IAB/PwC Internet Advertising Revenue Report

Half Year 2017 and Q2 2017

Dec. 20, 2017

IAB/PwC Internet Ad Revenue Report: Half Year 2017 and Q2 2017
Agenda

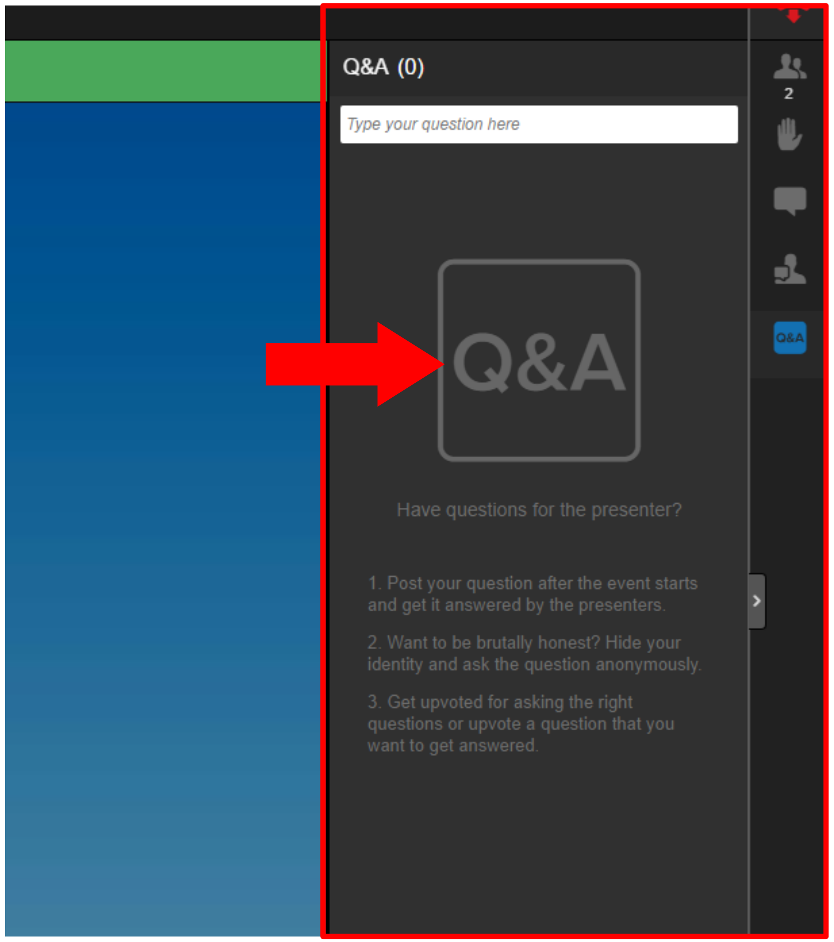
- **Welcome**
  Kristina Sruoginis, Research Director, IAB
- **Half Year 2017 and Q2 2017 Digital Ad Revenue Highlights**
  Chris Kuist, SVP Research and Impact, IAB
  Kristina Sruoginis, Research Director, IAB
- **Detailed Analysis of IAB PwC Half Year 2017 and Q2 2017 Report**
  David Silverman, Partner, 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

