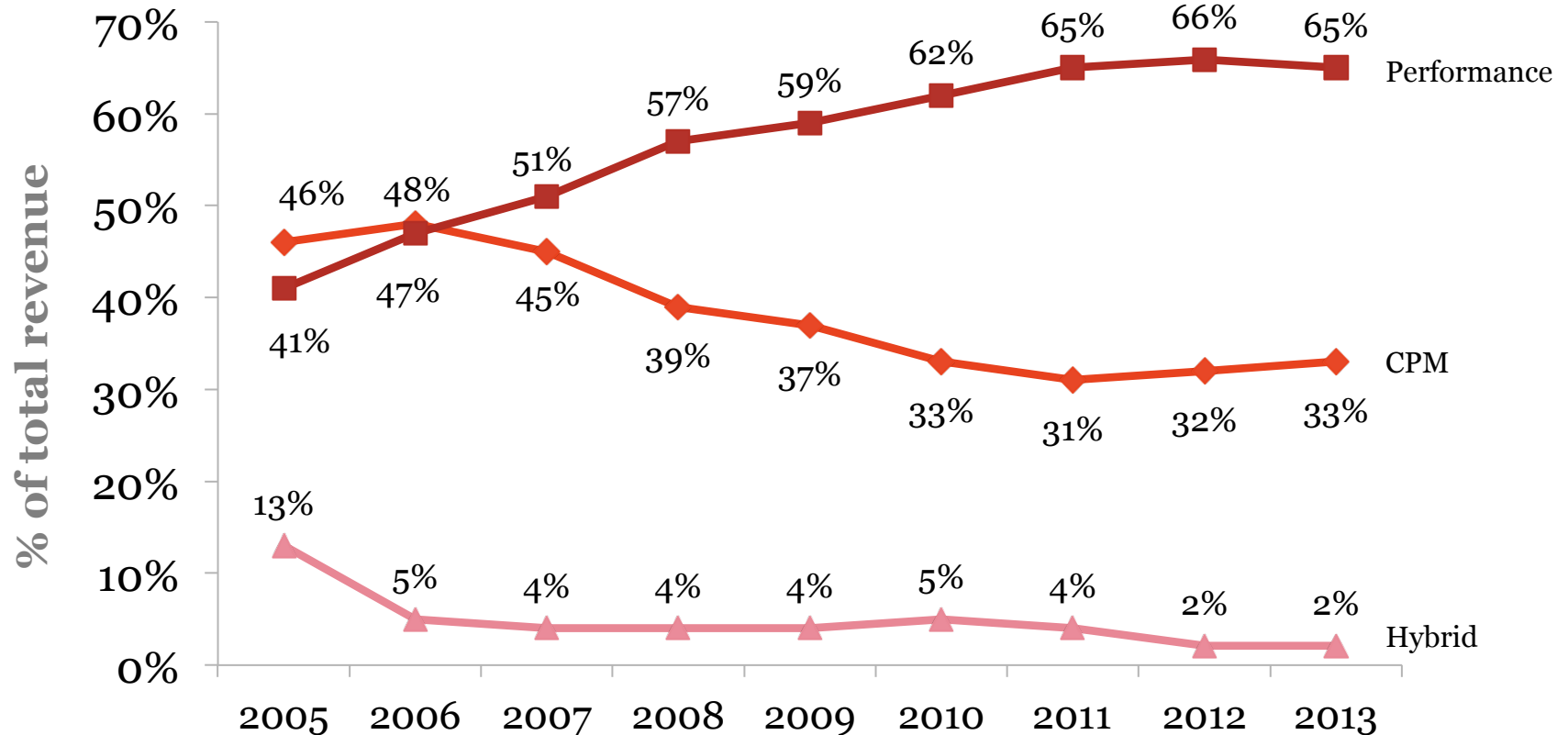
■ Impression-based ■ Performance-based
■ Hybrid

