Welcome
Kristina Sruoginis, Research Director, IAB

Half Year 2017 and Q2 2017 Digital Ad Revenue Highlights
Chris Kuist, SVP Research and Impact, IAB
Kristina Sruoginis, Research Director, IAB

Detailed Analysis of IAB PwC Half Year 2017 and Q2 2017 Report
David Silverman, Partner, PwC

The Local Advertising Perspective
Gordon Borrell, President, Borrell Associates

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
Half Year 2017

IAB Internet Advertising Revenue Report

Highlights

Chris Kuist, SVP Research and Impact, IAB
Half Year 2017 Year-Over-Year Digital Ad Revenue Growth

Digital Ad Revenue Growth (HY 2016 vs. HY 2017)

$ Billions

$0 $5 $10 $15 $20 $25 $30 $35 $40 $45

HY 2016 $32.7

HY 2017 $40.0

22% Growth

Total Media Ad Revenue Growth (HY 2016 vs. HY 2017)

The Nielsen Company estimates total media revenues for HY 2017 decreased -2% from HY’16

*The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Nov. 2017
Half Year 2017 Ad Revenue Growth: Digital vs. Non-Digital Media

Total Ad Revenue First Half Year 2016 vs. First Half Year 2016 ($ Billions)

<table>
<thead>
<tr>
<th>Media</th>
<th>Half Year 2016</th>
<th>Half Year 2017</th>
<th>Percent YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet+</td>
<td>$32.7</td>
<td>$40.0</td>
<td>22%</td>
</tr>
<tr>
<td>Broadcast TV</td>
<td>$24.8</td>
<td>$25.4</td>
<td>2%</td>
</tr>
<tr>
<td>Cable TV</td>
<td>$12.5</td>
<td>$12.6</td>
<td>1%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$4.4</td>
<td>$3.9</td>
<td>-11%</td>
</tr>
<tr>
<td>Radio</td>
<td>$2.6</td>
<td>$2.3</td>
<td>-9%</td>
</tr>
<tr>
<td>Magazine</td>
<td>$6.9</td>
<td>$6.2</td>
<td>-10%</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 Half Year 2017 and Q2 2017 Internet Advertising Revenue Report
Source: Nielsen HY 2017, Nov. 2017
Mobile Has Grown to Account for Over Half of Digital Ad Revenue for HY ‘17

**Mobile as a Percentage of Digital Ad Revenue Growth**
*(HY 2016 vs. HY 2017)*

- **$32.7** (HY 2016)
- **$32.7** (HY 2016, Mobile as a Percentage of Digital Ad Revenue)
- **$40.0** (HY 2017)
- **$40.0** (HY 2017, Mobile as a Percentage of Digital Ad Revenue)
- **22% Growth**
- **47% was Mobile in HY 2016**
- **54% is Mobile in HY 2017**
- **$15.5** (Mobile Ad Revenue in HY 2016)
- **$21.7** (Mobile Ad Revenue in HY 2017)
- **$21.7** (Mobile Ad Revenue in HY 2017, 40% Growth)

Total Digital (Desktop + Mobile) Ad Revenue

Mobile Ad Revenue

IAB Half Year 2017 and Q2 2017 Internet Advertising Revenue Report
Mobile Advertising Revenue Growth: Half Year 2017 Mobile Revenue is Larger Than Full Year Mobile Revenue Was Just 2 Years Ago

<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'12</td>
<td>$1.2</td>
<td>$2.1</td>
<td>$3.4</td>
<td></td>
</tr>
<tr>
<td>FY '13</td>
<td>$2.1</td>
<td>$4.0</td>
<td>$7.1</td>
<td>110%</td>
</tr>
<tr>
<td>FY '14</td>
<td>$3.0</td>
<td>$5.3</td>
<td>$8.2</td>
<td>76%</td>
</tr>
<tr>
<td>FY '15</td>
<td>$5.3</td>
<td>$8.2</td>
<td>$12.5</td>
<td>66%</td>
</tr>
<tr>
<td>FY'16</td>
<td>$8.2</td>
<td>$15.5</td>
<td>$21.1</td>
<td>76%</td>
</tr>
<tr>
<td>HY'17</td>
<td>$12.5</td>
<td>$15.5</td>
<td>$21.7</td>
<td>77%</td>
</tr>
</tbody>
</table>

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

IAB Half Year 2017 and Q2 2017 Internet Advertising Revenue Report
All Formats Grow from a Year Ago

% of Total Digital Ad Revenue

- **Search**: Total search ad revenue (mobile + desktop) is up 18% to $19.1 billion
- **Banner***: Total banner advertising (mobile + desktop) is up 25% to $12.4 billion
- **Video**: Total video ad revenue (mobile + desktop) is up 36% to $5.2 billion
- **Audio**: Total audio ad revenue (mobile + desktop) is up 42% to $603 million

*Includes banners, rich media and sponsorships.*
Shift to Mobile: Strong Mobile Growth Among Digital Formats in HY ‘17

% of Each Ad Format’s Revenue That is Mobile

- **Search**: Mobile search ad revenue is up 37% to $9.9 billion
- **Banner**: Mobile banner advertising is up 37% to $8 billion
- **Video**: Mobile video ad revenue is up 65% to $2.6 billion
- **Audio**: Mobile audio ad revenue is up 32% to $448 million

*Includes banners, rich media and sponsorships.*
Total Social Media Revenue (Mobile + Desktop) is up 37% to $9.5 Billion in HY 2017

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

Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.
Total Video Ad Revenue (Mobile + Desktop) for First Half of 2017 Has Doubled Since HY’15

US Total Video (Mobile + Desktop) Ad Revenue ($ Billions)
Full Year, Half Year and % YoY Growth

FY '15

1st Half Year
$3.3
2nd Half Year
$2.6
Total
$5.9

FY '16

1st Half Year
$3.8
2nd Half Year
$5.3
Total
$9.1

HY '17

1st Half Year
$?
2nd Half Year
$?
Total
$?

Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.
Total Audio Ad Revenue (Mobile + Desktop) Has Grown 42%
Q2 2017

IAB Internet Advertising Revenue Report

Highlights

Kristina Sruoginis, Research Director, IAB
According to Nielsen, total media revenues decreased -3% from Q2 2016 to Q2 2017.

*The Nielsen Company, MonitorPlus (Standard Calendar. Total includes B2B, National Internet (Display only), FSI Coupons, Cinema, Out of Home), Nov. 2017
# Q2 2017 Ad Revenue Growth: Digital vs. Top Non-Digital Media

## Total Ad Revenue Q2 2017 vs. Q2 2016 ($ Billions)

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Q2'16</th>
<th>Q2'17</th>
<th>Percent YoY Change</th>
</tr>
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<tr>
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Source: IAB/PWC

Source: Nielsen HY 2017, Nov. 2017

+Source: IAB Half Year 2017 and Q2 2017 Internet Advertising Revenue Report

Source: Nielsen
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. 2016 – Jun. 2017)

- **Finance/Insurance/Investment**: $13.60
- **Automotive**: Average CPM
- **News & Information**: Average CPM
- **Entertainment**: Average CPM
- **Home and Fashion**: Average CPM
- **Family & Lifestyles**: Average CPM
- **Corporate Information**: Average CPM
- **Search Engines / Portals & Communities**: Average CPM

**Source:** WebCosts Database, SQAD.com

Note: Category titles refer to Nielsen dictionary. Corporate information includes primarily ad networks.
IAB Internet Advertising Revenue Report
The Local/SMB Ad Spend Hypothesis
Growth is a Challenge at the National Advertiser Level

Top National Advertisers Are Not Growing:
- 259 of the Fortune 500 had revenue declines in 2016.
- The average decline was 9%.
  - Marc Pritchard, ANA/4As/IAB Joint Board Meeting, 2017

Spending Growth Anemic, Particularly Among Largest Companies:
- Across all companies, ad spend growth rate of 2.8% per company in 2013.
- Largest companies (business receipts >$250MM), ad spend growth rate of 1.2% in 2013.
  - Brian Wieser, citing IRS data
Borrell estimates that

- There are ~9MM SMB’s in the U.S. (defined as businesses that generate $50MM or less in revenue annually);
- ~75% or more buy digital advertising; this puts the market at roughly 6.8MM.
- Among SMBs who buy digital advertising:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>Say they buy advertising via self-service platforms (e.g. Facebook, Twitter, etc.)</td>
</tr>
<tr>
<td>15%</td>
<td>Say they are buying programmatically</td>
</tr>
<tr>
<td>45%</td>
<td>Say they are buying SEM</td>
</tr>
<tr>
<td>63%</td>
<td>Say they expect to increase their digital spend in coming 12 months</td>
</tr>
</tbody>
</table>

Source: Borrell Associates
We’ve seen consistent growth in digital advertising revenue year over year.

There appears to be insufficient growth among large national advertisers (in either their businesses or their ad budgets) to fully account for it.

There is a large (and growing) cohort of small and medium sized business who are engaged in digital advertising.

Their budgets are, of necessity, smaller – but their numbers are significant (and growing) such that there is reason to believe they are, en masse, injecting significant dollar volume into the digital advertising ecosystem.

Better understanding this cohort will allow for all participants in the digital advertising ecosystem to tap into the opportunity they represent, as well as increase the value of digital advertising for this important constituency.
HY 2017

IAB Internet Advertising Revenue Report

Key Takeaways
Digital ad spending continues to rise:

- Total banner* ad revenue (mobile + desktop) grows 25% from a year ago and now accounts for 31% of digital ad dollars in HY’17, up from 30%.
- Total video ad revenue is up 36% and accounts for 13% of HY’17 digital revenue, up from 12%.

*Banner advertising includes banner ads, rich media, and sponsorships.
The shift to mobile continues, reflecting consumers’ increasing use of mobile devices (according to ComScore, two-thirds of all time spent online is via mobile device):

- 54% of digital ad revenue came from mobile, up from 47% a year ago
- Mobile revenue is up 40% to $21.7B in HY’17
- Mobile accounts for half (50%) of all video ad dollars and 52% of search dollars
- Nearly two-thirds (65%) of banner* ad dollars are from mobile and nearly three-quarters of audio ad revenue (75%) is from mobile advertising.

*Banner advertising includes banner ads, rich media, and sponsorships.
Total search growth is slower, at 18%, but search still comprises a large part of digital revenue at 48% of HY’17 digital ad dollars, down from 49% a year ago.

Total social is up 37% to account for $9.5B in ad revenue in the first half of 2017.
Questions?

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THANK YOU

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