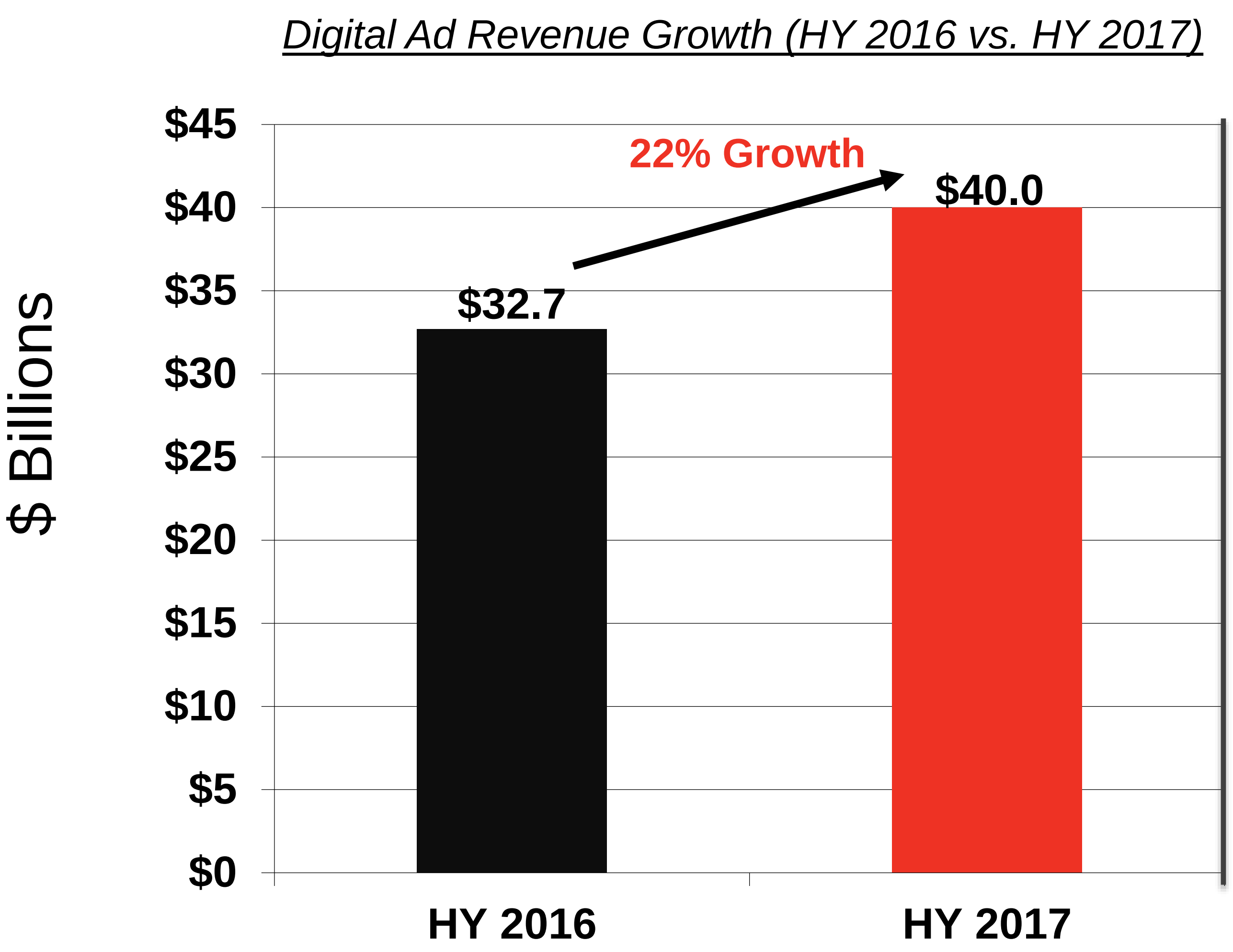


Half Year 2017

IAB Internet Advertising Revenue Report
Highlights

Chris Kuist, SVP Research and Impact, IAB

Half Year 2017 Year-Over-Year Digital Ad Revenue Growth



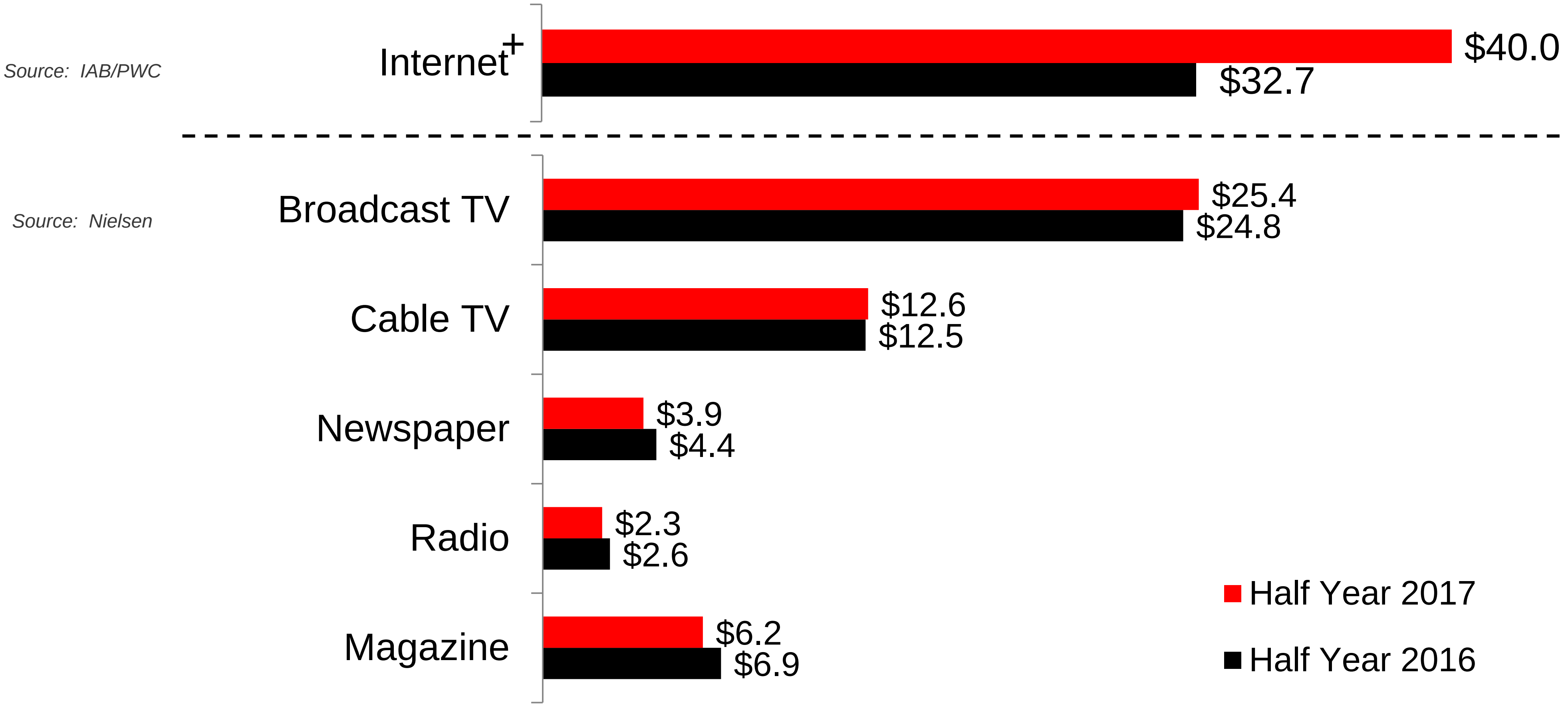
Total Media Ad Revenue Growth (HY 2016 vs. HY 2017)

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)



