IAB/PwC Internet Advertising Revenue Report

Full Year 2016 and Q4 2016

April 26, 2017

Agenda

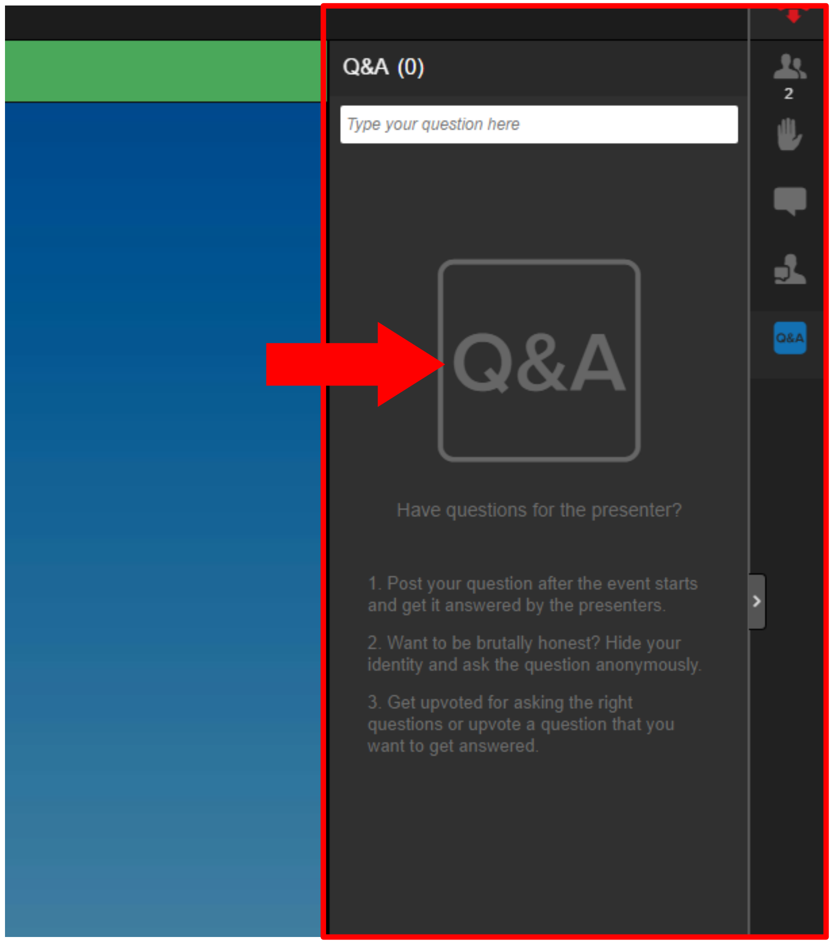
- **Welcome**
  Kristina Sruoginis, Research Director, IAB
- **Full Year 2016 and Q4 2016 Digital Ad Revenue Highlights**
  David Doty, EVP and CMO, IAB
  Kristina Sruoginis, Research Director, IAB
- **Detailed Analysis of IAB PwC Full Year 2016 and Q4 2016 Report**
  David Silverman, Partner, PwC
- **Trends Driving Digital Growth in the Ad Industry & Challenges for the Year Ahead**
  Peter Stubbs, Director, PwC
- **Q & A**

Important Notes 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 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

