Welcome

Half Year and Q2 2015 Digital Ad Revenue Highlights
Sherrill Mane, SVP Research, Analytics & Measurement, IAB

Detailed Analysis of IAB PWC Half Year and Q2 2015 Report
David Silverman, Partner, PriceWaterhouseCoopers

A Look at Digital Spend Drivers
Peter Stabler, Managing Director, Internet/Advertising Equity Research, Wells Fargo Securities LLC

Q & A
Important Note on Q&A

● Journalists and IAB members can ask questions at any time during the presentations. Please type questions into the Chat box on the WebEx user interface.

  ● We will create a queue and answer as many questions as possible following the presentations.

  ● Additional press questions can be directed to Laura Goldberg: Laura.Goldberg@iab.com

  ● Additional questions from IAB members can be directed to Kristina Sruoginis: Kristina@iab.com

● The presentations and report will be available for download after the webinar at: http://www.iab.com/adrevenuereport

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
2015 Half Year and Q2 2015
IAB/PwC Digital Ad Revenue Report
Highlights
Oct. 2015

Sherrill Mane
SVP, Research, Analytics and Measurement, IAB
2015 First Half Year Digital Ad Revenue Highlights

“It’s not what you look at that matters, it’s what you see.”

-- Henry David Thoreau
Half Year 2015 Interactive Advertising Outpaces the Market

- 2015 first half US interactive ad revenues total $27.5 billion, marking the sixth consecutive year of double-digit first half year growth.
  - This represents a 19% (or $4.4 billion) increase from 2014 first half of $23.1 billion

- Stellar revenue picture for digital ad revenue contrasts with small overall ad market declines reported by both Nielsen (-5%) and Kantar(-4%) over same time last year
Half Year 2015 Interactive Advertising Outpaces the Market

Key drivers of revenue growth

- Mobile soars, with 54% uptick to $8.2 billion total, now accounting for 30% of total interactive ad revenue
- Digital video continues double digit growth, up 35% since same time last year for a total of $2.0 billion
- Across measured platforms and formats, the aggregate social advertising revenue now stands at $4.5 billion, up 51% over first half 2014

Some softness in display and sponsorships (-4%), with display at $3.9 billion and sponsorships now at $366 million

Similar patterns prevail for 2nd quarter 2015 internet ad revenue, up 23% over same time in 2014, to a total of $14.3 billion
HY 2015 Year Over Year Revenue Growth

Digital Ad Revenue Growth (HY 2014 vs. HY 2015)

Total Media Ad Revenue Growth (HY 2014 vs. HY 2015)

The Nielsen Company estimates total media revenues decreased 5% over First Half 2015 to $59.1B; Kantar Media estimates a 4% decrease.


IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
First Half Year Revenue Track: Double-Digit Growth For 5 Years

Source: IAB Internet Advertising Revenue Reports, First Half Year 2010-2015
### HY 2015 Ad Revenue Growth: Digital vs. Top Non-Digital Media

**Total Ad Revenue HY 2014 vs. HY 2015 ($Billions)**

<table>
<thead>
<tr>
<th>Media</th>
<th>2014</th>
<th>2015</th>
<th>Percent YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>$7.6</td>
<td>$27.5</td>
<td>+19%</td>
</tr>
<tr>
<td>Cable TV</td>
<td>$12.7</td>
<td>$13.0</td>
<td>-7%</td>
</tr>
<tr>
<td>Network TV</td>
<td>$5.9</td>
<td>$5.9</td>
<td>-3%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$4.9</td>
<td>$4.9</td>
<td>-16%</td>
</tr>
<tr>
<td>Radio</td>
<td>$2.9</td>
<td>$2.8</td>
<td>1%</td>
</tr>
<tr>
<td>Magazine</td>
<td>$7.6</td>
<td>$7.3</td>
<td>-4%</td>
</tr>
</tbody>
</table>

**Percent YoY Change**

- Internet: +19%
- Cable TV: -7%
- Network TV: -3%
- Newspaper: -16%
- Radio: 1%
- Magazine: -4%

### Notes:
- The total U.S. advertising market includes other segments not charted here.
- Broadcast Television includes Network and Syndicated and Spot television advertising revenue.
- Cable Television includes National Cable Networks and Local Cable television advertising revenue.