Total – \$42.8 billion

Source: IAB/PwC Internet Advertising Revenue Report, 2013

Historical pricing model trends

Internet ad revenues by pricing model, 2005–2013



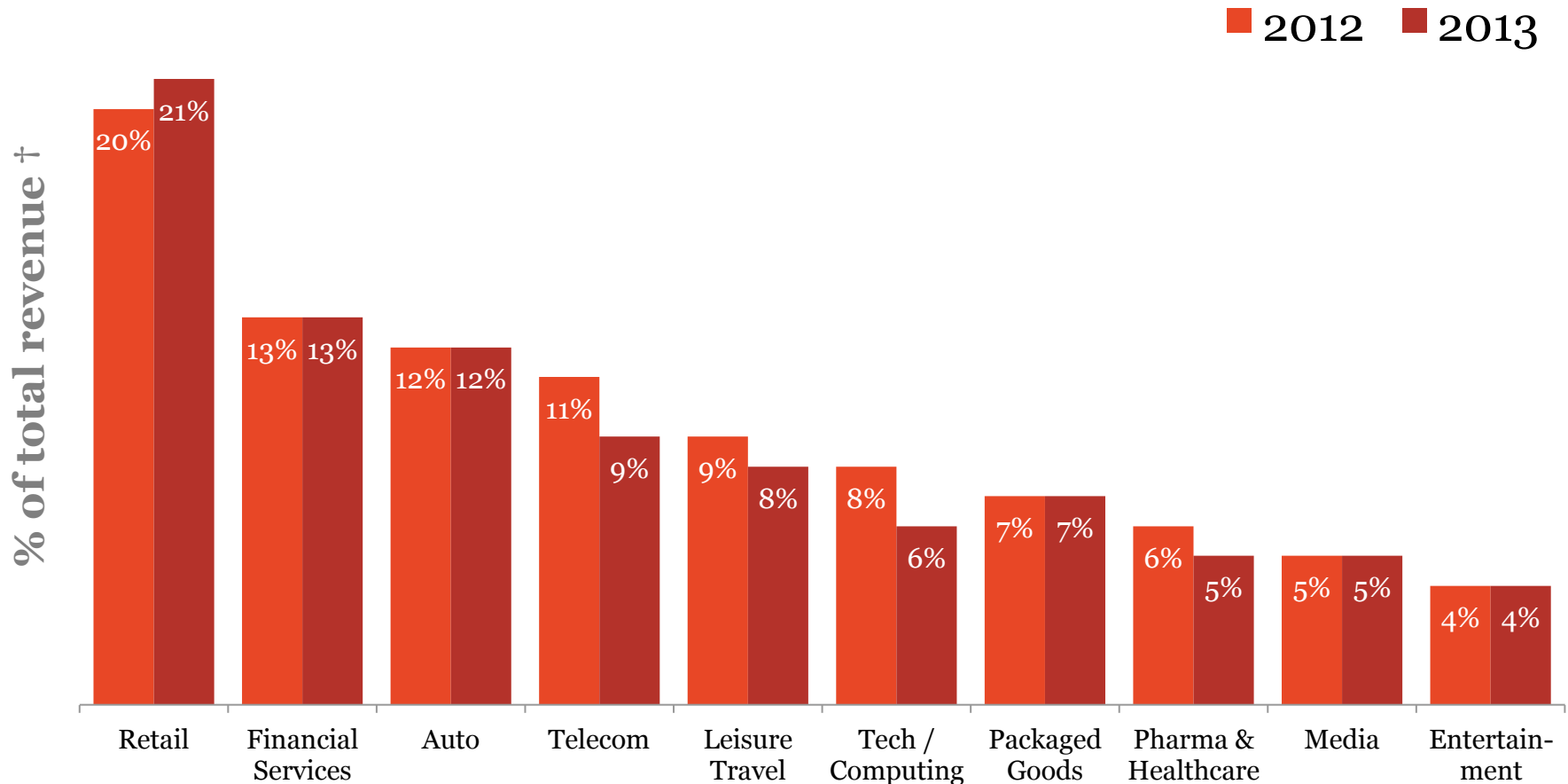
Source: IAB/PwC Internet Advertising Revenue Report, 2013