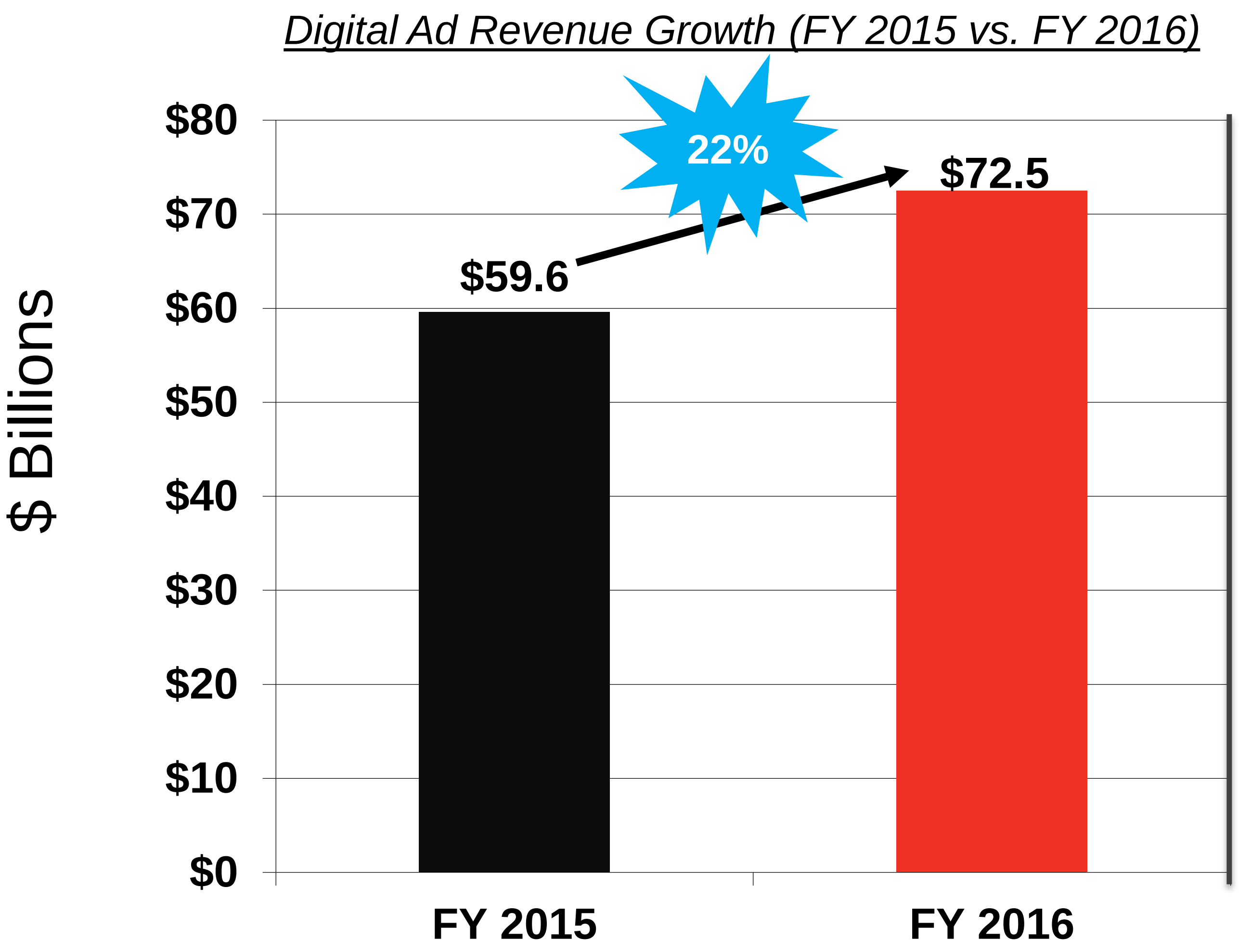


Full Year 2016

IAB Internet Advertising Revenue Report
Highlights

David Doty, EVP and CMO, IAB

Full Year 2016 Year-Over-Year Digital Ad Revenue Growth

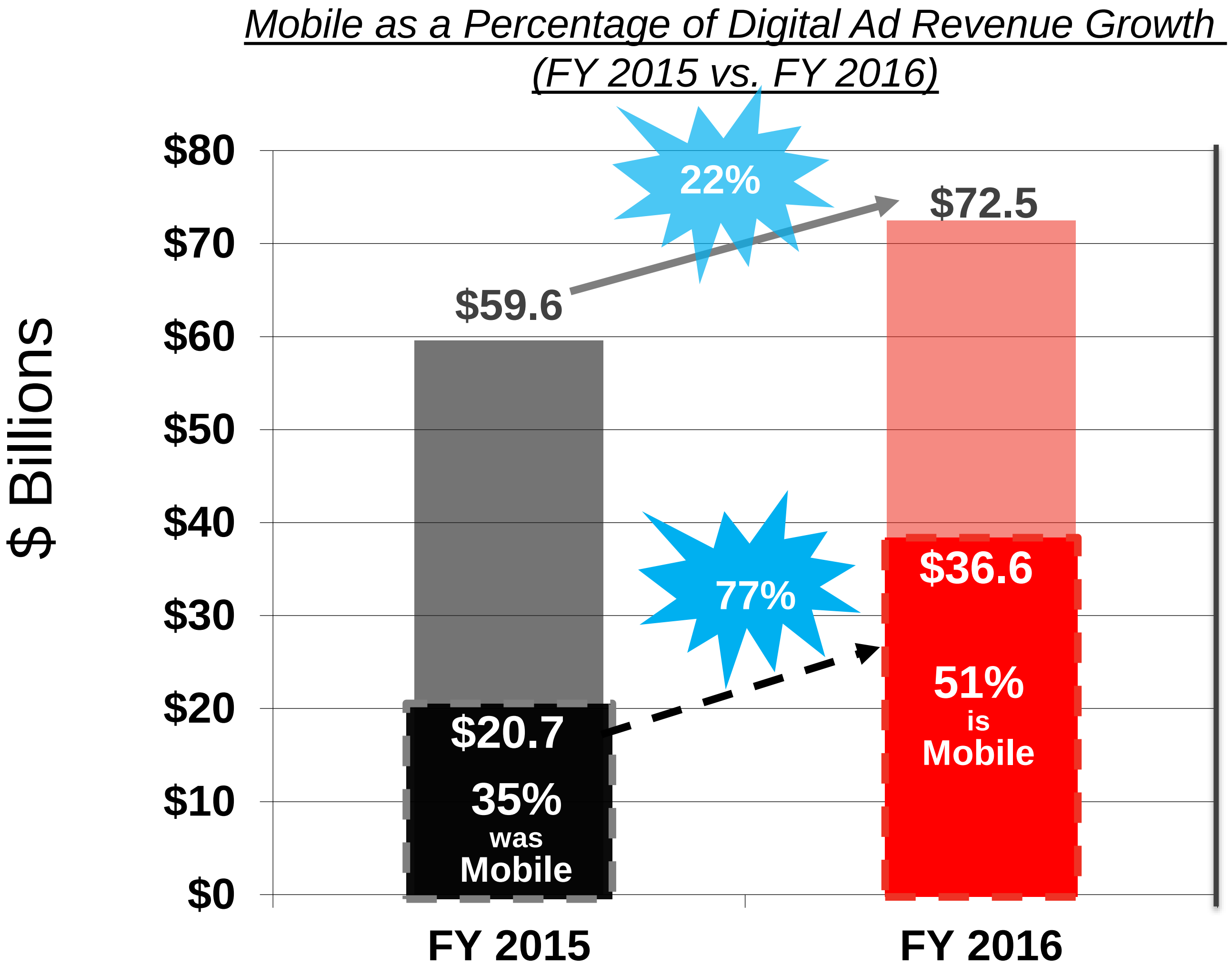


Total Media Ad Revenue Growth (FY 2015 vs. FY 2016)

