IAB Internet Advertising Revenue Full Year 2015

Current trends impacting the global digital advertising landscape

April 21, 2016
Current trends impacting the global digital advertising landscape

Topics:
1. Global Entertainment and Media Outlook
2. What's on the horizon
3. The burgeoning evolution of eSports

Today’s Speaker
Matt Hobbs
Partner, PwC
matt.hobbs@us.pwc.com
Global Entertainment and Media Outlook

Fast growing entertainment and media (“E&M”) markets are fueled by increases in advertising spend and consumer spend on content and access, enabled in large part by the accelerated transformation to digital.

A closer look at the sources of growth: 2015 and 2019 total aggregate spending and 2015 – 2019 CAGR

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015 ($b)</th>
<th>2019 ($b)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>$494</td>
<td>$686</td>
<td>8.6%</td>
</tr>
<tr>
<td>Advertising</td>
<td>$554</td>
<td>$667</td>
<td>4.8%</td>
</tr>
<tr>
<td>Consumer</td>
<td>$783</td>
<td>$880</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,831</strong></td>
<td><strong>$2,233</strong></td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Global Segment Growth thru 2019 CAGR (aggregate spend ($b) in 2019)

- Internet advertising: 12.1% ($240 b)
- Internet access: 8.8% ($686 b)
- Video games: 5.7% ($93 b)
- Total Out-of-home: 5.1% ($2,233 b)
- Filmed entertainment: 4.6% ($104 b)
- TV advertising: 4.1% ($204 b)
- Business-to-business: 3.7% ($232 b)
- TV subscriptions: 3.1% ($279 b)
- Radio: 2.5% ($52 b)
- Book publishing: 1.3% ($128 b)
- Music: 0.8% ($47 b)
- Magazine publishing: 0.4% ($97 b)
- Newspaper publishing: -0.3% ($146 b)

*Note the 2019 Total aggregate spend is less than the sum of the global segments’ aggregate spend due to double counting within some of the segments.*
E&M Outlook overview – Internet Advertising

Internet advertising will overtake TV advertising in 2017, making it the largest advertising category ...

Led by strong global mobile internet penetration, Mobile advertising revenue’s 23.1% CAGR leads to $60B+ in revenue by 2019

Search advertising still holds the largest revenue share, despite 8% growth from Mobile by 2019 ...
What’s on the horizon?

Content & Portals:

- **Programmatic** ad targeting and personalization that leverages consumer attributes will increase **cross-platform relevancy & consistency**
- In exchange for emotional, monetary or behavioral **consumer centric rewards**, consumers are more willing to share information with each other and brands

Hardware & Platforms:

- Once convinced of the value, **mobile sensors** and beacons can enable the user to share information with her proximate environment and get something in return
- Sophisticated ad technology platforms will mimic digital **information exchange** to reduce ‘interruption’ (i.e. native)

Future Trends:

- **Wearables** turn advertising into ‘activity based engagement’ and can integrate ads more closely with other content and experiences
- New ‘entertainment’ channels like **eSports**, with an established digital savvy consumer base, represent vast sources of untapped revenue potential from online advertising
eSports is a Market Ripe with Digital Value

eSports are defined as organized video game competitions involving fighting (e.g., Mortal Kombat), first-person shooter (e.g., Call of Duty), multiplayer online battle arena (MOBA), tournaments (e.g., League of Legends), or massively multiplayer online (MMO) games (e.g., World of Warcraft)

- eSports economy continues to surge ahead, with revenue expected to hit $463 million in 2016— a 43% jump from 2015\(^1\)
- Newzoo forecasts the US will maintain the highest revenue and generate $175 million in eSports revenue this year from online advertising, sponsorships, media rights, etc.\(^2\)
- Purchased for nearly $1 billion by Amazon in 2014, Twitch and Twitch.tv users streamed 241 billion minutes of video in 2015
- eSports ‘live’ viewership, now on ESPN, exceeded the 2015 World Series and NBA Final\(^3\)

\(^1\) Yahoo press release, “Yahoo Launches New Experience Dedicated to Esports,” March 2, 2016.
\(^3\) ESPN, “‘League of Legends’ ratings top NBA Finals, World Series clinchers,” December 3, 2014.
Who to Contact...

David Silverman
Emerging Company Services, PwC
(646) 471-5421
david.silverman@us.pwc.com

Deborah Bothun
Entertainment and Media, PwC
(646) 471-9048
deborah.k.bothun@us.pwc.com

Joe Atkinson
Entertainment and Media, PwC
(267) 330-2494
joseph.atkinson@us.pwc.com

Matt Hobbs
Technology, PwC
(206) 398-3326
matthew.d.hobbs@us.pwc.com

Matthew Lieberman
Consumer Intelligence Series, PwC
(213) 217-3326
matthew.lieberman@us.pwc.com