Percent YoY Change
22%
2%
1%
-11%
-9%
-10%

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

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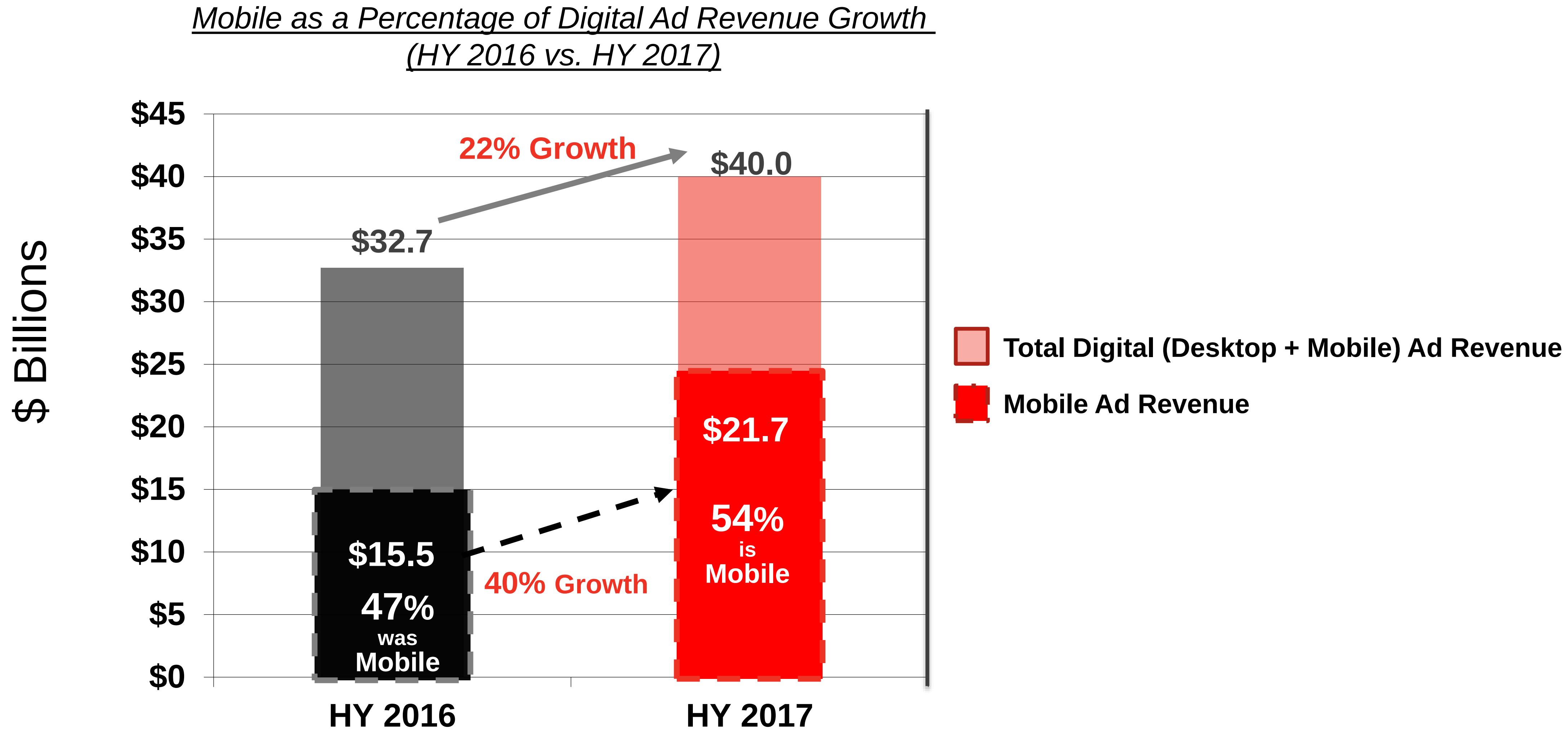
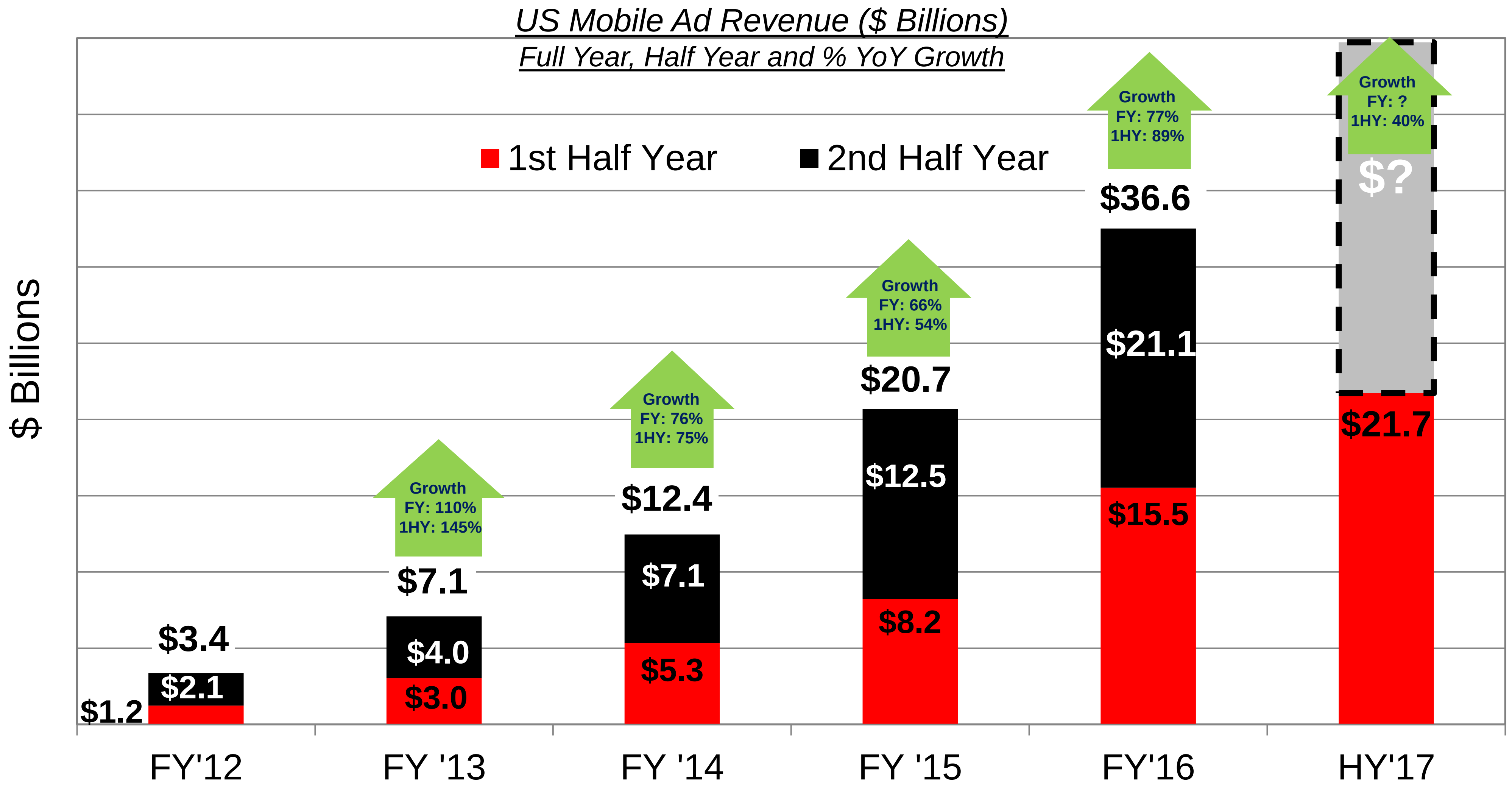
Mobile Has Grown to Account for Over Half of Digital Ad Revenue for HY '17



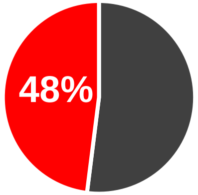
Mobile Advertising Revenue Growth: Half Year 2017 Mobile Revenue is Larger Than Full Year Mobile Revenue Was Just 2 Years Ago



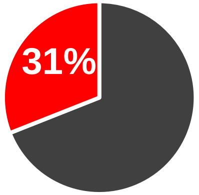
Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.