◆ CPM ■ Performance ▲ Hybrid

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

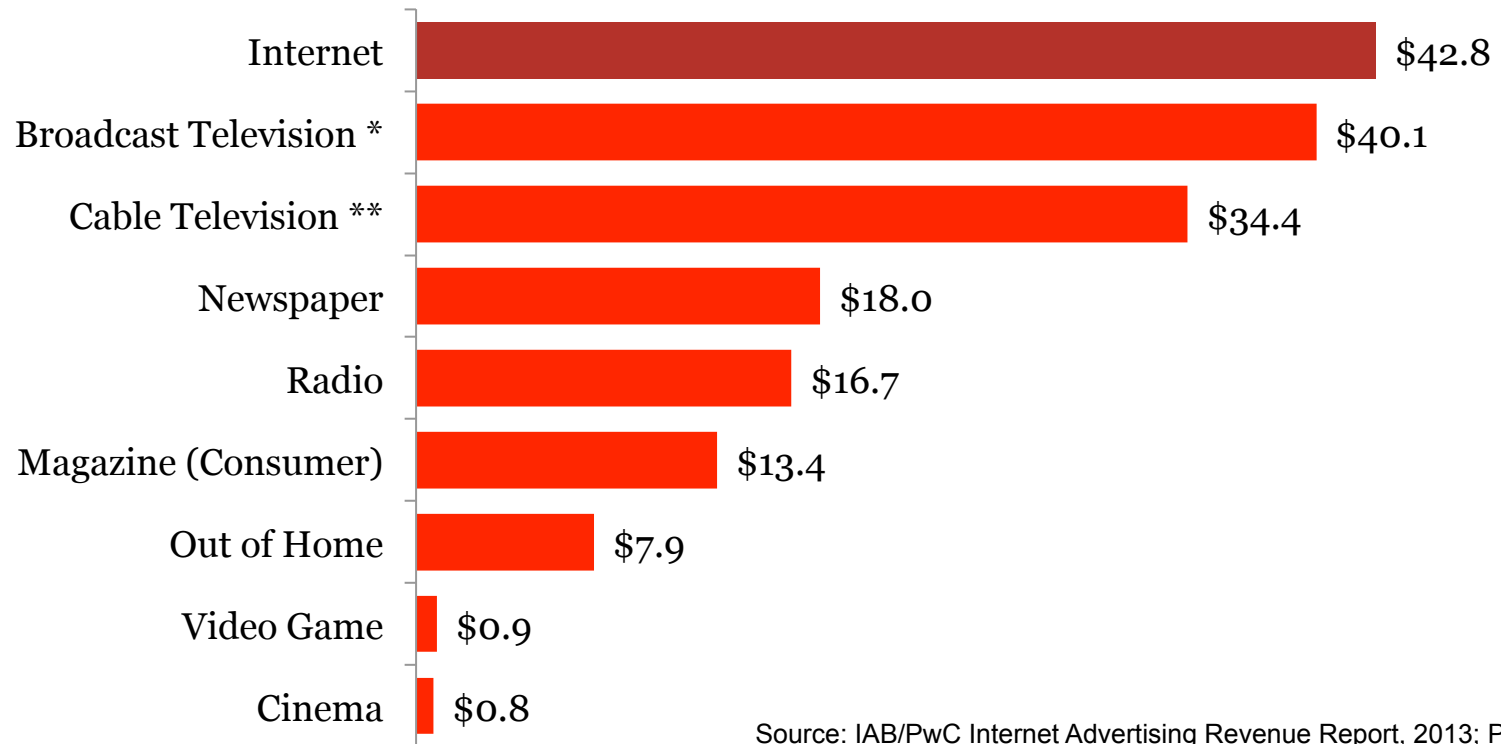
\$36.6 B in 2012 vs. \$42.8 B in 2013



Source: IAB/PwC Internet Advertising Revenue Report, 2013

Advertising market share by media

Advertising spend[†] of key media in 2013 (In billions)