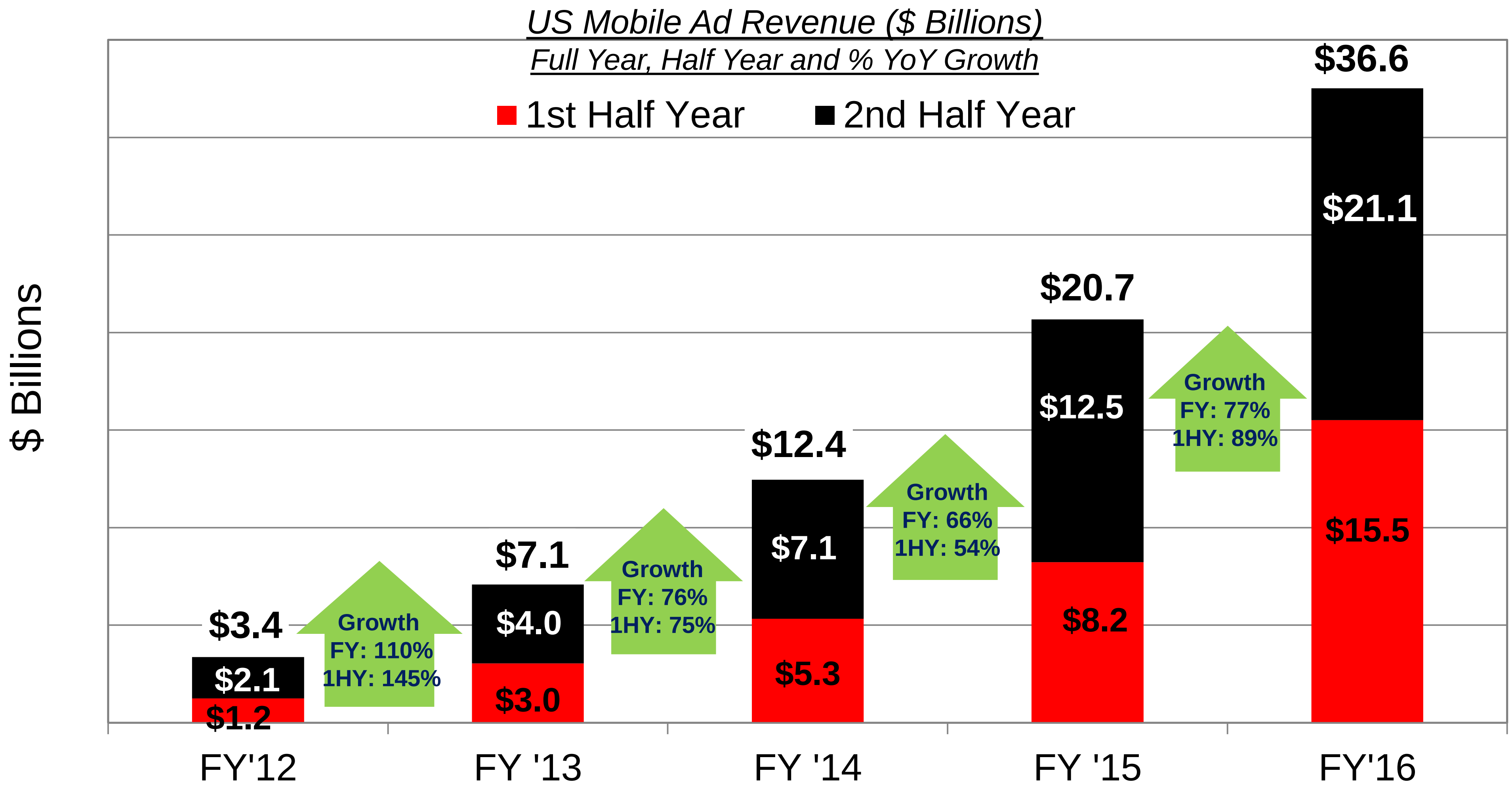
The Nielsen Company estimates *total* media revenues for FY 2016 ***increased*** by **1%** from FY'15 to **$121.1B***

**The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2017*

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



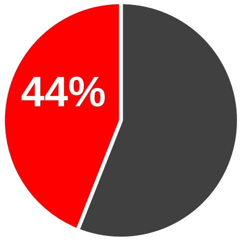
Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.

Video Ad Revenue Climbs - Especially on Mobile

- **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**

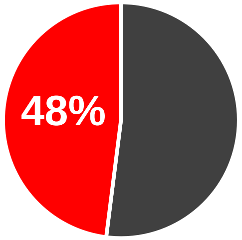
Display and Search Revenue Moving to Mobile

% of Internet Ad Revenue



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**

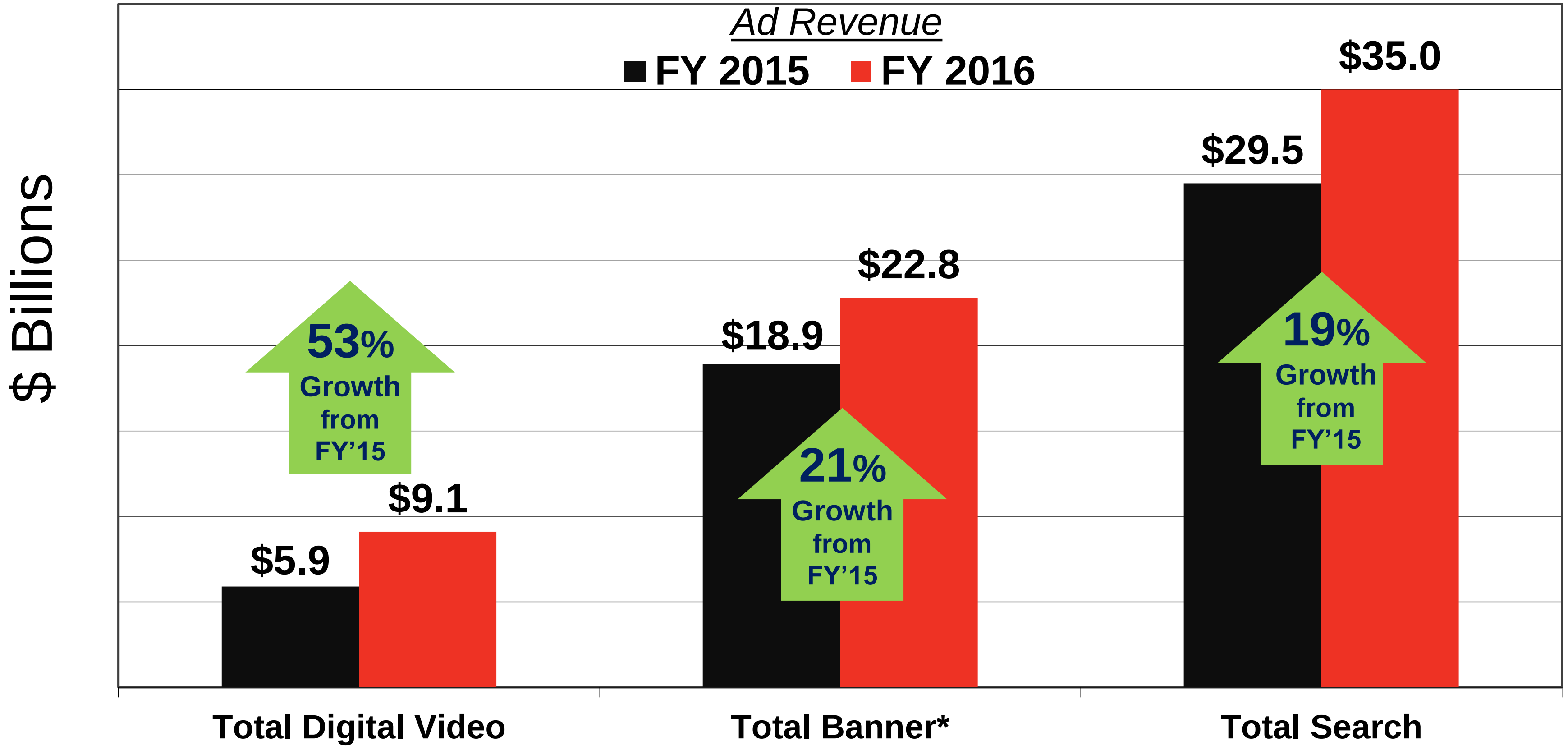


Search:

- **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.*

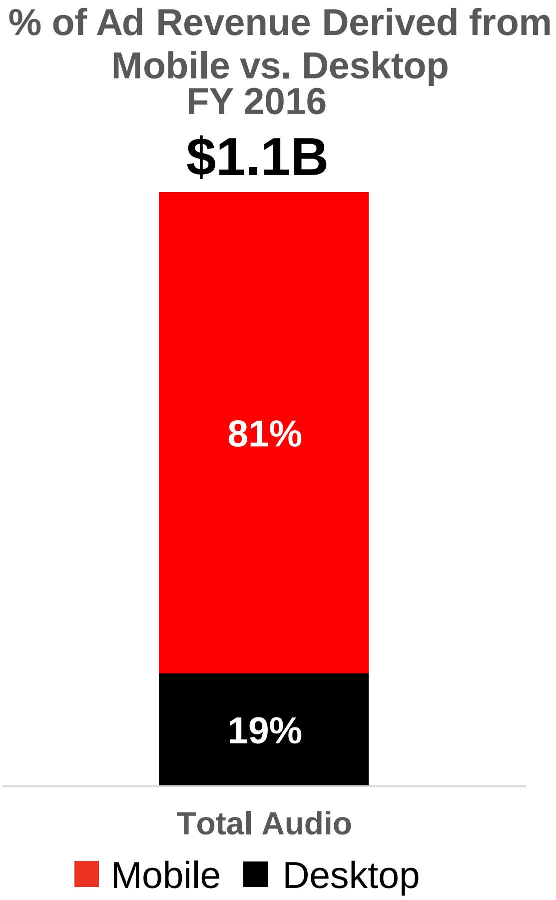
Total Ad Revenue (Mobile + Desktop) Has Grown by Double-Digit Percentages in Video, Banner, and Search



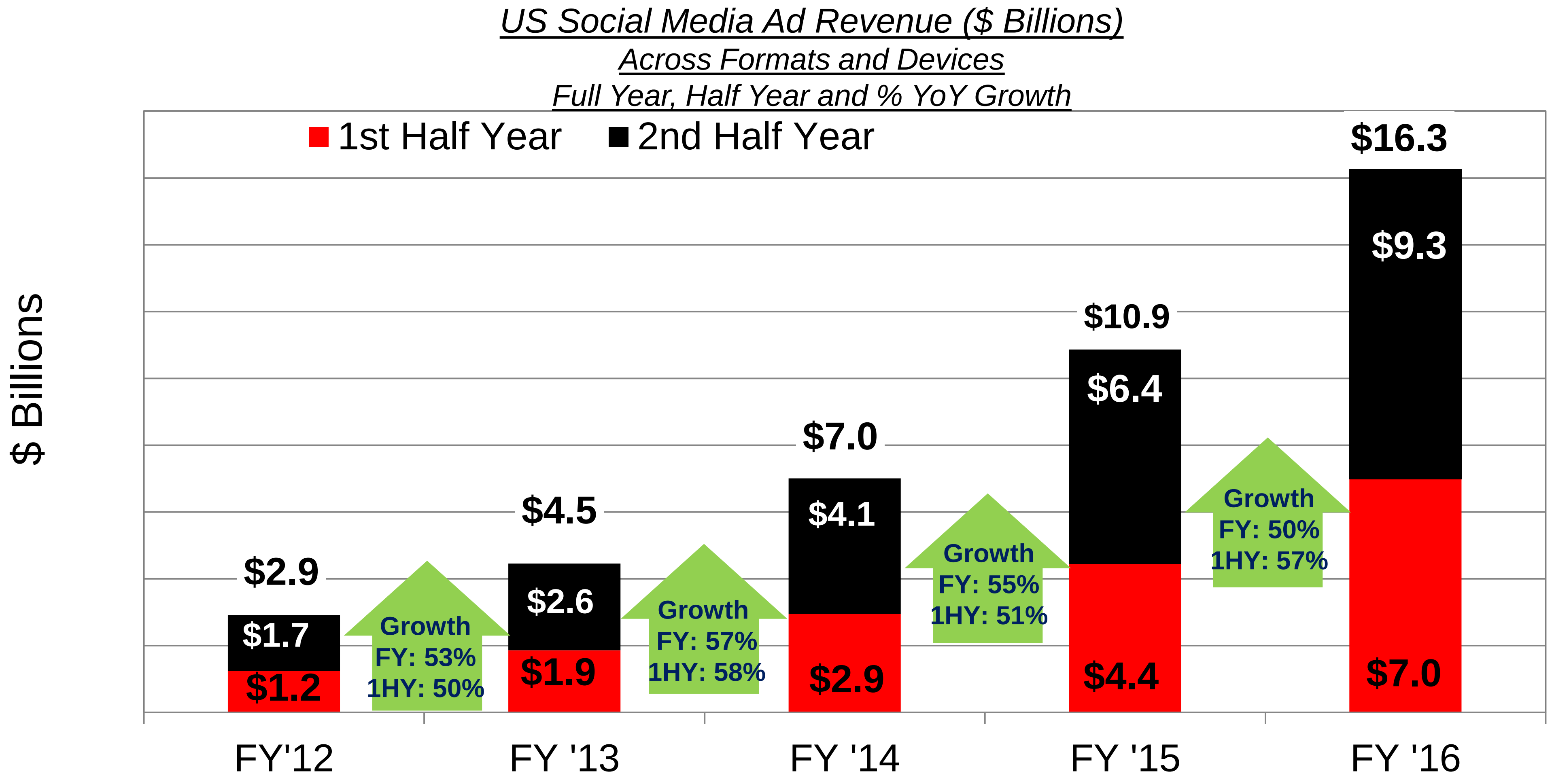
*Total Banner includes banners, rich media, and sponsorships

Total Audio Ad Revenue (Mobile + Desktop) Has Grown, Largely Due to Mobile

Total Audio Ad Revenue (Mobile + Desktop) FY 2016



Total Social Media Revenue (Mobile + Desktop) is up 50% to $16.3 Billion in FY 2016