All Formats Grow from a Year Ago

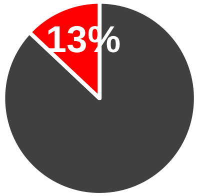
<u>**% of Total Digital Ad Revenue**</u>



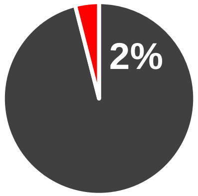
- **<u>Search</u>: Total search ad revenue (mobile + desktop) is up 18% to $19.1 billion**



- **<u>Banner*</u>: Total banner advertising (mobile + desktop) is up 25% to $12.4 billion**



- **<u>Video</u>: Total video ad revenue (mobile + desktop) is up 36% to $5.2 billion**

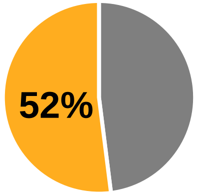


- **<u>Audio</u>: Total audio ad revenue (mobile + desktop) is up 42% to $603 million**

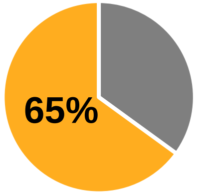
**Includes banners, rich media and sponsorships.*

Shift to Mobile: Strong Mobile Growth Among Digital Formats in HY ‘17

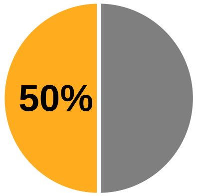
% of Each Ad Format’s Revenue That is Mobile



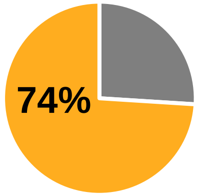
- **Search: Mobile search ad revenue is up 37% to $9.9 billion**



- **Banner*: Mobile banner advertising is up 37% to $8 billion**



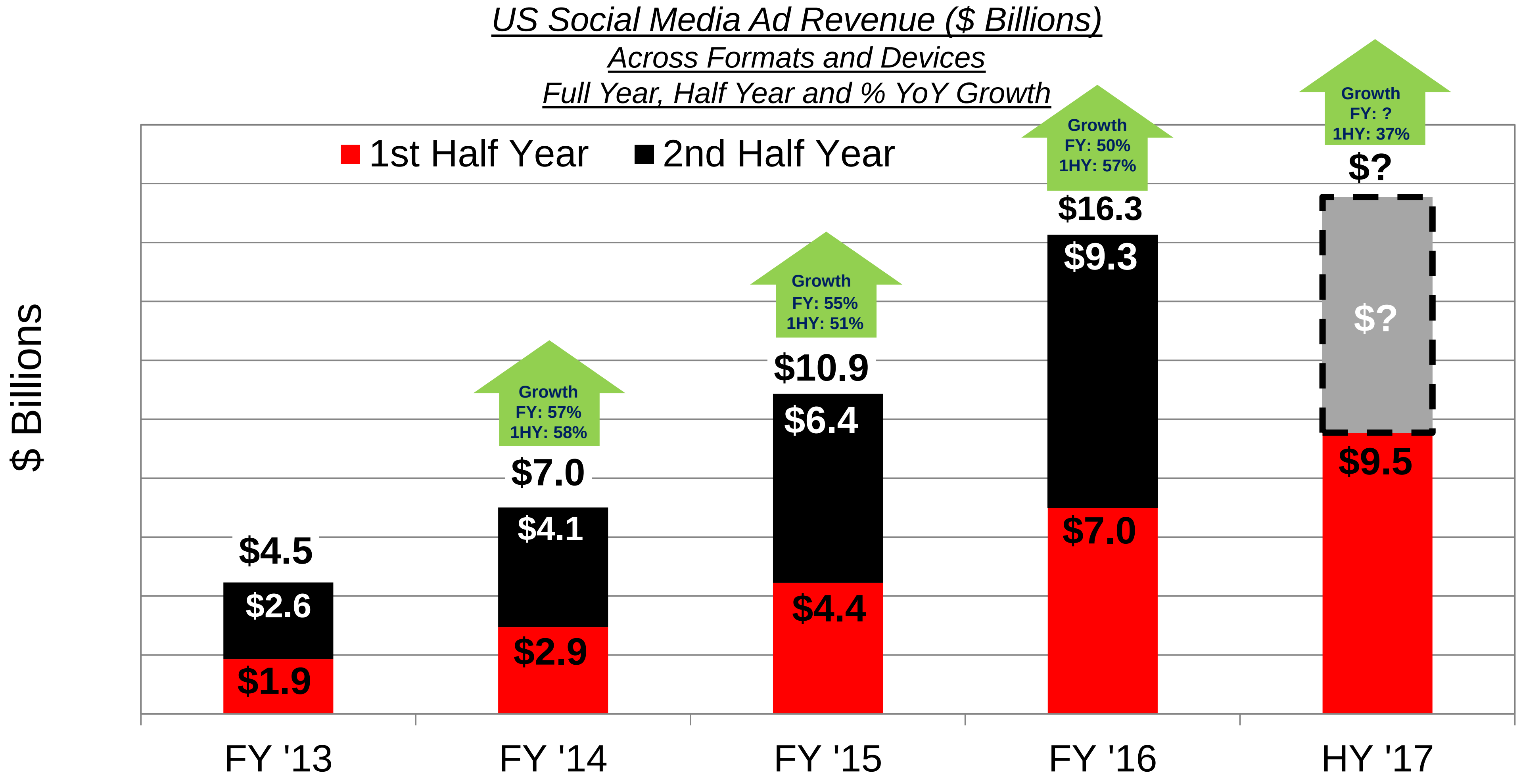
- **Video: Mobile video ad revenue is up 65% to $2.6 billion**