**Source:**
- Nielsen HY 2015 Oct. 2015
- PWC IAB First Half Year and Q2 2015 Internet Advertising Revenue Report, Oct. 2015

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**IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report**
Mobile Advertising Revenue Track Shows Explosive Growth

US Mobile Ad Revenue ($ Billions)  
First Half Year, Full Year and % YoY Growth

<table>
<thead>
<tr>
<th></th>
<th>FY '10</th>
<th>FY'11</th>
<th>FY'12</th>
<th>FY '13</th>
<th>FY '14</th>
<th>HY '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Half Year</td>
<td>$0.6</td>
<td>$1.0</td>
<td>$2.1</td>
<td>$3.0</td>
<td>$5.3</td>
<td>$8.2</td>
</tr>
<tr>
<td>2nd Half Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth:
- FY: 149%
- 1HY: 145%
- FY: 95%
- 1HY: 95%
- FY: 111%
- 1HY: 110%
- FY: 76%
- 1HY: 75%
- FY: 76%
- 1HY: 54%

*Full year totals accurately reflect the sum of half year totals as rounded to two decimal places.

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015
IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
Digital Video Advertising on a Growth Trajectory, FY Year Revenue More than Tripled Since 2010

US Video Ad Revenue ($ Billions)
First Half Year, Full Year and % YoY Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Half Year</th>
<th>2nd Half Year</th>
<th>Full Year</th>
<th>% YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY '10</td>
<td>$0.8B</td>
<td>$0.6B</td>
<td>$1.4B</td>
<td>47%</td>
</tr>
<tr>
<td>FY '11</td>
<td>$0.9B</td>
<td>$0.9B</td>
<td>$1.8B</td>
<td>29%</td>
</tr>
<tr>
<td>FY '12</td>
<td>$1.0B</td>
<td>$1.3B</td>
<td>$2.3B</td>
<td>18%</td>
</tr>
<tr>
<td>FY '13</td>
<td>$1.3B</td>
<td>$1.5B</td>
<td>$2.8B</td>
<td>24%</td>
</tr>
<tr>
<td>FY '14</td>
<td>$1.5B</td>
<td>$1.8B</td>
<td>$3.3B</td>
<td>13%</td>
</tr>
<tr>
<td>HY '15</td>
<td>$2.0B</td>
<td>$2.0B</td>
<td>$4.0B</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
Social Media Advertising Revenue Grows Over 50% Every Half Year Measured

### US Social Media Ad Revenue ($ Billions)
**First Half Year, Full Year and % YoY Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Half Year</th>
<th>2nd Half Year</th>
<th>Total Year</th>
<th>Growth 1HY</th>
<th>Growth FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'12</td>
<td>$1.2</td>
<td>$1.7</td>
<td>$2.9</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>FY '13</td>
<td>$1.9</td>
<td>$2.6</td>
<td>$4.5</td>
<td>58%</td>
<td>57%</td>
</tr>
<tr>
<td>FY '14</td>
<td>$2.9</td>
<td>$4.1</td>
<td>$7.0</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td>HY '15</td>
<td>$4.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
According to Nielsen, total media revenues decreased 4% from Q2 2014 to Q2 2015 to $29.7B.

