2015 Full Year and Q4 2015

IAB/PwC Digital Ad Revenue Report

Highlights

Apr. 2016

Sherrill Mane
SVP, Research, Analytics and Measurement, IAB
“To improve is to change; to be perfect is to change often.”

-- Winston Churchill
1996 – 2016: 20 Years of IAB Internet Ad Revenue Reporting

Happy 20th Birthday!!!
2015 US interactive ad revenue totals $59.6 billion
This represents an increase of 20.4% over last year and equals $10.1 billion
Stellar annual revenue picture for digital advertising contrasts with small overall ad market declines reported by Nielsen (-5 %)

Key drivers of revenue growth:
- Mobile exceeds $20 ($20.7) billion, up 66% and now accounting for 35% of total interactive ad revenue
- Digital video continues double digit growth, up 30% since last year for a total of $4.2 billion, an increase of nearly $1 billion
- Across measured platforms and formats, aggregate social media advertising revenue closed the year at $10.9 billion, up 55% from 2014
Full Year 2015 Interactive Advertising Outpaces the Market

- Softness in (desktop) display, sponsorships and rich media: Display/Banners now at $7.7 billion (-4%), and sponsorships at $649 million, rich media at $1.3 billion
- Migration to mobile is further supported by 80% growth in all mobile display related advertising including mobile video, banners, etc., closing the year at $11 billion
- Similar patterns prevail for 4th quarter 2015 internet ad revenue, up 23% overall from same time in 2014, to a total of $17.4 billion
The Nielsen Company estimates total media revenues decreased 5% over 2015 to $119.8B.
**Mobile Advertising Revenue Growth Continues**

**US Mobile Ad Revenue ($ Billions)**

*First Half Year, Full Year and % YoY Growth*

- FY '10
- FY '11
- FY '12
- FY '13
- FY '14
- FY '15

**Growth**

- 1HY: 145%  FY: 110%
- 1HY: 130%  FY: 111%
- 1HY: 95%  FY: 110%
- 1HY: 75%  FY: 76%
- 1HY: 54%  FY: 66%

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

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

*IAB 2015 Full Year and Q4 2015 Internet Advertising Revenue Report*
Digital Video Advertising on a Growth Trajectory, FH Year Revenue More than Tripled Since 2010

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

<table>
<thead>
<tr>
<th></th>
<th>1st Half Year</th>
<th>2nd Half Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY '10</td>
<td>$0.8B</td>
<td>$0.6B</td>
</tr>
<tr>
<td>FY '11</td>
<td>$0.9B</td>
<td>$0.9B</td>
</tr>
<tr>
<td>FY '12</td>
<td>$1.0B</td>
<td>$1.3B</td>
</tr>
<tr>
<td>FY '13</td>
<td>$1.3B</td>
<td>$1.5B</td>
</tr>
<tr>
<td>FY '14</td>
<td>$1.5B</td>
<td>$1.8B</td>
</tr>
<tr>
<td>HY '15</td>
<td>$2.0B</td>
<td>$2.2B</td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2010-2015
*IAB 2015 Full Year and Q4 2015 Internet Advertising Revenue Report*
Social Media Advertising Revenue Grows Over 50% Every Year Measured

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

<table>
<thead>
<tr>
<th></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>$1.2</td>
<td>$1.7</td>
<td>$2.6</td>
<td>$4.1</td>
</tr>
<tr>
<td>2nd Half Year</td>
<td>$1.7</td>
<td>$2.6</td>
<td>$4.5</td>
<td>$6.4</td>
</tr>
</tbody>
</table>

Source: IAB Internet Advertising Revenue Reports, Full and Half Year 2012-2015
IAB 2015 Full Year and Q4 2015 Internet Advertising Revenue Report
According to Nielsen, total media revenues decreased 3% from Q4 2014 to Q4 2015 to 33.9B.
## Q4 2015 Ad Revenue Growth Digital vs. Top Non-Digital Media

### Total Ad Revenue Q4 ‘14 vs. Q4 ‘15 ($Billions)

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Q4 ’14</th>
<th>Q4 ’15</th>
<th>Percent YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>$11.7</td>
<td>$14.3</td>
<td>23%</td>
</tr>
<tr>
<td>Broadcast TV</td>
<td>$15.2</td>
<td>$15.5</td>
<td>2%</td>
</tr>
<tr>
<td>Cable TV</td>
<td>$6.8</td>
<td>$6.4</td>
<td>-6%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$3.0</td>
<td>$2.7</td>
<td>-13%</td>
</tr>
<tr>
<td>Radio</td>
<td>$1.5</td>
<td>$1.6</td>
<td>6%</td>
</tr>
<tr>
<td>Magazine</td>
<td>$4.5</td>
<td>$4.4</td>
<td>-3%</td>
</tr>
</tbody>
</table>

### Percent YoY Change

- Internet: 23%
- Broadcast TV: 2%
- Cable TV: -6%
- Newspaper: -13%
- Radio: 6%
- Magazine: -3%

### Source
- PwC IAB First Half Year and Q4 2015 Internet Advertising Revenue Report, Apr. 2016

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 Full Year and Q4 2015 Internet Advertising Revenue Report
Display: Eight Category Avg. CPM Trend
Weighted Average - CPM of All buys Placed Within the Quarter - Dec. 2015

WebCosts Eight Category Average CPM
Q1 2013 – Q4 2015

- Finance / Insurance / Investment
- Automotive
- Family & Lifestyles
- Home and Fashion
- Entertainment
- News & Information
- Corporate Information
- Search Engines / Portals & Communities

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WebCosts Display Composite Fifty
Average CPM, Full Year 2015 - Fifty Same-Site Comparative Report

WebCosts Display Composite Fifty
Average CPM, 2013 Through 2015

2015 Q4 Average CPM Compared to 2014 Year
Average CPM

2013 Average CPM: $11.61
2014 Average CPM: $11.35
2015 Average CPM Full Year: $12.09

2013 2014 2015
Display and In-Stream Video Quarterly CPM Comparison
WebCosts Database, All sites / All Categories

Display and In-Stream Video Quarterly CPM Comparison
All sites / All Categories
WebCosts Database

SQAD WebCosts Copyright(c) 2009-2016 SQAD LLC - All Rights Reserved.
Key Takeaways

**Brand spend continues to rise:**
- CPMs up
- Digital video continues to grown significantly (+30%)
- Revenue associated with impression based advertising up 21% and holding a one third share as it has for some time now
- $11 billion of mobile revenue, nearly half of its total, is coming from display-related mobile formats including video

**Dollars moving from other media into digital, all forms of digital**
- Unabated growth in a flat top media market
- Mobile likely garnering incremental spend from other media, digital media and through “experimental” budgets

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

IAB 2015 Full Year and Q4 2015 Internet Advertising Revenue Report
Key Takeaways

- Positive effects of improved measurement, viewable inventory and combatting fraud becoming noticeable
  - Rising CPMs along with demand likely offset inventory supply changes

- Programmatic buying contributing to new supply demand relationships

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Apr. 2016

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THANK YOU

FOLLOW-UP QUESTIONS:

Additional questions from IAB members can be directed to Kristina Sruoginis:
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Additional press questions can be directed to Laura Goldberg:
Laura.Goldberg@IAB.com

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