- **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



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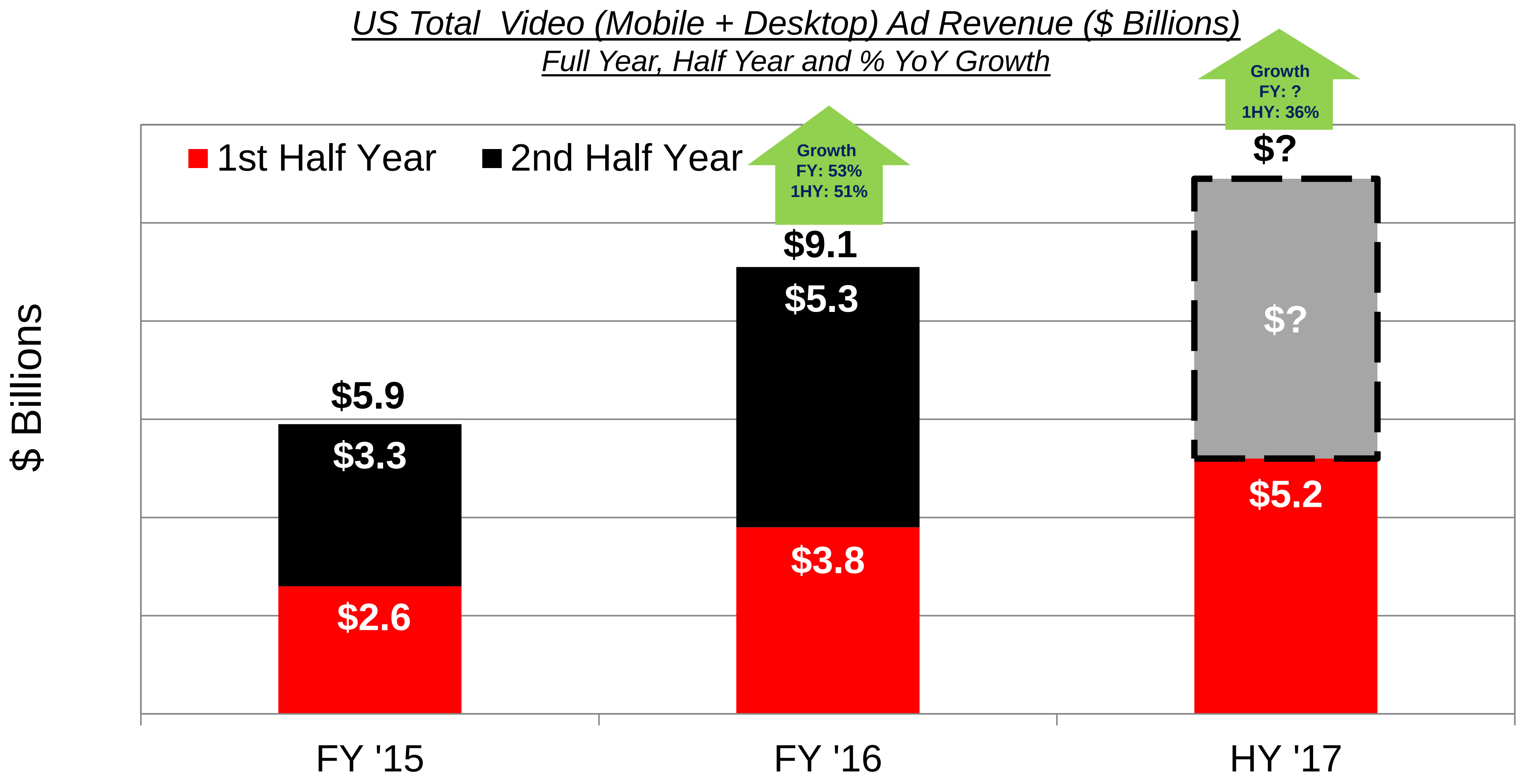
Total Video Ad Revenue (Mobile + Desktop) for First Half of 2017 Has Doubled Since HY'15



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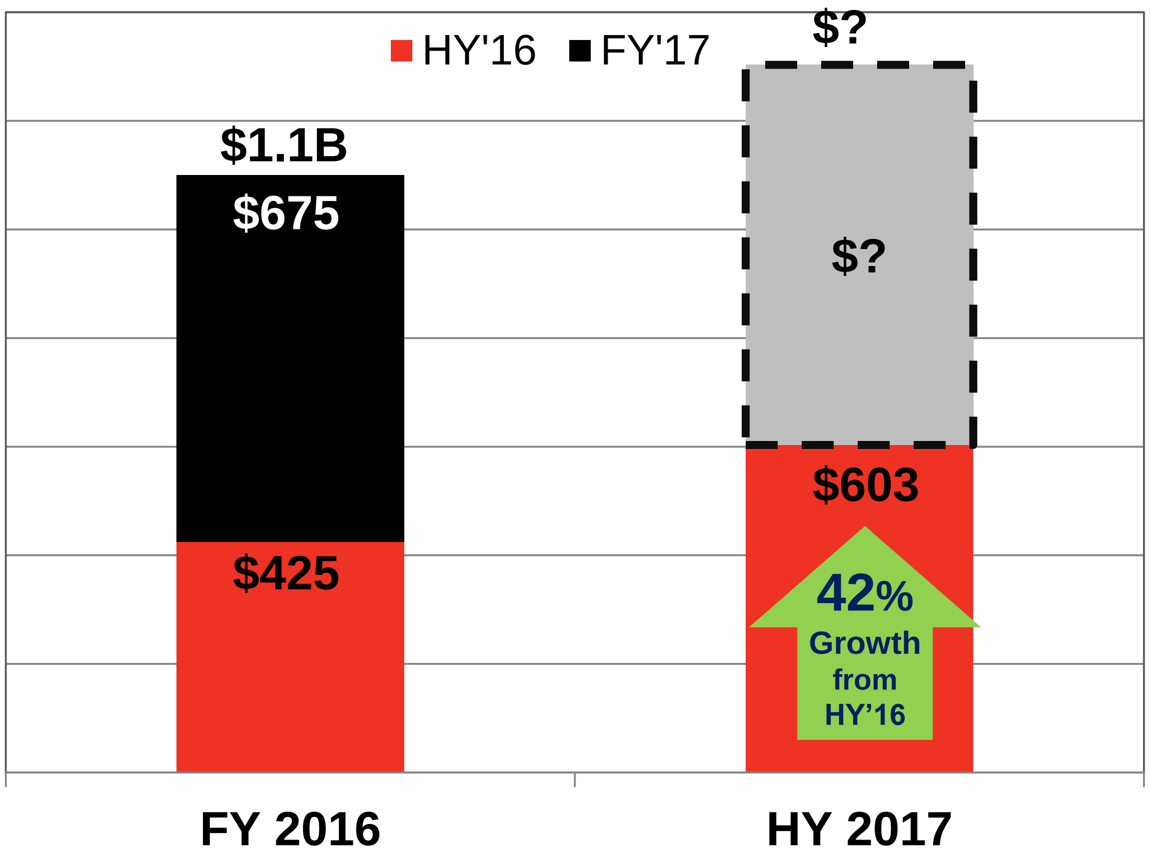
Total Audio Ad Revenue (Mobile + Desktop) Has Grown 42%