Source: IAB/PwC Internet Advertising Revenue Report, 2013; PwC

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

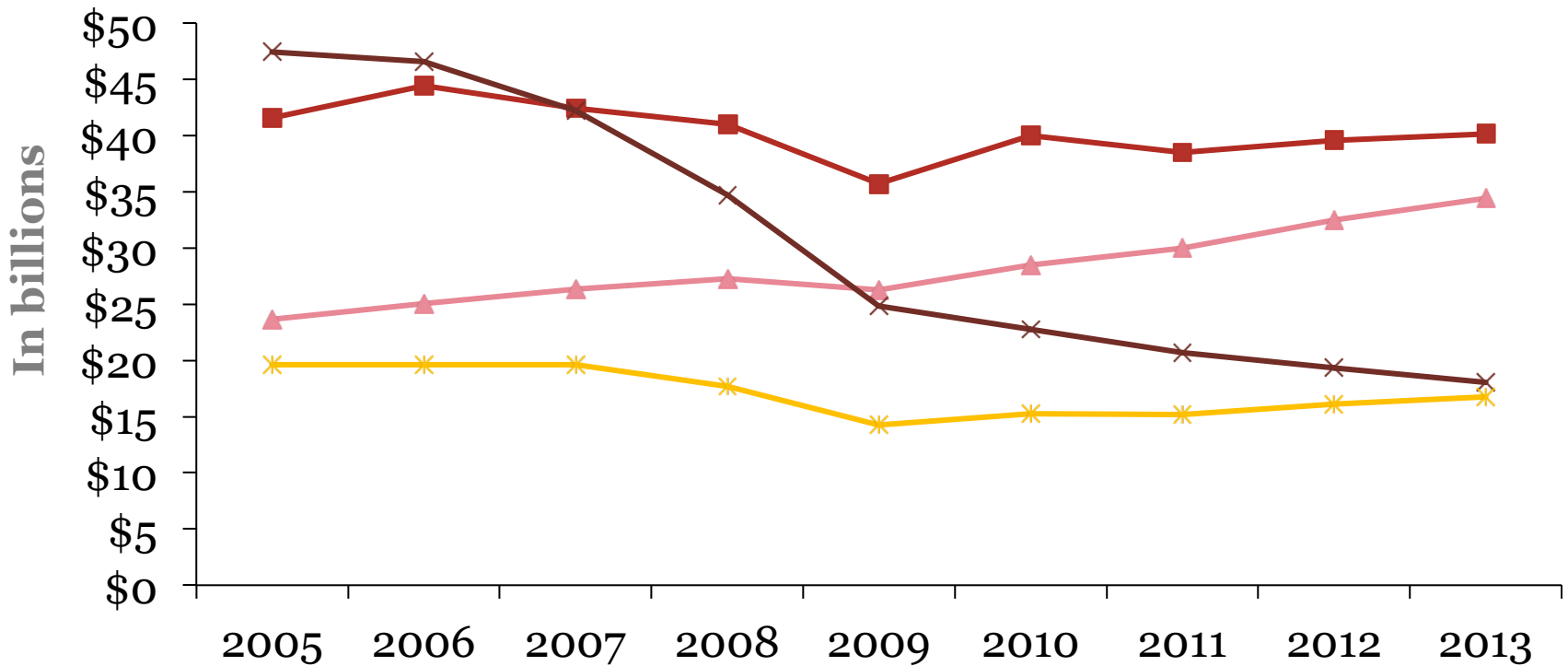
* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

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

Historical advertising market share

Advertising spend of key media from 2005-2013 (In billions)