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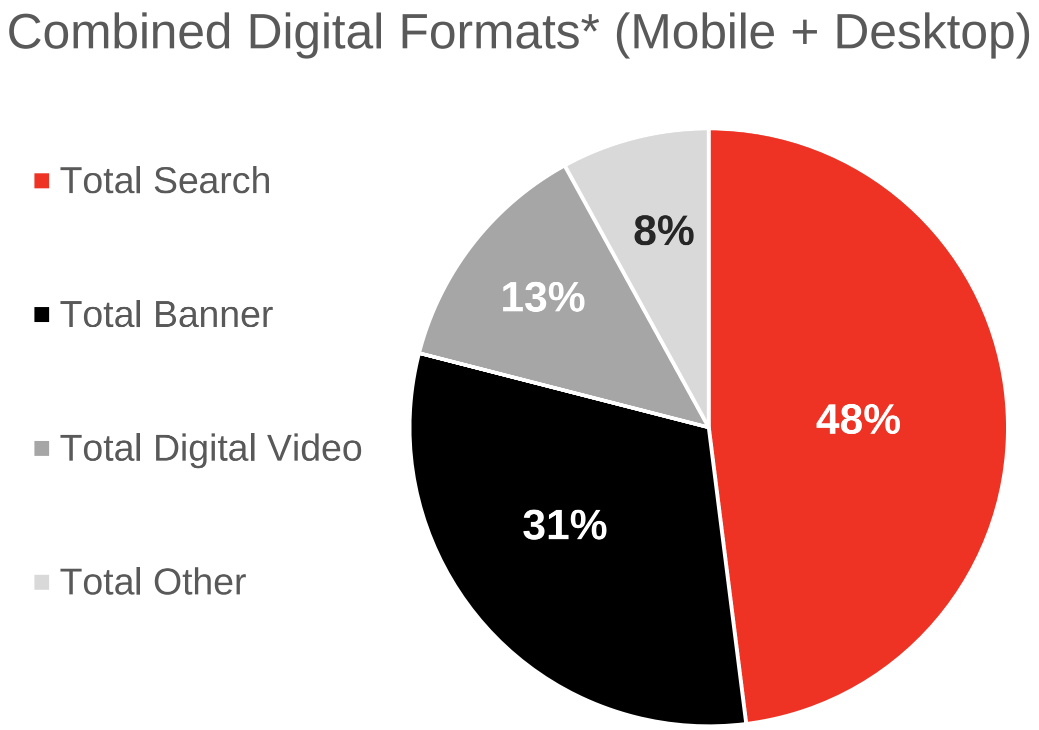
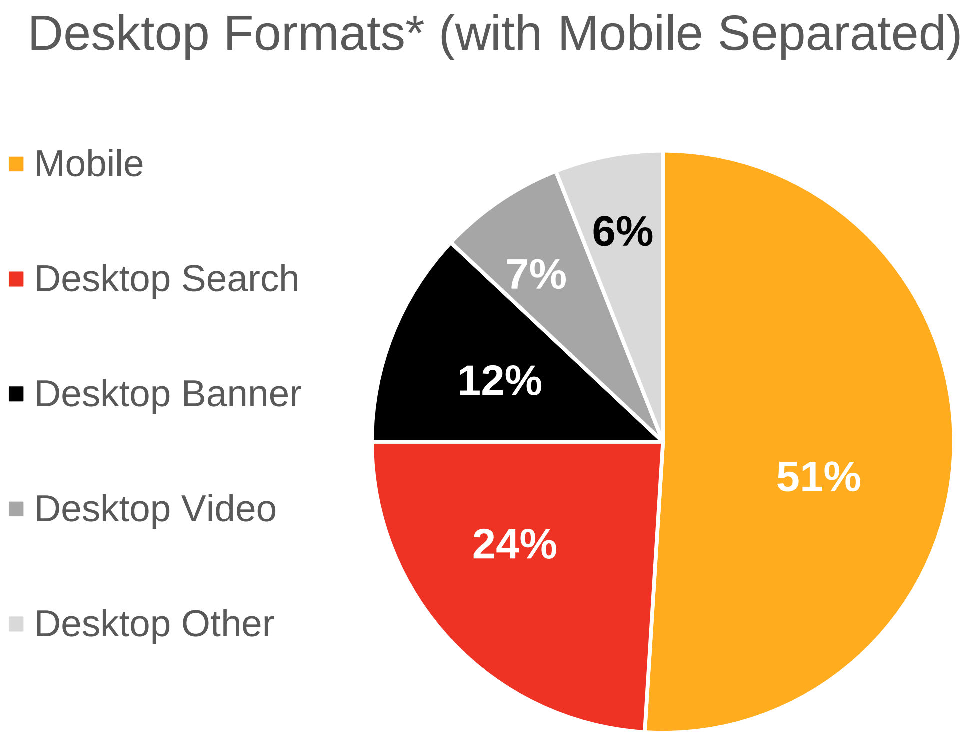
Mobile Combined with Desktop Shows a True Picture of Total Digital Formats