Total Audio Ad Revenue (Mobile + Desktop) ($ Millions)
Full Year, Half Year and % YoY Growth



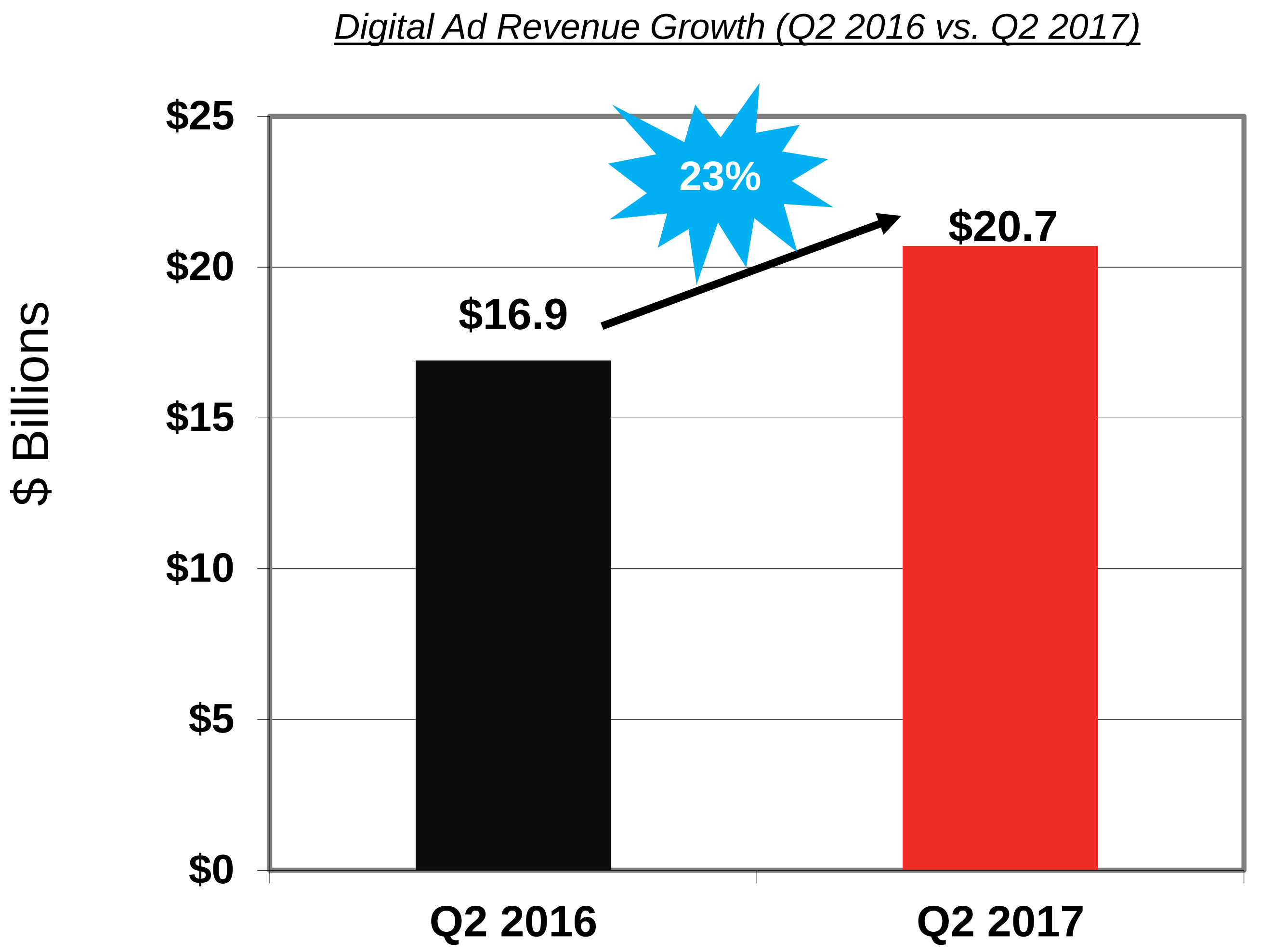
Q2 2017

IAB Internet Advertising Revenue Report

Highlights

Kristina Sruoginis, Research Director, IAB

Q2 2017 Revenue Compared to Q2 2016



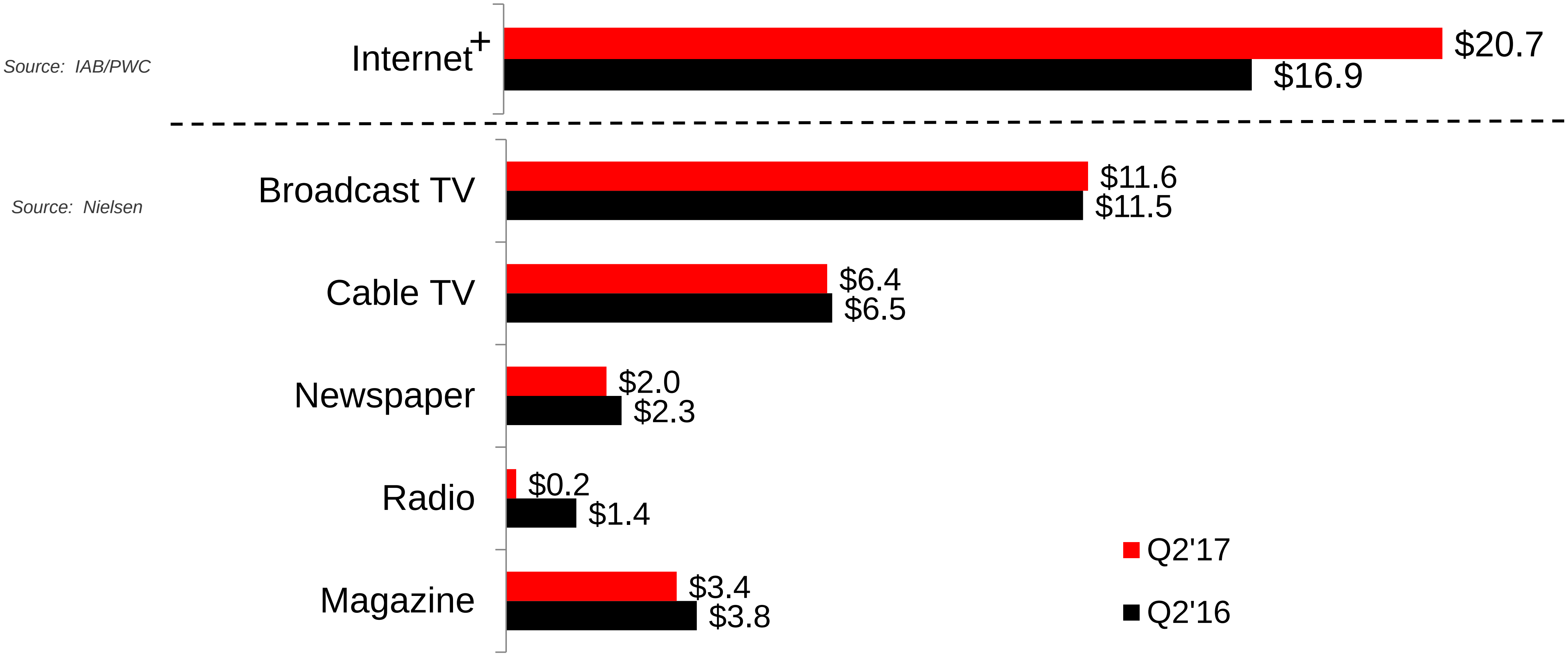
Total Media Ad Revenue Change (Q2 2016 vs. Q2 2017)