■ Broadcast Television *
 ▲ Cable Television **
 × Newspaper
 ✱ Radio



Source: IAB/PwC Internet Advertising Revenue Report, 2013; PwC

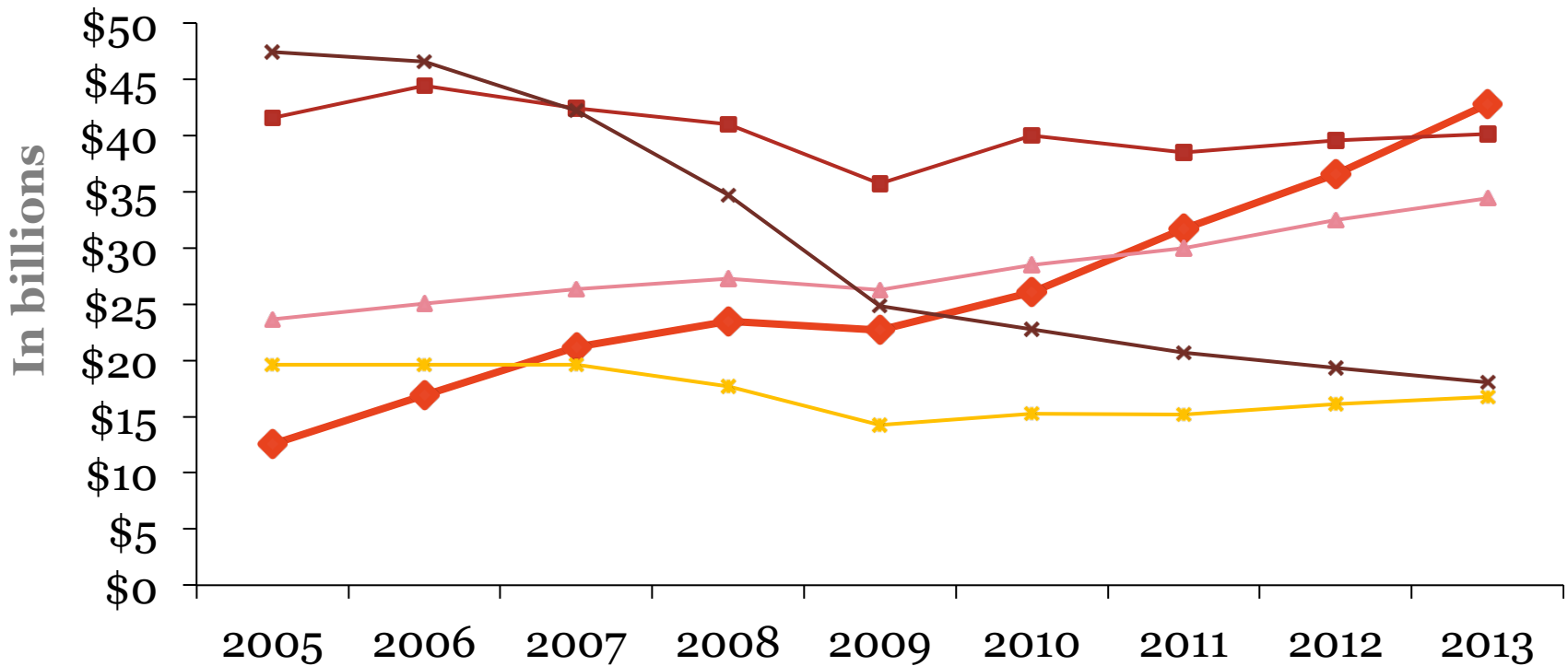
* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

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

Historical advertising market share

Advertising spend of key media from 2005-2013 (In billions)