Kantar Media estimates a 4% decrease to $38.0B.
Q2 2015 Ad Revenue Growth
Digital vs. Top Non-Digital Media

Total Ad Revenue Q2 ‘14 vs. Q2 ‘15 ($Billions)

- Internet:
  - Q2 ‘15: $14.3
  - Q2 ‘14: $11.7
  - Percent YoY Change: 23%

- Network TV:
  - Q2 ‘15: $13.0
  - Q2 ‘14: $13.0
  - Percent YoY Change: 0%

- Cable TV:
  - Q2 ‘15: $6.5
  - Q2 ‘14: $7.0
  - Percent YoY Change: -8%

- Newspaper:
  - Q2 ‘15: $2.5
  - Q2 ‘14: $3.0
  - Percent YoY Change: -17%

- Radio:
  - Q2 ‘15: $1.5
  - Q2 ‘14: $1.5
  - Percent YoY Change: 1%

- Magazine:
  - Q2 ‘15: $4.0
  - Q2 ‘14: $4.2
  - Percent YoY Change: -4%

Source: PWC IAB Full Year and Q2 2015 Internet Advertising Revenue Report, Oct. 2015

†The total U.S. advertising market includes other segments not charted here.
*Broadcast Television includes Network and Syndicated and Spot television advertising revenue.
**Cable Television includes National Cable Networks and Local Cable television advertising revenue.

IAB 2015 Half Year and Q2 2015 Internet Advertising Revenue Report
WebCosts Display Composite Fifty
Average CPM, Half Year 2015 - Fifty Same-Site Comparative Report

2013 Average CPM: $11.61
2014 Average CPM: $11.35
2015 Average CPM: 6 months: $11.67
Key Takeaways

Brand spend continues to rise:
• CPMs up
• Digital video continues to grown significantly (+35%)
• Revenue associated with impression based advertising up 13% and holding a one third share as it has for some time now
• Hybrid (impression and performance based) advertising up 89% over same time last year
• $4.3 billion of mobile revenue, more than half of its total, is coming from display and video

Dollars moving from other media into digital, all forms of digital
• Revenue growth way ahead of the overall market continues, unabated
• Mobile likely garnering incremental spend from other media, digital media and “experimental” budgets

Positive effects of improved measurement, viewable inventory and combatting fraud becoming noticeable
• Rising CPMs likely offset inventory supply changes due to implementation of viewability, especially for display

*Note: Display-related ad formats are defined as: banner ads, digital video commercials, rich media, and sponsorships.
2015 Half Year and Q2 2015

IAB/PwC Internet Ad Revenue Report
Detailed Findings

Oct. 2015

David Silverman
Partner, PriceWaterhouseCoopers
IAB internet advertising revenue report
2015 first six-months results
Agenda

Survey methodology
2015 first six-months results
First six-months and quarterly trends
Advertising formats
Social media
Pricing models
Industry category spending
About PwC
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 websites, 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.
- Acquires supplemental data 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.
Half year revenues totaled $23.1 billion in HY 2015 compared to $27.5 billion in HY 2014.

Source: IAB Internet Advertising Revenue Report, HY 2015
Half year revenues totaled $27.5 billion in 2015.

Online advertising revenue increased 19.0% in HY 2015.

Source: IAB Internet Advertising Revenue Report, HY 2015
2015 second quarter revenues totaled $11.7 billion.

Source: IAB Internet Advertising Revenue Report, HY 2015
2015 second quarter revenues totaled $14.30 billion.

Revenue in Q2 2015 was 22.5% higher than in Q2 2014.

Source: IAB Internet Advertising Revenue Report, HY 2015
Strong Growth between Q1 2015 and Q2 2015

In billions

Q1 2015

Source: IAB Internet Advertising Revenue Report, HY 2015
Strong Growth between Q1 2015 and Q2 2015

Revenue in Q2 2015 was $1.1 billion higher than in Q1 2015.