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



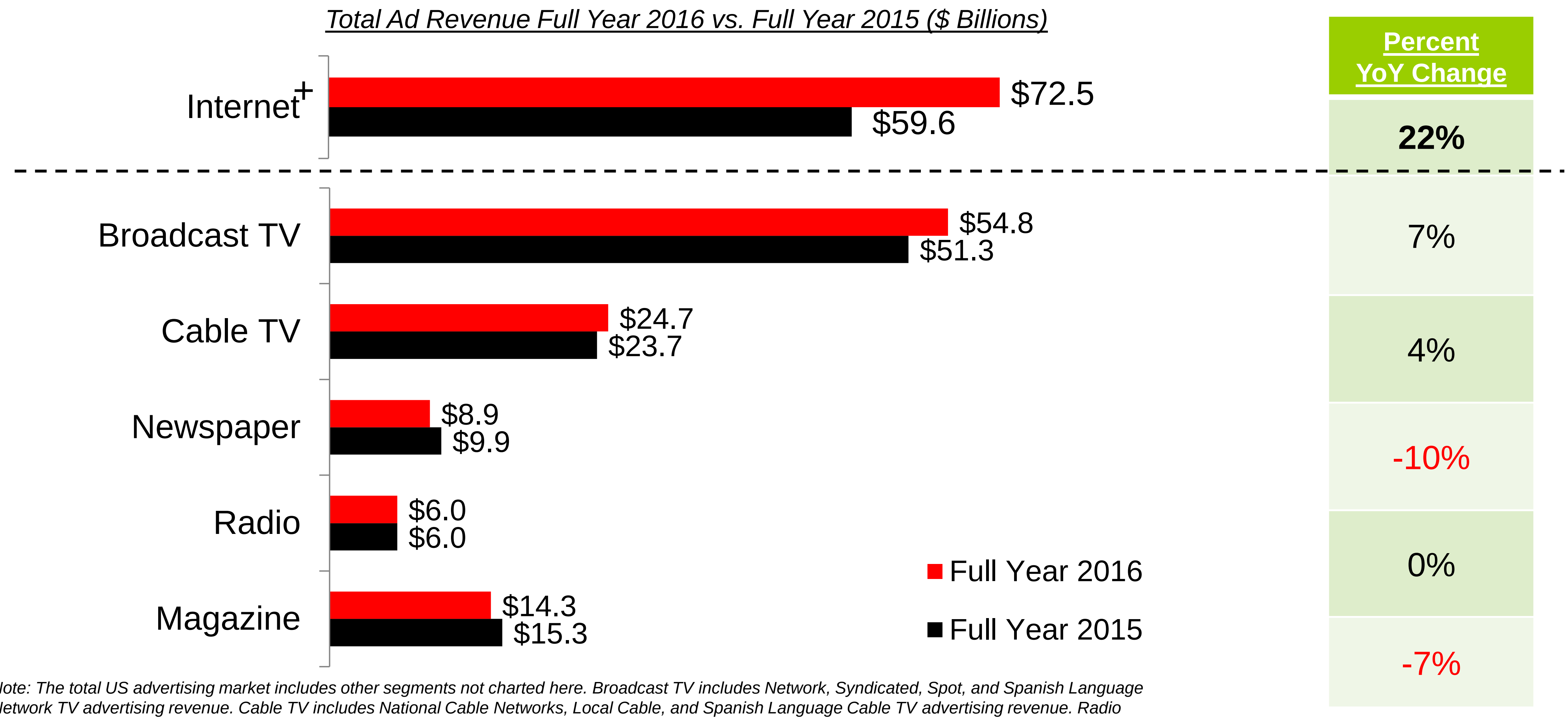


**Banner includes banner, sponsorship, and rich media advertising. Other includes lead gen, classifieds, audio and unspecified other. 2015 data in FY2016 report may vary from 2015 data in FY15 report due to reclassification of Audio from “Rich Media” (or “Banner”) to “Other.” Amounts may not equal 100%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

Mobile Video…Mobile Banner…Mobile Search: All Up

- **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



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
Source: Nielsen FY 2016, Apr. 2017