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)



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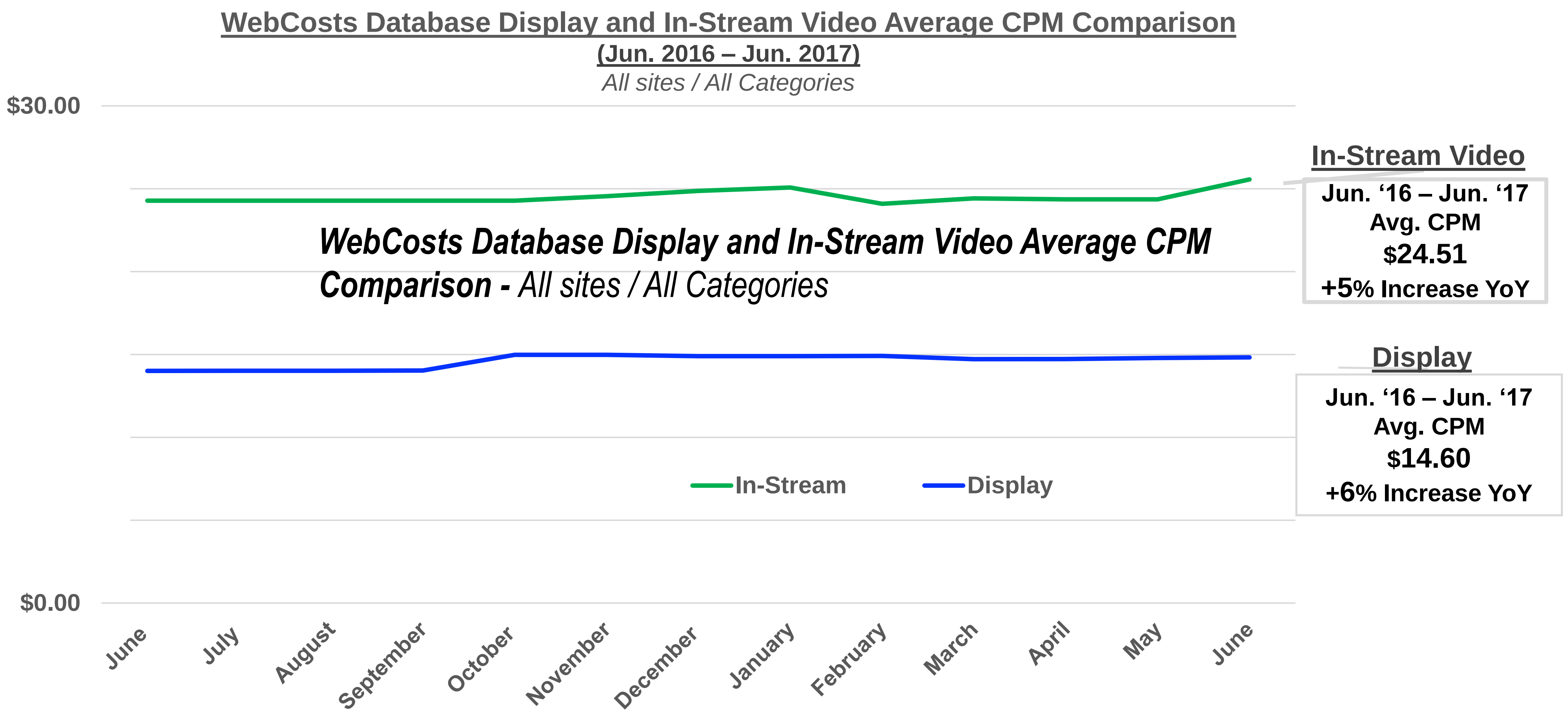
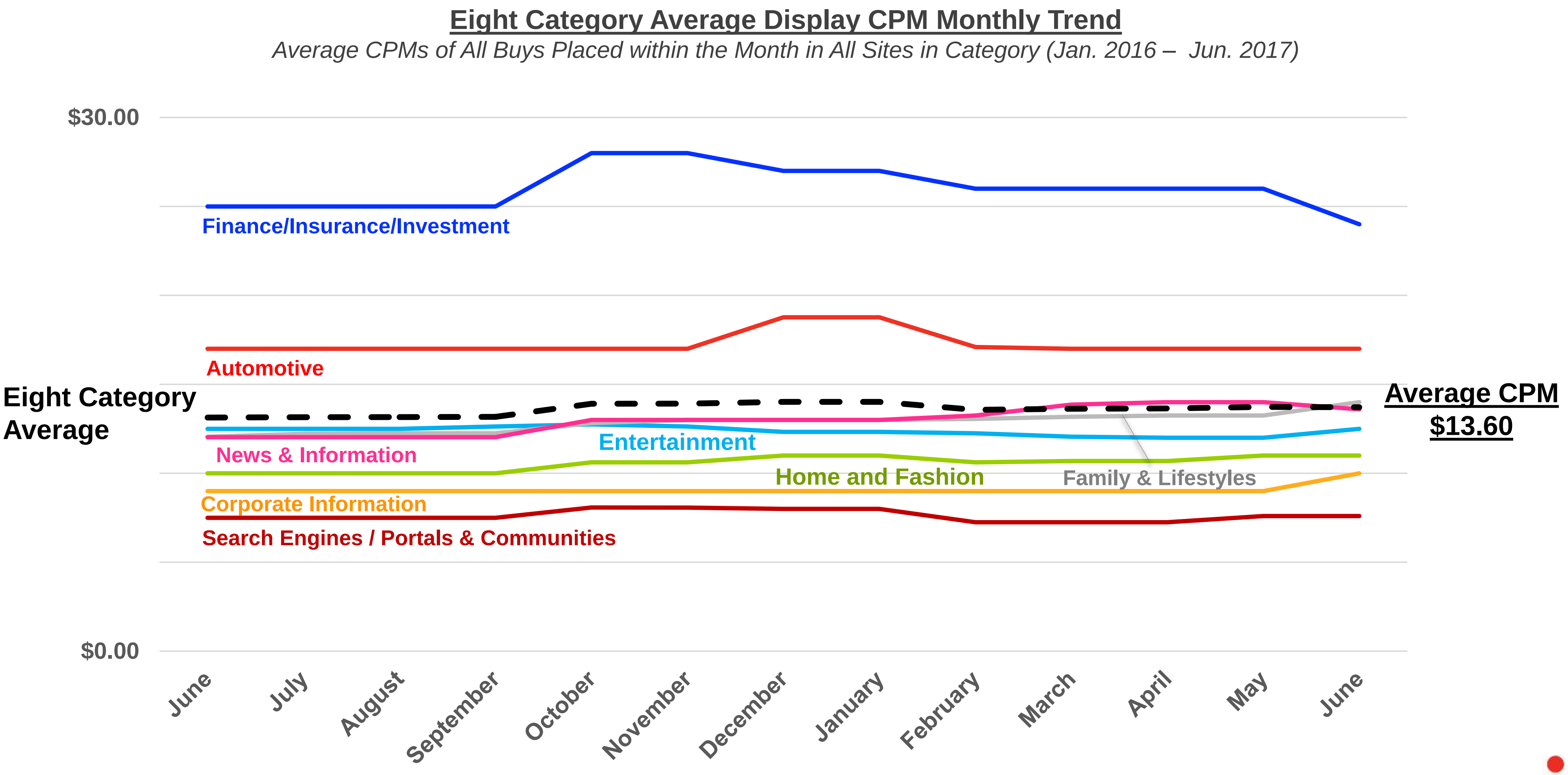
+Source: IAB Half Year 2017 and Q2 2017 Internet Advertising Revenue Report
Source: Nielsen HY 2017, Nov. 2017

