Welcome
Kristina Sruoginis, Research Director, IAB

Full Year 2016 and Q4 2016 Digital Ad Revenue Highlights
David Doty, EVP and CMO, IAB
Kristina Sruoginis, Research Director, IAB

Detailed Analysis of IAB PwC Full Year 2016 and Q4 2016 Report
David Silverman, Partner, PwC

Trends Driving Digital Growth in the Ad Industry & Challenges for the Year Ahead
Peter Stubbs, Director, PwC

Q & A
Journalists and IAB members can ask questions at any time during the presentations. Please type questions into the chat box on the webinar 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: https://www.iab.com/adrevenuereport
Full Year 2016

IAB Internet Advertising Revenue Report

Highlights

David Doty, EVP and CMO, IAB
The Nielsen Company estimates total media revenues for FY 2016 increased by 1% from FY’15 to $121.1B*.
Mobile Has Grown to Account for Over Half of Digital Ad Revenue for Full Year 2016
Mobile Advertising Revenue Growth: Mobile Revenue is Over 10x Larger Than It Was 5 Years Ago

Mobile Revenue is Over 10x Larger Than It Was 5 Years Ago

<table>
<thead>
<tr>
<th></th>
<th>FY'12</th>
<th>FY '13</th>
<th>FY '14</th>
<th>FY '15</th>
<th>FY'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Mobile Ad Revenue ($ Billions)</td>
<td>$3.4</td>
<td>$7.1</td>
<td>$12.4</td>
<td>$20.7</td>
<td>$36.6</td>
</tr>
<tr>
<td></td>
<td>$2.1</td>
<td>$4.0</td>
<td>$7.1</td>
<td>$12.5</td>
<td>$21.1</td>
</tr>
<tr>
<td></td>
<td>$1.2</td>
<td>$3.0</td>
<td>$5.3</td>
<td>$8.2</td>
<td>$15.5</td>
</tr>
</tbody>
</table>

Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.
» **Total video ad revenue** is up 53% hitting a record $9.1 billion

» **On mobile, video** sees a 145% increases YOY to $4.2 billion

» **Desktop video** is also up, 16% YOY to $4.9 billion in FY 2016
### Display and Search Revenue Moving to Mobile

**Display:**

- Total display-related advertising* (mobile + desktop) is up 28% to $31.9 billion
  - Total banner ads, specifically, are up 21% to $22.8 billion in FY 2016 and account for nearly 1 in 3 (32%) internet ad dollars
- Display-related dollars are also shifting to mobile:
  - Mobile display is up 65% to $18.1 billion while desktop display is down 1% to $13.8 billion
  - Banner ads show a similar pattern, up 51% to $13.9 billion in mobile but down 5% to $7.4 billion in desktop

**Search:**

- Total search revenue is up 19% to $35 billion
- Search revenue is shifting to mobile:
  - Mobile search grows 91% to $17.2 billion while desktop search is down 13% to $17.8 billion in FY 2016

*Display-related advertising refers to banners (banners, rich media, and sponsorships) and video.*
Total Ad Revenue (Mobile + Desktop) Has Grown by Double-Digit Percentages in Video, Banner, and Search

- **Total Digital Video:**
  - FY 2015: $5.9 billion
  - FY 2016: $9.1 billion
  - Growth: 53% from FY'15

- **Total Banner***:
  - FY 2015: $18.9 billion
  - FY 2016: $22.8 billion
  - Growth: 21% from FY'15

- **Total Search**:
  - FY 2015: $29.5 billion
  - FY 2016: $35.0 billion
  - Growth: 19% from FY'15

*Total Banner includes banners, rich media, and sponsorships
Total Audio Ad Revenue (Mobile + Desktop) Has Grown, Largely Due to Mobile