◆ Internet ■ Broadcast Television * ▲ Cable Television ** ✕ Newspaper * ✱ Radio



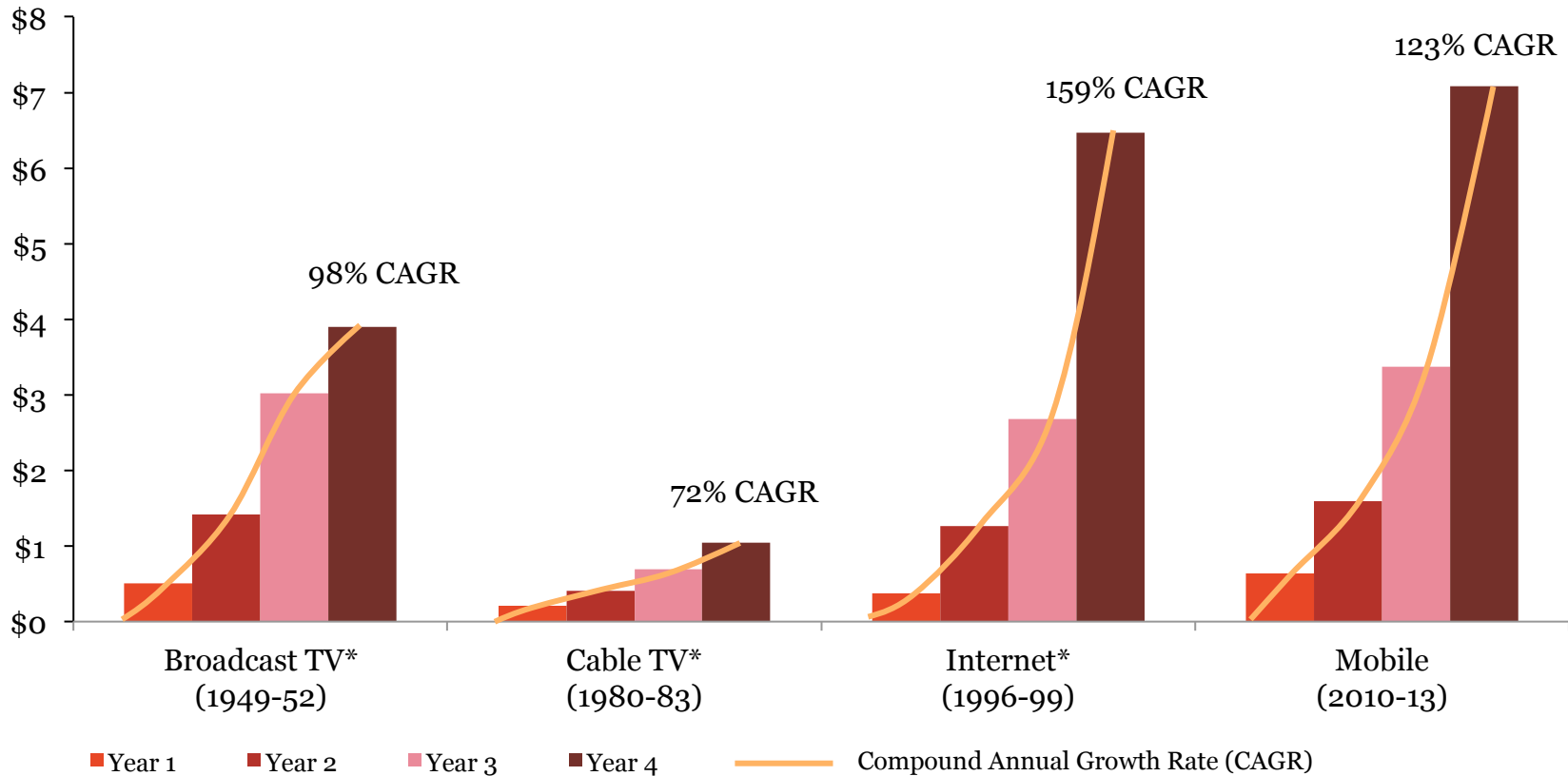
Source: IAB/PwC Internet Advertising Revenue Report, 2013; PwC

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

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

Historical advertising growth of media

Comparative U.S. advertising media annual ad revenue growth for first 4 years (In billions)



Sources: IAB/PwC Internet Advertising Revenue Report, 2013; McCann-Erickson

* Adjusted for Inflation

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

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