Average CPM Monthly Trend: Display and In-Stream Video



Source: WebCosts Database, SQAD.com

Average CPM Monthly Trend Across Eight Display Categories



Source: WebCosts Database, SQAD.com

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

HY 2017

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**

Local and Small/Medium Business Are Numerous and Engaged

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:

80%	15%	45%	63%
Say they buy advertising via self-service platforms (e.g. Facebook, Twitter, etc.)	Say they are buying programmatically	Say they are buying SEM	Say they expect to increase their digital spend in coming 12 months

Source: Borrell Associates

Gaining A Better Understanding

- **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

Key Takeaways:
Half Year 2017 Digital Ad Revenue Up 22% to $40 Billion

- **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.*

Key Takeaways:
Half Year 2017 Digital Ad Revenue Up 22% to $40 Billion

- **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.*

Key Takeaways:
Half Year 2017 Digital Ad Revenue Up 22% to $40 Billion

- **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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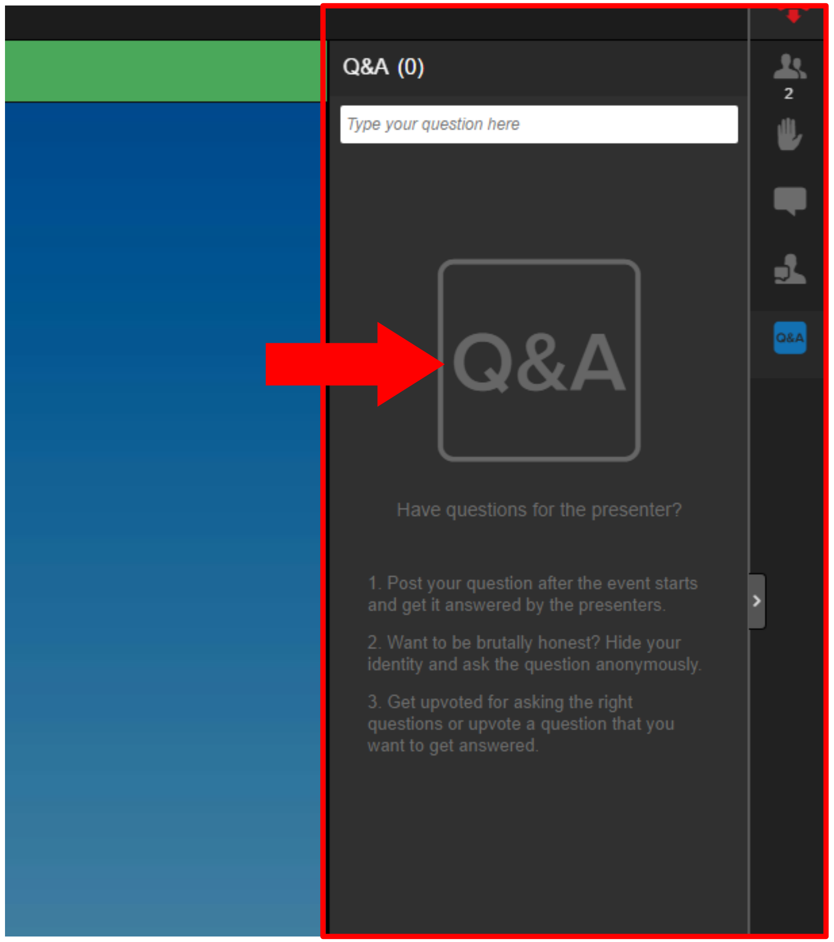

THANK YOU

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