Total Audio Ad Revenue (Mobile + Desktop) FY 2016

% of Ad Revenue Derived from Mobile vs. Desktop FY 2016

$1.1B

- Mobile: 81%
- Desktop: 19%

Total Audio

- Mobile
- Desktop

IAB Full Year 2016 and Q4 2016 Internet Advertising Revenue Report
Total Social Media Revenue (Mobile + Desktop) is up 50% to $16.3 Billion in FY 2016

**US Social Media Ad Revenue ($ Billions)**

Across Formats and Devices

Full Year, Half Year and % YoY Growth

$ Billions

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Half Year</th>
<th>2nd Half Year</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY '12</td>
<td>$2.9</td>
<td>$1.7</td>
<td>$4.6</td>
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<tr>
<td>FY '13</td>
<td>$4.5</td>
<td>$2.6</td>
<td>$7.1</td>
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<tr>
<td>FY '14</td>
<td>$7.0</td>
<td>$4.1</td>
<td>$11.1</td>
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<tr>
<td>FY '15</td>
<td>$10.9</td>
<td>$6.4</td>
<td>$17.3</td>
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<tr>
<td>FY '16</td>
<td>$16.3</td>
<td>$9.3</td>
<td>$25.6</td>
</tr>
</tbody>
</table>

Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.
Mobile Combined with Desktop Shows a True Picture of Total Digital Formats

Full Year 2016 Ad Revenue by Format: New Distribution with Total Digital Revenues

Combined Digital Formats* (Mobile + Desktop)
- Total Search: 48%
- Total Banner: 13%
- Total Digital Video: 31%
- Total Other: 8%

Desktop Formats* (with Mobile Separated)
- Mobile:
- Desktop Search: 51%
- Desktop Banner: 12%
- Desktop Video: 24%
- Desktop Other: 6%

*Banner includes banner, sponsorship, and rich media advertising. Other includes lead gen, classifieds, audio and unspecified other. 2015 data in FY2016 report may vary from 2015 data in FY15 report due to reclassification of Audio from “Rich Media” (or “Banner”) to “Other.” Amounts may not equal 100% due to rounding.
Mobile Video up 145% to $4.2 billion

Mobile Banner up 51% to $13.9 billion

Mobile Search up 91% to $17.2 billion
# Full Year 2016 Ad Revenue Growth: Digital vs. Non-Digital Media

## Total Ad Revenue Full Year 2016 vs. Full Year 2015 ($ Billions)

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Full Year 2016</th>
<th>Full Year 2015</th>
<th>Percent YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet+</td>
<td>$72.5</td>
<td>$59.6</td>
<td>22%</td>
</tr>
<tr>
<td>Broadcast TV</td>
<td>$54.8</td>
<td>$51.3</td>
<td>7%</td>
</tr>
<tr>
<td>Cable TV</td>
<td>$24.7</td>
<td>$23.7</td>
<td>4%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$8.9</td>
<td>$9.9</td>
<td>-10%</td>
</tr>
<tr>
<td>Radio</td>
<td>$6.0</td>
<td>$6.0</td>
<td>0%</td>
</tr>
<tr>
<td>Magazine</td>
<td>$14.3</td>
<td>$15.3</td>
<td>-7%</td>
</tr>
</tbody>
</table>

Note: The total US advertising market includes other segments not charted here. Broadcast TV includes Network, Syndicated, Spot, and Spanish Language Network TV advertising revenue. Cable TV includes National Cable Networks, Local Cable, and Spanish Language Cable TV advertising revenue. Radio includes Network, and Spot Radio advertising revenue. Newspaper includes Local, National, and Sunday Supplement. Magazine includes Local and National.

Source: IAB Full Year 2016 and Q4 2016 Internet Advertising Revenue Report
Q4 2016

IAB Internet Advertising Revenue Report

Highlights

Kristina Sruoginis, Research Director, IAB
According to Nielsen, total media revenues increased by 1% from Q4 2015 to Q4 2016 to $34.3B*.