Q1 2015: $13.2 billion
Q2 2015: $14.3 billion

Source: IAB Internet Advertising Revenue Report, HY 2015
Since 2010, a strong seasonal trend has emerged for internet advertising revenues
Quarterly growth comparison, 1996–HY 2015

Q2 2015 revenues were the highest on record at, $14.3 billion

Source: IAB Internet Advertising Revenue Report, HY 2015
First six-months 2015 shows record revenues
Historical revenue mix, first half vs. second half

Source: IAB Internet Advertising Revenue Report, HY 2015

* CAGR: Compound Annual Growth Rate
**Mobile shows the strongest growth**
Advertising formats – HY 2015 results and growth rates

In billions

- **Search**: $10.1 billion (11% growth)
- **Classifieds & Directories**: $1.5 billion (14% growth)
- **Lead Generation**: $0.9 billion (2% growth)
- **Mobile**: $8.2 billion (54% growth)
- **Digital Video Commercials**: $2.0 billion (35% growth)
- **Banners Ads**: $3.8 billion (-4% growth)
- **Sponsorship**: $0.4 billion (-4% growth)
- **Rich Media**: $0.7 billion (-1% growth)

Source: IAB Internet Advertising Revenue Report, HY 2015

October 2015
Historical trends in internet advertising formats
Revenue share by major ad formats, 2006–HY 2015

Source: IAB Internet Advertising Revenue Report, HY 2015
Mobile represents a significant percentage of advertising formats

For the half year in 2015, Mobile revenue totaled $8.2 billion

Source: IAB Internet Advertising Revenue Report, HY 2015
**Historical Mobile format trends**

Mobile format ad revenue by category, 2003–HY 2015

![Graph showing mobile format ad revenue trends]

- **Search**
  - 1H 2013: 2%
  - 2H 2013: 2%
  - 1H 2014: 2%
  - 2H 2014: 5%
  - 1H 2015: 4%

- **Display**
  - 1H 2013: 46%
  - 2H 2013: 46%
  - 1H 2014: 47%
  - 2H 2014: 45%
  - 1H 2015: 44%

- **Other**
  - 1H 2013: 52%
  - 2H 2013: 52%
  - 1H 2014: 51%
  - 2H 2014: 50%
  - 1H 2015: 52%

Source: IAB Internet Advertising Revenue Report, HY 2015
Distributing Mobile across formats demonstrates its importance to Search and Display

Formats – HY 2015
(Mobile separated)

- Search: 37%
- Display: 30%
- Other: 25%
- Mobile: 8%

Source: IAB Internet Advertising Revenue Report, HY 2015
Distributing Mobile across formats demonstrates its importance to Search and Display

Formats – HY 2015
(Mobile separated)

- Search: 37%
- Display: 25%
- Other: 8%
- Mobile: 30%

Formats – HY 2015
(Mobile included)

- Search: 40%
- Display: 50%
- Other: 10%

Source: IAB Internet Advertising Revenue Report, HY 2015
Social media demonstrates continued growth
Social media ad revenues, 2012 – HY 2014

* CAGR: Compound Annual Growth Rate
Source: IAB Internet Advertising Revenue Report, HY 2015
**Pricing models**
Internet ad revenues by pricing model, HY 2014 vs. HY 2015

**HY 2014**
- Impression-based: 65%
- Performance-based: 34%
- Hybrid: 1%

**Total** – $23.1 billion

**HY 2015**
- Impression-based: 66%
- Performance-based: 32%
- Hybrid: 2%

**Total** – $27.5 billion

Source: IAB Internet Advertising Revenue Report, HY 2015
Historical pricing model trends
Internet ad revenues by pricing model, 2005–HY 2015

Note: Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by respondents.
Source: IAB Internet Advertising Revenue Report, HY 2015

Source: IAB Internet Advertising Revenue Report, HY 2015
Internet ad revenues by major industry category
$23.1 B in HY 2014 vs. $27.5 in HY 2015

† Amounts do not total to 100% as minor categories are not displayed.
Source: IAB Internet Advertising Revenue Report, HY 2015
Technology and Entertainment, Media, and Communications practices

Contacts

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FOLLOW-UP QUESTIONS:

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Reports (from 1996 to present) can be found at: http://www.iab.net/adrevenuereport