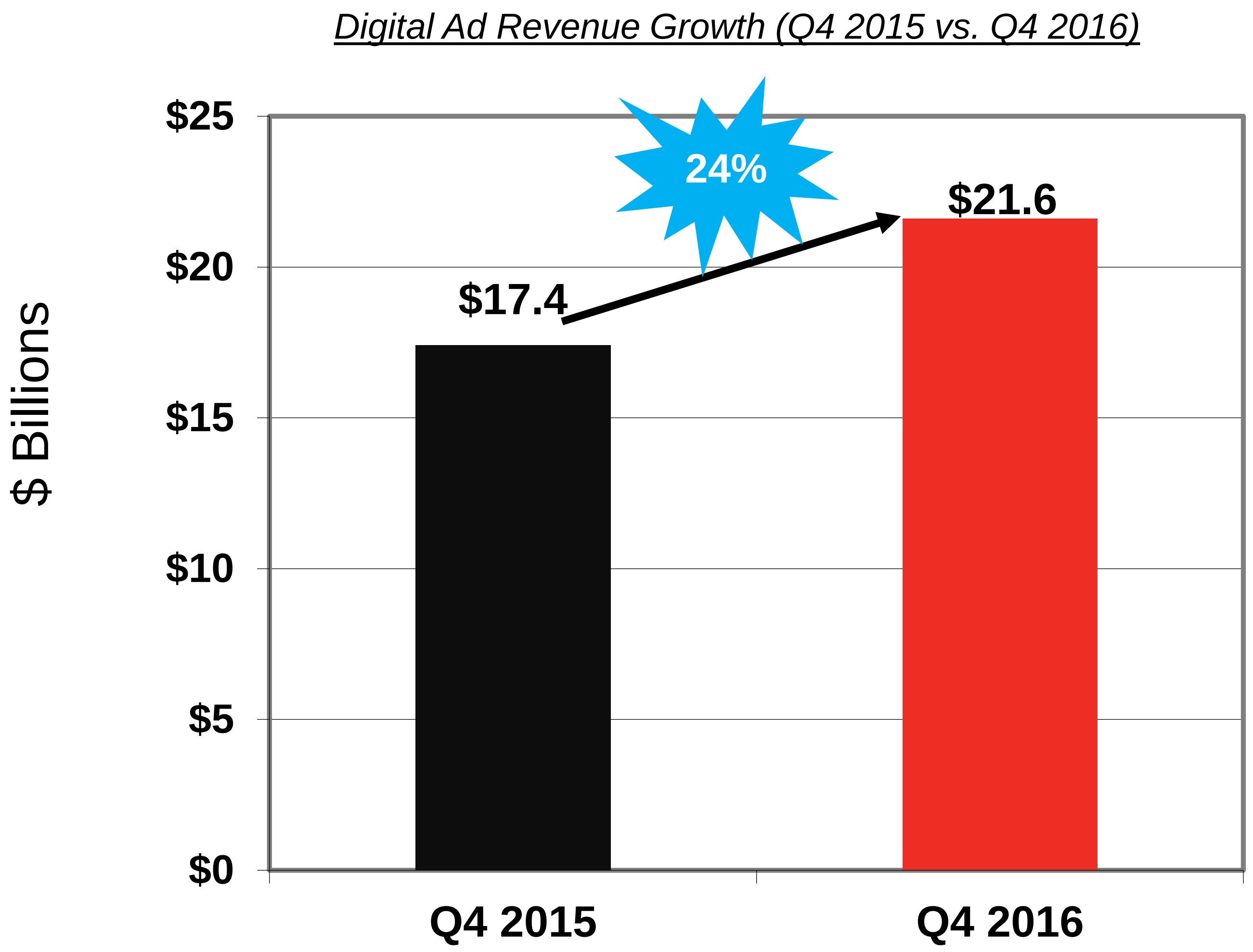
Q4 2016

IAB Internet Advertising Revenue Report

Highlights

Kristina Sruoginis, Research Director, IAB

Q4 2016 Revenue Compared to Q4 2015



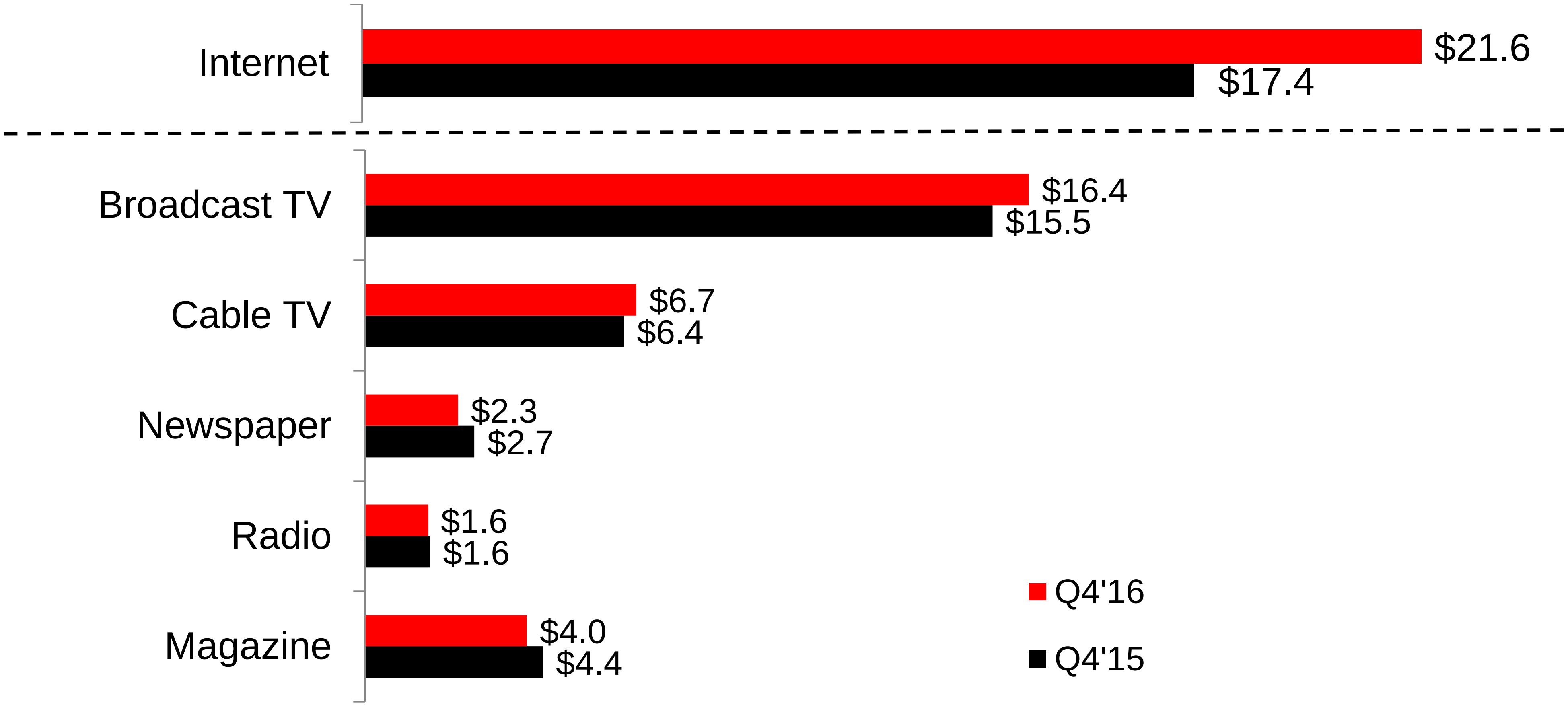
Total Media Ad Revenue Change (Q4 2015 vs. Q4 2016)

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)

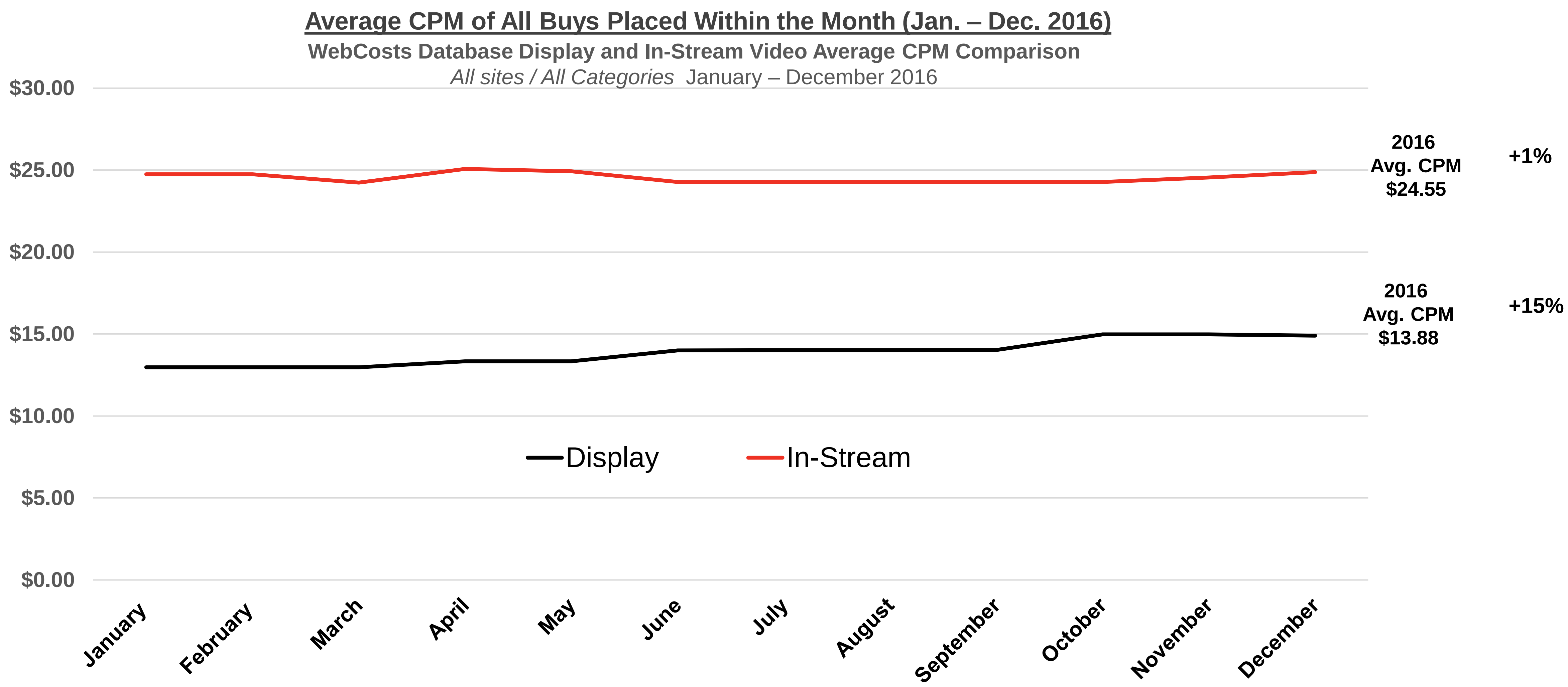


Percent YoY Change
24%
6%
6%
-12%
-3%
-8%

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.