*The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons, Cinema, Out of Home), Apr. 2017
### Q4 2016 Ad Revenue Growth: Digital vs. Top Non-Digital Media

**Total Ad Revenue Q4 2016 vs. Q4 2015 ($ Billions)**

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Q4’16 Revenue</th>
<th>Q4’15 Revenue</th>
<th>Percent YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>$17.4</td>
<td>$21.6</td>
<td>24%</td>
</tr>
<tr>
<td>Broadcast TV</td>
<td>$16.4</td>
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<td>Cable TV</td>
<td>$6.7</td>
<td>$6.4</td>
<td>6%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$2.3</td>
<td>$2.7</td>
<td>-12%</td>
</tr>
<tr>
<td>Radio</td>
<td>$1.6</td>
<td>$1.6</td>
<td>-3%</td>
</tr>
<tr>
<td>Magazine</td>
<td>$4.0</td>
<td>$4.4</td>
<td>-8%</td>
</tr>
</tbody>
</table>

**Source:** Nielsen FY 2016, Apr. 2017

Note: The total US advertising market includes other segments not charted here. Broadcast TV includes Network, Syndicated, and Spot TV advertising revenue. Cable TV includes National Cable Networks and Local Cable advertising revenue. Radio includes Network, and Spot Radio advertising revenue. Newspaper includes Local, National, and Sunday Supplement. Magazine includes Local and National.
Average CPM Monthly Trend: Display and In-Stream Video

Average CPM of All Buys Placed Within the Month (Jan. – Dec. 2016)

WebCosts Database Display and In-Stream Video Average CPM Comparison

All sites / All Categories January – December 2016

- 2016 Avg. CPM Display: $24.55 (1%)
- 2016 Avg. CPM In-Stream: $13.88 (15%)

Source: WebCosts Database, SQAD.com

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IAB Full Year 2016 and Q4 2016 Internet Advertising Revenue Report
Average CPM Monthly Trend Across Eight Display Categories

Eight Category Average Display CPM Monthly Trend
Average CPMs of All Buys Placed within the Month in All Sites in Category (Jan. – Dec. 2016)

Note: Category titles refer to Nielsen dictionary. Corporate information includes primarily ad networks.

Source: WebCosts Database, SQAD.com

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IAB Full Year 2016 and Q4 2016 Internet Advertising Revenue Report
Brand Spending Continues to Rise

- Total display-related advertising* revenue (mobile + desktop) accounts for 44% of internet ad revenue, up from 42% in FY 2015
  - At $31.9 billion in FY 2016, up 28% from FY 2015 ($24.8B)

- Impression-based revenue up to 35% from 33% of total internet revenue

- Total digital video (mobile + desktop) accounts for 13% of ad revenue, up from 10% a year ago
  - At $9.1 billion in FY 2016, up 53% from FY 2015 ($5.9B)

- Audio has grown to be large enough for its own breakout, thanks to mobile, at $1.1B or 2% of internet ad revenue

- CPMs have trended up over the last twelve months (according to SQAD’s WebCosts data)

*Display-related advertising is defined as banner ads, video, rich media, and sponsorships.
Key Takeaways:
Full Year 2016 Digital Ad Revenue Up 22% to $72.5 Billion

- Consumer usage shift to mobile reflected in ad-dollar shift to mobile
  - Over half (51%) of all internet ad dollars in full year 2016 were from mobile advertising
  - Mobile accounts for an increasingly larger part of ad revenue and growth in all formats

- Ongoing double-digit growth across formats and platforms in digital persists in an otherwise flat media market
  - Mobile has skyrocketed: Up 77% to $36.6 billion
  - Total video has grown: Up 53% to $9.1 billion
    - And within it mobile video is up by triple digits 145% to $4.2 billion
  - Total social media has grown: Up 50% to $16.3 billion
  - Total search has grown: Up 19% to $35 billion
  - Total banners have grown: Up 21% to $22.8 billion

- Digital Audio has grown large enough for its own breakout at $1.1 billion

- And it’s all about mobile… in video, in audio, in search, in social, in banners
Questions?

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THANK YOU

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