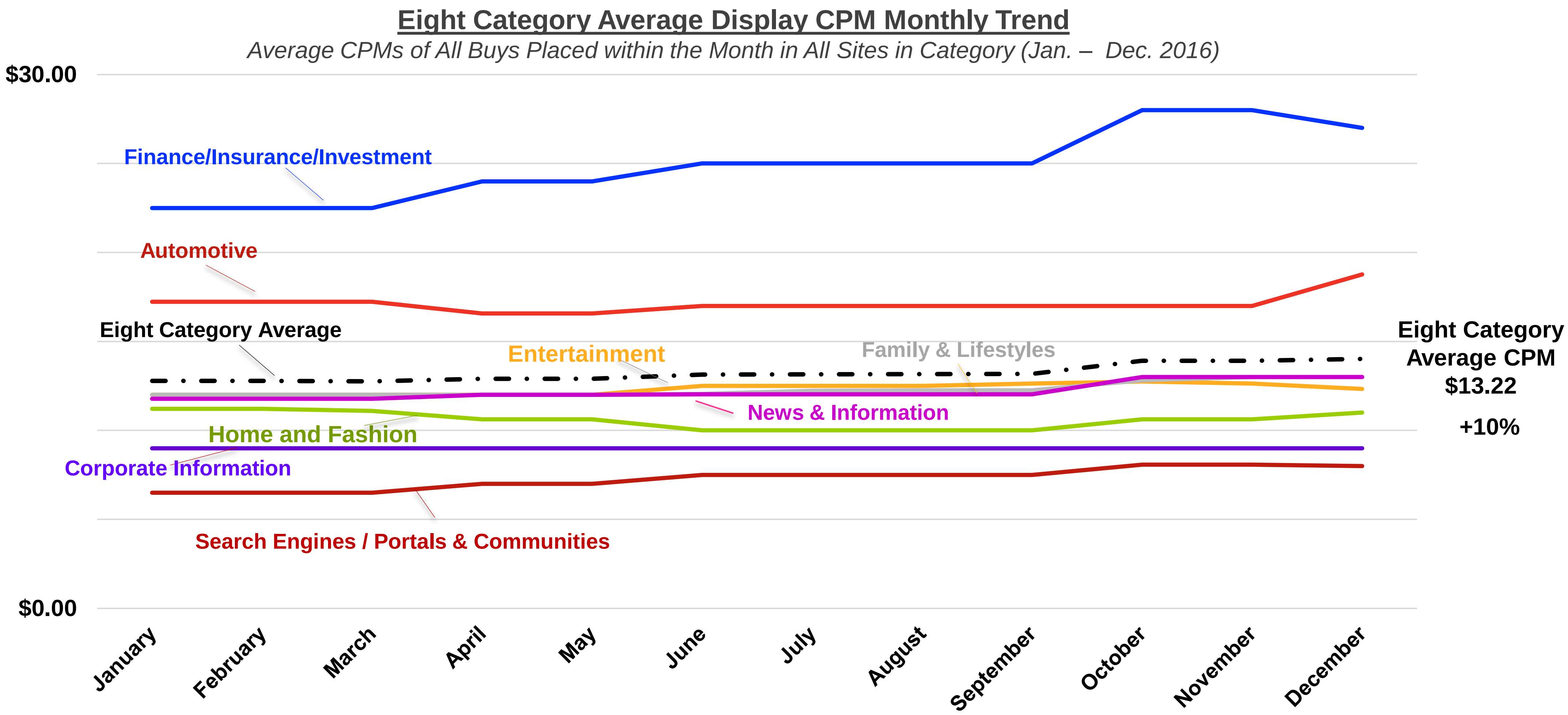
Source: Nielsen FY 2016, Apr. 2017

Average CPM Monthly Trend: Display and In-Stream Video



Source: WebCosts Database, SQAD.com

Average CPM Monthly Trend Across Eight Display Categories



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

Source: WebCosts Database, SQAD.com

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**

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Questions?

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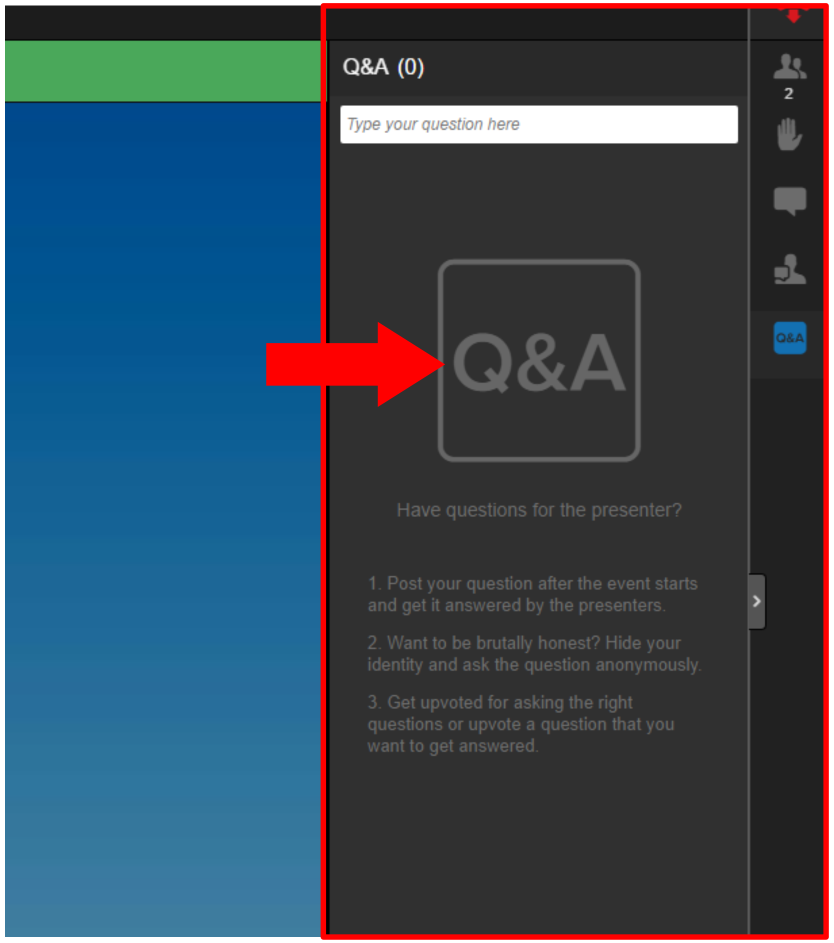

THANK YOU

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